

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



November 5, 2002

Agenda ID# 1345  
RESOLUTION G3334 of  
COMMISSIONER BROWN  
Commission Meeting December 5, 2002

TO: PARTIES TO SAN DIEGO GAS AND ELECTRIC COMPANY'S ADVICE  
LETTERS AL 3109-A/AL 3117/AL 3123-A/AL 3146/AL 3147

Enclosed is draft Resolution Number G-3334 sponsored by Commissioner Brown on implementation of D.01-12-018. It will be on the agenda at the December 5, 2002 Commission meeting, which is held at least 30 days after the date of this letter. The Commission may then vote on this Resolution or it may postpone a vote until later.

When the Commission votes on a draft Resolution, it may adopt all or part of it as written, amend, modify or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

Parties may submit comments on the draft Resolution of Commissioner Brown.

An original and two copies of the comments, with a certificate of service, should be submitted to:

Jerry Royer  
Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

A copy of the comments should be submitted to:

Belinda Gatti  
Advisor to Commissioner Brown  
505 Van Ness Avenue, Room 5306  
San Francisco, CA 94102  
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Any comments on the draft Resolution must be received by the Energy Division by November 19, 2002. Those submitting comments must serve a copy of their comments on 1) the entire service list attached to the draft Resolution, 2) all Commissioners, and 3) the Director of the Energy Division, on the same date that the comments are submitted to the Energy Division.

Comments shall be limited to five pages in length plus a subject index listing the recommended changes to the draft Alternate Resolution, a table of authorities and an appendix setting forth the proposed findings and ordering paragraphs.

Comments shall focus on factual, legal or technical errors in the proposed draft Alternate Resolution. Comments that merely reargue positions taken in the advice letter or protests will be accorded no weight and are not to be submitted.

Replies to comments on the draft resolution may be filed (i.e., received by the Energy Division) on November 26, 2002, five days after comments are filed, and shall be limited to identifying misrepresentations of law or fact contained in the comments of other

parties. Replies shall not exceed five pages in length, and shall be filed and served as set forth above for comments.

Late submitted comments or replies will not be considered.

/s/BELINDA GATTI  
Belinda Gatti  
Advisor to Commissioner Brown

Enclosure: Service List  
Certificate of Service

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**RESOLUTION G-3334**  
**December 5, 2002**

**R E S O L U T I O N**

Resolution G-3334. Southern California Gas Company (SoCalGas) proposes an implementation schedule, tariffs, and rules to implement the Gas Industry Reform Decision 01-12-018 (GIR Decision). This resolution establishes a schedule for implementation of that decision, orders workshops to resolve issues in the unbundling of intrastate transmission and storage, and orders SoCalGas to file supplemental advice letters on transmission and storage upon completion of the workshops.

By Advice Letter AL 3109-A filed February 13, 2002; AL 3117 filed February 2, 2002; AL 3123-A filed March 19, 2002; AL 3146 filed May 1, 2002; and AL 3147 filed May 2, 2002.

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**Summary**

This resolution consolidates five Advice Letters (ALs) filed by SoCalGas to establish an implementation schedule, tariffs and rules to implement the GIR Decision. The Advice Letters include: AL 3109-A filed February 13, 2002; AL 3117 filed February 2, 2002; AL 3123-A filed March 19, 2002; AL 3146 filed May 1, 2002; and AL 3147 filed May 2, 2002.

Advice Letter 3109-A proposes an implementation schedule for the major and minor components of the Comprehensive Settlement Agreement (CSA), adopted with modifications in the GIR Decision. With regard to the GIR implementation schedule proposed in Advice Letter 3109-A, we set a target date for GIR implementation of May 1, 2003 for (1) Firm Tradable Intrastate Transmission Rights, (2) Balancing and Pooling Services, (3) Retail Services, (4) Electronic Trading of Backbone Rights, and (5) Unbundling of Storage Services.

Advice Letter 3117 proposes rules for unbundled storage services. AL 3123-A proposes tariff rates for unbundled storage services. AL 3146 proposes rates for unbundled backbone transmission and for unbundled non-reliability core

storage, rules for pooling rights at citygate, storage and receipt points, rules to establish balancing procedures, and billing credits to ESP's who provide consolidated billing. AL 3147 proposes rates and rules for parking and loaning of storage capacity thru pipeline operations. We order SoCalGas to hold two workshops in January 2003 to confer with parties to resolve any outstanding issues pertaining to storage and intrastate transmission unbundling addressed in AL's 3117, 3123-A, 3146, 3147, and 3174. At the conclusion of those workshops, we order SoCalGas to file supplemental advice letters on February 1, 2003 detailing the revised rules and rates.

The protests to AL 3109-A are moot.

### **BACKGROUND**

In Order Instituting Rulemaking (R.) 98-01-011, the Commission assessed the market and regulatory framework of California's natural gas industry and considered reforms that might foster competition and benefit all California natural gas consumers. In D.99-07-015, the Commission identified the most promising options for changes to the regulatory and market structure of the natural gas industry. Order Instituting Investigation (I.) 99-07-003 was issued the same day and asked parties to prepare more detailed analyses of the costs and benefits of the promising options, and allowed time for exploring the possibility of settlement before testimony and hearings. Various parties agreed to the CSA in response to a direction by the presiding Administrative Law Judge (ALJ) asking parties to explore settlement options in I. 99-07-003. This CSA settled all of the issues raised by the most promising options being investigated in I. 99-07-003.

The following twenty-four companies were signatories to the Comprehensive Settlement Agreement, which was signed in April, 2000:

California Cogeneration Council  
California Industrial Group and Ca. Mfgs and Technology Ass. - CMTA  
California Utility Buyers, JPA, a California joint powers authority  
Calpine Corporation  
City of Vernon  
Coral Energy Resources LP Company  
Dynergy, Inc  
Enron Corp

Greenmountain.com  
Indicated Producers  
Office of Ratepayer Advocates (ORA)  
Regional Energy Management Coalition  
San Diego Gas and Electric  
School Project for Utility Rate Reduction, a Ca. joint powers authority  
Shell Energy Services, Inc.  
Southern California Edison Company  
Southern California Gas Company  
Transwestern Pipeline Company  
TXU Energy Services  
United Energy Management, Inc.  
Utility.com  
Watson Cogeneration Company  
Western Hub Properties, LLC  
Wild Goose Storage, Inc.

The GIR Decision approved the CSA with modifications. It allowed customers access to firm tradable transmission rights on SoCalGas' system and ordered that the costs associated with intrastate backbone transmission be unbundled from transportation rates. The GIR Decision allowed noncore customers to acquire intrastate backbone transmission capacity through an open season, or purchase gas at the citygate. The GIR Decision provided that the utilities' retail core procurement department will continue to reserve interstate capacity, intrastate backbone transmission capacity, and storage capacity to meet the requirements of retail core procurement customers. The GIR Decision anticipated that the availability of firm, tradable transmission rights will allow customers to place an increased reliance on long-term contracts.

The GIR Decision ordered SoCalGas to file advice letters to implement the CSA. SoCalGas filed Advice Letter 3099 on December 26, 2001, 3100-A on January 28, 2002, Advice Letter 3104 on January 2, 2002, Advice Letter 3105 on January 2, 2002, Advice Letter 3109-A on February 13, 2002, Advice Letter 3112 on January 30, 2002, Advice Letter 3117 on February 2, 2002, Advice Letter 3123-A on March 19, 2002, Advice Letter 3146 on May 1, 2002, Advice Letter 3147 on May 1, 2002, and Advice Letter 3174 on July 23, 2002.

GIR Advice Letters not dealt with in this Resolution are:

- 1) AL 3099, which establishes a GIR memorandum account, was not protested and was allowed to become effective December 11, 2001.
- 2) AL 3100-A, which ends core subscription service and reopens core service to all eligible noncore customers, was not approved by the Commission. Although protested, SoCalGas put it into effect January 1, 2002 while awaiting Commission approval. We will address AL 3100-A in a separate Resolution.
- 3) AL 3104, which ends the core contribution to noncore ITCS, was not approved by the Commission. However, SoCalGas put it into effect January 25, 2002 while awaiting Commission approval. We will allow AL 3104 to remain effective, as it was not protested.
- 4) AL 3105, which unbundles pipeline demand charges; allocates stranded costs from core interstate pipeline capacity; reduces Core Aggregation Transportation (CAT) program minimum size requirements; eliminates the 10% cap on the core CAT program; and recovers in rates \$2 million/year for implementation costs, will be dealt with in another Resolution.
- 5) AL 3112, which creates three new sub-accounts in the Purchased Gas Account (PGA), was not protested, but was suspended by the Energy Division, due to its relation to AL 3104.
- 6) AL 3174, in which SoCalGas proposes to recover the 2001 and 2002 GIR implementation costs over the four-month period from September to December, 2002, was protested by two parties.

## **NOTICE**

Notice of AL's 3109-A, 3117, 3123-A, 3146, and 3147 was made by publication in the Commission's Daily Calendar. Southern California Gas states that a copy of the Advice Letters was mailed and distributed in accordance with Section III-G of General Order 96-A., which includes the interested parties in I. 99-07-003.

## **PROTESTS**

The following is a brief summary of each Advice Letter being denied without prejudice, the Protests received on each Advice Letter, and SoCalGas' response to the protests.

AL 3109 - A Establishes a timeline for implementation of the provisions of

D. 01-12-018. SoCalGas requested the following implementation schedule in AL 3109-A for the major components of the Comprehensive Settlement Agreement (CSA).

- (1) Unbundling of Storage Services - April 1, 2002
- (2) Firm, tradable intrastate transmission rights - November 1, 2002
- (3) Balancing and Pooling Services - November 1, 2002
- (4) Retail Services - November 1, 2002
- (5) Electronic Trading of Backbone Rights - January 1, 2003

#### Protests to AL 3109-A

On February 26, 2002, SCGC protested SoCalGas' notice of the open season to start on March 4, 2002, with capacity awarded on April, 2002. On March 5, 2002, SCGC again protested the revised implementation schedule in AL 3109-A and requested an April 1, 2003 simultaneous implementation of transmission capacity unbundling, storage capacity unbundling, and electronic trading of both transmission capacity and storage capacity. Secondly, SCGC protested SoCalGas' two-day lag between the deadline for giving notice of a backbone capacity trade and the flow date, stating that the demand of electric generators cannot be reliably forecasted two days in advance of peak burn days. SCGC contends that electronic trading must be implemented simultaneously with the unbundling of backbone capacity and for holders of unbundled storage capacity. Thirdly, SCGC protests what it characterizes as SoCalGas' abandonment of the CSA three-year period for phasing in the deregulation of rates for storage service under Schedule G-TBS. Finally, SCGC continues to protest SoCalGas' stated intent to terminate firm local transmission and distribution service to Schedule GT-F noncore customers that are taking firm service on a month-to-month basis under expired contracts.

BP Energy Company (BP) protests that SoCalGas should provide public notice of capacity available for auction at each receipt point for Phase 1 no later than 4 weeks in advance of the initial bid date for Phase 1. BP wants specific dates or time periods for notification of successful bids and for the release of data to the industry as the auction progresses. BP also recommends that SoCalGas should establish a more aggressive implementation date for backhaul services - from April 1, 2003 to January 1, 2003.

#### Response to Protests of AL 3109-A

SoCalGas contends that it made all possible revisions to the schedule based on protests received on AL 3109. Accommodating BP would unduly impact the

decision-making timeline for wholesale customers, California Producers, and long-term contract holders. SoCalGas states that it cannot move up electronic trading and it has proposed revised procedures for manually processed backbone capacity trades between November 1, 2002 and December 31, 2002.

In response to SCGC's protest of SoCalGas' schedule deviation, whereby shareholders become increasingly at risk for unbundled storage, and the concomitant increases in pricing flexibility that SoCalGas would be given for unbundled storage service other than the open season, SoCalGas states that due to the time it took the Commission to issue a decision in the proceeding, many of the specific dates in the CSA are no longer feasible. Pursuant to the last BCAP decision, D. 00-04-060, SoCalGas has operated on a 50/50 ratepayer/shareholder risk/reward regime for the April 2001- March 2002 storage year, exactly as contemplated by the CSA and expected by the Settlement parties. SoCalGas argues that it is entirely possible and appropriate to implement the 75 per cent shareholder risk and 50 per cent floor - 200 per cent ceiling pricing flexibility for April 2002 thru March 2003 as specified in the CSA. This approach, according to SoCalGas achieves the Commission's stated intent to place SoCalGas shareholders at 100% risk of unbundled storage on the schedule set forth in the CSA.

In response to SCGC's protest of SoCalGas' proposal to terminate firm local transmission and distribution services to customers with expired Schedule GT-F contracts, SoCalGas states that the contract every noncore customer must execute in order to receive service under Schedule No. GT-F states clearly in Section B, item No. 2 that "at the end of the initial term, this Agreement shall continue thereafter on a month-to-month basis unless terminated by written notice from one party to the other given not less than twenty (20) days prior to the last day of the initial term of any month thereafter."

AL 3117 - Specifies tariffs and rules for unbundled storage capacity rights and calculates costs based on the embedded costs rather than long-run marginal costs.

### Protests to AL 3117

SCGC protested that SoCalGas' revisions to its storage tariffs should be deferred from April 1, 2002 to April 1, 2003. Second, SoCalGas should be required to provide an accounting to justify the meager amount of capacity that would be made available at embedded cost rates under Schedule G-PAC. Third, SoCalGas should not be allowed to phase-in deregulation of storage service rates over 2 years. Fourth, the Commission should reject SoCalGas' unauthorized attempt to extend the maximum term for G-TBS contracts from 3 to 15 years. Lastly, SoCalGas' proposal to require an accelerated payment of storage service reservation charges is unauthorized and should be rejected.

### Response to Protest of AL 3117

SoCalGas responds that it is attempting to implement the Commission's decision; that SCGC incorrectly confuses the 14 BCF of cushion gas at issue in A. 01-04-007 with this proceeding; and the phase-in schedule proposed for 100% shareholder risk of unbundled storage is consistent with the CSA. Any schedule G-TBS contract longer than 3 years will be filed with the Commission for approval. SoCalGas would have no objection if the Commission were to direct them to remove language requiring accelerated payment of storage service reservation charges from the proposed storage tariffs.

AL 3123-A - Proposes to update transportation rates to reflect the use of embedded costs of storage in transportation rates.

### Protests to AL 3123-A

Southern California Generation Coalition (SCGC) protests that SoCalGas shifts the rate increase resulting from the unbundling of storage costs from the core to the noncore. SCGC states that implementation of the CSA has moved beyond ministerial actions to substantive issues and should be set for hearing.

### Response to Protests of AL 3123-A

SoCalGas responds that the revisions it made in response to the protests of AL 3123 mean that AL 3123-A will result in almost no cost shift from the time of storage implementation to the time of implementation of backbone aspects, and for the remainder of the term of the settlement. SoCalGas requests that the Commission clarify what its intent was regarding cost allocation because it allocated more capacity to the core than provided for in the CSA. SoCalGas does not believe an implementation proceeding or further litigation is necessary.

AL 3146 - (1) Provides billing credits to those customers of Energy Service Providers (ESP's) whose ESP provides consolidated billing services; (2) unbundles backbone transmission rights using embedded costs and update transportation rates to reflect the use of embedded costs; (3) unbundles nonreliability portion of core storage, (4) establishes pooling rights at the citygate, storage, and receipt points; and (5) establishes new balancing procedures.

Protests to AL 3146

SCGC filed an Application for Rehearing in conjunction with DGS and TURN asking the Commission to grant rehearing, reverse D. 01-12-018, and reject the CSA at rehearing. Absent reversal of D. 01-12-018 at rehearing, SCGC proposes a hearing be set for implementation of the CSA.

In its protest, SCGC includes the following issues:

(1) SoCalGas has overestimated "core ITCS" costs. (2) SoCalGas truncates the three-year phase-in of deregulation of rates for unbundled storage services provided by the CSA, to two years. (3) SoCalGas proposes to deny noncore customer requests for firm local transmission service if it lacks sufficient local transmission capacity. (4) SoCalGas violates the CSA by proposing a formula for determining maximum bidding rights that fails to fairly balance seasonal and annual usage. (5) Bids for seasonal capacity should be given parity with bids for annual backbone capacity. (6) Results of the Open Season and Electronic Trading should be put into effect simultaneously on April 1, 2003. (7) SoCalGas violates the CSA by proposing to levy a volumetric transmission charge on customer-contributed transmission fuel. (8) SoCalGas' proposal to assign a "unique contract number for each successful bid" is unworkable. (9) SoCalGas' proposed Backbone Transmission Receipt Access (Schedule G-BR) fails to include a provision requiring SoCalGas to notify parties of available firm capacity and to make available any capacity held by third parties that has not been nominated for use on a given day. (10) Schedule G-BR contains no provision for any

information about capacity ownership to be made publicly available. (11)  
SoCalGas' proposed Core Gas Storage (Schedule G-CGS) permits transfer to any  
qualified person any portions of their reliability and nonreliability storage

contract rights for any period of time in violation of D.01-12-018. (12) The noncore storage schedules exceed the scope of the CSA by revising the current requirements for using storage to cure imbalances so as to impose a month-of-imbalance as well as month-of-trade requirements. (13) Noncore storage tariffs should provide for more information to be made publicly available. (14) Implementation of storage unbundling should be postponed until electronic trading is available on April 1, 2003. (14) Proposed Transaction Based Storage Service (Schedule G-TBS) should continue to be limited to a maximum of 3 years. (15) SoCalGas violates the CSA by establishing multiple pools for each customer in order to increase revenues from pool transfer fees. (16) "Affiliate" is defined more narrowly than in the Commission's Affiliate Transaction Rules, making it easier to evade the Commission's Market concentration rules. (17) "Core Service" is defined to exclude core elections by all but the smallest EG's. (18) SoCalGas' proposed revision to the Rule 6 creditworthiness requirements for local transmission service is unauthorized. (19) SoCalGas' proposed increase in the Rule 6 credit requirements is grossly excessive. (20) SoCalGas violates the CSA by proposing a provision to permit involuntary diversions of gas supply from noncore customers without paying the \$25 credit for diverted gas. (21) SoCalGas' proposal to prorate noncore storage customers "by contract terms" should be replaced by objective criteria for prorating noncore customers to avoid SoCalGas' storage sales representatives from being able to use contract ranking to extract undue concessions from potential storage customers. (22) The scope of Rule 39 should be narrowed to cover unbundled backbone transmission service and unbundled storage service, as contemplated in the CSA with creditworthiness for other services being left to Rule 6. (23) SoCalGas improperly omits the CSA provision that permits existing customers to be deemed to be creditworthy for purposes of receiving an assignment of backbone transmission rights. (24) SoCalGas goes beyond the CSA by proposing to call core and noncore OFO's on the basis of lower prorated injection and withdrawal rights. (25) SoCalGas goes beyond the CSA by proposing to reduce balancing rights for the noncore class to zero when noncore inventory capacity is either fully utilized or fully depleted. (26) SoCalGas goes beyond the CSA by proposing to collect an in-kind fuel charge of 2.44 % on gas remaining in a noncore customer's imbalance account after each monthly imbalance trading period. (27) SoCalGas' proposal that it be permitted to terminate a noncore customer's local transportation service agreement on 15 days' notice should be rejected.

The Utility Reform Network (TURN) (limited protest) states that SoCalGas has no basis for removing local transmission costs from base margin. Secondly,

SoCalGas' proposal to unbundle the nonreliability portion of core storage for core transportation aggregators may trigger double recovery of storage costs.

California Industrial Group and the California Manufacturers & Technology Association (CIG/CMTA) protests that SoCalGas' proposed Schedule G-BR would effectively deny certain existing end use customers adequate bidding rights for the open season, thereby jeopardizing their gas service.

Dynegy Marketing and Trade, El Segundo Power, LLC, Long Beach Generation, LLC, Cabrillo Power I LLC, and Cabrillo Power II LLC (collectively, the "Protesting Companies") protest the following issues: (1) SoCalGas' proposed period to limit rights of end-use customers in the open season process of June 1, 2001 through May 31, 2002, as the customer's average daily historical consumption, is neither typical nor average. (2) The Commission should clarify that the 30% market concentration limitation adopted in D.01-12-018 is unrelated to the system-wide maximum bidding rights that are calculated using the historical average daily consumption. (3) SoCalGas' definition of "affiliate" for purposes of the market concentration limit may unintentionally permit the accumulation of considerable market power. (4) SoCalGas' interpretation of the provisions of the CSA on diversion of gas supplies has the potential to create an unduly harsh effect on electric consumers and electric generators. (5) The proposed Rule 23 provisions on diversion have a potential to put electric generation customers in the position of having to choose between violating a diversion order and violating an order of the California Independent System Operator (ISO). (6) Rule 40 should be modified to allow SoCalGas to waive the separate balancing requirement in exceptional circumstances to achieve the paramount goal of maintaining the system within balancing tolerances. (7) SoCalGas' proposed Transportation Imbalance Service (Schedule G-IMB) which calculates a standby charge based on 150% of the average Southern California border price reported in the NGI's Daily Gas Price Index may drive up border prices when gas is in short supply.

Indicated Producers protests the following issues: (1) SoCalGas should modify tariff G-BR to allow tertiary rights for firm transportation shippers to nominate using their firm contract from any access point if space is available. (2) SoCalGas should modify delivery points in Schedule G-BR to include other points as needed. (3) SoCalGas should accept rate election changes during the annual open season process in tariff G-BR. (4) the Commission should set market concentration limits for SoCalGas' Gas Acquisition Department and its affiliates.

(5) Include provisions in schedule G-BR for the notification and posting of available capacity at each receipt point in a manner that can be accessed and used by market participants in a timely manner. (6) SoCalGas must be required to seek market remedies prior to confiscating gas from other customers through diversion of backbone supplies. (7) Schedule G-BR specifically excludes ExxonMobil Corp from set-aside rights equal to their historic deliveries to which they are entitled. (8) SoCalGas proposes to declare a Stage 1 OFO when the system is in a state of equilibrium and balancing services are fully utilized. (9) The OFO Forum in Rule 40 should be advisory, not punitive, and be subject to Commission review and approval. (10) SoCalGas should use an index that is commonly used by market participants to calculate standby charges and buy-back rate. (11) Remove the new in-kind fuel charge of 2.44% on imbalances. (12) Provide a more equitable framework for past-period accounting adjustments. (13) The Pooling Services Tariff (Schedule G-Pool) should increase the number of pool transfers to 20-30 trades without fees. (14) Clarification is needed on the types of transfers that might impose a fee. (15) G-Pool credit-worthiness requirements should not exceed transport MDQ and should not be related to commodity trades. (16) SoCalGas' proposed creditworthiness requirements should be revised to avoid placing an unnecessary burden on shippers interested in participating in the southern California gas market. (17) Schedule G-WHL-HUB, Hub Wheeling Service, should not result in rates in excess of maximum rates for transportation and storage. (18) Schedule G-TBS should expand the interruptible service offerings to the extent injection and withdrawal is unused. (19) Firm Local Transportation Service (Schedule GT-F) contains changes not contemplated in the CSA and more appropriately addressed in SoCalGas' BCAP filing. (20) Components of the postage stamp rate calculation for backbone transmission with escalation should be revisited.

Southern California Edison raises the following issues in its protest: (1) The phase-in period for 100% at risk storage should be 3 years, not 2, as proposed by SoCalGas. (2) Schedule GT-F allows for undue discretion by SoCalGas as to which customers it may refuse to provide firm service. (3) Schedule G-BR places no restriction on SoCalGas' ability to market unsubscribed firm backbone transmission capacity. (4) SoCalGas should be required to post information on its negotiated backbone transportation capacity contracts in a manner similar to its posting of secondary market assignments to allow for greater market transparency and to permit detection of any potential undue discrimination by market participants. (5) The appropriate limit in Schedule G-BR on a customer's

right to bid should be the customer's average daily use in the relevant season - not annual average. (6) SoCalGas should provide the opportunity on GasSelect for parties who voluntarily desire to post price information on secondary storage market transactions. (7) The two-day written notice required of transferors of storage rights in the secondary market prior to the first nomination cycle for the effective flow date, places these transactions at a competitive disadvantage to SoCalGas' directly marketing storage rights. (8) SoCalGas' proposal for 15 year storage contracts is inconsistent with the CSA. (9) SoCalGas does not set specific standards for how it will determine physical operating receipt point capacity on a daily basis.

ExxonMobil cites the following issues in its protest: (1) SoCalGas' exclusion of ExxonMobil from any California producer set-asides is discriminatory. (2) SoCalGas' Gas Acquisition Department reservation is 61 % of the total North Coastal rights and puts SoCalGas in a position to misuse its market power.

Watson Cogeneration Company states that SoCalGas did not propose to unbundle peaking rates, which the Commission authorized in Resolution G-3324.

Phillips Petroleum Company protests that SoCalGas fails to provide a receipt point for gas flowing from LNG import facilities likely to be constructed in Mexico during the term of the CSA.

TXU Energy Services protests that the tariff language is inconsistent with the CSA because the CTA's set-aside rights don't match their share of the core market and the tariff requires CTA's to take rights for all eligible volumes, not just a portion.

Coral Energy Services includes the following issues in its protest: (1) SoCalGas' standard for involuntary diversions is too open-ended. (2) SoCalGas should not be excused from providing an Involuntary Diversion Credit in a force majeure situation. (3) SoCalGas must be responsible to notify all balancing entities of the nature and extent of any involuntary supply diversions. (4) There is no basis for the proposed 2.44% in-kind fuel charge. (5) Core and noncore customers should not be balanced separately. (6) The \$50.00 transfer fee for pool-to-pool transfers should not be imposed.

Department of General Services (DGS) mentions the following issues in its protest: (1) SoCalGas ignores seasonal customers for bidding purposes. (2) The

unbundling of storage revenues should be phased in over 3 years. (3) The 2.44% in-kind fuel charge is not authorized by the CSA.

#### Response to Protests on AL 3146

SoCalGas response to the various protestants issues as follows:

1. CIG/CMTA -SoCalGas believes using annual average load for the most recent year is reasonable, but does not object to any other alternative the Commission may desire, as long as the time period is applied consistently to all customers.
2. Watson -SoCalGas will file to unbundle Peaking rates on the same day backbone transmission rights become unbundled.
3. TXU - SoCalGas recognizes an oversight and agrees that its compliance tariffs are inconsistent with the CSA and will rewrite tariffs to indicate that Core Transport Agents have annual options to reserve Gas Acquisition-like firm backbone transmission rights. However, the CSA explicitly states that options must be exercised in full and not in part.
4. TURN - SoCalGas states that Turn's treatment of local transmission costs was not part of the CSA or one of the modifications of D.01-12-018. Issues related to the cushion gas project will be heard in that proceeding.
5. Phillips Petroleum Company - SoCalGas states that Phillips did not participate in the CSA negotiations and their LNG projects are not likely to be in service until 2006, which is the end of the CSA period approved by the Commission. Phillips request for a receipt point is premature at best.
6. Coral Energy - SoCalGas contends that each class should balance storage assets separately. SoCalGas believes that positive monthly imbalances use storage compressor injection fuel just like core injections and unbundled storage injections into storage and the 2.44% in-kind fuel charge applies to all injection. The CSA allows SoCalGas to charge a fee for pooling service until December 31, 2002. Lastly, the OFO forum will be called after each diversion to determine if the diversion charges need to be reset in order to avoid future gaming.

7. **Protesting Companies** - SoCalGas has no significant problem with (1) bidding rights for end use customers, (2) the fact that the 30% market concentration limitation is unrelated to the system-wide maximum bidding rights, and (3) their interpretation of "affiliate". SoCalGas again states that the CSA requires class balancing.
8. **ExxonMobil** - SoCalGas responds that the CSA set aside 70 MMcfd for ExxonMobil, in the form of a set-aside for Gas Acquisition, which had a supply relationship with ExxonMobil at the time of the CSA. ExxonMobile sought no provision for reversal of the core set-aside on North Coastal in 2003 even though it knew the contract would expire before the CSA termination.
9. **Edison** - SoCalGas believes that the schedule for storage risk and pricing flexibility in SoCalGas' advice letter is exactly as contemplated by the CSA. SoCalGas will file errata sheets to clarify the posting of information on secondary market transactions as suggested by Edison. SoCalGas' current tariffs make it clear that it does not have an obligation to extend firm service to noncore customers if it does not have sufficient transmission capacity. SoCalGas already posts on Gas Select how much capacity is available on the current day and a forecast of availability of capacity on the following day.
10. **Indicated Producers** - SoCalGas contends that the Indicated Producers are intending to rewrite and renegotiate the entire CSA to which they were signatories.
11. **SCGC** - SoCalGas responds that consistent with the PG&E Gas Accord, seasonal bids should be given lower priority than annual capacity bids. Manual trading protocols have been revised because electronic trading will not be available until January 1, 2003. D.01-12-018 does not prohibit secondary market trading of assigned reliability storage. SoCalGas will file any contracts longer than 3 years with the Commission for approval. Tariffs filed with AL 3146 are entirely consistent with the CSA.
12. **DGS** - SoCalGas states that nowhere does the CSA state that end-use customers shall have unlimited rights. The 50/50 rate design is as specified in the CSA and has been escalated using annual PBR escalation

factors. The in-kind fuel charge is as specified in the CSA. SoCalGas cannot implement electronic trading before January 1, 2003.

AL3147 - Tariffs for Operations Park and Loan Services as they relate to unbundled storage.

Protests to AL 3147

SCGC protests the imposition of an under-performance imbalance penalty on customers taking interruptible Gas Park and Loan Services. Secondly, SCGC protests the imposition of a park imbalance charge on interruptible customers that may have failed to clear their Park account in a timely fashion due to interruption.

Response to AL 3147

SoCalGas states in its response, that it does not charge for park and loan services for interruptible service.

## **DISCUSSION**

We have reviewed AL's 3109-A, 3112, 3117, 3123-A, 3146, and 3147, the protests thereto and SoCalGas' responses to these protests. This Resolution orders SoCalGas to hold two workshops in January 2003 to resolve issues and protests related to these advice letters. On February 1, 2003, SoCalGas shall then file supplemental ALs to implement the GIR Decision with a target implementation date of May 1, 2003.

A lengthy delay ensued between the date the case was submitted and the date the Commission approved the GIR decision. The case was submitted on August 1, 2000, the day after Reply Briefs were filed. SoCalGas then petitioned to reopen the case in order to submit amendments to the CSA. The record was reopened on October 6, 2000, the amendments and declaration in support thereof received into the record, and the evidentiary record was closed again and the matter resubmitted. The Commission approved the CSA with modifications in D.01-12-018, on December 11, 2001, 17 months after the case was first submitted. Many of the dates specified in the CSA for implementation of various components of the

GIR were already passed when the Commission approved D.01-12-018. Another

ten months has elapsed since Commission approval of D.01-12-018. In all, it has been over two years since the case was submitted and more than 2-1/2 years since the CSA was signed. SoCalGas' proposed date for the unbundling of storage services of April 1, 2002 has long passed. The proposed date of November 1, 2002 for establishing firm, tradable intrastate transmission rights, balancing and pooling services, and retail services will be passed by the time this resolution is presented to the Commission for review.

We are concerned by the number of protests received on the nine advice letters - twenty-three protests in all. The multitude of issues raised by the protestants vastly exceeds that number. Advice Letter 3146 alone had twelve protests, filed by both signatories and non-signatories to the CSA, with a myriad of issues raised. While we may have anticipated protests to some issues from non-signatories to the CSA, we are particularly concerned by the protests from those who signed the agreement. In its response to the protests, SoCalGas made changes and concessions to accommodate some of the protestants concerns, however, not all issues have been resolved.

Additional delay was caused by the supplementing in their entirety of three of the advice letters. AL 3100 was filed on December 26, 2001 requesting an effective date of January 1, 2002. On January 28, 2002, it was replaced in its entirety by AL 3100-A, still requesting an effective date of January 1, 2002. SoCalGas put the rates in effect January 1, 2002, while awaiting Commission approval of AL 3100-A, even through G.O. 96-A requires the Commission staff to reject any advice letter supplement filed after the effective date of the tariff. On February 13, 2002, SoCalGas filed AL 3109-A which replaced AL 3109 filed January 17, 2002. Both AL 3109 and 3109-A requested an effective date of February 18, 2002, leaving parties without the required 20-day protest period. The Energy Division suspended AL 3109-A on February 13, 2002 to allow parties sufficient time to protest. Finally, AL 3123 was filed on February 19, 2002 and replaced in its entirety by AL 3123-A filed March 19, 2002 which requested an effective date of June 1, 2002. AL 3123-A was suspended on May 17, 2002. The filing and supplementing of these Advice Letters necessitated that additional time be allowed for protests and replies to protests as required by GO 96-A.

Due to the length of time that has elapsed and the number and complexity of the protests that have been filed on the above ALs, we believe it would be worthwhile for parties to try to work out any remaining issues before we issue a resolution. We require that SoCalGas hold at least two workshops in January 2003 to try to resolve remaining issues with other parties on the above ALs. We remind parties that more than enough time has passed for GIR implementation, and these workshops will be for their benefit.

Following the workshops, SoCalGas should then supplement the above ALs on February 1, 2003, with a target implementation date of May 1, 2003. Although we would prefer an April 1, 2003 implementation date, to correspond with the traditional beginning of the storage injection season, we believe it is still likely that protests will still be filed on the supplemental ALs, and a resolution will still be necessary. In addition, SoCalGas will need to hold open seasons for storage and intrastate transmission. With this in mind, we believe an expedited target implementation date of May 1, 2003 is reasonable.

We will issue separate resolutions to address the relatively minor issues in ALs 3100-A, 3105, and 3174. AL 3112 will be shortly addressed either by the Energy Division through their usual procedures, or through a resolution. AL 3104 and 3099 will remain in effect.

## **COMMENTS**

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

## **FINDINGS**

1. Decision (D.) 01-12-018, Ordering Paragraph 29 directed SoCalGas to file an Advice Letter within 15 business days to implement the decision, except for

the implementation of those provisions of the decision for which the Commission explicitly ordered more time be taken. SoCalGas was required to prepare an implementation schedule with its advice letter.

2. SoCalGas requested, and was granted, an extension of the Advice Letter filing date from January 3, 2002 to January 17, 2002, and then supplemented it in its entirety with AL 3109-A on February 13, 2002.
3. Many of the dates specified for implementation in the CSA were already passed when the Commission approved D. 01-12-018.
4. Another 12 months have elapsed since Commission approval of D.01-12-018 and many of the dates proposed by SoCalGas for implementation of the various components of the CSA has or will soon pass.
5. Numerous protests were filed to the five Advice Letters named in this Resolution.
6. Protests were filed by both signatories and non-signatories to the CSA.
7. The issues raised in the protests were numerous and complex.
8. Although SoCalGas made some adjustments to accommodate protestants concerns, not all issues have been resolved.
9. Workshops should be held in January 2003 to allow parties to resolve any remaining issues.
10. SoCalGas should file supplemental ALs on February 1, 2003, after the workshops are held.

**THEREFORE IT IS ORDERED THAT:**

1. SoCalGas shall hold two workshops in January 2003 to resolve any remaining issues and protests related to ALs 3117, 3123-A, 3146, and 3147.
2. SoCalGas shall file supplemental AL to the above ALs on February 1, 2003 with a target GIR implementation date of May 1, 2003.

3. The protests to AL 3109-A are moot.

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 December 5, 2002, the following Commissioners voting favorably thereon:

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## **CERTIFICATE OF SERVICE**

I certify that I have by mail this day served a true copy of Draft Resolution G-3334 on all parties in these filings or their attorneys as shown on the attached list.

Dated November 5, 2002 at San Francisco, California.

/s/ VANA F. WHITE  
Vana F. White

## **NOTICE**

Parties should notify the Energy Division, Public Utilities Commission, 505 Van Ness Avenue, Room 4002 San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the Resolution number on the service list on which your name appears.