

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

**ENERGY DIVISION**

**RESOLUTION G-3263  
SEPTEMBER 2, 1999**

**RESOLUTION**

**Resolution G-3263. Sempra Energy, on behalf of Southern California Gas Company (SoCalGas), requests approval of revisions to SoCalGas' tariff schedules to balance a Purchase Gas Account (PGA) overcollection by transferring \$16,466,733 from the PGA to the authorized transportation rate component of core procurement customers. SoCalGas' request is approved with an effective date of September 2, 1999.**

**By Advice Letter 2824-A, Filed July 20, 1999.**

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**SUMMARY**

SoCalGas filed Advice Letter 2824, on July 9, 1999, to request Commission approval of a plan to return to core procurement customers an overcollection of the Purchase Gas Account (PGA) of \$16,466,733. The overcollection has occurred in three subaccounts (the Core Brokerage, Noncore Standby, and Core Standby subaccounts) of the PGA.

The amortization methodology for the SoCalGas PGA was determined in D.98-07-068. Typically, the Core Procurement Charge (CPC) is adjusted when the CPGA (Core Purchase Gas Account) balance exceeds an imbalance band equal to 1% of actual annual commodity gas purchases for the 12 month period ending March 31<sup>st</sup> annually.

However, SoCalGas has inadvertently failed to amortize the balance in the three PGA subaccounts mentioned above since the establishment of monthly core procurement pricing. SoCalGas requests that this overcollection be amortized through a reduction in the transportation rate component for core customers over a period of four months, from September through December 1999. SoCalGas requests an adjustment to the transportation rate, rather than the CPC, to avoid a distortion in monthly gas prices.

SoCalGas filed AL 2824-A on July 20, 1999 to provide tariff schedule revisions to reflect a proposed adjustment to the transmission charge of 1.509 cents per therm.

This resolution approves on a one-time basis SoCalGas' request to balance the \$16,466,733 overcollection in the subaccounts mentioned above by a 1.509 cents/therm credit adjustment to the transmission charge for core procurement customers during the four months of September through December 1999, effective September 2, 1999.

## BACKGROUND

In D.98-07-068, the Commission approved SoCalGas' request to amortize imbalance amounts in the CPGA above a 1% CPGA imbalance band rather than employing a routine monthly amortization of the PGA, to offset the lagged month-to-month variation in the commodity price of gas. The 1% imbalance band approved by D.98-07-068 is the amount equal to 1% of the actual commodity gas purchases made in the prior 12-month period ending March 31. Amortization of any amount exceeding the 1% imbalance band is typically made as an adjustment to the procurement charge, the CPC, of the core procurement rate.

SoCalGas submitted Advice Letters 2824 and 2824-A, bringing to the Commission's attention three PGA subaccounts (the Core Brokerage, Noncore Standby, and Core Standby subaccounts), that had inadvertently not been included in the CPGA balance since the inception of monthly procurement pricing. SoCalGas indicates that these subaccounts are overcollected by \$16.5 million. SoCalGas proposes to deal with the \$16.5 million overcollection by issuing a credit to the transmission rate component of each core procurement rate schedule over four months to return these monies to the core procurement customers without distorting procurement prices.

SoCalGas states that amortizing the overcollection through the CPC would unnecessarily distort monthly gas prices, and that such a distortion would be detrimental to providing customers with the intended proper market price signals.

To the extent there is an imbalance at the end of the four month period, the imbalance will be corrected using the PGA imbalance band adjustment method authorized in D.98-07-068.

## NOTICE

Public notice of AL 2824-A was made by publication in the Commission calendar, and by SoCalGas mailing copies of the filing to interested parties, including utilities, governmental agencies, and the service list to A.98-03-025, which is the same as the service list in A.96-03-031.

## PROTESTS

No protests were received to this Advice Letter.

## DISCUSSION

D.98-07-068 specified that CPGA imbalances outside the 1% imbalance band would be amortized in the procurement charge component. The Commission noted that the

imbalance band was established to address issues of misalignment between the CPC and the actual market price of gas attributed to the monthly variation of gas cost true-ups.

SoCalGas indicates that it has discovered that three subaccounts in the PGA have inadvertently not been amortized in the CPGA for the period since implementation of core procurement monthly pricing. SoCalGas requests approval, on a one-time basis, to amortize the overcollected imbalance in the three PGA subaccounts through a transmission charge adjustment of 1.509 cents/therm over the four month period of September through December 1999.

We agree that a balancing adjustment in this instance to the procurement component of core procurement rates would unnecessarily mismatch procurement rates and market prices. Since the existing overcollection stems from an inadvertent failure to amortize the three subaccounts as part of the CPGA, SoCalGas' proposal addresses this atypical imbalance situation in a reasonable manner. To this extent, an adjustment to the transmission component rather than the procurement component of core gas rates provides a reasonable amortization of the imbalance while preserving more accurate monthly price signals sent to core customers. This adjustment to the transmission component to amortize the imbalance in the three subaccounts in discussion is granted on a one-time basis.

SoCalGas has assured us that a process has been established to include the three subaccounts in the CPGA going forward.

In order for the rate adjustment to be coincident with the effective date of the routine September core monthly procurement advice letter filing, SoCalGas requests that its AL 2824-A be approved on September 1, 1999. Because this is one day earlier than the date of this resolution, we approve AL 2824-A with an effective date of September 2, 1999.

#### COMMENTS

All parties in the proceeding have stipulated to waive the 30-day waiting period required by PU Code section 311 (g)(1) and the opportunity to file comments on the draft decision. Accordingly, the matter will be placed on the Commission's agenda directly for prompt action.

## FINDINGS

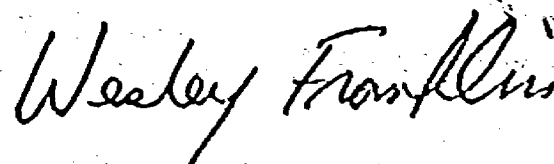
1. SoCalGas filed Advice Letter 2824 on July 9, 1999 to request approval of a plan to amortize \$16.5 million in overcollected balances in the Core Brokerage, Noncore Standby, and Core Standby PGA subaccounts. The balances have been accumulating since the beginning of the monthly core pricing program, and have not been accounted for in the amortization of the CPGA. SoCalGas requests this overcollection be treated by returning the funds to core procurement customers through the transportation rate component of core procurement customers' rate schedules, rather than the procurement charge, over a four month period of September through December, 1999.
2. SoCalGas filed Supplemental Advice Letter 2824-A on July 20, 1999 detailing the proposed 1.509 cent credit to be applied to the transportation component of core procurement rates during the months of September through December 1999. Revisions to tariff schedules and preliminary statements reflecting the requested adjustments accompanied this advice letter.
3. D.98-07-068 established a CPGA imbalance band equal to 1% of the annual commodity gas purchases ending March 31<sup>st</sup> of each year, coinciding with the GCIM reporting period. The implementation of the imbalance band allows SoCalGas to amortize the CPGA only when the PGA balance exceeded the 1% imbalance band. Prior to D.98-07-068, the PGA was amortized on a monthly basis.
4. Balances in the Core Brokerage, Noncore Standby, and Core Standby Subaccounts will be included in the CPGA from this point on.
5. We should approve SoCalGas request. It is a reasonable way to amortize the overcollected balances without distorting monthly gas prices.
6. The effective date of the rate change should be September 2, 1999 to allow the rate change to be coincident with date of this resolution.

September 2, 1999

**THEREFORE, IT IS ORDERED THAT:**

1. Southern California Gas Company shall amortize the \$16.5 million dollar imbalance associated with the three subaccounts specified in Advice Letters 2824 and 2824-A by a four-month credit of 1.509 cents per therm to the transportation charge component of core procurement rates.
2. This resolution will be effective September 2, 1999.

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:



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WESLEY M. FRANKLIN  
Executive Director

RICHARD A. BILAS  
President

HENRY M. DUQUE

JOSIAH L. NEEPER

JOEL Z. HYATT

CARL W. WOOD

Commissioners