

PUBLIC UTILITIES COMMISSION THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3168
May 24, 1995

R E S O L U T I O N

RESOLUTION G-3168. SOUTHERN CALIFORNIA GAS COMPANY (SOCALGAS) REQUESTS AUTHORIZATION TO REVISE TARIFF SCHEDULE G-IMB, TRANSPORTATION IMBALANCE TRADING AND THE RELATED RULE 30, TRANSPORTATION OF CUSTOMER OWNED GAS, IN ORDER TO CHARGE A FEE FOR MANUAL PROCESSING OF IMBALANCE TRADING AGREEMENT FORM, (FORM 6544).

BY ADVICE LETTERS 2382-G AND 2382-G-A FILED ON DECEMBER 16, 1994 AND FEBRUARY 13, 1995, RESPECTIVELY.

SUMMARY

1. On December 16, 1994, Southern California Gas Company (SoCalGas) filed Advice Letter 2382-G, seeking authorization to revise tariff Schedule G-IMB, Transportation Imbalance Trading and Rule 30, Transportation of Customer Owned Gas. SoCalGas proposed to revise its tariffs to reflect that transportation imbalance trading be solely administered through GasSelect and that Form 6544, Imbalance Trading Agreement Form be withdrawn because this will no longer be needed. On February 13, 1995, however, SoCalGas modified its original request by filing Supplemental Advice Letter 2382-G-A and proposed to charge \$13.73 for manual processing of an imbalance trade submitted by Form 6544 as allowed under D.90-09-089. D.90-09-089, issued on September 15, 1990, authorized SoCalGas to implement the imbalance trading program for core and non-core transportation only customers and to charge the participants for the service. This led SoCalGas to develop GasSelect system.
2. GasSelect is an electronic medium designed to enhance the ability of customers/marketers/aggregators to manage gas supplies and to obtain pertinent information regarding SoCalGas' operations including nominations, access to meter usage data, imbalance trading, and data retrieval.
3. Sunrise Energy Services, Inc. (Sunrise) protested Advice Letter 2382-G because it believes that SoCalGas' proposal will "force any shipper that participates in imbalance trading to use SoCalGas' GasSelect program and that this will undermine Resolution G-3121. Sunrise also protested SoCalGas'

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Supplemental Advice Letter 2382 G-A and alleges that SoCalGas' proposed fee "is excessive" and that it "bears no relationship to SoCalGas' costs." The first protest is mooted by SoCalGas' Supplemental Advice Letter 2382-G-A, and the second one is denied.

4. This Resolution approves SoCalGas' request, since it offers more flexibility to traders who choose to trade their imbalances and because the charge for processing an imbalance trade is reasonable.

BACKGROUND

1. Transportation Imbalance Service is described in Schedule G-IMB. The service is for individual customers, marketers, and aggregators when their usage differs from their transportation deliveries to the utility's system or their targeted sales gas quantities purchased and delivered by utility. The service has four components: Imbalance Trade, Balancing Service at no charge, Standby Procurement, and Buy-Back. Imbalance quantities (negative or positive) remaining at the end of the designated imbalance trading period and which are outside the 10% tolerance band are billed at the Standby Procurement Charge (150% of the applicable core subscription procurement charge) or purchased by utility at the Buy-Back Rate (50% of the applicable subscription procurement charge) if not traded.

2. Schedule G-IMB permits the trading of customers' cumulative monthly imbalances either through GasSelect or by telefaxing Form 6544, starting from the fifth day following the imbalance notification until the twentieth of the same month. SoCalGas did not charge for imbalance trades when the program was implemented because its costs were embedded in rates. In the utility's general rate case (GRC) Application A.92.11-017, SoCalGas requested funds to upgrade GasSelect system. The Commission denied SoCalGas' request in D.93-12-043, issued December 17, 1995. However, SoCalGas was authorized to file tariffs to recover GasSelect costs from customers who use the GasSelect services, consistent with D.90-09-089.

3. By Advice letter 2272-G, filed on February 15, 1994, SoCalGas complied with D.93-12-043. SoCalGas did not request authorization to charge a fee for processing Form 6544 as it did for the use of GasSelect for imbalance trading and other purposes. Resolution G-3121, issued on September 15, 1994, approved SoCalGas' request with modifications, particularly that GasSelect service should not be mandatory for transportation only customers.

4. Initially, by Advice Letter 2382-G, SoCalGas proposed that Schedule G-IMB and Rule No. 30 be revised so that imbalance trading would be solely administered through GasSelect and that Form 6544 be withdrawn because it would no longer be necessary. SoCalGas states that all transportation imbalance trades have been processed manually whether they were submitted through the GasSelect system or by telefax, because the system was not fully automated. SoCalGas seeks to discontinue imbalance

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trading by telefax as soon as the system is fully automated because the process is cumbersome and complicated. The following activities are involved:

1. Retrieving the telefax or GasSelect trade for review.
2. Matching the telefax with the trading partner's telefax.
3. Validating the traded volumes with information received from the billing process.
4. Notifying the trading partners by telefax that the trade has been completed.
5. Notifying SoCalGas' billing department that a trade has occurred so that the imbalance can be cleared from the trader's account.

5. SoCalGas points to the following six advantages of a fully automated imbalance trading process:

1. Reduced costs for the imbalance traders - Reduced time for initiating a trade.
2. Reduced costs for utility to provide imbalance trading service - Reduced overhead due to elimination of manual processing.
3. Higher level of security - Verification of customer authorization and validation for a trade is done instantly unlike manual process.
4. Greater ease and convenience for imbalance traders - A trader will know how a specific trade will affect current imbalance and storage volumes and receives error notices.
5. Enhanced Services - Traders will have access to trading summary reports.
6. Advertising for potential trading partners - Imbalance traders can advertise imbalance to potential trading partners.

6. According to SoCalGas, GasSelect service includes access to nominations, storage account summaries, daily gas usage, energy management data, E-mail and bulletin boards. SoCalGas charges transportation customers \$47.00 a month and additional \$0.45 per minute connect charge while marketers and aggregators are charged \$415.00 per month and additional 0.45 per minute connect charge because they represent several customers. SoCalGas states that for the month of March 1995 there were 180 imbalance trades, of which 159 were conducted through GasSelect while 21 trades or 12% were executed by telefax. SoCalGas believes that this number would decline because five of the eight customers that created the 21 trades have already subscribed to GasSelect.

7. SoCalGas revised its original request by filing Supplemental Advice Letter 2382-G-A on February 13, 1995, proposing that the imbalance trading be administered either through GasSelect or Form 6544. SoCalGas proposed to charge \$13.73 for manual processing of an imbalance trade submitted by telefax. SoCalGas states that the charge is based on cost to

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provide the service as authorized by D.90-09-089 (Appendix A at page 8).

NOTICE

1. Public notice of this filing has been made by publication in the Commission's calendar and by mailing copies to interested parties specified in Section III-G of General Order 96-A and to all parties of record in A.92-11-017.

PROTESTS

1. The Commission Advisory and Compliance Division received one timely protest to Advice Letter 2382-G from Sunrise Energy Services, Inc. (Sunrise) on January 4, 1995. SoCalGas responded on January 12, 1995. Also, on March 6, 1995, Sunrise filed a timely protest to Supplemental Advice Letter 2382-G-A, to which SoCalGas responded on March 14, 1995.

2. Sunrise's initial protest contends that "SoCalGas seeks to undermine Resolution G-3121 by proposing that all imbalances trading be accomplished through GasSelect." Sunrise supports its contention by citing Ordering Paragraph 1 (vii) at page 11 of G-3121, which directs SoCalGas to "revise its tariff sheets so as not to make GasSelect service mandatory for its transportation only customers;" Sunrise asks the Commission to reject SoCalGas' proposal "because it seeks to increase rates for all customers that participate in imbalance trading."

3. In response, SoCalGas believes that "Sunrise has misrepresented or misunderstood the intent of Advice Letter No.2382-G. SoCalGas states that "Imbalance trading is an optional service available for customers who choose to trade their imbalance rather than manage their deliveries to remain within the tolerance band." SoCalGas contends that using GasSelect is less expensive because "All trades submitted through telefax incur the added expense of manual data entry into GasSelect by a SoCalGas employee and this added expense is paid for by all ratepayers, rather than by the party submitting the trade by telefax." SoCalGas adds that trading imbalances using GasSelect is more efficient than trading through telefax and therefore, requests the Commission to reject Sunrise's protest.

4. Sunrise also protested SoCalGas' Supplemental Advice Letter 2382-G-A, which reinstates the use of Form 6544 because SoCalGas proposed to charge a fee for manual processing of the form. Sunrise believes the \$13.73 (revised) charge "is excessive and bears no relationship to SoCalGas' additional costs associated with receiving and processing telecopied requests for imbalance trades." Sunrise alleges that SoCalGas proposed a high fee in order to influence a customer's choice in favor of GasSelect. Sunrise also contends that SoCalGas' trading form is less efficient when compared with another utility. Accordingly, Sunrise urges the Commission to decide

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the pricing method SoCalGas should use for the determination of the charge and for SoCalGas to revise its fee.

5. SoCalGas maintains that its charge is based on avoided long run marginal costs, these are costs SoCalGas claims would be avoided in the long run for not processing imbalance trade form manually. SoCalGas also states that regardless of how many transactions are on a form, it would take the same amount of time to process each transaction manually.

DISCUSSION

1. CACD has reviewed SoCalGas' Advice Letters 2382-G and 2382-G-A, Sunrise's protests, and SoCalGas' responses to them. In addition, CACD had several discussions with SoCalGas on its proposals. Sunrise's first protest is not discussed because the supplemental filing satisfies its concerns that SoCalGas wanted to make GasSelect mandatory for transportation only customers contrary to Resolution G-3121 and also impose additional costs on them.

2. It is understandable that imbalance trading information is confidential, and as a result, SoCalGas proposed two options for its transportation only customers to transmit or communicate this information either through GasSelect or trading Form 6544 to SoCalGas. SoCalGas advises that prior to the full automation of GasSelect, trades submitted in both ways required employee involvement in the processing. SoCalGas states that with full automation of GasSelect, employee involvement is no longer necessary. Because employee involvement requires time, human resources, materials and equipment, SoCalGas wants to recover these costs. CACD believes that since GasSelect customers pay for its use, it is only fair to charge those customers that request trades sent by telefax to avoid subsidy to any customer because all trades are eventually processed through GasSelect.

3. SoCalGas' supplemental advice letter seeks authority to change Schedule G-IMB and Rule No. 30 to reflect that manual processing of imbalance trading received by telefax will now cost \$13 per transaction. SoCalGas intends to take advantage of the provision contained in Appendix A, page 8 of D.90-09-089. This states that:

"Noncore customers may trade imbalances to avoid liability for them. The utilities may administer trading programs. If they do so, related costs shall be recovered, if at all, solely from the participants in the trading program."

4. Initially, SoCalGas stated that the \$13 charge was based on identifiable costs to process an imbalance trade submitted by telefax. In response to Sunrise's protest, SoCalGas reduced the charge to \$12.50 because SoCalGas inadvertently included labor charges for administrative and general (A&G) in the calculation. On March 24, 1995, SoCalGas refined its calculation based on avoided long run marginal costs. SoCalGas

proposed a new charge per transaction of \$13.73. CACD has reviewed SoCalGas' original development of the \$13 charge, its amendment and the latest revision based on the avoided long run marginal cost method. CACD finds SoCalGas' method of developing the charge appropriate and that the requested amount is just and reasonable. CACD recommends Commission approval of the \$13.73 charge for manual processing of trades submitted by imbalance trading form. Sunrise's request that the \$13.73 charge is excessive and that its development is based on "embedded cost" approach is not supported.

5. CACD further recommends that SoCalGas revise its tariff Schedule G-IMB, sheet 1 of 4, as in Appendix A.

FINDINGS

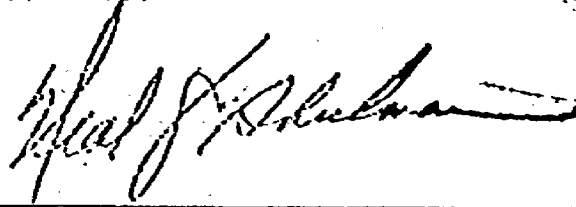
1. D.90-09-089 authorized SoCalGas to recover costs of imbalance trading program from the participants.
2. SoCalGas filed Advice Letter 2382-G, requesting approval to revise Schedule G-IMB and Rule No. 30 specifying that imbalance trading be conducted solely through GasSelect and that Form 6544 be withdrawn.
3. Sunrise's initial protest that GasSelect is optional and not mandatory as SoCalGas proposed is moot because SoCalGas subsequently filed a supplemental advice letter to modify its request.
4. SoCalGas filed Supplemental Advice Letter 2382-G-A and proposed to revise its original request to include that imbalance trading be facilitated either through GasSelect or Form 6544 and charge \$13.73 for manual processing of trades submitted by imbalance trading agreement form.
5. Sunrise's filed protest that the \$13.73 charge for manual processing of an imbalance trade received by telefax is excessive and that the charge is based on "embedded cost" approach is denied.
6. SoCalGas' request in Advice Letter 2382-G-A is less restrictive than the initial request because it gives imbalance traders another option in addition to GasSelect for accomplishing their trades.
7. Revision of Schedule G-IMB under "Description of Service" to include the option of trading by either GasSelect or Form 6544 may increase participation in transportation of customer owned gas activity.
8. SoCalGas' revisions to its tariffs as proposed in Advice Letter 2382-G-A are reasonable.

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THEREFORE, IT IS ORDERED that:

1. Southern California Gas Company (SoCalGas) is authorized to revise its Schedule G-IMB and Rule 30 that manual processing of Imbalance Trading Agreement Form (Form 6544) will cost \$13.73 per trade as requested by Supplemental Advice Letter 2382-G-A.
2. SoCalGas shall file a supplemental advice letter to revise Schedule G-IMB under "Description of Service" as indicated in Appendix A, to show that imbalance trading can be facilitated either through GasSelect or Form 6544 within 10 days after the approval of Resolution G-3168. This advice letter shall be marked to show that it has been approved by Resolution G-3168. The supplemental advice letter shall be effective on filing.
3. Advice Letter 2382-G-A and the accompanying tariff sheets shall be marked to show that they were approved by Commission Resolution G-3168.
4. Sunrise's second protest is denied.
5. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on May 24, 1995. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
Commissioners