

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION G-3258

September 2, 1999

RESOLUTION

Resolution G-3258. Pacific Gas and Electric Company (PG&E) Requests Approval of Revisions to its tariff Schedules, Rules, and Forms Applicable Throughout its Service Territory. Approved.

By Advice Letter 2116-G, Filed on November 6, 1998.

Summary

Pacific Gas and Electric Company (PG&E) seeks approval of revisions to its Gas Rule 14 – *Interruption of Curtailment of Natural Gas Service*, Section E – *Operational Flow Orders*, and F – *Emergency Flow Orders*, by Advice Letter (AL) 2116-G.

The revisions provide: (a) an alternate calculation methodology for non-compliance during an Operational Flow Order¹ or an Emergency Flow Order² in instances when an automated meter reader is non-functioning; and (b) a new provision pertaining to aggregation of Core Transportation or Noncore Balancing Account Aggregation group loads to comply with an Operational Flow Order, an Emergency Flow Order, or a Diversion.

PG&E requests that the tariffs be approved effective December 16, 1998 which is 40 days after the date of the filing.

Enserch Energy Services (Enserch) protests in part AL 2116-G on the grounds that PG&E has not proposed the same approach for measuring core aggregation customer group compliance with Operational Flow Orders and Emergency Flow Orders. Enserch also objects to the language PG&E has added in AL 2116-G to clarify that for purposes of complying with an Operational Flow Order or an Emergency Flow Order, the loads of Core Transport Groups and noncore customers may not be combined.

¹PG&E may declare an Operational Flow Order (OFO), when pipeline inventory is forecasted to exceed desired inventory by 200 MMcf or fall below desired inventory by 150 MMcf. During an OFO, customers must balance their supplies and usage on a daily basis.

²PG&E may declare an Emergency Flow Order (EFO) when deliveries to end-use customers are threatened and have a zero tolerance band with penalties of \$50/Dth. When operational conditions exist such that supply is insufficient to meet demand and deliveries to core end use customers are threatened, PG&E may divert gas supply in its system from noncore end use customers to core end use customers.

In its reply, PG&E points out that AL 2116-G only clarifies existing rules for noncore customers' compliance with Operational Flow Orders and Emergency Flow Orders and that the compliance of Core Transport Groups with Operational Flow Orders and Emergency Flow Orders was specified in the Gas Accord and is outside the scope of AL 2116-G.

This resolution approves AL 2116-G.

Enserch's protest is denied without prejudice as it is outside the scope of AL 2116-G.

Background

Decision (D.) 97-08-055 approved a broad settlement of issues related to various aspects of PG&E's gas business known as the Gas Accord.

Tariffs filed by PG&E pursuant to the Gas Accord were approved by Resolution G-3288.

The Accord tariffs specified that the performance of a noncore customer during an Operational Flow Order/Emergency Flow Order would be determined based on the customer's Automatic Meter Reading. If the customer did not have an Automatic Meter Reader, the tariffs specified that the noncore customer could comply with an Operational Flow Order (or an Emergency Flow Order) by matching its gas deliveries with either the customer's Average Daily Quantity or the customer's average daily metered usage. The customer's Average Daily Quantity is the average contracted usage for the month.

The Accord tariffs also provided that for a Core Procurement Group including PG&E's Core Procurement Department and Core Transport Groups, compliance during an Operational Flow Order would be based on the latest available forecast from the core load forecast model. The tariffs also specified that the calculation of penalties after the Operational Flow Order event will also be based on the core load forecast produced by the core load forecast model.

AL 2116-G modifies PG&E's Rule 14 to add a tariff provision that if a noncore customer does not have an automatic meter reading capability, the customer's penalties during an Operational Flow Order will be based on the lower of: (a) the customer's Average Daily Quantity, or (b) the customer's actual daily metered usage.

AL 2116-G also provides that when the customer's actual daily metered usage is not available (e.g. due to meter failure), the average daily metered usage for the affected premises will be substituted for the actual daily metered usage.

Notice

Notice of AL 2116-G was made by publication in the Commission Daily Calendar and by mailing copies of the filing to adjacent utilities and interested parties.

Protests

Enserch filed a protest in part of AL 2116-G on November 24, 1998, which is discussed below. PG&E filed a response to the protest on December 3, 1998. Enserch filed a "reply" to PG&E's response on December 15, 1998.

Discussion

AL 2116-G modifies language in Rule 14 to allow the "Average Daily Metered Usage" to be used for determining Operational Flow Order/Emergency Flow Order compliance when daily metered usage is not available for noncore customers. PG&E is requesting Commission authorization to use the Average Daily Metered Usage in the Operational Flow Order/Emergency Flow Order compliance calculation if:

- (a) the meter fails to call in, or
- (b) if there is a meter malfunction, or
- (c) the meter is otherwise damaged such that daily reads are not recorded, but the total usage for the month is available.

Furthermore, PG&E adds clarifying language to Rule 14 to explain that for purposes of determining compliance with either an Operational Flow Order, an Emergency Flow Order, or a supply diversion, a shipper should not be permitted to combine noncore balancing aggregation groups and core transportation groups.

Enserch does not protest the use of the Average Daily Metered Usage as a method for determining compliance with Operational Flow Orders; rather, Enserch proposes that Operational Flow Order/Emergency Flow Order procedures which currently apply to noncore customers should also apply to Core Transport Groups.

Enserch complains that like noncore customers without Automatic Meter Reading capability, core aggregation groups do not have the ability to measure customer usage on a daily basis. Therefore, Enserch argues, under current rules, core aggregation groups do not have the same daily delivery flexibility that PG&E is proposing herein for noncore customers without Automatic Meter Reading capability.

Moreover, Enserch alleges that since the implementation of PG&E's Gas Accord on March 1, 1998, PG&E has employed a new core load forecast model to predict core aggregation group gas

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usage on a daily basis. Enserch complains that from the outset of Gas Accord implementation, significant problems have arisen with the operation of PG&E's Core Load Forecast Model. Nevertheless, PG&E insists on using the daily "determined usage" as determined by the Core Load Forecast Model for the core aggregation group as the exclusive measure of whether a core aggregation group is in compliance with an Operational Flow Order (or an Emergency Flow Order) on a particular day.

Enserch proposes that the Commission direct PG&E to provide core aggregation groups with the same daily delivery flexibility that is available to noncore customers without Automatic Meter Reading capability. Specifically, Enserch requests that PG&E determine a core aggregation group's Operational Flow Order (or Emergency Flow Order) noncompliance charges based upon the difference between the gas deliveries for the group on a particular day, and either: (a) the daily "determined usage" for that day as provided in the forecasting model or (b) the average daily quantity for the core aggregation group, calculated by dividing the group's monthly quantity by the number of days in the month.

Enserch argues that its proposed approach is appropriate for two reasons: first, the approach would provide core aggregation groups with the same flexibility that PG&E is proposing in AL 2116-G for noncore customers without Automatic Meter Reading capability. Core aggregation customers and their suppliers should have the same delivery flexibility that is enjoyed by these noncore customers, Enserch believes.

In addition, Enserch argues that noncore customers without Automatic Meter Reading capability represent a small fraction of PG&E's noncore customer load. Similarly, core aggregation customers represent a small fraction (5 percent) of PG&E's core load. Relying upon average daily usage for these customers, rather than the results of the Core Load Forecasting Model, will not cause PG&E's system to swing out of balance.

Enserch does acknowledge however, that if this alternative approach was also used for PG&E's core procurement customers, the entire system would be at the risk of swinging out of balance.

PG&E explains that it is not proposing new rules for Core Transport Groups with this filing. The requirements for determining Operational Flow Order/Emergency Flow Order compliance for Core Transport Groups and noncore customers, PG&E explains, are not the same. The Operational Flow Order/Emergency Flow Order rules for Core Transport Groups were set forth in the Gas Accord. The Core Procurement Advisory Group³ in the Accord agreed to and

³The Core Procurement Advisory Group was formed during the Accord Settlement negotiations to formulate modify the core aggregation program and consisted of 51 members representing 34 parties including marketers, utilities, core customer groups, interstate pipelines, and government agencies.

recommended the use of the core load forecast model for Core Transport Groups and PG&E's core procurement group for determining compliance with Operational Flow Orders and Emergency Flow Orders.

PG&E further explains that core loads have a great amount of usage applicable to heating and are more temperature and weather dependent than noncore loads. The difference between a core customer's Average Daily Quantity or Average Daily Metered Usage and actual use will vary significantly based on daily fluctuations in temperature. PG&E suggests that the Core Load Forecasting Model provides a more realistic forecast of core loads because it considers forecasted temperatures.

PG&E points out that Enserch is requesting changes to the currently approved Core Aggregation program and the Gas Accord and suggests that the Enserch proposal should be considered a separate issue unrelated to the purpose of Advice 2116-G.

We agree with PG&E. We believe that Enserch's protest goes beyond the scope of AL 2116-G. Indeed, Enserch acknowledges that it does not protest PG&E's proposed modifications to Rule 14 for noncore customer compliance with Operational Flow Orders/Emergency Flow Orders. Instead, Enserch recommends that similar modifications should be made for evaluating the compliance of core aggregation customers with Operational Flow Orders and Emergency Flow Orders. However, the compliance of core procurement groups with Operational Flow Orders/Emergency Flow Orders is governed by special provisions under Rule 14 and is determined based on core load forecast produced by the Core Load Forecasting Model. We agree with PG&E that to change the provisions for core procurement group compliance with Operational Flow Orders will not only cause a breach of the Gas Accord Settlement, but may also result in significant errors because core loads are weather sensitive and therefore can vary significantly from one day to the next. The use of average meter reads for purposes of forecasting the actual use could therefore result in significant overestimation or underestimation. This is precisely the reason why utilities use different models for forecasting residential energy use. While econometric models can predict industrial and commercial energy use fairly accurately, residential energy consumption is closely linked with climate and cannot be forecasted without the use of weather variables.

If Enserch is interested in changing the provisions currently in effect for calculation of compliance of core procurement groups with Operational Flow Orders/Emergency Flow Orders, it should appeal to the Commission for such a change in an appropriate proceeding such as PG&E's next Biennial Cost Allocation Proceeding or file a complaint. Similarly, if Enserch is unsatisfied with the performance of PG&E's core load forecasting model, then it must propose changes to it in an appropriate proceeding or file a complaint. We note that Enserch's protest to AL 2116-G goes beyond the scope of AL 2116-G, which simply refines provisions in Rule 14 for compliance of noncore customers with Operational Flow Orders and Emergency Flow Orders.

Enserch also argues that shippers should be allowed to combine core aggregation groups and noncore customer groups for the purposes of complying with daily balancing rules. Enserch alleges that PG&E has provided no justification for its proposal to prohibit shippers from combining core aggregation load and noncore customer load for the purpose of determining compliance with an Operational Flow Order, an Emergency Flow Order, or a supply diversion. Enserch points out that it is a core aggregator on the PG&E system and sells gas to noncore customers as well. Enserch, and other similarly situated shippers, it alleges, should be allowed to combine their core aggregation groups and noncore groups for the purposes of meeting the tolerance requirements in a daily balancing situation.

Enserch comments that it often aggregates noncore customers' loads in order to provide sales services to these customers from a single portfolio. This is permitted – in fact encouraged – under PG&E's rules. Both daily balancing and monthly balancing are significantly more manageable for a shipper, and for PG&E, when the shipper is able to aggregate its load, Enserch believes.

Enserch argues that the benefits that arise from aggregating a number of noncore customers' loads also apply when a shipper can combine its noncore load with its core load. A shipper should be allowed to sell gas to its entire load – core and noncore – from a single portfolio, Enserch recommends. A shipper should be allowed to combine its core and noncore loads in order to balance these loads on a monthly basis, and on a daily basis, Enserch believes.

PG&E responds that the proposed additional language in AL 2116-G clarifies a current process already in effect. Currently, the loads of Core Transport Groups cannot be combined with the loads of noncore customers aggregated under a Noncore Balancing Aggregation Group in order to comply with an Operational Flow Order, an Emergency Flow Order, or a Diversion. PG&E explains that each group's usage must be within the designated tolerance band specified for an Operational Flow Order, an Emergency Flow Order, or a Diversion for that group, just as regular monthly cumulative imbalances are managed individually for each group.

PG&E also explains that core transport groups and Noncore Balancing Aggregation Groups⁴ require separate stand-alone agreements and are subject to separate credit requirements. Combining these groups would require:

- (a) creation of new service agreements;
- (b) review and revision of credit requirements and other significant tariff changes;
- and
- (c) revising or rebuilding of systems used to track and monitor imbalances.

⁴A Noncore Balancing Aggregation Group is a group of noncore customers represented by the same balancing agent which is generally a marketer.

We agree with PG&E. As with the provision for compliance with Operational Flow Orders/Emergency Flow Orders, we believe that Enserch has gone beyond the scope of AL 2116-G in recommending that core aggregation groups and noncore balancing aggregation groups be combined for purposes of compliance with Operational Flow Orders/Emergency Flow Orders. As we discussed before, core loads happen to be weather sensitive and, therefore, might require separate calculations with regard to compliance with Operational Flow Orders/Emergency Flow Orders.

Moreover, as PG&E points out, the Gas Accord clearly laid out that the two customer groups will be monitored separately with regard to compliance with Operational Flow Orders/Emergency Flow Orders. Therefore, if Enserch wants to change the rules currently in effect, we believe it should apply for such change in appropriate forums such as the next PG&E BCAP or file a complaint.

We therefore deny Enserch's protest without prejudice.

Comments

The draft resolution of the Energy Division in this matter was mailed to parties in accordance with Public Utilities Code Section 311 (g). No comments were filed.

Findings

1. On November 6, 1998, PG&E filed Advice Letter 2116-G seeking approval of revisions to its Gas Rule 14 – *Interruption of Curtailment of Natural Gas Service*, Sections E—*Operational Flow Orders* and F—*Emergency Flow Orders*.
2. PG&E requested that AL 2116-G be effective December 16, 1998.
3. Enserch Energy Services (Enserch) protests AL 2116-G in part on the grounds that PG&E has not proposed the same approach for measuring core aggregation customer group compliance with Operational Flow Orders and Emergency Flow Orders. Enserch also objects to the language PG&E has added in AL 2116-G to clarify that for purposes of complying with an Operational Flow Order or an Emergency Flow Order, the loads of Core Transport Groups and noncore customers may not be combined.
4. In its reply, PG&E points out that AL 2116-G only clarifies existing rules for noncore customers' compliance with Operational Flow Orders and Emergency Flow Orders and that the compliance of Core Transport Groups with Operational Flow Orders and Emergency Flow Orders was specified in the Gas Accord and is outside the scope of AL 2116-G.

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5. This resolution approves AL 2116-G.
6. Enserch's protest is denied without prejudice.

Therefore it is ordered that

1. PG&E's proposed modifications to Rule 14 filed under Advice Letter 2116-G are approved effective today.
2. The protest of Enserch is denied without prejudice.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on September 2, 1999. The following Commissioners voting favorably thereon:



WESLEY M. FRANKLIN
Executive Director

RICHARD A. BILAS
President
HENRY M. DUQUE
JOSIAH L. NEEPER
JOEL Z. HYATT
CARL W. WOOD
Commissioners