

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND  
COMPLIANCE DIVISION  
Energy Branch

RESOLUTION G-3147  
OCTOBER 26, 1994

R E S O L U T I O N

RESOLUTION G-3147. SOUTHERN CALIFORNIA GAS COMPANY  
REQUESTS APPROVAL TO ESTABLISH TARIFFS FOR SERVICES  
PROVIDED BY ITS PROPOSED "CALIFORNIA ENERGY HUB".

BY ADVICE LETTER NO. 2313-G, filed on June 7, 1994.

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SUMMARY

1. In this advice letter Southern California Gas Company (SoCalGas) requests approval to add Rule 37, and schedules G-PRK, G-WHL, and G-LOAN, necessary to implement SoCalGas' proposed gas market center on the intrastate portion of its facilities, known as the California Energy Hub ("Hub"). The proposed Parking, Wheeling and Loaning services ("Hub Services") are new services not heretofore provided by SoCalGas.
2. Protests from six parties were considered and are denied to the extent that they requested procedural changes to this filing.
3. This resolution conditionally approves the advice letter filing by SoCalGas subject to the modifications outlined herein. SoCalGas is instructed to file a supplemental advice letter modifying its Hub proposal to incorporate: 1) clarification and correction of proposed Parking, Wheeling and Loaning tariffs sheets and schedules; 2) provision of a minimum rate designed to recover SoCalGas' estimated incremental fixed costs for a Hub transaction; 3) memorandum account, service and confidentiality safeguards and 4) provision for UEG/Cogenerator rate parity for comparable Hub Services.
4. The terms approved herein for providing Hub Services are interim guidelines only. The Commission may modify these terms to reflect facilities and/or cost allocation to SoCalGas' Hub Services in a future proceeding.

BACKGROUND

1. SoCalGas filed an application with the Federal Energy Regulatory Commission (FERC) on May 31, 1994 requesting approval of rates to be charged for Hub Services applicable to receipt and delivery of natural gas in interstate commerce. SoCalGas is currently providing Hub Services, subject to refund, using its capacity as a FERC Section 284 shipper on the interstate natural gas pipelines serving California.

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2. On June 7, 1994, SoCalGas filed its Advice Letter No. 2313 requesting authorization to provide Hub Services applicable to receipt and delivery of natural gas in intrastate commerce. The utility states it anticipates the Hub will provide such benefits as improved price discovery and utilization of storage and transmission capacity, greater market efficiencies, and a reduction in overall transaction costs for customers.
3. The Hub is a joint effort between SoCalGas and Hub Services, Inc. (HSI), which is a subsidiary of Natural Gas Clearinghouse (NGC). As Hub operator, SoCalGas would determine whether capacity is available to offer Hub Services, may bring transactions to the Hub, and would have final approval of all Hub transactions. HSI would serve as Hub administrator and would approve credit and assume related credit risk for potential Hub Service users, market and promote Hub Services, and process requests for Hub Services.
4. The Hub would consist of all SoCalGas' facilities within its service territory. SoCalGas proposes to use only existing transmission and storage facilities to provide Hub Services; no new capital additions would be necessary to provide these services.
5. Under SoCalGas' proposal, storage (Parking or Loaning) and transmission (Wheeling) services would be provided by the Hub on a short-term (generally less than thirty days), lowest-priority basis only, subject to interruption whenever necessary to provide firm transportation or storage, and any other firm or interruptible services that are non-Hub Services.
6. Parking transactions pertain to interruptible storage of gas on SoCalGas' system. Loaning, the inverse of Parking transactions, would allow qualified service users to borrow gas from the Hub and return it to the system one or more days later. Wheeling transactions involve the simultaneous receipt of gas into SoCalGas' system at one point and redelivery of the gas at a different point on the system through displacement.
7. Proposed Hub rates are defined by a "rate window", bordered within a minimum and maximum rate range. Actual rates charged to respective Hub Service users would be determined through a verbal negotiation process between the Hub (SoCalGas or HSI) and Hub Service users but in no event would any Hub Service rate exceed the maximum tariffed rate, or fall below the minimum rate, of the "rate window". SoCalGas proposes in its advice letter a minimum rate of \$0.00 per decatherm for all Hub Services. The maximum rates would be \$0.7414 per decatherm for Wheeling transactions, and \$1.4164 per decatherm for Parking and Loaning transactions, respectively. Actual negotiated rate(s) would be charged on a per-decatherm basis only, for the requested time period as a whole; rates do not reflect a time component.

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8. According to SoCalGas, the average daily amount of capacity available for Hub transactions is 100 MDth per day. The utility anticipates that parking services will use about 75% of that space, with wheeling services comprising the remaining 25%. Based on a further assumed average market price of \$.02/Dth, SoCalGas forecasts gross annual revenues for Hub Services of \$730,000. These revenues would be shared with HSI according to the terms of SoCalGas' contract with HSI.

9. The advice letter requests that the costs and the revenues associated with Hub Services be recorded in a new Hub Service memorandum account. For cost allocation purposes, the sharing between ratepayers and shareholders and allocation of positive net revenues would be determined in the Utility's next cost allocation proceeding.

#### NOTICE

Advice Letter No. 2313 was noticed in accordance with section III, paragraph G of General Order 96-A by publication in the Commission Calendar, and by distribution to both SoCalGas' advice filing service list and the service list for R.88-08-018.

#### PROTESTS

1. Protests were received on June 27, 1994 from: San Diego Gas and Electric (SDG&E); a group of producers consisting of Amoco Production Company, Chevron U.S.A. Inc., Mobil Natural Gas Inc., Shell Western E&P Inc., Texaco Inc., and Union Pacific Fuels, Inc., (Producers); the California Cogeneration Council (CCC); Ten Section Gas Services Inc. (Ten Section); and the Southern California Utility Power Pool/Imperial Irrigation District (SCUPP/IID). The Division of Ratepayer Advocates (DRA) also filed a limited protest on June 27, 1994. SoCalGas filed a joint response to all protests on July 5, 1994.

2. On July 12, 1994, the CCC submitted a reply to SoCalGas' July 5 response. SoCalGas did not respond to this reply. General Order 96-A, which establishes the procedures for advice letter filings, provides guidelines under which intervenor protests to an advice letter, and utility responses to such protests, may be filed. However, General Order 96-A does not provide for intervenor replies to a utility's response to protests. Furthermore, the CCC's July 12 reply is largely argumentative and did not establish any factual information that was not contained in its original, June 27 protest. Accordingly, CACD recommends that the CCC's reply not be considered.

3. To varying degrees, all protesting parties support the concept of establishing a gas transportation hub or hubs in Southern California. The protests generally focused on procedural

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issues of SoCalGas' advice letter, specific Hub rate concerns, and operational issues. Each party's protest is summarized below.

4. Summary of SDG&E's Protest

(a) SDG&E expressed concern that HSI as administrator of the Hub, and by affiliation NGC, will have access to market sensitive information which could disadvantage potential Hub users. As a natural gas marketer, NGC currently markets approximately 3.7 Bcf across the nation per day. NGC is also involved in the establishment of the Ellisburg-Leidy Hub and the Chicago Hub. SDG&E further requests that certain information about the contractual relationships between HSI and SoCalGas be made explicit. SoCalGas informs the Commission and potential customers that HSI is contractually bound to SoCalGas to limit dissemination of Hub information and to ensure that NGC does not use non-public Hub information so as to compete with Hub customers. Further, while SoCalGas maintains that there is no need or purpose for the public disclosure of the confidential contracts between SoCalGas and HSI, the details of that contract have been made available by SoCalGas to SDG&E.

(b) SDG&E recommends that SoCalGas be required to add more detail to, and clarify, the proposed Hub Services tariffs. For example, SDG&E believes that certain services that SDG&E and other SoCalGas customers currently receive under SoCalGas' existing tariffs could possibly be considered Hub transactions. SDG&E also protests SoCalGas' proposal to charge penalties on the basis of scheduled, rather than actual, volumes. To the first issue, SoCalGas responds that no Hub Service obligations can be incurred unless there is an explicit agreement between a customer and SoCalGas for Hub Services. To the second issue, SoCalGas clarifies that the penalty charge would be applied to actual volumes in excess of confirmed volumes.

(c) SDG&E believes that SoCalGas' Hub rates should not be negotiated rates. According to SDG&E, Hub rates should be fixed, based on the marginal cost of the service provided. SoCalGas argues that Hub Services are inherently value-based, and that fixed tariff rates can not reflect the changing market conditions within which the Hub is designed to operate. SoCalGas also points out that the proposed maximum rates are based directly on existing Commission-approved ceiling rates for similar transportation and storage services. Discounting below a cost-based tariff rate on a customer-specific basis has previously been authorized by the Commission, SoCalGas argues, in the Expedited Application Docket proceeding, as well as for the utility's storage service in D.93-02-013.

(d) SDG&E protests the inclusion of certain costs and charges in SoCalGas' proposed maximum Wheeling rate, citing the potential for double recovery of load balancing costs. SoCalGas clarifies that the maximum Hub Parking rate does not include any

storage costs incurred for load balancing purposes, and that the maximum Hub Wheeling rate is derived from those transportation rates that include only the storage costs related to load balancing. SDG&E also protests the inclusion of ITCS, PITCO/POPCO transition costs and LIRA costs in the Wheeling rate, based on potential revenue allocation complications. SoCalGas again argues that collection of these costs will depend on the changing market value of the Hub Services.

(e) SDG&E requests the the Commission order a workshop or workshops to address the concerns expressed by SDG&E and any other interested parties.

5. Summary of the Producers' Protest

(a) The Producers maintain that an advice letter is an inappropriate procedural mechanism for review and approval of Hub Services. Producers also object to a lack of information with which to evaluate the proposal and suggest the Commission schedule recorded workshops to explore the proposed Hub Services. SoCalGas refers to the provisions of General Order 96-A which permit new services to be proposed by means of an advice letter.

(b) In particular, Producers request clarification regarding the Hub's effects on SoCalGas' imbalance trading process, and intrastate and balancing services. According to SoCalGas, Hub Services will not affect intrastate transmission services or balancing services bundled with noncore transportation service. Parking or Loaning Services may also be used in conjunction with intrastate transportation services, to return to balance tolerances.

6. Summary of the CCC Protest

(a) The CCC requests that SoCalGas' Advice Letter be modified to maintain Hub Service rate parity between utility electric generation customers (UEG's) and cogenerators. The CCC maintains that PU Code Section 454.4 requires that rates charged cogenerators be no higher than the rates agreed upon between SoCalGas and its UEG customers. SoCalGas notes that its proposed maximum rates are the same for all customers. SoCalGas also states that enforcing UEG/cogenerator rate parity for Hub Services rates would be problematic due to the changing value of Hub Services, the need to compare similar transactions, and the fact that a Hub Services customer may not necessarily be an end user.

7. Summary of the Ten Section Protest

(a) Ten Section recommends that the Commission reject SoCalGas' proposed zero minimum rate for its Hub Services. Ten Section believes the zero rate proposal indicates the potential for cross-subsidization of Hub Services and anticompetitive pricing practices. SoCalGas responds that because Hub related

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costs are not recovered in current rates, there would be no cross-subsidization. SoCalGas also points out that the Commission can approve a zero minimum rate for other, future intrastate Hub service providers.

(b) Ten Section further recommends that the Commission "condition its approval of SoCalGas' Advice Letter upon the outcome of a Commission investigation of terms under which SoCalGas will segregate into a separate division or affiliate the storage capacity that it utilizes to provide Hub Services and other unbundled storage services." SoCalGas responds that the grounds for Ten Section's protest have been rejected by the Commission in previous decisions.

8. Summary of the SCUPP/IID Protest

(a) SCUPP/IID protest SoCalGas' filing on the procedural ground that the advice letter process is inappropriate for SoCalGas' submittal. SCUPP/IID further request that the Commission direct SoCalGas to submit its proposal by way of application. Again, SoCalGas maintains that as a new service Hub Services are appropriately proposed via an advice letter in accordance with the Commission's General Orders.

9. Summary of the DRA Limited Protest

(a) DRA recommends that a condition of the Commission's approval of the advice letter and tariffs be that SoCalGas and HSI be held at-risk for offering Hub Services and that ratepayers will incur no liability for any potential revenue losses that could result. SoCalGas agrees that it was not its intention to create the possibility that Hub Services-related losses could be allocated to ratepayers and has agreed to revise the Hub Services Account description accordingly.

(b) DRA further recommends that SoCalGas' proposed Hub Services Memorandum Account (HSMA) be modified to exclude the portion which provides for entries associated with administrative and operational costs incurred by SoCalGas for the program. SoCalGas responds that it is willing to accept the modification of booking only incremental Hub costs, and costs associated with employees working full time on the Hub, to the HSMA.

**DISCUSSION**

SoCalGas has made a good effort to informally resolve many of the questions and concerns expressed in the protests received, particularly to points raised by SDG&E, the Producers, and DRA. Those issues left unresolved are addressed below.

1. Procedural Issues

(a) SoCalGas' proposed Hub Services are new services not heretofore furnished or supplied, or proposed in relation or response to a specific, prior Commission decision. In accordance with the provisions of General Order 96-A, therefore, SoCalGas' advice letter proposal for Hub Services is considered procedurally appropriate.

(b) The advice letter filing, along with SoCalGas' efforts to accommodate concerns of the parties, is sufficient for authorization of the Hub Services proposal. Parties will have the opportunity to further address Hub issues in a future proceeding which will address allocation of Hub Services costs and revenues.

2. Rates

(a) In recent years the Commission has supported the evolution of a competitive California gas marketplace in order to lower the price of natural gas and promote efficient use of the pipeline system. SoCalGas' proposal to utilize its existing facilities to provide market-priced Hub Services is generally consistent with this evolution to a competitive gas marketplace. Based upon the as-available, non-essential nature of the proposed services, CACD recommends that SoCalGas' proposed market-based rate structure be authorized for these services.

(b) SoCalGas has demonstrated that its proposed maximum rates are based upon revenue, throughput and cost allocation components adopted in the Commission's D.91-12-075 (1991 BCAP), D.92-12-058 and D.93-05-066 (Long Run Marginal Cost), D.93-02-013 (Storage) and D.92-07-025 (Capacity Brokering) decisions. CACD has reviewed SoCalGas' derivation workpapers and believes that the proposed rates of \$0.7414 per decatherm for Wheeling, and \$1.4164 per decatherm for Parking and Loaning, have been appropriately adjusted to prevent double recovery of load balancing costs and to reflect the short-term nature of Hub Services transactions. These rates should be revised to incorporate the relevant cost components, when and if authorized, in SoCalGas' pending 1994 BCAP decision.

(c) SoCalGas' proposed maximum Parking and Loaning rates of \$1.4164 per decatherm include fixed and variable storage cost components, as well as the \$.7414 per decatherm maximum Wheeling charge. The Commission recognizes that in many transactions more than one type of Hub Service will be provided. However, SoCalGas end use customers already pay for intrastate transmission service, and may wish to contract only for Parking or Loaning services. In the scenario wherein Wheeling is not provided in conjunction with a Parking or Loaning service, it is not clear from SoCalGas' advice letter that the maximum rate upon which the discount is negotiated, would be reduced by the Wheeling charge.

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(d) SoCalGas should modify the definition and description of Parking and Loaning transactions, as described in its advice letter, such that they no longer include the Wheeling transaction and corresponding maximum Wheeling transaction charge. Under this new definition, if a transaction occurs involving the parking or loaning of gas, necessitating an additional gas wheeling transaction, such charge would be separately included as a part of the negotiated price for the transaction. SoCalGas should file revised G-PRK and G-LOAN schedules, respectively, reflecting this definition and the reduction of those maximum rates by \$0.7414, to \$0.675.

(e) Ten Section maintains that SoCalGas' proposed zero minimum rate could lead to cross-subsidization and anticompetitive pricing of Hub Services. The Commission is also concerned that this proposal constitutes a re-bundling of transmission and storage services to the extent that a zero rate does not contribute to the program's fixed costs. Accordingly, CACD recommends that SoCalGas be required to revise tariff schedules G-PRK, G-LOAN, and G-WHL, respectively, to reflect a minimum rate designed to recover SoCalGas' estimated incremental expense(s) in completing a Hub transaction. Such minimum rate should include consideration of the time component of the 1) Gas Acquisition group; 2) Gas Transaction group; and 3) Reconciliation Group labor costs, as well as administrative non-labor costs, related to completion of a Hub transaction.

(f) In its protest, the CCC maintains that, pursuant to P.U. Code Section 454.4, the Hub rates charged cogenerators should be no higher than the rates established between SoCalGas and its UEG customers. CACD notes that UEGs will have no better an opportunity to negotiate or obtain favorable rates for SoCalGas' Hub Services than cogenerators. However, CACD recognizes that the rate flexibility requested herein could result in a cogenerator negotiating a rate higher than a UEG for a comparable Hub Service.

(g) CACD further recognizes that the market-based rate structure proposed by SoCalGas is designed to accommodate both the variables and market value(s) of Hub Services. Hub Services should not be considered a single, "blanket" service to which UEG/cogenerator rate parity policy applies. Each Hub Services transaction may be unique, and the market rate will depend upon a combination of variables, including the type, term, receipt/delivery points, volumes and availability of the Hub Service requested. With this in mind, CACD recommends that SoCalGas be required to provide for UEG/cogenerator rate parity in its established tariffed rates for Hub Services, by adding the following provision to its proposed Hub Service Rule 37:

In Compliance with P.U. Code 454.4, for an approved Cogeneration customer requesting a Hub transaction for use on its own behalf, that customer will be provided with a transaction rate no higher than that for a UEG customer



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provided that the service is identical as proven by meeting each of the following criteria: 1) the service is of same duration; 2) the service has the same effective starting date; 3) the type of service requested is identical, i.e. parking, loaning, wheeling, or a combination thereof; 4) the customer meets creditworthiness standards; 5) the service has similar or identical receipt and delivery points; 6) sufficient space is available to meet the volume required for the service and 7) the request for service occurs in a time period that reasonably reflects the market conditions at the time of bidding.

CACD believes the addition of this provision will ensure that the rates by cogenerators for Hub Services do not exceed the rates charged to UEGs for comparable Hub Services.

(h) If implemented as modified, the California Energy Hub will be the first "market area hub" authorized by this Commission. The Commission's oversight of hub-type services will need to accommodate the evolution and experience of this market. For this reason, SoCalGas and the industry should be aware that market-based rates may not always be the appropriate pricing structure for hub-type services. SoCalGas should also note that the Commission is not preapproving the conditions of SoCalGas' service contract with HSI in this Resolution. The Commission may consider rates reflecting facilities and cost allocation to SoCalGas' Hub Services in a future proceeding, pending further experience with these services.

### 3. Allocation Issues

(a) As revised in response to DRA's limited protest, the HSMA would record 1) payments made to HSI for HSI's billed expenses to administer the program; 2) SoCalGas' incremental Hub related expenses; 3) HSI payments made to SoCalGas for carrying out requested Hub service transactions; and 4) interest on the average account balance during the month. If a credit balance in this account exists, the balance would be recorded on the Utility's financial statement. If a debit balance exists, no portion of this balance would be allocated to the Utility's ratepayers nor would it be recorded on the Utility's financial statements.

(b) CACD agrees that this approach is appropriate, with three clarifications.

- (1) The HSMA should track only those incremental Hub Service expenses incurred by SoCalGas as Hub Operator. Hub Administrator costs, as well as the HSI share of Hub revenues, should not be recorded in the HSMA.

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- (2) The HSMA should record revenues received by SoCalGas directly from Hub Service customers, as well as from HSI.
- (3) The HSMA should record all Hub Service revenues received by SoCalGas in accordance with rates on file at the FERC. (CACD notes that SoCalGas has been providing Hub Services to customers on its capacity on the interstate pipelines serving California at the rates filed, subject to refund, at the FERC. SoCalGas has filed the same minimum and maximum rates for both intrastate and interstate Hub Services.)

(c) In its protest, SDG&E opposes the inclusion of the ITCS in SoCalGas' proposed maximum Wheeling rate, based on potential revenue allocation complications. This concern raises the question of whether there will be discounting of the ITCS. The rules adopted in the Capacity Brokering implementation decisions (i.e. D.91-11-025 and D.92-07-025), provide for the ITCS to be applied to non-core services on an equal cents per therm basis. In addition, the ITCS may not be discounted. Therefore, CACD recommends that provision of Hub Services should not result in discounting of the ITCS.

(d) CACD notes that SoCalGas has offered no argument to resolve this ITCS issue. There is no basis in this proceeding for determining the applicability and allocation of the ITCS to Wheeling Services as offered by SoCalGas' Hub. CACD recommends that the Commission address SDG&E's concern regarding inclusion and allocation of the ITCS, as well as the PITCO/POPCO transition and LIRA costs in the maximum Wheeling rate, in an upcoming proceeding.

(e) The establishment of the HSMA does not constitute prejudgement of an allocation methodology for any net revenues recorded therein. The purpose of the HSMA is simply to provide an interim accounting mechanism to record net positive revenues resulting from providing Hub transactions; SoCalGas will be at risk for any net losses associated with providing Hub Services. CACD further notes that while current ratepayers are not adversely impacted by the provision of Hub Services, the Hub will be implemented using assets whose costs are recovered in rates paid by current ratepayers. These issues will be addressed in an upcoming proceeding when incremental costs, and revenues recorded in the HSMA will be allocated.

#### 4. Service Issues

(a) In response to concerns raised by SDG&E, SoCalGas has agreed to modify the following terms of its proposal. CACD recommends that SoCalGas be required to incorporate these modifications into its proposed Hub Services tariff sheets.

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- (1) Section 5.1, General Terms and Conditions, addition of: "Hub Operator will not provide lower rates to HSI or any affiliate of HSI than rates offered for the same service to other similarly situated parties."
- (2) Section 5.2, General Terms and Conditions, addition of: "An unauthorized transaction is herein defined as a transaction not otherwise covered by an existing tariff."
- (3) Section 11.7, General Terms and Conditions, to state: "All Hub transactions and proposed Hub transactions shall be treated as confidential, to be disclosed within the respective organizations of Hub Operator, Hub Administrator, and service user only to the extent necessary and only to those employees necessary to effectuate the Hub service or to governmental authorities acting within the scope of their authority. Hub Administrator will not disclose such information to any of its affiliates. Notwithstanding any other provision hereof, confidential treatment shall not be required for any information which is known or available to the general public through no action or inaction of the party disclaiming confidential treatment."
- (4) Correct the wording on its Schedule No. G-LOAN sheet 1 of 1, under Rates from the word "Parking" to the word "Loaning".

(b) In their protest, Producers request clarification regarding the effects of Hub Services on existing intrastate services currently provided by SoCalGas. It is unclear from SoCalGas' response if the utility would have any incentive to seek authorization from the Commission to trim existing services such as imbalancing trading provisions or balancing services, in order to increase Hub Service capacity or usage in the future. CACD recommends that the Commission clarify that any future proposals modifying SoCalGas' existing intrastate services which are impacted by the provision of Hub Services, will include a review of Hub Service operations.

(c) The remaining unresolved issue is that of reporting requirements. While this specific issue was not addressed in any of the protests, it does relate to SDG&E's and the Producers' confidentiality concerns and the potential for discriminatory pricing. CACD therefore recommends that the Commission institute Hub reporting requirements, as outlined below. CACD also notes that the Commission's Rules of Practice and Procedure provide guidelines for Hub customers wishing to file a complaint regarding confidentiality concerns or discriminatory Hub pricing issues.

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(d) SoCalGas recommends reporting requirements be limited to 1) type of transaction, 2) volume of gas and 3) transaction revenue, to be submitted on a quarterly basis. CACD essentially agrees with SoCalGas' recommendations but further recommends that "type" of transaction be defined to mean 1) whether the transaction is Parking, Loaning or Wheeling, or some combination thereof; and 2) whether the service is provided on an interstate or intrastate basis. In addition, gas volumes should be expressed in MMBtu, by maximum daily and total transaction quantity. SoCalGas should make a monthly summary of this information available to CACD and interested Hub customers no later than 30 days following the end of each calendar quarter.

(e) CACD also recommends that SoCalGas be required to maintain detailed records of all interstate and intrastate Hub Service transactions, including: 1) the contracting date; 2) beginning and ending dates of the transaction; 3) name of the contracting party or parties; 4) transaction rate(s) charged; 5) receipt and delivery points of the transaction; 6) any special conditions of the transaction. SoCalGas should make a monthly summary of this information available to commission staff, pursuant to the protections of Public Utilities Code Section 583, no later than 30 days following the end of each calendar quarter. This is all information which SoCalGas would, presumably, record for internal purposes and should therefore not pose an unreasonable burden on the utility.

(f) Parties should note that, as with the rates and revenue allocation related to Hub Services, the reporting and record-keeping requirements outlined herein may be modified by the Commission as the California hub market develops. In the interim period, the availability of this information to CACD should help ensure that Hub customer confidentiality is maintained, and that Hub Services are priced on a non-discriminatory basis. These requirements may be changed pending further experience with the hub services market in California.

#### FINDINGS

The Commission finds that:

1. SoCalGas filed Advice Letter 2313-G on June 7, 1994 requesting authorization to provide Parking, Loaning, and Wheeling Hub Services. These are new services, not heretofore furnished or supplied under tariffs authorized by this Commission.
2. SoCalGas' Advice Letter 2313 is procedurally appropriate to establish its California Energy Hub services.
3. The California Energy Hub should contribute to a more efficient California gas marketplace by maximizing use of the

SoCalGas storage and transmission system, and by providing competitive options for its customers.

4. The non-essential, lowest priority Hub Parking, Loaning and Wheeling Services are appropriately provided at market-based rates.

5. SoCalGas' proposed maximum Hub rates are based upon Commission authorized revenue, throughput and cost allocation components.

6. SoCalGas has:

- a. unnecessarily bundled its proposed maximum Wheeling charge into its proposed maximum Parking, and Loaning rates;
- b. failed to ensure contribution to the fixed costs of the Hub Services program by filing a \$0.00 minimum transaction rate;
- c. proposed a HSMA that fails to ensure that Hub Services-related losses would not be allocated to current ratepayers, and that only incremental costs would be recorded in the HSMA;
- d. agreed to clarify its General Terms and Conditions, and tariff schedule G-LOAN, in response to concerns raised by SDG&E; and
- e. failed to ensure that the rates charged to cogenerators for Hub Services do not exceed the rates charged to UEGs for comparable Hub Services.

7. To address the issues outlined in Finding No. 6 above, CACD recommends that SoCalGas modify its Hub Services proposal as follows:

- a. If a transaction occurs involving the parking or loaning of gas, necessitating an additional gas wheeling transaction, such charge should be separately included as a part of the negotiated price for the transaction. SoCalGas should file revised G-PRK and G-LOAN schedules, respectively, reflecting this definition and the reduction of those maximum rates by \$0.7414, to \$0.675.
- b. SoCalGas should revise tariff schedules G-PRK, G-LOAN, and G-WHL, respectively, to reflect a minimum rate designed to recover SoCalGas' estimated incremental expense(s) in completing a Hub transaction. Such minimum rate should include consideration of the time component of the 1) Gas Acquisition group; 2) Gas Transaction group; and 3) Reconciliation Group labor costs, as well as administrative non-labor costs, related to completion of a Hub transaction.
- c. SoCalGas should revise its HSMA to define entries for 1) payments made to HSI for HSI's billed expenses to administer the program; 2) SoCalGas' incremental Hub

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- related expenses; 3) HSI payments made to SoCalGas for carrying out requested Hub service transactions; and 4) interest on the average account balance during the month, as stated in SoCalGas' July 5, 1994 response to DRA's Limited Protest. If a credit balance in this account exists, the balance would be recorded on the Utility's financial statement. If a debit balance exists, no portion of this balance would be allocated to the Utility's ratepayers nor would it be recorded on the Utility's financial statements.
- d. Section 5.1, General Terms and Conditions, should include the addition of: "Hub Operator will not provide lower rates to HSI or any affiliate of HSI than rates offered for the same service to other similarly situated parties."
  - e. Section 5.2, General Terms and Conditions, should include the addition of: "An unauthorized transaction is herein defined as a transaction not otherwise covered by an existing tariff."
  - f. Section 11.7, General Terms and Conditions, should state: "All Hub transactions and proposed Hub transactions shall be treated as confidential, to be disclosed within the respective organizations of Hub Operator, Hub Administrator, and service user only to the extent necessary and only to those employees necessary to effectuate the Hub service or to governmental authorities acting within the scope of their authority. Hub Administrator will not disclose such information to any of its affiliates. Notwithstanding any other provision hereof, confidential treatment shall not be required for any information which is known or available to the general public through no action or inaction of the party disclaiming confidential treatment."
  - g. The wording on Schedule No. G-LOAN sheet 1 of 1, under Rates, should be corrected to state "Loaning" instead of "Parking".
  - h. Proposed Hub Service Rule 37 should include the addition of: "In Compliance with P.U. Code 454.4, for an approved Cogeneration customer requesting a Hub transaction for use on its own behalf, that customer will be provided with a transaction rate no higher than that for a UEG customer provided that the service is identical as proven by meeting each of the following criteria: 1) the service is of same duration; 2) the service has the same effective starting date; 3) the type of service requested is identical, i.e. parking, loaning, wheeling, or a combination thereof; 4) the customer meets creditworthiness standards; 5) the service has similar or identical receipt and delivery points; 6) sufficient space is available to meet the volume required for the service and 7) the request for service occurs in a time period that reasonably reflects the market conditions at the time of bidding."

8. The HSMA is further clarified with respect to the following three issues:

- a. The account should track only those incremental Hub Service expenses incurred by SoCalGas as Hub Operator.
- b. The account should record revenues received by SoCalGas directly from Hub Service customers, as well as from HSI.
- c. The account should include credit entries to reflect all revenues received for interstate, as well as intrastate, Hub Services.

9. The currently effective cost components upon which the proposed maximum rates are based should be updated pending Commission decision in SoCalGas' 1994 BCAP proceeding.

10. Market-based rates may not always be the appropriate pricing structure for hub-type services. Furthermore, the Commission is not preapproving the conditions of SoCalGas' service contract with HSI in this Resolution.

11. The rules adopted in D.91-11-025 and D.92-07-025 prohibit discounting of the ITCS.

12. There is no basis in this proceeding for determining the applicability and allocation of the ITCS to Wheeling Services as offered by SoCalGas' Hub. The Commission should address SDG&E's concern regarding inclusion and allocation of the ITCS, as well as the PITCO/POPCO transition and LIRA costs in the maximum Wheeling rate, in an upcoming proceeding.

13. Reasonableness and allocation of the expenses and revenues recorded in the HSMA will be decided in an upcoming Commission proceeding.

14. The impact of the Hub Services Program on the level of other, existing intrastate transmission and storage services should be evaluated in any future proposal to modify those existing services.

15. SoCalGas should be required to make available, on a quarterly basis, a monthly summary report of Hub Services transactions to include type of transaction, volume of gas, transaction price, and total transaction revenue. "Type" of transaction shall include 1) whether the transaction is Parking, Loaning or Wheeling, or some combination thereof; and 2) whether the service is provided on an interstate or intrastate basis. In addition, gas volumes should be expressed in MMBtu, by maximum daily and total transaction quantity. Such reports should be received by the Commission and interested Hub customers no later than 30 days following the end of each calendar quarter.

16. SoCalGas should be required to keep detailed records of all interstate and intrastate Hub Service transactions, including 1)

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the contracting date; 2) beginning and ending dates of the transaction; 3) name of the contracting party or parties; 4) transaction rate(s) charged; 5) receipt and delivery points of the transaction; 6) any special conditions of the transaction. SoCalGas should make a monthly summary of this information available to commission staff, pursuant to the protection of Public Utilities Code Section 583, no later than 30 days following the end of each calendar quarter.

17. The reporting and record-keeping requirements outlined herein may be modified pending further experience with the hub services market in California.

**THEREFORE, IT IS ORDERED THAT:**

1. Southern California Gas Company's Advice Letter 2313-G is authorized subject to the following modifications. If Southern California Gas Company wishes to implement the California Energy Hub as modified, it shall modify its Hub Services proposal as follows:

- a. If a transaction occurs involving the parking or loaning of gas, necessitating an additional gas wheeling transaction, such charge shall be separately included as a part of the negotiated price for the transaction. SoCalGas shall file revised G-PRK and G-LOAN schedules, respectively, reflecting this definition and the reduction of those maximum rates by \$0.7414, to \$0.675.
- b. SoCalGas shall revise tariff schedules G-PRK, G-LOAN, and G-WHL, respectively, to reflect a minimum rate designed to recover SoCalGas' estimated incremental expense(s) in completing a Hub transaction. Such minimum rate shall include consideration of the time component of the 1) Gas Acquisition group; 2) Gas Transaction group; and 3) Reconciliation Group labor costs, as well as administrative non-labor costs, related to completion of a Hub transaction.
- c. SoCalGas shall revise its HSMA to define entries for 1) payments made to HSI for HSI's billed expenses to administer the program; 2) SoCalGas' incremental Hub related expenses; 3) HSI payments made to SoCalGas for carrying out requested Hub service transactions; and 4) interest on the average account balance during the month, as stated in SoCalGas' July 5, 1994 response to DRA's Limited Protest. If a credit balance in this account exists, the balance would be recorded on the Utility's financial statement. If a debit balance exists, no portion of this balance would be allocated to the Utility's ratepayers nor would it be recorded on the Utility's financial statements.



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- d. Section 5.1, General Terms and Conditions, shall include the addition of: "Hub Operator will not provide lower rates to HSI or any affiliate of HSI than rates offered for the same service to other similarly situated parties."
  - e. Section 5.2, General Terms and Conditions, shall include the addition of: "An unauthorized transaction is herein defined as a transaction not otherwise covered by an existing tariff."
  - f. Section 11.7, General Terms and Conditions, shall state: "All Hub transactions and proposed Hub transactions shall be treated as confidential, to be disclosed within the respective organizations of Hub Operator, Hub Administrator, and service user only to the extent necessary and only to those employees necessary to effectuate the Hub service or to governmental authorities acting within the scope of their authority. Hub Administrator will not disclose such information to any of its affiliates. Notwithstanding any other provision hereof, confidential treatment shall not be required for any information which is known or available to the general public through no action or inaction of the party disclaiming confidential treatment."
  - g. The wording on Schedule No. G-LOAN sheet 1 of 1, under Rates, shall be corrected to state "Loaning" instead of "Parking".
  - h. Proposed Hub Service Rule 37 shall include the addition of: "In Compliance with P.U. Code 454.4, for an approved Cogeneration customer requesting a Hub transaction for use on its own behalf, that customer will be provided with a transaction rate no higher than that for a UEG customer provided that the service is identical as proven by meeting each of the following criteria: 1) the service is of same duration; 2) the service has the same effective starting date; 3) the type of service requested is identical, i.e. parking, loaning, wheeling, or a combination thereof; 4) the customer meets creditworthiness standards; 5) the service has similar or identical receipt and delivery points; 6) sufficient space is available to meet the volume required for the service and 7) the request for service occurs in a time period that reasonably reflects the market conditions at the time of bidding."
2. Should Southern California Gas Company choose to implement its California Energy Hub as modified, it shall file by November 25, 1994 a supplemental advice letter with revised tariff sheets, including General Terms and Conditions, consistent with this Resolution.

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3. Advice Letter 2313-G shall be marked to show that it has been superseded and supplemented by a supplemental advice letter containing the revised tariffs.

4. The revised tariffs to fully implement Southern California Gas Company's California Energy Hub shall be reviewed by the Commission Advisory and Compliance Division for full compliance with this Resolution. Southern California Gas Company shall not commence its California Energy Hub Services until the Commission Advisory and Compliance Division has issued, in writing, that the revised tariffs are in compliance with this Resolution.

5. The protests filed on the procedural issues of Advice 2313 by San Diego Gas and Electric, Producers, Ten Section and SCUPP/IID are denied.

6. Reasonableness and allocation of amounts recorded in the Hub Services Memorandum Account shall be subject to review and shall not be placed in rates until so ordered by the Commission.

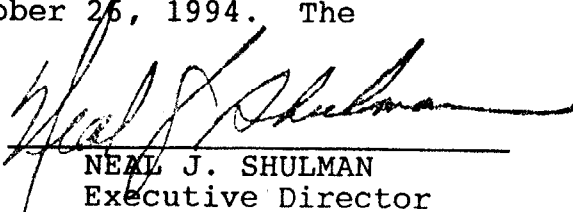
7. SoCalGas shall make available, on a quarterly basis, a monthly summary report of Hub Services transactions to include type of transaction, volume of gas, transaction price, and total transaction revenue. "Type" of transaction shall include 1) whether the transaction is Parking, Loaning or Wheeling, or some combination thereof; and 2) whether the service is provided on an interstate or intrastate basis. In addition, gas volumes shall be expressed in MMBtu, by maximum daily and total transaction quantity. Such reports shall be received by the Commission and interested Hub customers no later than 30 days following the end of each calendar quarter.

8. SoCalGas shall keep detailed records of all interstate and intrastate Hub Service transactions, including 1) the contracting date; 2) beginning and ending dates of the transaction; 3) name of the contracting party or parties; 4) transaction rate(s) charged; 5) receipt and delivery points of the transaction; 6) any special conditions of the transaction. SoCalGas shall make a monthly summary of this information available to commission staff, pursuant to the protection of Public Utilities Code Section 583, no later than 30 days following the end of each calendar quarter.

This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on October 26, 1994. The following Commissioners approved it:

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

  
NEAL J. SHULMAN  
Executive Director