

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Energy Branch

RESOLUTION G-2998  
June 3, 1992

**R E S O L U T I O N**

RESOLUTION G-2998, APPROVING SOUTHERN CALIFORNIA GAS COMPANY'S REQUEST TO TRANSFER ONE HUNDRED AND SEVENTY FIVE CUSTOMERS FROM CORE TO NONCORE GAS SERVICE SCHEDULES.

BY ADVICE LETTERS (AL) FILED: AL 1992, FILED November 14, 1990; AL 2039, FILED May 24, 1991; AL 2040, FILED May 30, 1991; AL 2042, FILED May 30, 1991; AL 2043, FILED MAY 30, 1991; AL 2044, FILED MAY 30, 1991; AL 2045, FILED JUNE 3, 1991; AL 2046, FILED June 4, 1991; AL 2060, FILED July 24, 1991; AL 2061, FILED July 25, 1991; AL 2062, FILED July 26, 1991; AL 2064, FILED August 1, 1991; AL 2065, FILED August 1, 1991; AL 2066, FILED August 15, 1991; AL 2070, FILED August 28, 1991.

---

**SUMMARY**

1. Southern California Gas Company (SoCalGas) requests authority to transfer 175 core customers to noncore service. This resolution approves the transfers and requires SoCalGas to report the resulting revenue shortfall for the twelve months ending December 31, 1991 in its next Biennial Cost Allocation Proceeding (BCAP). At that time the Commission will determine whether and in what manner this shortfall will be allocated to customers.

**BACKGROUND**

1. Southern California Gas Company (SoCalGas) requests authority to transfer 175 core customers to noncore service. By 15 Advice Letters listed in Appendix A, SoCalGas has submitted signed agreements completed by the utility and these 175 customers. These 15 advice letters seek reclassification of 175 core customers to noncore customers (Schedule GN-30) for a one year period. SoCalGas alleges that all the agreements have been executed effective on or before August 1, 1991, as provided by Resolution G-2948.

2. The transfer of customers from core to noncore status was addressed in D.87-12-039 (pp. 43-45 mimeo) and clarified by D.88-003-085 (pp. 13-16 mimeo). Large core customers with usage greater than 20,800 therms per month may transfer to noncore status without installing standby alternative fuel burning equipment provided the following two conditions are met:

(1) the customer is willing to accept a lower priority of service - from a core priority P2A to a noncore priority P2B; and

(2) the Commission grants an exception to the standby requirement upon a successful showing that the customer "...has the clear technological capability to use alternative fuel and where the cost to do so and then use alternative fuel would be less than the cost of core service" (D.88-03-085, p. 16 and Ordering Paragraph 6). Exceptions are considered on a case by case basis subject to an annual requalification.

3. Resolution G-2948 mandated many of the practices the gas utilities must use in implementing the new structure of gas procurement. In particular, Resolution G-2948 set a deadline of August 1, 1991 to reclassify customers currently classified as P2A to noncore.

4. The Commission lifted the August 1, 1991 deadline for processing requests for transferring from core to noncore. D.91-12-075 dated December 20, 1991 (p. 43) states:

In adopting this treatment for P2A core/noncore transfers, there is no further need to hold in abeyance the processing of transfer applications received subsequent to the temporary August 1, 1991 deadline specified in Resolution G-2948.

5. These filings will not increase any other existing rate or charge, conflict with other schedules or rules, or cause the withdrawal of service.

6. SoCalGas requested that each of these advice letter filings become effective on regular statutory notice (40th calendar day after the filed date). These dates appear in Appendix A under the effective date heading.

#### PROTESTS

1. In accordance with General Order 96-A, SoCalGas has mailed copies of these advice letters and related tariff sheets to other parties shown on an attachment.

2. No protests have been received by Commission Advisory and Compliance Division (CACD).

DISCUSSION

1. CACD has reviewed in detail of these agreements and has found no customer failing the requirements for noncore service required by Decision (D.) 87-12-039, as modified by D. 88-03-085. Our review indicates that these customers have the technical capability and economic incentive to install and use alternative fuel systems. CACD has evaluated the cost of such facilities and believes that a sufficient economic incentive exists for the applicants to install and use alternative fuel should they not be offered noncore status. They should thus be permitted noncore gas service, since they meet the requirements of D.87-12-039 as modified by D.88-03-085 for noncore service.
2. The 175 customers who have qualified to move from core to noncore status should be advised that they will be required to requalify on an annual basis and that noncore status is subject to curtailment.
3. Two issues emerge from these advice letters:
  - a. How the 1991 revenues from these customers are booked, and
  - b. How the revenue shortfall occurring between cost proceedings is handled.
4. A revenue shortfall results from the transfer of core customers to noncore status during the period prior to implementing revised rates under a BCAP. Under Resolution G-2839, the Commission adopted a procedure for SoCalGas, which earlier had been prescribed for Pacific Gas and Electric Company under Resolution G-2796. In short, the Commission ordered the utility to record fixed-cost revenues in the fixed cost account that corresponded to the customer's classification in the most recent cost allocation proceeding.
5. CACD consulted with SoCalGas' accounting department to ascertain how it was booking the revenues received from these transferred customers for 1991. CACD learned that SoCalGas booked the 1991 revenues received from these customers to the Core Fixed Cost Account, in order to align the revenues received to the proper account. For 1992, revenues from these customers is booked to the Noncore Fixed Cost Account.
6. The shortfall differential remaining in the Core Fixed Cost Account for 1991 from the original forecast is estimated to be in excess of \$2 million dollars. CACD recommends that SoCalGas be required to file a report in its next BCAP showing the revenue shortfall resulting from these transfers during the twelve month period ending December 31, 1991. That proceeding should address whether and in what manner this shortfall will be allocated to customers.

**FINDINGS**

1. The applications for transferring from core to noncore service under the above Advice Letters have met the conditions required by D.87-12-039 (pp. 43-45) as modified by D.88-03-085 (pp. 13-16, and Ordering Paragraphs No. 6 & 7). These Advice Letters are listed in Attachment A, with an effective date corresponding to each filing.
2. SoCalGas should remind all customers requesting noncore service that they must requalify annually for continued noncore status and that they are subject to curtailment.
3. The revenues received from these customers in 1991 are booked to the Core Fixed Cost Account. Revenues from these customers in 1992 are booked to the Noncore Fixed Cost Account.
4. The transfer of 175 customers from the core to a lower noncore rate schedule will produce a revenue shortfall for the year ending December 31, 1991.
5. SoCalGas should be required to file a report identifying the total revenue shortfall resulting from the transfers from core to noncore status during the 12 months ending December 31, 1991.

**THEREFORE, IT IS ORDERED that:**

1. Southern California Gas Company is authorized to provide noncore gas service to the 175 customers contained under the advice letters listed in Attachment A, effective on the dates listed in Attachment A.
2. Southern California Gas Company shall file in its next Biennial Cost Allocation Proceeding a report identifying the total revenue shortfall resulting from these 175 core customers transferring from a core to a noncore status during the 12 months ending December 31, 1991. At that time the Commission will address whether and in what manner this shortfall will be allocated to customers.
3. The advice letters and accompanying agreements shall be marked to show that they were approved by this Commission as shown in Attachment A.
4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on June 3, 1992. The following Commissioners approved it:

---

NEAL J. SHULMAN  
Executive Director

ATTACHMENT A

	<u>Advice Letter Number</u>	<u>Number of Customers</u>	
1.	1992	1	12/24/90
2.	2039	1	07/10/91
3.	2040	1	07/10/91
4.	2042	1	07/10/91
5.	2043	1	07/10/91
6.	2044	1	07/10/91
7.	2045	1	07/14/91
8.	2046	1	07/15/91
9.	2060	29	09/02/91
10.	2061	15	09/03/91
11.	2062	9	09/04/91
12.	2064	102	09/09/91
13.	2065	5	09/09/91
14.	2066	2	09/09/91
15.	2070	1	10/08/91