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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U902G) and Southern California Gas Company (U904G) Updating Firm Access Rights Service and Rates.

Application 10-03-028
(Filed March 29, 2010)

**ADMINISTRATIVE LAW JUDGE'S RULING SCHEDULING
PREHEARING CONFERENCE AND CALLING FOR PREHEARING
CONFERENCE STATEMENTS**

1. Background

On March 29, 2010, San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) filed Application (A.) 10-03-028 (Application) to (1) assist the Commission in assessing the efficacy of the firm access rights (FAR) service to reduce the scheduling uncertainty existing on the SDG&E/SoCalGas system prior to FAR implementation; (2) recommend various minor and incidental modifications to further streamline and improve the provision of the service, and; (3) propose to establish and update gas transportation rates to fully reflect unbundled, cost-based FAR reservation and in-kind fuel charge.

2. Protests and Responses to the Applications

The City of Long Beach Gas & Oil Department (Long Beach) filed a response to the Application on April 29, 2010, and Shell Energy North America

L.P. (Shell Energy) filed a response to the Application on May 3, 2010.¹ On May 3, 2010, the Division of Ratepayer Advocates (DRA), the Indicated Producers², Southern California Generation Coalition (SCGC), Southern California Edison Company (SCE), and The Utility Reform Network (TURN) filed protests to the Application, and Watson Cogeneration Company (Watson) and the California Cogeneration Council (CCC) jointly filed a protest to the Application.

Long Beach states that the Application proposes certain modifications that may impact Long Beach's ability to serve its core load but does not identify any specific concerns.

Shell Energy states that it opposes the proposal to exempt the System Operator from paying backbone transmission charges, and the proposal to limit the reservation charge credit to Cycle 1 maintenance-related events. Shell Energy requests that the Commission modify the proposal to give first priority to previously scheduled nominations so that interruptible capacity does not displace firm capacity. Shell Energy also proposes that SoCalGas and SDG&E be required to establish "receipt point pools" at each SoCalGas and SDG&E receipt point.

¹ On April 29, 2010, Southwest Gas Corporation (Southwest) filed a motion for party status, and on April 30, 2010, Constellation Newenergy-Gas Division, LLC, (CNEG) filed a motion for party status. The June 18, 2010 Administrative Law Judge ruling granted both requests. On June 24, 2010, California Manufacturers and Technology Association (CMTA) filed a motion for party status. Disposition of the CMTA motion is pending.

² Indicated Producers member companies include BP Energy Company, BP America, Inc. (including Atlantic Richfield Company), ConocoPhillips Company, Chevron U.S.A., Inc., and Occidental Energy Marketing, Inc.

DRA does not raise specific concerns with the Application but states that it will review whether the Application's claimed benefits are being realized to the extent alleged, and whether other modifications are necessary.

Indicated Producers question the Applicants' claim that the FAR system has yielded the benefit of increased scheduling certainty. Indicated Producers state that the use of FARs is directly affected by pipeline maintenance and operational flow order (OFO) conditions, and that the proceeding should investigate how the OFO criteria and trigger affect FAR scheduling certainty.

Indicated Producers also question whether end users benefit from rate unbundling, and whether zonal capacity limitations and receipt point capacity allocations under the FAR system provide customers with the same degree of flexibility they had prior to adoption of the FAR system. Other issues raised by Indicated Producers include whether the proposal to exempt the System Operator from paying FAR charges is reasonable, and how the requirement for customers to separately balance usage with deliveries on the SDG&E and SoCalGas systems affects or limits the use of FARs.

SCGC raises numerous concerns with the Application, including whether the FAR program has achieved its objectives, the Application's various proposed rates and whether the unbundling of the backbone transmission service revenue requirement is necessary, the proposed changes to the FAR Open Season process; the proposed Reservation Charge Credit; the proposal to eliminate the cap on secondary market prices for sales of Firm Access Rights, the increase in Capacity at the Kramer Junction Receipt Point; the proposal for prioritizing previously scheduled nominations, the estimated cost for modifying Applicants' Information Technology Systems to implement the proposals in the Application, and the proposed balancing account cost recovery mechanism.

SCE recommends that this proceeding address whether Applicants should be permitted to limit the amount of firm access capacity available in the event of an OFO, how the implementation of the FAR system has affected the number and severity of OFOs in the past, and how changes to the FAR system will affect the number and severity of OFOs in the future.

TURN states that it has concerns with, among other things, with the proposed separation of costs between backbone and local transmission and the companies' balancing account proposals.

Watson/CCC state that they have concerns with how the Applicants propose to unbundle their backbone and local transmission facilities and costs, the proposed method for allocating a portion of the costs of the backbone system to local transmission, and the rate design for the FAR/backbone charge.

On May 13, 2010, Applicants filed a reply to the responses and protests. Applicants state that they do not object to including most of the issues identified by the parties within the scope of this proceeding. However, Applicants oppose including issues concerning operational matters unrelated to FAR implementation.

In particular, Applicants object to SCGC's request to examine the reasons for the reductions in FAR that have resulted from OFOs, and Indicated Producers' request to investigate how the OFO criteria and trigger affect FAR scheduling certainty. Applicants assert that OFO-related issues are included in the collaborative Customer Forum established by the settlement agreement approved by Decision (D.) 09-11-006, and are outside the scope of this proceeding.

Applicants also reply to protests and responses concerning the objectives of the FAR system and whether those objectives have been achieved, why the System Operator should be exempt from paying backbone transmission charges, whether unbundling of backbone transmission costs was contemplated by D.06-12-031, the reasons for the capacity increase at Kramer Junction, estimated information technology (IT) costs to modify the FAR system, and why the application of the reservation charge credit should not extend beyond Cycle 1.

Applicants object to some parties' proposed schedules, and state that final tariffs must be approved by March 2011 to permit Applicants' IT department six to nine months for implementation before the next three-year open season. Applicants state that they intend to meet with parties concerning the schedule.

3. Prehearing Conference

The Commission will hold a prehearing conference (PHC) at 10 a.m., on Thursday, July 22, 2010, in the Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, California. The purpose of the PHC is to identify issues that should be addressed in hearings, and to establish a proceeding schedule. No testimony will be taken at the PHC.

We will also take appearances to develop a service list for this proceeding. Pending the taking of appearances at the PHC, a temporary service list consisting of the service list in the Commission's Docket Card for A.10-03-028 shall be used for this proceeding. This service list can be found at:

http://docs.cpuc.ca.gov/published/service_lists/A1003028_79020.htm.

Those seeking to become parties in this proceeding shall attend the PHC and file an appearance. Those who demonstrate a plan to actively participate in the proceeding will be granted party status. Any others filing appearances will be granted "Information Only" or other appropriate status.

The PHC is convened to identify the issues to be considered in the proceeding, and to determine the schedule for considering those issues. Based on input received at the PHC, an Assigned Commissioner's Ruling and Scoping Memo will be issued, which will establish the hearing and briefing schedule for the proceeding.

4. PHC Statements

It appears that Applicants have convened at least one conference call with interested parties to discuss the scope and schedule for the proceeding. However, it is not clear whether parties have reached agreement on any issues raised in the protests and responses.

In order to facilitate discussions at the PHC, parties should file PHC statements no later than July 15, 2010, pursuant to Rule 1.10 (Electronic Mail Service) of the Commission's Rules of Practice and Procedure (Rules). The PHC statements should identify the issues that continue to be of concern after taking into consideration Applicants' reply to the protests and responses, or as a result of any discussions that have taken place recently.

Interested parties should serve their PHC statements on the service list for this proceeding, and on the assigned Commissioner and Administrative Law Judge (ALJ). Parties filing PHC statements should also bring 30 extra copies to the PHC. Parties are encouraged to meet and confer prior to the PHC, and to file joint PHC statements to the extent feasible.

The PHC statements should provide a proposed scoping memo, as described in Rule 7.3. The proposed scoping memo should propose a schedule with projected submission date and issues to be addressed, including those issues, if any, parties believe require evidentiary hearings.

INFORMATION REGARDING SERVICE

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a Notice of Availability of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the Notice of Availability of the filed document is current as of today's date.

Dated July 2, 2010, at San Francisco, California.

/s/ KE HUANG

Ke Huang

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074 or TDD# (415) 703-2032 five working days in advance of the event.

***** SERVICE LIST *****
Last Updated on 02-JUL-2010 by: AMT
A1003028 LIST

***** PARTIES *****

Seema Srinivasan
ALCANTAR & KAHL LLP
33 NEW MONTGOMERY STREET, SUITE 1850
SAN FRANCISCO CA 94105
(415) 421-4143
sls@a-klaw.com
For: Indicated Producers

Beth Vaughan
CALIFORNIA COGENERATION COUNCIL
4391 NORTH MARSH ELDER CT.
CONCORD CA 94521
(925) 408-5142
beth@beth411.com
For: California Cogeneration Council

R. Thomas Beach
CALIFORNIA COGENERATION COUNCIL
2560 NINTH STREET, SUITE 213A
BERKELEY CA 94710-2557
(510) 549-6922
tomb@crossborderenergy.com
For: Watson Cogeneration Company

Lisa Simpkins
Vp - Energy Policy
CONSTELLATION ENERGY RESOURCES
111 MARKET PLACE, SUITE 500
BALTIMORE MD 21202
(410) 470-5148
lisa.simpkins@constellation.com
For: Constellation NewEnergy-Gas Division, LLC

Edward W. O'Neill
SALLE E. YOO
DAVIS WRIGHT TREMAINE LLP
505 MONTGOMERY STREET, SUITE 800
SAN FRANCISCO CA 94111-6533
(415) 276-6582
edwardoneill@dwt.com
For: City of Long Beach Gas & Oil Department

Norman A. Pedersen
Attorney
HANNA AND MORTON LLP
444 SOUTH FLOWER ST. SUITE 1500
LOS ANGELES CA 90071-2916
(213) 430-2510
npedersen@hanmor.com
For: Southern California Generation Coalition

John W. Leslie
Attorney At Law
LUCE, FORWARD, HAMILTON & SCRIPPS, LLP
600 WEST BROADWAY, SUITE 2600
SAN DIEGO CA 92101-3391
(619) 699-2536
jleslie@luce.com
For: Shell Energy North America (US), L.P.

Diana L. Lee
Legal Division
RM. 4107
505 VAN NESS AVE
San Francisco CA 94102 3298
(415) 703-4342
dil@cpuc.ca.gov
For: DRA

Jeff Salazar
DAVID J. GILMORE; CARLOS F. PENA
SEMPRA ENERGY UTILITIES
555 W. FIFTH STREET, GT14D6
LOS ANGELES CA 90013
(213) 244-5916
JLsalazar@SempraUtilities.com
For: San Diego Gas & Electric Company/Southern California Gas Company

Angelica M. Morales
SOUTHERN CALIFORNIA EDISON COMPANY
2244 WALNUT GROVE AVE., PO BOX 800
ROSEMEAD CA 91770
(626) 302-6160
Angelica.Morales@sce.com
For: Southern California Edison Company

Keith Brown
SOUTHWEST GAS CORPORATION
5241 SPRING MOUNTAIN ROAD
LAS VEGAS NV 89150-0002
(702) 876-7157
keith.brown@swgas.com
For: Southwest Gas Corporation

Michel Peter Florio
THE UTILITY REFORM NETWORK
115 SANSOME STREET, SUITE 900
SAN FRANCISCO CA 94104
(415) 929-8876 X302
mflorio@turn.org
For: The Utility Reform Network

***** SERVICE LIST *****
Last Updated on 02-JUL-2010 by: AMT
A1003028 LIST

***** STATE EMPLOYEE *****

Joyce Alfton
Energy Division
AREA 4-A
505 VAN NESS AVE
San Francisco CA 94102 3298
(415) 703-2616
alf@cpuc.ca.gov

Richard Smith
Administrative Law Judge Division
RM. 5007
505 VAN NESS AVE
San Francisco CA 94102 3298
(415) 703-1083
rs1@cpuc.ca.gov

***** INFORMATION ONLY *****

Karen Terranova
ALCANTAR & KAHL
33 NEW MONTGOMERY STREET, SUITE 1850
SAN FRANCISCO CA 94105
(415) 403-5542
filings@a-klaw.com

Evelyn Kahl
SEEMA SRINIVASAN
Attorney At Law
ALCANTAR & KAHL, LLP
33 NEW MONTGOMERY STREET, SUITE 1850
SAN FRANCISCO CA 94015
(415) 421-4143
ek@a-klaw.com

Catherine E. Yap
BARKOVICH & YAP, INC.
PO BOX 11031
OAKLAND CA 94611
(510) 450-1270
ceyap@earthlink.net

Bruno Jeider
BURBANK WATER AND POWER
164 WEST MAGNOLIA BOULEVARD
BURBANK CA 91502
(818) 238-3700
bjeider@ci.burbank.ca.us

CALIFORNIA ENERGY MARKETS
425 DIVISADERO STREET, SUITE 303
SAN FRANCISCO CA 94117
(415) 963-4439
cem@newsdata.com

Charles Guss
CITY OF ANAHEIM
200 SOUTH ANAHEIM BLVD.
ANAHEIM CA 92805
(415) 765-4242
cguss@anaheim.net

Steven Sciortino
CITY OF ANAHEIM
200 SOUTH ANAHEIM BOULEVARD
ANAHEIM CA 92805
(714) 765-5177
ssciortino@anaheim.net

Stephen Baker
CONSTELLATION ENERGY NEWENERGY-GAS
DIV.
9960 CORPORATE CAMPUS DR., STE. 2000
LOUISVILLE KY 40223
(502) 214-6313
stephen.baker@constellation.com

Christopher D. Young
Sr. Counsel
CONSTELLATION ENERGY RESOURCES, LLC
111 MARKET PLACE, SUITE 500
BALTIMORE MD 21202
(410) 470-3540
christopher.young@constellation.com

Salle E. Yoo
DAVIS WRIGHT TREMAINE LLP
505 MONTGOMERY STREET, SUITE 800
SAN FRANCISCO CA 94111
(415) 276-6500
salleyoo@dwt.com

Andrew B. Brown
ELLISON, SCHNEIDER & HARRIS LLP
2600 CAPITOL AVENUE, SUITE 400
SACRAMENTO CA 95816-5905
(916) 447-2166
abb@eslawfirm.com
For: Constellation NewEnergy Gas Division, LLC

***** SERVICE LIST *****
Last Updated on 02-JUL-2010 by: AMT
A1003028 LIST

Steven G. Lins
Assistant General Manager Supply
GLENDALE WATER AND POWER
141 N. GLENDALE AVENUE, LEVEL 4
GLENDALE CA 91206-4394
(818) 548-2136
slins@ci.glendale.ca.us

Brian T. Cragg
GOODIN, MACBRIDE, SQUERI, DAY & LAMPREY
505 SANSOME STREET, SUITE 900
SAN FRANCISCO CA 94111
(415) 392-7900
bcragg@goodinmacbride.com

Stephen J. Keene
Asst. General Counsel
IMPERIAL IRRIGATION DISTRICT
333 EAST BARIONI BLVD.
IMPERIAL CA 92251
(760) 339-9574
sjkeene@iid.com

Kirby Bosley
JP MORGAN VENTURES ENERGY CORP.
700 LOUISIANA ST. STE 1000, 10TH FLR
HOUSTON TX 77002
(713) 236-3383
kirby.bosley@jpmorgan.com

Paul Tramonte
JP MORGAN VENTURES ENERGY CORP.
700 LOUISIANA ST., STE 1000, 10TH FLR
HOUSTON TX 77002
(713) 236-3079
Paul.Tramonte@jpmorgan.com

Paul Gendron
JP MORGAN VENTURES ENERGY CORP.
700 LOUISIANA STREET SUITE 1000
HOUSTON TX 77002
(925) 708-4994
paul.gendron@JPMorgan.com

Carrie Downey
LAW OFFICES OF CARRIE ANNE DOWNEY
1313 YNEZ PLACE
CORONADO CA 92118
(619) 522-2040
cadowney@cadowneylaw.com

David Sanchez
Gas Supply Officer
LONG BEACH GAS & OIL COMPANY
NO ADDRESS
EMAIL CA 00000
(562) 570-3981
david.sanchez@longbeach.gov

Robert L. Pettinato
LOS ANGELES DEPARTMENT OF WATER &
POWER
NATURAL GAS GROUP ENERGY CONTROL
CENTER
PO BOX 51111, RM. 1148
LOS ANGELES CA 90051-0100
(818) 771-6715
robert.pettinato@ladwp.com

Richard J. Morillo
PO BOX 6459
BURBANK CA 91510-6459
(818) 238-5702
rmorillo@ci.burbank.ca.us

MRW & ASSOCIATES, LLC
EMAIL ONLY
EMAIL ONLY CA 00000
(510) 834-1999
mrw@mrwassoc.com

Steven Endo
PASADENA DEPARTMENT OF WATER & POWER
150 S. LOS ROBLES, SUITE 200
PASADENA CA 91101
(626) 744-7599
sendo@cityofpasadena.net

Eric Klinkner
PASADENA DEPARTMENT OF WATER AND
POWER
150 SOUTH LOS ROBLES AVENUE, SUITE 200
PASADENA CA 91101-2437
(626) 744-4478
eklinkner@cityofpasadena.net

Tom Roth
ROTH ENERGY COMPANY
545 S. FIGUEROA STREET, SUITE 1235
LOS ANGELES CA 90071
(213) 622-6700
rothenergy@sbcglobal.net

John Rohrbach
RRI ENERGY SERVICES, INC
1000 MAIN ST, 11TH FLOOR
HOUSTON TX 77002
(832) 357-7305
jrohrbach@rrienergy.com

***** SERVICE LIST *****
Last Updated on 02-JUL-2010 by: AMT
A1003028 LIST

John Elmore
RRI ENERGY SERVICES, INC.
1000 MAINT ST. SUITE 1000
HOUSTON TX 77002
(832) 357-1088
jelmore@rrienergy.com

Carlos F. Pena
SAN DIEGO GAS & ELECTRIC COMPANY
101 ASH STREET, HQ12
SAN DIEGO CA 92101-3017
(619) 696-4320
CFPena@SempraUtilities.com

Central Files
SAN DIEGO GAS AND ELECTRIC COMPANY
8330 CENTURY PARK COURT, CP31E
SAN DIEGO CA 92123
CentralFiles@SempraUtilities.com

Beth Musich
SEMPRA ENERGY UTILITIES
555 W. FIFTH STREET, GT14D6
LOS ANGELES CA 90013-1034
(213) 244-3697
BMusich@SempraUtilities.com

Pedro Villegas
SEMPRA ENERGY UTILITIES
601 VAN NESS AVENUE, SUITE 2060
SAN FRANCISCO CA 94102
(415) 202-9986
PVillegas@SempraUtilities.com

Ronald S. Cavalleri
SEMPRA ENERGY UTILITIES
555 W. FIFTH STREET, GT14D6
LOS ANGELES CA 90013-1011
(213) 244-3732
RCavalleri@SempraUtilities.com

Marcie A. Milner
(1374)
SHELL ENERGY NORTH AMERICA (US), L.P.
4445 EASTGATE MALL, STE. 100
SAN DIEGO CA 92121
(858) 526-2106
marcie.milner@shell.com

Michael S. Alexander
Energy Supply And Management
SOUTHERN CALIFORNIA EDISON
2244 WALNUT GROVE AVE
ROSEMEAD CA 91006
(626) 302-2029
michael.alexander@sce.com

Case Administration
SOUTHERN CALIFORNIA EDISON COMPANY
2244 WALNUT GROVE AVE., RM. 370
ROSEMEAD CA 91770
(626) 302-6838
Case.Admin@sce.com

Gloria M. Ing
Senior Attorney
SOUTHERN CALIFORNIA EDISON COMPANY
2244 WALNUT GROVE AVE
ROSEMEAD CA 91770
(626) 302-1999
gloria.ing@sce.com

David J. Gilmore
JEFF SALAZAR/CARLOS F. PENA
SOUTHERN CALIFORNIA GAS COMPANY
555 WEST FIFTH STREET, GT-14E7
LOS ANGELES CA 90013
(213) 244-2945
DGilmore@SempraUtilities.com

Christy Berger
SOUTHWEST GAS CORPORATION
5241 SPRING MOUNTAIN ROAD
LAS VEGAS NV 89150
(702) 364-3267
christy.berger@swgas.com

John Olenick
SOUTHWEST GAS CORPORATION
5241 SPRING MOUNTAIN ROAD
LAS VEGAS NV 89150-0002
(702) 876-7209
john.olenick@swgas.com

Steve Williams
SOUTHWEST GAS CORPORATION
5241 SPRING MOUNTAIN ROAD
LAS VEGAS NV 89150-0002
(702) 364-3070
steve.williams@swgas.com

Keith R. Mccrea
SUTHERLAND, ASBILL & BRENNAN LLP
SUITE 800
1275 PENNSYLVANIA AVE., N.W.
WASHINGTON DC 20004-2415
(202) 383-0100
kmccrea@sablaw.com
For: California Manufacturers & Technology Association

(END OF SERVICE LIST)