PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3077
JULY 21, 1993

R E S O L U T I O N

RESOLUTION G-3077. PACIFIC GAS AND ELECTRIC COMPANY REQUESTS APPROVAL TO CREATE AN INTERSTATE CREDIT CONSISTING OF PACIFIC GAS TRANSMISSION COMPANY PIPELINE DEMAND CHARGES APPLIED TO EACH THERM OF GAS TRANSPORTED FOR PACIFIC GAS AND ELECTRIC COMPANY'S UTILITY ELECTRIC GENERATION AND WHOLESALE CUSTOMERS WHO OBTAIN PACIFIC GAS AND ELECTRIC COMPANY'S BROKERED EL PASO NATURAL GAS COMPANY AND TRANSWESTERN PIPELINE COMPANY CAPACITY DURING PARTIAL IMPLEMENTATION OF THE CAPACITY BROKERING PROGRAM.

BY ADVICE LETTER 1776-G, FILED ON JUNE 11, 1993.

SUMMARY

1. In Advice Letter 1776-G, Pacific Gas and Electric Company (PG&E) requests approval to create an interstate volumetric credit representing the pipeline demand charges from Pacific Gas Transmission Company (PGT) for PG&E's utility electric generation customers (UEG) and wholesale customers who obtain PG&E's brokered capacity on the systems of El Paso Natural Gas Company (El Paso) and Transwestern Pipeline Company (Transwestern) during partial implementation of Capacity Brokering.

2. Four parties protested Advice Letter 1776-G.

3. This Resolution approves PG&E's interstate volumetric credit for its UEG and wholesale customers who obtain PG&E's brokered El Paso capacity. PG&E's proposal to apply the volumetric credit to the rates of UEG and wholesale customers who obtain PG&E's Transwestern capacity is denied.

4. This Resolution also approves PG&E's request for a memorandum account to record the credits issued to UEG and wholesale customers that will ensure that the credits issued do not exceed forecasted costs. If at the end of the forecast period, the total credits issued were greater than the forecasted PGT pipeline demand charges, the shortfall would be allocated to all UEG and wholesale customers in the next cost allocation proceeding.

BACKGROUND

1. Currently, UEG intrastate transportation rates consist of a customer charge, Tier I and Tier II volumetric rates and fixed monthly demand charges. The fixed demand charges contain an allocation of PGT and El Paso pipeline demand charges.

2. Commission Resolution G-3045 approved PG&E tariffs which would implement a partial Capacity Brokering program over the El Paso system.

3. Resolution G-3045 did not allow PG&E to update its pipeline demand charge allocations.

4. According to Resolution G-3045, El Paso pipeline demand charges will be removed from PG&E UEG customers' fixed demand charges upon partial implementation of Capacity Brokering to reflect UEG customers' election of core subscription.

5. Resolution G-3045 ordered that PG&E's pipeline demand charges established in its most recent biennial cost allocation proceeding (BCAP) remain in effect until either PG&E's next BCAP or the full implementation of Capacity Brokering.

6. Commission Decision (D.) 93-05-068, issued on May 19, 1993, granted a PG&E petition to modify Commission Resolution G-3045.

7. D.93-05-068 clarified that:

   a. Intrastate transportation rates to UEG and wholesale customers who use PG&E's brokered El Paso capacity should not include interstate demand charges.

   b. The Commission Advisory and Compliance Division (CACD) should hold workshops for the purpose of designing rates for UEG and wholesale customers who use El Paso brokered capacity, and maintaining rate parity between UEGs and cogeneration customers consistent with Public Utilities Code Section 454.4.

   c. PG&E should file an advice letter to implement the rate design developed in the workshops held by CACD.

8. In order to ensure that unbundled rates for UEG and wholesale customers would be effective with PG&E's partial implementation of Capacity Brokering, an Administrative Law Judge's Ruling issued on May 26, 1993, ordered that:

   a. PG&E serve a copy of its proposed unbundling methodology and alternatives before the workshop, on all parties of record in Order Instituting Rulemaking (R.) 88-08-018.

   b. PG&E submit its advice letter filing to all parties of record in R.88-08-018 and by overnight delivery to all parties who participated in the workshops no later than June 14, 1993.

c. the protest period to PG&E's advice letter be shortened from 20 days to 15 days. In turn, PG&E's response to the protests would be due 4 business days after the due date for protests.

9. CACD conducted the workshop on June 7, 1993 with several interested parties in attendance.

10. Subsequently, on June 11, 1993, PG&E filed Advice Letter 1776-G which requests approval of its proposal to remove allocated PGT pipeline demand charges from the intrastate transportation rates of PG&E's UEG and wholesale customers who use PG&E's brokered El Paso and Transwestern capacity during partial implementation of Capacity Brokering.

11. As stated in PG&E's Advice Letter 1776-G, in order to unbundle PGT costs from UEG rates for service over PG&E's brokered capacity, PG&E proposes to retain the long run marginal cost (LRMC) allocation of PGT revenue in the UEG fixed demand charge and provide a volumetric credit per therm of gas flowing over PG&E's brokered capacity.

12. This volumetric credit per therm represents PGT pipeline demand charges allocated to UEG customers in PG&E's LRMC proceeding, D.93-05-066, divided by the forecasted UEG throughput adopted in PG&E's most recent BCAP, D.91-10-051.

13. PG&E states that in maintaining the forecasting methodology for UEG rates, rate parity between UEG and cogeneration rates will also be maintained on a forecasted basis.

14. The unbundled intrastate rate contained in the Rate Schedule G-COG - Gas Service to Cogeneration Facilities - will remain in parity with the intrastate charges contained in Schedule G-UEG - Gas Service to PG&E's Electric Generating Plants.

15. The PGT interstate rate component included in the G-COG bundled rate is equivalent to the rate component allocated in the G-UEG fixed demand charge.

16. The El Paso rate component included in the core subscription rate for all classes will be calculated in accordance with Resolution G-3045 and will be based on customer elections during PG&E's recent Open Season. The component will include PG&E's UEG recent election to take zero core subscription gas.

17. Upon partial implementation of PG&E's Capacity Brokering program, cogeneration customers who obtain PG&E's brokered El Paso capacity will receive an unbundled rate which will exclude the interstate rate component currently embedded in transportation rates. UEG customers who obtain PG&E's brokered

El Paso capacity will pay the bundled rate with the volumetric credit per therm of gas transported over PG&E's brokered El Paso capacity.

18. Under Rate Schedule G-P03 - Gas Transportation Service to Noncore Interim Standard Offer No. 4 Energy Payment Option 3 Cogeneration Facilities, cogeneration customers pay the actual costs to UEG customers on a monthly basis lagged two months.

19. For customers who use Schedule G-P03, PG&E proposes that: (1) the bundled G-PO3 rate will consist of the sum of G-UEG customer, demand and volumetric Tier I and II charges for a given month divided by actual UEG throughput for that month, (2) the unbundled G-PO3 rate will be the bundled G-PO3 rate less the volumetric interstate credit, and (3) the core subscription rate will be the sum of the bundled G-PO3 rate and the El Paso rate component.

20. Like the proposal for UEG customer rates, PG&E proposes to create a volumetric interstate credit for each wholesale customer consisting of the PGT pipeline demand charges contained in the fixed monthly demand charge which were allocated in PG&E's LRMC proceeding divided by BCAP volumes.

21. The volumetric interstate credit for wholesale customers would be applied to all volumes flowing over PG&E's brokered El Paso or Transwestern capacity.

22. The El Paso portion of wholesale customers' demand charge will be adjusted to reflect elections of core subscription service in accordance with Resolution G-3045.

23. PG&E proposes to establish a memorandum account to ensure that the volumetric credit issued does not exceed the forecasted costs for the period. This memorandum account will record volumetric credits issued to the UEG and wholesale customers until full implementation of Capacity Brokering.

24. If at the end of the period in question, the total credit was greater than the PGT pipeline demand charges contained in the fixed demand charge for those months, the shortfall would be allocated to UEG and each wholesale customer in the next BCAP.

NOTICE

1. Public notice of Advice Letter 1776-G was made by publication in the Commission calendar, and by PG&E's mailing copies to parties of record in R.88-08-018 and R.90-02-008 and to all interested parties who requested information.

PROTESTS

1. Sunrise Energy Services, Inc. and SunPacific Energy Management, Inc. (Sunrise/SunPacific) filed a protest to Advice Letter 1776-G on June 22, 1993.

2. The Commission's Division of Ratepayer Advocates (DRA) filed a protest to Advice Letter 1776-G on June 29, 1993.

3. Adrian J. Hudson, representing unspecified interruptible noncore customers, filed a protest to Advice Letter 1776-G on June 29, 1993.

4. El Paso wrote a protest to Advice Letter 1776-G dated June 29, 1993. This protest was not formally received by the Commission Advisory and Compliance Division. However, since PG&E has filed its response dated July 9, 1993 to the El Paso protest, it will be considered in this Resolution.

5. PG&E filed separate responses received on July 8, 1993 to the protest of Sunrise/SunPacific, DRA and Mr. Hudson. PG&E filed a separate response dated July 9, 1993 to the protest of El Paso.

PROTEST ISSUES

1. PG&E's Transwestern Capacity

Sunrise/SunPacific and El Paso protest PG&E's Advice Letter 1776-G because PG&E proposes to apply the interstate volumetric credit to PG&E's UEG and wholesale customers who obtain PG&E's brokered firm Transwestern interstate pipeline capacity.

Both Sunrise/SunPacific and El Paso state that neither D.93-05-068 nor D.93-04-040, where the Commission approved PG&E's request to broker its Transwestern capacity, allow for the unbundling of interstate demand charges from intrastate transportation rates associated with PG&E's Transwestern capacity. Sunrise/SunPacific note that on May 5, 1993, it filed a petition for modification or clarification of D.93-04-040 requesting that the Commission clarify that PG&E must broker its Transwestern capacity at the bundled intrastate transportation rate.

Sunrise/SunPacific add that because the costs of Transwestern capacity held by PG&E are not currently allowed in customers' intrastate rates, a customer that obtains PG&E's brokered Transwestern capacity will not aid in minimizing stranded costs on the PG&E system, but will, in fact, be increasing stranded costs. Sunrise/SunPacific point out that it was for this reason that the Commission refused to unbundle rates during partial implementation of Capacity Brokering for noncore customers who use firm interstate capacity that is not utility-held.

Sunrise/SunPacific believe that PG&E's proposal with respect to its brokered Transwestern capacity is beyond the scope of the authority granted to PG&E in D.93-05-068. And, therefore, PG&E should be prevented from removing both El Paso and PGT interstate demand charges from the intrastate rate for UEG and wholesale customers who use PG&E's brokered Transwestern capacity.

PG&E states that it simply proposes a methodology for unbundling UEG and wholesale customer demand charges in compliance with D.93-05-068 and D.92-07-025, the Capacity Brokering implementation decision. PG&E believes that a methodology is necessary regardless of whether the Commission grant's Sunrise/SunPacific's petition and, therefore, believes that it is inappropriate to consider the issues raised in the protest.

Discussion

In a recent decision, D.93-07-017, the Commission granted Sunrise/SunPacific's petition for modification or clarification of D.93-04-040. D.93-07-017 clarified that PG&E may not unbundle the intrastate transportation rate it assesses to customers who commit to brokered capacity over the Transwestern system.

Therefore, because PG&E has not been authorized to unbundle the intrastate transportation rates of those customers who obtain PG&E's Transwestern capacity, CACD believes that it is not reasonable to allow PG&E to apply the interstate volumetric credit to the rates of those UEG and wholesale customers who use PG&E's brokered Transwestern capacity. CACD recommends the protest of Sunrise/SunPacific be granted. Furthermore, CACD recommends that PG&E clarify in the UEG and Wholesale Demand Charge Credits Memorandum Account of the Preliminary Statement, and in Rate Schedules G-COG, G-PO3, G-UEG, and G-WRT that only those customers who use PG&E's brokered El Paso capacity are entitled to unbundled rates.

2. The Firm Surcharge and Interruptible Credit

Both DRA and Adrian Hudson protest Advice Letter 1776-G because the advice letter proposes changes in UEG demand charges which were not specifically noticed as required in PG&E's last BCAP, D.92-10-051, Ordering Paragraph 11. In this decision, the Commission directed that:

> PG&E shall file an advice letter at the time new service level nominations are made to change the fixed demand charge component of the utility electric generation and wholesale rates to reflect changes in service level nominations.

DRA and Mr. Hudson believe that Advice Letter 1776-G does not meet the Commission's directive. The subject advice letter should be modified to remove the effects of changes in service level nominations.

Furthermore, PG&E's changes to the UEG demand charge represent a reduction of approximately $145 million dollars over a two year period beginning August 1, 1993, of which approximately $48 million is associated with the removal of El Paso pipeline demand charges from UEG rates. DRA notes that the remaining $97 million appears to be associated with PG&E UEG department's change from firm to interruptible service whereby the UEG does not pay a firm surcharge, but instead receives an interruptible credit.

Under the current Procurement rules adopted in D.90-09-089, PG&E's noncore customers electing firm intrastate transportation service pay a surcharge of 1.2 cents per decatherm of gas. The credit to customers who elect interruptible transportation service is set in PG&E's BCAP, based on a forecast of firm and interruptible service for the BCAP period. Any balance is amortized in the interruptible credit during the next cost allocation proceeding.

DRA and Mr. Hudson believe that an undercollection will result because the forecasted interruptible credit was based on a higher level of firm service for PG&E's UEG which would have provided much of the revenues necessary to fund the current interruptible credit. With PG&E's UEG nomination of interruptible service for all its noncore load, the interruptible credit should now be revised downward to avoid a large undercollection in the Firm Service Interruptible Credit Balancing Account (FSICBA) to the potential detriment of other customers.

DRA requests that PG&E be directed to file an advice letter in compliance with D.92-10-051, proposing revisions to UEG demand charges which reflect a re-estimation of the interruptible service credit associated with PG&E's UEG nomination of interruptible service. Mr. Hudson proposes that PG&E re-forecast an interim interruptible credit which would be determined through workshops, or through discussions among parties. This interim credit would remain in effect until full implementation of capacity brokering. Mr. Hudson also proposes that PG&E should not be permitted to include the interruptible credit in its UEG tariffs.

PG&E states that the purpose of Advice Letter 1776-G was solely to propose a <u>methodology</u> for calculating unbundled UEG and wholesale rates. PG&E emphasizes that the open season for intrastate service elections had not closed at the time the advice letter was filed and that the estimates contained in the filing were illustrative.

PG&E addresses the concerns of DRA and Mr. Hudson by pointing out it has filed an advice letter requesting authority to recalculate the interruptible credit for all noncore customers based on the methodology Southern California Gas Company (SoCalGas) is currently authorized to use. Therefore, PG&E does not believe it is necessary to propose a re-forecast of the interruptible credit before resolution of this pending advice letter.

With respect to Mr. Hudson's request that PG&E propose UEG demand charges that do not include the current interruptible credit, PG&E states that there is no Commission decision that authorizes denial of credits to one class of customer for interruptible service while issuing the same credit to all other classes.

Discussion

CACD notes that PG&E has filed Advice Letter 1764-G which requests approval to revise the interruptible credit on a monthly basis as is currently done by SoCalGas. A proposed Commission resolution on PG&E's Advice Letter 1764-G will be addressed by the Commission at the same conference that this Resolution will be addressed. Therefore, CACD recommends that the protests of DRA and Mr. Hudson be denied because the issue of an undercollection in the FSICBA will be addressed in the Commission resolution on Advice Letter 1764-G. Furthermore, Mr. Hudson's proposal to exclude the interruptible credit in PG&E's UEG tariffs should be denied because such an exclusion has not been authorized by the Commission.

CACD notes that PG&E must comply with the D.92-10-051, Ordering Paragraph 11, where the Commission directs PG&E to file an advice letter to change the fixed demand charge component of UEG and wholesale rates to reflect any changes in service level nominations.

FINDINGS

1. Currently, UEG intrastate transportation rates consist of a customer charge, Tier I and Tier II volumetric rates and fixed monthly demand charges. The fixed demand charges contain an allocation of PGT and El Paso pipeline demand charges.

2. Resolution G-3045 ordered that PG&E's pipeline demand charges established in its most recent BCAP remain in effect until either PG&E's next BCAP or the full implementation of Capacity Brokering.

3. Commission Decision D.93-05-068, issued on May 19, 1993, granted a PG&E petition to modify Commission Resolution G-3045.

4. D.93-05-068 clarified that:

   a. Intrastate transportation rates to UEG and wholesale customers who use PG&E's brokered El Paso capacity should not include interstate demand charges.

   b. The Commission Advisory and Compliance Division (CACD) should hold workshops for the purpose of designing rates for UEG and wholesale customers who use El Paso brokered capacity, and maintaining rate parity between UEGs and cogeneration customers consistent with Public Utilities Code Section 454.4.

   c. PG&E should file an advice letter to implement the rate design developed in the workshops held by CACD.

5. CACD conducted the workshop on June 7, 1993.

6. On June 11, 1993, PG&E filed Advice Letter 1776-G which requests approval of its proposal to remove allocated PGT pipeline demand charges from the intrastate transportation rates of PG&E's UEG and wholesale customers who use PG&E's brokered El Paso and Transwestern capacity during partial implementation of Capacity Brokering.

7. As stated in PG&E's Advice Letter 1776-G, in order to unbundle PGT costs from UEG rates for service over PG&E's brokered capacity, PG&E proposes to retain the LRMC allocation of PGT revenue in the UEG fixed demand charge and provide a volumetric credit per therm of gas flowing over PG&E's brokered capacity.

8. The volumetric credit per therm represents PGT pipeline demand charges allocated to UEG customers in PG&E's LRMC proceeding, D.93-05-066, divided by the forecasted UEG throughput adopted in PG&E's most recent BCAP, D.91-10-051.

9. PG&E states that its proposal maintains rate parity between UEG and cogeneration rates.

10. Upon partial implementation of PG&E's Capacity Brokering program, cogeneration customers who obtain PG&E's brokered El Paso capacity will receive an unbundled rate which will exclude the interstate rate component currently embedded in transportation rates. UEG customers who obtain PG&E's brokered El Paso capacity will pay the bundled rate with the volumetric credit per therm of gas transported over PG&E's brokered El Paso capacity.

11. For customers who use Schedule G-P03, PG&E proposes that: (1) the bundled G-P03 rate will consist of the sum of G-UEG customer, demand and volumetric Tier I and II charges for a given month divided by actual UEG throughput for that month, (2) the unbundled G-P03 rate will be the bundled G-P03 rate less the volumetric interstate credit, and (3) the core subscription

rate will be the sum of the bundled G-PO3 rate and the El Paso rate component.

12. PG&E proposes to create a volumetric interstate credit for each wholesale customer consisting of the PGT pipeline demand charges contained in the fixed monthly demand charge which were allocated in PG&E's LRMC proceeding divided by BCAP volumes.

13. The volumetric interstate credit for wholesale customers would be applied to all volumes flowing over PG&E's brokered El Paso or Transwestern capacity.

14. PG&E proposes to establish a memorandum account to ensure that the volumetric credit issued does not exceed the forecasted costs for the period.

15. This memorandum account will record volumetric credits issued to the UEG and wholesale customers until full implementation of Capacity Brokering.

16. If at the end of the period in question, the total credit was greater than the PGT pipeline demand charges contained in the fixed demand charge for those months, the shortfall would be allocated to the UEG and each wholesale customer in the next BCAP.

17. Sunrise/SunPacific and El Paso protest PG&E's Advice Letter 1776-G because PG&E proposes to apply the interstate volumetric credit to PG&E's UEG and wholesale customers who obtain PG&E's brokered firm Transwestern interstate pipeline capacity.

18. D.93-07-017 clarified that PG&E may not unbundle the intrastate transportation rate it assesses to customers who commit to brokered capacity over the Transwestern system.

19. It is not reasonable to allow PG&E to apply the interstate volumetric credit to the rates of those UEG and wholesale customers who use PG&E's brokered Transwestern capacity.

20. PG&E should clarify in the UEG and Wholesale Demand Charge Credits Memorandum Account of the Preliminary Statement, and in Rate Schedules G-COG, G-PO3, G-UEG, and G-WRT that only those customers who use PG&E's brokered El Paso capacity are entitled to unbundled rates.

21. Both DRA and Adrian Hudson protest Advice Letter 1776-G because the advice letter proposes changes in UEG demand charges which were not specifically noticed as required in PG&E's last BCAP, D.92-10-051, Ordering Paragraph 11.

22. DRA and Mr. Hudson believe that with PG&E's UEG nomination of interruptible service for all its noncore load, the interruptible credit should now be revised downward to avoid a large undercollection in the FSICBA to the potential detriment of other customers.

23. PG&E has filed Advice Letter 1764-G which requests approval to revise the interruptible credit on a monthly basis as is currently done by SoCalGas.

24. The protests of DRA and Mr. Hudson should be denied because the issue of an undercollection in the FSICBA will be addressed in the Commission resolution on Advice Letter 1764-G.

25. Mr. Hudson's proposal to exclude the interruptible credit in PG&E's UEG tariffs should be denied because such an exclusion has not been authorized by the Commission.

26. PG&E must comply with the D.92-10-051, Ordering Paragraph 11, where the Commission directs PG&E to file an advice letter to change the fixed demand charge component of UEG and wholesale rates to reflect any changes in service level nominations.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to create an interstate volumetric credit consisting of Pacific Gas Transmission Company pipeline demand charges for Pacific Gas and Electric Company's utility electric generation and wholesale customers who obtain the utility's brokered capacity on the El Paso Natural Gas Company system during partial implementation of the Capacity Brokering program.

2. Pacific Gas and Electric is authorized to establish a memorandum account to record the interstate volumetric credits issued to utility electric generation and wholesale customers that will ensure that the credits issued do not exceed forecasted costs. Any shortfalls associated with the credits issued and the forecasted costs shall be allocated to utility electric generation and wholesale customers in the next cost allocation proceeding.

3. Pacific Gas and Electric Company shall file an advice letter within five days of the effective date of this Resolution revising its proposed tariffs submitted in Advice Letter 1776-G pursuant to the stated modifications in the above findings.

4. In the advice letter, Pacific Gas and Electric Company shall reflect the modifications ordered in this Resolution as well as the modifications ordered in Resolution G-3075 which addresses Pacific Gas and Electric Company's Advice Letter 1764-G.

5. This new advice letter in compliance with this Resolution and Resolution G-3075 shall be effective August 1, 1993 and shall supersede Advice Letters 1776-G and 1764-G.

This Resolution is effective today.

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

Neal J. Shulman
Executive Director

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

Commissioner Patricia M. Eckert, being necessarily absent, did not participate.