

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND  
COMPLIANCE DIVISION

RESOLUTION G-3121  
SEPTEMBER 15, 1994

R E S O L U T I O N

RESOLUTION G-3121. SOUTHERN CALIFORNIA GAS COMPANY REQUESTS AUTHORIZATION TO REVISE RULE 33, GASSELECT, AND RULE 30, TRANSPORTATION OF CUSTOMER-OWNED GAS, TO AUTHORIZE THE SOUTHERN CALIFORNIA GAS COMPANY TO CHARGE TRANSPORTERS OF GAS FOR THE USE OF GASSELECT.

BY ADVICE LETTER 2272-G, FILED ON FEBRUARY 15, 1994.

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SUMMARY

1. Southern California Gas Company (SoCalGas) requests authorization to revise its tariff sheets, including Rule 33 (GasSelect<sup>1</sup>) and Rule 30 (Transportation of Customer-Owned Gas), pursuant to D.93-12-043. The purpose of these changes is to authorize SoCalGas to charge transporters of gas on the SoCalGas system, and other users, for the use of GasSelect. In addition, SoCalGas requests that the use of GasSelect be

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1 GasSelect is an electronic medium designed to enhance the ability of customers and marketers, as well as other interested parties, to manage gas supplies and to obtain pertinent information regarding SoCalGas' operations. Among the transactions and other information accessible to GasSelect users are the following:

- \* Electronic nomination ability.
- \* Access to meter usage data including volumes used during a particular time frame and by account(s).
- \* Imbalance Trading Service, including the ability for users to post volumes for trading, on-line submittal of imbalance trades to SoCalGas, and verification/confirmation of consummated trades by SoCalGas.
- \* Data retrieval information including access to SoCalGas' tariffs, nomination deadlines, curtailment notices, rate changes, regulatory notices, interstate pipeline rates and notices, and the ability to exchange information with other GasSelect users.

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designated as a condition of service to transport Gas on the SoCalGas system.

2. This advice letter was protested by Enron Gas Services Corporation (Enron), and Mock Resources, Inc. (Mock), and a joint protest was filed by Sunrise Energy Services, Inc. and SunPacific Energy Management, Inc. (Sunrise/SunPacific).

3. This Resolution authorizes SoCalGas' request subject to the modifications that are specified herein.

#### BACKGROUND

1. The California Public Utilities Commission (Commission) rejected SoCalGas' request for GasSelect's funding in its Test Year 1994 General Rate Case (GRC) Decision, (D. 93-12-043, page 133). However, the Commission authorized SoCalGas to file tariffs to recover GasSelect costs from customers who use the GasSelect services, consistent with D. 90-09-089 which directed SoCalGas to recover costs associated with gas imbalance trading from individual beneficiaries of the program.

2. SoCalGas filed Advice Letter 2272-G to recover its GasSelect costs. The addition to Rule 33 contains a rate structure that SoCalGas claims is equitable and assigns the costs associated with the administration of GasSelect to those parties who benefit from using GasSelect.

3. The charges that SoCalGas is requesting be included in Rule 33 consist of the following two components:

- \* A Monthly Base Fee is assessed to all transporters and other users of GasSelect. The purpose of the monthly base fee is to recover fixed monthly costs incurred by SoCalGas for the administration of GasSelect. These charges include SoCalGas' labor and computer network fees. The monthly base fee has been developed for end-use customers and marketers on a basis which reflects their respective level of GasSelect usage.
- \* A Monthly Usage Fee is assessed to all customers and marketers who view or transfer meter usage data to their own personal computer systems. Because of the wide range of usage experienced on GasSelect, eight tiers of monthly usage fees have been established to ensure users pay an equitable share of the costs associated with GasSelect. GasSelect users will be assigned to one of the eight tiers based on their historical usage. Usage is determined by the amount of kilocharacters (1,000 characters of data transmitted) used by customers and marketers. Once assigned to one of the eight tiers, users will pay the monthly usage fee associated with their assigned tier. SoCalGas will review GasSelect usage monthly and reassign users to tiers that reflect their

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current usage profile as appropriate. Kilo-character usage charges are incurred when users view or transfer meter usage data from GasSelect to their own personal computer system. Kilocharacters are not used when transferring nominations or imbalance trades to GasSelect, or for viewing information other than meter usage on GasSelect such as bulletin board notices or other information.

4. SoCalGas views the tiered monthly usage fee structure as interim in nature until the existing GasSelect system is replaced, which is expected in late 1994. Upon implementation of the new system, SoCalGas will be able to monitor usage on a per minute basis, and usage fees will then be based on the actual time spent by the user on GasSelect.

5. New customers and marketers who sign a GasSelect Contract after June 30, 1994 will be charged a \$100 set-up fee to cover the administrative costs associated with establishing them as a GasSelect user. GasSelect users who are disconnected from GasSelect for nonpayment will be assessed the \$100 set-up fee for reinstatement. SoCalGas states that this fee is cost based.

#### NOTICE

1. Public notice of advice letter 2272-G was made by publication in the Commission's calendar, and by mailing copies of the filing to adjacent utilities and interested parties.

#### PROTESTS

1. The Commission Advisory and Compliance Division (CACD) received three protests on advice letter 2272-G.

2. Sunrise/SunPacific filed its protest on March 4, 1994. It objects to this tariff filing because the mandatory GasSelect service and accompanying fees envisioned by SoCalGas represent a "pernicious tying arrangement." Moreover, the manner by which SoCalGas has developed this GasSelect service since 1991 represents a classic case of predatory pricing that should not be tolerated in the newly competitive natural gas market in California.

3. Sunrise/SunPacific request that the Commission reject SoCalGas' tariff filing. In doing so, the Commission should establish a clear policy with respect to the recovery of costs associated with utility investment in GasSelect and similar programs that are subject to competition in the gas marketplace.

4. Sunrise/SunPacific recommend that the Commission should provide the following methods for the recovery of the costs of GasSelect and similar utility investments:

- i) Limit SoCalGas' cost recovery for its GasSelect service to the cost of a basic "wholesale" level

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data interface (such costs should be recovered from all ratepayers); and,

- ii) Limit SoCalGas' method of cost recovery (for the additional costs beyond the basic "wholesale" service) to a usage fee that is charged only to those customers that voluntarily choose to use GasSelect Service.

5. Finally, Sunrise/SunPacific also recommend that, with respect to the costs of basic services, the Commission should assure through the reasonableness review process that SoCalGas has not incurred excessive costs to provide such basic service. SoCalGas should be subject to competition for all of the costs that exceed the costs of a truly basic information interface system.

6. Enron filed its protest on March 7, 1994. Enron is willing to pay a reasonable price for its use of GasSelect. Enron, however, is dismayed by the magnitude of the costs of GasSelect and the proposed charges to SoCalGas' customers for use of the system (under SoCalGas' proposed method a customer could pay as high as \$4,925 a month).

7. Enron submits that two aspects of this matter warrant the Commission's consideration:

- i) SoCalGas is developing a new GasSelect system which will be owned and operated by the company, rather than by an outside contractor. This new system promises to be more efficient and more cost-effective for SoCalGas and its customers. SoCalGas estimates that this new GasSelect system will be in operation in the fourth quarter of 1994. In the light of the stand-alone cost of the present system, Enron submits that SoCalGas and its transportation customers would be better served if separate charges were deferred until the new, more economical, GasSelect system is available; or,
- ii) If the Commission declines to await operation of the new GasSelect System before imposing separate charges, Enron urges the Commission to examine the \$650,000 annual cost which SoCalGas proposes to recover from customers for obtaining meter data.

8. Mock filed its initial protest on March 18, 1994, eleven days after the end of the twenty day protest period. Mock filed a supplement to its protest on March 24, 1994.

9. Mock accepts the concept of a "reasonable" monthly charge, but that charge should reflect charges for similar information and data transfer services in the marketplace. According to Mock, at present, the Monthly Base Fee for customers is within market norms, but the Monthly Usage Fee is so high it does not compare to any other similar service in the industry. Mock points out that most of the pipeline company bulletin boards

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which were mandated by FERC to execute the requirements of Order 636, have at present, no monthly or data transfer charges.

10. Mock feels that the metering equipment activity, that SoCalGas is seeking recovery for, was installed for SoCalGas' benefit, not its customers. In addition, this metering equipment has also been justified in the past as important to "Demand-Side Management" (energy conservation). Mock also suggests that the Commission focus on SoCalGas' account receivables in lieu of establishing a charge to cover SoCalGas' inefficiencies. Mock's position is that the charge and eight-tier rate structure is evidence that SoCalGas has contracted for services from General Electric Information Services that are highly over priced. Mock believes that if SoCalGas made "costly" decisions in the conduct of their business affairs they should not be handed opportunities to simply pass those errors onto their customers.

11. Mock currently has an arrangement with another utility company where Mock is able to directly access the customer's telemetering facilities through the use of a computer software program. The program (given to Mock at no cost) automatically calls each metering facility through standard telephone lines that the utility uses to track customer usage for billing purposes. Once the telemetering device has been called, the usage data is downloaded to Mock's computer and Mock is able to "track" the actual gas usage for any customer and at any interval during the delivery month. The only limitation in using the system is the inability to call at the same time as the utility, and therefore requires a prearranged calling schedule that does not interfere with the utility's calling schedule. No such alternative has been proposed by SoCalGas.

12. Mock would currently fall into usage range of Tier 8 or \$4,800 per month.

13. Mock proposes that the Commission order SoCalGas to allow Mock to visit SoCalGas weekly to view the customer usage data before it is sent to the General Electric Information Services Mainframe or perhaps SoCalGas could send weekly a facsimile copy to Mock showing the customer usage for those customers which Mock has contracted for transportation service.

14. SoCalGas filed responses to Sunrise/SunPacific's protest on March 14, 1994, and filed a response to Enron's protest on March 16, 1994. SoCalGas did not file a response to Mock's protest.

15. SoCalGas' response is that it was authorized by the Commission to file an advice letter to seek recovery of GasSelect costs from the users of GasSelect. This precludes it from being able to bill these costs to all of its customers.

16. SoCalGas contends that its tariffs are not anti-competitive, and that all transportation customers benefit from GasSelect and should pay for such benefits. GasSelect is a highly efficient means of assuring that essential information required for the efficient use of SoCalGas' transportation system

is made available to all users, thereby enhancing system efficiency.

17. Any delay in the authorization of these tariff rates would be to SoCalGas' disadvantage, because SoCalGas would recover no costs for its GasSelect program.

18. SoCalGas contends further that the protests are inconsistent with the Commission's cost recovery policy articulated in D. 93-12-043 and must be rejected.

#### DISCUSSION

1. D. 93-12-043 denied SoCalGas recovery of GasSelect costs in SoCalGas' Test Year 1994 General Rate Case, but authorized it to file tariffs to recover GasSelect associated costs from customers who use the GasSelect Services (D. 93-12-043, pg 133).

2. SoCalGas seeks recovery of \$650,000 from all of its transportation customers. There are three types of costs included in SoCalGas' request.

- i) General Electric Information Systems' costs of \$420,000;
- ii) Labor costs of \$180,000; and,
- iii) Miscellaneous costs of \$50,000.

3. In addition, SoCalGas intends to bill each new customer a \$100 set-up fee.

4. CACD has found numerous problems with SoCalGas' filing, viz., SoCalGas:

- i) overstated its General Electric Information Systems' costs;
- ii) overstated its Miscellaneous costs;
- iii) misallocated costs;
- iv) wants to bill its customers based on their prior usage, rather than their current usage;
- v) failed to support its customer set-up fee; and,
- vi) wants to make GasSelect mandatory for all transportation only customers.

5. CACD recommends that the protests filed by Sunrise/SunPacific, Enron, and Mock be denied without prejudice because the GasSelect advice letter filing is not the appropriate proceeding to file for the revision of SoCalGas' General Rate Case Decision (D. 93-12-043). This needs to be done in the

General Rate Case Proceeding that authorized SoCalGas to file its GasSelect advice letter. Protestants may file a Petition for Modification of D. 93-12-043 if they seek changes in the Commission's adopted procedures for GasSelect.

GENERAL ELECTRIC INFORMATION SYSTEMS COSTS

6. In SoCalGas' filing, SoCalGas escalated the costs for an increase in its customers, but did not use this increased customer number in determining its Customers' rates.

7. The \$420,000 was based on estimated monthly costs of \$35,000. In 1993 monthly costs averaged \$31,000. The 1994 costs were based on the 1993 costs plus an estimated growth in the system usage by existing users and by increased number of electronic meter data services users on the system.

8. The increase from \$31,000 to \$35,000 assumes a 12% increase in the number of customers that will access the electronic meter data services.

9. SoCalGas needs to adjust its calculation to take into account the projected increase in the number of users who will be reimbursing SoCalGas its General Electric Information Systems costs.

MISCELLANEOUS COSTS

10. SoCalGas originally included \$38,000 of unsupported costs in its Miscellaneous costs calculation. These costs include \$25,000 for a customer satisfaction survey, and \$13,000 for travel for its two and one half employees. These unsupported costs should not be allowed, so that SoCalGas' customers do not pay for unsubstantiated costs.

11. SoCalGas needs to remove these unsupported costs from its rate calculations.

MISALLOCATED COSTS

12. SoCalGas originally sought to recover all of its General Electric Information Systems costs in its usage costs, even though some of these costs would exist even without any usage of its GasSelect system.

13. According to SoCalGas, if there were no usage of the electronic meter data service offered on GasSelect, it would still incur a \$10,000 per month charge for providing nominations, imbalance trading, E-mail and bulletin board services.

14. SoCalGas needs to bill these costs in its Monthly Base Fee.

BILL CUSTOMERS BASED ON A PRIOR MONTH'S USAGE

15. SoCalGas also originally intended to bill its customers based on prior month's usage rather than current month's usage.

16. In addition, SoCalGas has broken up its payment schedule into 8 tiers. Since each tier is based on the same usage rate the Commission's normal policy is to base rates on actual usage rather than base it on tier usage. For example, a customer who uses 101 Kilo Characters in a month, should pay for 101 Kilocharacters, rather than 200 Kilocharacters, as SoCalGas is suggesting.

17. Consistent with Commission policy, SoCalGas needs to adjust its tariff sheets to: 1) bill its customers based on their current month's usage; and, 2) eliminate the tiers usage, and base each bill on its customers actual usage.

#### SET-UP FEES

18. SoCalGas requested that it be allowed to charge a set-up fee of \$100 to each new customer. CACD made several attempts to obtain support for this number, however, SoCalGas failed to provide sufficient support for CACD to verify SoCalGas' requested set-up fee.

#### COMPETITION ISSUES

19. In its March 4, 1994 protest, Sunrise/SunPacific objects to SoCalGas' request to make GasSelect mandatory for all transportation only customers as being anti-competitive. Sunrise/SunPacific argues that by requiring all transportation only customers to use GasSelect SoCalGas improperly seeks to extent its monopoly control over all the facilities and services that potentially can be a part of the total natural gas service received by customers in California.

20. Sunrise/SunPacific claims that any entity could provide the SoCalGas territory gas transmission electronic bulletin board service that SoCalGas is seeking be made mandatory for all of its transportation only customers.

21. Sunrise/SunPacific is correct. SoCalGas' request is to recover its gas transmission electronic bulletin board costs from all transportation only customers. SoCalGas' advice letter as written, would give SoCalGas monopoly control as the primary provider of the SoCalGas territory's gas transmission electronic bulletin board. If competition developed, SoCalGas' customers would be required to pay for GasSelect, even if they chose a competitor as their primary gas transmission electronic bulletin board provider.

22. SoCalGas' request exceeds what it was authorized in its General Rate Case Decision. SoCalGas was authorized to file tariffs to recover associated costs from customers who use the GasSelect services (See D.93-12-043, p. 133.) SoCalGas was not authorized to bill all transportation only customers in perpetuity for its GasSelect program.

23. This was not the Commission's intent in SoCalGas General Rate Case Decision (D. 93-12-043). This Commission's policy has



been to extend competition where possible, rather than to stifle it.

24. CACD recommends that SoCalGas be ordered to revise its tariff sheets so as not to make GasSelect service mandatory for its transportation only customers. SoCalGas should delete the requirement of access to GasSelect for transportation only customers as a condition to transport gas on the utility system, e.g. proposed Rule 30, Section C, Item 1 (CAL P.U.C. SHEET NO. 24890-G) and proposed Rule 33, Section A (CAL P.U.C. SHEET NO. 24981-G). Thus, only those transportation customers who use GasSelect will be required to pay.

25. In addition, CACD recommends that SoCalGas be encouraged to develop, with other entities, alternate means of receiving and transmitting the GasSelect data to its customers in order to foster competition in the gas transmission bulletin board business.

#### OTHER ISSUES

26. SoCalGas has indicated that it intends to change the way in which it provides the GasSelect services later this year. SoCalGas plans on providing its GasSelect service from a different computer system, rather than through the General Electric Information Systems computers. This will cause a change in the costs that SoCalGas pays for its GasSelect service. CACD recommends that:

- i) the tariff sheets that are approved in this Resolution will terminate either: (a) upon SoCalGas switching to the new GasSelect system, since the costs approved in this Resolution will no longer reflect SoCalGas' actual costs; or (b) within eighteen months from the date of this resolution (which is a reasonable and sufficient period for SoCalGas to seek Commission approval and to implement a new GasSelect Program), whichever comes first, and,
- ii) SoCalGas be authorized to file an Advice Letter prior to switching to the new GasSelect system that will reflect the costs associated with the new GasSelect system that is being developed by SoCalGas, so long as the new system does not result in a significant rate increase. This Advice Letter shall require Commission approval and be consistent with the provisions in General Order 96-A.

#### FINDINGS

1. SoCalGas was authorized to file an Advice Letter to collect its GasSelect costs from its transportation customers in D. 93-12-043.

2. The protests filed on AL 2272-G by Sunrise/SunPacific, Enron, and Mock are denied without prejudice.

3. SoCalGas:

- i) overstated its General Electric Information Systems GasSelect costs;
- ii) overstated its GasSelect Miscellaneous costs;
- iii) misallocated its GasSelect costs;
- iv) wanted to bill its GasSelect customers based on prior usage, rather than current usage;
- v) failed to support the requested GasSelect set-up fee; and,
- vi) wanted to make GasSelect mandatory for all transportation only customers.

4. SoCalGas needs to:

- i) adjust its General Electric Information Systems usage costs to reflect a twelve percent increase in the number of customers that will access the electronic meter data service to reflect the customer number that SoCalGas used in its cost calculation;
- ii) remove unsupported Miscellaneous costs of \$38,000 from its base rate calculation;
- iii) adjust its base fee and usage fee by allocating all non-usage costs (\$120,000) into its base fee, and out of its usage fee;
- iv) adjust its tariff sheets to bill its customers based on actual usage rather than a prior month's usage;
- v) revise its tariff sheets to bill its customers based on their actual usage, rather than based on a range of usage;
- vi) remove the \$100 set-up fee from its tariff sheets; and,
- vii) revise its tariff sheets so as not to make GasSelect service mandatory for its transportation only customers; and, thus, only those transportation customers who use GasSelect will be required to pay.

5. The anti-trust issues raised by the protestants do not justify denial of AL 2272-G.

6. SoCalGas should be encouraged to develop, with other entities, alternate means of receiving and transmitting the GasSelect data to its customers in order to foster competition in the gas transmission bulletin board business.

7. The tariff sheets that are approved by the Commission in this Resolution will terminate upon the start of SoCalGas' new GasSelect system or eighteen months from the date of this resolution, whichever comes first.

8. In addition, SoCalGas may seek Commission approval of its revised GasSelect tariff sheets by filing an advice letter, consistent with the provisions of General Order 96-A. Unless the increase in rates is minor, SoCalGas should file a formal Application.

**THEREFORE, IT IS ORDERED that:**

1. Southern California Gas Company's Advice Letter 2272-G is authorized subject to the following modifications. If Southern California Gas Company wants to implement the GasSelect service as modified, it shall:

- i) adjust its General Electric Information Systems usage costs to reflect a twelve percent increase in the number of customers that will access the electronic meter data service to reflect the customer number that SoCalGas used in its cost calculation;
- ii) remove unsupported Miscellaneous costs of \$38,000 from its base rate calculation;
- iii) adjust its base fee and usage fee by allocating all non-usage costs (\$120,000) into its base fee, and out of its usage fee;
- iv) adjust its tariff sheets, including Rules 30 and 33, to bill its customers based on actual usage rather than a prior month's usage;
- v) revise its tariff sheets to bill its customers based on their actual usage, rather than based on a range of usage;
- vi) remove the \$100 GasSelect set-up fee; and,
- vii) revise its tariff sheets so as not to make GasSelect service mandatory for its transportation only customers; and, thus, only those transportation customers who use GasSelect will be required to pay.

2. If Southern California Gas Company wants to implement Gas Select as modified, it shall file a supplemental advice letter with revised tariff sheets, including Rules 30 and 33, consistent with this Resolution within six working days.

3. These revised tariff sheets shall become effective five days after filing, and shall terminate upon implementation of Southern California Gas Company's new GasSelect system or eighteen months from the date of this resolution whichever comes first.

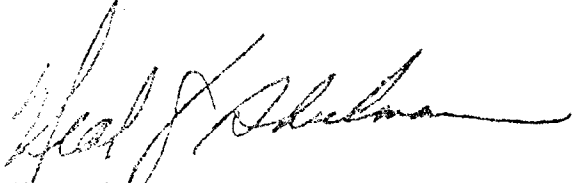
4. This Commission encourages Southern California Gas Company to develop, with other entities, alternate means of receiving and transmitting the GasSelect data to its customers in order to foster competition in the gas transmission bulletin board business.

5. Southern California Gas Company is authorized to seek Commission approval of its new GasSelect system. If the Southern California Gas Company's new GasSelect System decreases rates, it

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shall file an Advice Letter that revises its GasSelect Rates. However, if Southern California Gas Company's new GasSelect Program causes a significant increase in rates, than it needs to file its rate request in an Application.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 15, 1994. The following Commissioners approved it:



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NEAL J. SHULMAN  
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DANIEL Wm. FESSLER  
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PATRICIA M. ECKERT  
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