

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION COMPLIANCE  
AND ADVISORY DIVISION  
Energy Branch

RESOLUTION G-3050  
MARCH 24, 1993

R E S O L U T I O N

RESOLUTION G-3050. REQUEST OF SOUTHERN CALIFORNIA GAS COMPANY AND SAN DIEGO GAS & ELECTRIC COMPANY TO REVISE PRELIMINARY STATEMENTS AND TARIFF SCHEDULES TO IMPLEMENT UNBUNDLED STORAGE PROGRAMS AUTHORIZED IN D. 93-02-013.

BY SOUTHERN CALIFORNIA GAS COMPANY ADVICE LETTER 2162, FILED FEBRUARY 11, 1993 AND SAN DIEGO GAS & ELECTRIC COMPANY ADVICE LETTERS 853-G, FILED FEBRUARY 18, 1993 AND 857-G, FILED FEBRUARY 26, 1993.

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S U M M A R Y

1. By Advice Letter 2162 Southern California Gas Company (SoCalGas) requests to terminate the as-available storage services, currently provided under its G-STOR and G-STAQ tariff schedules, and to implement a new unbundled storage program, as authorized in Decision (D.) 93-02-013. As part of this filing, SoCalGas revises relevant Rules and adds a storage balancing account to reflect the unbundling of storage costs for noncore customers.
2. By Advice Letter 853-G, San Diego Gas & Electric Company (SDG&E) requests to terminate the as-available storage services, provided under its schedule GSTORE, in order to implement an unbundled storage program, as authorized in D.93-02-013.
3. By Advice Letter 857-G, SDG&E revises its Preliminary Statement to add storage balancing and tracking accounts made necessary by the transition to its unbundled storage program.
4. This Resolution approves these Advice Letters with modifications to bring the respective programs into full compliance with D.93-02-013.

B A C K G R O U N D

1. D.93-02-013, dated February 3, 1993, provides policies and rules for permanent natural gas utility storage programs, consistent with prior Commission Decisions, Federal policies and legislative urgings towards the complete unbundling of noncore gas supply and transportation service.

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2. Utilities are directed to continue operating and expanding storage on behalf of core customers. They are obliged to provide firm service to noncore customers using existing facilities that are not needed for core service. Utilities are not obliged to expand their facilities to provide firm noncore service unless customers guarantee recovery of costs.

3. Independent storage providers may compete with utilities for the storage market, subject to legal requirements.

4. Utility unbundled storage service programs should be fashioned into the basic functions of injection, inventory, and withdrawal.

5. The permanent gas storage programs proposed by SoCalGas and SDG&E are approved with revisions, effective April 1, 1993.

6. These Advice Letter filings do not increase any rate or charge, conflict with any rate schedules or rules, nor cause the withdrawal of any service. However, rate schedules are created and obligations of ratepayers may be affected by future disposition of newly created balancing and tracking accounts.

#### NOTICE

1. Public notice was made by publication in Commission calendars.

2. In addition, copies of the subject Advice Letters were mailed to interested parties, other utilities and governmental agencies, in accordance with General Order 96-A, Section III, Paragraph G.

#### PROTESTS

1. Protests to SoCalGas's Advice Letter 2162 were received from (i.) Toward Utility Rate Normalization (TURN), (ii.) Southern California Edison (Edison), (iii.) McFarland Energy, Inc. and the Ten Section Storage Group (collectively, McFarland), and (iv.) the California Cogeneration Council (CCC).

2. The Southern California Utility Power Pool and the Imperial Irrigation District (SCUPP/IID), notified the Commission Advisory and Compliance Division (CACD) of its opposition to one issue raised in TURN's protest.

3. SDG&E's Advice Letter 853-G was protested by the California Cogeneration Council (CCC). The CACD received no protests to SDG&E's Advice Letter 857-G.

4. SoCalGas responded to the protests on its proposed tariff schedules in a letter dated March 11, 1993. SDG&E responded in its letter dated March 17, 1993.

#### DISCUSSION

##### CCC

1. The CCC points out that SoCalGas and SDG&E do not fully comply with the Decision with regard to cogenerator and utility electric generator parity. Cogenerator notice and contract opportunity provisions are missing from SoCalGas' proposed G-SWAP and G-EXB schedules. They are similarly absent from SDG&E's proposed G-ISTOR schedule.

2. Both SoCalGas and SDG&E agree to revise their respective tariffs accordingly.

3. CACD agrees that SoCalGas and SDG&E should modify their respective tariffs to include cogenerator parity provisions, where they are currently missing.

##### TURN and McFarland

4. Both TURN and McFarland protest that SoCalGas' Noncore Storage Balancing Account (NSBA), as shown on tariff sheet No. 23653-G, would allocate 100% of over/undercollections in the account to all ratepayers. The proposed language is inconsistent with Section 9.3 of D.93-02-013, which they contend authorizes only 75% of over/undercollections to only noncore customers.

5. In opposition to TURN and McFarland, SCUPP/IDD refers to D.93-02-013 at p. 36 in its belief that over/undercollections should be recovered from all ratepayers, not just noncore customers.

6. SoCalGas poses that the Decision intended that 100% balancing account treatment would apply to unsubscribed existing storage capacity--considered transition costs which should be amortized among all ratepayers. By SoCalGas's interpretation, the Decision intended that 75% balancing account treatment should apply to actual revenues and costs associated with subscribed firm storage services. SoCalGas agrees to add clarifying language and a subscribed firm storage sub-account to make this distinction clearer.

7. CACD agrees with SoCalGas that the description of its NSBA requires some clarification. CACD also recommends that SoCalGas attend a workshop on this subject, as explained below under the heading "Storage Balancing Accounts".

8. McFarland also observes that according to the footnote to SoCalGas' Sheet No. 23653-G, the NSBA would only exclude revenues and costs for long-term contract expansion facilities. McFarland quotes D.93-02-013, Appendix B-Rule 5.1 which states that "Shareholders should bear all the risk of cost recovery for new or expanded storage facilities dedicated to noncore storage service." McFarland opines that the footnote should be revised so that no revenues from any storage service provided from new or expanded storage facilities are recovered in the NSBA.

9. SoCalGas agrees that all revenues from any storage service provided from new or expanded storage facilities should be excluded from the NSBA. SoCalGas will modify the NSBA accordingly.

10. CACD believes that SoCalGas's proposal to modify the NSBA in response to McFarland's second request is reasonable.

#### Storage Balancing Accounts

11. In addition to the questions raised by TURN and McFarland and the comments of SoCalGas and SCUPP/IDD on SoCalGas' NSBA, CACD has identified other discrepancies with regard to the storage balance accounts proposed by SDG&E and SoCalGas.

12. The Decision states that expansion facilities should be 100% at risk. CACD notices that this provision does not appear in either SDG&E's or SoCalGas' Advice Letter.

13. In the Decision, revenue protections for existing facilities vary, accordingly: (1) transition costs are 100% recoverable from all ratepayers, (2) bypass costs (consisting of stranded costs and discounts) are also 100% recoverable from all ratepayers, but only temporarily, but (3) long-term contracts are allowed 75% protection, recoverable only from non-core customers.

14. CACD realizes that utility operating systems are quite diverse, such that utility regulatory accounts may be different and still comply with Commission intent and directions. However, there are enough questions on SoCalGas' and SDG&E's new storage balance accounts, that CACD proposes to hold a workshop during the month of April 1993 for the limited purpose of discussing the proper design of storage balancing accounts.

15. Recognizing that this would mean that no regulatory mechanism for revenue recovery will be in place on April 1, 1993, when storage services and rates become effective, CACD also recommends that all accrued credit and debit entries to the storage balancing accounts should be subject to adjustment effective April 1, 1993.

Edison

16. Edison raises three issues regarding Advice Letter 2162, first, that the Basic Storage Service Program described in the storage tariff schedules differs in two important respects from the service offered by SoCalGas during its open season. Edison points out that in prepared direct testimony SoCalGas witness, H.J. Bush stated that, "SoCalGas has retained the Basic Storage Service which was made available during the open season." (Exh. 102, p.10). Edison believes that this is the program adopted in the Storage Decision.

17. The maximum basic storage service inventory offered by SoCalGas in the open season limited any one customer to seven times the customer's average daily winter usage. Tariff schedule G-BSS, however, would limit a customer to "up to a maximum amount of (1) the customer's average winter daily usage, or (2) 3,300 therms per day, whichever is less." Edison proposes that the tariff be modified to delete the seven times the 3,300 therms per day limit on withdrawal service.

18. In SoCalGas's open season, Edison had requested no basic storage service injection capacity and was awarded none. Edison objects that the proposed G-BSS tariff would require all basic storage service customers to contract one month of firm storage injection capacity. This mandatory requirement, Edison believes, is inconsistent with the storage program approved in the Storage Decision.

19. SoCalGas acknowledges that provisions in the proposed G-BSS tariff differ from those originally filed in A.92-03-038. SoCalGas contends, however, it had established by Amended Application that the Basic Storage Service was to be revised. (Witness Bush, Exh. 102, p.14). Furthermore, SoCalGas states, these usage limitations and firm injection requirements are consistent with a service providing on-system customers with bundled storage rights and service reliability. Accordingly, SoCalGas believes Edison's protest should be denied.

20. CACD observes that SoCalGas's open season storage program was never submitted into evidence, whereas its proposed G-BSS service was explained in Witness Bush's testimony. CACD recommends that Edison's request be denied.

21. Mimic Bid Option. Edison states that SoCalGas' tariff language is ambiguous as to the amount of storage that cogenerators will be able to obtain under SoCalGas' cogenerator parity rules. Edison believes that schedule G-AUC should be revised so that cogenerators are not able to obtain more than a proportionate share of storage through the mimic bid option. However, if cogenerators

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want more storage than their proportionate share, they should be required to obtain the extra amount under the standard bid option.

22. SoCalGas states that the capacity designated in a cogenerator's mimic bid references the amount requested by and awarded to the cogeneration customer. It was not meant to apply to the amount of Utility Electric Generator (UEG) awards. SoCalGas agrees to clarify the tariff language but does not believe Edison's recommendation to place a proportional limit on cogeneration capacity awards is necessary. SoCalGas points out that neither the tariff nor the original bid option provisions adopted in D.92-07-025 (Capacity Brokering) place a limit on the cogeneration customer's requested and awarded capacity.

23. CACD agrees with Edison and SoCalGas that the bid rights of cogenerators are not clear in the tariff language. CACD recommends that SoCalGas add the necessary clarifications to its G-AUC schedule.

24. Variable Storage Charges. Edison points out that the description of how the variable Operation and Maintenance (O&M) storage charges was established is the same in each tariff, but there are different charges for the storage tariffs throughout SoCalGas' Advice Letter. Edison recommends that this inconsistency be removed and that the variable O&M charges should be the same in each of SoCalGas' storage tariffs.

25. SoCalGas submits that D.93-02-013 authorized it to use Long-Run Marginal Cost (LRMC) methodology for its long-term storage services (G-LTS and G-EXB). Charges for annual storage services (G-BSS, G-SWAP and G-AUC), however, were calculated using current embedded cost methodology. SoCalGas states it proposed partial use of LRMC as an interim step for the first storage year, after which all charges will be based on LRMC.

26. SoCalGas intended the statement in its filed tariffs to refer to how the rate will be established once the storage program gets under way, and therefore, sees no reason to modify the language. However, if the Commission decides that only one variable charge should be applied to both annual and long-term storage services, SoCalGas submits that this charge must be the rate based on LRMC methodology as this will be the basis for all rates after the first year of the storage program.

27. CACD believes SoCalGas' explanation is reasonable. CACD does not believe that it is necessary for SoCalGas to recalculate variable charges currently appearing in its tariffs. However, CACD can appreciate Edison's confusion and recommends that SoCalGas revise the tariffs to explain that its short-term variable charges are based on embedded methodology and long-term variable charges are based on LRMC methodology. SoCalGas should also make clear

that it intends to base all of its variable O&M charges on LRMC methodology after the first year of the storage program.

SDG&E's Unbundled Storage Program

28. In SDG&E's proposed program, firm service comprises packages of injection, inventory, and withdrawal rights. Furthermore, firm storage charges remain embedded in transportation rates. Self-procurement customers would be allowed to release part or all of their assigned capacity in return for a credit based on the released capacity. Self-procurement customers electing to receive 100% of their storage allocation, utility-procurement customers and off-system entities have the option to request storage capacity released by other customers. If this storage is awarded, SDG&E will bill the customer an additional storage fee, equal to the credit rate of the storage.

29. Although this is the program that SDG&E proposed in its testimony, as reiterated in the Decision, CACD believes that SDG&E's packaged/credit-back approach to providing unbundled storage service is awkward and barely compatible with the Decision's stated intent that utilities should offer natural gas storage services in the basic functions of injection, inventory and withdrawal and that these services should be fully unbundled from transportation rates. CACD recommends that the Commission instruct SDG&E to develop an unbundled service program, as SoCalGas has done. CACD suggests that it is reasonable for SDG&E to submit its revised program to the Commission as part of its next cost allocation proceeding testimony.

30. CACD observes also that SDG&E states in each of its proposed tariff schedules that storage service is limited to the term of SDG&E's Agreement with the customer or until March 31, 1994, whichever comes first. CACD believes that it was the Commission's clear intent that each utility's storage program would be permanent from the dates of implementation.

31. D.93-02-013 held SDG&E to the 12.7 bcf of storage inventory that it is obligated to purchase from SoCalGas by contract executed prior to consideration of storage unbundling. However, the Decision also encouraged SDG&E and SoCalGas to continue efforts to renegotiate the contract in light of this storage unbundling proceeding.

32. CACD recommends that SDG&E remove from its tariff schedules any reference that its storage program is interim except to the extent provisions may be revised upon renegotiation of its service contract with SoCalGas. CACD suggests language similar to that stated by SDG&E in its reply brief in this proceeding: "The term for firm unbundled service will be a minimum of one year and a maximum equal to the term of the SDG&E/SoCalGas service agreement."

33. In the storage proceeding, SDG&E testified that it requires much less storage capacity than is allocated to it under its service agreement with SoCalGas. D.93-02-013 clearly specifies, nonetheless, that the cost of this oversubscription, approximately \$1.6 million, will be amortized to all of SDG&E's ratepayers.

34. CACD is concerned that the credit-back mechanism described in SDG&E's storage balancing account may exempt some customers from their share of SDG&E's stranded and transition costs. CACD believes that this topic should be discussed at the storage balancing account workshop.

#### FINDINGS

1. SoCalGas and SDG&E should add to their respective tariffs necessary cogenerator notice and contract opportunity provisions, in accordance with Rule 6 and Rule 7 in D.92-02-013.

2. The storage balancing account mechanisms proposed by SDG&E and SoCalGas fail to fully implement D.93-02-013.

3. SoCalGas's proposal to modify its NSBA to exclude all revenues from any storage service provided from new or expanded storage facilities is reasonable.

4. SDG&E and SoCalGas should attend CACD's Storage Balancing Account workshop and should add appropriate language to their respective balancing accounts to bring them into compliance with D.93-02-013.

5. Edison's request to eliminate usage limitations and firm injection requirements from SoCalGas' G-BSS tariff should be denied.

6. SoCalGas should modify its G-AUC tariff to clarify cogenerator bid rights. Edison's request for a proportional limit on cogeneration capacity awards should be denied.

7. SoCalGas need not recalculate variable charges appearing in its proposed tariffs. However, SoCalGas should revise the tariffs to explain that its short-term variable charges are based on embedded methodology and long-term variable charges are based on LRMC methodology. SoCalGas should also make clear that after the first year of the storage program, it intends to base all variable O&M charges on LRMC methodology.

8. SDG&E should offer fully unbundled storage services in the basic functions of injection, inventory and withdrawal. SDG&E should submit its revised program to the Commission as part of its next cost allocation proceeding.



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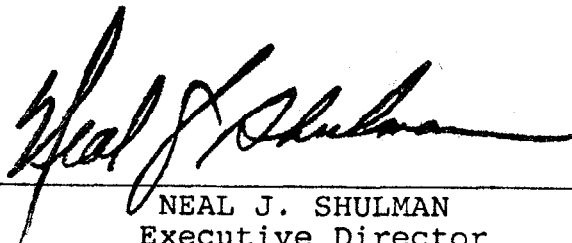
9. SDG&E should remove all references in its tariffs that its storage program is interim, except to the extent provisions may be revised by renegotiation of its service agreement with SoCalGas.
10. In order to expedite implementation of the Commission's gas storage policy, this Resolution is effective today.

**THEREFORE, IT IS ORDERED that:**

1. SoCalGas shall file a supplemental Advice Letter on or before Monday, March 29, 1993, to become effective April 1, 1993, which includes the following:
  - a. Cogenerator notice and contract opportunity provisions in schedule G-SWAP and G-EXB, in accordance with Rules 6 and 7 in D.92-02-013.
  - b. Specific cogenerator bid rights in the G-AUC tariff schedule.
2. SDG&E shall file a supplemental Advice Letter on or before Monday, March 29, 1993, to become effective April 1, 1993, which includes cogenerator notice and contract opportunity provisions in schedule G-ISTOR, in accordance with Rules 6 and 7 in D.92-02-013.
3. CACD shall hold a workshop in April, 1993, for the limited purpose of discussing the proper design of storage balancing accounts. SoCalGas and SDG&E shall attend.
4. After the workshop, SoCalGas and SDG&E shall submit substitute sheets with their respective revised storage balancing account language to CACD for review and approval.
5. All accrued credit and debit entries to the storage balancing accounts of SoCalGas and SDG&E shall be subject to adjustment effective April 1, 1993.
6. CCC's protests are denied, subject to voluntary revisions by SoCalGas of its Advice Letter and subject to SDG&E voluntarily revising its Advice Letter.
7. TURN's and McFarland's protests are denied, subject to SoCalGas and SDG&E voluntarily revising their respective Advice Letters.
8. Edison's protests are denied.
9. This Resolution is effective today.

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I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on March 24, 1993. The following Commissioners approved it:



NEAL J. SHULMAN  
Executive Director

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