

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND  
COMPLIANCE DIVISION  
Energy Branch

RESOLUTION G-3032  
March 24, 1993

R E S O L U T I O N

RESOLUTION G-3032. SAN DIEGO GAS AND ELECTRIC COMPANY  
SUBMITS PROPOSED RATES FOR INTRASTATE TRANSPORTATION OF  
GAS AND CORE SERVICE IN ORDER TO FULLY IMPLEMENT THE  
CAPACITY BROKERING PROGRAM CONSISTENT WITH THE  
PROVISIONS IN DECISIONS 92-07-025 AND 91-11-025.

BY ADVICE LETTER 822-G-A, FILED ON OCTOBER 2, 1992.

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SUMMARY

1. Intrastate transportation rates filed in Advice Letter (A.L.) 822-G and 822-G-A have been revised to exclude interstate pipeline demand charges. Core rates have also been revised to reflect the allocation of Pacific Interstate Transportation Company (PITCO) and Pacific Offshore Pipeline Company (POPCO) costs on an equal cents per therm basis to all customers.
2. This Resolution conditionally approves the rates filed in A.L. 822-G-A, pending submittal and approval of compliance tariffs filed to reflect the modifications contained herein and the most current rates authorized by the Commission.
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 SDG&E and its customers for interstate capacity are accepted by the interstate pipelines and effective.

BACKGROUND

1. In the Capacity Brokering policy decision (D.), D.91-11-025, the Commission ordered Pacific Gas and Electric (PG&E), San Diego Gas & Electric Company (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 FERC.

2. On August 12, 1992, SDG&E filed A.L. 822-G requesting approval of its proposed tariff schedules and rules to fully implement the Capacity Brokering program set forth in D.91-11-025 and D.92-07-025.

3. The Commission Advisory and Compliance Division (CACD) reviewed A.L. 822-G and requested SDG&E to file a supplemental advice letter containing additional tariff schedules that were not included in A.L. 822-G.

4. SDG&E filed A.L. 822-G-A on October 2, 1992 which supplements and supercedes A.L. 822-G.

5. Commission Resolution G-3022 issued on December 16, 1992, conditionally approved A.L. 822-G-A, in part, deferring review of the rates contained therein to a subsequent resolution.

6. This Resolution addresses the rates filed in A.L. 822-G-A.

#### NOTICE

1. Public notice of A.L. 822-G and A.L. 822-G-A was made by SDG&E mailing copies to the service list of R.88-08-018 and R.90-02-008 and to all interested parties who requested notification. Notice was also made by publication in the Commission's daily calendar.

#### PROTESTS

1. There were no protests of the rates in A.L. 822-G or A.L. 822-G-A. However, on October 1, 1992, the Division of Ratepayer Advocates (DRA) protested the rates in A.L. 825-G which contains proposed tariffs for the partial implementation of Capacity Brokering. Because the rates contained in A.L. 825-G were

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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.

calculated using the same methodology as was used to calculate the rates filed in A.L. 822-G, DRA noted that the rates in A.L. 822-G should also be modified. In its protest, DRA specifically objected to the following:

- a. SDG&E included PITCO and POPCO pipeline demand charges in its calculation of interstate transportation charges to be "unbundled" from intrastate transportation rates. However, DRA stated that only Transwestern and El Paso pipeline demand charges should be part of this calculation.
- b. SDG&E adjusted the allocation from SoCalGas for Lost and Unaccounted For gas (LUAUF) in its calculation of the interstate charges to be removed from intrastate rates. DRA stated that because LUAUF allocations are customarily litigated in cost allocation proceedings, SDG&E should not alter the LUAUF allocation as part of the Capacity Brokering filing.

#### RESPONSE TO PROTEST

1. SDG&E responded to DRA's protest on October 13, 1992. SDG&E agreed with DRA and stated that the issues raised by DRA had already been corrected in SDG&E's supplemental filing A.L. 822-G-A, submitted October 2, 1992.

#### DISCUSSION

##### PITCO/POPCO

In A.L. 822-G and 825-G, SDG&E removed PITCO and POPCO charges from intrastate transportation rates. However, in response to DRA's protest, SDG&E removed only Transwestern and El Paso transportation charges from intrastate transportation rates filed in the supplemental A.L. 822-G-A. Under Capacity Brokering, PITCO and POPCO charges are to be treated separately from Transwestern and El Paso charges. Specifically, SDG&E has allocated its share of SoCalGas' PITCO and POPCO charges to all customers on an equal-cents-per-therm basis. CACD agrees with SDG&E's revised methodology used in A.L. 822-G-A for calculating unbundled intrastate transportation rates and, therefore, believes DRA's protest is moot. However, CACD recommends that SDG&E add a description of the allocation of PITCO and POPCO charges to its Preliminary Statement.

##### LUAUF

In its original filing, SDG&E included 50% of its LUAUF allocation from SoCalGas in the interstate transportation charges removed from intrastate rates. However, in A.L. 822-G-A, SDG&E did not include any LUAUF allocation in the charges removed from intrastate rates. CACD agrees with the methodology

used in calculating the rates for A.L. 822-G-A and, therefore, believes DRA's protest is moot.

#### OTHER ISSUES

##### ALLOCATION OF PITCO/POPCO EXCESS COSTS

CACD has reviewed SDG&E's workpapers which illustrate how SDG&E will recover costs through rates under full implementation of Capacity Brokering. CACD notes that SDG&E has used the incorrect amount for excess costs associated with the Pacific Interstate Transmission Company (PITCO) and the Pacific Offshore Pipeline Company (POPCO). SDG&E has not adjusted its rates to allocate PITCO/POPCO excess costs on an equal-cents-per-therm basis, but rather, allocates PITCO/POPCO fixed charges on an equal-cents-per-therm basis. CACD recommends that SDG&E use the correct amount for PITCO/POPCO excess costs to be allocated on an equal-cents-per-therm basis. In D.92-07-025, page 13, this amount for PITCO/POPCO excess costs was determined to be approximately \$124 million.

##### INTERSTATE TRANSITION COST SURCHARGE

In Resolution G-3022, Finding 17, the Commission ordered that SDG&E modify its description of the Interstate Transition Cost Surcharge (ITCS) to state that the account will only record transition costs resulting from interstate pipeline capacity obligations incurred by SoCalGas and passed through to SDG&E. In a subsequent resolution, G-3045, addressing partial implementation of Capacity Brokering, SDG&E was ordered to include in its ITCS account stranded costs associated with the capacity under the long-term contract which will be directly assigned to SDG&E under Capacity Brokering. The Commission specified that this modification to the ITCS account would only be allowed during the partial implementation period.

Upon further review, CACD believes that SDG&E should be allowed to record stranded costs associated with its assigned capacity for the duration of the long-term contract or until the long-term contract has been re-negotiated to reflect a reduction of the contract quantities, whichever occurs first. Currently, the long-term contract is for 300 million cubic feet per day (Mmcf/d). In D.92-07-025, Conclusion of Law 27, the Commission found reasonable SDG&E's proposed core reservation of SoCalGas' firm interstate capacity of 90 Mmcf/d. At this time, SoCalGas and SDG&E have not submitted a proposed re-negotiated long-term contract reflecting this reduction to 90 Mmcf/d. Therefore, SDG&E should be allowed the opportunity to recover stranded costs associated with the current long-term contract quantities. Any resultant revenues received from brokering that capacity should be credited to the core fixed cost account.

CACD believes that when this contract has been re-negotiated to reflect the reduction to 90 Mmcf/d, SDG&E should no longer have the opportunity to record stranded costs

associated with that capacity in the ITCS account. As noted in Resolution G-3022, SDG&E will obtain firm interstate capacity for its core, core subscription and noncore utility procurement customer on an as-needed basis. Because the benefits of allowing SDG&E to purchase interstate capacity in a pool outweigh the lack of cost-based rates for core and noncore interstate capacity, SDG&E was not allowed to record any stranded costs to the ITCS account for excess capacity for core subscription or utility procurement. CACD recommends that once the contract expires or is re-negotiated, SDG&E should no longer be allowed to recover transition costs associated with its assigned capacity. Consistent with Resolution G-3022, SDG&E should record associated revenue undercollections in its noncore pipeline demand charge account (NPDCA) which is a 75/25 balancing account. At that time, SDG&E should only record in the ITCS account those transition costs incurred by SoCalGas and allocated to SDG&E.

### FINDINGS

1. In A.L. 822-G and 825-G, SDG&E removed PITCO and POPCO charges from intrastate transportation rates.
2. In the supplemental A.L. 822-G-A, SDG&E removed only Transwestern and El Paso transportation charges from intrastate transportation rates.
3. SDG&E should add a description of the allocation of PITCO and POPCO charges to its Preliminary Statement.
4. In A.L. 822-G, SDG&E included 50% of its LUF allocation from SoCalGas in the transportation charges removed from intrastate rates.
5. In the supplemental A.L. 822-G-A, SDG&E did not include any LUF allocation in the charges removed from intrastate rates.
6. SDG&E's revised methodology used in A.L. 822-G-A for calculating unbundled intrastate transportation rates is reasonable.
7. SDG&E has not adjusted its rates to allocate PITCO/POPCO excess costs on an equal-cents-per-therm basis, but rather, allocates PITCO/POPCO fixed charges on an equal-cents-per-therm basis.
8. SDG&E should use the correct amount for PITCO/POPCO excess costs to be allocated on an equal-cents-per-therm basis. In D.92-07-025, page 13, this amount for PITCO/POPCO excess costs was determined to be approximately \$124 million.
9. In Resolution G-3022, Finding 17, the Commission ordered that SDG&E modify its description of the ITCS account to state that the account will only record transition costs resulting from interstate pipeline capacity obligations incurred by SoCalGas and passed through to SDG&E.

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10. In Resolution G-3045, SDG&E was ordered to include in its ITCS account, stranded costs associated with the capacity under the long-term contract which will be directly assigned to SDG&E under Capacity Brokering. The Commission specified that this modification to the ITCS account would be allowed only for the duration of partial implementation of Capacity Brokering.
11. SDG&E should be allowed to record stranded costs associated with its assigned capacity for the duration of the long-term contract or until the long-term contract has been re-negotiated to reflect a reduction of the contract quantities, whichever occurs first. Any resultant revenues received from brokering that capacity should be credited to the core fixed cost account.
12. Currently, the long-term contract is for 300 Mmcf/d. In D.92-07-025, Conclusion of Law 27, the Commission found reasonable SDG&E's proposed core reservation of SoCalGas' firm interstate capacity of 90 Mmcf/d.
13. At this time, SoCalGas and SDG&E have not submitted a proposed re-negotiated long-term contract reflecting this reduction to 90 Mmcf/d.
14. Once the contract expires or is re-negotiated to reflect a reduction of capacity, SDG&E should no longer be allowed to recover transition costs associated with its assigned capacity, but should record associated revenue undercollections in its noncore pipeline demand charge account which is a 75/25 balancing account.
15. Upon expiration of the contract or re-negotiation reflecting a reduction of capacity, SDG&E should only record in the ITCS account those transition costs incurred by SoCalGas and allocated to SDG&E.

**THEREFORE, IT IS ORDERED that:**

1. San Diego Gas and Electric Company shall file by April 1, 1993, a supplemental advice letter containing revised tariffs consistent with the modifications described 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 Transwestern Pipeline Company. The rates filed in the revised tariffs shall reflect the most current rates authorized by the Commission.
2. The revised tariffs shall be approved April 7, 1993, following written consent by the Commission Advisory and Compliance Division.

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3. The rates and services offered in the revised tariffs, shall not be available until capacity reallocation programs for El Paso Natural Gas Company and Transwestern Pipeline Company have been authorized by the Federal Energy Regulatory Commission, the programs are in place, and the contracts for interstate capacity between San Diego Gas & Electric Company and its customers are accepted by the interstate pipelines and effective.

4. San Diego Gas and Electric Company shall file by separate advice letter, no later than 20 days prior to full implementation 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 March 24, 1993. The following Commissioners approved it:



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NEAL J. SHULMAN  
Executive Director

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