

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3111
February 16, 1994

R E S O L U T I O N

RESOLUTION G-3111. SOUTHERN CALIFORNIA GAS COMPANY (SOCALGAS) REQUEST TO AMEND THE GAS TRANSPORTATION SERVICE CONTRACT (CONTRACT) BETWEEN ITSELF AND MIDWAY-SUNSET COGENERATION COMPANY (MIDWAY).

BY ADVICE LETTER 2260-G FILED ON JANUARY 21, 1994.

SUMMARY

1. Southern California Gas Company (SoCalGas) requests authorization for modifying the Gas Transportation Service Contract (Contract) with Midway-Sunset Cogeneration Company (Midway); the change would allow Midway to use the credits it accumulated for delivering natural gas in excess of its Minimum Transmission Obligation, on a one time basis. SoCalGas also requests that its Advice Letter be approved and become effective on and after March 1, 1994, which is one day less than the statutory forty day period.
2. General Order 96-A, Section X, requires SoCalGas to request authorization for modifying existing contracts.
3. The current Contract allows Midway to accumulate credits for gas delivered in excess of the Minimum Transmission Obligation. These credits can then be used to offset the Minimum Transmission Obligation in a future Contract year. During the first three years of the Contract, Midway accumulated enough credits to equal their Minimum Transmission Obligation for one Contract year. Following the current Contract, Midway does not need to transport any gas through SoCalGas' pipeline for one Contract year. Midway requested that an amendment to the Contract be made so that it may use one-half of the accumulated credits in each of two consecutive years (Contract years six and seven). For this change, Midway offered to waive its right to two percent of the total accumulated credits.
4. The benefits to SoCalGas' ratepayers will be two-fold. First, SoCalGas will receive two percent of the accumulated credits for agreeing to this amendment. Second, SoCalGas will

receive some margin¹ during Contract year six. Under the Contract now in effect, SoCalGas would receive no margin until Contract year seven.

5. The Commission Advisory and Compliance Division (CACD) received no protests to Advice Letter 2260-G.

6. This Resolution approves SoCalGas' request.

BACKGROUND

1. On March 31, 1988, SoCalGas filed Advice Letter 1784-G in which it sought Commission approval of a Gas Transportation Service Contract between SoCalGas and Midway. On May 25, 1988, the Commission approved that Advice Letter by Resolution (Res.) G-2790.

2. In Advice Letter 2260-G, SoCalGas seeks to amend the Contract to change the way in which Midway is able to utilize the credits it has accumulated for delivering natural gas in excess of its Minimum Transmission Obligation, on a one time basis. The Contract approved in Res. G-2790 currently allows for the accumulation of such credits. The present Contract states that the credits may be used to make up for a shortfall of the Minimum Transmission Obligation during any one Contract year, as defined in the Contract. The accumulated credits may not exceed the annual transmission quantity. When the credits are used, Midway pays SoCalGas the difference between the Transmission Rate in effect at the end of the Contract year less the Transmission Rate in effect when the credits were accrued.

3. During the first three Contract years, Midway accumulated enough credits to equal its Minimum Transmission Obligation for one Contract year. Therefore, Midway does not have to transport any gas through the SoCalGas pipeline system for one Contract year. Following that year Midway would have to purchase its full Minimum Transmission Obligation until it accumulates more credits. Midway requested than an amendment to the Contract be made which would allow it to use one-half of the accumulated credits in each of two consecutive years. For this, Midway offered to waive its right to two percent of the total accumulated credits.

4. According to SoCalGas the benefits are twofold:

- a) First, SoCalGas will receive two percent of the accumulated credits for agreeing to this amendment; and,
- b) Second, SoCalGas would receive some margin during Contract year six.

1 "Margin" is the revenue in excess of the actual costs of providing the service to Midway.

Under the currently effective Contract, SoCalGas would receive no margin until year seven.

NOTICE

1. SoCalGas served public notice of Advice Letter 2260-G by mailing copies to other utilities, governmental agencies, and all parties who requested it. In addition, notice of Advice Letter 2260-G was published in the Commission calendar on January 26, 1994.

PROTESTS

1. CACD received no protests to Advice Letter 2260-G.

DISCUSSION

1. General Order 96-A, Section X.A., requires SoCalGas to obtain advance authorization of "any contract arrangement or deviation for the furnishing of any public utility service at rates or under conditions other than the rates contained in its tariff schedules on file and in effect at the time". Requests for authorization of contracts or deviations in contracts may be requested in an Advice Letter provided the service is of minor importance.

2. The Contract that SoCalGas is seeking to amend was approved by Commission Resolution G-2790.

3. SoCalGas seeks to amend only one section of this Contract, Section 5.04. Section 5.04, as originally approved by the Commission, states:

"5.04 Customer shall be allowed to accumulate credits for Quantities of Gas delivered in excess of the Minimum Transmission Obligation for any Contract Year. These credits will be placed in a Credit Account ("Account") which Account may not exceed the then current Annual Transmission Quantity as specified in Attachment 2. If, at the end of a Contract Year, it has been determined that the Customer has not transported the Minimum Transportation Obligation for that Contract Year as determined in Section 5.03 ("Shortfall"), and credits in the Account may be deducted from the Account and applied to the Shortfall, less any other adjustments provided for herein. If, a Shortfall still exists after Account credits are applied, Customer will pay SoCal an amount equal to the Shortfall amount remaining multiplied by the Transmission Charge in effect at the end of the Contract Year. Also, for those credits which are applied to any Shortfall, Customer will pay the difference between the Transmission Rate in effect when Account credits were accrued. Credits first accrued in the Account will be the first applied to any Shortfall. Once credits from the Account are applied to any Shortfall, additional

Account credits may only be accrued from that Contract Year forward, and may never exceed the Annual Transmission Quantity which is then specified in Attachment 2."

4. SoCalGas requests to amend the Contract by adding new language that will be inserted at the end of the current Section 5.04 of the Contract, as follows:

"Notwithstanding the other provision of this Section 5.04, during the two (2) Contract Years commencing March 1, 1994 and ending February 29, 1996, Customer shall be entitled to utilize 81,082,720 therms, which is one-half the available credit, and includes the two percent (2%) reduction of such credit as to which Customer waives all present and future rights, each year plus or minus ten percent (10%) tolerance for the carryover for the first year ending February 28, 1995. By the end of the second year, February 29, 1996, the total credit used over the two years shall not exceed 162,165,441 therms. Customer also hereby waives the right to use any credit during the Contract Year commencing March 1, 1993 and running through February 28, 1994. The Credit Account shall be reduced to zero on March 1, 1996 and shall be allowed to accumulate credits after March 1, 1996.

5. Except for the revision of Section 5.04, the Contract continues in full force and effect.

6. The Modification for which SoCalGas seeks authority will allow Midway to use its Account credits over two years, as opposed to requiring Midway to use the Account credits in one year, in return SoCalGas will receive two percent of the accumulated credits for agreeing to this amendment, will have the balance in the account zeroed out, and will receive a margin on the gas purchased in Contract year six.

7. SoCalGas requested that this advice letter be approved and become effective on and after March 1, 1994, which is one day less than the statutory 40 day period.

8. The benefits to SoCalGas' ratepayers are two-fold. First, SoCalGas will receive two percent of the accumulated credits for agreeing to this amendment. Second, SoCalGas will receive some margin during Contract year six. Under the currently effective Contract, SoCalGas would receive no margin until Contract year seven.

9. The Modification for which SoCalGas seeks authority is reasonable. Therefore, CACD recommends approval of this advice letter.

February 16, 1994

FINDINGS

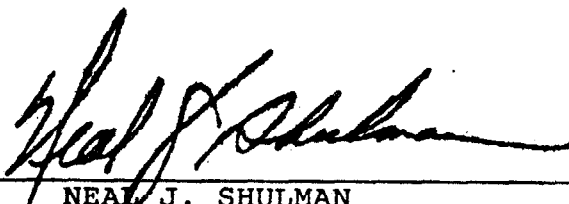
1. General Order 96-A requires SoCalGas to obtain authorization for modifying existing contracts.
2. The modification that SoCalGas requests would allow Midway to use its Account credits over two Contract years, instead of one Contract year. In return SoCalGas will receive two percent of the accumulated credits for agreeing to this amendment, and will receive some margin during Contract year six. Under the currently effective Contract, SoCalGas would receive no margin until Contract year seven.
3. The Modification for which SoCalGas seeks authority is reasonable.
4. CACD recommends approval of Advice Letter 2260-G.

THEREFORE, IT IS ORDERED that:

1. Southern California Gas Company is authorized to amend the Gas Transportation Service Contract between Midway-Sunset Cogeneration Company and Southern California Gas Company as requested in Advice Letter 2260-G.
2. Advice Letter 2260-G shall be marked with an effective date of March 1, 1994, and returned to Southern California Gas Company.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on February 16, 1994. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

DANIEL Wm. FESSLER
President
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
P. GREGORY CONLON
JESSIE J. KNIGHT, Jr.
Commissioners