

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Energy Branch

RESOLUTION G-3031  
FEBRUARY 3, 1993

R E S O L U T I O N

RESOLUTION G-3031. PACIFIC GAS AND ELECTRIC COMPANY SUBMITS PROPOSED SERVICE AGREEMENTS AND RATES FOR INTRASTATE TRANSPORTATION OF GAS AND CORE SERVICE IN ORDER TO FULLY IMPLEMENT THE CAPACITY BROKERING PROGRAM CONSISTENT WITH THE PROVISIONS IN DECISIONS 91-11-025 AND 92-07-025.

BY ADVICE LETTER 1714-G, FILED ON AUGUST 12, 1992

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SUMMARY

1. By Advice Letter 1714-G, filed August 12, 1992, Pacific Gas and Electric Company (PG&E) 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. PG&E filed Advice Letter 1714-G-A on October 2, 1992, which supplements and supercedes portions of Advice Letter 1714-G. Commission Resolution G-3021 issued on December 16, 1992, approved Advice Letters 1714-G and 1714-G-A, in part, deferring review of the proposed rates and service agreements to a subsequent resolution.
2. Intrastate transportation rates filed in Advice Letters 1714-G and 1714-G-A have been revised to exclude interstate pipeline demand charges. Core rates have also been revised to reflect the changes resulting from the new core interstate capacity reservation adopted in D.91-11-025.
3. This Resolution conditionally approves the rates and service agreements filed in Advice Letters 1714-G and 1714-G-A, pending submittal and approval of compliance tariffs filed to reflect the most current rates authorized by the Commission.
4. The rates and services offered in the compliance tariffs will not be effective until capacity reallocation programs for El Paso Natural Gas Company (El Paso) and Pacific Gas Transmission Company (PGT) have been authorized by the Federal Energy Regulatory Commission (FERC), the programs are in place, and the contracts between PG&E 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 PG&E, San Diego Gas and Electric (SDG&E) and Southern California Gas Company (SoCalGas) to file pro forma tariffs for the implementation of capacity brokering<sup>1</sup> 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 the FERC.
2. On August 12, 1992, PG&E filed Advice Letter 1714-G in compliance with D.92-07-025. PG&E filed supplementary Advice Letter 1714-G-A on October 2, 1992, which supplements and supercedes portions of Advice Letter 1714-G.
3. Commission Resolution G-3021 issued on December 16, 1992 conditionally approved Advice Letter 1714-G, except for the rates and service agreements filed therein, pending submittal and approval of compliance tariffs filed pursuant to the modifications ordered in that Resolution. Review of the rates and service agreements contained in Advice Letter 1714-G and related protest issues was deferred to a subsequent Commission resolution.
4. This Resolution addresses the rates, service agreements, and related protest issues filed in Advice Letters 1714-G and 1714-G-A.

NOTICE

1. Public notice of A.L. 1714 was made by publication in the Commission calendar, and by PG&E's mailing copies to the service list of R.88-08-018 and to all interested parties who requested notification.

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<sup>1</sup> "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.

## PROTESTS

1. The California Industrial Group, California Manufacture's Association, and California League of Food Processors (collectively known as CIG), protested issues related to the proposed rates and service agreements filed in A.L. 1714-G-A on October 22, 1992. PG&E responded to CIG's protest on October 30, 1992.

## DISCUSSION

### I. Rates

CIG protests the illustrative rates in PG&E's filing because CIG did not find sufficient explanation of the assumptions underlying the development of the rates. CIG contends that neither the Commission nor CIG can evaluate the rates proposed by PG&E.

PG&E responded with the assumptions it used in developing the illustrative rates.

### DISCUSSION

CACD finds that PG&E has included sufficient information in the workpapers and response to CIG's protest of A.L. 1714-G-A, to allow the Commission or any interested party to evaluate PG&E's illustrative rates.

However, CACD would recommend that PG&E modify its methodology for calculating the cost responsibility of the joint reservation of interstate capacity for core and core subscription. In A.L. 1714-G-A, PG&E proposed to calculate core subscription customers' cost responsibility for interstate pipeline demand charges based on their non-coincident peak divided by the coincident peak of core and core subscription times the total interstate reservation for core and core subscription.

In discussions with CACD, PG&E has stated that setting the cost responsibility for core customers at 1200 million cubic feet per day (MMcf/d) would be ignoring the benefits that core subscription customers receive by having their class peak in a different month from core customers. Equally, core subscription customers pay for storage service even though they must reserve interstate capacity to meet their peak needs. CACD agrees with PG&E that cost responsibility for core and core subscription customers should account for these mutual benefits.

CACD suggests that an appropriate formula to allocate these mutual benefits be based on actual interstate capacity reservations for the two classes. CACD believes that any calculation of cost responsibility should be based on the firm interstate capacity needed to serve the two classes. In particular, CACD recommends that cost responsibility for core subscription customers should be equal to the coincident peak of

core and core subscription divided by the non-coincident peak of core and core subscription; multiplied by core subscription's non-coincident peak. In this methodology, the coincident and non-coincident core peak interstate capacity needs have been set at 1200 MMcf/d, the maximum allowed firm interstate capacity holding for the core. Using the illustrative numbers PG&E presented in workpapers to A.L. 1714-G-A, core subscription's cost responsibility would be in MMcf/d:  $[(1200+408)/(1200+590)]*590$  which equals 530 MMcf/d. The core's cost responsibility would be 1608-530 which equals 1088 MMcf/d.

## II. Service Agreements

### A. Natural Gas Service Agreement

In Exhibit A.3, Rates and Term, PG&E requests the customer to provide the average price per therm for the customer's premises. It is noted that the information will be used for curtailment purposes. CACD recommends that PG&E modify this requirement to allow for customers who have multiple meters at the same premises and who could have both firm and interruptible service at the same premises.

In Exhibit B, Gas Service Profile and Quantities, PG&E informs full requirements customers that during a curtailment the customers' service will be limited to their Average Daily Quantity (ADQ). The limitations applied to both core subscription and firm intrastate full requirements transportation customers. CACD recommends that this provision be eliminated because the restriction was not approved in either D.91-11-025 or D.92-07-025, and PG&E's current tariffs do not include the restriction.

### B. Agreement for Interstate Capacity

In Exhibit A, Bid Form, PG&E makes several references to placing bids for capacity on the Transwestern Pipeline Company (Transwestern). In page 25 of Resolution G-3021, CACD recommended that PG&E not be allowed to broker capacity on Transwestern and the Commission adopted CACD's recommendation. CACD recommends that PG&E should remove any references to Transwestern capacity from the Agreement for Interstate Capacity to comply with Resolution G-3021 and to conform to the removal of references to Transwestern capacity in PG&E's Rule 21.1, Use of PG&E's Firm Interstate Rights.

### C. Use-or-Pay Aggregation Agreement

CIG protests PG&E's Use-or-Pay Agreement because the agreement does not have a means for customers with more than one facility to aggregate their use-or-pay obligations.

PG&E responded that it did not believe that tariffs were a proper place for such provisions and that it would include such provisions in its standard form agreement.

#### Discussion

In Resolution G-3021, the Commission ordered PG&E to include in its tariffs provisions, language allowing customers with multiple facilities to aggregate their use-or-pay obligations. CACD recommends that PG&E modify its Use-or-Pay Agreement to reflect the changes ordered by Resolution G-3021 with regard to customers with multiple facilities.

In the same agreement, PG&E requires the agreement to be executed before the first day of the contract year so the contract can be effective the first contract day of the year. In discussions with CACD, PG&E agreed that customers should be given greater flexibility as to when they can start to aggregate use-or-pay obligations. CACD recommends that PG&E modify its agreement to allow customers to start aggregating at anytime during the contract year.

#### D. Balancing Service Agreement

CIG protests PG&E's Balancing Service Agreement because the agreement does not have a means for customers with more than one facility to aggregate their use-or-pay obligations. CIG requests that PG&E clarify that "applicable imbalance charges" refer to those charges attributable to a customer's usage less any partial payment the agent may have made. CIG suggests that PG&E replace the phrase "[h]owever, Customer remains liable to PG&E for all applicable imbalance charges unpaid by the Agent." with:

However, Customer remains liable to PG&E for imbalance charges attributable to Customer's usage which goes unpaid by the Agent; to the extent the Agent makes partial payment for imbalance charges, a pro rata share of this payment will be credited against Customer's imbalance charges.

PG&E responded that it did not believe that tariffs were a proper place for such provisions and that it would include such provisions in its standard form agreement. PG&E had no objections to CIG's request to modify the agreement with regard to partial payment of imbalance charges by an Agent.

#### Discussion

In Resolution G-3021, the Commission ordered PG&E to include in its tariffs, provisions allowing customers with multiple facilities to aggregate their imbalance charges. CACD recommends that PG&E modify its Balancing Service Agreement to reflect the changes ordered by Resolution G-3021 with regard to customers with multiple facilities.

In addition, CACD recommends that CIG's proposed language be adopted to allow for partial payment by agents of any imbalance charges aggregated under the Balancing Service Agreement.

### III. Approval of PG&E'S Rates and Service Agreements

CACD has reviewed PG&E's workpapers which support the changes to noncore intrastate transportation rates due to the unbundling of interstate pipeline demand charges and changes to core rates resulting from the new core interstate capacity reservation of 1,200 MMcf/d. CACD has also reviewed the service agreements filed in Advice Letters 1714-G and 1714-G-A. CACD recommends the Commission conditionally approve the proposed rates and service agreements set forth in A.L. 1714-G and A.L. 1714-G-A, pending submittal of a compliance filing which incorporates modifications recommended in this Resolution and any changes authorized by FERC under the capacity release programs for El Paso and PGT pipelines. PG&E should also make any other minor modifications to its tariffs as documented by CACD in discussions with PG&E. The rates filed in the compliance filing should reflect the most current rates authorized by the Commission. The rates should become permanent upon written consent by CACD.

The rates and services offered in the revised tariffs will not be effective until (1) capacity reallocation programs for El Paso and PGT authorized by FERC are in place and (2) the contracts between PG&E and its customers are accepted by the interstate pipelines and effective.

CACD recommends that, no later than 20 days prior to full implementation of Capacity Brokering, PG&E by separate advice letter should once again file all revised Capacity Brokering tariffs. This advice letter should reflect the following:

1. The most current rates authorized by the Commission at that time.
2. Changes resulting from intrastate transportation and core subscription open seasons.
3. Any modifications required by FERC.

### FINDINGS

1. CACD finds that PG&E has included sufficient information in the workpapers and response to CIG's protest of A.L. 1714-G-A, to allow the Commission or any interested party to evaluate PG&E's illustrative rates.

2. CACD recommends that cost responsibility for core subscription customers should be equal to the coincident peak of core and core subscription divided by the non-coincident peak of core and core subscription; multiplied by core subscription's

non-coincident peak. In this methodology, the coincident and non-coincident core peak interstate capacity needs have been set at 1200 MMcf/d, the maximum allowed firm interstate capacity holding for the core.

3. CACD recommends that PG&E modify Exhibit A.3, Rates and Term, to allow for customers who have multiple meters at the same premises and who could have both firm and interruptible service at the same premises.
4. CACD recommends that full requirements customers should not be limited to their Average Daily Quantity during a curtailment as as required in PG&E's Exhibit B, Gas Service Profile and Quantities. The provision was not approved in either D.91-11-025 or D.92-07-025, and PG&E's current tariffs do not include the restriction.
5. On page 25 of Resolution G-3021, CACD recommended that PG&E not be allowed to broker capacity on Transwestern and the Commission adopted CACD's recommendation.
6. CACD recommends that PG&E should remove any references to Transwestern capacity from the Agreement for Interstate Capacity to comply with Resolution G-3021 and to conform to the removal of references to Transwestern capacity in PG&E's Rule 21.1, Use of PG&E's Firm Interstate Rights.
7. In Resolution G-3021, the Commission ordered PG&E to include in its tariffs provisions allowing customers with multiple facilities to aggregate their use-or-pay obligations. CACD recommends that PG&E modify its Use-or-Pay Agreement to reflect the changes ordered by Resolution G-3021 with regard to customers with multiple facilities.
8. CACD recommends that PG&E modify its Use-or-Pay Agreement to allow customers to start aggregating at anytime during the contract year.
9. CACD recommends that CIG's proposed language be adopted to allow for partial payment by agents of any imbalance charges aggregated under the Balancing Service Agreement. CIG suggests that PG&E replace the phrase "[h]owever, Customer remains liable to PG&E for all applicable imbalance charges unpaid by the Agent." with:

However, Customer remains liable to PG&E for imbalance charges attributable to Customer's usage which goes unpaid by the Agent; to the extent the Agent makes partial payment for imbalance charges, a pro rata share of this payment will be credited against Customer's imbalance charges.
10. CACD recommends that PG&E modify its Balancing Service Agreement to reflect the changes ordered by Resolution G-3021 with regard to customers with multiple facilities.

February 3, 1993

11. The proposed rates and service agreements set forth in PG&E's Advice Letters 1714-G and 1714-G-A should be approved pending submittal of a compliance filing which incorporates modifications recommended in this Resolution and any changes authorized by FERC under the capacity release programs for El Paso and PGT pipelines.
12. PG&E should also make any other minor modifications to its tariffs as documented by CACD in discussions with PG&E.
13. The rates filed in the compliance filing should reflect the most current rates authorized by the Commission.
14. The rates proposed in the compliance filing should become permanent upon written consent by CACD.
15. The rates and services offered in the revised tariffs will not be effective until (1) capacity reallocation programs for El Paso and PGT authorized by FERC are in place and (2) the contracts between PG&E and its customers are accepted by the interstate pipelines and effective.
16. By separate advice letter, no later than 20 days prior to full implementation of Capacity Brokering, PG&E should file all revised Capacity Brokering tariffs reflecting the following:
  1. The most current rates authorized by the Commission at that time.
  2. Changes resulting from intrastate transportation and core subscription open seasons.
  3. Any modifications required by FERC.

**THEREFORE, IT IS ORDERED that:**

1. Pacific Gas and Electric Company shall file by February 17, 1993, a supplemental advice letter containing revised tariffs which incorporate the changes identified in the findings above, any other minor modifications requested by the Commission Advisory and Compliance Division, and any changes authorized by the Federal Energy Regulatory Commission under the capacity release programs for El Paso Natural Gas Company and Pacific Gas Transmission Company. The rates filed in the compliance filing shall reflect the most current rates authorized by the Commission.
2. The revised tariffs shall be approved February 26, 1993, following written consent by the Commission Advisory and Compliance Division.
3. The rates and services offered in the revised tariffs will not be effective until (a) capacity reallocation programs for El Paso Natural Gas Company and Pacific Gas Transmission Company



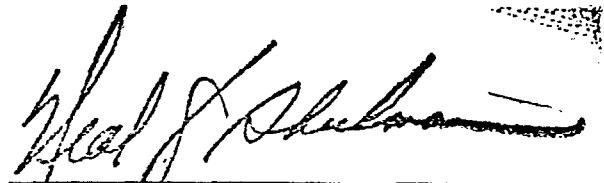
authorized by the Federal Energy Regulatory Commission are in place and (b) the contracts between Pacific Gas and Electric Company and its customers are accepted by the interstate pipelines and effective. This Ordering Paragraph supersedes Ordering Paragraph 3 of Commission Resolution G-3023.

4. Pacific Gas and Electric Company shall file by separate advice letter, no later than 20 days prior to full implementation date of Capacity Brokering, revised Capacity Brokering tariffs that reflect the following:

- a. The most current rates authorized by the Commission at that time
- b. Changes resulting from intrastate transportation and core subscription open seasons.
- c. Any modifications required by the Federal Energy Regulatory Commission.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on February 3, 1993. The following Commissioners approved it:



Executive Director

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