PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3044
March 10, 1993

R E S O L U T I O N

RESOLUTION G-3044. SAN DIEGO GAS AND ELECTRIC COMPANY SUBMITS PROPOSED TARIFFS PURSUANT TO RESOLUTION G-3022 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 822-G-B, FILED ON JANUARY 15, 1993.

SUMMARY

1. This Resolution conditionally approves the compliance filing submitted by San Diego Gas and Electric Company (SDG&E), 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 SDG&E and its customers for interstate capacity are accepted by the interstate pipelines and effective.

BACKGROUND

1. On August 12, 1992, SDG&E filed Advice Letter (A.L.) 822-G 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. SDG&E filed A.L. 822-G-A on October 2, 1992 which supercedes A.L. 822-G.

2. Commission Resolution G-3022 issued on December 16, 1992, conditionally approved A.L. 822-G-A, except for the rates filed therein, pending submittal and approval of compliance tariffs containing modifications ordered in the Resolution. SDG&E filed compliance tariffs, as ordered, on January 15, 1993 by A.L. 822-G-B.

3. This resolution addresses SDG&E's supplemental A.L. 822-G-B, except for the rates filed therein, which incorporates the

modifications ordered in G-3022. The rates contained in A.L. 822-G-A and 822-G-B will be reviewed in a subsequent Commission resolution.

NOTICE

1. Public notice of A.L. 822-G-B 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

The following parties filed protests to SDG&E's Advice Letter 822-G-B:

	Party	Date
1.	California Cogeneration Council (CCC)	February 4, 1993
2.	Sunrise Energy Services, Inc. and SunPacific Energy Management,Inc. (Sunrise)	February 5, 1993

Although the protest by Sunrise was filed one day late, CACD believes it is appropriate to give full consideration to the issues presented in the protest.

SDG&E filed a response to the above protests on February 24, 1993.

DISCUSSION

CCC Protest Issues

1. Utility Electric Generation Core-Subscription Limitation. CCC protested that language from A.L. 822-G-A explaining the stepdown of core subscription service by utility electric generation (UEG) customers is not included in A.L. 822-G-B. SDG&E responded that the UEG stepdown language was inadvertently excluded and will be restored to the GTUEG rate schedule.

Discussion. The Commission Advisory and Compliance Division (CACD) agrees that SDG&E should replace the language regarding the UEG stepdown from core subscription as contained in A.L. 822-G-A.

2. Firm Discounts. CCC protested that SDG&E's noncore transportation rate schedules specifically state that firm service may not be discounted. CCC believes this conflicts with D.92-11-052 which established the Expedited Application Docket (EAD) procedure. SDG&E responded that the EAD procedure is outside the tariff and that the EAD is merely a proposal that has not yet been ruled on by the Commission.

<u>Discussion.</u> The EAD procedure, which the Commission established in D.92-11-052, allows the utilities to file applications for long term discounted firm transportation contracts. CACD agrees with CCC that customers should be given notice of the EAD procedure and the opportunity for firm discounts in the noncore intrastate transportation rate schedules. Therefore, CACD recommends that SDG&E should include a reference to the EAD procedure for obtaining approval of firm discounted contracts in Special Condition 12 of the noncore transportation schedules GTNC and GTCG.

3. <u>Percent of Default Rate.</u> CCC requests that the formula for calculating "Percent of Default Rate" should include a specific reference to any discounted contracts received by the customer. SDG&E agrees in its response that modifications may be necessary and proposes further revisions to the formula.

<u>Discussion</u>. CACD does not agree with CCC that the formula, as currently written, appears to include only tariffed charges and undermines the concept of percent of default rate. CACD believes that because the numerator is "divided by the total tariffed rate absent any discount," it is obvious that the numerator is the rate including the discount. CACD does not agree with CCC's protest and recommends that the formula remain as currently written.

4. <u>Notice to Cogenerators.</u> CCC requests that SDG&E's Rule 22.F should be modified to include notice to cogenerators of the term length of bids by UEG's for interstate capacity. The procedure for notice to cogenerators was set forth in a joint agreement between CCC and Pacific Gas and Electric Company (PG&E) which was adopted in D.92-07-025. SDG&E agrees to modify Rule 22.F to state that cogeneration customers shall be given notice of the total amounts and terms of UEG capacity bids.

<u>Discussion.</u> CACD finds SDG&E's proposal for modification reasonable and recommends that it be incorporated into Rule 22.

Sunrise Protest Issues

CACD notes that half of the issues protested by Sunrise were provisions already contained in A.L. 822-G-A and resolved in Resolution G-3022. Therefore, Sunrise's protest on these issues is not timely in that the protest should have been raised against A.L. 822-G-A and not the subsequent compliance filing. The final date for filing protests of A.L. 822-G-A was October 22, 1992. However, CACD notes that although Sunrise is reiterating issues from an earlier advice letter, Sunrise is also raising new issues unique to SDG&E's compliance filing A.L. 822-G-B. CACD will consider the substance of Sunrise's protest for both the reiterated and the newly raised issues.

1. Direct Assignment. Sunrise protested that SDG&E's provision for direct assignment of reserved firm core interstate capacity to core aggregation/transportation customers must conform to FERC rules. SDG&E responded that it is releasing firm capacity to core aggregation/transportation customers through the FERC instituted mechanism of the pre-arranged deal wherein the capacity holder may choose with whom it wishes to deal.

Discussion. CACD agrees with SDG&E that it is appropriate for the direct assignment of core aggregation/transportation interstate capacity to be handled through the pre-arrangement process. As set forth in SDG&E's Capacity Brokering Rule 22, core aggregation/transportation customers must bid for capacity at the full as-billed rate. This ensures that pre-arranged deals for core aggregation/transportation capacity cannot be outbid once posted on the interstate pipeline's electronic bulletin board. Because this pre-arranged deal process for direct assignment does not contradict FERC rules, CACD recommends that Sunrise's protest be denied. However, CACD wishes to clarify that SDG&E may not choose with whom it wishes to deal during the pre-arrangement period, but must accept bids for pre-arranged core capacity from any customer who agrees to serve core customers. SDG&E must then award the capacity to the bidders on a non-discriminatory basis.

2. One Year Term for Core Aggregation/Transportation. Sunrise protested that SDG&E will assign interstate capacity to core aggregation/transportation customers for a one year term, while Southern California Gas Company (SoCalGas) and PG&E will assign capacity for one-month terms. Sunrise states that all three utilities' tariffs should be consistent on this issue. SDG&E responded that it planned to have a one-year contract with the assignment changing monthly based on the aggregation group's pro-rata share. In addition, SDG&E stated that it had no objection to changing to a one-month term, but that the option of a one-year fixed assignment should still be available.

Discussion. In D.92-07-025, the Commission stated, "Capacity assigned to the aggregator should be able to be increased or decreased on a monthly basis to reflect additions to or deletions from the core transport load represented by the aggregator." Because SDG&E's tariffs currently contain a provision for a one year assignment of interstate capacity, core aggregators and transporters may have difficulty increasing or decreasing assigned capacity on a monthly basis. Therefore, CACD recommends that SDG&E modify this provision in its core aggregation and core transportation rate schedules to state that assignments will be for a one-month term consistent with the provisions of D.92-07-025 and PG&E and SoCalGas' tariffs. In addition, CACD believes that SDG&E's request to provide the option of a one-year fixed assignment is inappropriate because the core aggregation service should allow month-to-month changes in capacity assignments.

3. Minimum Acceptable Bid. Sunrise protested SDG&E language in Rule 22 that states that the minimum acceptable offer for excess capacity offerings would be the pipeline's volumetric charge. Sunrise believes this is not consistent with FERC rules since potential shippers can only bid on the reservation charge. SDG&E responded that designating the volumetric charge as the minimum acceptable bid is the equivalent of saying that a reservation charge of zero percent is the minimum acceptable bid.

Discussion. CACD agrees with Sunrise that this language may not be entirely clear as written. Based on FERC rules, customer's can only bid on reservation charges. Therefore, Rule 22 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 SDG&E modify section D.4 of Rule 22 accordingly. 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 pre-arrangement. (This discretion is discussed further below).

4. Right to Reject Offers. Sunrise protested SDG&E's Capacity Brokering Rule 22 which states that SDG&E reserves the right to reject all offers. Sunrise states that this is not permissible under FERC rules. In response, SDG&E quotes FERC Order 636-A which states that a releasing shipper "may" specify the minimum price. Therefore, SDG&E believes that it is not required to state a minimum price. Furthermore, SDG&E states that if conditions should change such that it needs the capacity, SDG&E must be able to reject all bids.

Discussion. SDG&E should not confuse the ability to reject all bids with recall rights. If SDG&E should later decide that it needs the capacity for core customers, it can simply recall the capacity. However, SDG&E is correct that per FERC rules, it is not required to state a minimum price. 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 pipeline's electronic bulletin board.

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 SDG&E to reserve the right to reject all offers. Therefore, CACD recommends that Sunrise's protest be denied. However, SDG&E should state in its tariffs that it will apply its criteria for evaluating pre-arranged bids uniformly to all customers in a non-discriminatory fashion.

Once the deal is posted on the interstate pipeline's electronic bulletin board, SDG&E may then elect for the winning pre-arranged deal to serve as the minimum acceptable bid.

5. Core Aggregation/Transportation Rates. Sunrise objects that the core aggregator/transporter must pay the pipeline and the utility for firm interstate capacity through the core transportation rate. SDG&E responded that pursuant to Resolution G-3022, core aggregation and core transportation rates will be unbundled and will not contain charges for interstate transportation.

Discussion. Resolution G-3022 ordered SDG&E to remove interstate pipeline demand charges from the transportation rates for core aggregation and core transportation customers. Therefore, the rate schedules filed in A.L. 822-G-B should not contain interstate charges for these customers. The Commission will review and rule on these rates in a subsequent resolution. However, CACD recommends that SDG&E clarify that the rates in the core aggregation and core transportation rate schedules are for intrastate transportation only.

6. Standby Service Fee. Sunrise protests that the $1.00 per therm standby service fee should apply when noncore transportation service is curtailed rather than when noncore standby service to noncore customers is curtailed. SDG&E agrees to change this provision in Special Condition 16 of Schedule GTCA. Sunrise also protests that the standby fee should only be charged against underdeliveries that exceed 10 percent of the customer's nomination. SDG&E responds that Sunrise is confusing gas balancing and imbalance charges with the standby fee assessed during curtailments. According to SDG&E, the standby fee applies to the difference between customers' nominations and their confirmed deliveries during curtailment of firm noncore transportation.

Discussion. Pursuant to D.91-02-040 and Resolution G-2955, the standby service fee applies when standby services to noncore customers are curtailed. Customer imbalances will be calculated by comparing deliveries and actual use. Therefore, CACD finds that SDG&E's tariffs are correct as written and should not be adjusted per Sunrise's protest.

7. Interstate Take-or-Pay (TOP) Penalties. Sunrise notes that SDG&E's noncore procurement customers should have a TOP obligation and penalty applicable to the interstate capacity charges recovered through the GPIN schedule. In its response, SDG&E disagreed that the volumetric charges for interstate capacity through the GPIN tariff should include a TOP obligation and penalty. SDG&E states that the TOP obligations incurred through the noncore procurement and intrastate transportation rate schedules are sufficient.

Discussion. CACD agrees with SDG&E that the TOP obligations and penalties incurred by noncore procurement customers through the applicable intrastate transportation rate schedule are a sufficient deterrent to prevent customers from abandoning service under the GPIN schedule. Therefore, CACD recommends that Sunrise's protest on this issue be denied.

8. Available Firm Capacity for Interruptible Customers. Sunrise objects to Special Condition 19 of the GTNC rate Schedule that allows interruptible customers to "buy-up" firm intrastate transportation on an as-available basis from April through October. Sunrise states this provision is incorrect and should be deleted. SDG&E responded that this option is available on an as-available basis only and therefore, should be retained.

Discussion. CACD does not believe that Sunrise has presented a compelling argument for the deletion of this as-available service. Therefore, CACD recommends that because this provision has been contained in all earlier Capacity Brokering filings by SDG&E and because no other protests have been received, the provision should remain.

9. Annual Nominating Seasons. Sunrise notes that SDG&E's Curtailment Rule 14 contains a reference to annual nominating seasons which should be deleted. SDG&E responds that it will remove the reference.

Discussion. CACD agrees that SDG&E should remove this reference to annual open nominating seasons. In Resolution G-3022, SDG&E was ordered to remove all of these references because firm intrastate transportation will be offered for a two-year term.

10. Curtailment of Core-Subscription. According to Sunrise, Part 8 of Rule 14 incorrectly places core subscription customers ahead of firm intrastate transportation customers for curtailment priority. SDG&E clarifies through its response that the curtailment order placing core-subscription and firm noncore customers on equal priority is correctly stated elsewhere in Rule 14. However, SDG&E proposes clarifying this in Part 8 as well.

Discussion. CACD agrees with SDG&E's proposal and recommends that it be added to Rule 14.

11. Voluntary Supply Diversions. Sunrise states that voluntary supply diversions do not require the Commission to declare a supply emergency as is required for involuntary supply diversions. Sunrise also points out that in the event of an involuntary diversion, SDG&E should notify the Commission after the diversion occurs. In response, SDG&E agrees with Sunrise and proposes clarifying language for Rule 14.

Discussion. CACD agrees with SDG&E's proposal for clarification of this language and recommends that the language be added to Rule 14. In addition, CACD recommends that SDG&E clarify that it will notify the Commission within one business day following the initiation of any involuntary diversion, pursuant to D.91-11-025.

12. Transfer of Diversion and Curtailment Rights. Sunrise applauds SDG&E for providing for trading of gas supply diversion order among noncore customers. However, Sunrise requests that SDG&E should also provide for transfer of curtailment rights. SDG&E responds by proposing clarifying language for the trading of both gas supply diversions and curtailment order.

Discussion. CACD believes that firm 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 arrangements (VCPP's) 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 pursuant to the agreement will be allowed. CACD recommends that SDG&E modify its Rule 14 to allow for the trading of diversion and curtailment order and to specify that discretion for trading for customers with VCPP's shall be determined by parties to the VCPP.

13. The Subsequent 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, SDG&E should file revised tariffs identical to Advice Letter 822-G-B except where modified by this Resolution.

FINDINGS

1. SDG&E should replace the language regarding the UEG stepdown from core subscription as contained in A.L. 822-G-A.

2. The EAD procedure, which the Commission established in D.92-11-052, allows the utilities to file applications for long term discounted firm transportation contracts.

3. SDG&E should include a reference to the EAD procedure for obtaining approval of firm discounted contracts in Special Condition 12 of the noncore transportation schedules GTNC and GTCG.

4. The formula for percent of default rate should remain as currently written.

5. SDG&E should modify Rule 22.F to state that cogeneration customers shall be given notice of the total amounts and terms of UEG capacity bids.

6. It is appropriate for the direct assignment of core aggregation/transportation interstate capacity to be handled through the pre-arrangement process.

7. SDG&E must accept bids for pre-arranged core capacity from any customer who agrees to serve core customers and must then award the capacity to the bidders on a non-discriminatory basis.

8. In D.92-07-025, the Commission stated, "Capacity assigned to the aggregator should be able to be increased or decreased on a monthly basis to reflect additions to or deletions from the core transport load represented by the aggregator."

9. SDG&E should modify its core aggregation and core transportation rate schedules to state that interstate capacity assignments will be for a one-month term.

10. SDG&E's Capacity Brokering Rule 22, Section D.4, should clearly state that the minimum amount customers can bid for interstate capacity is equal to $0.00 of the pipeline's reservation charge. 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 pre-arrangement.

11. According to FERC orders, releasing shippers are given the option of stating a minimum price when capacity is posted on the interstate pipeline's electronic bulletin board.

12. In D.92-02-042, the Commission rejected a proposal to establish a minimum bid of 70% of the as-billed rate.

13. It is reasonable for SDG&E to reserve the right to reject all offers.

14. SDG&E should state in Rule 22 that it will apply its criteria for evaluating pre-arranged bids uniformly to all customers in a non-discriminatory fashion.

15. Once a pre-arranged deal is posted on the interstate pipeline's electronic bulletin board, SDG&E may then elect for the winning pre-arranged deal to serve as the minimum acceptable bid.

16. The rate schedules filed in A.L. 822-G-B should not contain interstate charges for core aggregation and core transportation customers.

17. SDG&E should clarify that the rates in the core aggregation and core transportation rate schedules are for intrastate transportation only.

18. Pursuant to D.91-02-040 and Resolution G-2955, the standby service fee applies when standby services to noncore customers are curtailed. Special Condition 16 of Schedule GTCA should not be adjusted.

19. The take-or-pay obligations and penalties incurred by noncore procurement customers through the applicable intrastate transportation rate schedule are sufficient.

20. SDG&E should not remove provisions that allow interruptible customers to buy-up firm intrastate transportation on an as-available basis from April through October.

21. SDG&E should remove any references to annual open nominating seasons in Rule 14 or elsewhere in its tariffs.

22. SDG&E should clarify that core-subscription and firm noncore customers will be curtailed on an equal priority in Rule 14, Part 8.

23. SDG&E should clarify in Rule 14 that only involuntary supply diversions require a supply emergency and that it will notify the Commission within one business day following the initiation of any involuntary diversion.

24. SDG&E should modify its Rule 14 to allow for the trading of diversion and curtailment order. Rule 14 should also specify that discretion for trading for customers with voluntary core protection plans (VCPP) shall be determined by parties to the VCPP.

25. The Commission should address the rates filed in A.L. 822-G-B in a subsequent resolution.

THEREFORE, IT IS ORDERED that:

1. San Diego Gas and Electric Company shall file revised tariffs by March 17, 1993 that are identical to Advice Letter 822-G-B except for any changes identified in the findings above and any other minor modifications requested by the Commission Advisory and Compliance Division. The rates filed in the revised tariffs shall reflect the most current rates authorized by the Commission.

2. Advice Letter 822-G-B shall be marked to show that it has been superseded and supplemented by a supplemental 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 22 and the Natural Gas Service Agreement plus attached schedules, 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 San Diego Gas and Electric Company and its customers are accepted by the interstate pipelines and effective.

5. San Diego Gas and Electric Company's Rule 22 and the Natural Gas Service Agreement plus attached schedules shall be available pending the Federal Energy Regulatory Commission's approval of the capacity reallocation programs for El Paso Natural Gas Company and Transwestern Pipeline Company.

6. San Diego Gas and Electric 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:

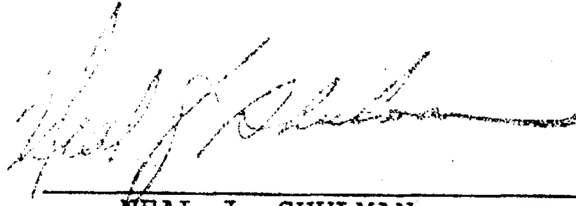
   a. The most current rates authorized by the Commission at that time.

   b. Changes resulting from intrastate transportation and core subscription open seasons.

   c. Any modification 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:



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