

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
ENERGY BRANCH

RESOLUTION G-3024
December 3, 1992

R E S O L U T I O N

RESOLUTION G-3024. PACIFIC GAS AND ELECTRIC COMPANY (PG&E), SAN DIEGO GAS AND ELECTRIC COMPANY (SDG&E), AND SOUTHERN CALIFORNIA GAS COMPANY (SOCALGAS) REQUEST APPROVAL TO ESTABLISH DOUBLE DEMAND CHARGE TRACKING ACCOUNTS TO RECORD THE INTERSTATE PIPELINE DEMAND CHARGES EMBEDDED IN THE BUNDLED TRANSPORTATION RATES OF CUSTOMERS WHO RECEIVE GAS OVER INTERSTATE CAPACITY NOT OWNED OR CONTROLLED BY THE UTILITIES PURSUANT TO DECISION NO. (D.) 92-07-025 AND D. 92-11-014.

BY PG&E ADVICE LETTER 1713-G FILED ON AUGUST 12, 1992, SDG&E ADVICE LETTER 827-G FILED ON SEPTEMBER 23, 1992, AND SOCALGAS ADVICE LETTER 2140 FILED ON SEPTEMBER 24, 1992.

SUMMARY

1. Pursuant to Decision (D.) 92-07-025, dated July 1, 1992, Pacific Gas and Electric Company (PG&E), San Diego Gas and Electric Company (SDG&E), and Southern California Gas Company (SoCalGas) request approval to establish Double Demand Charge Tracking Accounts (DDCTAs). These tracking accounts will record the interstate pipeline demand charges embedded in the transportation rates of noncore customers whose volumes of gas are supplied over interstate pipeline capacity not owned or controlled by PG&E, SDG&E, or SoCalGas.

2. This resolution approves with modification the filings submitted by PG&E, SDG&E, and SoCalGas. This resolution establishes memorandum accounts to record these double demand charges. The three utilities shall file modified tariffs in compliance with this order.

BACKGROUND

1. Interstate and intrastate natural gas transportation has been provided to customers as a bundled service because access to unbundled interstate transportation has been limited. Currently, interstate demand charges that utilities must pay to the pipelines for transportation service are allocated to, or "bundled," with intrastate transportation rates. Recently, several new pipelines are either under construction or have been placed into service to provide natural gas transportation to California. These new pipelines allow customers to purchase interstate transportation service independent of the utilities.

2. In D. 92-07-025, the Commission recognized that until interstate and intrastate transportation rates are unbundled, customers relying on non-utility owned interstate capacity pay

rates for intrastate transportation that include a share of interstate demand charges incurred by the utilities. Customers that rely on non-utility owned interstate pipeline capacity are paying the pipeline directly for this interstate capacity and are also paying bundled intrastate transportation rates, hence the term "double demand charge."

3. Ordering Paragraph 29 of D. 92-07-025 states that the utilities shall establish tracking accounts for interstate demand charges paid by noncore customers who do not use utility-held interstate pipeline facilities. By establishing the tracking account, the Commission resolves potential retroactive ratemaking problems associated with the future disposition of these double demand charges and provides parties a vehicle for possible future recovery of the dollars recorded in the tracking account. Entries into the tracking account will cease upon the implementation of capacity brokering and the coincident unbundling of intrastate transportation rates.

4. In D. 92-07-025, the Commission stated that these tracking accounts shall be effective July 1, 1992. In the same decision, the Commission deferred allocation of the tracking account dollars among customer classes pending each utility's cost allocation proceeding. On August 12, 1992, PG&E submitted Advice Letter (A.L.) 1713-G, on September 23, 1992, SDG&E submitted A.L. 827-G, and on September 24, 1992, SoCalGas submitted A.L. 2140 to establish DDCTAs.

5. On November 6, 1992, the Commission in D. 92-11-014 denied petitions to modify D.92-07-025 filed by Sunrise Energy Company (Sunrise), Kern River Gas Transmission Company (Kern), Indicated Producers, and the Division of Ratepayer Advocates (DRA). In the decision denying the petitions, the Commission also clarified the following:

- a. The tracking account should be characterized as a Double Demand Charge Memorandum Account (DDCMA).
- b. Only those interstate pipeline demand charges that are subject to unbundling as described in the capacity brokering implementation decision (D. 92-07-025) should be recorded in the DDCMA. The interstate demand charges for Pacific Interstate Transmission Company (PITCO) and for Pacific Offshore Pipeline Company (POPCO) that are included in SoCalGas' intrastate transportation rates should not be included in the dollars recorded in the DDCMA.
- c. Only those shippers who move gas to the LDC using either their firm rights over El Paso Natural Gas Company, Transwestern Pipeline Company, or Pacific Gas Transmission Company, or the expansion pipelines are eligible to have the interstate demand charge component in their intrastate transportation rates booked to the DDCMA.

6. On November 18, 1992, PG&E submitted A.L. 1713-G-A to supplement its earlier filing in accordance with D. 92-11-014. PG&E withdrew the A.L. 1713-G-A on November 23, 1992 and will supercede and supplement all earlier filings on this subject in accordance with this Resolution and D. 92-11-014.

NOTICE

1. Public notice of the above mentioned advice letters was made by each utility mailing copies of its advice letter to other utilities, to governmental agencies, to the service list of R. 88-08-018 and R. 90-02-008, and to all interested parties who requested notification.

PROTESTS

1. There were no protests to PG&E's A.L. 1713-G.

2. The California Industrial Group, California League of Food Processors, and California Manufacturer's Association (collectively referred to as CIG), protested SDG&E's A.L. 825-G on October 1, 1992 and SoCalGas's A.L. 2137 on September 17, 1992. Both SDG&E's A.L. 825-G and SoCalGas's A.L. 2137 contained proposed tariffs for the partial implementation of capacity brokering and therefore included identical tariff sheets for each utility's DDCTA as found in A.L.'s 827-G and 2140. CIG objected to the provision in both SDG&E's and SoCalGas's filing that the DDCTA would not track interstate demand charges for customers transporting noncore volumes at discounted rates.

3. On September 17, 1992, the California Gas Marketers Group (Marketers Group) protested elements of the DDCTA as outlined in SoCalGas's A.L. 2137. The Marketers Group protested that the DDCTA would not track PITCO and POPCO demand charges or interstate demand charges for noncore volumes transported at discounted rates.

RESPONSE TO PROTESTS

1. SDG&E responded to CIG's protest of A.L. 825-G on October 9, 1992. SDG&E responded that customers who receive discounted intrastate transportation cause an underrecovery of the utility's costs. Therefore, SDG&E believes that these customers should not receive protection against double demand charges. Furthermore, SDG&E stated that double demand charges are only incurred when a customer makes the free choice to take non-utility interstate capacity.

2. SoCalGas responded to the protests of CIG and the Marketers Group on September 24, 1992.

- a. SoCalGas stated that customers served under discounted contracts do not make the same contribution to SoCalGas's fixed costs as customers paying the full default rate and therefore are not truly paying "double" demand charges. SoCalGas proposed that customers paying discounted rates greater than the default rate minus embedded pipeline demand charges should have the extent of their contribution to interstate demand charges tracked in the DDCTA. Customers paying a discounted rate less or equal to the default rate minus pipeline demand charges would not be tracked in the DDCTA.
- b. With regard to PITCO and POPCO costs, SoCalGas responded that these interstate demand charges would not be tracked in the DDCTA because excess PITCO and POPCO costs would be allocated to all customers as specified in D. 92-07-025.

DISCUSSION

1. In D. 92-07-025, the Commission ordered the utilities to establish tracking accounts effective July 1, 1992, to record the interstate pipeline demand charges embedded in the bundled transmission rates of noncore customers who do not use utility-held interstate pipeline facilities.
2. The advice letters filed by PG&E, SDG&E, and SoCalGas establish Double Demand Charge Tracking Accounts for the purpose described above. However, the Commission clarified in D. 92-11-014 that these accounts should be known as Double Demand Charge Memorandum Accounts (DDCMAs) because "tracking account" is a non-technical term and could be misleading. "Tracking" is the process of measuring, counting, or evaluating an event or series of events. A memorandum account is used in the regulatory process to account for an event prior to final regulatory disposition. Pursuant to D. 92-07-025 and D. 92-11-014, allocation of the dollar amounts in the DDCMAs will be handled in each utility's future cost allocation proceeding.
3. PG&E, SoCalGas, and SDG&E should record interstate demand charges in their respective DDCMAs for customers using firm interstate rights who pay either the default rate or a discounted rate. However, because customers paying a discounted transportation rate are not contributing fully to fixed costs, discounted customers should have a pro rata share of embedded interstate demand charges recorded in the DDCMA. For example, if a customer pays 75% of the default transmission rate, the utility will record only 75% of embedded interstate demand charges in the DDCMA for that customer.
4. SoCalGas and SDG&E are correct to exclude PITCO and POPCO demand charges from the dollars to be recorded in their respective DDCMAs. In Conclusion of Law 4 of D. 92-11-014, the

Commission clarified that demand charges for PITCO and POPCO that are embedded in SoCalGas' intrastate transportation rates should not be recorded in the DDCMA.

5. PG&E provided for the accrual of interest on the dollar amounts recorded in the DDCMA. SDG&E and SoCalGas, in their advice letters, do not offer this provision. The Commission Advisory and Compliance Division believes it is reasonable to have interest accrue on the dollar amounts recorded in the DDCMA. PG&E, SDG&E, and SoCalGas should record interest on the amounts in the DDCMA at the three month commercial paper rate.

FINDINGS

1. The Commission has recognized that until interstate and intrastate transportation rates are unbundled, customers relying on non-utility owned interstate pipeline capacity are paying for interstate capacity twice.
2. The Commission has asked PG&E, SDG&E, and SoCalGas to establish tracking accounts for interstate demand charges paid by noncore customers who do not use utility-held interstate pipeline facilities. The tracking accounts should be called Double Demand Charge Memorandum Account (DDCMAs).
3. The DDCMAs shall be effective July 1, 1992.
4. Allocation of the dollar amounts recorded in the DDCMAs has been deferred until each utility's cost allocation proceeding.
5. Interstate demand charges for PITCO and POPCO should not be included in the dollar amounts recorded in the DDCMA.

CONCLUSIONS OF LAW

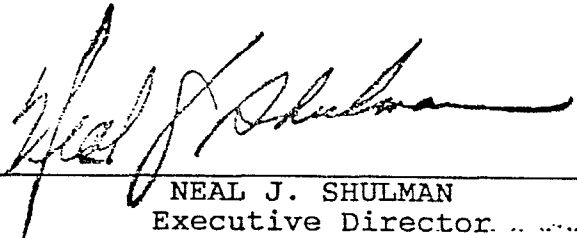
1. The double demand charge tracking accounts should be called memorandum accounts, as ordered in D. 92-11-014.
2. A customer paying a discounted transmission rate should receive a corresponding entry in the DDCMA for a pro rata portion of embedded interstate pipeline demand charges.
3. Pursuant to D. 92-11-014, PITCO and POPCO demand charges should not be recorded in the DDCMA.
4. The amounts recorded in each utility's DDCMA should earn interest at the three month commercial paper rate.

December 3, 1992

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company shall file a supplemental advice letter and tariff sheets for the Double Demand Charge Memorandum Account within five business days of the effective date of this Resolution, consistent with each of the findings listed above and with Decision 92-11-014.
2. San Diego Gas and Electric Company shall file a supplemental advice letter and tariff sheets for the Double Demand Charge Memorandum Account within five business days of the effective date of this Resolution, consistent with each of the findings listed above and with Decision 92-11-014.
3. Southern California Gas Company shall file a supplemental advice letter and tariff sheets for the Double Demand Charge Memorandum Account within five business days of the effective date of this Resolution, consistent with each of the findings listed above and with Decision 92-11-014.
4. This Resolution is effective today.

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


NEAL J. SHULMAN
Executive Director

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