

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3055
April 21, 1993

R E S O L U T I O N

RESOLUTION G-3055. PACIFIC GAS AND ELECTRIC COMPANY
REQUESTS APPROVAL OF RULE 22 WHICH SETS FORTH
CREDITWORTHINESS REQUIREMENTS FOR SHIPPERS WHO
PARTICIPATE IN THE CAPACITY BROKERING PROGRAM .

BY ADVICE LETTER 1749-G, FILED ON JANUARY 27, 1993.

SUMMARY

1. This Resolution conditionally approves creditworthiness standards submitted by Pacific Gas and Electric Company (PG&E), pending submittal and approval of a compliance filing to reflect the modifications ordered in this Resolution.
2. The creditworthiness standards offered in Advice Letter (A.L.) 1749-G will be effective pending CACD approval of PG&E's compliance filing.

BACKGROUND

1. On January 27, 1993, PG&E filed A.L. 1749-G requesting approval of its proposed rule to establish creditworthiness standards for shippers acquiring PG&E brokered capacity. As a result of gas industry restructuring, customers may now obtain interstate capacity from PG&E, but are not required to be PG&E end-use customers. Shippers may also act as agents for end-use customers on PG&E's system without being end-use customers themselves.
2. Under PG&E's current rules, shippers are not required to establish creditworthiness with PG&E, except for core aggregators. In A.L. 1749-G, PG&E proposes to establish creditworthiness standards for shippers who acquire firm interstate capacity from PG&E or act as agents on PG&E's system for other end-use customers. Currently, if shippers were to default on payment to the interstate pipelines, PG&E would remain liable to the interstate pipelines for all charges associated with the brokered capacity. PG&E would classify these costs as uncollectibles and the costs would be recovered from all customers.

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3. A.L. 1749-G is designed to reduce the probability that shippers will default on their payments for interstate capacity and, therefore, reduce uncollectible expenses for PG&E.

NOTICE

Public notice of A.L. 1746-G and 1746-G-A was made by publication in the Commission calendar, and by PG&E's mailing copies to all parties of record in R.88-08-018 and to all interested parties who requested notification.

PROTESTS

1. No protests were filed on A.L. 1749-G.

DISCUSSION

In reviewing PG&E's proposed Rule 22, Credit Requirements for Shippers, CACD believes the rule addresses two types of shippers: (1) Shippers who acquire brokered interstate capacity from PG&E and (2) Shippers who act as agents for end-use customers on PG&E's system. CACD will address the creditworthiness standards that it believes PG&E should apply to each type of shipper.

I. Shippers Who Acquire Interstate Capacity

In its proposed Rule 22, PG&E would require shippers to establish creditworthiness or place a deposit with PG&E before they could obtain PG&E brokered interstate capacity. PG&E's creditworthiness standards are in addition to creditworthiness standards that the interstate pipelines impose upon all shippers using released capacity, including those using PG&E's brokered capacity. In the interstate pipelines' restructuring proceedings, considerable attention was focused on creditworthiness standards that shippers using released capacity would have to meet. These standards will be used by the interstate pipeline when signing up new customers under long-term contracts and are intended to provide assurance to the pipelines that customers are a reasonable risk.

While CACD understands PG&E's concern that shippers may default on their obligation to pay interstate demand charges for brokered capacity, CACD does not find it reasonable for PG&E to impose an additional credit check. CACD does find it reasonable that PG&E may require customers to submit the same documentation that the customers used to establish creditworthiness with the interstate pipelines. PG&E may also require customers to provide verification that they passed the interstate pipelines'

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creditworthiness check before interstate capacity is awarded to the customer.

CACD recommends that PG&E modify its Rule 21.1, Use of PG&E's Firm Interstate Rights; Rule 6, Establishment and Restablishment of Credit; and its Bid form for interstate capacity to require customers to submit a filing to PG&E. This filing should contain all materials the customer submitted to the interstate pipeline to establish creditworthiness. PG&E should also require customers to provide verification that they passed the interstate pipelines' credit check. PG&E should modify any other forms, tariffs or rules as necessary to implement CACD's recommendation.

CACD recommends that the modified creditworthiness check apply to all shippers who obtain firm interstate capacity from PG&E regardless of whether they are an end-use customer on PG&E's system.

II. Shippers who Act as Agents on PG&E's Intrastate System

PG&E proposes creditworthiness standards for shippers aggregating end-use customers' services for load balancing, use-or-pay penalties and core gas transportation service in its advice letter. CACD recommends that PG&E should not apply creditworthiness standards to shippers who aggregate noncore end-use customers' services for load balancing and/or use-or-pay penalties. In PG&E's Form No. 79-779, Balancing Service Agreement, and Form No. 79-778, Use-or-Pay Aggregation Agreement, end-use customers who contract with a shipper to aggregate their loads still remain liable to PG&E for any fees the shipper fails to pay to PG&E.

PG&E's proposed creditworthiness standards for shippers aggregating noncore customers' loads would not alleviate the end-use customers from financial liability. The Commission has chosen not to regulate marketers and shippers offering these services to end-use customers and PG&E's creditworthiness standards represent a form of regulation and therefore, CACD recommends that PG&E should not perform credit checks on shippers who provide load balancing or use-or-pay penalty aggregation.

However, PG&E should retain creditworthiness standards in tariff Schedule G-CT, Experimental Core Gas Transportation Service for shippers providing service under that schedule.

FINDINGS

1. CACD's recommendation that PG&E modify its Rule 21.1, Use of PG&E's Firm Interstate Rights; Rule 6, Establishment and Restablishment of Credit; and its Bid form for interstate capacity to require customers to submit a filing to PG&E is reasonable. This filing should contain all materials the

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customer submitted to the interstate pipeline to establish creditworthiness. PG&E should also require customers to provide verification that they passed the interstate pipelines' credit check.

2. CACD recommends that the modified creditworthiness check should apply to all shippers who obtain firm interstate capacity from PG&E regardless of whether they are an end-use customer on PG&E's system.

3. CACD recommends that PG&E should not perform credit checks on shippers who provide load balancing or use-or-pay penalty aggregation.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas & Electric shall modify any forms, tariffs or rules as necessary to implement CACD's recommendation in the Findings.

2. Pacific Gas and Electric shall not modify the creditworthiness standards currently in effect for customers or shippers who take service under Schedule G-CT, Experimental Core Gas Transportation Service.

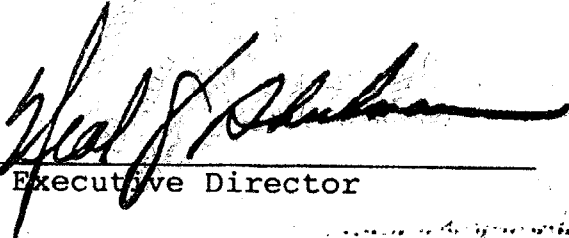
3. Pacific Gas and Electric Company shall file revised tariffs by April 26, 1993 that are identical to Advice Letter 1749-G except for any changes identified in the findings above and any other minor modifications requested by the Commission Advisory and Compliance Division.

4. Advice Letter 1749-G shall be marked to show that it has been superseded and supplemented by the advice letter containing the revised tariffs.

5. The revised tariffs shall be effective pending written consent by the Commission Advisory and Compliance Division.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 21, 1993. The following Commissioners approved it:

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


Executive Director