

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**ENERGY DIVISION**

**RESOLUTION G-3213  
JUNE 25, 1997**

**RESOLUTION**

**RESOLUTION G-3213. SAN DIEGO GAS & ELECTRIC COMPANY SEEKS COMMISSION APPROVAL OF A CONTRACT WITH PACIFIC BELL CONCERNING SPECIAL NATURAL GAS METERING PROVISIONS APPROVED.**

**BY ADVICE LETTER 1043-G FILED ON MARCH 5, 1997.**

**SUMMARY**

1. By Advice Letter 1043-G, San Diego Gas & Electric Company (SDG&E) seeks Commission approval of a contract (Contract), dated February 27, 1997, between SDG&E and Pacific Bell (PacBell) relative to special natural gas metering provisions. The Contract (designated as Special Contract 276), addresses PacBell's concern about the appearance of standard gas meter installations being located outside of numerous small equipment sites. The use of information from customer-owned time measurement devices would be substituted for natural gas meters in determining natural gas usage at each site. Terms of the Contract would require SDG&E to deviate from Gas Tariff Rule 2 (Rule 2) Description of Service, and Gas Tariff Rule 18 (Rule 18) Meter Tests and Adjustment of Bills.
2. No protests were filed.
3. This Resolution approves SDG&E Advice Letter 1043-G with the following provisions: (1) SDG&E shall bill PacBell monthly as provided by Schedule GN-1, for at least the nonvolumetric portion of bills,(2) one in twenty nodes shall be metered with metered sights dispersed throughout SDG&E's territory and located so as to minimize their intrusiveness.

**BACKGROUND**

1. PacBell is in the process of making system improvements that involve the installation of numerous small equipment sites (nodes). Over a two-year period, 850 nodes are to be installed throughout SDG&E's service territory. A node is a distribution center that is designed to service approximately 420 homes. Absent any gas or electric meters, each one of these nodes is tentatively planned to be approximately 6 feet long, 2 feet wide, and 5 feet high.

2. Each node contains equipment designed to utilize both electric and natural gas service from SDG&E. In addition to transformation equipment, the node contains two backup power sources, batteries, and a 6.5 kilo-watt generator fueled by natural gas. The generation unit would provide customers with access to telephone service including 911 services during periods when SDG&E's system is unable to deliver electricity to the node.
3. Provision of gas service to these nodes by SDG&E through typical metering equipment would only add to the ungainly appearance of these box-like green structures. Standard meter installations can not be situated inside the nodes for safety reasons. Yet, PacBell is concerned about the additional negative visual impacts of locating metering equipment near these nodes.
4. SDG&E believes that unmetered service is not feasible, despite PacBell's concern about visual intrusiveness. The natural gas usage associated with the nodes is very small but potentially unpredictable. The generator contained in each of the eventual 850 nodes would, excluding electric system outages, run for about one half hour per month, for the purpose of testing the equipment, and use approximately one half therm per month. During electric system outages affecting any node(s), back-up generator(s) might be run to provide telephone service.
5. The Contract represents SDG&E's effort to accommodate PacBell's concern regarding the additional visual effect of locating metering equipment outside each node. SDG&E believes that the small load of the back-up generators lends itself to time measurement for estimation of therm usage. Parties thus agreed on the use of customer-owned Hobbs meters to determine the amount of natural gas consumed at each node. The Hobbs meter is designed to record the hours of operation of appliances, such as the stand-by generator, and is small enough to be contained within the node cabinet.
6. SDG&E proposes to bill each node as a separate GN-1 account. Monthly revenues, assuming the 850 nodes, would total \$4,250 for customer charges plus several hundred dollars for volumetric charges.
7. Parties have further agreed that PacBell would provide SDG&E with meter reads, as well as visual access to the meters for verification. SDG&E reserves the right to install a gas meter on any node at any time to verify the accuracy of the Hobbs meters.
8. The use of the Hobbs meter would at least eliminate one source of visual intrusion. SDG&E, however, still must install the necessary gas piping and regulator set as well as the electric meter. SDG&E intends to do so as closely as practical to the nodes to minimize the additional negative visual impact.
9. By this Advice Letter, SDG&E is seeking a deviation from the standards for meter testing and accuracy prescribed by Sections B. and C. of Rule 18. Under Section

B., errors in registration in excess of one percent over or two percent under the proven registration are not acceptable for standard meter installations. The time measurement devices specified in the Contract measure operational hours of appliances, rather than therms or cubic feet of gas. These time measurements would then be used to estimate natural gas usage, in variance with the standards for accurate measurement set forth in the Rule. Section C., regarding meter testing, would not apply, since the Hobbs meters would be installed, owned, maintained, and operated by PacBell.

10. SDG&E is also seeking a deviation from Rule 2, Section D, because of the way that it will determine the number of therms for billing purposes. The Hobbs meter measures the amount of time that an appliance (a small generator in this case) operates. The Contract sets forth a formula for SDG&E to use to estimate therm usage from the time measurement data of the Hobbs meter. Therm usage is derived by multiplying the hours of operation of the generator by the name plate heat rate of each unit at start-up (BTU/KWH) and the rated capacity (KW) divided by 100,000.

#### NOTICE

1. SDG&E Advice Letter 1043-G was served on other utilities, government agencies, and to all interested parties who requested such notification, in accordance with the requirements of General Order 96-A.

#### PROTESTS

1. No protests were received by the Energy Division.

#### DISCUSSION

1. In order to approve the Contract, we must allow SDG&E to deviate from Rule 18, Sections B. and C. which relate to meter accuracy. The small therm usage associated with the nodes lends itself to usage estimation, since the dollar value of estimation errors would be relatively minor. Expected annual revenues from volumetric charges would be several thousand dollars, compared to over \$50 thousand in customer charge revenues.

2. Contract terms are in variance with Section B. of Rule 18 in that usage estimates derived from Hobbs meter reads can not meet prescribed standards for accuracy. The purpose of Gas Rule 18 is to protect customers from over-billing and all other utility ratepayers from the revenue impacts of under-billing. In general, appropriate billing requires accurate determination of the number of therms for billing purposes. By this Contract, Parties have agreed to estimate gas usage from operational hours as tracked by Hobbs meters, rather than measuring the flow of gas.

3. The Contract provides some protection against under-billing. The formula specified for estimating therm usage from Hobbs meter reads is designed to yield a high estimate. The formula employs the rated capacity of the generators, which will over-estimate usage when units are run at less than full capacity. The formula also employs the heat rate of the generators at start-up, which is considered the least efficient period of operation. In order for the formula to yield a low usage estimate, the Hobbs meters would have to counter these impacts with a low time measurement. SDG&E also reserves the right to install a meter on any node at any time to verify the accuracy of the Hobbs meter.

4. PacBell's interest in exchanging standard metering for usage estimation is to reduce the visual intrusiveness of its facilities. By this Contract, PacBell has elected the over-billing potential in order to facilitate public acceptance of its facilities. The terms of the Contract presume customer responsibility for its own protection from inaccurate meter reads, since the time measuring devices are to be owned, operated, maintained, and read by PacBell. In view of the size and capability of PacBell, this assumption of responsibility is not unreasonable. PacBell executed this Contract at its own discretion, and the dollar magnitude of the volumetric charges is relatively small.

5. Any over-billing potential built into the design of the usage estimation formula is entirely appropriate to protect SDG&E's other ratepayers from subsidizing PacBell. PacBell incurs the over-billing potential as part of the cost of an improved appearance for its facilities, not unlike the cost of regular coats of green paint.

6. Allowing SDG&E to deviate from Rule 18, Section C., regarding Adjustment of Bills, would potentially relinquish some protection against billing errors caused by inaccurate meter reads. Rule 18 provides for back-billing in the event of meter inaccuracies. Technically, SDG&E's retained right in the Contract to install a gas meter only applies proactively. PacBell's incentive to avoid gas meter installations, combined with the small magnitude of volumetric charges, is presumably sufficient to insure PacBell's good faith effort to appropriately compensate SDG&E.

7. Contract approval also necessitates a deviation from Rule 2, Section D, because of the way therm usage would be determined for billing purposes. As described previously, therm usage would be estimated from operational hours of the generators using the formula specified in the Contract. Granting SDG&E's request to deviate from Rule 2 is reasonable. Because of the low volume of usage associated with the nodes, estimation errors will tend to be minor, will likely result in over-billing, and are out-weighted by the merits of the proposal.

8. Timeliness of billing is of concern due to PacBell's status as a core gas customer. The Contract provides that PacBell is obligated (Section II-A) to provide SDG&E with meter reads of each Hobbs meter identified by node site on a monthly basis. However,

SDG&E's obligation (under Section III-A) to provide PacBell with monthly bills or to diligently collect is not similarly set forth, conditioned as it is upon "SDG&E's reasonable ability to process such bills." Lack of diligence in this regard will constitute sufficient reason for us to require gas meters at node sites. We also exhort SDG&E to exercise due diligence in confirming the accuracy of Hobbs meter reads whenever the situation warrants.

9. The Contract is a reasonable solution to a business problem. However, any failure on SDG&E's part to collect all due revenues on a timely basis or any other breakdown resulting in lengthy billing lags or a finding that usage estimates from Hobbs meters are invalid for any reason will constitute sufficient basis for this Commission to withdraw its Contract approval.

#### FINDINGS

1. On March 5, 1997, San Diego Gas & Electric Company (SDG&E) filed Advice Letter 1043-G requesting approval of a Contract with Pacific Bell (PacBell) relative to special metering provisions.
2. PacBell is in the process of making system improvements that involve the installation of numerous equipment sites (nodes). Each of these eventual 850 nodes would contain equipment that utilizes natural gas service from SDG&E and be served as a separate GN-1 account.
3. Absent any gas or electric meters, these nodes can be described as box-like green structures, approximately 6 feet long, 2 feet wide, and 5 feet high.
4. Provision of gas service to these nodes by SDG&E through typical metering equipment would only add to the ungainly appearance of the nodes, since standard meter installations can not be situated inside the nodes.
5. PacBell's interest in substituting the Hobbs meters, time measurement devices (for standard gas meters is to reduce the visual intrusiveness of the nodes.
6. The natural gas usage associated with the nodes is very small but potentially unpredictable. Excluding periods when SDG&E is unable to provide electric service to the nodes, monthly revenues, assuming the 850 nodes, would total \$4,250 for customer charges plus several hundred dollars for volumetric charges.
7. Time measurement data from Hobbs meters will be used to estimate therm usage, by means of a formula specified in the Contract. The therm usage formula is designed to yield a high estimate, employing as it does, the rated capacities and start-up heat rates of the generators within the nodes.

8. Parties have agreed that PacBell would provide SDG&E with meter reads, as well as visual access to the meters for verification. SDG&E further reserves the right to install a gas meter on any node at any time to verify the accuracy of the Hobbs meters.

9. In order to approve the Contract, we must allow SDG&E to deviate from Gas Tariff Rules 2 and 18.

10. Deviation from Section B. of Gas Tariff Rule 18 is reasonable because Contract terms provide protection against under-billing, which is the least equitable outcome. To the extent that an over-billing potential exists under Contract terms, that potential is reasonable since PacBell has accepted it as a desirable means of improving the appearance of the nodes and thus facilitating public acceptance.

11. Any over-billing potential built into the design of the usage estimation formula is, moreover, appropriate to protect SDG&E's other ratepayers from subsidizing PacBell.

12. Deviation from Section C of Gas Tariff Rule 18 is reasonable because PacBell's incentive to avoid gas meter installations is presumably sufficient to assure PacBell's good faith effort to appropriately compensate SDG&E for past Hobbs meter inaccuracies.

13. Granting SDG&E's request to deviate from Gas Tariff Rule 2 is reasonable. Because of the low volume of usage associated with the nodes, estimation errors will tend to be minor, will likely result in over-billing, and are out-weighed by the merits of the proposal.

14. Unreasonable practices or results with respect to usage estimation and timely billing will constitute sufficient cause for this Commission to withdraw Contract approval. SDG&E is exhorted to exercise due diligence in confirming the accuracy of Hobbs meter reads whenever the occasion warrants. Timeliness of billing is also imperative due to PacBell's status as a core gas customer.

15. SDG&E's request is reasonable and should be approved.

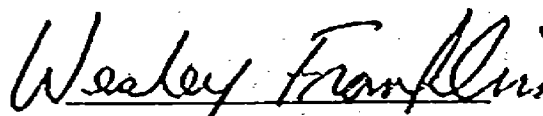
June 25, 1997

**THEREFORE, IT IS ORDERED that:**

1. SDG&E Advice Letter 1043-G is approved.
2. SDG&E Advice Letter 1043-G shall be marked to show that it was approved by Commission Resolution G-3213.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on June 25, 1997. The following Commissioners approved it:



WESLEY FRANKLIN  
Executive Director

President P. Gregory Conlon  
Richard A. Bilas  
Jessie J. Knight Jr.  
Henry M. Duque  
Josiah L. Neeper