PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3043
March 10, 1993

R E S O L U T I O N

RESOLUTION G-3043. SOUTHERN CALIFORNIA GAS COMPANY SUBMITS PROPOSED TARIFFS PURSUANT TO RESOLUTION G-3023 TO FULLY IMPLEMENT THE CAPACITY BROKERING PROGRAM CONSISTENT WITH THE PROVISIONS IN DECISIONS 92-07-025 AND 91-11-025, ET AL.

BY ADVICE LETTER 2133-A, FILED ON JANUARY 15, 1993.

SUMMARY

1. This Resolution conditionally approves the compliance filing submitted by Southern California Gas Company (SoCalGas), except for the rates filed therein, pending submittal and approval of a compliance filing to reflect the modifications ordered in the Resolution.

2. 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 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. On August 12, 1992, SoCalGas filed Advice Letter 2133 requesting 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. Commission Resolution G-3023 issued on December 16, 1992, conditionally approved Advice Letter 2133, except for the rates filed therein, pending submittal and approval of compliance tariffs containing modifications ordered in that Resolution. SoCalGas filed compliance tariffs, as ordered, on January 15, 1993 by Advice Letter 2133-A.

3. On February 3, 1993, the Commission, by Resolution G-3033, conditionally approved the rates filed in Advice Letter 2133, pending submittal and approval of compliance tariffs reflecting

the modifications ordered therein. Subsequently, on February 17, 1993, SoCalGas submitted supplemental Advice Letter 2133-B.

4. This Resolution addresses SoCalGas' supplemental Advice Letter 2133-A, except for the rates filed therein, which incorporates the modifications ordered in G-3023.

NOTICE

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

PROTESTS

The following parties filed protests SoCalGas Advice Letter 2133-A:

1. Access Energy Corporation (Access Energy) — February 4, 1993
2. California Cogeneration Council (CCC) — February 4, 1993
3. San Diego Gas and Electric Company (SDG&E) — February 4, 1993
4. Southern California Utility Power Pool and the Imperial Irrigation District (SCUPP/IID) — February 4, 1993

Sunrise Energy Services, Inc. and SunPacific Energy Management, Inc. (Sunrise) filed a late protest on February 5, 1993. The Commission Advisory and Compliance Division (CACD) believes it is appropriate to give full consideration to the issues presented in this protest despite its tardiness.

SoCalGas filed its response to the above protests on February 19, 1993. CACD notes that SoCalGas' response was filed late, but believes it is appropriate to give full consideration to the utility's responses.

PROTEST ISSUES

The protest issues will be considered by issue rather than discussing them by party.

I. SCHEDULE GT-F, FIRM INTRASTATE TRANSMISSION SERVICE

A. Discounts of Firm Intrastate Transmission Service

In its protest to SoCalGas Advice Letter 2133, the CCC had requested that SoCalGas include language in its tariffs that would incorporate any discounts offered to utility electric generation (UEG) customers for firm service in cogenerator rates. As of the date of the CCC's protest, discounts to firm service were not permitted, but the local distribution companies' (LDC) had submitted proposals seeking such authority. In Resolution G-3023, the Commission did not state a position on this issue as it would pre-determine the Commission's position in A.92-07-047, where the authority to discount firm service was sought. Subsequently, Advice Letter 2133-A does not provide that UEG discounts to firm service will be incorporated in cogenerator rates.

In D.92-11-052 which addressed A.92-07-047, the Commission granted authority to discount firm intrastate transportation service. However, this decision did not have an express requirement that UEG discounts to firm intrastate service be incorporated in cogenerator rates. The CCC points out that Resolution G-3021 required Pacific Gas & Electric Company (PG&E) to incorporate in its tariffs the provision that any discounts for interruptible or firm service offered to PG&E's electric department shall also be offered to cogenerators. The CCC requests that the Commission require SoCalGas to incorporate a provision in its tariffs which states that any discounts of firm intrastate transportation service offered to UEG customers will also be offered to cogenerators.

SoCalGas responds that it does not take issue with the CCC's contentions. However, SoCalGas believes this matter is best addressed by the Commission in its action on SoCalGas' Advice Letter 2160, filed in compliance to Resolution G-3023. Advice Letter 2160 proposes a methodology for accomplishing contemporaneous rate parity for UEG customers and cogenerators.

DISCUSSION: In D.91-11-025, Appendix B, page (p.) 17, the Commission stated that firm intrastate rates would not be subject to discount and that interruptible intrastate rates may be subject to discount. Subsequently, in D.92-11-052, Appendix B, p. 5 the Commission allowed for discounts to firm intrastate transportation service under the Expedited Application Docket (EAD) procedure for long-term contracts. While in Resolution G-3023, CACD did not wish to pre-determine the decision in A.92-07-047, as the CCC notes, it adopted language which appropriately addresses the CCC's concerns: "In order to maintain rate parity, any discounts for intrastate

transportation service offered to UEG customers should be offered contemporaneously to cogeneration customers." [Finding 114, p. 51, emphasis added.] Therefore, CACD agrees with the CCC and recommends that customers be given notice of the opportunity for discounts on firm intrastate transportation service under the EAD procedure in SoCalGas' noncore firm intrastate transportation rate schedule, GT-F. CACD also recommends that SoCalGas include a provision which states that any discounts of firm intrastate transportation service offered to UEG customers as provided under the EAD procedure will be offered contemporaneously to cogeneration customers.

B. Special Condition 26

Sunrise objects to SoCalGas' limitation of when firm intrastate transportation service and the associated use-or-pay penalties may be aggregated. SoCalGas proposes that the right of use-or-pay aggregation should be limited to contracts with concurrent contract year periods. This limitation, however, does not appear in the Commission's rules and unnecessarily restricts a customer's right to aggregate transmission services at separate facilities. This limitation should be eliminated.

SoCalGas responds that elimination of this requirement would create the extremely confusing situation where a customer could otherwise be subject to an annual use-or-pay penalty but the utility would not be able to enforce this penalty because the customer's use-or-pay status would have been "aggregated" with other customers who have contracts not yet reaching their annual contract term. This would permit customers to avoid annual use-or-pay penalties by gaming the system through aggregating contracts with other customers who have not yet faced the annual use-or-pay requirement because their contract year has not yet expired. Sunrise's proposal would be extremely confusing and incredibly difficult to administer and would undoubtedly result in many complaints to the Commission as to whether a use-or-pay penalty should have been imposed.

DISCUSSION: CACD agrees with SoCalGas and recommends Sunrise's protest be denied.

II. SCHEDULE GW-SD, WHOLESALE NATURAL GAS SERVICE FOR SDG&E

A. Special Condition 7

SDG&E protests the inclusion of Special Condition 7 in Schedule GW-SD as it is not in compliance with D.92-07-025. Specifically, Special Condition 7 states:

> Prior to the Utility's initial open season for the brokering of firm interstate pipeline capacity conducted pursuant to the provisions of Rule 36, the Utility will reserve on customer's behalf sufficient firm interstate capacity to meet Customer's core

> requirements. Such capacity shall be reserved on a pro rata basis between El Paso and Transwestern pipeline systems and shall be allocated to Customer at the full as-billed rate for interstate pipeline demand charges. [Emphasis added.]

In D.92-07-025, the Commission adopted a core reservation for SDG&E of 90 million cubic feet per day (Mmcf/d) of SoCalGas capacity. SDG&E believes that Special Condition 7 should reflect 90 Mmcf/d of capacity approved by the Commission rather than stating, "... sufficient firm interstate capacity to meet Customer's core requirements."

Further, the Commission's Capacity Brokering rules state that SoCalGas shall reserve capacity on the El Paso and Transwestern systems for core and core subscription service on a pro rata basis. However, the rules do not go on to state, as does Special Condition 7, that such pro rata reserved capacity "... shall be allocated to Customer at the full as-billed rate for interstate pipeline demand charges." There is no specific authorization for this language and it should be removed.

In its response, SoCalGas states that while SDG&E is correct that the Commission did determine that 90 Mmcf/d represented a reasonable reservation for SDG&E's core requirements, SoCalGas does not believe the Commission intended by way of this determination to mandate this amount in Schedule GW-SD. Rather, if SDG&E were to determine that it requires 90 Mmcf/d or even additional core capacity, the provisions of Special Condition 7 would permit SDG&E to so indicate that additional capacity could be reserved. Special Condition 7 does not prevent SDG&E from electing the amount of capacity that the Commission determined was reasonable in D.92-07-025. SoCalGas asserts that SDG&E should have raised this issue in response to SoCalGas' Advice Letter 2133 which was filed on August 12, 1992, and not at this late date.

With regard to the language of Special Condition 7 on the allocation of core capacity at the full as-billed rate, SoCalGas believes SDG&E is under the impression that it need not pay the as-billed rate for interstate capacity reserved by SoCalGas on behalf of SDG&E's core customers. Although SoCalGas agrees that the Commission has not specifically stated that core customers will pay the full as-billed rate for reserved capacity, SoCalGas believes the Commission never considered that core customers may bid for capacity at some rate less than the full as-billed rate.

DISCUSSION: CACD believes the language contained in Special Condition 7 is adequate. This condition does not contradict the Commission's adoption of SDG&E's proposed core reservation of 90 Mmcf/d. It should also be noted that D.91-11-025, Appendix B, p. 7 states that a reduction of firm interstate pipeline transportation rights provided under SDG&E's contract with SoCalGas, as modified by the Commission, should become effective at the expiration of the current contract on September 1, 1995. It is obvious that this contract has not expired and, therefore,

the reduction of interstate transportation rights is not effective. However, CACD does note that SoCalGas and SDG&E may re-negotiate the terms of the contract subject to approval by the Commission. In D.91-11-025, p.44, the Commission directs "... SoCalGas and SDG&E to modify their contract to delete reservations of capacity for SDG&E's electric department." Therefore, until the contract expires or the contract has been re-negotiated to include only SDG&E's core reservation, SDG&E must receive 300 Mmcf/d of firm interstate capacity. This reserved capacity can only be used to serve SDG&E's core customers although SDG&E may broker the excess capacity. In consideration of these factors, CACD does not believe it would be appropriate that a reference to the 90 Mmcf/d be included in Special Condition 7 of Schedule GW-SD. CACD recommends that SDG&E's protest be denied.

On SDG&E's second protest of Special Condition 7, CACD agrees with SoCalGas. CACD believes that the Commission intended that capacity reservations for core aggregators, core transporters, and the core loads of wholesale customers should be included in amounts reserved for the LDC's core requirements. Such capacity must be reserved at the full as-billed rate in order to assure that the reservation will not be outbid in both the pre-arrangement period and the interstate pipelines' open seasons. Without this requirement, service reliability to core customers would be jeopardized. CACD recommends the Commission deny SDG&E's protest.

B. Default Provisions and Special Condition 15

Resolution G-3023 ordered that certain default provisions remain in Schedule GW-SD, but that those provisions only apply to gas service that is not provided under the SDG&E/SoCalGas long-term contract. However, in Schedule GW-SD of Advice Letter 2133-A, SoCalGas has included additional special conditions which are identified as conditions which apply to service not provided under the restated long-term contract. SDG&E strongly protests the inclusion of these additional special conditions which were neither approved nor ordered to be added by the Commission.

SDG&E notes that the words "firm" and "interruptible" have been removed as descriptors of intrastate transportation, SDG&E agrees with this change, as it is consistent with the findings in D.91-11-025 and Resolution G-3023 that SDG&E and SoCalGas shall operate as independent gas systems to the extent operationally feasible.

SDG&E also states that the most objectionable of these provisions is Special Condition 15 which explains when SoCalGas will offer intrastate transportation service. SDG&E believes that these provisions improperly attempt to provide a priority on the intrastate system to certain volumes of gas, depending on how that gas arrives at the California border. Such a rule is not applicable to SDG&E, given the Commission's directive to operate SDG&E's system independently from SoCalGas' system, and

is discriminatory. Specifically, this special condition allows SoCalGas to discriminate against gas delivered on expansion capacity or released PG&E capacity, and favors the delivery of gas on existing SoCalGas capacity. SDG&E notes that Special Condition 15 of Schedule GW-SD is similar to the same special condition in other tariff schedules, but for the removal of the words "firm" or "interruptible". It is also identified as only applying to gas service not provided under the contract. Deleting the descriptors appears to have the effect of eliminating any service (firm or interruptible) to SDG&E on an interstate expansion or on released PG&E capacity. SoCalGas should be ordered to remove these special conditions from GW-SD, regardless of their validity if applied to other customers.

SoCalGas responds that it has complied with Resolution G-3023 and has included in Schedule GW-SD the default conditions applicable to other wholesale customers, such as the City of Long Beach. This is appropriate because these provisions apply only to service that is not governed by the long-term contract between SoCalGas and SDG&E. SDG&E apparently objects to the inclusion of these default provisions since the Commission did not order them to be added. However, SoCalGas notes that the Commission clearly ordered that default provisions be included for service to SDG&E not governed by the long-term contract.

SoCalGas states that Special Condition 15 has been included in its tariffs since it submitted exemplary tariffs in this proceeding on January 3, 1992. This special condition has neither been questioned nor protested by SDG&E until this filed protest. SoCalGas points out that the provision is taken directly from D.91-11-025, Appendix B, Section II.C.1. and establishes the circumstances in which SoCalGas will accept delivery of interruptible interstate transportation volumes over existing pipeline nominations over new pipeline capacity. SDG&E states that it should be granted a special exemption from this provision. SoCalGas agrees that this provision is discriminatory. However, there is a compelling reason for such discrimination since SoCalGas has constructed its intrastate pipeline facilities to match the capacity of existing pipelines to California and is understandably unwilling to install incremental intrastate facilities without the assurance contemplated in Appendix B of D.91-11-025, Section II.C.1.c to match new interruptible capacity built to the SoCalGas system. SoCalGas emphasizes that the Commission obviously has agreed with this approach by approving the language in Appendix B of D.91-11-025 which sets forth the utility's obligations to transport interruptible transportation over existing interstate capacity before interruptible transportation over new interstate capacity. SoCalGas does not believe that in requiring SoCalGas and SDG&E to act as independent operating systems, the Commission intended to allow SDG&E priority access to SoCalGas' intrastate system for supplies shipped by way of interruptible transportation over new interstate capacity without any consideration for the cost of the facilities that SoCalGas might have to install in order to provide such service.

DISCUSSION: CACD finds reasonable SoCalGas' inclusion of additional default provisions applicable to service not provided under the SoCalGas/SDG&E long-term contract. CACD clarifies that the intent of Resolution G-3023 with respect to default provisions in Schedule GW-SD is that absent the SoCalGas/SDG&E long-term contract any provisions which would otherwise be applicable to SDG&E should be included in SoCalGas' tariff. CACD believes that these provisions are appropriate and, therefore, recommends that SDG&E's protest be denied.

CACD does note that some of the provisions included by SoCalGas are ambiguous because the terms "firm" and "interruptible" have been deleted. CACD believes the terms should not be removed from Schedule GW-SD with respect to intrastate transportation service provided to SDG&E outside of the SoCalGas/SDG&E long-term contract. The elimination of these terms would render meaningless the application of certain provisions such as the use-or-pay obligation or the two-year commitment of firm intrastate transportation service. In essence, without these descriptors, SDG&E could receive service comparable to firm intrastate transportation service without the associated use-or-pay obligations or the requirement to commit to such service for two years. CACD believes that SDG&E has the authority to operate as an independent system with respect to curtailment of its customers, however, SDG&E still receives transportation and other services from SoCalGas which is either "firm" or "interruptible". CACD recommends that SDG&E or SoCalGas pursue this issue in another proceeding and that SoCalGas include these descriptors in the tariff provisions of GW-SD.

Moreover, CACD does not believe that the Commission, by stating that SDG&E and SoCalGas should operate as independent systems to the extent operationally feasible, intended that SoCalGas' ratepayers pay for the costs associated with any enhancements of the SoCalGas system necessary to provide unbundled intrastate transportation. The provisions of Special Condition 15 are meant to require that such costs be recovered by the utility in order to protect its ratepayers. CACD believes that SDG&E's protest be denied with respect to the issues stated above.

III. RULE 1, DEFINITION OF PERCENTAGE OF DEFAULT RATE

The CCC protests the definition of the Percentage of Default Rate as defined in SoCalGas' Rule 1. Specifically, the CCC requests that the Commission clarify that the phrase in the numerator of SoCalGas' definition where it states, "... under the applicable noncore service schedule...," includes any discounted contract obtained by the customer. CCC finds that as written, it appears as if the phrase involves only tariffed services, which would completely undermine the definition at issue.

Additionally, CCC notes that SoCalGas' definition of Percentage of Default, does not correspond literally to the language adopted by the Commission in Resolutions G-3021, 3022 and 3023.

In its response, SoCalGas clarifies that the phrase, "... the applicable noncore service schedule," means that the Percentage of Default definition does apply to discounted contracts. As CCC indicates, this reference was included by the Commission in Resolution G-3021 and G-3022.

DISCUSSION: CACD has reviewed the definition of the Percentage of Default Rate that was adopted in Resolution G-3023. If read correctly, there should be no ambiguity about the numerator of this definition including discounted contracts. The CCC protest should be denied.

IV. RULE 23, CONTINUITY OF SERVICE AND INTERRUPTION OF DELIVERY

A. Curtailment Order

Sunrise believes that SoCalGas' order of curtailment improperly shows that core standby procurement service shall be curtailed prior to firm intrastate transportation service. Sunrise believes the rule, if properly stated, requires that core standby procurement service shall not be curtailed prior to the curtailment of firm transport service, but rather, the penalty of $1 per therm shall apply if core standby procurement service is used when firm transportation service is curtailed.

SoCalGas notes that Sunrise's protest of this matter is untimely because this language is already contained in SoCalGas' existing Rule 23 authorized by the Commission. However, SoCalGas states that core standby procurement service will not actually be "curtailed" prior to or separate from the curtailment of firm transportation service. Instead, a penalty will be imposed if core standby procurement service is used when firm transportation service is being curtailed. Accordingly, SoCalGas would have no objection to combining these two provisions so that this point is made clear.

DISCUSSION: In D.91-02-040, Appendix A, p.3, the Commission states,

> Core transport-only customers shall receive balancing and standby services ahead of all core subscription and noncore customers. A fee of $10 per decatherm shall be assessed for customers who purchase balancing services during periods when balancing services to other customers have been curtailed. Utility revenues from this fee shall be credited to the core gas balancing account.

In consideration of the Commission's requirements, CACD believes that it would be appropriate for SoCalGas to provide the clarification requested by Sunrise.

B. Transfers of Curtailment Priorities

Sunrise protests SoCalGas' provisions which allow transfers of curtailment priorities because such provisions are inconsistent among the three utilities. Sunrise states that SoCalGas should adopt PG&E's method of curtailment transfers where if the transfer is from an assigner with flowing volumes greater than or equal to the assignee's volumes, this transfer should be permitted as long as notice is provided at the time of the customer's or supplier's nomination to the utility. Only if the assigning shipper's volumes are: a) not currently flowing; or b) less than the assignee's volumes, should the notice provisions set forth in SoCalGas' tariff apply.

SoCalGas states that its provisions were taken directly from Resolution G-3023 and, therefore, should not be addressed through the protest procedure. These notice requirements are necessary so that SoCalGas may properly operate its system in the event of a curtailment event.

DISCUSSION: CACD agrees with SoCalGas. To the extent PG&E, SDG&E and SoCalGas have dissimilar operations, CACD finds that it is reasonable to allow differences in procedures among the three utilities. CACD recommends Sunrise's protest on this issue be denied.

C. Transfers of Supply Diversions

Sunrise notes that SoCalGas and PG&E provide for the transfer of curtailment priorities but they do not provide for the transfer of supply diversions. On the otherhand, SDG&E provides for the transfer of supply diversions, but not for the transfer of curtailment rights. All three utilities should be required to provide for both the transfer of curtailments and the transfer of supply diversions.

SoCalGas disagrees, noting that this provision was already approved by the Commission in its approval of Advice Letter 2133 in Resolution G-3023. SoCalGas explains that supply diversions will be used by the utility to obtain gas supplies at the inlet to the SoCalGas system during times of gas shortage and, therefore, SoCalGas will be relying on a particular party to provide that gas. Since this gas will be used to protect core customers from curtailment, SoCalGas must be satisfied that the supplying party can perform and provide the gas supply when it is needed. Accordingly, parties should not have the unilateral right to transfer this responsibility to a third party, as requested by Sunrise.

DISCUSSION: CACD believes that firm intrastate transportation customers should be allowed the flexibility to trade diversion and curtailment order with either firm or interruptible customers with one exception: Customers who enter into voluntary core protection purchase agreements (VCPPs) with the utility should not necessarily have the flexibility to trade diversion and curtailment order. Instead, CACD believes that the parties entering such an agreement should have the discretion to determine if trading of diversion and curtailment order pursuant to the agreement will be allowed. CACD recommends that SoCalGas modify its curtailment rule, Rule 23, to allow for the trading of diversions and curtailment rights and to specify that discretion for trading VCPPs shall be determined by parties entering into such an agreement.

D. SoCalGas' Service Interruption Credit

Sunrise objects to the SoCalGas provision that prohibits applicability of the the service interruption credit (SIC) to curtailed or diverted quantities transferred among customers. Sunrise submits that a customer's eligibility for the SIC should not be affected by its transfer of intrastate curtailment rights.

SoCalGas states that since the SIC is a SoCalGas shareholder commitment, SoCalGas should be able to impose any tariffed restrictions or conditions on its provision as it deems appropriate. Accordingly, Sunrise's protest of this issue should be denied.

DISCUSSION: CACD agrees with the position of SoCalGas and recommends that Sunrise's protest be denied.

E. Rules on Voluntary and Involuntary Diversions

Sunrise finds that SoCalGas' rules regarding voluntary and involuntary supply diversions are extremely difficult to understand. It is not clear when the utility may purchase flowing gas supplies from an interruptible intrastate customer. According to Resolution G-3023, this should only be when an interruptible customer otherwise is being curtailed. Similarly, SoCalGas fails to explain when voluntary, as opposed to involuntary, supply diversions will take place. Sunrise requests that SoCalGas' provisions be clarified using PG&E's tariffs as a model.

SoCalGas agrees that its tariff provisions may require additional clarification. SoCalGas adds that it will review PG&E's proposed rules and attempt to make its own rules more understandable.

DISCUSSION: Based on the positions of Sunrise and SoCalGas, CACD recommends that SoCalGas provide further clarification of voluntary and involuntary diversions in Rule 23.

F. Compensation for Involuntarily Diverted Gas

Sunrise protests, SoCalGas' stated compensation for involuntarily diverted gas. This provision should be clarified to state that the customer's "cost of gas" and the "core subscription procurement charge" shall include all interstate transportation costs (including reservation charges) necessary to move the gas to the intrastate system.

SoCalGas notes that the protested provisions are taken verbatim from D.91-11-025 (Appendix B, Section IV.c3) with the additional clarification that the customer's actual cost of gas shall be the price "... as delivered to SoCalGas' intrastate system." Accordingly, SoCalGas submits that it has fully met the requirements of the Commission's directives in this regard and therefore Sunrise's protest should be denied.

DISCUSSION: CACD agrees with SoCalGas and recommends that Sunrise's protest be denied.

V. RULE 30, TRANSPORTATION OF CUSTOMER-OWNED GAS

A. Overnominations on the SoCalGas System

SDG&E protests Rule 30 which provides for daily balancing during nominations in excess of system capacity and also provides for the rejection of nominations by shippers that exceed their expected usage. However, it appears that expansion shippers will be cut first based on the provisions of Special Condition 15 of Schedule GW-SD and included in all the other transportation tariffs. SDG&E states that SoCalGas' gas supply department which nominates on behalf of SoCalGas core customers is one entity likely to overdeliver and that the SoCalGas core class also ships exclusively on existing SoCalGas capacity. SDG&E asserts that SoCalGas will be able to manage system overnomination by cutting nominations from noncore expansion shippers at constrained delivery points rather than by cutting the nominations of shippers who are overdelivering. SDG&E protests this portion of Rule 30, and requests that SoCalGas be required to provided specific rules as to when and how it would apply the provisions of Special Condition 15 in a nondiscriminatory manner.

SoCalGas responds that SDG&E is attempting to modify the requirements of D.91-11-025 on the basis that the provisions of GW-SD, Special Condition 15 are discriminatory. Accordingly, SoCalGas submits that SDG&E's protest of this matter should be denied and that SDG&E should be directed to the appropriate procedural vehicle.

DISCUSSION: In reviewing Rule 30, CACD believes that SoCalGas has complied with Commission directives with respect to overnominations on the SoCalGas system. CACD believes SoCalGas' procedures are in compliance with D.92-12-023, wherein the Commission clarified that SoCalGas should require the customers who are causing a system imbalance to reduce their deliveries into the system. Additionally, in Resolution G-3023, the Commission adopted the provision that should this first procedure not provide adequate relief of overnominations then SoCalGas should utilize the most recent operating data to reduce nominations of those customers believed to be causing the problem. As presented in Rule 30, SoCalGas will make a pro rata reduction of storage nominations. If such reductions provide insufficient relief, SoCalGas will require that customers reduce their nominations in response to the utility's notification. In the event customers fail to reduce their nominations, SoCalGas will reduce the nominations of those customers who are or believed to be overnominating (using the most recent operating data). CACD believes SDG&E's concerns are moot and recommends that SDG&E's protest be denied.

B. Treatment of SoCalGas' Core During Overnominations

SDG&E protests Rule 30 because while it states that SoCalGas will reduce its core nominations to within 110% of actual usage during periods of system overnominations, SoCalGas does not explicitly state what happens in the event that SoCalGas fails to reduce core nominations. SDG&E recommends that the core nomination and estimated usage should be posted daily on GasSelect two working days prior to the gas day. Also, SDG&E proposes that volumes delivered in excess of 110% of core usage during a declared excess nomination event should be made available for imbalance trading with the sales price set to whatever the market will bear.

SoCalGas responds that SDG&E's new proposal with regard to nominations in excess of system capacity is inappropriately presented in the form of a protest to a compliance filing. SoCalGas submits that SDG&E has had full opportunity to address this issue before now and should not be able to modify the Commission's earlier decisions and resolutions through its protest to a tariff filing when that tariff filing comports with such decisions and resolutions.

DISCUSSION: CACD agrees with SoCalGas. SDG&E should present its proposal via a Petition to Modify D.92-07-025. However, CACD recommends that SoCalGas be required to provide sufficient information in the Commission's reasonableness review proceedings which illustrate that SoCalGas has followed the Commission's rules on system overnomination as these rules apply to the SoCalGas core class.

C. Calculation of Core Actual Gas Usage

Sunrise objects to SoCalGas' inclusion of core storage injections in the calculation of "actual gas usage" when it limits deliveries to 110% of actual gas usage into its system on behalf of the core market. Sunrise states that core storage injections are not part of "actual gas usage" by the core. Sunrise further argues that some portion of SoCalGas' core storage injections are for the economic benefit of core as well as core subscription customers. In an overnomination situation, SoCalGas has provided that all noncore storage injections will be the first gas deliveries to be curtailed. Sunrise believes SoCalGas' core storage injections should be curtailed as well. Therefore, Sunrise recommends that core storage injections not be included in the 110% of "actual gas usage" by the core.

SoCalGas responds that it is necessary to include core storage injections in the determination of the core's actual gas usage, even in a period of overnominations, because it must ensure that core storage targets are achieved so that there will be adequate gas in storage to prevent core curtailment. Furthermore, the cost of gas for core subscription is set equal to the weighted average cost of core gas, however, SoCalGas does not store gas for core subscription customers. It only stores gas for core customers.

DISCUSSION: CACD recommends that Sunrise's protest be denied for the reason presented by SoCalGas.

VI. RULE 32, CORE AGGREGATION TRANSPORTATION PROGRAM

A. Unassigned Capacity Charge Calculation

Access Energy protests the provision in Rule 32, Core Aggregation Transportation, which sets forth a procedure whereby core aggregation customers are required to pay a monthly fee of $7.28025 per thousand cubic feet per day (Mcf/d) for any capacity which the core aggregation customer does not "accept" during said open season. Access Energy contends that this procedure is superfluous and not authorized by the Capacity Brokering decision, D.92-07-025.

Sunrise also protests this provision. Sunrise states that if the core aggregation or core transportation customer is being billed separately for the utility's reserved firm interstate capacity, then interstate pipeline demand charges should not be included in the core transportation rate. Otherwise, this presents a "double-counting" of the utility's pipeline demand charges borne by a core transportation customer.

SoCalGas does not believe that D.92-07-025 expressly required a "forced" assignment of capacity for core aggregation and core transportation customers. SoCalGas also questions its ability to require core aggregators and large core transporters to take such an assignment under FERC rules. For this reason, SoCalGas has provided in its tariffs that the assignment is

optional but that the core aggregator or large core transporter be held financially responsible for any reserved capacity for which such customers do not take assignment.

SoCalGas states that if the Commission were to require that core aggregators and large core transporters take the assignment of the reserved capacity, the only way to enforce such a provision would be to require such an assignment as a condition of service. With such a condition, any deficiency in a core aggregator's acceptance of the reserved capacity and the responsibility to the pipeline for the cost of such capacity would necessarily result in the aggregator's termination from SoCalGas' core aggregation program. Likewise, the large core transporter could not be allowed to participate as a transportation customer. With respect to the Sunrise protest, under SoCalGas' current proposal, core aggregation and core transportation customers are paying interstate pipeline demand charges only once. In Advice Letter 2133-A, interstate pipeline demand charges have been unbundled from core transportation rates and, therefore, Sunrise's request has already been satisfied.

DISCUSSION: CACD confirms Access Energy's interpretation of D.92-07-025. Resolution G-3023, Finding 4, specifically states, "Pursuant to D.92-07-025, core aggregation customers are not allowed to elect whether to take assignment of a utility's firm rights." The Resolution also states in Finding 7 that such customers remain responsible for payment of the related demand charges at the full as-billed rate regardless of whether that capacity was secondarily brokered for less. It follows that transporters are also not allowed to elect assignment of a utility's firm rights.

Therefore, CACD does not believe that the Unassigned Capacity Charge proposed by SoCalGas is necessary and Access Energy's protest should be granted. CACD recommends that SoCalGas eliminate the Unassigned Capacity Charge in Rule 32 and the corresponding line item in the Core Fixed Cost Account of the Preliminary Statement. SoCalGas should inform core customers who receive direct assignments that customers will be required to sign contracts with interstate pipelines and SoCalGas for the capacity, be responsible to SoCalGas for all applicable pipeline demand charges associated with the capacity and be allowed to secondarily broker capacity although the customer will still be responsible to the utility for all costs associated with the interstate capacity it was assigned. Accordingly, CACD also recommends that SoCalGas include this condition in the appropriate tariff schedules for core aggregation transportation and core transportation services and in the Interstate Capacity Brokering rule, Rule 36.

B. Interstate Demand Charge Calculation

Access Energy protests SoCalGas' transportation charges set forth in Schedule GT-10 - Core Aggregation Transportation for Core Commercial and Industrial Service, to the extent that it cannot determine whether SoCalGas has correctly unbundled interstate pipeline demand charges from the intrastate transportation rate. Access Energy wishes to clarify that it does not object to SoCalGas' method of calculating the amount of capacity to be reserved for a core aggregation customer which is based upon historical usage, but rather it questions the method SoCalGas uses to unbundle allocated costs for reserved interstate capacity from core aggregation intrastate rates.

Access Energy questions whether SoCalGas has adjusted core aggregation transportation charges to reflect additional capacity based upon the core average load factor. Access Energy notes that the core average load factor is 35% while the core aggregators' load profile reflects an 85% load factor. If SoCalGas has unbundled interstate pipeline demand charges based on the core average load factor from core aggregation intrastate rates, the impact is such that a core aggregation customer would pay for substantial volumes of capacity in excess of the capacity reserved for the customer and which are never utilized to serve that customer. In light of the fact that both the El Paso and Transwestern pipelines have applied to the FERC for straight fixed-variable rate designs, (which FERC recently approved for Transwestern) which will substantially increase the demand charges billed to SoCalGas, the impact of allocating additional capacity costs to core aggregators which is not justified by their historical demand is vastly increased.

Access recommends that SoCalGas should be required to file a tariff which removes all interstate demand charges from the intrastate rates charged such customers.

SoCalGas responds that its tariffs clearly provide that the amount of reserved capacity and the billing for such capacity shall be based on the Daily Contract Quantity (DCQ) which is the particular core customer's annual average consumption stated on a daily basis. SoCalGas adds that it has unbundled interstate pipeline demand charges from core transportation rates. Accordingly, SoCalGas does not believe that the concerns expressed by Access in this regard have merit.

DISCUSSION: CACD has clarified that SoCalGas currently bases its allocation of interstate pipeline demand charges to core aggregation customers on the core average load factor. This allocation is currently bundled in core rates. CACD has also confirmed that SoCalGas intends to eliminate these embedded interstate pipeline demand charges from core aggregation rates. The determination of interstate pipeline demand charges to be eliminated will be based on the same methodology currently used. Based on these clarifications, CACD believes SoCalGas uses the correct unbundling methodology and recommends Access Energy' protest be denied.

C. Direct Assignment of Reserved Firm Capacity

In its protest, Sunrise states that SoCalGas' provisions of direct assignment of reserved firm capacity rights to core aggregation and core transportation customers run afoul of FERC's requirements. Sunrise states that while FERC has made it clear that terms and conditions may be imposed upon the release of capacity, these terms and conditions of capacity release must be objectively stated, nondiscriminatory, and applicable to all potential bidders. Sunrise recommends that SoCalGas be directed to make its reserved firm core capacity available to any potential shipper on the condition that the bids for this capacity be made at the maximum reservation charge and must be used for core customers. Also, this capacity release must be posted on the pipeline's electronic bulletin board.

SoCalGas does not believe that its direct assignment provisions violate FERC rules because it intends to make this capacity available to any potential shipper who will transport gas on behalf of core customers.

DISCUSSION: CACD agrees with SoCalGas' stated position. Under the Capacity Brokering program, SoCalGas is required to reserve capacity for its core customers, core aggregation and core transportation customers as well as the core load of its wholesale customers. Furthermore, such capacity must be reserved at the full as-billed rate in order to assure that this capacity would not be outbid by other parties. SoCalGas will also post the core reservation on the interstate pipelines' bulletin boards. Therefore, SoCalGas' direct assignment to core aggregation and core transportation customers does not contradict FERC rules and CACD recommends Sunrise's protest be denied.

D. Permanent Direct Assignment of SoCalGas Capacity

Access Energy protests SoCalGas' Rule 32 to the extent that it does not specifically state that SoCalGas may permanently release capacity reserved for a core aggregation customer to such a customer without competitive bidding, as long as the core aggregation customer pays the full as-billed rate. Rather, Rule 32 states that the assignment shall continue on a month-to-month basis. Access Energy protests SoCalGas' restriction on the ability of core aggregation customers to obtain permanent direct assignment of SoCalGas' firm interstate capacity. Such permanent assignments are consistent with FERC Order 636. Therefore, SoCalGas should make explicit in its rules that such a permanent direct release of capacity is permissible in order to remove any question over its authority to engage in such transactions.

SoCalGas responds that core aggregators must submit bids for interstate capacity during the open season. This provision simply allows core aggregators to indicate whether their capacity needs have changed and is in accordance with the

Commission's stated intention in Resolution G-3023 that "all contracts awarded for firm interstate capacity under the Capacity Brokering program should become effective on the same date..." SoCalGas sees no reason why a core aggregator would object to this requirement, particularly in light of the fact that a bid by a core aggregator at the full as-billed rate cannot be displaced by another competitive bid. Accordingly, Access' protest of this issue should be denied.

DISCUSSION: While CACD does not disagree that under FERC Order 636, a releasing shipper, specifically SoCalGas, may relinquish capacity at the full as-billed rate for the remaining term of the contract with the pipeline, CACD has several concerns that allowing such a relinquishment to core aggregators could conflict with the Commission's current pilot program for core aggregation transportation service as set forth in Commission decision D.91-02-040.

Pursuant to D.91-02-040, this three year pilot program will expire in 1994. While the Commission in D.92-07-025 anticipates extension of this pilot program there may be other significant program changes which would be prematurely affected by allowing core aggregators to obtain relinquished firm interstate capacity. CACD does not believe that this issue should be addressed in a resolution but would be more appropriately presented in a Petition to Modify D.91-02-040.

More importantly, D.91-02-040 requires that utilities shall offer core aggregation transportation 10% of the total retail core requirements of the serving utility. Therefore, any capacity core aggregators would propose to obtain by relinquishment would have to be core capacity. It should also be noted that the Commission, in D.91-11-025, reserved a fixed amount of total core capacity. It follows that to allow SoCalGas to relinquish capacity to core aggregators would require a reduction of the total core reservation. Although such a request is not prohibited, again, it is not appropriate to present nor to address in this advice letter process. CACD recommends Access Energy's protest be denied without prejudice.

VII. RULE 35, CAPACITY BROKERING IMPLEMENTATION

A. Timing of Initial Open Seasons

Access Energy protests the timeline set forth in Rule 35 because it does not correspond to the initial interstate pipelines' open seasons or "bid windows" for interstate capacity. Access Energy claims that core aggregation customers who are assigned firm capacity by the utility may lose some opportunities to rebroker that capacity during the initial interstate pipeline bidding window. Most shippers seeking transportation into the California market may conclude their deals during the initial interstate bidding window. Core aggregation customers cannot afford to broker such capacity

without a concurrent opportunity to seek alternative brokered transportation capacity. Access Energy asserts that, logically, the CPUC-supervised open season for pre-arranged capacity releases must conclude before the end of the initial FERC open season on the interstate pipelines, or virtually no capacity will be available for brokerage during the initial FERC bidding window.

SCUPP/IID also protest the schedule of events set forth in Rule 35. SCUPP/IID express concern that this schedule is too long and emphasizes that certain customers must pay double demand charges of $500,000 or more every month until the Capacity Brokering program is implemented. SCUPP/IID propose that in order to accelerate the process the Commission should eliminate the SoCalGas pre-arrangement period for interstate pipeline capacity. SCUPP/IID submit that they intend to file a petition for modification of D.92-07-025 and D.91-11-025 requesting the elimination of the iterative open seasons for interstate pipeline capacity. However, pending Commission action on this petition, SCUPP/IID urge the Commission and SoCalGas to abbreviate as much as possible the schedule set forth in SoCalGas' Proposed Rule 35.

SoCalGas responds that Access Energy has confused the pre-arrangement process with the process of posting bids on the interstate pipelines' electronic bulletin boards. The open season schedule set forth in Advice Letter 2133-A only establishes the timing of the process by which SoCalGas will enter into pre-arranged deals, which may be posted on the pipelines' electronic bulletin board at <u>any</u> time after capacity release programs have been approved FERC.

SoCalGas adds that the requirement for two initial open seasons to be conducted by the utilities to allow customers to elect their intrastate services and pre-arrange interstate capacity assignments was originally adopted in D.91-11-025, p. 18 and Appendix B, p. 19 and upheld in D.92-07-024, p.42 and Conclusion of Law 34. Furthermore, SoCalGas has complied with the requirements of Resolution G-3023, Findings 132 through 136.

<u>DISCUSSION:</u> SoCalGas is correct in its interpretation of D.91-11-025, D.92-07-025 and Resolution G-3023. The timeline adopted in Resolution G-3023 abides by the requirements set forth by the Commission and establishes open seasons which would provide sufficient time for all noncore customers to make their intrastate and interstate service elections. CACD is not convinced that it is necessary nor possible to further condense the timeline for initial open seasons under the Capacity Brokering program. CACD also does not find it appropriate nor reasonable that SCUPP/IID request elimination of the pre-arrangement period by a protest to a compliance filing. CACD recommends the protests of Access Energy and SCUPP/IID be denied without prejudice.

B. Consistency Among the Utilities' Initial Open Seasons

Sunrise protests Rule 35 because the schedule allows a one-week period between the effective date of the El Paso and Transwestern capacity release programs and the start of the intrastate open seasons while PG&E and SDG&E use a two-week interval. Sunrise urges the Commission to ensure that the commencement dates and the lengths of open seasons are consistent among the utilities.

SoCalGas states that this one-week difference allows SoCalGas to provide its cogeneration customers with five days notice of UEG capacity elections. Apparently, PG&E and SDG&E are requiring UEG elections to be made five days sooner than all other elections rather than allowing cogenerators to make their elections five days later than all other bidders. SoCalGas does not believe that the Commission has required SoCalGas' UEG customers to make their elections five days earlier than other parties. SoCalGas adds that the minor differences between its schedule and the schedules of PG&E and SDG&E will not cause confusion to parties. Accordingly, SoCalGas requests that the Commission leave SoCalGas' schedule unchanged.

DISCUSSION: CACD has sent a letter dated February 23, 1993, to all parties of record in R.88-08-018, detailing the commencement of initial open seasons under the Capacity Brokering program as agreed to by PG&E, SDG&E and SoCalGas. This letter states,

> To ensure that the Capacity Brokering program commences concurrently for the three utilities, bids awarded as pre-arranged deals should be posted to the respective interstate pipelines contemporaneously and the first day of gas flow under Capacity Brokering should be the same for all three utilities.

The utilities' adherence to this agreement should ensure that the commencement date for intrastate open seasons are consistent.

Also, CACD wishes to clarify that Resolutions G-3021, Finding 73 and G-3022, Finding 78 require PG&E and SDG&E to allow five extra days beyond the close of the intrastate open season and the pre-arrangement period to submit intrastate service elections and bids for firm interstate capacity.

VIII. RULE 36, INTERSTATE CAPACITY BROKERING

A. Notice of Utility Electric Generation Bid Information

In Rule 36, SoCalGas has modified its bid program, replacing the concept of alternative pipeline designations with allocation point specific and secondary bids. The CCC does not object to this change to the bid program, but finds that SoCalGas has failed to incorporate the Commission's notice

requirement in the bid program. Thus, the CCC requests that the Commission require SoCalGas to include the notice of UEG allocation point-specific bids and secondary bids in Rule 36.

SoCalGas agrees that these provisions should be included in its Rule 36.

DISCUSSION: CACD believes the CCC protest is reasonable and consistent with Commission policy with regard to noticing cogeneration customers of UEG bids. Therefore, CACD recommends that SoCalGas provide in Rule 36 that cogeneration customers be noticed of UEG primary and secondary bids.

B. The Minimum Acceptable Bid

Sunrise protests Rule 36 because SoCalGas erroneously provides that the minimum bid price shall be the interstate tariff volumetric rate. Sunrise points out that under FERC rules shippers may only bid for the reservation charge. The minimum bid should be the pipeline's minimum reservation charge.

SoCalGas responds that it has no objection to changing its tariff, if the Commission so desires, to make it clear the the bid would apply only to reservation charges.

DISCUSSION: CACD agrees with Sunrise that this language may not be entirely clear as written. Based on FERC rules, customers can only bid on reservation charges. Therefore, this section should clearly state that the minimum amount customers can bid for interstate capacity is equal to $0.00 of the pipeline's reservation charge. CACD recommends that SoCalGas include this explanation in Rule 36 as well as in its customer bid package. In addition, this section should clarify that this is a minimum floor for bidding, but the utility has the discretion to determine the minimum acceptable bid it will award during the pre-arrangement.

C. Acceptance of Bids at Less than the Full As-Billed Rate

Sunrise protests the provision which states "... the Utility need not accept any capacity bids at less than the full as-billed rate." This provision is a violation of FERC rules. In the El Paso order, FERC made it clear that in the context of releasing capacity, if a releasing shipper wishes to establish minimum acceptable terms and conditions, it must do so at the time it posts the released capacity. This requirement prevents the releasing shippers from having too much discretion to discriminate against potential replacement shippers.

Sunrise asserts that the same rules should apply to the open season bidding process that is conducted under this Commission's rules. The Commission has made it clear that the utilities must broker their capacity in a nondiscriminatory

manner. The only way to prevent discrimination is to require the utility to post its minimum acceptable price, term and volume and all other terms and conditions, prior to the time when potential shippers bid for pre-arranged deals. In this manner, the utility's bid evaluation process will be a ministerial act and will ensure a nondiscriminatory method of allocating the utility's capacity. Sunrise believes that the "awarded bid floor" must be established before not after the bids are submitted. Customers must be aware of the minimum acceptable terms and conditions at the time they bid.

SoCalGas responds that FERC requires any minimum bid acceptable rate, volume and term condition must be set forth at the time the release is posted for competitive bidding. The posting referred to by FERC takes place well after the California open seasons have been held and pre-arranged deals have been executed. Once SoCalGas has awarded capacity through its open season and has executed pre-arranged deals with successful bidders, the bids will be notice on the pipeline bulletin board. The "minimum bid" at this point will be clearly identified as the bid posted pursuant to the pre-arranged deal. This approach will completely satisfy FERC's rules.

DISCUSSION: According to the FERC Order approving El Paso's capacity release program, releasing shippers are given the option of stating a minimum price when capacity is posted. If this option is exercised, any bid above the stated minimum must be accepted. These FERC rules apply to posting on the interstate pipelines' bulletin boards.

In contrast, procedures for pre-arranged deals, as governed by the Commission, do not have restrictions on stating a minimum acceptable offer. In D.92-02-042, the Commission rejected a proposal to establish a minimum bid of 70% of the as-billed rate. That same decision stated that although pre-arranged deals will have no established minimum, the California utilities should not infer that the absence of a minimum bid requires them to accept unreasonably low offers. Based on D.92-02-042, CACD believes it is reasonable for SoCalGas to reserve the right to reject all offers. However, SoCalGas should apply its criteria for evaluating pre-arranged bids uniformly to all customers in a non-discriminatory manner. Once the deal is posted on the interstate pipelines' electronic bulletin boards, SoCalGas may then elect for the winning pre-arranged deal to serve as the minimum acceptable bid.

D. Capacity Relinquishment and Capacity Release

Sunrise notes that in D.92-07-025, the Commission's use of the term "relinquishment" with respect to recallable capacity is important. Sunrise interprets a "relinquishment" of the utility's capacity as only possible during a discrete period after the termination of the pipeline's restructuring process. "Relinquishments" are not possible after that time. Sunrise interprets a "permanent release" of capacity under the capacity

release rules as different from a relinquishment. Sunrise presumes that the Commission understood the difference between the two terms and meant to limit the recall provision to instances where the utility has an offer to relinquish its capacity.

SoCalGas does not believe it was the Commission's deliberate intent to strictly limit the recall rights provided in D.92-07-025 to just capacity relinquishments which only apply for an interim period of time. SoCalGas believes the Commission used the term "relinquishment" in a broader sense and intended to include permanent capacity releases. Such a conclusion would only make sense in light of the Commission's desire to minimize, to the extent possible, stranded capacity costs.

DISCUSSION: CACD does not agree with Sunrise's interpretation of relinquishments as ordered in FERC Order 636, et al. CACD does not interpret Order 636 as prohibiting relinquishments after restructuring, rather the order does not require post-restructuring relinquishments to be mandatory. In Order 636, et al., FERC decided that relinquishments should be mandatory during the restructuring proceeding to allow interstate pipeline customers full flexibility to adapt to the new regulatory market. If a shipper found a replacement shipper that satisfied the pipeline's creditworthiness rules and was willing to take the service agreement for the remainder of its term at the full as-billed rate, then FERC ordered that the pipeline must accept the relinquishment during the restructuring period.

After the restructuring period, a shipper may find a replacement shipper to assume the contract for the full term and price but it is not incumbent upon the pipeline to allow the relinquishment. It is CACD's belief and understanding that Order 636 does not prevent contract modifications or negotiations between a pipeline and shippers. CACD also does not agree with SoCalGas' expansion of recall provisions to permanent release. While a permanent release does relieve the utility of pipeline demand charges for the remainder of its service agreement, a permanent release does not remove the financial liability from the utility. Therefore, CACD believes the Commission did not intend to include permanent releases in its discussion of recalling capacity for relinquishments. CACD recommends SoCalGas clarify the definitions of relinquishment and permanent release in its Rule 36.

E. Recallable Interstate Capacity

Sunrise protests Rule 36 because SoCalGas has improperly expanded its "recall" rights beyond what the Commission provides in D.92-07-025, Conclusion of Law 32. In that decision, the Commission states:

> The utilities should include provisions in their service agreements which would require the customer to either give up the capacity or pay the full as-billed

rate in cases where the utility receives relinquishment rights for the capacity.

However, Rule 36 states that if SoCalGas is offered the opportunity to relinquish capacity the existing replacement shipper must agree to pay the as-billed rate "for the duration of the relinquishment offer..." This provision extends beyond what the Commission provided in D.92-07-025 which states that in order to retain the capacity, the existing replacement shipper must pay the full as-billed rate. No mention is made that the existing customer must pay this rate for the full term of the proposed relinquishment. Sunrise recommends that SoCalGas delete the additional language and only require the replacement shipper to pay the as-billed rate for the remainder of that particular customer's deal with the utility.

SoCalGas responds that under Sunrise's approach, a utility would be forced to forego the collection of pipeline demand charges, and a concomitant reduction in stranded pipeline costs, even if a party is willing to subscribe to capacity at the full as-billed rate for the remainder of the term of the utility's service agreement. SoCalGas submits that the Commission's intent has been for the utilities to substitute new replacement shippers for existing replacement shippers if a new replacement shipper is willing to pay the full as-billed rate and thereby minimize stranded pipeline costs. All customers are better off if a new replacement shipper is willing to pay the full as-billed rate for the entire term of the utility's service agreement with the pipeline and such an arrangement should be permitted to "bump" an existing arrangement unless an existing replacement shipper matches the new deal in its entirety. SoCalGas requests that the Commission affirm SoCalGas' tariff language.

DISCUSSION: CACD agrees with SoCalGas. In D.92-07-025, the Commission did require that the existing shipper bid the full as-billed rate or give up that capacity where the utility receives relinquishment for that same capacity. CACD clarifies that bidding the full as-billed rate for the full term of the utility's contract with the interstate pipeline constitutes a relinquishment offer. The Commission allows the existing shipper to match the relinquishment offer, otherwise the Utility may recall the capacity. Therefore, CACD recommends Sunrise's protest be denied.

F. Priority of Recallable Capacity

Sunrise protests Rule 36 because it does not state the order in which it will recall released capacity in the event of an offer to relinquish capacity. It is unknown as to whether SoCalGas will "bump" shippers that are paying the lowest rate, or bump shippers that have the shortest term, or attempt some combination. Sunrise recommends that SoCalGas clarify in its tariff all instances of when it will recall capacity as well as

making these terms clear in bid instructions provided to potential bidders prior to the beginning of the open seasons.

SoCalGas responds that it has no objection to clarifying in its tariff that it will bump capacity in such a manner as to minimize stranded pipeline costs.

DISCUSSION: CACD agrees with the positions of Sunrise and SoCalGas. CACD recommends SoCalGas include detailed information in its Rule 36 and customer bid package which clarifies under what circumstances and in what priority it will recall capacity.

G. Pre-Arranged Interstate Capacity Transfer

Sunrise protests the terms of the proposed Pre-Arranged Interstate Capacity Transfer contract because SoCalGas is attempting to impose conditions upon a replacement shipper's contract with the interstate pipeline. As a matter of contract law, this is not permissible. The conditions should simply be conditions of the contract between SoCalGas and the replacement shipper.

SoCalGas believes that such contract provisions are absolutely necessary to protect the rights of ratepayers. SoCalGas states that it must be able to recall released capacity as soon as possible in the event of default by the existing shipper. In recalling the capacity quickly, SoCalGas may then re-release the capacity in order to generate revenues which would otherwise have been lost and prevent the accumulation of stranded pipeline costs. SoCalGas states that the only means in which to adequately enforce such recall rights is to require a recall provision in the contract between the replacement shipper and the interstate pipeline. Furthermore, FERC has never indicated that a releasing shipper may not require the replacement shipper to include certain provisions in its contract with the pipeline. Therefore, SoCalGas believes that this Commission should re-affirm SoCalGas' right to include these provisions in the customers' contract with the interstate pipelines in order to protect its ratepayers.

DISCUSSION: Specifically, SoCalGas' proposed conditions require: (1) Should the acquiring shipper default on payment, the capacity should be returned to SoCalGas no later than 10 days after SoCalGas has sent notice of the default, (2) Provide that the acquiring shipper will release capacity for which SoCalGas has received a relinquishment offer from a third party unless the acquiring shipper opts to assume the relinquishment.

CACD believes it is appropriate for SoCalGas to impose conditions on the contract between an acquiring shipper and the interstate pipeline. CACD adds that other conditions such as price and term are without question imposed conditions on the contracts between the acquiring shipper and the interstate

pipeline. CACD believes that SoCalGas and its ratepayers should be protected to the greatest extent possible, from the liability of additional stranded costs as SoCalGas' proposed conditions appear to do. Therefore, CACD does not find these conditions unreasonable and recommends that Sunrise's protest be denied.

IX. COMPLIANCE FILING

In D.92-07-025, p.43, the Commission expressly limited protests to the compliance tariffs to identifying tariff language which conflict with that decision. While CACD notes that the protests filed by interested parties achieve the Commission's directive and serve to further clarify the utilities' tariffs, CACD notes that several of the protests include issues which have already been decided in previous Commission decisions and resolutions.

In order to ensure expeditious implementation of the Capacity Brokering program, CACD wishes to discourage parties from filing protests which only serve to reiterate positions and issues which were addressed in prior Commission resolutions. CACD notes that the most appropriate procedural vehicle for many of these concerns is to file a Petition to Modify under Rule 43 of the Commission's Rules of Practice and Procedure. Futhermore, SoCalGas should file revised tariffs identical to Advice Letter 2133-A except where modified by this Resolution.

FINDINGS

1. In D.91-11-025, the Commission stated that firm intrastate rates would not be subject to discount and that interruptible intrastate rates may be subject to discount.

2. In D.92-11-052, Appendix B, the Commission allowed for discounts to firm intrastate transportation service under the Expedited Application Docket (EAD) procedure for long-term contracts.

3. In Resolution G-3023, Finding 114, the Commission adopted language which allowed that any discounts of firm intrastate transportation service offered to UEG customers should be offered contemporaneously to cogeneration customers.

4. SoCalGas should include a notice to customers of the opportunity for discounts of firm intrastate transportation service under the EAD procedure in SoCalGas' noncore firm intrastate transportation rate schedule, GT-F.

5. SoCalGas should include a provision in Schedule GT-F which states that any discounts of firm intrastate transportation service offered to UEG customers as provided under the EAD procedure will be offered contemporaneously to cogeneration customers.

6. The intent of Resolution G-3023 with respect to default provisions in Schedule GW-SD is that absent the SoCalGas/SDG&E long-term contract any provisions which would otherwise be applicable to SDG&E should be included in SoCalGas' tariff.

7. The elimination of the terms "firm" and "interruptible" from Schedule GW-SD for those provisions which pertain to SDG&E absent a SoCalGas/SDG&E long-term contract would render meaningless the application of certain provisions such as the use-or-pay obligation or the two-year commitment of firm intrastate transportation service.

8. SDG&E has the authority to operate as an independent system with respect to curtailment of its customers, however, SDG&E still receives transportation and other services from SoCalGas which is either "firm" or "interruptible".

9. SoCalGas should include the terms "firm" and "interruptible" in Schedule GW-SD as they apply to service provided to SDG&E absent a contract or to volumes not provided for under a long-term contract.

10. In D.91-11-025, the Commission, by stating that SDG&E and SoCalGas should operate as independent systems to the extent operationally feasible, did not intend that SoCalGas' ratepayers pay for the costs associated with any enhancements of the SoCalGas system necessary to provide unbundled intrastate transportation.

11. SoCalGas should clarify in its Rule 23 that core standby procurement service will not actually be "curtailed" prior to or separate from the curtailment of firm transportation service, but that it will impose a penalty, as stated in D.91-02-040, if core standby procurement service is used when firm transportation service is being curtailed.

12. SoCalGas should modify Rule 23 to allow for the trading of diversions and curtailment rights and to specify that discretion for trading voluntary core protection purchase agreements shall be determined by parties entering into such an agreement.

13. SoCalGas should provide further clarification of voluntary and involuntary diversions in Rule 23.

14. SoCalGas be required to provide sufficient information in the Commission's reasonableness review proceedings which illustrate that SoCalGas has followed the Commission's rules on system overnomination as these rules apply to the SoCalGas core class.

15. SoCalGas should eliminate the reference to the Unassigned Capacity Charge in Rule 32 and in the Core Fixed Cost Account of the Preliminary Statement.

16. SoCalGas should include in the appropriate tariffs that core customers who receive direct assignments will be required to sign contracts with interstate pipelines and SoCalGas for the

capacity, be responsible to SoCalGas for all applicable pipeline demand charges associated with the capacity and be allowed to secondarily broker capacity although the customer will still be responsible to the utility for all costs associated with the interstate capacity it was assigned.

17. SoCalGas should make it clear in the core aggregation and core transportation tariffs as well as in the Interstate Capacity Brokering rule, Rule 36, that acceptance of the assigned capacity is a condition of core aggregation and core transportation service.

18. Under the Capacity Brokering program, SoCalGas is required to reserve capacity for its core customers, core aggregation and core transportation customers as well as the core load of its wholesale customers. Such capacity must be reserved at the full as-billed rate in order to assure that this capacity would not be outbid by other parties.

19. SoCalGas' direct assignment of capacity to core aggregation and core transportation customers does not contradict FERC rules.

20. SoCalGas should include the notice of UEG allocation point-specific bids and secondary bids in Rule 36.

21. Under FERC rules, shippers may only bid on the reservation charge.

22. In its Rule 36 and customer bid package, SoCalGas should clearly state that the minimum amount customers can bid for interstate capacity is equal to $0.00 of the pipeline's reservation charge. SoCalGas should also clarify that this is a minimum floor for bidding, but the utility has the discretion to determine the minimum acceptable bid it will award during the pre-arrangement.

23. According to the FERC Order approving El Paso's capacity release program, releasing shippers are given the option of stating a minimum price when capacity is posted. If this option is exercised, any bid above the stated minimum must be accepted. These FERC rules apply to posting on the interstate pipelines' bulletin boards.

24. Procedures for pre-arranged deals, as governed by the Commission, do not have restrictions on stating a minimum acceptable offer.

25. In D.92-02-042, the Commission rejected a proposal to establish a minimum bid of 70% of the as-billed rate, but maintained that although pre-arranged deals will have no established minimum, the California utilities should not infer that the absence of a minimum bid requires them to accept unreasonably low offers.

26. Based on D.92-02-042, it is reasonable for SoCalGas to reserve the right to reject all offers. However, SoCalGas

should apply its criteria for evaluating pre-arranged bids uniformly to all customers in a non-discriminatory manner.

27. When a pre-arranged deal is posted on the interstate pipelines' electronic bulletin boards, SoCalGas may then elect for the winning pre-arranged deal to serve as the minimum acceptable bid.

28. FERC Order 636 does not prohibit relinquishments after restructuring, rather the order does not require post-restructuring relinquishments to be mandatory.

29. A permanent release relieves the utility of pipeline demand charges for the remainder of its service agreement, but does not remove the financial liability from the utility.

30. SoCalGas should clarify the definitions of relinquishment and permanent release in its Rule 36.

31. Bidding the full as-billed rate for the full term of the utility's contract with the interstate pipeline constitutes a relinquishment offer.

32. The Commission allows the existing shipper to match the relinquishment offer, otherwise SoCalGas may recall the capacity.

33. SoCalGas should clarify in its Rule 36 and bid packages under what circumstances and in what priority will it recall capacity.

THEREFORE, IT IS ORDERED that:

1. Southern California Gas Company shall file revised tariffs by March 17, 1993 that are identical to Advice Letter 2133-A except for any changes identified in the findings above and any other minor modifications requested by the Commission Advisory and Compliance Division.

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

3. The revised tariffs to fully implement Capacity Brokering shall be approved March 19, 1993, pending written consent by the Commission Advisory and Compliance Division.

4. The rates and services offered in the revised tariffs, with the exception of Rule 36 and the pro forma service agreements, shall not be effective until El Paso Natural Gas Company's and Transwestern Pipeline Company's capacity reallocation programs authorized by the Federal Energy Regulatory Commission are in place and the contracts between Southern California Gas Company and its customers are accepted by the interstate pipelines and effective.

5. Southern California Gas Company Rule 36 and the pro forma service agreements 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. Southern California Gas Company shall file by separate advice letter, no later than 20 days prior to full implementation of the Capacity Brokering program, revised 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 10, 1993. The following Commissioners approved it:

NEAL J. SHULMAN
Executive Director

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