

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION G-3457
October 20, 2011

R E S O L U T I O N

Resolution G-3457. Southern California Gas Company (SoCalGas) requests approval for a one-time, non-precedential waiver for SoCalGas customer Alon Bakersfield Property Incorporated (Alon) from daily balancing noncompliance charges for the month of November 2010.

PROPOSED OUTCOME: This Resolution grants SoCalGas' request.

ESTIMATED COST: None.

By Advice Letter 4223 filed March 17, 2011.

SUMMARY

This Resolution grants SoCalGas' request for a one-time, non-precedential waiver for SoCalGas noncore customer Alon from daily balancing noncompliance charges for the month of November 2010.

BACKGROUND

According to SoCalGas' Advice Letter, Alon incurred large daily balancing noncompliance charges in November of 2010. On behalf of Alon¹, SoCalGas filed Advice Letter 4223 requesting a one-time, non-precedential waiver for these charges.

In June of 2010, Alon took ownership of a bankrupt oil refinery in Bakersfield formerly owned by Big West Oil Company. Alon is still in the process of

¹ The Advice Letter notes that Alon has authorized SoCalGas to publicly provide the customer information contained in the Advice Letter.

SoCalGas AL 4223/beg

refurbishing and upgrading this facility. The refinery has historically taken service from a “bypass pipeline” (in this case Kern/Mojave interstate pipeline) with SoCalGas as a backup, making it subject to the additional balancing requirements for bypass customers as set forth in SoCalGas Tariff Schedule Number GT-TLS (Intrastate Transportation Service for Transmission Level Customers). Alon has continued to be a bypass customer with SoCalGas during and through the transition.

The daily balancing requirements for bypass customers² require these customers to balance gas transportation deliveries with metered usage to within two imbalance limits on each day of the year: 1) the daily imbalance cannot exceed plus or minus five percent ($\pm 5\%$) of that day’s metered usage, and 2) the accumulated daily imbalance cannot exceed plus or minus one percent ($\pm 1\%$) of the customer’s actual utility usage in the same month of the prior year.

As a result of emergency repairs on Kern/Mojave, Alon began scheduling deliveries through the SoCalGas system for the first time in November of 2010. SoCalGas states in its Advice Letter that the GT-TLS daily requirements were explained to Alon. According to SoCalGas’ statements, Alon did not adequately monitor its gas usage and flowed higher volumes than anticipated, thereby incurring large daily balancing noncompliance charges.

In November of 2010, Alon incurred transmission charges of \$17,805, state mandated charges of \$21,185, and daily balancing noncompliance charges of \$271,179. On behalf of Alon, SoCalGas filed Advice Letter 4223 requesting that the Commission authorize SoCalGas to waive the daily balancing noncompliance charges of \$271,179. SoCalGas states that it believes that Alon’s failure to comply with the daily balancing rules was inadvertent and resulted from Alon’s lack of familiarity with service from SoCalGas. SoCalGas also says that only a small crew was working at the Bakersfield site in November 2010.

² Daily balancing requirements for bypass customers are different from the winter daily balancing requirements, specified in Schedule G-IMB, that apply to all other customers.

NOTICE

Notice of Advice Letter 4223 was made by publication in the Commission's Daily Calendar. SoCalGas states that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B to parties listed on Attachment A of the Advice Letter.

PROTESTS

Advice Letter 4223 was not protested.

DISCUSSION

SoCalGas' request to waive the daily balancing noncompliance charges of \$271,179 incurred by Alon in November of 2010 is granted. The Commission has reviewed the data and the circumstances under which the daily balancing noncompliance charges were incurred by Alon. The extenuating circumstances cited in the Advice Letter justify a one-time, non-precedential waiver of the daily balancing noncompliance charges.

SoCalGas states that the unusual circumstances in this situation justify a one-time, one-month waiver for Alon. SoCalGas states that Alon's failure to comply with the GT-TLS daily balancing rules in November 2010 was inadvertent and resulted from Alon's unfamiliarity with service from SoCalGas. Additionally, SoCalGas believes that the small crew operating the refinery while it was being revamped may have contributed to Alon's failure to adequately monitor its gas usage. SoCalGas states that even after Alon became aware of the daily imbalance, Alon attempted to bring itself into balance for the month, yet inadvertently continued to incur more daily balancing noncompliance charges.

We are sympathetic to the financial burden these charges will have on Alon. The substantial level of the daily balancing noncompliance charges, particularly in relation to the transmission and state-mandated charges incurred by Alon, could have a significant impact on a California business facility that is attempting to revive an operation formerly owned by a bankrupt company. Alon's purchase of the Bakersfield refinery and their attempt to revamp a business may benefit the area.

A waiver of the charges would not result in added costs to other noncore SoCalGas customers. According to SoCalGas, Alon's noncompliance charges

would be credited to SoCalGas' Noncore Fixed Cost Account (NFCA). The NFCA is an interest-bearing balancing account recorded on SoCalGas' financial statements which applies to all SoCalGas' noncore gas customers excluding Enhanced Oil Recovery (EOR) customers.³ The projected year-end NFCA balance will be applied to noncore gas transportation rates. In each annual October regulatory account balance update filing, SoCalGas amortizes the projected year-end balance effective January 1 of the following year. If a waiver request is approved, Alon's noncompliance charges would not be credited to the NFCA. Thus, if the waiver is granted, noncore customers will not be gaining the benefit of the noncompliance charge penalty. However, according to SoCalGas, the daily balancing noncompliance charges are not cost based, therefore other noncore gas customer will not bear additional costs if this waiver request is granted. Alon will pay the incurred transmission charges of \$17,805.08 and the state mandated charges of \$21,185.41.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS AND CONCLUSIONS

1. On behalf of SoCalGas customer Alon Bakersfield Property Inc., SoCalGas filed Advice Letter 4223 on March 17, 2011 requesting authorization for a one-time, non-precedential waiver for Alon from daily balancing noncompliance charges for the month of November 2010.
2. Alon is in the process of refurbishing and upgrading a formerly bankrupt oil refinery in Bakersfield.
3. SoCalGas explained the GT-TLS daily balancing requirements to Alon.

³ SoCalGas Tariff: Preliminary Statement, Part V, Balancing Accounts: Noncore Fixed Cost Account (NFCA).

4. In November 2010, Alon incurred transmission charges of \$17,805, state mandated charges of \$21,185 and daily balancing noncompliance charges of \$271,179.
5. SoCalGas requests authorization to waive Alon's daily balancing noncompliance charges of \$271,179.40 for the month of November 210.
6. Alon's noncompliance charges would be credited to SoCalGas' Noncore Fixed Cost Account (NFCA).
7. The daily balancing non-compliance charges are not cost based.
8. The daily balancing noncompliance charges would have an impact on a California business facility that is attempting to revive an operation formerly owned by a bankrupt company.
9. A waiver of Alon's noncompliance charges would not result in additional costs to SoCalGas' other noncore gas customers.

THEREFORE IT IS ORDERED THAT:

1. Southern California Gas Company (SoCalGas)'s request for approval of a one-time, non-precedential waiver for SoCalGas customer Alon Bakersfield Property Incorporated (Alon) from daily balancing noncompliance charges for the month of November 2010 is granted.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on October 20, 2011; the following Commissioners voting favorably thereon:

/s/ Paul Clanon

Paul Clanon
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
CATHERINE J. K. SANDOVAL
MARK J. FERRON
Commissioners