PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3023
DECEMBER 16, 1992

R E S O L U T I O N

RESOLUTION G-3023. SOUTHERN CALIFORNIA GAS COMPANY SUBMITS PROPOSED TARIFFS AND RULES TO FULLY IMPLEMENT CAPACITY BROKERING RULES CONSISTENT WITH THE PROVISIONS IN DECISIONS 92-07-025 AND 91-11-025.

BY ADVICE LETTER 2133, FILED ON AUGUST 12, 1992

SUMMARY

1. By Advice Letter 2133, filed August 12, 1992, Southern California Gas Company (SoCalGas) requests approval of its proposed tariff schedules and rules to fully implement the Capacity Brokering program set forth in Decision (D.) 91-11-025 and D.92-07-025.

2. This Resolution conditionally approves Advice Letter 2133, except for the rates filed therein, pending submittal and approval of compliance tariffs filed pursuant to the modifications ordered in this Resolution. The rates contained in Advice Letter 2133 will be reviewed in a subsequent Commission resolution.

3. The rates and services offered in the compliance tariffs will not be available until capacity reallocation programs for El Paso Natural Gas Company (El Paso) and Transwestern Pipeline Company (Transwestern) have been authorized by the Federal Energy Regulatory Commission (FERC), the programs are in place, and the contracts between SoCalGas and its customers for interstate capacity are accepted by the interstate pipelines and effective.

BACKGROUND

1. In the Capacity Brokering policy decision, D.91-11-025, the Commission ordered Pacific Gas and Electric (PG&E), San Diego Gas and Electric (SDG&E) and SoCalGas to file pro forma tariffs

for the implementation of capacity brokering[1] of utility interstate pipeline capacity. During subsequent hearings in the Order Instituting Rulemaking (R.) 88-08-018 proceeding, parties discussed potential changes to the pro forma tariffs and resolved outstanding issues. In the Capacity Brokering implementation decision, D.92-07-025, the Commission modified and made additional program changes to D.91-11-025. The utilities were ordered to file tariffs by August 12, 1992 identical to the pro forma tariffs except to the extent changes were required as set forth in D.92-07-025 or by orders of FERC.

2. In the event FERC approves the capacity reallocation programs for either El Paso, Transwestern, or Pacific Gas Transmission Company (PGT), the Commission, by D.92-07-025, directs the utilities to broker their firm interstate capacity rights on that one authorized pipeline pursuant to the provisions of the Capacity Brokering decisions, D.91-11-025 and D.92-07-025. Such a scenario has been termed "partial implementation" of the Capacity Brokering program. Partial implementation of Capacity Brokering requires tariffs to be modified to the extent that the utility would operate with two sets of rules: one set would govern brokering of firm interstate capacity over a single serving interstate pipeline, the other set would be the existing rules for customers receiving service over the "unbrokered" interstate pipeline. Full implementation of the Capacity Brokering program would occur following FERC approval of the capacity reallocation programs over all interstate pipelines serving a utility. In addition, full implementation would require many modifications to the utilities existing tariffs.

3. On August 12, 1992, SoCalGas filed Advice Letter 2133 in compliance with D.92-07-025. The Commission Advisory and Compliance Division (CACD) reviewed Advice Letter 2133 and found that SoCalGas filed proposed tariffs in compliance with full implementation of D.92-07-025, but did not file proposed tariffs for partial implementation. CACD requested SoCalGas to file, by separate advice letter, its proposed tariff schedules and rules under partial implementation of the Capacity Brokering program. SoCalGas filed Advice Letter 2137 on August 28, 1992, as requested by CACD.

4. This Resolution addresses SoCalGas' Advice Letter 2133 which incorporates full implementation of the Capacity Brokering program with the exception of intrastate rates, which will be

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1 "Capacity Brokering" refers to the method of soliciting pre-arranged deals for interstate pipeline capacity. These pre-arranged deals are subject to a second round of bidding after the pre-arrangements are posted on the interstate pipeline's electronic bulletin board. This second round of bidding is known as capacity reallocation and is under the jurisdiction of FERC.

reviewed in a subsequent Commission resolution. CACD will address SoCalGas Advice Letter 2137 in a separate resolution at a later date.

NOTICE

Public notice of Advice Letter 2133 was made by publication in the Commission calendar, and by SoCalGas' mailing copies to the service list of R.88-08-018 and to all interested parties who requested notification.

PROTESTS

The following parties filed protests to SoCalGas Advice Letter 2133:

1.	Access Energy Corporation (Access Energy)	September 2, 1992
2.	California Gas Marketers Group (Marketers Group)	September 1, 1992
	Marketers Group supplemental protest	September 17, 1992
3.	California Industrial Group, California Manufacturers Association, California League of Food Processors (collectively known as CIG)	August 31, 1992
	CIG supplemental protest	September 17, 1992
4.	The City of Long Beach (Long Beach)	August 31, 1992
5.	Cogenerators of Southern California (CSC)	September 1, 1992
6.	The Commission Division of Ratepayer Advocates (DRA)	September 1, 1992
7.	Indicated Producers	September 1, 1992
8.	San Diego Gas and Electric Company (SDG&E)	August 31, 1992
9.	Southern California Utilities Power Pool and the Imperial Irrigation District (SCUPP/IID)	August 31, 1992
10.	California Cogeneration Council (CCC)	September 3, 1992

SoCalGas filed its response to the above protests on September 14, 1992 with the exception of CCC's protest. CACD

acknowledges a second SoCalGas response filed September 23, 1992 due to SoCalGas' late receipt of CCC's protest. SoCalGas also responded to the protests of CIG and the Marketers Group which were filed for Advice Letter 2137 as certain of the protests address the same or similar issues contained in Advice Letter 2133.

I. CORE AGGREGATION TRANSPORTATION PROGRAM

A. Assignment of Firm Capacity Rights

The Marketers Group protests the lack of clarity in SoCalGas' Core Aggregation Transportation (CAT) rule where it requires aggregators to bid for the utility's reserved interstate pipeline capacity at the full as-billed rate. The Marketers Group submits that aggregators should be able to elect whether to take assignment of the proportionate share of SoCalGas' firm interstate capacity rights, or instead to rely upon alternative firm interstate capacity.

SoCalGas' response to the concern of the Marketers Group is contained in item I.B. stated below, but does not fully address the protest issue stated above.

DISCUSSION: CACD agrees that SoCalGas does not adequately clarify the provision of D.92-07-025, where it states that core aggregators, "have the right to use available alternative capacity, in place of or in addition to the reserved space assigned to them..." Without this provision, SoCalGas' Rule 32 appears to restrict an aggregator's right to use available alternative capacity. CACD recommends that SoCalGas clarify this provision in tariffs related to the CAT program. CACD further clarifies whether aggregators may elect to take assignment of firm interstate capacity in its discussion of item I.B. below.

B. The Unbundling of Interstate Pipeline Demand Charges from Intrastate Rates

Access Energy and the Marketers Group submit that to the extent an aggregator or a core customer declines assignment of the utility's firm interstate capacity rights, SoCalGas should unbundle the interstate pipeline demand charges from the intrastate transportation rates. According to the SoCalGas proposal, CAT customers who have obtained their own interstate capacity would pay a bundled rate. Once SoCalGas has verified that these customers have paid the pipeline company for the demand charges, SoCalGas would provide a credit. Access Energy states that this crediting procedure is inconsistent with unbundling and requires a significant double payment of demand charges which would cause cash flow burdens for aggregators.

SoCalGas responds that D.91-11-025, Appendix B, page (p.) 1, clearly states that core transportation rates are to remain bundled. To the extent that core aggregators choose alternative capacity, core customers who have chosen not to participate in core aggregation would be unfairly saddled with the stranded pipeline costs created by those CAT customers who elect to use alternative capacity.

DISCUSSION: CACD does not interpret the Commission's policy as requiring core aggregation customers to pay a bundled rate for transportation service. The Capacity Brokering Implementation Decision, D.92-07-025, allows core aggregators the opportunity to rebroker or reassign capacity in order to pursue alternative capacity. However, it does not allow aggregators to elect whether to take assignment of the utility's firm rights. Pursuant to D.92-07-025, Ordering Paragraph (O.P.) 20, aggregators will be assigned interstate capacity over the full term of the services to be rendered by core aggregators. The decision further permits core aggregators to secondarily broker that assigned capacity, in accordance with FERC rules, but aggregators remain responsible for payment of the related demand charges at the full as-billed rate regardless of whether that capacity was secondarily brokered below the full as-billed rate. Hence, there will not be the additional stranded costs resulting from such a transaction as presented by SoCalGas.

CACD recommends that SoCalGas clarify in all applicable tariffs and rules for aggregators that to the extent CAT customers rebroker assigned capacity, the end-use customer, through its aggregator, should only pay the unbundled intrastate rate to SoCalGas. However, these customers are responsible for payment of any demand charges related to assigned utility firm interstate rights at the full as-billed rate. Payment of any demand charges incurred for using alternative capacity should be made directly to the interstate pipeline company.

II. FIRM AND INTERRUPTIBLE INTRASTATE TRANSPORTATION SERVICE

A. The Contract Term for Firm Intrastate Transportation Service.

SCUPP/IID protest SoCalGas' requirement of a two year contract for firm intrastate transportation service. SCUPP/IID argues that the minimum contract term should be one month so that a customer may take firm service for a period of time and then change to interruptible service or drop service altogether. A one month minimum contract term would enhance flexibility for those customers who may have difficulty in forecasting their gas requirements for a period of two years.

SoCalGas believes that SCUPP/IID's protest on this matter should be denied since the Commission required a two year firm service commitment in its procurement program and did not change that requirement in either D.91-11-025 or D.92-07-025.

DISCUSSION: The Capacity Brokering decisions did not adopt changes to the terms of contracts for firm intrastate transportation service. The Commission expressly stated that it would not consider changes to existing rules except where modified by the Capacity Brokering decisions. While SCUPP/IID's proposal may have merit, CACD considers this issue to be outside the scope of a protest to SoCalGas' advice letter. CACD recommends SCUPP/IID pursue its concerns in a Petition for Modification of D.91-11-025 and D.92-07-025.

B. Open Seasons for Firm Intrastate Transportation Service

SCUPP/IID protests SoCalGas' firm intrastate transportation tariff, Schedule GT-F, which provides for a biennial open season for electing firm intrastate transportation service. SCUPP/IID claims that this should be modified to provide that open seasons for firm transportation service shall be conducted annually. Such a modification would allow a firm intrastate transportation customer to shift to interruptible service or to change the requested volume of service, depending on changes of gas usage needs.

SoCalGas states that D.91-11-025 and D.92-07-025 only address the timing of the core subscription open season which is required to be held biennially. Under the current procurement rules, intrastate firm transportation service requires a two year commitment with accompanying open seasons every two years. Changes to these requirements were not adopted by the Commission in the Capacity Brokering program. Therefore, SCUPP/IID's protest should be denied.

DISCUSSION: Again, SCUPP/IID has protested an issue which is beyond the scope of a protest to the Capacity Brokering compliance filings. The procurement rules adopted in D.90-09-089 regarding open seasons for firm intrastate transportation service remain in place under Capacity Brokering. CACD recommends SCUPP/IID pursue this concern in a petition for modification.

III. CORE SUBSCRIPTION SERVICE

A. Core Subscription Service for Utility Electric Generation Customers

SCUPP/IID protests provisions of SoCalGas' core subscription tariff, G-CS, related to utility electric generation (UEG) customers. In its tariff, SoCalGas explains the stepdown of core subscription for UEG customers that was required by the Commission in D.91-11-025. SCUPP/IID states that this requirement was adopted only because the Commission foresaw a need to gradually wean PG&E's electric department from core subscription service. The problems regarding PG&E's procurement practices that influenced the Commission's decision are irrelevant to southern California UEG customers on the

SoCalGas system, and they are especially irrelevant to smaller UEG customers. The stepdown rule should not apply to such customers. There are industrial, cogeneration and EOR customers who are larger than UEGs such as Burbank, Glendale and Pasadena. Core subscription service should be available to the smaller UEG customers just as it is available to industrial, cogeneration and EOR customers. SCUPP/IID submitted a petition for modification on this issue and requests that SoCalGas be ordered to modify its proposed Schedule G-CS accordingly to exempt smaller UEGs from the restrictions on core subscription service.

SoCalGas agrees with the SCUPP/IID position and has supported the Petition for Modification of D.91-11-025 on this matter. However, SoCalGas clarifies that it must follow the Commission directive which requires UEG customers to restrict their election of core subscription service. SoCalGas would note that D.92-07-025, O.P. 19 states, "core subscription service shall be available to all noncore customers, regardless of size."

DISCUSSION: The reduction of core subscription elections by UEG customers was adopted in D.91-11-025, Appendix B, p. 2. SoCalGas does not have the authority to deviate from Commission directives in its compliance filings. The most appropriate and effective process by which to pursue this concern is through SCUPP/IID's petition for modification.

Also, CACD notes that the language cited by SoCalGas from D.92-07-025, O.P. 19 does not appear to contradict the Commission's adoption of the UEG stepdown in D.91-11-025. All noncore customers may elect core subscription; however, the elections of core subscription UEG customers are restricted. CACD recommends SCUPP/IID's protest be denied.

IV. CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

A. The Curtailment Order

1. The Curtailment of Interutility Transportation Service Prior to Standby Service

The Marketers Group protests SoCalGas' curtailment rule, Rule 23, where standby transportation service is curtailed prior to interutility service. The Marketers Group proposes that interutility transportation be curtailed prior to balancing (standby) service as is stated in PG&E's curtailment rule.

SoCalGas states that the Marketers Group's proposal should be denied as the order of priority for curtailments as listed in the proposed curtailment rule is in strict compliance with D.92-07-025, p. 28.

DISCUSSION: SoCalGas' order of curtailment as listed in its Rule 23 is correct with respect to curtailing standby service prior to interutility service. The Commission adopted a change

to SoCalGas' curtailment order to accommodate circumstances of overpressurization on the SoCalGas system. This change did not affect PG&E's curtailment order. CACD recommends the protest presented by the Marketers Group be denied and more appropriately presented in a petition for modification.

2. The Curtailment of Standby Service for Interruptible Customers Prior to Standby Service for Firm Customers

CIG protests SoCalGas' curtailment order where it states that, "All noncore Standby Procurement service" will be curtailed first. CIG cites D.92-07-025, p. 28, where standby service for interruptible intrastate customers is required to be curtailed prior to standby service for firm customers. CIG recommends this change be made to the curtailment priorities listed under SoCalGas' Rule 23. SCUPP/IID also requests that SoCalGas be required to modify its curtailment order to comply with D.92-07-025.

SoCalGas agrees with the CIG and SCUPP/IID protests and will revise its curtailment rule accordingly. SoCalGas will also include the priority of voluntary and involuntary diversions along with the priority of core standby service which is not stated in D.92-07-025.

DISCUSSION: CACD agrees with the modification presented by CIG and accepted by SoCalGas and recommends it be adopted.

However, CACD does not believe that SoCalGas should include the priority of voluntary diversions in its curtailment order. CACD interprets Appendix B of D.91-11-025 as allowing three types of diversions to be used in two different curtailment situations. When a customer's service is curtailed at the delivery point and SoCalGas does not need the gas to protect the core class from the threat of curtailment, SoCalGas may enter into a voluntary diversion agreement with the customer. The utility is allowed to purchase the customer's gas as long as the price is less than what the utility would pay if the customer had been involuntarily diverted. CACD believes this type of diversion is intended to allow the utility and the customer to derive potential benefits from curtailment. The utility has the opportunity to acquire gas supplies that would be cheaper than other available supplies to meet core demand. The curtailed customer can be alleviated of potential imbalance penalties and recoup gas costs. Of course, a customer may choose to trade imbalances or divert the delivery of the gas to another facility. Should the customer choose to trade imbalances and, subsequently, be unable to do so, imbalance penalties would prevail.

In a situation where the utility is about to curtail a customer's delivery in order to use the gas to protect against the threat of curtailment to the core class, the utility is authorized to effectuate voluntary core protection purchase

arrangements (VCPP). VCPP's are designed to provide core supplies at the time of curtailment for a price less than the price utilities have to pay to involuntarily divert customers gas supplies. If VCPP's do not provide enough gas to meet core needs, the utility is authorized to involuntarily divert gas. The price to be paid for involuntary diversions is established in Appendix B of D.91-11-025.

CACD recognizes that curtailments are periods of crises for a utility and that conditions may warrant departing from the above Commission directives. Under these circumstances, deviations would be subject to reasonableness review. CACD believes the Commission did not intend that the utilities use diversions of any type simply because diversions may provide the most economic core supply option.

CACD notes that SoCalGas has included the voluntary diversions and the VCPP in its curtailment order. By SoCalGas placing the voluntary diversions in the curtailment order, customers may assume that SoCalGas may effectuate voluntary diversions only when there is the possibility of involuntary diversions. However, this assumption would not be correct because the utilities are authorized to use these voluntary diversions under circumstances other than when service to the core class is threatened.

Similarly, the VCPP arrangements should not be placed in the curtailment order because it would imply that other services may be curtailed before customers who have arranged VCPPs. As SoCalGas proposes, VCPPs would be effectuated prior to curtailment of firm customers. This order would be incorrect because VCPPs should be effectuated prior to involuntary diversions.

CACD recommends that SoCalGas eliminate the voluntary diversion agreements and the VCPP agreements from the curtailment order. Further, under the proposed sections which address these diversion agreements, SoCalGas should include an explanation of the three types of diversions it is authorized to perform and when those diversions are applicable.

B. Transfers of Firm Intrastate Curtailments or Diversions

The Marketers Group and CIG protest SoCalGas' establishment of rules for transfers of firm intrastate curtailments or diversions in Rule 23. SoCalGas' proposal for transferring diversions and/or curtailment requirements among <u>firm</u> intrastate customers does not permit the trading to occur between firm and <u>interruptible</u> customers. Both protest parties claim that this provision is inconsistent with D.92-07-025 and is unnecessarily restrictive. CIG states that both firm and interruptible customers should be able to freely assign curtailments upon mutual agreement and consistent with the other provisions of the utility's tariff.

SoCalGas disagrees that the Commission requires the trading of firm curtailment requirements to interruptible customers. SoCalGas notes that interruptible customers are served under discounted contracts for intrastate service and typically have alternate fuel capability to minimize the impact of a gas curtailment.

DISCUSSION: D.92-07-025, O.P. 17 states, "Utilities shall permit intrastate transportation customers to negotiate among themselves the order of gas supply diversions pursuant to this decision." In its determination of allowing transfers among intrastate transportation customers, the Commission noted that such an allowance would promote a more efficient use of the system by allowing customer who "... place a high value on reliability to negotiate the order of diversions with other customers." There was no restriction placed on which class of customers could negotiate such transfers.

CACD acknowledges SoCalGas' concern and notes that in allowing transfers between firm and interruptible customers a revenue shortfall may occur. This revenue shortfall would be caused by the transfer of firm curtailment rights to an interruptible customer who pays a discounted transportation rate. The interruptible customer would be curtailed at a lower priority level and, therefore, any additional revenue which could have been collected from the firm intrastate customer would be lost. The revenue shortfall incurred would have to be allocated to all customers.

In order to avoid this revenue shortfall allocation and still maintain the flexibility of transferring curtailment or diversion requirements among intrastate customers, CACD believes that the customer who receives the transfer of firm curtailment requirements should be required to pay the higher of the two otherwise applicable rates. CACD recommends that SoCalGas modify its curtailment rule, Rule 23, to provide that both firm and interruptible customers may negotiate transfers of firm intrastate curtailments or diversions. CACD also recommends that the customer who receives the transfer of firm curtailment requirements be required to pay the higher of the two otherwise applicable rates.

C. Notification of Transfers of Curtailments or Diversions

The Marketers Group objects to the requirement whereby customers participating in a transfer agreement must notify SoCalGas of any assignment or transfer arrangement at the same time the utility notifies such customer of the curtailment. SoCalGas' proposes it also receive written confirmation of a transfer arrangement within 24 hours of notification of curtailment. SoCalGas' proposals should be rejected because it does not give customers a reasonable period of time after the utility's notice of a curtailment to enter into a transfer of firm intrastate capacity rights. The Marketers Group proposes that a customer should have until 48 hours prior to the service

interruption in order to arrange for a transfer of firm intrastate capacity rights.

SCUPP/IID argues it would be far more practical to have customers set up curtailment sharing arrangements before notification of a curtailment. The customers would then advise SoCalGas in advance about transfer arrangements. When a curtailment occurs, SoCalGas would then implement the curtailment in accordance with the voluntary curtailment arrangements. Thus, SCUPP/IID propose that SoCalGas provide that transfer arrangements may also be structured before any notification of curtailment.

SoCalGas believes that its proposed notification requirements are reasonable. The utility does encourage customers to agree on a curtailment sharing arrangement before notification of curtailment. SoCalGas states that it is merely requiring that it be notified verbally of such arrangement at the time of the curtailment notification and that it be provided written notice confirming the agreement within 24 hours of such notification. This requirement should not be burdensome to parties, particularly if they seek to execute a transfer arrangement in advance of any possible curtailment.

DISCUSSION: The need for curtailments can occur with little warning and under such circumstances the utility must act quickly to reduce nominations or to apply its curtailment strategy. Based on these characteristics, CACD believes customers should arrange curtailment transfers among themselves before curtailment occurs. However, CACD does believe that customers may find it useful to know the length of the curtailment, amount of gas to be curtailed, and other details before arranging any transfers of curtailment rights. Such advance information would also lend itself to a more efficient use of the system during curtailment periods.

Through discussions with CACD, SoCalGas has agreed to eliminate the requirement that verbal notification of transfer arrangements must be provided at the same time the utility provides the notification of curtailment. SoCalGas has also agreed that to the extent it can notify customers sufficiently in advance of a curtailment, it would allow 48 hours for the customer to provide written notification of any transfers of curtailment rights. CACD recommends the Commission approve SoCalGas' 24 hour notification period with the modifications agreed to by SoCalGas.

D. Compensation for Involuntary Diversion

CIG protests the compensatory provisions for those customers who will have been subject to involuntary diversions of customer-procured gas. SoCalGas' proposal fails to clarify that the customer's cost of alternate fuel or replacement energy also includes the cost of transportation incurred by the

customer. CIG requests that the language adopted in D.91-11-025 be incorporated into the SoCalGas tariffs.

SoCalGas responded that the language was inadvertently excluded and will revise it accordingly.

DISCUSSION: CACD agrees with CIG and SoCalGas. CACD recommends SoCalGas clarify that the customer's cost of alternative fuel or replacement energy also includes the cost of transportation incurred by the customer.

E. Elimination of the $1 per Therm Curtailment Penalty

CIG believes that the $1 per therm curtailment penalty for customers who fail to curtail when requested should be eliminated from the SoCalGas curtailment rule, Rule 23. CIG states that the Commission reinstated the alternative fuel requirement in D.92-03-091 which was issued after the close of the record in the Capacity Brokering proceeding. Also, the Commission approved Resolution G-2948 which adopted the curtailment penalty as a trade-off for eliminating the alternate fuel requirement. Therefore, CIG reasons that elimination of the curtailment penalty is appropriate during the period the alternate fuel requirement remains in effect.

SoCalGas states that the Commission did not authorize the elimination of the $1 per therm curtailment penalty D.92-07-025.

DISCUSSION: Irrespective of when D.92-03-091 was issued, utilities' tariff schedules must comply with all requirements set forth by the Commission. In D.92-03-091, the Commission stated, "... the trade-off for eliminating the alternate fuel requirement must be a higher curtailment penalty." Moreover, the Commission stated it would review SoCalGas' current $1 per therm penalty for failure to curtail under the Long-Run Marginal Cost Proceeding, Order Instituting Rulemaking (R.) 86-06-006. SoCalGas has correctly included provisions for the $1 curtailment penalty for failure to curtail and the alternative fuel requirement. CACD recommends CIG's protest be rejected.

F. Authorized Contract Quantities

SoCalGas states that curtailment violations will be determined when, during periods of system curtailment, customers' consumption exceeds their authorized contract quantities. CIG opposes SoCalGas' inclusion of the phrase "authorized contract quantities" because it is ambiguous. In its tariffs, SoCalGas appears to have eliminated the requirement for a stated maximum daily contract quantity for noncore customers. Thus, there does not appear to be any daily contract quantity provided for in the the tariffs or service agreements applicable to noncore customers. CIG recommends that the reference to "authorized contract quantities" be deleted.

SoCalGas agrees that "maximum daily quantities" (MDQ) have been eliminated from the tariffs and pro forma quantities contracts. It clarifies that for purposes of determining curtailment violations, SoCalGas intends to use a daily proration of the monthly contract billing quantities. To the extent SoCalGas must determine curtailment violations based on this daily proration of monthly contract billing quantities, it proposes to maintain the language "authorized contract quantities".

DISCUSSION: The intent of MDQs under existing rules was to ensure that customers nominate sufficient transportation quantities in order to meet their needs. In general, MDQs were necessary because SoCalGas was capacity constrained on the interstate system. According to the Procurement decision, D.90-09-089, the average MDQ is an estimate calculated to exceed the annual contract quantity in order to account for daily and monthly fluctuations in gas usage.

The recent addition of new pipelines has alleviated the capacity constraint and has provided reduced demand for interstate capacity held by SoCalGas. With the availability of interstate capacity, SoCalGas finds that the use of MDQs is no longer necessary because customers are now able to make their nominations relative to their actual usage. Curtailment penalties are currently based on the quantities in excess of a customer's MDQ, or the actual deliveries of gas plus the 10% tolerance band. SoCalGas proposes to eliminate MDQs and base curtailment penalties on authorized contract quantities, or the actual transportation deliveries plus the 10% tolerance band.

CACD finds SoCalGas' elimination of MDQs to be reasonable. Under Capacity Brokering, customers will be able to state an authorized contract quantity which more accurately reflects what they want to nominate rather than MDQs which are estimates. The authorized contract quantities will be re-stated as monthly quantities by the customer. During a curtailment period, SoCalGas will then compare a customer's actual usage to the daily proration of this monthly breakdown to calculate the curtailment penalty. Therefore, the calculation of the curtailment penalty based on authorized contract quantities is reasonable. However, CACD agrees with CIG that SoCalGas' language with regard to curtailment violations is ambiguous. CACD recommends that SoCalGas clarify in its curtailment rule, Rule 23, how it will apply the curtailment penalty as stated in its response above.

G. The Definition of the Percentage of Default Rate

CCC protests SoCalGas' definition of the percentage of default rate. The definition of this value is critical because it determines the order of curtailment for interruptible intrastate transportation customers. SoCalGas' proposed rule provides that the percentage of default rate shall be equal to:

(1) the customer's total transmission charges (including any demand charges or other non-volumetric charges) and customer or facility charges under the non-core service schedule, divided by the customer's prior 12 month historical consumption; divided by

(2) the applicable class average rate as adopted in the utility's most recent cost allocation proceeding.

CCC states that for a customer who pays fixed charges, the actual average transport rate can be greater than the forecast average rate if the customer's actual throughput is less than its forecast throughput. Thus, the numerator of fixed charges could be spread over less volumes when the average rate is calculated. It is possible that a UEG customer could negotiate a rate design with SoCalGas that includes fixed charges and that the UEG customer could consume less than its forecast requirements. This would result in an increased "actual" average rate as compared to the forecast average rate. If a UEG customer and a cogenerator were offered equal discounts, SoCalGas' proposed "percentage of default" calculation would result in the UEG having a higher percentage of default rate. Therefore, the cogenerator would be curtailed ahead of UEG customers, although they would be paying the same discounted rates.

CCC proposes the following methodology:

(1) the average discounted rate paid as determined by the sum of (i) the total fixed charges divided by the throughput upon which the fixed charges were determined and (ii) the total volumetric charges; divided by

(2) the average rate that would have been paid absent any discounts.

SoCalGas believes that its present definition clearly addresses the concerns of CCC and that no change in the definition is required. The last statement contained in the definition indicates that the percentage of default rate shall be based on the most recently adopted forecast of gas demand where an individual customer's demand forecast is adopted by the Commission in the utility's periodic Biennial Cost Allocation Proceeding (BCAP).

DISCUSSION: CACD believes that the last statement of SoCalGas' definition does, indeed, address CCC's concern. CACD recommends, however, that SoCalGas' definition should be modified. The denominator of the calculation which states the "class average rate" should be changed to "the total tariffed rate".

H. Curtailment Of Interruptible Intrastate Transportation

SCUPP/IID claims that SoCalGas' application of the percentage of the default rate with respect to curtailments of interruptible service is incorrect. The Capacity Brokering decisions directed the utilities to curtail interruptable intrastate service according to the percentage of default rate, with the exception where UEG customers will be curtailed before cogeneration customers customer when they pay the same percentage of default rate. SCUPP/IID believes that SoCalGas incorrectly implements the curtailment priority because it it does not clearly state that if a cogenerator in comparison to a UEG customer is paying a lower percentage of the default rate, the cogeneration customer should be curtailed before the UEG customer.

SoCalGas states that the curtailment language clearly provides that interruptible intrastate service will be prioritized according to the percentage of the default rate paid, with customers paying the lowest percentage of default curtailed first. Thus, if a UEG customer pays more for interruptible service than a cogeneration customer, the cogeneration customer will be curtailed ahead of the UEG customer.

DISCUSSION: CACD notes that SoCalGas filed a substitute sheet for the curtailment rule, Rule 23, which reflects further clarification of its curtailment order. In reviewing this substitute sheet, CACD finds the tariff language to be sufficient. CACD believes SCUPP/IID's protest appears to be unfounded and recommends it be denied.

I. Rotating Curtailments and the Service Interruption Credit

SCUPP/IID strongly urges the Commission to approve SoCalGas' proposed rotating curtailment provision as set forth in the proposed curtailment rule, Rule 23. This rotating curtailment scheme and the associated service interruption credit (SIC) provides reliability safeguards that are extremely important to all UEG customers on the SoCalGas system. SCUPP/IID cautions that Commission tampering with the proposed rotating curtailment scheme or the SIC would send an extremely negative message to UEG customers. These customers must then consider bypass alternatives not just for economic reasons but for reliability reasons.

DISCUSSION: SoCalGas did not respond to this protest issue.

Pursuant to D.91-11-025, the Commission allowed SoCalGas to offer the SIC, whereby the utility would pay $0.25 per therm of gas curtailed to a firm intrastate transportation customer who experiences more than one interruption during a ten year period. In D.92-07-025, the Commission reiterated that SoCalGas would still have to comply with the curtailment requirement when a

cogenerator pays the same or higher percentage of the default rate than an UEG customer, the UEG customer will be curtailed before the cogenerator. Further, in D.92-12-023, addressing Applications for Rehearing of D.92-07-025, the Commission clarified its position with regard to rotating curtailments among firm intrastate customers and the SIC proposal. In this decision, the Commission clarified that, in order to fulfill the mandate of the Public Utilities Codes 454.4 and 454.7, UEGs should be curtailed before cogenerators when both pay the same percentage of the default rate. However, the Commission does clearly allow SoCalGas to offer the SIC so long as it comports with statutory mandates.

J. Curtailments During Periods of System Overpressurization

1. Application of Buy-Back Service

CIG believes that the language contained in the SoCalGas tariff, Transportation of Imbalance Service, Schedule G-IMB, is unclear with regard to the provision of buy-back service when transportation nominations are in excess of system capacity. SoCalGas states, "... buy-back service shall be restricted to 24 hour periods..." CIG recommends that the word "restricted" be changed to, "... buy back service shall be applied on a 24-hour basis."

DISCUSSION: SoCalGas did not respond to this specific protest issue. CACD believes the recommendation of CIG is appropriate and recommends that SoCalGas reflect this clarification in its revised tariff sheets.

2. Reduction of Nominations by SoCalGas' Gas Supply Department

CIG, Indicated Producers, and SCUPP/IID state that the SoCalGas tariff Schedule G-IMB, fails to indicate how it will restrict the nominations of its gas supply department during an overpressurization situation. The tariff should be modified and delineate how SoCalGas, as the largest shipper on the SoCalGas system, intends to restrict the nominations of its own gas supply department in the event of an overpressurization situation.

SCUPP/IID presents that to the extent the SoCalGas gas supply department incurs a positive imbalance in excess of the 10% tolerance band during each such 24-hour period, the SoCalGas buy-back rate should apply to all volumes in excess of the imbalance tolerance band. This can be done by reducing the recorded cost of such volumes in SoCalGas' Purchased Gas Account to the buy-back rate level, thereby causing SoCalGas shareholders to bear the difference between the buy-back rate and the actual cost of the excessive volumes. This would

provide an incentive to SoCalGas' management to get the gas supply department in balance during overpressurization periods.

Indicated Producers also recommend that SoCalGas should revise its rules to make explicit the responsibilities of core aggregation customers and its gas supply department.

SoCalGas states it has always intended to comply with Commission orders regarding the reduction of nominations in excess of SoCalGas' system capacity related to purchases made by its gas supply department. The utility believes the tariff schedules are not the appropriate forum for addressing the gas purchasing and operations requirements of its gas supply department. Therefore, it did not include such language in its filed tariffs. However, SoCalGas is willing to include language which states that the SoCalGas gas supply department is required to bring its deliveries into the system to within 10% of actual gas usage.

SoCalGas believes the Commission should reject the SCUPP/IID proposal to put SoCalGas' shareholders at risk for daily purchases for core customers in excess of the 10% tolerance range. The SCUPP/IID proposal is well outside the scope of D.92-07-025 and, therefore, an inappropriate matter to be raised in a protest to a tariff filing. Also, it would be unwise to put shareholders at risk for one narrow aspect of SoCalGas gas purchases during times of overnominations.

With respect to Indicated Producers' request, SoCalGas states it is operationally unable to apply rules for reduction of nominations to an aggregator who purchases gas for numerous small core customers. Since it has no means by which to apply these rules to core aggregators which are purchasing gas on behalf of many small core customers, it must apply the 10% balancing requirement to the core class as a whole. Upon acquiring the electronic measurement capabilities for smaller core customers, it would be possible to apply the same rules to core aggregators as well as to noncore customers and the SoCalGas' gas supply department.

DISCUSSION: CACD supports the inclusion of language which clearly states that restrictions of buy-back service during periods of system overpressurization are applicable to SoCalGas' gas supply.

CACD finds the SCUPP/IID proposal to be inappropriate under the scope of a protest to SoCalGas' advice letter. CACD reminds SCUPP/IID, that in D.92-07-025, the Commission clearly stated that protests to the Capacity Brokering compliance filings should be limited to identifying language which conflicts with the Capacity Brokering decisions. CACD recommends SCUPP/IID's proposal be denied.

CACD finds reasonable SoCalGas' response to Indicated Producers request to apply the rules under system overpressurization to core aggregation customers.

3. Restrictions on Negative Imbalances

SCUPP/IID proposes that SoCalGas be required to suspend restrictions on negative imbalances during periods of system overpressurization. SoCalGas is applying its buy-back service during periods of overnomination, but continues to restrict customers from running a negative imbalance during this period. SCUPP/IID believes that this proposal should be modified to provide that there shall be no penalties for any negative imbalances incurred during buy-back constraint periods.

Further, SCUPP/IID proposes that customers should also be permitted to incur a negative imbalance during that period without that imbalance being counted in determining whether the customer exceeds the 10% limit on positive imbalances for the month. This would effectively encourage customers to run negative imbalances during overpressurization periods and, thereby, alleviate the overpressurization problem.

SoCalGas opposes SCUPP/IID's proposal. Customers should not be provided with an incentive to use more gas than they are causing to be delivered into the SoCalGas system, even when aggregate nominations exceed SoCalGas' system capacity. Such actions could have a material and undesirable effect on SoCalGas' ability to meet its storage targets. Customers should be encouraged to balance their deliveries and usage so that reductions in nominations are handled in a controlled and operationally prudent fashion.

DISCUSSION: Customers should not be given a disincentive to accurately nominate gas deliveries. During a period of overpressurization, customers who overnominate on the SoCalGas system must reduce their nominations or face penalties. Likewise, customers who cause underdeliveries should not receive any benefit for imprudent management of their nominations. Finally, the Capacity Brokering decisions do not allow this form of trading to occur. CACD encourages SCUPP/IID to present this issue in a petition for modification.

CACD does not see the benefit of permitting customers with negative imbalances during the buy-back constraint period to have that imbalance excluded from the determination of whether the customer exceeds the 10% limit on positive imbalances for the month. Inclusion of negative imbalances would appear to actually benefit a customer by reducing any positive imbalance. With regard to the exclusion of negative imbalances in the determination of negative imbalances for the month, again, customers would not be given an incentive to manage their nominations. CACD recommends SCUPP/IID's proposals should be denied.

4. Notification of Nomination Reductions

SCUPP/IID opposes the SoCalGas provision which requires customers to notify the utility of reductions to their

intrastate nominations within two (2) hours of receiving notification of a "buy-back constraint" from SoCalGas. It is unclear why SoCalGas needs this notification. The customer should either reduce the interstate pipeline nomination or raise the level of burns to get into balance. Neither remedy requires notification of SoCalGas.

However, should notification be required, SCUPP/IID requests that the the provision be modified to make it clear that such notification is required within two (2) business hours rather than just two (2) hours.

SoCalGas emphasizes that during periods of system overpressurization, it is extremely important from a safety and operations standpoint for the utility to monitor customer nominations. SoCalGas has no objection to SCUPP's fallback position where notification should be made within two "business hours" rather than just two hours.

DISCUSSION: CACD agrees that the notification requirement is necessary, and recommends that SoCalGas should modify its requirement to two "business hours".

5. Reduction of the Nominations Applicable to the Intrastate Queue

SDG&E cites that the proposed SoCalGas Rule 30, Transportation of Customer-Procured Gas, fails to implement the requirement that the intrastate queue be utilized to reduce transportation nominations in order to prevent system overpressurization. Rule 30 states that, in the event of potential overpressurization, SoCalGas will first reduce G-STOR and G-STAQ storage nominations, then notify customers of a one-day buy-back restriction. Customers will be able to reduce nominations. This provision complies with D.92-07-025, Conclusion of Law (COL) 23, which states that during overpressurization all customers should be required to bring their deliveries into the system to within 10% of their actual gas usage or face curtailment penalties. However, SDG&E stresses that should this action not be enough to depressurize the system, the Commission has stated, in D.92-07-025, O.P. 16, that any further reductions shall be on a pro rata basis according to priority on the intrastate system. SDG&E notes that these provisions are missing from SoCalGas' rule and requests that they be added.

SoCalGas believes SDG&E has misinterpreted D.92-07-025. In the text of D.92-07-025, the Commission explicitly rejected SDG&E's position that nominations be reduced on a pro rata basis and adopted the provision that "overpressurization problems should be resolved by requiring customers who are causing a system imbalance to reduce their deliveries into the system." As SoCalGas pointed out in its Application for Rehearing of D.92-07-025, O.P. 16 appears to be a drafting error created when the Commission decided to order reductions in nominations on the

basis of which customers are causing the overnomination problem rather than on the basis of the percentage of default rate paid.

However, SoCalGas believes SDG&E does raise an interesting point as to how reductions in nominations should be made if customers do not voluntarily reduce their nominations. Consistent with D.92-07-025, SoCalGas will include language in its revised tariffs, clarifying that, if customers fail to reduce their nominations voluntarily, SoCalGas will utilize the most recent and best available operating data to reduce the nominations of those customers which SoCalGas believes are causing the overnomination problem. In such circumstances, it would not be fair for SoCalGas to penalize this customer for the daily overnomination period simply because SoCalGas reduced that customer's nomination based upon recent operating data. This is a much different situation than the circumstance where a customer agrees to a reduced nomination and then burns more gas than was nominated.

Accordingly, SoCalGas proposes that, in cases where SoCalGas reduces a customer's nomination and, as a result, the customer burns in excess of the 10% tolerance band during the 24-hour period, the customer should be allowed to carry that imbalance into the month following the rendering of the bill. SoCalGas proposes that this approach is the only fair means to deal with customer usage which is consistent with their original nomination but is in excess of a reduced nomination imposed by SoCalGas.

DISCUSSION: In D.92-12-023, the Commission modified D.92-07-025, O.P. 16. This order now states that SoCalGas shall require the customers who are causing a system imbalance to reduce their deliveries into the system. Based on the Commission's clarification, SDG&E's protest should be denied.

SoCalGas' proposal to use the most recent operating data to reduce the nominations of those customer believed to be causing the overnomination problem when customers do not voluntarily curtail as requested appears to be reasonable and is consistent with the Commission's intent with regard to who should be required to reduce nominations. CACD also believes that SoCalGas' provision of allowing a customer to carry the imbalance into the next month when SoCalGas has reduced that customer's nomination based upon recent operating data is fair. Such a provision would allow that customer the opportunity to avoid imbalance penalties. CACD recommends that the Commission adopt this proposal and that SoCalGas include this language in its curtailment rule.

V. AGGREGATION OF THE RIGHTS OF SEVERAL CUSTOMERS BY A SHIPPER

A. Provisions for Shippers to Aggregate the Rights of Several Customers

CIG requests that SoCalGas be required to provide language which allows shippers to aggregate the rights of several customers for the purposes of contract administration, applicable use-or-pay requirements, or balancing requirements in its rule for the Contracted Marketer Program, Rule 35. SoCalGas should be required to comport with D.91-11-025, Appendix B, p. 5, which permits this allowance.

CIG also asks the Commission to further clarify that the same aggregation rights are available to customers as well as shippers other than customers. If shippers have the right to aggregate among a number of customers, the same rights should be available to a customer who has multiple facilities served by the same utility.

SoCalGas agrees that shippers should be permitted to aggregate the rights of several customers for purposes of use-or-pay requirements or balancing requirements and will include a provision in its revised Rule 35.

DISCUSSION: CACD notes that in a letter dated October 5, 1992, SoCalGas has withdrawn Advice Letter 2086 filed on December 20, 1991. This advice letter proposed the implementation of Rule 35, the Contracted Marketer Rule, which described the terms and conditions of the Contracted Marketer Program. SoCalGas withdrew this advice letter due to concerns presented by CACD. CACD found the proposed rule to be duplicative of the SoCalGas Marketer/Aggregator Contract (Form 6536). Due to this withdrawal of Rule 35, CACD finds that review of SoCalGas' proposed changes to Rule 35 filed in the Capacity Brokering Advice Letter 2133 would be moot.

However, CACD agrees with CIG's proposed recommendations and believes that SoCalGas should modify the language found in the applicable sections of its tariffs and/or its Marketer/Aggregator Contract (Form 6536).

VI. WHOLESALE NATURAL GAS SERVICE TO THE CITY OF LONG BEACH

A. The Definition of Full Requirements for Firm Intrastate Transportation Service

Long Beach requests clarification of the proposed language contained in the SoCalGas wholesale tariff for Long Beach, Schedule GW-LB. Included in the provisions for full requirements and partial requirements firm intrastate transportation service, SoCalGas states that its full requirements customer cannot use bypass pipeline service. Under this provision, Long Beach cannot be a full requirements customer because it receives locally produced gas into its system. Long Beach is obligated to received such gas under state law. Long Beach seeks clarification as to whether Long Beach's receipt of local gas would constitute "bypass pipeline service" and, thereby, prohibit it from receiving service as a full requirements customer.

In its response, SoCalGas stated that its definition of "full requirements" in Rule 1 of its tariffs permits the use of fuel produced on-site by the customer, which would include Long Beach's local production gas. This should alleviate Long Beach's concerns.

DISCUSSION: CACD agrees with the SoCalGas clarification and, therefore, finds that Long Beach is not prohibited from receiving service as a full requirements customer.

B. Assignment of Firm Interstate Capacity

Long Beach opposes the SoCalGas provision in the proposed Schedule GW-LB. This provision states that Long Beach may request an assignment of firm capacity to meet its core requirements at any time prior to five (5) business days before the commencement of SoCalGas' open season for brokering interstate pipeline capacity. Long Beach understands that under the Capacity Brokering program, the Commission has allowed Long Beach to accept or reject the initial reservation of capacity offered by SoCalGas. If Long Beach rejects the initial reservation of capacity, it is free to participate in the open season or otherwise to provide for its own capacity.

SoCalGas states it was merely implementing the language of D.91-11-025 which required that if Long Beach failed to provide five (5) days notice before the open season it was required to provide a default reservation of interstate capacity. Long Beach is given the option to inform SoCalGas that it desires no interstate pipeline capacity if it so chooses.

DISCUSSION: Pursuant to D.91-11-025, Appendix B, p. 8, Long Beach may request prior to five (5) days before the commencement of SoCalGas' interstate capacity open season, an assignment of firm interstate capacity to meet its core needs. SoCalGas' language which reflects this provision is accurate. However, CACD emphasizes the requirement in D.91-11-025, which states that to the extent Long Beach chooses to exercise the option of receiving all or part of its reserved pipeline capacity, and later relinquishes the capacity back to SoCalGas, "it will be solely responsible for any shortfall between the as-billed pipeline demand charges and the actual revenue that SoCalGas obtains from brokering the relinquished capacity."

VII. WHOLESALE NATURAL GAS SERVICE TO SDG&E

A. Exemption of SDG&E from Curtailment Priority

SDG&E protests SoCalGas' wholesale tariff and curtailment provisions as presented in Schedule GW-SD and Rule 23. These provisions fail to provide for the exclusion of SDG&E from the curtailment priority for wholesale customers as permitted under D.92-07-025. The decision adopted wholesale curtailment provisions, but did not alter the rules adopted in D.91-11-025

regarding curtailments between SoCalGas and SDG&E. According to D.91-11-025, the Commission stated that SoCalGas and SDG&E should operate as independent gas systems where noncore customers will be curtailed by SDG&E or SoCalGas to the extent necessary to maintain service to each utility's own core customers. The utilities are not permitted to curtail noncore service to serve the core requirements of the other except as provided by mutual assistance agreement. SDG&E requests the language with regard to curtailment priorities should be modified to include a reference to the rules adopted in D.91-11-025.

SoCalGas has no objection to including language from D.91-11-025 in its tariffs addressing the priority of service to SDG&E.

DISCUSSION: CACD recommends SoCalGas should add the clarifying language which exempts SDG&E from any curtailment priority rules adopted for wholesale customers as stated in D.91-11-025 and D.92-07-025.

B. Tariff Provisions Which Do Not Comport with the SDG&E Long-Term Contract

SDG&E objects to the provisions of the SoCalGas wholesale tariff applicable to SDG&E, Schedule GW-SD. These provisions do not comport with the existing long-term contract authorized by the Commission on July 6, 1990 and the rules set forth in the Capacity Brokering decisions. SDG&E request the following provisions be eliminated and replaced with rules specifying the conditions of service between SDG&E and SoCalGas adopted in the D.91-11-025 and D.92-07-025.

1. Special Condition 8: This provision states that rate Schedule GW-SD will terminate at midnight on August 31, 1995. This is a new special condition which is not required by D.92-07-025. SDG&E questions the need for inclusion of this new condition and recommends that the language be changed to, "The rate schedule will terminate with the expiration of the long term contract" and not specify a date certain.

2. Special Condition 9: If SDG&E fails to notify SoCalGas of its service elections in the core subscription and firm intrastate service open season, SoCalGas will assign SDG&E to interruptible intrastate service.

3. Special Condition 10: SoCalGas requires SDG&E to contract for an annual quantity of gas, broken down into monthly amounts.

4. Special Condition 13: SoCalGas applies a two year contract term for firm intrastate transportation service.

5. Special Condition 14: This provision state the terms upon which SoCalGas will offer firm intrastate service to SDG&E. This special condition is inconsistent with the SDG&E contract which already specifies terms of service and should not be included in Schedule GW-SD.

SoCalGas states that it will remove references to SDG&E's priority of service other than the proper references to D.91-11-025 as noted above. SoCalGas has no objection to removing Special Condition 8. However, those provisions offering core subscription service should remain in the event that SDG&E decides to elect core subscription service.

DISCUSSION: CACD supports the changes of tariff provisions presented by SDG&E and agreed to by SoCalGas where such changes apply to quantities served under the existing long-term contract. CACD does note that these provisions are contained in the current SoCalGas rate schedule for SDG&E, Schedule GT-80, applicable to SDG&E, but apply to quantities not provided under the long-term contract. Also, these provisions would apply if a new contract was not negotiated after the conclusion of the term of the current long-term contract. CACD believes that these provisions are relevant and recommends that they remain in Schedule GW-SD. SoCalGas should clearly identify these provisions as applicable to transportation service which is not served under contract.

C. Rates Changes for SDG&E in Accord with the Existing SoCalGas/SDG&E Long-Term Contract

DRA protests SoCalGas' Schedule GW-SD because the proposed rates constitute a change to existing rates which is not in accord with the SoCalGas/SDG&E long-term contract. Under the terms of the contract, rates for SDG&E should change only once a year. Any revenue differences incurred after the annual rate change are accumulated in a separate account. Rate changes for SDG&E have already been instituted on January 1, 1992, pursuant to the most current BCAP proceeding, D.91-12-075. Thus, the proposed rates contained in Schedule GW-SD should not be approved by the Commission.

SoCalGas agrees with DRA that its contract with SDG&E permits only one rate change per year. Accordingly, SoCalGas will not again change SDG&E's rates until 1993, but will record differences in a separate memorandum account consistent with current practice.

DISCUSSION: CACD agrees with the stated positions of DRA and SoCalGas. CACD recommends additional rate changes should be recorded in a memorandum account pending the next BCAP.

D. Intrastate Transportation Use-or-Pay Penalties

DRA protests the elimination of use-or-pay penalty provisions for intrastate transportation service under the wholesale tariff for SDG&E, Schedule GW-SD. Eliminating these provisions contradicts the current SDG&E Schedule GT-80, Transportation-Only Natural Gas Service for Wholesale, which is based on the SoCalGas/SDG&E contract and contains use-or-pay charges. Furthermore, it does not seem reasonable that a large customer of SoCalGas, such as SDG&E should be exempt from use-or-pay charges when smaller customers are not afforded the same option.

In its response, SoCalGas states that there are no use-or-pay penalties in the proposed tariff schedule because such provisions would be inconsistent with the SoCalGas/SDG&E long-term contract approved by the Commission. SoCalGas has no discretion to subject SDG&E to tariff conditions that are preempted by the Commission-approved long-term contract.

DISCUSSION: Again, CACD notes that the use-or-pay penalties applicable to firm and interruptible intrastate transportation service apply to those quantities not served under the SoCalGas/SDG&E long-term contract. SoCalGas should add the provisions of the penalty as it applies to transportation services which are not served under the long-term contract.

VIII. RULES FOR INTERSTATE CAPACITY BROKERING

A. The Definition of "Eligible Parties"

The Marketers Group questions SoCalGas' use of the term "eligible parties" where the utility will offer pre-arranged deals of firm interstate capacity rights to "eligible parties". The SoCalGas Rule 36, Rules for Interstate Capacity Brokering, does not offer a definition of who is considered an eligible party.

SoCalGas has no objection to including in Rule 36 a definition of "eligible parties" that will make it clear that eligible parties include any entity that meets SoCalGas' creditworthiness requirements.

DISCUSSION: CACD acknowledges the concern of the Marketers Group and believes that SoCalGas should include a definition of "eligible parties" with respect to who may participate in a pre-arranged agreement for firm intrastate transportation rights. However, CACD notes that such a definition should comport with FERC's definition of "eligible parties" and, therefore, CACD recommends that SoCalGas should not base the definition on the satisfactory meeting of SoCalGas' creditworthiness requirements.

B. SoCalGas' Creditworthiness Requirements

The Marketers Group and CIG protest SoCalGas' creditworthiness requirements and indemnity/security interest provisions. The Marketers Group states that SoCalGas' rule for the Capacity Brokering program, Rule 36, does not set forth the creditworthiness requirements for shippers who wish to bid for SoCalGas' firm interstate transportation capacity. In its Master Services Contract, Schedule D, Pre-Arranged Interstate Capacity Transaction, SoCalGas states that creditworthiness shall be established "to the reasonable satisfaction of SoCalGas." SoCalGas provides no objective standard by which to measure creditworthiness. The Marketers Group requests that the rule and the contract be more specific to ensure against discrimination. To the extent that any security, or letter of credit or deposit is required, such a requirement must apply in a way as to not exclude any entity from participation in the Capacity Brokering program.

CIG believes that the indemnity and security interest provisions under Section 5 of the Master Services Contract should be eliminated. Under the indemnity provision, the transferee would be required to indemnify SoCalGas for all expenses associated with assigning firm capacity, including in-house legal fees. CIG proposes that the applicability of this provision should be limited to extraordinary claims, actions, and damages arising out of any capacity assignment.

SoCalGas objects to the proposal of the Marketers Group which would require SoCalGas to provide specific information in tariffs regarding its creditworthiness requirements. Creditworthiness standards may be quite voluminous and detailed and, therefore, do not properly belong in tariffs. However, SoCalGas commits to including tariff language setting forth the major elements of SoCalGas' creditworthiness requirements so that parties may determine general creditworthiness standards by reference to the the tariffs. Proposed creditworthiness standards were attached to the SoCalGas response as an appendix.

SoCalGas states its indemnity and security provisions ensure that shippers who acquire firm interstate capacity will fully reimburse SoCalGas for any additional costs caused by the actions of such shippers. SoCalGas believes its indemnity and security provisions are appropriate because once interstate pipeline rights are transferred, the acquiring shipper's actions or inactions create potential liabilities for releasing utilities that are completely beyond the control of the utility. In D.92-07-025, the Commission recognized that releasing utilities and their customers should be protected from increased costs associated with capacity brokering, and requires shippers to contract directly with utilities. Therefore, the Commission should approve SoCalGas' indemnity and security provisions in their entirety.

DISCUSSION: Under the Capacity Brokering program, utilities and all other parties are required to follow the rules set forth by

FERC including any creditworthiness standards established in FERC orders. CACD finds that any SoCalGas provision for creditworthiness requirements would be duplicative of and possibly contradictory to interstate pipeline creditworthiness standards authorized by FERC. CACD recommends that SoCalGas' creditworthiness requirements be denied.

CACD agrees with CIG that the provisions of SoCalGas' indemnity are overly broad and ambiguous. As SoCalGas emphasizes, D.92-11-025 did require shippers to contract with the releasing utility. Pursuant to the decision, this contract can specify the utility's rights against the shipper where the shipper fails to pay the pipeline company for contracted transportation service. CACD does not find that SoCalGas' proposed language reflects this intent because it could be interpreted as holding the utility harmless for any expenses or liabilities, including normal business expenses. Neither does CACD agree with CIG's proposal that this provision should be limited to extraordinary claims, actions, and damages arising out of any capacity assignment. CIG's proposal lacks clarity as well with regard to the term "extraordinary". CACD believes SoCalGas should be allowed to indemnify itself where the shipper fails to pay the pipeline company and the pipeline company holds SoCalGas liable for the unpaid demand charges. Such a provision would serve to protect the ratepayers when they may be held liable for increased costs by ensuring that the utility has some recourse for recovery. CACD recommends SoCalGas change the language on indemnification to correctly reflect the provision of D.92-07-025.

C. Reserved Core Capacity for Core Transportation Customers

The Marketers Group objects to SoCalGas' proposed Capacity Brokering rule, Rule 36, where it states that reserved core capacity shall not be made available to large core transportation customers. The Marketers Group argues that these core transportation customers continue to have SoCalGas' interstate pipeline demand charges embedded in their intrastate transportation rates. Core transportation customers should have the same opportunities as core aggregation customers which are (1) to accept assignment of reserved firm interstate capacity, (2) to participate in the SoCalGas Capacity Brokering program, or (3) to obtain their own firm capacity rights. Only if the core transportation customer accepts assignment of the firm capacity reserved by the utility on its behalf should the utility's pipeline demand charges remain embedded in the customer's rate. The intrastate transportation rates for core transporters should be unbundled in order to avoid double payment of the double demand charges.

SoCalGas will file revised tariff sheets permitting large core transportation customers the opportunity to receive reserved core capacity.

DISCUSSION: Pursuant to D.91-11-025, CACD believes that large core transportation customers should be allowed the same opportunities as core aggregation customers with respect to obtaining firm interstate transportation rights. CACD recommends core transportation customers be assigned reserved core capacity and may pursue alternative capacity in place of or in addition to the reserved capacity assigned to them.

CACD reiterates that to the extent a core transportation customer chooses not to use assigned capacity, the customers, like core aggregation customers, may choose to secondarily broker that assigned capacity in order to obtain available alternative capacity. However, core transporters also remain responsible for payment of demand charges related to that capacity at the full as-billed rate regardless of whether that capacity was secondarily brokered at a rate below the full as-billed rate.

SoCalGas should modify the applicable core transportation tariff for core transporters, Schedule GT-20, to reflect an intrastate transportation rate which excludes embedded interstate pipeline demand charges. In addition, Rules 30 and 36, Transportation of Customer-Procured Gas and the Capacity Brokering Rule, respectively, should clarify the above provisions.

D. Refusal of Bids for Interstate Capacity

Indicated Producers recommend that SoCalGas clarify in the Capacity Brokering rule, Rule 36, the circumstances under which the utility will reject bids for capacity when such bids are at less than the full as-billed rates. Such provisions should not be employed to allow SoCalGas to discriminate against bids for capacity which are less than the as-billed rates for reasons other than prudence or creditworthiness. Indicated Producers recommend that this provision be refined to provide that the utility need not accept bids for capacity "where such bids are at less than the full as-billed rate and brokering capacity at the bid rate would be unreasonable."

SoCalGas submits that the language proposed by the Indicated Producers is unnecessary since it is implied throughout SoCalGas' tariffs that it will neither discriminate against customers nor apply its tariff conditions in an unreasonable manner. SoCalGas asserts that it would be better to allow SoCalGas to apply its tariff conditions in a non-discriminatory and reasonable manner, subject to complaint by any party who feels that these standards are not being met.

DISCUSSION: CACD recommends SoCalGas include the language proposed by Indicated Producers. The additional language does not appear to restrict SoCalGas' bid evaluation procedures, but would provide a degree of guidance to customers in terms of the basis upon which a bid may be rejected.

E. The Brokering of Excess Interstate Capacity

Indicated Producers request that SoCalGas clarify in the Capacity Brokering rule, Rule 36, under what conditions underutilized core capacity will be offered. The proposed rule states that SoCalGas will offer from time-to-time to assign excess capacity reserved for core and core subscription customers. This provision does not explicitly state the conditions under which excess core capacity will be made available. Indicated Producers are concerned because the profile of the core class requires absolute reliability, which may prevent assignment of excess capacity at a predictable level of reliability for any meaningful period of time. Therefore, Indicated Producers recommend that SoCalGas provide a standard by which it will determine whether or not to broker excess core capacity, the term for which such capacity will be brokered and a statement describing the level of reliability associated with brokered capacity. At a minimum, SoCalGas should make clear whether the assignee will be receiving all or a portion of excess core capacity. In addition, shippers seeking to acquire brokered capacity should be given the opportunity to reject an assignment of excess core capacity in favor of unsubscribed noncore capacity.

In its response, SoCalGas states that the terms and conditions of each offering of underutilized capacity will likely vary, since the duration of released capacity, the amount of capacity and other key terms may vary for each open season. There is no uniform standard which could be set forth in SoCalGas' tariffs. However, the terms and conditions will be set forth in a bid package before every open season conducted by SoCalGas for brokering such capacity and shall be further included in the agreement by which this capacity is to be pre-arranged.

DISCUSSION: CACD believes that it is adequate to provide the terms and conditions of brokering excess capacity in the bid package material before every open season. It is unnecessary to make a distinction between excess core capacity and excess noncore capacity. D.92-07-025 required that the utilities broker core, core subscription and noncore capacity on a pro rata basis. The associated credits should be allocated to each of the customer classes accordingly. CACD recommends that SoCalGas should include a statement to this effect in its Capacity Brokering rule, Rule 36 and in its Preliminary Statement.

F. Interstate Capacity Bids of UEG Customers and Cogeneration Customers

SCUPP/IID asks that the Capacity Brokering rule, Rule 36, be modified to provide that cogeneration customers may mimic the bids of the UEG customers to which cogeneration customers sell electricity. As SCUPP/IID points out, most cogeneration customers on the SoCalGas system sell their electricity to

Southern California Edison and, therefore, are interested in obtaining interstate pipeline capacity that is priced similarly to capacity obtained by Edison. Further, SCUPP/IID presents that while it is logical to permit cogeneration customers to mimic the bids for capacity that might be made by Edison, it is unnecessary to permit a cogenerator that sells electricity to Edison to mimic the bids of, for example, Burbank, Glendale or Pasadena.

SoCalGas emphasizes that the provisions of its tariff come directly from the stipulation of PG&E and CCC which was approved by the Commission in D.92-07-025. While SoCalGas does not oppose the recommendation of SCUPP/IID, it notes that the appropriate forum in which to pursue this issue is through a petition for modification.

DISCUSSION: CACD agrees with the SoCalGas response. SCUPP/IID should present this issue to the Commission in a petition for modification.

G. Alternate Pipeline Designation

CCC submits that while it does not object to a provision that would allow bidders to designate an alternate pipeline, SoCalGas should include such a provision in the notice to cogeneration customers of interstate capacity bids by UEG customers. Such a provision would ensure that cogeneration customers are adequately notified if UEG customers designate an alternate pipeline. SoCalGas should add the language, "as well as whether the UEG has designated an alternative pipeline in the event its first pipeline of choice is not accepted by the Utility" to the section containing the notice to cogeneration customers of UEG customers' elections.

SoCalGas does not oppose CCC's request.

DISCUSSION: CACD agrees with both CCC and SoCalGas and recommends CCC's proposed language be incorporated into the relevant sections of SoCalGas' tariffs.

IX. THE PRELIMINARY STATEMENT

A. Interstate Transition Cost Surcharge (ITCS)

CSC urges the Commission to require SoCalGas to include tariff language on the ITCS and its applicability to rate schedules. SoCalGas should also expressly state that pursuant to D.92-07-025, the ITCS will not be applied to customers served under fixed rate contracts or pre-existing, long-term, discounted EOR contracts approved by the Commission or to any other rate schedule or contracts the Commission may direct be exempt from the ITCS.

SoCalGas will, in its revised tariff filing, add a definition to its Rule 1, defining the ITCS and stating that to the extent customers take service under fixed rate contracts including pre-existing, long-term contracts, the ITCS, would not apply.

DISCUSSION: CACD believes CSC's recommendation is reasonable. In addition, customers of SoCalGas should be noticed by way of utility tariffs, that they will be responsible for payment of the ITCS. CACD recommends that SoCalGas not only include the definition of the ITCS, but should include a line item on each applicable noncore tariff. The line item should explain that the allocation of the actual ITCS amount will be determined in the next BCAP. Applicable core subscription rate schedules should also include a statement notifying customers of the allocation of stranded costs associated with that particular service. CACD notes that SoCalGas has included tracking accounts for transition charges and any offsetting revenues. Discussion of these accounts appears later in this Resolution.

B. Double Demand Charge Memorandum Account (DDCMA)

Indicated Producers seek greater information on the double demand charge tracking account (DDCTA) in SoCalGas' Preliminary Statement. It is not apparent from SoCalGas' description of this account whether the utility is actually recording these volumes by customer or whether customers who are affected by this account currently have any responsibility for reporting the volumes subject to double demand charge treatment.

SoCalGas states that it erroneously included tariff language related to the DDCTA in its proposed tariffs for full implementation of Capacity Brokering. Upon full implementation of the Capacity Brokering program, there will be no need to continue the DDCTA since interstate pipeline demand charges will be completely unbundled from intrastate rates. SoCalGas has included a description of the DDCTA in the Preliminary Statement contained in Advice Letter 2137, filed August 28, 1992, addressing partial implementation of Capacity Brokering.

DISCUSSION: In its discussion with SoCalGas, CACD has determined that SoCalGas is provided sufficient information in customers' nomination data to determine which customers are transporting gas supplies via non-utility interstate capacity rights.

Pursuant to D.92-11-014 and Resolution G-3024, the Commission has adopted modifications to the DDCTA. Among these modifications are changing the tracking account to a memorandum account and the accruement of interest. CACD believes that the Double Demand Charge Memorandum Account (DDCMA) should be included in tariffs under full implementation of the Capacity Brokering program because determination of the allocation of the accumulated dollars among customer classes will be considered in each utility's BCAP. CACD recommends that until the Commission

has determined if and how these dollars should be allocated, SoCalGas should continue to include the provision for the DDCMA in its Preliminary Statement.

X. COGENERATION/UEG Parity

A. Discounts of Interruptible Intrastate Transportation Service

CCC protests SoCalGas' tariff for interruptible intrastate service, GT-I, where it offers interruptible UEG discounted intrastate transportation rates to cogeneration customers in the next BCAP. This delayed offering undermines UEG/cogenerator parity because UEG customers will receive a discount that is not contemporaneously available to the cogeneration customer.

As proposed in the Long-Run Marginal Cost Proceeding (LRMC), R.86-06-006, the Commission should clarify that if SoCalGas provides a discount to any of its UEG customers that was not forecast in the previous BCAP, the UEG customer will not be permitted to adjust the intrastate transport component of the avoided cost energy payments to qualifying facilities based upon such a discount, unless a contemporaneous and corresponding adjustment is made to cogenerator gas rates.

SoCalGas responds that under currently authorized procedures, necessary changes to cogenerator rates require the development of forecast volumes applicable to firm and discounted interruptible UEG rates and such forecasts are developed in the BCAP. SoCalGas also believes that this advice letter is not the appropriate forum in which to address the timing of changes in avoided cost energy payments to coincide with changes in UEG gas rates.

DISCUSSION: The SoCalGas proposal to offer the same discounted rates to cogeneration customers as offered to UEG customers in the next BCAP does not provide for parity. CACD does not believe CCC's recommended methodology should be adopted in lieu of SoCalGas' proposal because the issue is outside of the scope of this resolution.

CACD believes that in order to maintain rate parity, any discounts for intrastate transportation service offered to UEG customers should be offered contemporaneously to cogeneration customers. CACD interprets rate parity to mean that the average rate paid by all UEG's would be equal to the average rate paid by all cogeneration customers. SoCalGas should include language in its UEG rate schedule explaining that any discount offered to UEGs for intrastate transportation should be offered contemporaneously to cogeneration customers. CACD recommends that SoCalGas be required to file a separate advice letter to accomplish contemporaneous rate parity between UEG class average rates and cogeneration class average rates.

B. Clarification of Comparable Rates

CCC asks that SoCalGas explain the meaning of the word "comparable" where it states the utility intends "to offer the same or comparable rates to cogeneration customers". CCC also requests clarification of how offering comparable rates will maintain cogenerator/UEG parity.

SoCalGas uses the term "comparable" to indicate that discounts to interruptible UEG volumes must be considered in developing an overall UEG rate. SoCalGas will be able to maintain UEG/Cogeneration rate parity on a forecast basis consistent with the procedures currently adopted by the Commission.

DISCUSSION: The meaning of the word "comparable" is moot under the CACD recommendation stated above. Cogeneration customers will be offered interruptible intrastate transportation rates on a contemporaneous basis with UEG customers.

C. Discounts of Firm Intrastate Transportation Service

CCC notes that in Application (A.) 92-07-047, SoCalGas, among other things, requests the Commission to authorize discounts of firm intrastate transportation service. Accordingly, CCC requests that should the Commission permit the discounting of firm intrastate transportation service to any of its UEG customers, the same discounts should be offered to cogeneration customers.

SoCalGas responds that it would be premature to address discounting of firm intrastate transportation rates in its compliance filing to the Capacity Brokering decisions.

DISCUSSION: CACD cannot state a position on this issue as it would pre-determine the Commission's position in A.92-07-047.

XI. OTHER ISSUES

A. Core Subscription Default

SoCalGas proposes that current core subscription customers who fail to place their nominations for core subscription service in the initial open season under the Capacity Brokering program will be assigned to interruptible intrastate service.

CACD recommends that this provision be changed so that current core subscription customers will default to core subscription again if they fail to nominate in the initial and subsequent biennial core subscription open seasons.

B. Core Subscription Service Subsequent to the Open Season

SoCalGas has included a provision for those customers who wish to obtain core subscription service after the open season has been conducted. The customers' requests will be accepted on a first-come, first-served basis to the extent SoCalGas determines it is operationally feasible.

CACD recommends SoCalGas clarify that this option will be available to new and existing customers after the firm interstate capacity pre-arrangement period. This additional clarification will prevent customers from unnecessarily delaying their election of core subscription service and allow SoCalGas to accurately determine how much unsubscribed interstate capacity can be brokered.

Pursuant to D.91-11-025, SoCalGas must file an advice letter to the Commission requesting the authority to obtain such capacity, if SoCalGas chooses to obtain additional firm interstate capacity in order to meet this demand for core subscription.

C. Breakdown of Monthly Quantities for Full and Partial Requirements Core Subscription Customers

CACD notes that full requirements customers may take all service under core subscription service, Schedule G-CS, or split service between core subscription and firm intrastate transportation service. Full requirements customers are restricted from using alternate fuels or bypass pipeline service, with a few exceptions. No use-or-pay penalties shall apply to full requirements customers except where customers use a fuel other than natural gas. Customers not taking service under full requirements are termed partial requirements customers.

Through discussions with SoCalGas, CACD has determined that core subscription customers must state a monthly breakdown of their annual contract quantities which will be used to determine a core subscription fixed reservation fee. For customers with split loads, the stated monthly breakdown will also be used for billing purposes, since the first gas through the meter will be billed as core subscription. SoCalGas does not include an explanation of the need for stated monthly breakdowns. CACD recommends that SoCalGas include an adequate explanation of the purpose of stated monthly breakdowns in all applicable tariffs.

D. Schedule G-STAQ - UEG Air Quality Natural Gas Storage Service

CACD notes that SoCalGas did not include Schedule G-STAQ in its advice letter filing and recommends that it be filed in the subsequent compliance filing to this Resolution. Minor changes

to this schedule are required in order to conform with the Capacity Brokering decisions.

E. Additional Clarification of Curtailments in Rule 23

Through discussions with SoCalGas regarding the rotating curtailment scheme of firm intrastate transportation service, CACD believes SoCalGas' proposed methodology is satisfactory. CACD recommends that the utility provide additional language in its curtailment rule specifying how it will assign customers to rotating blocks and how it will ensure correct application of the UEG/cogeneration parity issue and the SIC.

According to D.91-11-025, curtailment of interruptible customers should be based on the level of payment or the percentage of default rate paid. Customers paying the same percentage of default rate would be curtailed pro rata if all customers in the class were not curtailed in total. Pursuant to D.91-11-025, p. 27, curtailment on a pro rata basis means that customers will be curtailed on an equal percentage.

In discussions with CACD, the three utilities (PG&E, SDG&E and SoCalGas) have all indicated that pro rata curtailment as adopted in D.91-11-025 is not operationally feasible. The utilities state that they do not have the ability to partially curtail a customer's service, and that they can only turn the customer's service off completely. If this reasoning is correct, then the utilities should have come forward in a more timely fashion through a Petition to Modify D.91-11-025 or even in the second phase of the Capacity Brokering proceeding which was intended to implement policy developed in D.91-11-025 and which led to D.92-07-025.

CACD reminds the utilities that they must comply with all Commission directives. CACD believes it is imprudent and unreasonable for the utilities to include language in their curtailment rules which they are unable to implement. It is also not reasonable for the utilities to tell CACD they do not intend to implement language found in their tariffs. Where such compliance is not feasible, the utilities have the clear responsibility to seek to change or clarify rules ordered by the Commission.

F. Open Seasons for Core Subscription/Intrastate Transportation Service and Pre-Arranged Deals for Firm Interstate Capacity Rights

CACD and the utilities, PG&E, SDG&E and SoCalGas, have agreed on a timeline for capacity brokering implementation that includes an eight week period for intrastate transportation service elections and a core subscription open season. A five week period for pre-arrangements of firm interstate capacity rights would begin during the last two weeks of the eight week intrastate and core subscription open seasons. The utilities

will have one week from the time all pre-arranged bids are submitted to evaluate the bids and award pre-arranged deals before the pre-arrangements that are awarded should be posted on the interstate pipeline's electronic bulletin board.

CACD believes this timeline of events provides uniformity among the three utilities and affords customers sufficient time to make their intrastate and interstate service elections while avoiding unnecessary delay of Capacity Brokering. CACD recommends the Commission adopt this timeline. Further, SoCalGas should clarify open season language throughout its tariffs in line with the agreed upon capacity brokering timeline wherever a reference is made to open seasons in the rate schedules or rules.

Dates certain do not need to be provided in the utility's tariffs and rules as they will be published in the bid package material. CACD recommends, however, that SoCalGas include an explanation of open seasons and their sequencing in all applicable tariffs.

G. Initial Open Seasons for Intrastate Transportation/Core Subscription Service and the Pre-Arrangement Period for Interstate Capacity

A separate section should be included in SoCalGas' Capacity Brokering rule which contains provisions for the initial open season procedures. This will help to alleviate customer confusion with regard to this new program. This section should explain the timeline of events leading up to the posting of pre-arranged deals on the interstate pipeline bulletin board as agreed upon by CACD and the utilities. SoCalGas should detail the above-mentioned events of the open seasons for core subscription, intrastate transportation and the pre-arrangement period for firm intrastate capacity.

CACD recognizes the utilities' concerns that this "initial open season" section will eventually become obsolete. Therefore, CACD recommends that the Commission order a sunset provision for this language. The recommended time this language should remain in SoCalGas' tariffs is one year after the effective date of full implementation for the Capacity Brokering program. SoCalGas should be allowed to eliminate this language from its tariffs by a compliance filing. SoCalGas should also include a reference to this sunset provision in its explanation of the initial open season.

H. The Offer of Long-Term Contracts for SoCalGas' Firm Interstate Capacity Rights

SoCalGas does not offer long-term contracts for firm interstate capacity under its Capacity Brokering rule, Rule 36. D.91-11-025 adopted rules for SoCalGas which included the offer of short-term capacity for up to two years, mid-term capacity

for approximately three years and long-term capacity for no less than five years. SoCalGas has agreed to include this provision in its tariff revisions.

I. Brokered Capacity Terms of One Month or Less

CACD clarified through discussion with SoCalGas that the utility may assign capacity for less than one month. Notice of such an offer would be posted directly to the respective interstate pipeline's electronic bulletin board. Brokered capacity for terms of one month or more does require the pre-arrangement/bid process before posting to the interstate pipeline's bulletin board. These provisions should be clarified in SoCalGas' Rule 36.

J. Evaluation of Bids for Firm Interstate Capacity Rights

CACD finds that SoCalGas' Bid Evaluation section of its Capacity Brokering rule, Rule 36, does not adequately clarify the evaluation process. In discussions with CACD, SoCalGas agreed to eliminate the language regarding a weighting mechanism for bid evaluation. SoCalGas has agreed to provide the details of how it will evaluate bids in lieu of its proposed weighting mechanism. The rule should also set forth the procedure for awarding tying bids. CACD recommends SoCalGas include the provision that if it receives two identical bids, it will offer the capacity on a pro rata basis and that these customers may be allowed to state a minimum acceptance level of capacity that has been offered on a pro rata basis. Terms for recalling capacity should be also be included.

K. Take-or-Pay Penalties Under Schedule GW-LB, Wholesale Natural Gas Service to the City of Long Beach

CACD notes that SoCalGas has eliminated take-or-pay penalties associated with partial requirements service from its proposed Schedule GW-LB. CACD recommends SoCalGas be required to keep this penalty because its elimination was not authorized by the Commission.

L. Service Level 2 Firm Transportation Surcharge Account (FTSA)

CACD finds that SoCalGas has eliminated the FTSA in its proposed Preliminary Statement. CACD recommends SoCalGas keep this account and include additional language clarifying that under full implementation of D.91-11-025 and D.92-07-025, customers will no longer be charged a firm surcharge or receive an interruptible credit. Further, CACD recommends that any remaining balance will continue to accrue interest until the allocation of the balance is determined in a subsequent BCAP.

M. The Elimination of Other Accounts Under the Preliminary Statement

CACD notes that SoCalGas was not authorized to eliminate the existing accounts from its proposed Preliminary Statement. SoCalGas has agreed to include the following accounts in its revised Preliminary Statement:

a. Brokerage Fee Account
b. Gas Exploration and Development Adjustment Account
c. Pitas Point Franchise and Uncollectibles Account
d. Interutility Transportation Account
e. Economic Practicality Shortfall Memorandum Account

SoCalGas should propose and justify removal of any of these accounts in its next BCAP.

N. Applicability of the ITCS to SoCalGas' Core Customers

SoCalGas' Core Fixed Cost Account (CFCA) contained in its proposed Preliminary Statement does not include a line item for allocation of transition costs. CACD recommends that SoCalGas include language in the CFCA which clarifies that core customers will be allocated a portion of transitions costs caused by excess interstate capacity, but that the core's liability will be limited to no more than 110% of the capacity reserved for the core class.

O. The ITCS and the Capacity Cost/Revenue Tracking Accounts

In reviewing the Preliminary Statement, CACD notes that SoCalGas provides for two accounts related to interstate capacity not reserved for the core. One is entitled the Capacity Cost Tracking Account and the other is the Capacity Revenue Tracking Account. These two accounts are related to the accruement of actual interstate transition or stranded costs and any offsetting revenues which are not allocated to core customers.

CACD believes that the purpose of these accounts may not be apparent to customers when maintained separately. Therefore, CACD recommends that SoCalGas combine these two accounts into one account with the title of Interstate Transition Cost Surcharge (ITCS) Account. In addition, SoCalGas should designate this account as a balancing account and provide for the accruement of interest. SoCalGas should also include language which states that the allocation of this surcharge will be determined in the next BCAP. Pursuant to D.92-07-025, COL 33, SoCalGas should eliminate the use of the ITCS for each existing liability when that liability is no longer in effect.

P. The Master Services Contract

a. CACD recommends SoCalGas delete the language found in Schedule A, Intrastate Transmission Service of its Master Services Contract, where it requests stated annual quantities from customers contracting for interruptible service. In light of SoCalGas' proposal to have a minimum term of one month for intrastate interruptible transportation service, CACD finds this requested information to be unnecessary.

b. Schedule D, Pre-Arranged Interstate Capacity Transaction, contains a provision that an aggregator shall pay 100% of the as-billed in connection with any quantities of gas transported for ultimate delivery to core customers. CACD recommends that this provision should be removed since core transportation and core aggregation customers are not precluded from obtaining excess capacity beyond the 10% reservation for the core at less than the as-billed rate.

XII. DEFERRED ISSUES

A. Issues Related to Partial Implementation of the Capacity Brokering Program

In their protest, Indicated Producers note that D.92-07-025 established rules under partial implementation of Capacity Brokering where the intrastate rates for customers acquiring access to interstate capacity on one pipeline would be unbundled prior to full implementation of the Commission's program. Indicated Producers request that SoCalGas address specific concerns related to partial implementation of Capacity Brokering.

DISCUSSION: SoCalGas did not respond to issues related to partial implementation in this advice letter filing.

CACD appreciates Indicated Producers' concerns and recommendations. CACD recommends these issues be deferred and addressed in the future resolution on Advice Letter 2137 which contains tariffs and rules for partial implementation of the Capacity Brokering program.

B. The Unbundling of Intrastate Rates

The following protested issues will be addressed in a subsequent resolution along with CACD's review of SoCalGas' rates and unbundling methodology.

1. SCUPP/IID requests SoCalGas to explain why the UEG rates are higher than both enhanced oil recovery (EOR) and cogeneration customers.

2. DRA protests the elimination of demand charges and the application of a single volumetric rate for Long Beach in Schedule GW-LB.

3. DRA protests SoCalGas' calculation of the SDG&E rates which incorporate changes due to implementation of the Capacity Brokering program.

XIII. IMPLEMENTATION ISSUES

A. FERC Rules for Capacity Reallocation

SoCalGas should file by advice letter any changes necessary to these tariff schedules which are made in order to comply with FERC rules for capacity reallocation.

B. Effective Date of Full Implementation and Tariffs for Full Implementation of Capacity Brokering

Pursuant to D.91-11-025 and D.92-07-025, full implementation of Capacity Brokering rules should occur for SoCalGas when both the Transwestern and El Paso pipelines have received FERC approval of their capacity reallocation programs. CACD recommends that all contracts awarded for firm interstate capacity under the Capacity Brokering program become effective on the same date regardless of their terms, i.e., short, mid, or long-term contracts. This will enable the utilities to effectively and efficiently implement the initial stages of Capacity Brokering rules without administrative burdens caused by different effective dates for the contracts.

SoCalGas' tariffs to fully implement Capacity Brokering should be effective January 20, 1993, pending submittal and approval of compliance tariffs filed pursuant to the modifications contained herein. However, the rates and services offered in these revised tariffs with the exception of Rule 36 - Interstate Capacity Brokering and the pro forma Master Services Contract plus attached Schedules, should not be available until (1) capacity reallocation programs authorized by FERC are in place and (2) the contracts between SoCalGas and its customers are approved by the interstate pipeline and effective. Rule 36 - Interstate Capacity Brokering and the pro forma Master Services Contract plus attached schedules should be available prior to the availability of the services and rates. These two items should be available pending FERC approval of the capacity reallocation programs for El Paso and Transwestern. This earlier availability of Rule 36 and the pro forma contract is necessary in order to provide customers with sufficient access to information prior to the events under Capacity Brokering, i.e., intrastate and core subscription open seasons, the pre-arrangement period for interstate capacity, etc...

SoCalGas should include a statement on all revised tariffs explaining at what point in time the services and rates contained in the tariffs will become available. The revised

Capacity Brokering tariffs should be placed in a separate section of the existing tariffs until the rates and services become available as described above. However, the Rule 36 and the pro forma Master Services Contract plus attached schedules should be included with the existing tariffs. Procurement tariffs affected by the Capacity Brokering program should not be cancelled until all tariffs under Capacity Brokering are available.

C. Compliance Filing

CACD recommends that SoCalGas file compliance tariffs that are identical to the tariffs filed in Advice Letter 2133 except for the changes described in this Resolution and, changes authorized by FERC under the reallocation programs for El Paso and Transwestern pipelines. SoCalGas should also make any other minor modifications to its tariffs as documented by CACD in discussion with SoCalGas. The rates filed in the compliance filing should reflect the most current rates authorized by the Commission.

D. Items in Advice Letter 2133 Not Addressed in this Resolution

CACD will address the unbundled intrastate transportation rates filed in Advice Letter 2133 as well as related protest issues in a subsequent resolution.

FINDINGS

1. SoCalGas does not adequately clarify the provision of D.92-07-025, which permits core aggregators to use alternative capacity, in place of or in addition to the reserved space assigned to them.

2. SoCalGas should clarify that core aggregators have the right to use available alternative capacity, in place of or in addition to the reserved space assigned to them in tariffs related to the core aggregation transportation program.

3. According to the SoCalGas proposal, core aggregation customers who have obtained their own interstate capacity would pay a bundled rate. Once SoCalGas has verified that these customers have paid the pipeline company for the demand charges, SoCalGas would provide a credit.

4. Pursuant to D.92-07-025, core aggregation customers are not allowed to elect whether to take assignment of a utility's firm rights.

5. Pursuant to D.92-07-025, core aggregation customers have the opportunity to rebroker or reassign capacity in order to pursue alternative capacity.

6. According to D.92-07-025, core aggregation customers may secondarily broker assigned capacity, in accordance with FERC rules.

7. Core aggregation customers remain responsible for payment of the related demand charges at the full as-billed rate regardless of whether that capacity was secondarily brokered below the full as-billed rate. Thus, there will not be stranded costs resulting from core aggregators secondarily brokering assigned capacity.

8. SoCalGas should unbundle rates in all applicable tariffs for core aggregation transportation customers.

9. SoCalGas should clarify that to the extent CAT customers rebroker assigned capacity, the end-use customer, through its aggregator, should only pay the unbundled intrastate rate to SoCalGas. These customers are responsible for payment of any demand charges related to assigned utility firm interstate rights at the full as-billed rate. Payment of any demand charges incurred for using alternative capacity should be made directly to the interstate pipeline company.

10. D.92-07-025, p. 28, states that standby service for interruptible intrastate customers is required to be curtailed prior to standby service for firm customers.

11. SoCalGas should revise its curtailment rule to reflect that standby service for interruptible intrastate customers is required to be curtailed prior to standby service for firm noncore customers.

12. CACD interprets Appendix B of D.91-11-025, as allowing three types of diversions to be used in two different curtailment situations.

13. When a customer's service is curtailed at the delivery point and SoCalGas does not need the gas to protect the core class from the threat of curtailment, SoCalGas may enter into a voluntary diversion agreement with the customer as long as the price is less than what the utility would pay if the customer had been involuntarily diverted.

14. Voluntary diversions allow the utility and the customer to derive potential benefits from curtailment.

15. VCPP's are designed to provide core supplies at the time of curtailment for a price less than the price utilities have to pay to involuntarily divert customers gas supplies.

16. If VCPP's do not provide enough gas to meet core needs, the utility is authorized to involuntarily divert gas. The price to

be paid for involuntary diversions is established in Appendix B of D.91-11-025.

17. The Commission did not intend that the utilities use diversions of any type simply because diversions may provide the most economic core supply option.

18. SoCalGas has included the voluntary interruptible and the VCPP in its curtailment order.

19. The utilities are authorized to use voluntary diversions under circumstances other than when service to the core class is threatened.

20. VCPPs should be used prior to involuntary diversions.

21. SoCalGas should eliminate the voluntary diversion agreements and the VCPP agreements from the curtailment order.

22. SoCalGas should include an explanation of the three types of diversions it is authorized to perform and when those diversions are applicable.

23. SoCalGas' proposal for transferring intrastate curtailments or diversions rights among <u>firm</u> intrastate customers does not permit the trading of firm intrastate rights to <u>interruptible</u> customers.

24. D.92-07-025, O.P. 17, does not restrict which class of customers could negotiate the order of diversions with other customers.

25. In allowing transfers of curtailments or diversions between firm and interruptible customers a revenue shortfall may occur caused by the transfer of firm curtailment rights to an interruptible customer who pays a discounted transportation rate.

26. The revenue shortfall incurred by allowing transfers of curtailment or diversion requirement among firm and interruptible intrastate transportation customers would have to be allocated to all customers.

27. The customer who receives the transfer of firm curtailment requirements should be required to pay the higher of the firm or interruptible transportation rate.

28. SoCalGas proposes that customers participating in a curtailment transfer agreement must notify SoCalGas of any assignment or transfer arrangement at the same time the utility notifies such customer of the curtailment.

29. SoCalGas' proposes it also receive written confirmation of a curtailment or diversion transfer arrangement within 24 hours of notification of curtailment.

30. SoCalGas does encourage customers to agree on a curtailment sharing arrangement before notification of curtailment.

31. SoCalGas should eliminate the requirement that verbal notification of transfer arrangements must be provided at the same time the utility provides the notification of curtailment.

32. SoCalGas' proposal that it receive written confirmation of a curtailment transfer arrangement within 24 hours of notification of curtailment should be adopted.

33. To the extent it can notify customers sufficiently in advance of a curtailment, SoCalGas should allow 48 hours prior to the service interruption for customers to provide written notification of any transfers of curtailment requirements or diversions.

34. SoCalGas' proposal fails to clarify that for customers who have been involuntarily diverted the cost of alternate fuel or replacement energy also includes the cost of transportation incurred by the customer.

35. Pursuant to D.91-11-025, Appendix B, page 14, SoCalGas should clarify that a noncore customer whose gas is involuntarily diverted shall be paid the higher of (1) the cost of alternate fuel or replacement energy used by the customer during the diversion plus associated transportation costs actually incurred by the customer, (2) 150% of the utility's weighted average cost of gas for the month in which the curtailment occurred or (3) the customer's actual cost of gas.

36. SoCalGas proposes that curtailment violations will be determined when, during periods of system curtailment, customers' consumption exceeds their authorized contract quantities.

37. SoCalGas has eliminated the requirement for a stated maximum daily quantity for noncore customers.

38. SoCalGas intends to use a daily proration of the monthly contract billing quantities. To the extent SoCalGas must determine curtailment violations based on this daily proration of monthly contract billing quantities, it proposes to maintain the language "authorized contract quantities".

39. The intent of maximum daily quantities under existing rules was to ensure that customers nominate sufficient transportation quantities in order to meet their needs.

40. MDQs were necessary because SoCalGas was capacity constrained on the interstate system. The average MDQ is an estimate calculated to exceed the annual contract quantity in order to account for daily and monthly fluctuations in gas usage.

41. The recent addition of new pipelines has alleviated the capacity constraint and has provided reduced demand for interstate capacity held by SoCalGas.

42. SoCalGas finds that the use of MDQs is no longer necessary because customers are now able to make their nominations relative to their actual usage.

43. Curtailment penalties are currently based on the quantities in excess of a customer's MDQ, or the actual deliveries of gas plus the 10% tolerance band.

44. SoCalGas proposes to eliminate maximum daily quantities and base curtailment penalties on authorized contract quantities, or the actual transportation deliveries plus the 10% tolerance band.

45. SoCalGas' elimination of maximum daily quantities is reasonable. Customers will be able to state an authorized contract quantity which more accurately reflects what they want to nominate rather than maximum daily quantities which are estimates.

46. The calculation of the curtailment penalty based on authorized contract quantities is reasonable. SoCalGas should clarify in the applicable sections of its tariffs that the authorized contract quantities will be re-stated as monthly quantities by the customer and that SoCalGas will then use a daily proration of this monthly breakdown on which to base a curtailment penalty.

47. The definition of the percentage of default rate is critical because it determines the order of curtailment for interruptible intrastate transportation customers.

48. SoCalGas' definition of the percentage of default rate should be further clarified. The denominator of the calculation which states the "class average rate" should be changed to "the total tariffed rate".

49. Pursuant to D.91-11-025, the Commission allowed SoCalGas to offer the SIC, whereby the utility would pay $0.25 per therm of gas curtailed to a firm intrastate transportation customer who experiences more than one interruption during a ten year period.

50. In D.92-07-025, the Commission reiterated that SoCalGas would still have to comply with the curtailment requirement when a cogenerator pays the same or higher percentage of the default rate than an UEG customer, the UEG customer will be curtailed before the cogenerator.

51. In D.92-12-023, addressing Applications for Rehearing of D.92-07-025, the Commission clarified that, in order to fulfill the mandate of the Public Utilities Codes 454.4 and 454.7, UEGs should be curtailed before cogenerators when both pay the same percentage of the default rate. The Commission does clearly

allow SoCalGas to offer the SIC so long as it comports with statutory mandates.

52. The language contained in the SoCalGas tariff, Transportation of Imbalance Service, Schedule G-IMB, is unclear with regard to the provision of buy-back service when transportation nominations are in excess of system capacity. SoCalGas states, "... buy-back service shall be restricted to 24 hour periods..."

53. SoCalGas should change the word "restricted" to "applied" with regard to when buy-back service should occur.

54. The SoCalGas tariff Schedule G-IMB, fails to indicate how it will restrict the nominations of its gas supply department during an overpressurization situation.

55. SoCalGas' Schedule G-IMB should be modified to delineate how SoCalGas intends to restrict the nominations of its own gas supply department in the event of an overpressurization situation.

56. SoCalGas is operationally unable to apply rules for reduction of nominations to an aggregator who purchases gas for numerous small core customers. It must apply the 10% balancing requirement to the core class as a whole.

57. During periods of overpressurization, SoCalGas requires customers to notify the utility of reductions to their intrastate nominations within two (2) hours of receiving notification of a "buy-back constraint" from SoCalGas.

58. SoCalGas should modify its requirement to two (2) business hours.

59. SoCalGas proposes to include language in its revised tariffs, clarifying that, if customers fail to reduce their nominations voluntarily, SoCalGas will utilize the most recent and best available operating data to reduce the nominations of those customers which SoCalGas believes are causing the overnomination problem.

60. SoCalGas proposes that, in cases where SoCalGas reduces a customer's nomination and, as a result, the customer burns in excess of the 10% tolerance band during the 24-hour period, the customer should be allowed to carry that imbalance into the month following the rendering of the bill.

61. SoCalGas' proposal to use the most recent operating data to reduce the nominations of those customer believed to be causing the overnomination problem when customers do not voluntarily curtail as requested appears to be reasonable and is consistent with the Commission's intent with regard to who should be required to reduce nominations. The SoCalGas proposal should be adopted.

62. SoCalGas' provision of allowing a customer to carry the imbalance into the next month when SoCalGas has reduced that customer's nomination based upon recent operating data is fair and should be adopted. SoCalGas should include clarifying language in its curtailment rule.

63. SoCalGas does not provide that shippers can aggregate the rights of several customers for the purposes of contract administration, applicable use-or-pay requirements, or balancing requirements in its rule for the Contracted Marketer Program, Rule 35.

64. SoCalGas does not provide that the same aggregation rights are available to customers as well as shippers other than customers.

65. By letter to CACD dated October 5, 1992, SoCalGas has withdrawn Advice Letter 2086 filed on December 20, 1991. This advice letter proposed the implementation of Rule 35, the Contracted Marketer Rule, which described the terms and conditions of the Contracted Marketer Program.

66. Due to this withdrawal of Rule 35, review of SoCalGas' proposed changes to Rule 35 filed in the Capacity Brokering Advice Letter 2133 would be moot.

67. SoCalGas should clarify that shippers can aggregate the rights of several customers for the purposes of contract administration, applicable use-or-pay requirements, or balancing requirements. This clarification should be made in the applicable sections of SoCalGas' tariffs and/or the Marketer/Aggregator Contract.

68. SoCalGas should clarify that the same aggregation rights are available to customers as well as shippers other than customers. This clarification should be made in the applicable sections of SoCalGas' tariffs and/or the Marketer/Aggregator Contract.

69. SoCalGas' tariff and curtailment provisions as presented in Schedule GW-SD and Rule 23 fail to provide for the exclusion of SDG&E from the curtailment priority for wholesale customers as permitted under D.92-07-025.

70. D.92-07-025 adopted wholesale curtailment provisions, but did not alter the rules adopted in D.91-11-025 regarding curtailments between SoCalGas and SDG&E.

71. According to D.91-11-025, the Commission stated that SoCalGas and SDG&E should operate as independent gas systems where noncore customers will be curtailed by SDG&E or SoCalGas to the extent necessary to maintain service to each utility's own core customers.

72. SoCalGas and SDG&E are not permitted to curtail noncore service to serve the core requirements of the other except as provided by mutual assistance agreement.

73. SoCalGas should add the clarifying language which exempts SDG&E from any curtailment priority rules adopted for wholesale customers as stated in D.91-11-025 and D.92-07-025.

74. SoCalGas' tariffs for SDG&E, Schedule GW-SD do not comport with the existing long-term contract authorized by the Commission on July 6, 1990 and the rules set forth in the Capacity Brokering decisions.

75. SoCalGas should change the tariff provisions presented by SDG&E which apply to transportation services which are served under the existing long-term contract.

76. Provisions which do not comport with the SoCalGas/SDG&E long-term contract are contained in the current SoCalGas rate schedule, GT-80. These provisions are intended to apply to transportation services which are not provided under the long-term contract.

77. Proposed provisions outside of the long-term contract between SoCalGas and SDG&E are relevant and should remain in Schedule GW-SD since they apply to any quantities beyond the service provided under the long-term contract. SoCalGas should clearly identify these provisions as applicable to transportation service which is not served under contract.

78. The proposed rates in SoCalGas' Schedule GW-SD constitute a change to existing rates which is not in accord with the SoCalGas/SDG&E long-term contract.

79. Under the terms of the SoCalGas/SDG&E long-term contract, rates for SDG&E should change only once a year. Any revenue differences incurred after the annual rate change are accumulated in a separate account.

80. Rate changes for SDG&E have already been instituted on January 1, 1992, pursuant to the most current BCAP proceeding, D.91-12-075. Accordingly, SoCalGas should not change SDG&E's rates until 1993, but should record differences in a separate memorandum account consistent with current practice.

81. SoCalGas has eliminated use-or-pay penalty provisions for intrastate transportation service under the wholesale tariff for SDG&E, Schedule GW-SD.

82. Eliminating these provisions contradicts the current SDG&E Schedule GT-80, Transportation-Only Natural Gas Service for Wholesale, which is based on the SoCalGas/SDG&E contract and contains use-or-pay charges.

83. The use-or-pay penalties applicable to interruptible intrastate transportation service apply to those quantities not

served under the SoCalGas/SDG&E long-term contract. SoCalGas should add the provisions of the penalty as it applies to transportation services which are not served under the long-term contract.

84. The use of the term "eligible parties" where the utility will offer pre-arranged deals of firm interstate capacity rights to "eligible parties" is too ambiguous. The SoCalGas Rule 36, Rules for Interstate Capacity Brokering, does not offer a definition of who or what is considered an eligible party.

85. SoCalGas should include a definition of "eligible parties" with respect to who may participate in a pre-arranged agreement for firm intrastate transportation rights. Such a definition should comport with FERC's definition of "eligible parties". Therefore, SoCalGas should not base the definition on the satisfactory meeting of SoCalGas' creditworthiness requirements.

86. SoCalGas' rule for the Capacity Brokering program, Rule 36, does not set forth the creditworthiness requirements for shippers who wish to bid for SoCalGas' firm interstate transportation capacity.

87. In its Master Services Contract, Schedule D, Pre-Arranged Interstate Capacity Transaction, SoCalGas states that creditworthiness shall be established "to the reasonable satisfaction of SoCalGas."

88. SoCalGas provides no objective standard by which to measure creditworthiness.

89. Under the Capacity Brokering program, utilities and all other parties are required to follow the rules set forth by FERC including any creditworthiness standards established in FERC orders.

90. Any SoCalGas provision for creditworthiness requirements would be duplicative and possibly contradict interstate pipeline creditworthiness standards authorized by FERC. SoCalGas' creditworthiness requirements should be denied.

91. Under SoCalGas' proposed indemnity provision, the transferee would be required to indemnify SoCalGas for all expenses associated with assigning firm capacity, including in-house legal fees.

92. Pursuant to D.92-11-025 shippers are required to contract with the releasing utility specifying the utility's rights against the shipper where the shipper fails to pay the pipeline company for contracted transportation service.

93. The provisions of SoCalGas' indemnity are overly broad and ambiguous.

94. SoCalGas should be allowed to indemnify itself where the shipper fails to pay the pipeline company and the pipeline

company holds SoCalGas liable for the unpaid demand charges. SoCalGas should change the language on indemnification to correctly reflect the provision of D.92-07-025.

95. SoCalGas' proposed Capacity Brokering rule, Rule 36, states that reserved core capacity shall not be made available to large core transportation customers.

96. Pursuant to D.91-11-025, large core transportation customers should be allowed the same opportunities as core aggregation customers with respect to obtaining firm interstate transportation rights.

97. SoCalGas should file revised tariff sheets to provide reserved core interstate capacity to large core transportation customers.

98. SoCalGas should modify the applicable core transportation tariff for core transporters, Schedule GT-20, to reflect an intrastate transportation rate which excludes embedded interstate pipeline demand charges.

99. Core transportation customers should be able to choose whether to use alternative capacity in place of or in addition to the reserved capacity assigned to them.

100. To the extent a core transportation customer chooses not to use the assigned capacity, the customers, like core aggregation customers, may choose to secondarily broker that assigned capacity, pursuant to FERC rules, in order to obtain available alternative capacity.

101. Core transporters remain responsible for payment of demand charges related to that capacity at the full as-billed rate regardless of whether that capacity was secondarily brokered at a rate below the full as-billed rate.

102. SoCalGas does not clarify the circumstances under which the utility will reject bids for capacity when such bids are at less than the full as-billed rates.

103. SoCalGas should clarify that rejection of interstate capacity bids will not be employed to allow SoCalGas to discriminate against bids for capacity which are less than the as-billed rates for reasons other than prudence and brokering capacity at the bid rate would be unreasonable.

104. SoCalGas should clarify in its Capacity Brokering rule, Rule 36 and in its Preliminary Statement that the utilities are required to broker core, core subscription and noncore capacity on a pro rata basis. The associated credits should be allocated to each of the classes accordingly.

105. SoCalGas does not include a provision which would notice cogeneration customers of alternative pipelines designated by UEG customers.

106. SoCalGas should add the following language in its Capacity Brokering rule, "as well as whether the UEG has designated and alternative pipeline in the event their first pipeline of choice is not accepted by the Utility."

107. SoCalGas should add the definition of the ITCS account to its Rule 1, defining the ITCS and stating that to the extent customers take service under fixed rate contracts (including pre-existing long-term contracts), the ITCS, would not apply.

108. SoCalGas should include an ITCS line item on each applicable noncore tariff. The line item should explain that the allocation of the actual ITCS amount will be determined in the next BCAP.

109. Applicable core subscription rate schedules should also include a statement notifying customers of the allocation of stranded costs associated with that particular service.

110. Pursuant to D.92-11-014 and Resolution G-3024, the Commission has adopted modifications which change the double demand charge tracking account to a memorandum account and require the accruement of interest.

111. The Double Demand Charge Memorandum Account (DDCMA) should be included in SoCalGas' Preliminary Statement under full implementation of the Capacity Brokering program because determination of its allocation will be considered in each utility's BCAP.

112. SoCalGas' tariff for interruptible intrastate service, GT-I, offers interruptible UEG discounted intrastate transportation rates to cogeneration customers in the next BCAP.

113. This delayed offering undermines UEG/cogenerator parity because UEG customers will receive a discount that is not contemporaneously available to the cogeneration customer.

114. In order to maintain rate parity, any discounts for intrastate transportation service offered to UEG customers should be offered contemporaneously to cogeneration customers.

115. CACD interprets rate parity to mean that the average rate paid by all UEG's would be equal to the average rate paid by all cogeneration customers.

116. SoCalGas should include language in its UEG rate schedule explaining that any discount offered to the UEG for intrastate transportation should be offered contemporaneously to cogeneration customers.

117. SoCalGas should file a separate advice letter to accomplish contemporaneous rate parity between UEG class average rates and cogeneration class average rates.

118. SoCalGas proposes that current core subscription customers who fail to place their nominations for core subscription service in the initial open season under the Capacity Brokering program will be assigned to interruptible intrastate service.

119. SoCalGas should provide that current core subscription customers will default to core subscription again if they fail to nominate in the initial and subsequent biennial core subscription open seasons.

120. SoCalGas has included a provision for those customers who wish to obtain core subscription service after the open season has been conducted. The customers requests will be accepted on a first-come, first-served basis to the extent SoCalGas determines it is operationally feasible.

121. SoCalGas should clarify that new and existing customers may obtain core subscription service after the firm interstate capacity pre-arrangement period.

122. Pursuant to D.91-11-025, SoCalGas must file an advice letter with the Commission requesting the authority to obtain additional capacity, if SoCalGas chooses to obtain additional firm interstate capacity in order to meet demand for core subscription.

123. SoCalGas does not include an explanation of the need for stated monthly breakdowns of a customer's annual contract quantities.

124. Core subscription customers must state a monthly breakdown of their annual contract quantities which will be used to determine a core subscription fixed reservation fee. For customers with split loads, the stated monthly breakdown will also be used for billing purposes, since the first gas through the meter will be billed as core subscription.

125. SoCalGas should include a brief explanation of the purpose of stated monthly breakdowns in all applicable tariffs.

126. SoCalGas did not include a revised tariff for UEG Air Quality Natural Gas Storage Service, Schedule G-STAQ, in its advice letter filing.

127. SoCalGas should file Schedule G-STAQ to reflect any necessary changes under the Capacity Brokering program.

128. SoCalGas' should provide additional language in its curtailment rule detailing its rotating curtailment scheme of firm intrastate transportation service.

129. SoCalGas should also specify how it will assign customers to rotating blocks and how it will ensure correct application of the UEG/cogeneration parity issue and the SIC.

130. According to D.91-11-025, curtailment of interruptible customers is be based on the level of payment or the percentage of default rate paid.

131. Pursuant to D.91-11-025, p. 27, curtailment on a pro rata basis means that customers will be curtailed on an equal percentage.

132. The timeline for capacity brokering agreed to by CACD and the utilities, PG&E, SDG&E and SoCalGas, includes an eight week period for intrastate transportation service elections and a core subscription open season. A five week period for pre-arrangements of firm interstate capacity rights would begin during the last last two weeks of the eight week intrastate and core subscription open seasons. The utilities will have one week from the time all pre-arranged bids are submitted to evaluate the bids and award pre-arranged deals before the pre-arrangements that are awarded should be posted on the interstate pipeline's electronic bulletin board.

133. The timeline of events provides uniformity among the three utilities and affords customers sufficient time to make their intrastate and interstate service elections while avoiding unnecessary delay of Capacity Brokering.

134. SoCalGas should clarify open season language in all applicable tariffs in line with the agreed upon capacity brokering timeline wherever a reference is made to open seasons in the rate schedules or rules.

135. SoCalGas should include a separate section in its Capacity Brokering rule which contains provisions for initial open season procedures. This will help to alleviate customer confusion with regard to this new program.

136. The initial open seasons section should explain the timeline of events leading up to the posting of pre-arranged deals on the interstate pipeline bulletin board as agreed upon by CACD and the utilities.

137. Because the initial open season section will eventually become obsolete, there should be a sunset provision which allows SoCalGas to eliminate this language from its tariffs one year after the effective date of full implementation for the Capacity Brokering program. SoCalGas should be allowed to eliminate this language by a compliance filing.

138. SoCalGas should also include a reference to the sunset provision in its explanation of the initial open season.

139. SoCalGas does not offer long-term contracts for firm interstate capacity under its Capacity Brokering rule, Rule 36.

140. D.91-11-025 adopted rules for SoCalGas which included the offer of short-term capacity for up to two years, mid-term

capacity for approximately three years and long-term capacity for no less than five years.

141. SoCalGas should include a provision for long-term contracts for firm interstate capacity in its tariff revisions.

142. SoCalGas may assign firm interstate capacity for less than one month. Notice of such an offer would be posted directly to the respective interstate pipeline's electronic bulletin board.
143. Brokered capacity for terms of one month or more does require the pre-arrangement/bid process before posting to the interstate pipeline's bulletin board.

144. SoCalGas should clarify the bidding, awarding and posting procedures for firm interstate capacity of less than one month and one month or more.

145. SoCalGas' Bid Evaluation section of its Capacity Brokering rule, Rule 36, does not adequately clarify the evaluation process.

146. SoCalGas should provide the details of how it will evaluate bids in lieu of its proposed weighting mechanism. The rule should also set forth the procedure for awarding tying bids.

147. SoCalGas should include the provision that if it receives two identical bids, it will offer the capacity on a pro rata basis and that these customers may be allowed to state a minimum acceptance level of capacity that has been offered on a pro rata basis. Terms for recalling capacity should be also be included.

148. SoCalGas has eliminated take-or-pay penalties associated with partial requirements service from the wholesale tariff proposed for Long Beach, Schedule GW-LB.

149. SoCalGas should keep the take-or-pay penalty because its elimination was not authorized by the Commission.

150. SoCalGas has eliminated the FTSA in its proposed Preliminary Statement.

151. SoCalGas should keep the FTSA and include additional language clarifying that under full implementation of D.91-11-025 and D.92-07-025, customers will no longer be charged a firm surcharge or receive an interruptible credit.

152. SoCalGas should clarify that upon full implementation of Capacity Brokering, any remaining balance in the FTSA will continue to accrue interest until the allocation of the balance is determined in a subsequent BCAP.

153. SoCalGas eliminated the following accounts from its proposed Preliminary Statement:

a. Brokerage Fee Account
b. Gas Exploration and Development Adjustment Account

c. Pitas Point Franchise and Uncollectibles Account
d. Interutility Transportation Account
e. Economic Practicality Shortfall Memorandum Account

154. SoCalGas should include the above accounts in its Preliminary Statement.

155. SoCalGas should propose and justify removal of any of the accounts in the Preliminary Statement in its next BCAP.

156. SoCalGas' Core Fixed Cost Account (CFCA) contained in its proposed Preliminary Statement does not include a line item for allocation of transition costs.

157. SoCalGas should include language in the CFCA which clarifies that core customers will be allocated a portion of transitions costs caused by excess interstate capacity, but that the core's liability will be limited to no more than 110% of the capacity reserved for the core class.

158. SoCalGas provides for two accounts related to interstate capacity not reserved for the core. One is entitled the Capacity Cost Tracking Account and the other is the Capacity Revenue Tracking Account.

159. The two capacity tracking accounts are related to the accruement of actual interstate transition or stranded costs and any offsetting revenues which are not allocated to core customers.

160. SoCalGas should combine these two accounts into one account with the title of Interstate Transition Cost Surcharge (ITCS) Account.

161. SoCalGas should designate the ITCS account as a balancing account and provide for the accruement of interest.

162. SoCalGas should include language in the ITCS account which states that the allocation of this surcharge will be determined in the next BCAP.

163. Pursuant to D.92-07-025, COL 33, SoCalGas should eliminate the use of the ITCS for each existing liability when that liability is no longer in effect.

164. SoCalGas should delete the language found in Schedule A, Intrastate Transmission Service of its Master Services Contract, where it requests stated annual quantities from customers contracting for interruptible service.

165. SoCalGas should remove the provision in Schedule D, Pre-Arranged Interstate Capacity Transaction, that an aggregator shall pay 100% of the as-billed in connection with any quantities of gas transported for ultimate delivery to core customers.

166. CACD should address issues related to partial implementation of Capacity Brokering in the future resolution on Advice Letter 2137 which contains tariffs and rules for a partial program.

167. CACD should review intrastate rates filed in Advice Letter 2133 and related protest issues in a subsequent resolution.

168. SoCalGas should file by advice letter any changes necessary to these tariff schedules which are made in order to comply with FERC rules for capacity reallocation.

169. Pursuant to D.91-11-025 and D.92-07-025, full implementation of Capacity Brokering rules should occur for SoCalGas when both the Transwestern and El Paso pipelines have received FERC approval of their capacity reallocation programs.

170. All contracts awarded for firm interstate capacity under the Capacity Brokering program should become effective on the same date regardless of their terms, i.e., short, mid, or long-term contracts.

171. SoCalGas' tariffs to fully implement Capacity Brokering should be effective January 20, 1993, pending submittal and approval of compliance tariffs filed pursuant to the modifications contained herein.

172. The rates and services offered in these revised tariffs with the exception of Rule 36 - Interstate Capacity Brokering and the pro forma Master Services Contract plus attached schedules, should not be available until (1) capacity reallocation programs of El Paso and Transwestern have been authorized by FERC and are in place and, (2) the contracts between SoCalGas and its customers for interstate capacity are accepted by the interstate pipelines and effective.

173. SoCalGas Rule 36 and the pro forma Master Services Contract plus attached schedules should be available pending FERC approval of the capacity reallocation programs for El Paso and Transwestern.

174. SoCalGas should include a statement on all revised tariffs explaining at what point in time the services and rates contained in the tariffs will become available.

175. The revised Capacity Brokering tariffs should be placed in a separate section of the existing tariffs until the rates and services become available as described above.

176. SoCalGas Rule 36 and the pro forma Master Services Contract plus attached schedules should be included with the existing tariffs.

177. Procurement tariffs affected by the Capacity Brokering program should not be cancelled until all tariffs under Capacity Brokering are available.

178. SoCalGas should file compliance tariffs that are identical to the tariffs filed in Advice Letter 2133 except for the changes described in this Resolution and changes authorized by FERC under the reallocation programs for El Paso and Transwestern pipelines.

179. SoCalGas should make any other minor modifications to its tariffs as documented by CACD in discussion with SoCalGas.

180. The rates filed in the compliance filing should reflect the most current rates authorized by the Commission.

THEREFORE, IT IS ORDERED that:

1. Southern California Gas Company shall file revised tariffs by January 15, 1993 that are identical to Advice Letter 2133 except for any changes identified in the findings above and any other minor modifications requested by the Commission Advisory and Compliance Division. The rates filed in the compliance filing shall reflect the most current rates authorized by the Commission.

2. Advice Letter 2133 shall be marked to show that it has been superseded and supplemented by the new supplemental advice letter containing the revised tariffs.

3. The revised tariffs to fully implement Capacity Brokering shall be effective January 20, 1993, pending approval by the Commission Advisory and Compliance Division.

4. The rates and services offered in these revised tariffs with the exception of Rule 36 and the pro forma Master Services Contract plus attached schedules shall not be available until capacity reallocation programs have been authorized by the Federal Energy Regulatory Commission, the programs are in place, and the contracts between Southern California Gas Company and its customers for interstate capacity are accepted by the interstate pipelines and effective.

5. Southern California Gas Company Rule 36 and the pro forma Master Services Contract plus attached schedules shall be available pending the Federal Energy Regulatory Commission's approval of the capacity reallocation programs for El Paso Natural Gas Company and Transwestern Pipeline Company.

6. Procurement tariffs affected by the Capacity Brokering program shall not be cancelled until all tariffs under Capacity Brokering are available.

7. Southern California Gas Company shall file an advice letter by January 15, 1993 presenting a proposal to accomplish contemporaneous rate parity between utility electric generation (UEG) class average rates and cogeneration class average rates.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 16, 1992. The following Commissioners approved it:

Executive Director

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners