

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

**ENERGY DIVISION**

**RESOLUTION G-3233  
APRIL 9, 1998**

**RESOLUTION**

**RESOLUTION G-3233. SOUTHERN CALIFORNIA GAS COMPANY REQUESTS AUTHORIZATION TO PROVIDE REFUNDS TO THREE QUALIFYING CORE TRANSPORTATION AGGREGATORS FOR OVERPAYMENT OF INTERSTATE PIPELINE DEMAND CHARGES. APPROVED.**

**BY ADVICE LETTER 2513 FILED ON AUGUST 5, 1996.**

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**SUMMARY**

1. As discussed below, Resolution G-3221 was vacated by Decision (D.) 98-01-058 on January 21, 1998. Resolution G-3221 had approved two separate proposals having to do with Southern California Gas Company (SoCalGas) providing refunds to Core Transportation Aggregators and their customers. Because of the complexity of the issues and the length of time that has transpired, the two refund proposals are now being split into two separate resolutions. Resolution G-3233 (this current resolution) addresses the first refund issue, which is the subject of Advice Letter (A.L.) 2513. A "companion" resolution (G-3234) addresses the other refund issue, which has to do with a refund associated with the Global Settlement.
2. By A.L. 2513, filed August 5, 1996, SoCalGas submits for filing and approval with the Commission a Core Transportation Aggregators' Refund Plan. To three qualifying participants of SoCalGas' core aggregation transportation (CAT) program, the utility proposes to refund a total of \$109,300.07: \$56,212.42 to Regional Energy Management Coalition (REMAC), \$44,245.28 to Broad Street Oil & Gas (BSOG), and \$8,842.37 to Texas-Ohio West (TOW).
3. One protest to A.L. 2513 was received by the Energy Division; it was submitted by Enserch Energy Services, Inc. (EES). EES submits that it too should receive a refund based on its participation in the CAT program.
4. This Resolution denies EES' protest and approves Advice Letter 2513 as filed. The refund amounts are amended to reflect interest accrued through the date the refund becomes effective.

## BACKGROUND

1. SoCalGas filed A.L. 2513 on August 5, 1996, proposing a one-time refund totaling \$109,300.07 to be apportioned amongst three core aggregators. This one-time credit to REMAC, BSOG, and TOW became necessary due to a change in the interim CAT rules effective October 1, 1995. Core aggregators pay to El Paso and Transwestern pipelines the prorated portion of their pipeline demand charges for gas deliveries. Prior to October 1<sup>st</sup>, based on the tariffs in effect at that time, the core aggregators recovered this demand charge directly from their core aggregation customers by billing them at the time the gas was delivered to the burner tip.
2. As a result of the October 1<sup>st</sup> changes in the CAT program (adopted by D. 95-07-048), the payment procedures changed. The core aggregators continue to pay the pipelines for the demand charges. However, the core aggregators are now precluded from billing their core customers for these demand charges. Instead, the core aggregators are reimbursed by SoCalGas once SoCalGas has confirmed that the aggregators have paid the interstate pipelines; SoCalGas gets reimbursed by billing the core aggregation customers at the time the gas is delivered to the burner tip.
3. The October 1, 1995 change in the payment methodology for interstate pipeline demand charges results in an unintentional one-time demand charge payment "disconnect" under certain circumstances. The problem occurs for those quantities of gas that were stored before October 1<sup>st</sup>, but were delivered to the core aggregation customer on or after October 1<sup>st</sup>. For that gas, the interstate demand charge was paid by the core aggregators so that gas could be transported and stored; the core aggregators then expected to be reimbursed by billing their core aggregation customers at the time the gas was delivered. However, the October 1<sup>st</sup> rule change prevented that from happening. The core aggregators were no longer permitted to bill their customers at the time the gas was delivered. Likewise, the core aggregators would not be reimbursed by SoCalGas; for pre-October 1<sup>st</sup> gas, there was no provision for SoCalGas to reimburse the core aggregators for their previously paid interstate pipeline demand charges.
4. The three core aggregators mentioned by SoCalGas in A.L. 2513 fall into the above described scenario; all of them stored gas for their core aggregation customers prior to October 1, 1995 (for which they had paid the interstate demand charge) and delivered this gas to their core aggregation customers on or after October 1<sup>st</sup> (for which they received no reimbursement from either SoCalGas or their core aggregation customers). Per the post-October 1<sup>st</sup> rules, SoCalGas eventually did receive payment for the interstate demand charges (when SoCalGas delivered gas to these customers and billed them), even though it had never incurred a demand charge expense. SoCalGas is proposing to refund this "disconnected" payment to the three core aggregators. It proposes to debit its Core Fixed Cost Account (CFCA), which is where this "disconnected" payment was originally credited.
5. On August 26, 1996, EES filed a protest to this advice letter. EES does not object to the three aggregators getting the refund amounts proposed by SoCalGas. EES asserts that it is

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entitled to a refund as well; like the other three core aggregators, it had injected gas prior to October 1, 1995, and had paid interstate pipeline demand charges on that gas. EES calculates that it deserves a refund of \$39,464.54, plus applicable interest; this would be over and above the \$109,300.07 refund identified by SoCalGas.

6. On September 3, 1996, SoCalGas filed a reply to EES' protest.
7. On September 13, 1996, EES filed a reply to SoCalGas' September 3<sup>rd</sup> reply.
8. On September 3, 1997, Resolution G-3221 was issued. Along with other matters, it approved SoCalGas' request to refund \$109,300.07, to be apportioned amongst the three aggregators. The resolution mistakenly stated that no protests were filed, and it did not address the issues raised by EES.
9. On September 30, 1997, SoCalGas wrote the Commission's Executive Director, requesting a stay of implementation of the refunds ordered in the resolution. The letter correctly noted that Resolution G-3221 had failed to acknowledge the protest filed by EES.
10. On October 1, 1997, EES filed an application for rehearing of Resolution G-3221. This application (A. 97-10-009) asserted that the Commission had committed legal error by issuing a resolution that failed to address the existence of EES' protest.
11. On October 2, 1997, the Executive Director issued a letter granting SoCalGas a 120-day extension to make the refunds approved in Resolution G-3221.
12. On October 3, 1997, SoCalGas also filed an application for rehearing. That application (A. 97-10-013) supported EES' assertion that EES was entitled to have the Commission address its protest.
13. On October 16, 1997, SoCalGas filed a response to EES' application for rehearing.
14. On January 21, 1998, the Commission issued D. 98-01-058, which vacated Resolution G-3221, and closed A. 97-10-009 and A. 97-10-013. This decision directed the Energy Division to prepare a new resolution in response to A.L. 2513.

#### NOTICE

1. Advice Letter 2513 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. On August 26, 1996, EES filed a protest to Advice Letter 2513. EES does not object to the refunds being proposed by SoCalGas to the three core aggregators. However, EES believes that it should also be entitled to receive a refund.
2. EES claims that, just as the other three, it had stored gas for its core aggregation customers prior to October 1, 1995. Also, just like the other three, when the demand charge payment procedure changed on October 1<sup>st</sup>, it was precluded from recovering, from its core customers, the demand charges that had been incurred when the gas was originally stored. Therefore, EES believes that it should receive a refund of \$39,464.54, plus interest, from SoCalGas.
3. In SoCalGas' reply (filed September 3, 1996) to EES' protest, SoCalGas noted that EES had not served any of the gas it stored under the CAT program to its CAT customers. Instead, EES had traded its gas in storage to noncore customers or other marketers.
4. On September 13, 1996, EES filed a reply to SoCalGas' September 3<sup>rd</sup> reply.

## DISCUSSION

1. The Energy Division has reviewed Advice Letter 2513, and has been in contact with representatives of EES and SoCalGas.
2. The payment methodology used by the core aggregators to pay the pipelines' demand charges has not changed. Both before and after the October 1, 1995 rule change, the core aggregators were and continue to be responsible for paying the interstate pipelines for their share of the assigned firm interstate capacity.
3. Decision 95-07-048 does change the way core aggregators are reimbursed for their interstate pipeline demand charges. Prior to October 1, 1995, core aggregators were allowed to bill their core customers directly (at the time the gas was delivered to the burner tip) to recover their demand charges. Beginning October 1<sup>st</sup>, a two-step reimbursement methodology was instituted: aggregators are reimbursed by SoCalGas (after SoCalGas has confirmed that the aggregators have paid the pipelines), and SoCalGas is reimbursed by billing the core aggregation customers at the time the gas is delivered to the burner tip.
4. A one-time demand charge reimbursement "disconnect" occurred because of the October 1<sup>st</sup> change. Core aggregators that stored gas before October 1, 1995, but delivered the gas on or after that date, did not have an opportunity to recover their demand charges for that gas. While it is true that core aggregators were prevented from directly recovering demand charges from their core customers, that does not mean that core aggregators had no opportunity to recover those costs. EES could have been compensated (albeit indirectly through a SoCalGas refund) had it

elected to deliver this gas to its core aggregation customers. In that scenario, EES would have been in the same situation as the other three aggregators, and received a proposed refund from SoCalGas.

5. The refunds proposed by SoCalGas should not be viewed as an effort to make core aggregators "whole" for demand charges paid prior to October 1<sup>st</sup>. Instead, these proposed refunds should be viewed as SoCalGas simply returning the dollars (that it had received from core aggregation customers) for a demand charge that it had never incurred. When SoCalGas delivered the pre-October 1<sup>st</sup> gas to the core aggregation customers, the customers' bills (which were paid to SoCalGas) included a component for the interstate demand charge. However, for the pre-October 1<sup>st</sup> gas, SoCalGas never incurred a cost for the demand charge; the pre-October 1<sup>st</sup> rules did not require SoCalGas to pay/refund a demand charge to anyone. Therefore, SoCalGas was being compensated for a cost that it never had paid.

6. EES' protest should be denied. SoCalGas should only be required to refund the "disconnected" demand charge dollars that it actually received from the core aggregation customers. Since EES' pre-October 1<sup>st</sup> gas was not delivered to core aggregation customers, SoCalGas never received any demand charge payments from those customers. Since SoCalGas never received any demand charge payments, there are no demand charge dollars to refund to EES.

### FINDINGS

1. By Advice Letter 2513, SoCalGas requests authorization to refund \$109,300.07 to three qualifying Core Transportation Aggregators: \$56,212.42 to Regional Energy Management Coalition (REMAC), \$44,245.28 to Broad Street Oil & Gas (BSOG), and \$8,842.37 to Texas-Ohio West (TOW).

2. One protest to Advice Letter 2513 was received by the Energy Division. Enserch Energy Services, Inc. (EES) filed a protest on August 26, 1996, arguing that it was entitled to a refund in the amount of \$39,464.54, over and above the \$109,300.07 proposed by SoCalGas.

3. A Core Aggregation Transportation (CAT) rule change on October 1, 1995 (adopted by D. 95-07-048) changed the way interstate pipeline demand charges were reimbursed.

4. Prior to October 1<sup>st</sup>, core aggregators were allowed to bill their customers (at the time gas was delivered to the burner tip) for reimbursement of the aggregators' demand charge payments. On or after October 1<sup>st</sup>, the core aggregators were reimbursed by SoCalGas (once SoCalGas determined that the interstate pipelines had been paid by the aggregators), and SoCalGas was reimbursed by billing the customers.

5. A one-time, unintentional payment "disconnect" resulted from this October 1<sup>st</sup> rule change.

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If core aggregation gas was stored before October 1, 1995, but was delivered on or after that date, core aggregators would not be able to recover the demand charges that they had paid to the interstate pipelines, and SoCalGas would receive payment for demand charges that it had not incurred.

6. SoCalGas is not required to reimburse demand charges to all the core aggregators who were financially harmed by the October 1<sup>st</sup> rule change. SoCalGas is required to return to the core aggregators all the demand charges received by SoCalGas for which a corresponding demand expense has not been incurred. More specifically, for pre-October 1<sup>st</sup> gas delivered on or after October 1, 1995, SoCalGas shall refund (to the aggregators who stored the gas and paid the interstate demand charges) all demand charges it received when it delivered the gas to the burner tip.

7. EES did store core aggregation gas prior to October 1, 1995; however, it did not deliver this gas to its core aggregation customers. Since this gas was not delivered to EES' core aggregation customers, SoCalGas did not bill them for demand charges, and it never received demand charge payments.

8. EES' August 26, 1996 protest is denied. SoCalGas is not required to refund demand charge dollars that it never received.

9. A.L. 2513 correctly identifies REMAC, BSOG, and TOW as being the only three core aggregators that are entitled to a one-time credit. REMAC shall receive \$56,212.42, BSOG shall receive \$44,245.28, and TOW shall receive \$8,842.37. These dollar amounts shall be adjusted to reflect the accrual of interest up to the date the refund becomes effective.

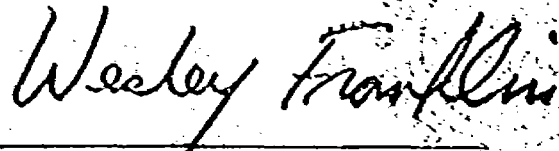
10. SoCalGas shall debit its Core Fixed Cost Account for the total amount of this refund.

**THEREFORE, IT IS ORDERED that:**

1. Southern California Gas Company's Advice Letter 2513 is approved, with the modification that accrued interest shall be added to the credited amounts.
2. The protest by Enserch Energy Services, Inc. is denied.
3. Advice Letter 2513 shall be marked to show that it was approved by Commission Resolution G-3233.
4. This Resolution is effective today.

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I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 9, 1998. The following Commissioners approved it:



*Wesley Franklin*

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WESLEY M. FRANKLIN  
Executive Director  
Richard A. Bilas, President  
P. Gregory Conlon  
Jessie J. Knight, Jr.  
Henry M. Duque  
Josiah L. Neeper  
Commissioners