PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3045
March 10, 1993

R E S O L U T I O N

RESOLUTION G-3045. PACIFIC GAS AND ELECTRIC COMPANY, SAN DIEGO GAS AND ELECTRIC COMPANY, AND SOUTHERN CALIFORNIA GAS COMPANY SUBMIT PROPOSED TARIFFS AND RULES TO PARTIALLY IMPLEMENT CAPACITY BROKERING CONSISTENT WITH THE PROVISIONS IN DECISIONS 92-07-025 AND 91-11-025.

BY PACIFIC GAS AND ELECTRIC COMPANY ADVICE LETTER 1720-G FILED ON SEPTEMBER 11, 1992, SAN DIEGO GAS AND ELECTRIC COMPANY ADVICE LETTER 825-G FILED ON SEPTEMBER 11, 1992, AND SOUTHERN CALIFORNIA GAS COMPANY ADVICE LETTER 2137 FILED ON AUGUST 28, 1992.

SUMMARY

1. This Resolution conditionally approves Advice Letters 1720-G, 1720-G-A, 825-G, and 2137, pending submittal and approval of compliance tariffs filed pursuant to the modifications ordered in this Resolution.

2. The rates and services offered in the compliance tariffs will not be effective until a capacity reallocation program for either El Paso Natural Gas Company (El Paso), Transwestern Pipeline Company (TW) or Pacific Gas Transmission Company (PGT) has been authorized by the Federal Energy Regulatory Commission (FERC), the program is in place, and the contracts between Pacific Gas and Electric (PG&E), San Diego Gas and Electric Company (SDG&E), and Southern California Gas Company (SoCalGas) and its customers for interstate capacity are accepted by the interstate pipeline and effective.

BACKGROUND

1. On September 11, 1992, PG&E filed Advice Letter 1720-G requesting approval of its proposed tariff schedules and rules to partially implement the Capacity Brokering program set forth in Decision (D.) 91-11-025 and D.92-07-025. On October 2, 1992, PG&E filed Advice Letter 1720-G-A to supplement Advice Letter 1720-G.

2. On September 11, 1992, SDG&E filed Advice Letter 825-G requesting approval of its proposed tariff schedules and rules to partially implement the Capacity Brokering program set forth in D.91-11-025 and D.92-07-025.

3. On August 28, 1992, SoCalGas filed Advice Letter 2137 requesting approval of its proposed tariff schedules and rules to partially implement the Capacity Brokering program set forth in D.91-11-025 and D.92-07-025.

4. In the Capacity Brokering implementation decision, D.92-07-025, the Commission ordered PG&E, SDG&E, and SoCalGas to file tariffs by August 12, 1992, for the implementation of Capacity Brokering of utility interstate pipeline capacity.

5. In the event FERC approves the capacity reallocation programs for either El Paso or PGT, the Commission, by D.92-07-025, directs PG&E to broker its firm interstate capacity rights on that one authorized pipeline pursuant to the provisions of the Capacity Brokering decisions, D.91-11-025 and D.92-07-025. Such a scenario has been termed "partial implementation" of the Capacity Brokering program.

6. In the event FERC approves the capacity reallocation programs for either El Paso or TW, the Commission, by D.92-07-025, directs SDG&E and SoCalGas to broker their firm interstate capacity rights on that one authorized pipeline pursuant to the provisions of the Capacity Brokering decisions, D.91-11-025 and D.92-07-025. Such a scenario has been termed "partial implementation" of the Capacity Brokering program.

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

1. The Spot Market Corporation (SMC) protested PG&E's A.L. 1720-G in a letter dated September 28, 1992. PG&E received the protest October 5, 1992 and responded on October 14, 1992.

2. The California Industrial Group, California League of Food Processors, and California Manufacturers Association (collectively referred to as "CIG") protested PG&E's A.L. 1720-G on October 1, 1992. PG&E responded on October 9, 1992.

3. The California Industrial Group, California League of Food Processors, and California Manufacturers Association (collectively referred to as "CIG") protested PG&E's supplemental A.L. 1720-G-A on October 22, 1992. PG&E responded on October 30, 1992.

4. The Division of Ratepayer Advocates (DRA) protested SDG&E's A.L. 825-G on October 1, 1992. SDG&E received DRA's protest October 5, 1992 and responded on October 13, 1992.

5. The California Industrial Group, California League of Food Processors, and California Manufacturers Association (collectively referred to as "CIG") protested SDG&E's A.L. 825-G on October 1, 1992. SDG&E responded on October 9, 1992.

6. The California Cogeneration Council (CCC) protested SDG&E's A.L. 825-G on October 1, 1993. SDG&E did not respond to the protest.

7. The California Industrial Group, California League of Food Processors, and California Manufacturers Association (collectively referred to as "CIG") protested SoCalGas' A.L. 2137 on September 17, 1992. SoCalGas responded on September 24, 1992.

8. The California Gas Marketers Group ("Marketers Group") protested SoCalGas' A.L. 2137 on September 17, 1992. SoCalGas responded on September 24, 1992.

9. The Indicated Producers protested SoCalGas' A.L. 2137 on September 17, 1992. SoCalGas responded on September 24, 1992.

10. The San Diego Gas and Electric Company (SDG&E) protested SoCalGas' A.L. 2137 on September 18, 1992. SoCalGas responded on October 6, 1992.

DISCUSSION

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

I. Illustrative Rates

A. PG&E

CIG protests the illustrative rates presented in PG&E's A.L. 1720-G because PG&E did not provide the assumptions used in calculating the rates. CIG also renews their protest about the continuation of the firm surcharge/interruptible credit.

In its response, PG&E provided the assumptions used in developing the rates in A.L. 1720-G-A. PG&E referred to its previous response to CIG's objection in A.L. 1714-G with respect to the firm surcharge/interruptible credit.

Discussion

CACD finds that PG&E's A.L. 1720-G-A provides sufficient detail to analyze PG&E's rates.

II. Core Aggregation Transportation

A. PG&E

CACD recommends PG&E modify its tariffs to allow core aggregators the option to obtain all of their capacity from one interstate pipeline as approved in resolution G-2994. A core aggregator's flexibility should be limited such that the program maintains its pro rata access requirements. PG&E should suggest a mechanism to allow core aggregators the flexibility to choose from which pipeline they receive their allocation of capacity.

B. SDG&E

SDG&E should modify its core aggregation tariff and rule to allow for unbundled rates for core aggegators on the brokered pipeline. Similarly, SDG&E should allow customers to choose over which pipeline they would prefer access for their core aggregator allocation. CACD recommends the Commission adopt these suggestions for the reasons set forth in the following discussion of SoCalGas' core aggregation program.

C. SoCalGas

1. The Marketers Group objects to SoCalGas Rule 32, Core Aggregation Transportation, because it requires that a core aggregation customer (or the aggregator) must pay the full core transportation rate and in addition pay the interstate pipeline(s) for the same interstate capacity that has been reserved by the utility for the core aggregation customers. Because the core transportation rate includes demand charges for both the brokered and unbrokered pipeline, the SoCalGas proposal requires core aggregators to pay twice for the same interstate capacity. Rule 32, Section G, provides that the utility will credit the aggregator, but the rule does not indicate how long it will take for the credit to be provided. As a result, core aggregators are forced to bear substantial carrying costs on the double payment made to the utility and to the pipeline. The Marketers Group requests that the double payment be eliminated and rates be unbundled similar to those for noncore transportation customers as detailed in Appendix B of D.92-07-025.

SoCalGas responded that D.91-11-025 made it clear that the core transportation rates were to remain bundled. In addition, to the extent a core aggregator chooses to acquire interstate pipeline capacity from a pipeline other than El Paso and Transwestern, it is necessary to ensure that core customers who choose not to participate in core aggregation/transportation service not be responsible for the interstate pipeline capacity and the associated demand charges initially reserved for core aggregators/transporters on El Paso and Transwestern. SoCalGas argues that its credit mechanism is the only acceptable method to provide assurances to the core.

DISCUSSION: In Resolutions G-3021, G-3022 and G-3023, the Commission ordered PG&E, SDG&E and SoCalGas to unbundle the rates for core aggregation/transportation customers under full implementation of the Capacity Brokering program. These resolutions clarified that D.92-07-025 did not allow core aggregation/transportation customers to elect whether to take assignment of the utility's firm rights but that such an assignment was a condition of service. The resolutions also clarified that D.92-07-025 allows these customers the opportunity to rebroker or reassign capacity, in accordance with FERC rules, in order to pursue alternative capacity. Further, it was emphasized that core aggregation/transportation customers would 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. Therefore, for these same reasons, CACD recommends that the three utilities unbundle the rates for core aggregation/transportation service under partial implementation of the Capacity Brokering.

2. The Marketers Group believes that core aggregation/transportation customers should be allowed to choose which pipeline they use for the benefit of their customers, and core aggregation/transportation customers should not be required to pay twice for firm interstate capacity. If the core aggregator/transporter decides to use less or more of its allocated interstate capacity on a particular pipeline, the demand charge obligation of the core aggregator should be adjusted to correspond with capacity that it has selected.

In its response, SoCalGas clarifies that a core aggregator will be responsible for a pro rata share of their total capacity reservation on the Transwestern or El Paso systems. It is the core aggregator's responsibility to rebroker the capacity reservation if the core aggregator chooses to use other capacity. Any revenues from brokering the pro rata share will be credited against the core aggregator's obligation to SoCalGas for the demand charges.

DISCUSSION: In discussions with CACD, SoCalGas has clarified that the total capacity to be available to core aggregation/transportation customers shall be determined on a pro rata basis. This means that 70% of total core aggregation/transportation capacity will be reserved on the El Paso system and 30% will be reserved on the Transwestern system. SoCalGas further clarified that individual core aggregation/transportation reservations will not be subject to the pro rata allocation but that an individual customer may receive its entire reservation on one pipeline if such capacity is available. CACD finds this allocation of core aggregation/transportation reasonable and recommends that SoCalGas clarify these provisions in its Rule 32 as well as any other applicable tariffs schedules.

CACD wishes to clarify that, pursuant to D.92-07-025, Appendix B, which addresses partial implementation of the

Capacity Brokering program, a customer may receive unbundled intrastate rates when it makes a "... contractual commitment for capacity brokered by the serving utility and for a period no less than the customer's remaining commitment to the utility for bundled service." Therefore, under partial implementation, a core aggregator/transporter may only receive unbundled intrastate rates in proportion to the utility-held firm interstate capacity it chooses to reserve.

III. Capacity Brokering Rules

A. PG&E

The Spot Market Corporation (SMC) protests PG&E's Rule 21.1, Use of PG&E's Firm Interstate Rights, because PG&E proposes to use a CPUC approved bid procedure and PG&E will directly assign capacity without a competitive bid. The SMC believes that PG&E should use FERC approved bid procedures for capacity release when it brokers its rights on PGT. Direct assignments should not be allowed because PG&E could "give" "interstate transportation to special interests within the family as it were (PG&E-PGT-A&S)." The SMC argues that direct assignments are rebundling of sales and transportation.

To prevent rebundling and undue discrimination, the SMC believes that all pre-arranged bids should be granted by PG&E through competitive bid with a tiebreaker and with no direct assignments allowed. In the event of a tie, a FERC directed tiebreaker must be used. If direct assignments are allowed, the assignments must be subject to FERC directed tiebreaker standards. Lastly, the Spot Market Corporation requests that the CPUC should not "disenfranchise" shippers on the existing interruptible grandfathered queue.

PG&E responded to the SMC protest by stating that PG&E was ordered by the Commission to implement a Capacity Brokering Program to broker its interstate capacity pursuant to any regulations developed by the FERC. PG&E does not intend to award capacity on an unfair basis. Direct assignments were ordered in Ordering Paragraph 20 of D.92-07-025 and will be used to assign capacity to core aggregators, core wholesale customers and large core customers. PG&E claims that nothing in the direct assignment provisions is intended to keep interstate capacity in the PG&E "family," as the SMC implied.

PG&E responded that all pre-arranged deals will be awarded through competitive bidding except those set forth in D.91-11-025 and D.92-07-025. PG&E notes that Rule 21.1, Section B.1.a.2 limits bids to the FERC approved as-billed rate. Tieing bids will be handled according to rules in Section B.1.b of Rule 21.1. "Contrary to SMC's assertion, FERC Order Nos. 636 and 636A do not provide tie-breaking criteria. Order No. 636A (page 91) defers such criteria to the interstate pipeline and the releasing shippers as long as all bid criteria is reasonable and nondiscriminatory. PG&E's criteria for evaluating the bids is consistent with the CPUC's rules and is reasonable and

nondiscriminatory." In response to the SMC assertion that shippers' rights on the interruptible queue will be affected by direct assignments, PG&E responded that the CPUC's Capacity Brokering Program applies to the brokering of firm interstate capacity, not interruptible capacity. Therefore, PG&E argues that interruptible shippers' rights will not be affected by the Capacity Brokering Program.

Discussion

CACD agrees with PG&E that direct assignments were ordered by D.91-11-025 and D.92-07-025. In those decisions, the Commission clearly established that PG&E could directly assign a part of the core interstate capacity reservation to appropriate core customers, core aggregators and wholesale customers. CACD recommends that PG&E modify its Rule 21.1 to clearly state under which circumstances PG&E proposes to directly assign capacity consistent with D.91-11-025 and D.92-07-025. CACD recommends that SMC's proposal to abolish direct assignments be denied.

CACD agrees with PG&E that FERC has not established tie-breaker criteria in Order 636. Therefore, SMC's request to use FERC authorized tie-breaker results is meaningless and should be denied. CACD recommends that in its Rule 21.1, PG&E state the tie-breaker rules it will use and PG&E should apply the rules in a nondiscriminatory manner. In addition, PG&E should include any criteria it will use in evaluating bids and the methodology used to evaluate bids.

The SMC request that the Commission not harm the rights of interruptible shippers on PGT's queue. The rules developed in D.91-11-025 and D.92-07-025 affect how California utilities will broker their firm interstate rights. Neither decision addresses the issue of PG&E's, nor any other shippers', rights on the PGT system and therefore should not affect interruptible shippers.

CACD recommends that PG&E should state in its tariffs that the liability of shippers who re-broker or secondarily broker their capacity will be subject to any rules established by the FERC.

Minimum Bid

Based on FERC rules, customers can only bid on reservation charges. Therefore, PG&E should clearly state in its Rule 21.1 that the minimum amount customers can bid for interstate capacity is equal to $0.00 of the pipeline's reservation charge. CACD recommends that PG&E include this minimum bid explanation in its customer bid package. In addition, PG&E 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.

Relinquishment

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.

CACD does not believe the Commission intended to expand 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 underlying financial liability from the utility. In contrast, once a relinquishment is completed the utility is absolved of all financial liability associated with the capacity. CACD recommends PG&E clarify the definition of relinquishment in its Rule 21.1 consistent with the above discussion.

In addition, CACD recommends that PG&E clarify that a shipper whose capacity is being recalled for relinquishment may match a relinquishment offer by bidding for the full as-billed rate for the full term of the utility's contract.

CACD recommends PG&E include detailed information in its Rule 21.1 and customer bid package which clarifies under what circumstances and in what priority it will recall capacity.

B. SDG&E

CACD recommends that SDG&E should state in its tariffs that the liability of shippers who re-broker or secondarily broker their capacity will be subject to any rules established by the FERC.

CACD recommends that in its Rule 22, Interstate Capacity Brokering, SDG&E state the tie-breaker rules it will use, and SDG&E should apply the rules in a nondiscriminatory manner. In addition, SDG&E should include any criteria it will use in evaluating bids and the methodology used to evaluate bids.

C. SoCalGas

Indicated Producers protest SoCalGas' provisions regarding liability for secondary brokering in its Pre-Arranged Interstate Capacity Transfer agreement. To the Indicated Producers, SoCalGas's provision is too onerous because customers who secondarily broker their capacity will be liable to SoCalGas in all most every situation. Indicated Producers propose that customers should be relieved of their financial responsibility to SoCalGas if they broker capacity to assignees that meet SoCalGas' creditworthiness requirements.

At a minimum, Indicated Producers argue that liability from secondary brokering should be limited to the demand charges associated with the capacity; volumetric charges and penalties should be excluded.

SoCalGas responded that the transfer agreement was designed to minimize any potential jurisdictional problems. If the FERC orders that customers secondarily brokering capacity may not be liable under certain circumstances, SoCalGas will abide by those criteria and relieve the shippers of financial liability. In addition, SoCalGas notes that FERC's rules about secondary brokering of capacity apply to all capacity release transactions, including SoCalGas' pre-arranged deals.

Discussion

In D.92-07-025, the Commission required "shippers who purchased brokered capacity to contract directly with the utility as well as with the pipeline company. A contract between the utility and the shipper shall specify the utility's rights against the shipper in a case where the shipper fails to pay the pipeline company for contracted transportation services." (Page 11) Therefore SoCalGas' contract should contain language that would allow the utility to collect unpaid charges from a shipper.

In the same decision, the Commission made the Capacity Brokering program subject to conditions which may be imposed by the FERC. As a result, CACD agrees with SoCalGas that any rules the FERC establishes that limit the liability of customers secondarily brokering capacity should be followed. With this clarification, CACD recommends that Indicated Producers protest be denied.

CACD recommends that in its Rule 32, Interstate Capacity Brokering, SoCalGas state the tie-breaker rules it will use and SoCalGas should apply the rules in a nondiscriminatory manner. In addition, SoCalGas should include any criteria it will use in evaluating bids and the methodology used to evaluate bids.

IV. Pipeline Demand Charges and Interstate Transition Cost Surcharge (ITCS) Account

A. PG&E

CIG protests PG&E's method of allocating unbrokered pipeline demand charges between the core and the noncore because PG&E proposes to modify the allocation to reflect the result of Capacity Brokering open seasons. CIG can not find any Commission decisions directing that the costs of the unbrokered pipeline capacity be allocated in a manner that reflects the capacity elections made during an Open Season. CIG claims that the appropriate allocations are those established in D.90-09-089 for the division between core and noncore customers. CIG agrees that the actual unit rate will need to be adjusted to reflect the core and noncore volumes that those costs are to be collected from.

CIG proposes tariff language that allocates unbrokered pipeline demand charges in accordance with D.90-09-089: "The allocation of unbrokered pipeline demand charges will depend upon the timing of the implementation of capacity re-assignment programs by interstate pipelines serving PG&E. Noncore transportation customers not participating in capacity brokering will bear responsibility for unbrokered pipeline demand charges on the basis of the pipeline capacity made available to noncore transportation customers in D.90-09-089. Noncore customers participating in capacity brokering will not be responsible for unbrokered pipeline demand charges, except as recovered through the ITCS." In addition, CIG proposes illustrative allocations for unbrokered pipeline demand charges.

CIG protests PG&E's calculation mechanism for the ITCS allocation factors for the same reasons in their protest to PG&E's A.L. 1714-G. In their protest to 1714-G, CIG protested PG&E's method for calculating and recording stranded pipeline demand charges. According to CIG, PG&E's method would result in noncore customers bearing all stranded pipeline demand charges. In D.92-07-025 Conclusion of Law No. 12, the Commission allows a portion of the ITCS to be borne by core customers.

Further, CIG believes that PG&E makes premature references in its Preliminary Statement about recovering the ITCS from noncore customers because D.92-07-205 allows a portion of stranded interstate pipeline demand charges to be borne by the core.

PG&E responded that the current methodology based on cold-year throughput will be used to allocate the unbrokered pipeline demand charges between classes. PG&E claims that the results of open seasons are necessary to determine the core-subscription and other noncore throughput remaining for customers not participating in the capacity brokering program.

PG&E argues that CIG's proposal of using allocations based on D.90-09-089 instead of current methodology is not authorized in either D.91-11-025 or D.92-07-025.

In response to CIG's protest of the ITCS, PG&E referenced its previous response to CIG's earlier protest. In that response, PG&E explained that D.92-07-025 required utilities to include stranded costs in its ITCS account for recovery under established ratemaking mechanisms. PG&E explained that the allocation factors used were only for the purpose of recording costs not recorded in the core and core subscription balancing accounts. PG&E notes that the recorded entries in the ITCS account establish the amount of costs to be recovered in the future, not which customers should bear the costs.

Discussion

CACD agrees with PG&E that CIG's request to base pipeline demand charge allocations upon those established in D.90-09-089 is incorrect. Since D.90-09-089, the Commission has updated the allocations between core and noncore customers and between noncore customers in PG&E's 1992 BCAP, D.92-10-051. The methodology used in D.92-10-051 was based upon cold-year throughput and mirrors the methodology in D.90-09-089. CACD recommends that CIG's protest be denied because it uses outdated cost allocation factors and misinterprets the methodology currently approved by the Commission to allocate pipeline demand charges.

However, CACD recommends that PG&E should not be allowed to update its intrastate transmission rates to reflect new pipeline demand charge allocations that may arise from intrastate open seasons. While PG&E proposes to use the current methodology to update rates, CACD believes it is unreasonable to expect customers to make service elections for intrastate service when the price of the service will depend upon what intrastate service noncore customers select. CACD recommends that the pipeline demand charge allocations established in PG&E's most recent BCAP remain in effect until either PG&E's next BCAP or the full implementation of Capacity Brokering.

PG&E may update its core subscription rates to reflect results of an open season for that service.

While CACD agrees with CIG that D.92-07-025 does allow a portion of stranded costs to be allocated to the core, CACD does not agree with CIG's assertion that PG&E's proposed accounting prevents subsequent allocation of costs to the core. CACD notes that D.92-07-025 requires the utilities to establish accounting mechanisms to allow future recovery of stranded costs. CACD believes that PG&E's accounting for stranded interstate pipeline demand charges is reasonable and that CIG's protest be denied.

Unlike SoCalGas and SDG&E, PG&E did not include references in any noncore rate schedule to the ITCS account. CACD interprets D.92-07-025 as requiring references in each noncore rate schedule to the ITCS account and the actual surcharge should appear in PG&E's tariffs. In discussions with PG&E, the utility stated its preference for a single line entry that refers noncore customers to the Preliminary Statement where the

ITCS account is detailed. CACD believes that PG&E's proposal is reasonable as long as the utility explicity states in each noncore rate schedule that each customer will be charged an ITCS and the level of the surcharge is detailed in the Preliminary Statement.

The Double Demand Charge Tracking Account should be changed to the Double Demand Charge Memorandum Account (DDCMA) in PG&E's Preliminary Statement and should incorporate the changes required in D.92-11-014 and Resolution G-3024.

B. SDG&E

DRA protests SDG&E's proposal to unbundled charges associated with SDG&E's allocation of cost from two interstate pipeline supply companies (Pacific Interstate Pipeline Company (PITCO) and Pacific Offshore Pipeline Companies (POPCO)). In addition, DRA protest the reduction in the allocation of the SoCalGas Lost and Unaccounted for Fuel (LUAF). DRA believes that only demand charges associated with El Paso and TW capacity should be unbundled, but not costs associated with PITCO and POPCO. In addition, SDG&E should include the full allocation of LUAF costs from SoCalGas in its rates.

CIG objects that entries will not be made to the Double Demand Charge Tracking Account for noncore service volumes transported at discounted rates. CIG argues that in the future customers will be negotiating discounts for unbundled transportation and these discounts should not be tied to any potential demand charge credits. No basis for SDG&E's provision could be found in D.92-07-025 by CIG.

In its tariffs, SDG&E proposes a Capacity Allocation Partial Implementation Account (CAPIA) to track any revenue difference resulting from unbundling of rates during the partial implementation period. CIG questions the need for a separate account to track revenue shortfalls analogous to those tracked through the ITCS account used in the full implementation of Capacity Brokering. CIG argues that if the CAPIA is the same as the ITCS account, then any balance in the CAPIA will be incorporated into core and noncore intrastate rates in the next cost allocation proceeding. In addition, SDG&E should revise its interest rate provision to specify how the average balance will be calculated and what will be the interest rate.

SDG&E agreed with DRA's protests and has modified its unbundled rates to exclude only El Paso and Transwestern demand charges and to include SDG&E's full allocation of LUAF.

SDG&E responded to CIG's request to include discounted volumes in double demand charges by noting that it is not appropriate for the same customer causing both stranded costs and underrecovery of embedded costs to then also have protection against double demand charges. SDG&E claims that customers with discounted contracts are causing the utility to underrecover its

costs, and those customers that choose not to use utility capacity are causing stranded costs.

In response to CIG's questions about SDG&E's CAPIA, SDG&E explains that the CAPIA and ITCS account are mutually exclusive. SDG&E notes that D.91-11-025 clearly defined specific transition costs approved by the Commission. SDG&E developed the CAPIA to seek further protection from those costs incurred solely as a result of partial implementation and that costs will not be double counted between the CAPIA and the ITCS account. SDG&E did not address CIG's concerns with interest rate calculation.

Discussion

CACD recommends that the Commission should adopt DRA's protest recommendations and SDG&E should modify its tariffs accordingly. SDG&E should use the currently approved method to allocate PITCO and POPCO costs among customers.

CACD agrees with CIG's request to include noncore service volumes transported at discount in SDG&E's double demand charge tracking account. In Resolution G-3024, Conclusion of Law No. 2, the Commission ordered SDG&E to include discounted volumes in its double demand charge tracking account. CACD recommends that noncore service volumes transported at a discount be included in SDG&E's double demand charge tracking account.

CACD agrees with CIG that SDG&E does not need a separate account to track transition costs associated with partial implementation. CACD recommends that SDG&E eliminate its CAPIA and use an ITCS account identical to the account approved in Resolution G-3022. Unlike the ITCS account approved in Resolution G-3022, SDG&E may include stranded costs associated with the capacity it will have directly assigned as a result of the long term contract between SDG&E and SoCalGas. Likewise, any revenues from brokering the capacity should be credited to the core fixed costs account. These modifications to SDG&E's ITCS account will only be allowed during the partial implementation period. The ITCS account should include transition costs approved by the Commission in D.91-11-025 and D.92-07-025. The balance in the account should be allocated to ratepayers in SDG&E's next BCAP pursuant to the rules in D.91-11-025 and D.92-07-025.

C. SoCalGas

CIG objects that entries will not be made to the Double Demand Charge Tracking Account (DDCTA) for noncore service volumes transported at discounted rates. CIG argues that in the future customers will be negotiating discounts for unbundled transportation and these discounts should not be tied to any potential demand charge credits. No basis for SoCalGas' provision could be found in D.92-07-025 by CIG.

The Marketers Group protests SoCalGas' provision that volumes transported by the utility at discounted rates shall not be included in the DDCTA. They argue that the Commission did not make a distinction between discounted and non-discounted transportation in its decisions, and, therefore, SoCalGas should not make such a distinction.

The Marketers Group believes that PITCO and POPCO demand charges should be included in the DDCTA. They note that Appendix B of D.92-07-025 requires customers who commit to use the utility's brokered interstate capacity will not have to pay interstate demand charges. For this reason, the Marketers Group believes that credits for double demand charges should include the demand charges associated with PITCO and POPCO. In addition, if the unbundled transportation rates contained in SoCalGas' A.L. are not exclusive of El Paso, Transwestern, PITCO and POPCO demand charges, the rates should be recalculated to exclude these costs.

SoCalGas' response to CIG's and the Marketers Group's protest of discounted volumes was that it "included this provision because customers served under discounted contracts clearly are not making the same contribution to SoCalGas' fixed costs." SoCalGas argues that customers having discounted rates less than the default rate minus pipeline demand charges are not paying "double demand" charges because that customer is making no contribution toward those costs. SoCalGas would agree to credit customers having discounted contracts for the portion of the discounted rate that is greater than the default rate minus embedded pipeline demand charges.

SoCalGas rejects the Marketers Group's request to include PITCO and POPCO demand charges in double demand charge calculations. SoCalGas notes that D.91-11-025 determined that PITCO and POPCO costs were transition costs and should continue to be allocated to all customers. D.92-07-025 reinforced that transition costs should be allocated to all customers on an equal-cents-per-therm basis. SoCalGas argues that transition costs including PITCO and POPCO costs will remain bundled intrastate rates for both full and partial implementation of Capacity Brokering and are not part of double demand charges.

Discussion

CACD agrees with CIG and the Marketers Group that volumes transported at a discount should be included in SoCalGas' double demand charge tracking account. In Resolution G-3024, Conclusion of Law No. 2, the Commission allowed noncore service volumes transported at a discount to be booked to a double demand charge tracking account. CACD recommends that SoCalGas modify its DDCTA to include noncore service volumes transported at a discount.

In D.92-11-014, Conclusion of Law No. 4, the Commission decided that PITCO and POPCO demand charges should not be included in any double demand charge calculations. CACD

recommends denial of the Marketers Group's protest of PITCO and POPCO demand charges.

CACD believes that SoCalGas does not need a separate account to track transition costs associated with partial implementation. CACD recommends that SoCalGas eliminate its Capacity Allocation Partial Implementation Account (CAPIA) and use an ITCS account identical to the account approved in Resolutions G-3023 and G-3033. The ITCS account should include transition costs approved by the Commission in D.91-11-025 and D.92-07-025. The balance in the account should be allocated to ratepayers in SoCalGas' next BCAP pursuant to the rules in D.91-11-025 and D.92-07-025.

V. Firm Intrastate Transportation Surcharge/Interruptible Intrastate Transportation Credit Account

A. PG&E

1. CIG protests PG&E's provision to continue the firm intrastate transportation surcharge/interruptible intrastate transportation credit (FS/IC) for all customers during the partial implementation program. CIG argues that the FS/IC was designed to place a value on constrained interstate capacity and submits that because customers who participate in capacity brokering will pay pipeline demand charges that already reflect the value they place on interstate capacity reliability, there is no reason to assess a surcharge for that value twice. CIG states that application of this surcharge to customers who pay demand charges directly to an interstate pipeline may violate FERC's as-billed rate cap. CIG also notes that if the surcharge is continued for customers who use the brokered pipeline, a substantial subsidization of one pipeline system at the expense of another could occur.

CIG proposes that the surcharge be continued only for those customers who remain under the current buy/sell arrangements. Revenues generated by the surcharge should flow back only to those volumes associated with the existing program.

Alternatively, CIG recommends that the surcharge be eliminated entirely once partial implementation occurs. CIG believes that there is no significant benefit from continuing the surcharge during partial implementation. However, if the surcharge is eliminated, CIG argues that customers should be able to re-evaluate all of their options under both the existing and new programs.

PG&E responded that D.92-07-025 orders the utilities to unbundle their noncore transportation rates for customers who commit to the utilities' brokered interstate capacity. The rate should include all costs associated with intrastate service but should not include interstate demand charges. PG&E believes that "[t]he Commission's decision to keep intrastate transportation rates the same for all customers during partial

implementation will provide consistency, avoid artificial differentiation for firm and interruptible service, and ease implementation of a partial capacity brokering program."

With regard to violation of FERC's as-billed rate cap, PG&E responds that the surcharge applies to intrastate service and there appears to be no relationship between the surcharge and any FERC approved as-billed rate for firm interstate capacity.

PG&E believes that CIG's recommendation to eliminate entirely the surcharge may have merit but does not believe that CIG's protest is the appropriate procedure to seek such a modification to the Commission's rules.

DISCUSSION: In D.90-09-089, the Commission adopted the FS/IC mechanism proposed in the settlement presented by certain parties. The firm intrastate transportation surcharge is fixed at 1.2 cents/therm with resultant revenues credited to customers purchasing interruptible intrastate transportation service. At the time this fixed surcharge was adopted, it was intended to represent the differential between firm and interruptible bundled service or, rather, the value placed on the services. However, because it is a fixed number it is no longer clear that this surcharge truly represents the differential. For these reasons it is not reasonable to eliminate the FS/IC for all customers.

Also, CACD does not find it reasonable that the FS/IC mechanism would not apply to firm customers served by the brokered pipeline while it would apply to firm customers served by the unbrokered pipeline. All customers who receive firm service on either the brokered or unbrokered pipeline would receive the same level of reliability.

Therefore, CACD recommends the Commission deny CIG's protest as well as its proposal requesting application of the FS/IC only to firm intrastate customers served by the unbrokered pipeline or in the alternative, elimination of the FS/IC altogether.

B. SDG&E

CIG did not protest SDG&E's application of the FS/IC because SDG&E proposes to eliminate the surcharge for customers receiving unbundled rates. CACD recommends SDG&E's proposal be denied and that SDG&E should continue the application of the FS/IC to all customers during the partial implementation program.

C. SoCalGas

1. CIG's protest to SoCalGas' continuance of the SL-2 surcharge to noncore customers using utility brokered capacity is similar to its protest to PG&E's provisions as discussed above in V.A.1.

SoCalGas responds that its proposal to continue the FS/IC is in compliance with D.92-07-025. This decision required that under partial implementation, "[t]he rules and services adopted in D.90-09-089, as modified, shall be retained.... Customers who do not participate in capacity brokering will be billed according to the rules adopted in D.90-09-089." With regard to customers who acquire brokered capacity the Commission ordered that "... such customers may purchase intrastate service under any of the existing service levels..." According to SoCalGas, the Commission in D.92-07-025 did not eliminate the FS/IC. However, if the Commission concludes that the FS/IC should only address the value of the utility's firm interstate capacity rights, SoCalGas has no objection to removing the FS/IC during partial implementation.

DISCUSSION: CACD recommends the Commission deny CIG's protest for the same reasons stated in CACD's discussion of CIG's protest to PG&E's continuance of the FS/IC mechanism.

VI. Firm and Interruptible Transportation Service

A. PG&E

CIG objects to PG&E's provision that unbundled rates apply only to those customers who have obtained PG&E's brokered capacity. CIG believes that the provision is anticompetitive and potentially discriminatory because the provision would effectively preclude PG&E's customers from securing pipeline capacity rights from any capacity holders except PG&E because third party capacity would be uneconomic. According to CIG, "this provision would negate it [competition], ensuring that PG&E is the 'only game in town' for customers that wish to utilize firm pipeline capacity."

In PG&E's A.L. 1720-G, non-full requirements customers are subject to use-or-pay penalties. PG&E proposes that customers terminating their contract as a result of entering into a contract for firm interstate pipeline capacity will have their use-or-pay charges calculated when the contract is terminated. If the customer executes a superseding agreement under the same schedule, the use-or-pay charges will be calculated at the end of the current year.

CIG objects to these provisions because they discriminate against customers whose contract anniversary date is close to the implementation of capacity brokering by creating a substantial disincentive toward service restructuring.

Likewise, a customer with seasonal load profile may find itself unable to restructure its service arrangements without economic penalty as a consequence of the arbitrary timing of capacity brokering implementation relative to the anniversary date of its PG&E service agreement.

CIG argues that PG&E's provisions defeat the Commission's goal of permitting customers to restructure their service agreements to ensure that customers select the utility services that best meet their requirements.

PG&E responded that provisions limiting which customers receive unbundled rates were established in Appendix B of D.92-07-025. The use of non-utility held firm interstate capacity have been addressed in the discussions about double demand charges in D.92-07-025.

According to PG&E a non-full requirements customer's use-or-pay obligation is not affected by the implementation of capacity brokering. PG&E argues that its treatment of use-or-pay obligations is not discriminatory because use-or-pay obligations are only incurred for months that have passed. In each month, customers were required to specify monthly usage and therefore the customer's actual usage should be applied to their use-or-pay obligation. PG&E notes that use-or-pay obligations do not provide a disincentive to participating in Capacity Brokering because a customer can use brokered capacity, paying the unbundled rate, and continue to use the same service level to meet the original use-or-pay obligation.

Discussion

In Appendix B of D.92-07-025, the Commission decided that unbundled rates will apply to those noncore customers "[w]ho commit to the utility's brokered interstate capacity." This includes customers "[w]ho successfully bid for brokered capacity or who can demonstrate a contractual commitment to a marketer, producer, or broker who has successfully bid for brokered capacity...." Therefore, CACD recommends CIG's request to extend unbundled rates to any customer that acquires interstate capacity be denied.

CACD agrees with PG&E that Capacity Brokering does not affect a customer's use-or-pay obligation incurred in prior periods. In Appendix B of D.92-07-025, customers are allowed to abrogate their contracts for bundled service if they obtain brokered capacity from the utility or a marketer, producer or broker does so on the customer's behalf. CACD finds reasonable PG&E's contract abrogation terms set forth in its tariffs. CACD recommends that CIG's protest be denied.

B. SDG&E

CIG protests Rule 22, Paragraph A.2, because it prevents customers who do not commit to SoCalGas or SDG&E firm interstate

capacity from receiving unbundled rates. CIG finds the provision to be anticompetitive and discriminatory because the language would make it uneconomic for SDG&E customers to utilize any firm pipeline capacity held by shippers other than SDG&E and SoCalGas, thereby denying customers access to competitive secondary capacity markets. CIG also notes that this provision is not consistent with SDG&E's Schedule No. GCORE, GTNC and GTCG which do not limit unbundled rates to those customers using SDG&E or SoCalGas brokered capacity.

CIG expressed concern that SDG&E's provisions regarding contract termination and would object to any requirement to pay use-or-pay charges when a contract is terminated.

SDG&E responded that partial implementation was a temporary program operating in an imperfect world and SDG&E's limiting who received unbundled rates was a method of reducing stranded costs during the interim program. SDG&E agrees with CIG that the tariff schedules and Rule 22 conflict; SDG&E will amend the tariff schedules to comply with Rule 22.

Discussion

In Appendix B of D.92-07-025, the Commission decided that unbundled rates will apply to those noncore customers "[w]ho commit to the utility's brokered interstate capacity." This includes customers "[w]ho successfully bid for brokered capacity or who can demonstrate a contractual commitment to a marketer, producer, or broker who has successfully bid for brokered capacity...." Therefore, CACD recommends CIG's request to extend unbundled rates to any customer that acquires interstate capacity be denied.

CACD recommends that SDG&E modify its tariffs and Rule 22 to limit unbundled rates to those customers who obtain brokered capacity from SDG&E or have the capacity obtained on their behalf by a producer, marketer or broker. CACD recommends that unbundled rates should not apply to customers who obtain brokered capacity from SoCalGas because CACD has recommended below that SDG&E's credit mechanism be rejected.

CACD also recommends that SDG&E include a reference in each applicable tariff schedule to explain that customers may abrogate their service agreements if they obtain utility brokered interstate capacity. Such abrogation will not relieve the customer of use-or-pay obligations incurred before abrogation, but the customer may commence a new service agreement that continues service under the same schedule in which case the use-or-pay obligation will be calculated at the end of the contract year.

C. SoCalGas

The Marketers Group protests SoCalGas' restriction that only customers using SoCalGas' brokered capacity receive an

unbundled rate. They believe that all customers who obtain firm interstate capacity should have all pipeline demand charges removed from their intrastate rates.

SoCalGas believes the Marketers Group's request is outside of the scope of a protest to an advice letter and SoCalGas notes that the Marketers Group has filed a Petition to Modify and an Application for Rehearing of D.92-07-025 to implement their suggestion.

Discussion

In Appendix B of D.92-07-025, the Commission decided that unbundled rates will apply to those noncore customers "[w]ho commit to the utility's brokered interstate capacity." This includes customers "[w]ho successfully bid for brokered capacity or who can demonstrate a contractual commitment to a marketer, producer, or broker who has successfully bid for brokered capacity...." Therefore, CACD recommends the Marketers Group's request to extend unbundled rates to any customer that acquires interstate capacity on the brokered pipeline be denied.

CACD also recommends that SoCalGas include a reference in each applicable tariff schedule to explain that customers may abrogate their service agreements if they obtain utility brokered interstate capacity. Such abrogation will not relieve the customer of use-or-pay obligations incurred before abrogation, but the customer may commence a new service agreement that continues service under the same schedule in which case the use-or-pay obligation will be calculated at the end of the contract year.

VII. Buy/Sell Arrangements

A. PG&E

CACD recommends that PG&E remove references from its tariffs and service agreements for customer identified purchases using El Paso.

B. SoCalGas

CIG stresses the need for an orderly termination of the targeted sales program; provision of substantial advance notice to affected customers; and provision to all customers of an opportunity to revise their service agreements with SoCal regardless of whether the customers opt for brokered capacity.

The Marketers Group proposes that once capacity brokering occurs on one pipeline, targeted sales customers that have been using that pipeline should have the option to shift their targeted sales to the unbrokered pipeline and/or to terminate their SL-2 contract. They argue that customers would be willing

to pay the firm surcharge because it would gain them access to a particular pipeline. With partial implementation, customers may be losing that access; as a result, customers should be able to attempt to arrange targeted sales service from the other pipeline (unbrokered). Or, customers should be able to terminate their contracts for firm service and relieve themselves of the firm surcharge.

The Indicated Producers object to language in Schedule No. G-TARG that restricts the amount of unbrokered capacity a customer may retain under partial implementation. SoCalGas proposes to limit the amount of unbrokered capacity to the amount of total capacity the customer had under G-TARG rules less any brokered capacity they obtain. Thus, the total amount of interstate capacity a customer may obtain from SoCalGas will remain unchanged and SoCalGas argues that this will prevent customers from retaining capacity in excess of their needs.

While the Indicated Producers agree with SoCalGas' goals, they believe that Schedule No. G-TARG as written prevents customers from gaining access to additional interstate capacity to meet their needs. The Indicated Producers believe that a better method to prevent customers from retaining excess capacity is to limit customers combined G-TARG and capacity brokering to a customer's total anticipated requirements.

SoCalGas responded that CIG's and the Marketers Group's request that all customers be able to revise service contracts with the start of capacity brokering directly conflicts with D.92-07-025 which provides that "[c]ustomers who successfully bid for brokered capacity or who can demonstrate a contractual commitment to a marketer, producer, or broker who has successfully bid for brokered capacity may abrogate outstanding commitments for bundled transportation services adopted in D.90-09-089."

SoCalGas agrees with the Indicated Producers' suggestion that a customer's combined capacity access should be restricted, through the Targeted Sales Program and capacity brokering programs, to a volume that reflects the customer's total anticipated requirements.

Discussion

CACD agrees with SoCalGas that CIG's and the Marketers Group's request to revise contracts with the start of partial implementation conflicts with the rules for partial implementation in Appendix B of D.92-07-025. These rules allowed customers to abrogate their contracts under limited circumstances, i.e. when the customer was using utility brokered interstate capacity. CACD notes that the timelines proposed in this resolution allow customers considerable flexibility to revise their service agreements as a result of current agreements expiring on August 1, 1993. CACD recommends that CIG's and the Marketers Group's request be denied.

CACD agrees with the Indicated Producers' request that a customer combined use of targeted sales and brokered capacity be limited to the customer's anticipated gas usage. CACD recommends SoCalGas modify its tariffs to comply with the Indicated Producers' request.

VIII. PG&E's Transwestern Capacity

CACD recommends that PG&E eliminate all references to Transwestern capacity from its tariffs and service agreements. CACD will address how and when PG&E will be able to broker its Transwestern capacity in a subsequent Commission resolution.

IX. PG&E's Service Agreements

CACD recommends the Commission adopt PG&E's proposed interstate capacity service agreement contained in A.L. 1746-G and 1746-G-A pending approval of those advice letters.

X. Cogeneration Issues

A. SDG&E

The CCC reiterates its protest of Special Condition 22 of Schedule GTCG whereby the CCC requested that SDG&E clarify that any discount for interruptible intrastate transmission service offered to UEG customers will also be offered to cogeneration customers.

DISCUSSION: CACD notes that Appendix B of D.92-07-025 did not modify the rate parity rules established in D.90-09-089. CACD reommends that SDG&E should maintain its currently effective rules with regard to rate parity. Therefore, the CCC's protest should be denied by the Commission.

XI. TRANSPORTATION-ONLY NATURAL GAS SERVICE FOR SDG&E

A. SoCalGas

1. SDG&E protests the following provision in SoCalGas' Schedule GT-80, natural gas transportation service to SDG&E:

> If SDG&E pays interstate fixed charges directly to El Paso and/or Transwestern for which SoCal receives an equivalent credit from the pipeline, SDG&E's demand charge payment to SoCal shall be reduced by that amount.

The provision is cited from the current SDG&E/SoCalGas long-term contract and was placed in the contract to avoid the

payment of double demand charges in the event that the unbundling of interstate demand charges had not occurred. SDG&E protests this provision because SDG&E believes it should receive unbundled rates.

SoCalGas responds that it will reserve 90 MMcf/d for SDG&E's core requirements on a pro rata basis between El Paso and Transwestern and the pipeline demand charges associated with this capacity will remain bundled as part of SDG&E's wholesale rate.

DISCUSSION: In Resolution G-3033, the Commission did not allow for unbundling of SDG&E's rates because the SDG&E/SoCalGas contract contained a provision that restricted substantive rate design changes outside of a cost allocation proceeding. Therefore, the language in SoCalGas Schedule GT-80 is appropriate and SDG&E's protest should be denied. The correct size of SoCalGas' reservation to serve SDG&E's core requirement will be addressed below.

2. In addition, SDG&E states that it should be "... enabled to use the facilities for which it is paying in its BCAP rates." SDG&E believes that this use would be impacted by SoCalGas' proposed tariffs because SoCalGas' noncore customers would receive unbundled intrastate transportation rates while the rate SoCalGas charges SDG&E would be bundled. This would allow SoCalGas' noncore customers to incur transition costs for which the ratepayers of SDG&E would have to pay via SoCalGas' CAPIA account. Also, because SDG&E's rate would stay the same under the partial implementation program and SDG&E would only receive credits for the demand charges it pays directly to the pipeline, SDG&E would pay for capacity that was not fully utilized.

SDG&E proposes two alternatives. The first alternative is to keep the rates to SDG&E bundled under partial implementation which would (1) allow SDG&E to take its full amount of capacity at the full as-billed rate until full implementation of Capacity Brokering whereupon this amount would be reduced to the core reservation amount; (2) exclude SDG&E from any allocation of SoCalGas' CAPIA account; and (3) flow credits to SoCalGas resulting from the brokering of SoCalGas' capacity to SDG&E customers which would be taken from the capacity allocated to SDG&E and be credited to SDG&E's monthly demand charge. SDG&E would unbundle its customers' rates for the volume taken with any shortfall recorded in SDG&E's CAPIA account.

The second alternative is to unbundle SDG&E's rate under partial implementation which would (1) require SDG&E to unbundle rates for its core reservation; (2) allow SDG&E to bid for volumes in excess of its core reservation up to its full BCAP amount on the brokered pipeline; (3) require SDG&E to accept an allocation of SoCalGas' CAPIA; and (4) credit SDG&E's

allocation of SoCalGas' CAPIA for any assignments or pre-arrangments of SoCalGas capacity to SDG&E customers.

SoCalGas does not believe SDG&E's first alternative proposal is appropriate because D.92-07-025 intends that interstate pipeline capacity be unbundled for that capacity which is allocated as a result of partial implementation of Capacity Brokering. Also, SDG&E should receive an allocation of SoCalGas' CAPIA because the Commission "... did not establish a relationship between stranded cost causation and allocation." SoCalGas states that Schedule GT-80 parallels SDG&E's second alternative in that SDG&E's rates will remain bundled for that amount of interstate capacity awarded to SDG&E on the brokered pipeline. SDG&E will receive a credit equal to the adopted average cost of El Paso and Transwestern firm interstate capacity embedded in SDG&E's rates.

DISCUSSION: CACD offers the following clarification with respect to SDG&E's rates under partial implementation of Capacity Brokering:

1. As stated earlier, pursuant to the SDG&E/SoCalGas long-term contract, SoCalGas cannot unbundle SDG&E's rates.

2. Pursuant to D.92-07-025, Appendix B, pp. 7-8, a reduction to SDG&E's reserved capacity will not be effective until the expiration of the current contract on September 1, 1995. However, SoCalGas and SDG&E were directed to re-negotiate their contract to delete reservations of capacity for SDG&E's UEG department. Therefore, until the contract expires or the contract has been re-negotiated to include only SDG&E's core reservation of 90 MMcf/d, SDG&E must receive 300 MMcf/d of firm interstate capacity.

3. Furthermore, CACD believes SDG&E's proposal for a SoCalGas' credit mechanism is inequitable. Under SDG&E's proposal, if a SDG&E customer successfully bid for SoCalGas' firm interstate capacity rights, then the credit for the volume awarded would be applied to the 300 MMcf/d held by SDG&E, thereby, reducing SDG&E's stranded costs. It would be unfair to allow such a credit mechanism for SDG&E and not SoCalGas. In other words, if a SoCalGas customer was awarded interstate capacity held by SDG&E, then SoCalGas should receive a credit against its transition costs. CACD recommends the Commission deny SDG&E's protest on this issue and that SoCalGas reserve firm interstate capacity for the volume under the existing long-term contract until such contract expires or is re-negotiated.

4. Finally, CACD believes SDG&E should receive an allocation of SoCalGas' transition costs as will all customers on SoCalGas' system including those customers who are served by the unbrokered pipeline.

XII. Applicable Changes Ordered for Full Implementation

A. PG&E

In A.L. 1714-G and 1714-G-B, PG&E submitted its full implementation plan for Capacity Brokering. In resolutions G-3021 and G-3031, the Commission approved PG&E's advice letters pending compliance with modifications ordered in the resolutions.

Some of the changes ordered in resolution G-3021 and G-3031 are applicable to PG&E's partial program filed in A.L. 1720-G and 1720-G-B. Therefore, CACD recommends that PG&E should modify its tariffs to comport with the changes detailed in Appendix A of this Resolution.

B. SDG&E

In A.L. 822-G-A, SDG&E submitted its full implementation plan for Capacity Brokering. In resolution G-3022, the Commission approved SDG&E's advice letter pending compliance with modifications ordered in the resolutions.

Some of the changes ordered in resolution G-3022 are applicable to SDG&E's program filed in A.L. 825-G. Therefore, CACD recommends that SDG&E should modify its tariffs to comport with the changes detailed in Appendix B of this Resolution.

C. SoCalGas

In A.L. 2133, SoCalGas submitted its full implementation plan for Capacity Brokering. In resolutions G-3023 and G-3033, the Commission approved SoCalGas' advice letter pending compliance with modifications ordered in the resolutions.

Some of the changes ordered in resolutions G-3021 and G-3031 are applicable to SoCalGas' program filed in A.L. 2137. Therefore, CACD recommends that SoCalGas should modify its tariffs to comport with the changes detailed in Appendix C of this Resolution.

XIII. SDG&E's Partial Implementation Proposal

After reviewing SDG&E's partial implementation program contained in A.L. 822-G, CACD has determined that SDG&E has not preserved the rules established in D.90-09-089 in its program. In Appendix B of D.92-07-025, the Commission ordered the utilities to keep the rules adopted in D.90-09-089 during the partial implementation with adjustments to allow for the unbundling of rates on the brokered pipeline.

CACD recommends that SDG&E modify its filing to comport with Appendix B of D.92-07-025. To facilitate SDG&E's effort, CACD suggests the following modifications to A.L. 822-G.

A. Rates

SDG&E should keep the rate design based on service levels that were adopted in D.90-09-089. For customers obtaining brokered capacity from SDG&E, their intrastate transportation rates should be unbundled. Likewise, customers demonstrating a contractual commitment to a marketer or broker that uses SDG&E brokered capacity should receive unbundled rates. All other customers should be charged a bundled rate.

Core subscription rates should be based on the currently approved rate design. Customers should not be charged a reservation charge for interstate capacity and unbundled rates should not offered.

B. Service Levels

SDG&E should retain all service level options in all of its noncore tariff schedules. The firm and interruptible service options SDG&E uses in its filing will not be available until full implementation of Capacity Brokering.

C. Use-or-Pay and Take-or-Pay Obligations

SDG&E should use the currently approved obligations. Any forgiveness options should be limited to those currently approved.

D. Partial Requirements

Consistent with using service levels, SDG&E should modify its definitions of partial and full requirement service options to reflect currently approved definitions.

E. Curtailment

SDG&E should retain its currently approved curtailment rule. All references to Voluntary and Involuntary Diversions should be removed. These programs are not applicable to partial implementation.

F. Procurement

SDG&E should use its currently approved noncore procurement service contained in Schedule No. GPNC.

G. Core Aggregation

The core aggregation program presented in Schedule No. GTCA should allow for direct assignment of capacity to core aggregators on the brokered pipeline. For the volumes directly assigned, the aggregator should receive an unbundled rate and SDG&E may not require a deposit for directly assigned capacity. The capacity assignments should be done on a monthly basis to allow core aggregators to respond to changes in membership. All rules developed in D.91-02-040 remain in effect.

H. UEG

SDG&E should modify its UEG tariffs in order to retain the 65% limit on SL-2 service, reflect currently approved curtailment rules, and maintain the current service level based rates.

I. Rule 20: Transportation of Customer-Procured Gas

Neither D.91-11-025 nor D.92-07-025 authorized changes to Rule 20 during partial implementation. Therefore, SDG&E should eliminate section A.4 which allows customers to aggregate their loads.

J. Rule 22: Interstate Capacity Brokering

In its Rule 22, SDG&E should clarify that unbundled rates will not be offered to customers using SoCalGas brokered capacity. SDG&E is allowed to broker up to two-thirds of its excess capacity on a long-term basis as defined in D.92-07-025. CACD recommends that SDG&E include this provision in Rule 22. SDG&E should specify what criteria and methodology will be used to evaluate bids. For bids that tie, SDG&E should identify a tiebreaker methodology. Both the evaluation and awarding of pre-arranged deals should be performed in a nondiscriminatory manner. SDG&E should clarify that core aggregators may obtain capacity in excess of their direct assignments and such capacity need not be obtained at the full as-billed rate.

J. Service Agreements

SDG&E should modify its currently approved service agreements to allow for the changes authorized in this Resolution. SDG&E should use the service agreement for interstate capacity approved in SDG&E's full implementation filing, A.L. 822-G-A.

XIV. Workshops/Timetable

A. PG&E/SDG&E/SoCalGas

In its protest to all three advice letters, CIG urges the Commission to (1) hold workshops to facilitate the customers' thorough understanding of how Capacity Brokering and buy/sell arrangements will operate concurrently before any resolution is issued in this matter; (2) begin partial implementation of Capacity Brokering no earlier than 90-days after FERC approves an interstate pipeline's capacity release program; (3) avoid partial implementation of capacity brokering if at all possible; (4) reject the partial implementation program until a timetable has been finalized; and (5) implement a timetable which allows customers to react to the results of their bids for interstate capacity.

SoCalGas responded that it would not oppose workshops and agrees that capacity brokering should not begin until 90 days after FERC approval. SoCalGas agrees that a timetable should be finalized prior to implementation, but not included in its tariffs because quick changes may be necessary to respond to FERC actions. SoCalGas requests that the Commission should clarify what events must take place within 90 days of a FERC decision capacity release.

SDG&E agrees with CIG that a workshop would be needed if partial implementation is to occur. SDG&E also urges the Commission to avoid partial implementation of Capacity Brokering if at all possible.

DISCUSSION: The three utilities will be holding their customer meetings to explain partial and full implementation of Capacity Brokering. CACD believes that these meetings are the appropriate forums for the utilities to facilitate customers' understanding and, therefore, it is unnecessary to have Commission-mandated workshops. CACD recommends the Commission deny CIG's request for Commission-held workshops on partial implementation of Capacity Brokering.

In Ordering Paragraph 5 of D.92-07-025 the Commission states, "Capacity brokering over a pipeline serving California shall be implemented 90 days following a FERC order authorizing that pipeline company's capacity reallocation program." CACD wishes to clarify that Capacity Brokering will be implemented upon the Commission's approval of the utilities' compliance tariffs. CACD believes the Commission did not intend that gas flow under the Capacity Brokering program 90 days after the FERC issues its approval of an interstate pipeline's capacity release program. To impose such a condition would be operationally infeasible as 90 days would not allow sufficient time for a core subscription and pre-arrangement period as well as the posting requirement adopted by the FERC in Transwestern's capacity release program. (At this time, El Paso's posting requirement is unknown.)

FERC has already issued its final approval of Transwestern's capacity release program effective February 1, 1993. FERC approval of El Paso's release program is anticipated. This means that SDG&E and SoCalGas, who are served by Transwestern, may commence partial implementation of Capacity Brokering when their tariffs for the partial implementation program have been approved. Upon approval of El Paso's release program, SDG&E and SoCalGas will commence full implementation of Capacity Brokering while PG&E will begin its partial implementation program. CACD believes that partial implementation of the Capacity Brokering program should not be unnecessarily delayed. However, CACD has recommended a timetable which is designed to allow the maximum time possible for the commencement of a full implementation program for SDG&E and SoCalGas. This timetable is discussed in the next section of this Resolution. Therefore, CACD believes that the

Commission's adoption of the proposed timetable will satisfy the CIG's concern to a great degree.

CIG's request not to approve the partial implementation programs of the three utilities until a timetable has been finalized is moot as this Resolution addresses both the partial implementation programs and the timetable.

CIG's request to implement a timetable which allows customers to react to the results of their bids for interstate capacity is not reasonable as it would cause unnecessary delay of Capacity Brokering. CACD believes a customer who has not received awarded capacity has the option to arrange a buy/sell agreement over the unbrokered pipeline on an as-available basis or can choose to receive service on an interruptible basis. Therefore, CIG's request should be denied.

XV. THE SDG&E/SOCALGAS TIMETABLE FOR PARTIAL IMPLEMENTATION

CACD believes that the timetable for partial implementation of Capacity Brokering should provide a smooth transition to the full implementation of the program. Therefore, if FERC has not issued its approval of El Paso's capacity release program by March 22, 1993, SDG&E and SoCalGas should:

1. Conduct an intrastate renewal period (excluding core subscription) which commences no earlier than March 22, 1993 and ends no later than July 31, 1993.

2. Conduct an eight week core subscription open season beginning on the same date as the intrastate renewal period.

3. Conduct a five week pre-arrangement period.

   a. Bids for firm capacity on the Transwestern system.

      The pre-arrangement period should begin during the last two weeks of the eight week core subscription open season.

   b. Bids for firm capacity on the El Paso system.

      The pre-arrangement period should be held as soon as FERC approves El Paso's capacity release program but no earlier than the pre-arrangement period for Transwestern capacity.

4. Cogeneration customers will receive five additional days for intrastate service elections and pre-arranged bidding for interstate capacity.

5. The utilities will have one week from the time all pre-arranged bids are submitted to evaluate the bids and award pre-arranged deals before the successful bids are posted on the interstate's electronic bulletin board.

6. The utilities should post all completed pre-arranged deals on the appropriate interstate pipeline electronic bulletin board such that the deals will be approved and effective on August 1, 1993.

The utilities should clearly state in their tariffs and intrastate service agreements that customers who successfully bid for brokered capacity or who demonstrate a contractual commitment to a marketer, producer, or broker who has successfully bid for brokered capacity may abrogate their outstanding contracts for bundled transportation services. This provision is pursuant to D.92-07-025, Appendix B.

If FERC has issued its final approval of El Paso's capacity release program by March 22, 1993, then SDG&E and SoCalGas should comply with the timeline for full implementation of Capacity Brokering adopted in Resolutions G-3022 and G-3023.

CACD recommends the Commission adopt the timeline for SDG&E and SoCalGas set forth above. CACD also recommends that the utilities include a separate section in their respective capacity brokering rules which details the sequence of events for open seasons under partial implementation of Capacity Brokering.

XVI. THE PG&E TIMETABLE FOR PARTIAL IMPLEMENTATION

Upon FERC's approval of El Paso's capacity release program, it is possible for PG&E to begin partial implementation of the Capacity Brokering program. PG&E should:

1. Conduct an intrastate renewal period (excluding core subscription) which commences no earlier than March 22, 1993 and ends no later than July 31, 1993.

2. Conduct an eight week core subscription open season beginning on the same date as the intrastate renewal period.

3. Upon final FERC approval of the El Paso capacity release program, PG&E should conduct a five week pre-arrangement period. Depending on when FERC issues final approval of El Paso's release program, PG&E should strive to begin the pre-arrangement period during the last two weeks of the eight week core subscription open season. This pre-arrangement period should commence no earlier than the pre-arrangement period for Transwestern capacity.

4. Cogeneration customers will receive five additional days for intrastate service elections and pre-arranged bidding for interstate capacity.

PG&E should clearly state in its tariffs and intrastate service agreement that customers who successfully bid for

brokered capacity or who demonstrate a contractual commitment to a marketer, producer, or broker who has successfully bid for brokered capacity may abrogate their outstanding contracts for bundled transportation services. This provision is pursuant to D.92-07-025, Appendix B.

CACD recommends the Commission adopt the timeline for PG&E as set forth above. CACD also recommends that PG&E include this timeline for open seasons under partial implementation of Capacity Brokering in Rule 21.1.

XVII. Compliance Filing

CACD recommends that PG&E, SDG&E and SoCalGas file compliance tariffs that are identical to the tariffs filed in A.L. 1720-G, 1720-G-A, 822-G and 2137, respectively, except for the changes for the changes described in this Resolution and changes authorized by FERC under capacity reallocation programs for El Paso, Transwestern and PGT pipelines. The utilities should also make any other minor modifications to the tariffs as docuemented by CACD in discussions with the utilities. The rates filed in the compliance filing should reflect the most current rates authorized by the Commission.

FINDINGS

1. CACD finds that PG&E's A.L. 1720-G-A provides sufficient detail to analyze PG&E's rates.

2. CACD recommends PG&E modify its tariffs to allow core aggregators the option to obtain all of their capacity from one interstate pipeline as approved in resolution G-2994.

3. A core aggregator's flexibility should be limited such that the program maintains its pro rata access requirements.

4. PG&E should develop a mechanism to allow core aggregators the flexibility to choose from which pipeline they receive their allocation of capacity.

5. SDG&E should modify its core aggregation tariff and rule to allow for unbundled rates for core aggegators on the brokered pipeline.

6. SDG&E should allow customers to choose over which pipeline they would prefer access for their core aggregator allocation.

7. In Resolutions G-3021, G-3022 and G-3023, the Commission ordered PG&E, SDG&E and SoCalGas to unbundle the rates for core aggregation/transportation customers under full implementation of the Capacity Brokering program.

8. CACD recommends that the three utilities unbundle the rates for core aggregation/transportation service under partial implementation of the Capacity Brokering.

9. SoCalGas has clarified that the total capacity to be available to core aggregation/transportation customers shall be determined on a pro rata basis.

10. SoCalGas further clarified that individual core aggregation/transportation reservations will not be subject to the pro rata allocation but that an individual customer may receive its entire reservation on one pipeline if such capacity is available.

11. CACD finds this allocation of core aggregation/transportation reasonable and recommends that SoCalGas clarify these provisions in its Rule 32 as well as any other applicable tariffs schedules.

12. In D.92-07-025, Appendix B, the Commission limited the amount unbundled rates a customers recieved to the amount of utility brokered capacity the customer obtained. CACD believes a core aggregator/transporter may only receive unbundled intrastate rates in proportion to the utility-held firm interstate capacity it chooses to have assigned to it.

13. CACD recommends that PG&E modify its Rule 21.1 to clearly state under which circumstances PG&E proposes to directly assign capacity consistent with D.91-11-025 and D.92-07-025.

14. CACD recommends that in its Rule 21.1, PG&E state the tie-breaker rules it will use and PG&E should apply the rules in a nondiscriminatory manner.

15. CACD recommends that PG&E should include any criteria it will use in evaluating bids and the methodology used to evaluate bids in its Capacity Brokering Rule 21.1.

16. CACD recommends that PG&E should state in its tariffs that the liability of shippers who re-broker or secondarily broker their capacity will be subject to any rules established by the FERC.

17. PG&E should clearly state in its Rule 21.1 that the minimum amount customers can bid for interstate capacity is equal to $0.00 of the pipeline's reservation charge.

18. CACD recommends that PG&E include this minimum bid explanation in its customer bid package.

19. PG&E 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.

20. FERC Order 636 does not prohibit relinquishments after the restructuring period, however the order does not require post-restructuring relinquishment to be mandatory.

21. CACD recommends PG&E clarify the definition of relinquishment in its Rule 21.1 consistent with the above discussion.

22. CACD recommends that PG&E clarify that a shipper whose capacity is being recalled for relinquishment may match a relinquishment offer by bidding for the full as-billed rate for the full term of the utility's contract.

23. CACD recommends PG&E include detailed information in its Rule 21.1 and customer bid package which clarifies under what circumstances, and in what priority, it will recall capacity.

24. CACD recommends that SDG&E should state in its tariffs that the liability of shippers who re-broker or secondarily broker their capacity will be subject to any rules established by the FERC.

25. CACD recommends that in its Rule 22, Interstate Capacity Brokering, SDG&E state the tie-breaker rules it will use, and SDG&E should apply the rules in a nondiscriminatory manner. In addition, SDG&E should include any criteria it will use in evaluating bids and the methodology used to evaluate bids.

26. CACD recommends that in its Rule 32, Interstate Capacity Brokering, SoCalGas state the tie-breaker rules it will use and SoCalGas should apply the rules in a nondiscriminatory manner. In addition, SoCalGas should include any criteria it will use in evaluating bids and the methodology used to evaluate bids.

27. CACD recommends that the pipeline demand charge allocations established in PG&E's most recent BCAP remain in effect until either PG&E's next BCAP or the full implementation of Capacity Brokering.

28. PG&E may update its core subscription rates to reflect results of an open season for that service.

29. CACD interprets D.92-07-025 as requiring references in each noncore rate schedule to the ITCS account and the actual surcharge should appear in PG&E's tariffs.

30. The Double Demand Charge Tracking Account should be changed to the Double Demand Charge Memorandum Account (DDCMA) in PG&E's Preliminary Statement and should incorporate the changes required in D.92-11-014 and Resolution G-3024.

31. CACD finds reasonable DRA's protest to SDG&E's method of calculating unbundled rates. SDG&E should include the full allocation of SoCalGas's LUAF in SDG&E's unbundled rates. SDG&E should not remove any PITCO or POPCO costs from its unbundled rates. SDG&E should use the currently approved method to allocate PITCO and POPCO costs among customers.

32. In Resolution G-3024, Conclusion of Law No. 2, the Commission ordered SDG&E to include discounted volumes in its double demand charge tracking account.

33. CACD recommends that noncore service volumes transported at a discount be included in SDG&E's double demand charge tracking account.

34. The Double Demand Charge Tracking Account should be changed to the Double Demand Charge Memorandum Account (DDCMA) in SDG&E's Preliminary Statement and should incorporate the changes required in D.92-11-014 and Resolution G-3024.

35. CACD recommends that SDG&E eliminate its CAPIA and use an ITCS account identical to the account approved in Resolution G-3022.

36. Unlike the ITCS account approved in Resolution G-3022, SDG&E may include stranded costs associated with the capacity it will have directly assigned as a result of the long term contract between SDG&E and SoCalGas.

37. SDG&E should modify its Core Fixed Cost Account to allow for any revenues from brokering the capacity assigned from SoCalGas.

38. The modifications in Findings No. 36 and 37 to SDG&E's ITCS account will only be allowed during the partial implementation period.

39. The balance in the ITCS account should be allocated to ratepayers in SDG&E's next BCAP pursuant to the rules in D.91-11-025 and D.92-07-025.

40. In Resolution G-3024, Conclusion of Law No. 2, the Commission allowed noncore service volumes transported at a discount to be booked to a double demand charge tracking account.

41. CACD recommends that SoCalGas modify its DDCTA to include noncore service volumes transported at a discount.

42. The Double Demand Charge Tracking Account should be changed to the Double Demand Charge Memorandum Account (DDCMA) in SoCalGas' Preliminary Statement and should incorporate the changes required in D.92-11-014 and Resolution G-3024.

43. CACD recommends that SoCalGas eliminate its Capacity Allocation Partial Implementation Account (CAPIA) and use an ITCS account identical to the account approved in Resolutions G-3023 and G-3033.

44. The balance in the ITCS account should be allocated to ratepayers in SoCalGas' next BCAP pursuant to the rules in D.91-11-025 and D.92-07-025.

45. SDG&E proposes to eliminate the Firm Surcharge/Interruptible Credit (FS/IC) for customers receiving unbundled rates. CACD recommends SDG&E's proposal be denied and that SDG&E should continue the application of the FS/IC to all customers during the partial implementation program.

46. CACD recommends that SDG&E modify its tariffs and Rule 22 to limit unbundled rates to those customers who obtain brokered capacity from SDG&E or have the capacity obtained on their behalf by a producer, marketer or broker.

47. CACD recommends that unbundled rates should not apply to customers who obtain brokered capacity from SoCalGas.

48. CACD recommends that SDG&E include a reference in each applicable tariff schedule to explain that customers may abrogate their service agreements if they obtain utility brokered interstate capacity. SDG&E should state in its tariffs that abrogation will not relieve the customer of use-or-pay obligations incurred before abrogation.

49. CACD recommends that SDG&E should allow a customer who commences a new service agreement that continues service under the same schedule to have the use-or-pay obligation calculated at the end of the contract year.

50. CACD recommends that SoCalGas include a reference in each applicable tariff schedule to explain that customers may abrogate their service agreements if they obtain utility brokered interstate capacity. SoCalGas should state in its tariffs that abrogation will not relieve the customer of use-or-pay obligations incurred before abrogation.

51. CACD recommends that SoCalGas should allow a customer who commences a new service agreement that continues service under the same schedule to have the use-or-pay obligation calculated at the end of the contract year.

52. CACD recommends that PG&E remove references from its tariffs and service agreements for customer identified purchases using El Paso.

53. CACD finds the Indicated Producers' request that a customer's combined use of targeted sales and brokered capacity be limited to the customer's anticipated gas usage. CACD recommends SoCalGas modify its tariffs to comply with the Indicated Producers' request.

54. CACD recommends that PG&E eliminate all references to Transwestern capacity from its tariffs and service agreements.

55. CACD will address how and when PG&E will be able to broker its Transwestern capacity in a subsequent Commission resolution.

56. CACD recommends the Commission adopt PG&E's proposed interstate capacity service agreement contained in A.L. 1746-G and 1746-G-A pending approval of those advice letters.

57. CACD clarifies the following facts with respect to SoCalGas' transportation rate for SDG&E under partial implementation of Capacity Brokering:

a. As stated earlier, pursuant to the SDG&E/SoCalGas long-term contract, SoCalGas cannot unbundle SDG&E's rates.

b. Pursuant to D.92-07-025, Appendix B, pp. 7-8, a reduction to SDG&E's reserved capacity will not be effective until the expiration of the current contract on September 1, 1995. However, SoCalGas and SDG&E were directed to re-negotiate their contract to delete reservations of capacity for SDG&E's UEG department. Therefore, until the contract expires or the contract has been re-negotiated to include only SDG&E's core reservation of 90 MMcf/d, SDG&E must receive 300 MMcf/d of firm interstate capacity.

c. CACD recommends that SoCalGas reserve firm interstate capacity for the volume under the existing long-term contract until such contract expires or is re-negotiated.

d. Finally, SDG&E should receive an allocation of SoCalGas' transition costs as will all customers on SoCalGas' system including those customers who are served by the unbrokered pipeline.

58. In A.L. 1714-G and 1714-G-B, PG&E submitted its full implementation plan for Capacity Brokering. In resolutions G-3021 and G-3031, the Commission approved PG&E's advice letters pending compliance with modifications ordered in the resolutions.

59. Some of the changes ordered in resolution G-3021 and G-3031 are applicable to PG&E's partial program filed in A.L. 1720-G and 1720-G-B. Therefore, CACD recommends that PG&E should modify its tariffs to comport with the changes detailed in Appendix A of this Resolution.

60. In A.L. 822-G-A, SDG&E submitted its full implementation plan for Capacity Brokering. In resolution G-3022, the Commission approved SDG&E's advice letter pending compliance with modifications ordered in the resolutions.

61. Some of the changes ordered in resolution G-3022 are applicable to SDG&E's program filed in A.L. 825-G. Therefore, CACD recommends that SDG&E should modify its tariffs to comport with the changes detailed in Appendix B of this Resolution.

62. In A.L. 2133, SoCalGas submitted its full implementation plan for Capacity Brokering. In resolutions G-3023 and G-3033, the Commission approved SoCalGas' advice letter pending compliance with modifications ordered in the resolutions.

63. Some of the changes ordered in resolutions G-3021 and G-3031 are applicable to SoCalGas' program filed in A.L. 2137. Therefore, CACD recommends that SoCalGas should modify its tariffs to comport with the changes detailed in Appendix C of this Resolution.

64. In Appendix B of D.92-07-025, the Commission ordered the utilities to keep the rules adopted in D.90-09-089 during the partial implementation with adjustments to allow for the unbundling of rates on the brokered pipeline.

65. CACD has determined that SDG&E has not preserved the rules established in D.90-09-089 in its partial implementation program.

66. SDG&E should keep the rate design based on service levels that were adopted in D.90-09-089.

67. For customers obtaining brokered capacity from SDG&E, their intrastate transportation rates should be unbundled. Likewise, customers demonstrating a contractual commitment to a marketer or broker that uses SDG&E brokered capacity should receive unbundled rates.

68. All other SDG&E noncore customers should be charged a bundled rate.

69. During partial implemenation, core subscription rates should be based on the currently approved rate design. Customers should not be charged a reservation charge for interstate capacity and unbundled rates should not offered.

70. SDG&E should retain all service level options in all of its noncore tariff schedules. The firm and interruptible service options SDG&E uses in its filing will not be available until full implementation of Capacity Brokering.

71. SDG&E should use the currently approved use-or-pay and take-or-pay obligations. Any forgiveness options should be limited to those currently IN effect.

72. Consistent with using service levels, SDG&E should modify its definitions of partial and full requirement service options to reflect currently effective definitions.

73. SDG&E should retain its currently effective curtailment rule. All references to Voluntary and Involuntary Diversions should be removed. These programs are not applicable to partial implementation.

74. SDG&E should use its currently effective noncore procurement service contained in Schedule No. GPNC.

75. The core aggregation program presented in SDG&E's Schedule No. GTCA should allow for direct assignment of capacity to core aggregators on the brokered pipeline.

76. For the volumes directly assigned, the aggregator should receive an unbundled rate and SDG&E may not require a deposit for directly assigned capacity. The capacity assignments should be done on a monthly basis to allow core aggregators to respond to changes in membership. All rules developed in D.91-02-040 remain in effect.

77. SDG&E should modify its UEG tariffs in order to retain the 65% limit on SL-2 service, reflect currently approved curtailment rules, and maintain the current service level based rate design.

78. Neither D.91-11-025 nor D.92-07-025 authorized changes to SDG&E's Rule 20 during partial implementation. Therefore, SDG&E should eliminate section A.4 of Rule 20 which allows customers to aggregate their loads.

79. In its Rule 22, SDG&E should clarify that unbundled rates will not be offered to customers using SoCalGas brokered capacity.

80. SDG&E is allowed to broker up to two-thirds of its excess capacity on a long-term basis as defined in D.92-07-025. CACD recommends that SDG&E include this provision in Rule 22.

81. SDG&E should specify what criteria and methodology will be used to evaluate bids. For bids that tie, SDG&E should identify a tiebreaker methodology.

82. Both the evaluation and awarding of pre-arranged deals should be performed in a nondiscriminatory manner.

83. SDG&E should clarify that core aggregators may obtain capacity in excess of their direct assignments and such capacity need not be obtained at the full as-billed rate.

84. SDG&E should modify its currently approved service agreements to allow for the changes authorized in this Resolution.

85. SDG&E should use the service agreement for interstate capacity approved in SDG&E's full implementation filing, A.L. 822-G-A.

86. CACD clarifies that Capacity Brokering will be implemented upon the Commission's approval of the utilities' compliance tariffs.

87. CACD believes the Commission did not intend that gas flow under the Capacity Brokering program 90 days after the FERC issues its approval of an interstate pipeline's capacity release program.

88. FERC has issued its final approval of Transwestern's capacity release program effective February 1, 1993. FERC approval of El Paso's release program is anticipated.

89. SDG&E and SoCalGas, who are served by Transwestern, may commence partial implementation of Capacity Brokering when their tariffs for the partial implementation program have been approved.

90. Upon approval of El Paso's release program, SDG&E and SoCalGas will commence full implementation of Capacity Brokering while PG&E will begin its partial implementation program.

91. CACD believes that partial implementation of the Capacity Brokering program should not be unnecessarily delayed.
92. CACD recommends a timetable which is designed to allow the maximum time possible for the commencement of a full implementation program for SDG&E and SoCalGas.

CACD believes that the timetable for partial implementation of Capacity Brokering should provide a smooth transition to the full implementation of the program. Therefore, if FERC has not issued its approval of El Paso's capacity release program by March 22, 1993, SDG&E and SoCalGas should:

a. Conduct an intrastate renewal period (excluding core subscription) which commences no earlier than March 22, 1993 and ends no later than July 31, 1993.

b. Conduct an eight week core subscription open season beginning on the same date as the intrastate renewal period.

c. Conduct a five week pre-arrangement period.

   1. Bids for firm capacity on the Transwestern system.

      The pre-arrangement period should begin during the last two weeks of the eight week core subscription open season.

   2. Bids for firm capacity on the El Paso system.

      The pre-arrangement period should be held as soon as FERC approves El Paso's capacity release program but no earlier than the pre-arrangement period for Transwestern capacity.

d. Cogeneration customers will receive five additional days for intrastate service elections and pre-arranged bidding for interstate capacity.

e. The utilities will have one week from the time all pre-arranged bids are submitted to evaluate the bids and award pre-arranged deals before the successful bids are posted on the interstate's electronic bulletin board.

f. The utilities should post all completed pre-arranged deals on the appropriate interstate pipeline electronic bulletin board such that the deals will be approved and effective on August 1, 1993.

If FERC has issued its final approval of El Paso's capacity release program by March 22, 1993, then SDG&E and SoCalGas should comply with the timeline for full implementation of Capacity Brokering adopted in Resolutions G-3022 and G-3023.

93. CACD recommends the Commission adopt the timeline for SDG&E and SoCalGas set forth Finding No. 90. CACD also recommends that the utilities include a separate section in their respective capacity brokering rules which details the sequence of events for open seasons under partial implementation of Capacity Brokering.

94. CACD recommends the following timetable which will allow PG&E to partially implement Capacity Brokering in an expeditious manner.

Upon FERC's approval of El Paso's capacity release program, it is possible for PG&E to begin partial implementation of the Capacity Brokering program. PG&E should:

a. Conduct an intrastate renewal period (excluding core subscription) which commences no earlier than March 22, 1993 and ends no later than July 31, 1993.

b. Conduct an eight week core subscription open season beginning on the same date as the intrastate renewal period.

c. Upon final FERC approval of the El Paso capacity release program, PG&E should conduct a five week pre-arrangement period. Depending on when FERC issues final approval of El Paso's release program, PG&E should strive to begin the pre-arrangement period during the last two weeks of the eight week core subscription open season. This pre-arrangement period should commence no earlier than the pre-arrangement period for Transwestern capacity.

d. Cogeneration customers will receive five additional days for intrastate service elections and pre-arranged bidding for interstate capacity.

95. CACD recommends the Commission adopt the timeline for PG&E as set forth in Finding No. 92. CACD also recommends that PG&E include this timeline for open seasons under partial implementation of Capacity Brokering in Rule 21.1.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company shall file revised tariffs by March 17, 1993 that are identical to Advice Letters 1720-G and 1720-G-A 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 compliance filing shall reflect the most current rates authorized by the Commission.

2. San Diego Gas and Electric Company shall file revised tariffs by March 17, 1993 that are identical to Advice Letter 825-G 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 compliance filing shall reflect the most current rates authorized by the Commission.

3. Southern California Gas Company shall file revised tariffs by March 17, 1993 that are identical to Advice Letter 2137 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 compliance filing shall reflect the most current rates authorized by the Commission.

4. Advice Letters 1720-G, 1720-G-A, 825-G and 2137 shall be marked to show that they have been superseded and supplemented by the advice letters containing the revised tariffs.

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

6. The rates and services offered in the revised tariffs, with the exception of Pacific Gas and Electric Company's Rule 21.1 and pro forma service agreements, shall not be effective until El Paso Natural Gas Company's or Pacific Gas Transmission Company's capacity reallocation programs authorized by the Federal Energy Regulatory Commission are in place and the contracts between Pacific Gas and Electric Company and its customers are accepted by the interstate pipeline and effective.

7. The rates and services offered in the revised tariffs, with the exception of San Diego Gas and Electric Company's Rule 22 and pro forma service agreements and Southern California Gas Company's Rule 36 and the pro forma service agreements, shall not be effective until El Paso Natural Gas Company's or 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 pipeline and effective.

8. Pacific Gas and Electric Company's Rule 21.1 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 or Pacific Gas Transmission Company.

9. San Diego Gas and Electric Company's Rule 22 and the pro forma service agreements and Southern California Gas Company's 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 or Transwestern Pipeline Company.

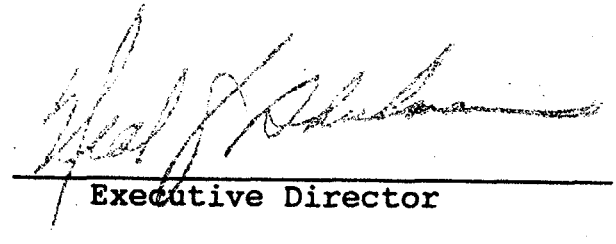
10. Pacific Gas and Electric Company, San Diego Gas and Electric Company and Southern California Gas Company shall file by separate advice letter, no later than 20 days prior to full implementation of the Capacity Brokering program, revised tariffs that reflect the following:

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.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on March 10, 1989. The following Commissioners approved it:



Executive Director

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

APPENDIX A

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PACIFIC GAS AND ELECTRIC COMPANY

I. The following provisions were adopted in Commission Resolutions G-3021 and G-3031 under full implementation of the Capacity Brokering program. These provisions should be incorporated into PG&E's revised tariff schedules as ordered in Resolution G-3045, for partial implementation of the Capacity Brokering program.

1. PG&E should inform core customers who receive direct assignments, that the customer will be required to sign contracts with interstate pipelines and PG&E for the capacity, be responsible to PG&E for all applicable pipeline demand charges associated with the capacity and be allowed to secondarily broker capacity pursuant to PG&E's tariffs.

2. PG&E should modify Schedule G-CT, Experimental Core Gas Transportation Service; G-NR3, Gas Transportation Service to Large Nonresidential Core Customers; and other applicable core rate schedules to comport with No. 1.

3. In D.92-07-025, the utilities were required to credit, on a pro rata basis, revenues received from brokering excess core and noncore interstate capacity.

4. PG&E should modify the appropriate accounts in its Preliminary Statement to reflect that the appropriate accounts will receive a pro rata share of all revenues received from brokered excess interstate pipeline capacity.

5. PG&E did not include references to the ITCS account in any noncore rate schedule.

6. CACD interprets D.92-07-025 as requiring references in each noncore rate schedule to the ITCS account and the actual surcharge should appear in PG&E's tariffs. PG&E should modify its tariffs accordingly.

7. In Rule 21.1, PG&E should address the following issues:

   A. Brokering of capacity for less than one month.
   B. Detailed explanation of relinquishments and its affect upon Capacity Brokering.
   C. Explain how and when pool transfers will occur.
   D. Minimum acceptable bid to PG&E.
   E. How PG&E will comply with D.92-02-042 which requires PG&E to reject unreasonably low bids.

8. PG&E should change the direct assignment rule to state that only large core, core aggregation and wholesale core customers will have capacity directly assigned to them.

9. PG&E should pay interest on any earnest money deposits.

10. PG&E should remove any and all references to credit deposits for interstate capacity from its tariffs.

11. PG&E should remove any and all references to Transwestern capacity from its tariffs, rules and service agreements.

12. PG&E should clarify in Rule 21.1 that cogeneration customers will receive five additional days for intrastate service elections and pre-arranged bidding for interstate capacity.

13. PG&E should clarify that the utility will conduct pre-arrangements for excess capacity after the initial open season and in subsequent open seasons when initial capacity brokering contracts expire.

14. Rule 21.1 should clarify that PG&E may broker capacity for a term of less than one month. Notice of such an offer will be posted directly to the interstate pipeline bulletin board.

APPENDIX B

SAN DIEGO GAS AND ELECTRIC COMPANY

I. The following provisions were adopted in Commission Resolution G-3022 under full implementation of the Capacity Brokering program. These provisions should be incorporated into SDG&E's revised tariff schedules as ordered in Resolution G-3045, for partial implementation of the Capacity Brokering program.

1. SDG&E should include a description of accounting revenues from brokered interstate capacity in the CFCA.

2. SDG&E should modify the NFCA to explain that the balance for interstate pipeline demand charges will be held until allocation in the next BCAP.

3. SDG&E should clarify in its Preliminary Statement that all core and noncore transportation customers will receive an allocation of the ITCS but that the core allocation can be no more than the total annual costs of 10 percent of interstate capacity over core reservations.

4. SDG&E should remove any reference to ITCS charges from core aggregation and core transportation rate schedules.

5. SDG&E should add a reference to ITCS charges to core subscription default rates in its Preliminary Statement.

6. The Double Demand Charge Tracking Account should be changed to the Double Demand Charge Memorandum Account (DDCMA) in SDG&E's Preliminary Statement and should incorporate the changes required in D.92-11-014 and Resolution G-3024.

7. SDG&E should include the DDCMA in its Preliminary Statement until the Commission has determined if and how these dollars should be allocated.

8. It is reasonable to remove interstate pipeline demand charges from the transportation rates billed to core aggregation and core transportation customers.

9. SDG&E should not collect a new security deposit from core aggregation or core transportation customers for interstate capacity.

10. SDG&E should clarify that core aggregation and core transportation customers can secondarily broker the capacity that they have been assigned, although these customers will still be responsible for payment of the full as-billed rate for this capacity.

11. SDG&E's Rule 22 does not explain how customers will obtain brokered capacity through open seasons and pre-arrangements with the utility.

12. SDG&E should clarify in Rule 22 that cogeneration customers will receive 5 additional days for intrastate service elections and pre-arranged bidding for interstate capacity.

13. It is necessary for Rule 22 to contain an explanation of cogeneration customer bidding options as adopted in D.92-07-025.

14. SDG&E should amend Rule 22 to explain the awarding of tieing bids, the terms under which SDG&E can recall capacity, the handling of pre-arrangements in subsequent open seasons, the brokering of capacity for a term of less than one month, and the collection of an earnest money deposit.

15. Core aggregation and core transportation customers are not precluded from obtaining interstate capacity at less than the full as-billed rate beyond the capacity assigned to them by SDG&E.

16. SDG&E should remove a provision stating that a party shall pay 100% of the as-billed rate for any gas transported for ultimate delivery to core customers in Schedule C of its Natural Gas Service Agreement.

17. Under Capacity Brokering, utilities and all other parties are required to follow any creditworthiness standards established in FERC orders.

18. SDG&E's proposed creditworthiness requirements and security interests would be duplicative and possibly contradictory to interstate pipeline creditworthiness standards authorized by the FERC and should be removed from SDG&E's tariffs and agreements.

19. Pursuant to D.92-07-025, shippers using brokered capacity are required to contract with the releasing utility so that the utility can specify its rights against the shipper in case of default on payment.

20. SDG&E should change the language on indemnification in its service agreements to reflect the provisions of D.92-07-025.

21. SDG&E should include a statement on all revised tariffs explaining at what point in time the services and rates contained in the tariffs will become available.

APPENDIX C

SOUTHERN CALIFORNIA GAS COMPANY

I. The following provisions were adopted in Commission Resolutions G-3023 and G-3033 under full implementation of the Capacity Brokering program. These provisions should be incorporated into SoCalGas' revised tariff schedules as ordered in Resolution G-3045, for partial implementation of the Capacity Brokering program.

1. Core aggregation/transportation customers have the right to use available alternative capacity, in place of or in addition to the reserved space assigned to them in tariffs related to the core aggregation transportation program.

2. Core aggregation/transportation customers are not allowed to elect whether to take assignment of a utility's firm rights.

3. Core aggregation/transportation customers may secondarily broker assigned capacity, in accordance with FERC rules. However, core aggregation/transportation 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.

4. Intrastate transportation rates for core aggregation/transportation customers should be unbundled.

5. Core aggregation/transportation customers are responsible for payment of any demand charges related to assigned utility firm interstate rights at the full as-billed rate. Payment of any demand charges incurred for using alternative capacity should be made directly to the interstate pipeline company.

6. The definition of "eligible parties" with respect to who may participate in a pre-arranged agreement for firm intrastate transportation rights should be clarified in Rule 36. The definition should comport with FERC's definition of "eligible parties".

7. Under the Capacity Brokering program, SoCalGas should not apply its own creditworthiness requirements. Utilities and all other parties are required to follow the rules set forth by FERC including any creditworthiness standards established in FERC orders.

8. Shippers are required to contract with the releasing utility specifying the utility's rights against the shipper where the shipper fails to pay the pipeline company for contracted transportation service.

9. SoCalGas should eliminate the indemnity and creditworthiness provisions contained in the Pre-Arranged Interstate Capacity Transfer contract.

10. The rejection of interstate capacity bids will not be employed to allow SoCalGas to discriminate against bids for capacity which are less than the as-billed rates for reasons other than prudence and brokering capacity at the bid rate would be unreasonable.

11. SoCalGas should clarify in its Capacity Brokering rule, Rule 36 and in its Preliminary Statement that the utilities are required to broker core, core subscription and noncore capacity on a pro rata basis. The associated credits should be allocated to each of the classes accordingly.

12. SoCalGas should add the definition of the ITCS account to its Rule 1, defining the ITCS and stating that to the extent customers take service under fixed rate contracts, the ITCS, would not apply.

13. SoCalGas should include an ITCS line item on each applicable noncore tariff. The line item should explain that the allocation of the actual ITCS amount will be determined in the next BCAP.

14. Applicable core subscription rate schedules should also include a statement notifying customers of the allocation of stranded costs associated with that particular service.

15. The Double Demand Charge Tracking Account should be changed to the Double Demand Charge Memorandum Account (DDCMA) in SoCalGas' Preliminary Statement and should incorporate the changes required in D.92-11-014 and Resolution G-3024.

16. SoCalGas should file Schedule G-STAQ to reflect any necessary changes under partial implementation of the Capacity Brokering program.

17. SoCalGas should include a provision for long-term contracts for firm interstate capacity in Rule 36.

18. SoCalGas should incorporate in its Rule 36 for partial implementation any approved modifications made to Rule 36 under full implementation of Capacity Brokering.

19. SoCalGas should clarify the bidding, awarding and posting procedures for firm interstate capacity of less than one month and one month or more.

20. SoCalGas should include the provision that if it receives two identical bids, it will offer the capacity on a pro rata basis and that these customers may be allowed to state a minimum acceptance level of capacity that has been offered on a pro rata basis. Terms for recalling capacity should be also be included.

21. SoCalGas should clarify in the Firm Transportation Surcharge Account of its Preliminary Statement (FTSA) that under full implementation of Capacity Brokering, customers will no longer be charged a firm surcharge or receive an interruptible credit.

22. SoCalGas should clarify that upon full implementation of Capacity Brokering, any remaining balance in the FTSA will continue to accrue interest until the allocation of the balance is determined in a subsequent BCAP.

23. SoCalGas should include the following accounts in its Preliminary Statement:

    a. Brokerage Fee Account
    b. Gas Exploration and Development Adjustment Account
    c. Pitas Point Franchise and Uncollectibles Account
    d. Interutility Transportation Account
    e. Economic Practicality Shortfall Memorandum Account

24. SoCalGas' Core Fixed Cost Account (CFCA) contained in its proposed Preliminary Statement does not include a line item for allocation of transition costs.

25. SoCalGas should include language in the CFCA and the ITCS which clarifies that core customers will be allocated a portion of transitions costs caused by excess interstate capacity, but that the core's liability will be limited to no more than 110% of the capacity reserved for the core class.

26. SoCalGas should remove the provision in its Pre-Arranged Interstate Capacity Transaction contract, Section 3, that an aggregator shall pay 100% of the as-billed in connection with any quantities of gas transported for ultimate delivery to core customers.

27. SoCalGas should make any other minor modifications to its tariffs as documented by CACD in discussion with SoCalGas.

28. Long Beach's rates under Schedule GW-LB should be based on the default rate design methodology of seasonal volumetric rates.

29. SoCalGas should modify its Preliminary Statement to record in the PGA on a monthly basis the total PITCO/POPCO cost less actual PITCO/POPCO excess costs for the month.

30. SoCalGas should modify its Preliminary Statement to include a balancing account to record the difference between forecasted and actual PITCO/POPCO excess costs on a monthly basis. The balance in this account should be allocated during the next cost allocation proceeding on an equal-cents-per-therm basis.

II. The following are modifications recommended in the proposed Resolution G-3043. If the Commission adopts the recommendations presented in Resolution G-3043, then SoCalGas should incorporate the following changes in the revised tariff schedules ordered in Resolution G-3045.

1. 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.

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

3. 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.

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

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