

Decision 01-08-020 August 2, 2001

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY for Authority to Implement a Rate for Peaking Service as Ordered By D.00-04-060. (U 904 G)

Application 00-06-032
(Filed June 19, 2000)

(See Appendix A for a list of appearances.)

**OPINION ESTABLISHING COST-BASED
PEAKING RATE**

Summary

This order establishes a cost-based peaking tariff for customers in Southern California Gas Company's (SoCalGas) territory. This tariff will apply to all customers who use SoCalGas' transmission and distribution system for peaking service.

I. Background

A. Procedural Background

In D.00-04-010, Ordering Paragraph 6, the Commission directed SoCalGas to propose a replacement for its Residual Load Service tariff, known as the RLS tariff. On June 19, 2000, SoCalGas filed this application, in which it proposed two methodologies for calculating a replacement peaking rate for the RLS tariff.

On July 6, 2000, the Commission adopted ALJ Resolution 176-3042 that preliminarily categorized the proceeding as ratesetting and determined that hearings would be necessary.

On July 28, 2000, the following parties protested the application: City of Long Beach, Southern California Generation Coalition (SCGC), Watson Cogeneration

Company (Watson), California Industrial Group and California Manufacturers & Technology Association (CIG/CMTA), Calpine Corporation (Calpine), Kern River Gas Transmission and Questar Southern Trails (Kern River/Questar), and Southern California Edison Company (Edison).

On August 22, 2000, the assigned administrative law judge held a prehearing conference (PHC) and adopted a procedural schedule. Following the PHC, Commissioner Bilas issued a Scoping Memo reiterating the procedural schedule, establishing that the scope of the proceeding was whether the Commission should adopt SoCalGas' market-based, or the alternative cost-based, peaking service rate, and designating the assigned administrative law judge as the principal hearing officer.

Evidentiary hearings took place on October 16-20, 2000, and parties presented oral argument on October 31, 2000. Post-hearing briefing was complete by December 11, 2000.

B. History of the RLS Tariff

Following federal regulatory reforms in the natural gas industry, the Commission took steps beginning in 1988 to encourage competition in the gas industry in California.¹ Generally, we have focused on making available more competitive options to those customers we believed could benefit most by exercising choices in their gas supplies. As a result, the current regulatory framework recognizes two separate groups of natural gas consumers in California: core and noncore customers. Residential and small commercial customers comprise the core group, which generally lacks alternatives in buying gas supplies. The gas utilities (such as SoCalGas) procure gas for the majority of these customers and provide them with pre-determined amounts of transportation and

¹ FERC issued Order 436 in 1986 which provided for an open-access gas transportation program. The open-access rules promoted market-based competition by allowing local distribution companies (LDCs) and end-users to buy gas directly from producers, marketers, and brokers, instead of from the interstate pipeline companies that previously filled this function.

storage services. Noncore customers are relatively large commercial, industrial, cogeneration, generation and wholesale customers. In the early 1990s, the Commission unbundled interstate pipeline capacity and storage costs from rates so that these customers would have more options, including the ability to procure the gas commodity, interstate pipeline capacity, and storage from sources other than the utility. Most noncore customers are free to plan for their respective gas needs, and contract with the local gas utility accordingly for intrastate transportation and storage services.

In the mid-1990's, the Commission became increasingly concerned that SoCalGas' noncore customer would partially bypass the SoCalGas system in favor of taking base load service from a competing interstate pipeline. Interstate pipelines are regulated by the Federal Energy Regulatory Commission (FERC). Under FERC rules, interstate pipelines charge rates developed under a Straight-Fixed Variable rate design, through which they recover all fixed costs in a set demand charge. Interstate pipelines can offer to negotiate a rate lower than the FERC-set tariff rate with potential customers. SoCalGas, by contrast, offers a tarriffed, volumetric rate for its natural gas transportation capacity. The regulatory gap between federal and state rate structures created an incentive for customers to take baseload service from competing interstate pipelines, leaving remaining customers paying the tab for stranded capacity.

To counter this incentive, the Commission instituted the Residual Load Service (RLS) tariff in Decision (D.) 95-07-046. The RLS tariff was first adopted by the Commission in 1995 to ensure that noncore customers' cost of partially bypassing SoCalGas would not be passed on to the general body of ratepayers. The RLS tariff was not cost-based (D.95-07-046, at 7, D.97-04-082, at 131), but was market based to ensure that SoCalGas did not lose revenue in the event of a partial bypass (D.95-07-046, at 8, 10) and that it could compete effectively against new pipeline entrants to the SoCalGas territory (D.95-07-046, at 8-9).

The Commission established the RLS tariff prior to restructuring the electricity industry in California, and at a time of significant excess interstate pipeline capacity to

the California market. Since that time, conditions in the California natural gas and electricity markets have changed dramatically. Numerous parties have argued that the RLS tariff be abolished, contending that it does not promote efficient economic bypass from the SoCalGas system. Parties have argued that the tariff is anti-competitive, thwarts competition for gas transportation service in SoCalGas' service territory, and deprives customers of additional reliability and potential benefits of gas-on-gas competition. The Commission acknowledged these concerns in April 2000, in the context of SoCalGas' BCAP proceeding. In that BCAP decision, the Commission directed SoCalGas to propose a replacement to the RLS tariff because it was concerned about the long-term adverse consequences of the RLS tariff:

(I)t is apparent to us that in the long term the RLS tariff's detriments will outweigh its benefit. There is no doubt the

game is changing. Gas and electric industry restructuring should not be impeded by attempts to reconcile new conditions to past economic theory; rather theory must be modified to encompass the emerging changes. At this time we are confident that the RLS tariff keeps rates down for all SoCalGas customers, except those who would partially bypass. But, the evidence persuades us that perpetuating the RLS tariff will have the pernicious effect of causing an increase in rates resulting from throughput being substantially reduced as SoCalGas is bypassed by new large customers...Although the RLS tariff can lock in customers now, it is expect to cause potential customers to locate outside the territory. SoCalGas is fighting the concerns of 1995; we must resolve the current issues of electric restructuring. (D.00-04-010, pp. 95-96.)

In D.00-04-060 the Commission acknowledged that the RLS tariff should continue in the interim, but concluded that “the RLS tariff should be replaced simultaneous with the effective date of a new peaking tariff.” The Commission stated that the peaking rate “should not be the equivalent of the RLS tariff” (*Id.* At 93-94), but should close the regulatory gap between FERC rate structures for the interstate pipelines and this Commission’s rate structure for SoCalGas’ system. In D.00-04-060, Ordering Paragraph 6, the Commission ordered SoCalGas to file the instant application to establish the peaking rate to replace the RLS tariff.

On June 19, 2000, in response to this directive, SoCalGas filed an application requesting approval of a tariff for gas transportation service to any noncore customer that bypasses SoCalGas’ service, in whole or in part. SoCalGas designates this a transportation “peaking” rate since bypass customers only use this service in times of peak gas use, because they use a competing interstate pipeline for baseload service.

II. SoCalGas’ Proposed Peaking Rates

In its June 19, 2000, application, SoCalGas proposed two alternative Peaking Service Rates: a “market-based” rate and a “cost-based” rate. SoCalGas prefers the market-based rate, but proposes the alternative in the event the Commission does not approve the market-based tariff rate.

SoCalGas contends that both the market-based and the cost-based proposals for peaking rates are designed to send efficient price signals to partial bypass customers in the marketplace in order to discourage uneconomic bypass and the resulting cost shift to SoCalGas' captive customers.²

SoCalGas is concerned that without a price incentive to foster only economic bypass, interstate pipelines will serve the low-cost, high load factor baseload requirements of bypass customers and SoCalGas will be forced to serve the high-cost, low load factor peaking or swing loads of these customers. It argues that the peaking tariff must establish a balance point of encouraging bypass and entry into the market by competitors, but not at the expense of core customers who could be left paying higher rates to subsidize the bypass customers. SoCalGas alleges that uneconomic bypass will result in a significant loss of noncore throughput and a shift in annual transportation costs to core customers of up to \$51 million.³

Both SoCalGas rate proposals share four common elements: (1) monthly customer charge; (2) Public Purpose Programs (PPP) charges; (3) daily balancing; and (4) applicability provisions. SoCalGas presents these elements in the context of the market-based, and then the cost-based, tariffs.

SoCalGas states it wants to ensure the new tariff does not repeat the mistakes of the RLS tariff--discouraging new pipelines and bypass customers. SoCalGas posits that either one of its proposals would accomplish those objectives.

² Bypass can be economic or uneconomic. Economic bypass occurs when a customer's alternative energy cost is less than the utility's incremental cost to provide the service. Uneconomic bypass occurs when a customer's alternative energy cost exceeds the utility's incremental cost to provide service, but is less than its tariffed rates.

³ Not all of the protesting parties agree with SoCalGas' revenue approximations, but there is a consensus that uneconomic bypass will shift costs to the remaining customers on SoCalGas' system.

A. Market-Based Peaking Rate

Under a market-based peaking tariff, SoCalGas would negotiate with the partial bypass customer to agree to a rate between a floor of SoCalGas' short-run marginal cost (SRMC) and a ceiling which consists of a "revenue cap" formulated to guarantee that the partial bypass customer always avoids at least SoCalGas' long-run marginal cost (LRMC). SoCalGas believes this tariff would allow it to compete on a par with the interstate pipelines that charge a customer a rate based on the capacity it uses on the system. Under its proposed straight-fixed variable (SFV) rate design, SoCalGas claims higher utilization rates will lower the per unit charge.⁴ Under SoCalGas' current volumetric rate, the costs of providing firm service are recovered over all the projected units. SoCalGas maintains that this skews the cost comparisons for the customer when choosing between a capacity-based SFV charge and the volumetric charge and places SoCalGas at a competitive disadvantage. SoCalGas proposes the following formula for the revenue cap.

$$\text{Revenue Cap} = (\text{default tariff} * \text{total annual volume}) - (\text{LRMC} * \text{annual bypass volume})$$

SoCalGas claims that the revenue cap guarantees that the customer always retains an incentive to engage in economic bypass. SoCalGas further asserts that the first term equals the customer's total cost without bypass and that the cap ensures that the total cost to the customer will decrease by an amount equal to at least the LRMC that the utility avoids. Therefore, SoCalGas maintains, if the competitor offers a bypass alternative at a rate that is below the utility's long-run marginal cost, which means that the bypass is economic, the customer will have the incentive to accept that opportunity for economic bypass.

⁴ Under Straight-Fixed Variable rate design, the entire fixed cost of transportation is collected through a demand charge, with only the variable costs collected through a volumetric charge.

SoCalGas contends that a market-based peaking service tariff will (1) prevent core customers from bearing a higher burden for the costs avoided by the bypassing customers, (2) provide an incentive to the utility to be more competitive vis-à-vis alternative suppliers, and (3) send the right signal to potential investors in both pipeline and new large-volume consumers.

In support of its market-based rate proposal, SoCalGas assures the Commission that the rate negotiations will take place in a competitive environment with the bypass customers having alternatives. As examples, SoCalGas suggests some of the following alternatives to its peaking service: (1) additional pipeline capacity; (2) secondary capacity sold in a liquid and competitive market; (3) hub services, such as park and loan sold by pipelines and utilities; (4) access to non-SoCalGas owned storage via displacement from pipeline to pipeline; (5) unbundled off-system storage; (6) alternative independent storage services; and (7) swaps, electricity/gas price arbitrage. If SoCalGas and its customer cannot reach agreement on a negotiated rate, the bypass customer would pursue a more attractive alternative and not take peaking service from SoCalGas. At that point, SoCalGas's obligation to serve the bypass customer would extinguish. SoCalGas contends that the market based rate follows the Commission's directive in D.00-04-010 to propose an alternative that is "not the equivalent of the existing RLS tariff." SoCalGas points out that it calculated the RLS tariff using the ratio of the customers' pre-bypass load factor to post-bypass load factor. The market-based rate references SoCalGas' costs, otherwise applicable tariff rate, and the customer's actual bypass volumes. In addition, under the market-based proposal, the floor would be SoCalGas' SRMC and the ceiling would be calculated pursuant to a formula that guarantees that a customer taking partial bypass service from SoCalGas will avoid at least SoCalGas' class-average LRMC. SoCalGas does admit, however, that in some cases, the ceiling rate under the market-based rate could be in excess of the ceiling rate under the RLS tariff.

SoCalGas does not perceive this as a detriment, however, since the ceiling rate is bounded by SoCalGas' ability to charge in excess of the customer's competitive

alternative. SoCalGas contends that there are plenty of cheap alternatives for the customers and the customer always avoids SoCalGas' LRMC. If the bypass pipeline has a lower stand alone cost than SoCalGas' LRMC, the customer will bypass. But the customer will not bypass if the customer's cost to do so is more than the marginal cost of utility service.

Generally, with the exception of TURN, all protesting parties argue against a market-based peaking rate. The other participants see SoCalGas as having market power so the competitive market necessary for a market-based rate does not exist. Furthermore, many are concerned that without rate restraints, SoCalGas would have no incentive to negotiate a rate much below the ceiling rate, and that would prevent large customers from signing up with competing pipelines. Such an outcome would discourage further pipeline competition and be detrimental to construction of new gas-fired electric generation plants.

B. Cost-Based Peaking Rate

SoCalGas also proposes a cost-based peaking rate similar to the SFV demand charge-based rates of interstate pipelines. This rate is not a negotiated rate, like a market-based rate, but is a tariff rate that is posted and does not vary except when rates are changed in SoCalGas' regular ratesetting proceeding. The customer selects a maximum daily quantity (MDQ) to reserve capacity on the utility system to meet its peaking requirements. SoCalGas would impose an over-run charge to provide an incentive for a partial bypass customer to select an MDQ high enough to meet its needs.

The monthly demand charge includes a customer charge and a reservation charge. The customer charge would collect the total cost of the customer-related facilities using the annualized cost of customer related facilities adopted in the 1999 BCAP as a reasonable proxy. The revenue associated with the customer-related facilities has been adjusted by the LRMC scaler to approximate the total cost of these facilities. The reservation charge would be calculated at the long run marginal cost of noncore related transportation facilities plus all non-fuel-related charges for transportation, such

as the cost of SoCalGas' various regulatory accounts like the Interstate Transition Cost Surcharge (ITCS). The rate also has a volumetric transportation rate that includes only SoCalGas' variable transportation costs.

SoCalGas proposes to collect PPP charges, and in particular the California Alternative Rates for Energy (CARE) surcharge, from the partial bypass customer based on the total natural gas consumed by the customer, not just the volume transported by the utility. CARE assists low-income families in paying for utility service. To maximize the funds available, and minimize the impact to the general ratepayers SoCalGas proposes that the CARE surcharge should continue to be collected from the bypass customer based on its pre-bypass volumes, so that partial bypass customer does not forego its fair share for this social program.

SoCalGas also favors using daily balancing as an appropriate tariff condition for peaking service customers so they are held to the same standards required by the interstate pipelines. Daily balancing requires the customer to manage its own gas supply in a manner that does not adversely affect other customers on the system. Without daily balancing, partial bypass customers could shift their load to the SoCalGas system when there is a price arbitrage opportunity or a disruption of service on the pipelines.

The cost-based proposal also retains the applicability provisions established in the initial decision establishing the RLS tariff (D.95-07-046) and upheld in the subsequent BCAP proceedings in 1996 (D.97-07-082) and 1999 (D.00-04-060).

Several respondents and intervenors presented testimony challenging SoCalGas' cost-based rate.

TURN prefers the market-based proposal put forth by SoCalGas, but can support the cost-based plan. TURN, does not believe, however, that customers who have obtained service from a competitive pipeline supplier should have any right to demand the cost-based rate from SoCalGas.

CIG and CMTA favor eliminating hurdles to gas competition and assert that the only way to entice interstate pipelines to initiate service into SoCalGas' territory is to

have several large customers, such as electric generators or refineries, etc. take bypass service. These large customers oppose SoCalGas' cost-based proposal as being anti-competitive since it allows recovery of the full fixed cost of transportation in the demand charge and fuel-related costs through a volumetric rate.

Calpine opposes SoCalGas' cost-based proposal on numerous grounds, and particularly because it imposes the peaking rate on all facilities held by a common owner if any single facility has a competitive alternative to SoCalGas--a carryover from the RLS tariff. Calpine also does not want the peaking rate to apply to new customers, since SoCalGas' existing pipeline was not designed to accommodate potential future customers.

Kern River and Questar oppose SoCalGas' proposal, alleging that it allows for more cost recovery than for the costs associated with a true peaking rate.

Other parties, such as ORA and Watson, presented their own respective cost-based proposals.

III. Other Proposals

A. ORA's Proposed Cost-Based Peaking Rate

ORA proposes its own cost-based peaking rate. ORA is concerned that both SoCalGas' proposed peaking rates will have the same negative long-term effect as the RLS tariff, which is to increase rates in the long term by driving large users out of SoCalGas' territory and by inhibiting large users from entering the system. ORA also finds flaws in SoCalGas' cost-based rate methodology because (1) the rate was not developed for each specific, noncore class; (2) it uses a system-wide coincident peak day to develop the peaking rate; and (3) recovery of ITCS costs should be based on actual customer throughput.

To address these inadequacies, ORA presents its own cost-based peaking rate that provides partial bypass customers an interruptible transportation service under a three-part rate. The rate would be comprised of a

customer charge, demand charge, and ITCS rate. The customer charge parallels SoCalGas' proposal. The demand charge would be equivalent to the currently authorized end-use customer rate⁵ for the specific customer class and would be computed monthly.⁶ The ITCS rate, collected volumetrically, would be equal to the current noncore ITCS rate, and be applied to the actual recorded, monthly throughput. In addition, ORA argues that the peaking rate should be applied to the requirements of individual facilities, rather than the customer's aggregated demand for all its facilities.

In summary, ORA does not oppose the concept of SoCalGas' cost-based proposal, but argues that if the appropriate adjustments described above are made to the methodology, it would be acceptable to ORA.

SoCalGas argues that using average noncore costs, rather than individual class average costs like ORA suggests, is more in line with closing the gap between SoCalGas and the interstate pipelines. The pipelines do not typically differentiate between customer classes. SoCalGas also asserts that its proposal to use the system-wide coincident peak day is more appropriate for figuring the demand rate charge than using a non-coincident day. SoCalGas contends it is appropriate to collect ITCS in the demand charge, rather than through a volumetric rate, or recovery of the ITCS costs will shift to remaining customers.

⁵ ORA proposes that this rate be adjusted for daily balancing and exclude customer costs and ITCS.

⁶ The charge would be based on the higher of either the current monthly usage or the highest monthly usage over the prior 12-month period.

Watson agrees with ORA's proposed three-part customer charge, demand charge, and ITCS rate, but suggests several modifications: (1) if peaking service is firm, peaking customers should receive high priority, if service is interruptible, the rate design should parallel FERC's design for the interstate pipelines; (2) there should be no demand charge in months when peaking service not used; (3) the volumetric rate should recover all of the cost categories that SoCalGas allocates to noncore customers on a volumetric basis; (4) customer charges should be based on unscaled marginal customer costs; and (5) peaking customers should not be restricted to daily balancing.

TURN opposes two facets of ORA's proposed peaking rate. First, TURN disagrees with ORA position that the peaking rate should apply separately to individual customer facilities rather than to the aggregate usage of the customer in the case of those multiple facilities. Rather, TURN agrees with SoCalGas that it should apply to any customer with multiple facilities. Second, TURN does not agree with ORA that a peaking rate should continue to collect ITCS costs, but agrees with SoCalGas that it should be recovered in the demand charge.

Kern River agrees with ORA that there will be positive benefits to all California ratepayers from additional interstate pipeline capacity, but does not endorse ORA's proposal. Instead, Kern River agrees with ORA's criticisms of SoCalGas' proposals, but can not accept the suggestion of an interruptible peaking service based on a demand charge, instead of volumetric rates.

B. Watson Cogeneration Proposal

Watson, currently the largest cogeneration customer on the SoCalGas system, favors more competitive gas supplies in the Los Angeles region, but maintains that even with more pipelines, it would still need peaking service from SoCalGas.

To address these concerns, Watson proposes its own cost-based peaking tariff. Watson asserts that the new rate should have three key attributes: address peaking service on both a firm and interruptible basis, be based on SoCalGas' costs, and be calculated on SoCalGas' current rate structure set forth in the recent BCAP decision,

D.00-04-060. With these attributes, Watson argues that its proposal closes the gap between SoCalGas and the interstate pipeline rates.

Under the Watson proposal, the charge for firm service would include the same cost elements of transmission and customer costs that interstate pipelines recover through their SFV reservation charges, consisting of backbone transmission, local transmission, and customer costs. Any remaining SoCalGas costs would be collected in a volumetric rate. In addition, Watson opposes SoCalGas' requirement that customers balance their deliveries and burns on a daily basis. Instead, Watson proposes that peaking customers should be allowed to use the full range of balancing services, from "bare bones" daily balancing to a more expensive monthly balancing service, that are available to regular customers. None of the other competing pipelines offer these more flexible services.

Watson's proposed rate for interruptible service is a volumetric charge that is negotiable up to a maximum rate set at 120% of the peaking demand charge (backbone and local) at a 100% load factor, plus the volumetric portion of the firm peaking rate. Watson also proposes that customers should not have to pay the local transmission portion of the peaking demand charge in months in which they do not use peaking service. Instead, Watson suggests that the local transmission demand charge should be assessed based on a customer's demand on the system peak day. This way, a peaking customer does pay for service for the entire month--even if it only uses it once.

Watson proposes that the peaking rate apply to individual facilities rather than the multiple facilities of a single customer. This is in contrast to SoCalGas' proposal that the multi-unit electric generator provision is still appropriate.

In general, SoCalGas opposes the Watson proposal because it gives the bypass customers service from SoCalGas at the standard class average tariff, without any recovery for demand charges for firm service. Specifically, SoCalGas contests against Watson's peaking demand charge proposal where SoCalGas would be required to reserve firm peaking capacity all year long, but charge a bypass customer only in the month when the capacity is used. SoCalGas also opposes Watson's suggestion to use the peaking

customer's usage on the most recent coincident system peak day to calculate the monthly demand charge. This methodology gives an advantage to summer peaking customers, who might have little or no throughput on the coincident system peak-day that occurs during the winter. Basically, this rate is the equivalent to SoCalGas' volumetric tariff for full requirement customers. SoCalGas is concerned that it would underrecover its costs if it had to reserve capacity to provide it on demand even when it is not used, and its remaining captive customers would ultimately pay for this reservation.

SoCalGas argues that if it offered interruptible service, the bypass customers would get the equivalent of firm service, paying at a volumetric rate, which shifts costs to the captive customers. SoCalGas views the large customers as wanting a free ride on back of SoCalGas and the captive customers whom the interstate pipelines will not serve. SoCalGas contends that its proposal guarantees that any partial bypass customer will save the costs that are saved on the system (the long-run marginal costs) when SoCalGas does not have to serve it, but not at the expense of captive customers.

Kern River and Questar prefer the Watson cost-based peaking rate over SoCalGas' cost-based rate because it allows shippers to mitigate fixed reservation charges. They also prefer Watson's proposal using a volumetric local transmission rate on the theory that local transmission will not be tradable on secondary markets.

In general, the large customers--ones most likely to bypass the SoCalGas system and only need peaking service from SoCalGas--support Watson's cost-based proposal because it favors large users. To support their opposition to SoCalGas' proposal the large users argue that it would have an effective volumetric rate that is actually higher than the cap on the old RLS tariff. This result is theoretically possible because under SoCalGas' proposal the unit rate is calculated by dividing noncore margin by the noncore throughput on the system peak in the winter (when noncore throughput is relatively low). This high unit rate is then applied to the peak-month demand of the customer.

Large customers also want the peaking rate to apply to individual facilities, rather than the multiple facilities of a single owner. These customers also want

interruptible service, do not want the rate to apply to new customers, and do not want to pay a monthly demand charge for months in which peaking service is not used.

These large customers favor Watson's volumetric rate option because under the Watson proposal, local transmission service is not unbundled, and they support Watson's suggestion that customers have the right to purchase interruptible backbone transportation under a rate which is negotiable, up to a cap equal to 120% of the embedded cost of firm backbone service.

IV. Discussion

The RLS tariff does allow SoCalGas to mitigate any revenue loss it might suffer due to partial pipeline bypass. However, we are concerned that it has effectively discouraged new pipeline competition in SoCalGas' service territory. To the extent the tariff provides a means for SoCalGas not to compete, California gas consumers have fewer options available to them. And, from a customer perspective, the existing RLS tariff effectively forces a potential bypass customer to pay for firm gas transportation service twice--once to the new interstate pipeline for baseload service and again to SoCalGas for the full amount of capacity the customer used prior to bypassing the utility.

California is experiencing unprecedented levels of demand. As ORA points out, last summer saw a significant increase in gas demand on the SoCalGas system, and on a number of days gas flows into the system were at or near maximum volumes. We can reasonably expect that these relatively high demand levels will continue, considering California's successful efforts to install incremental gas-fired electric generation within the state. Given the potential benefits of additional capacity, a reasonable expansion of interstate pipeline capacity into Southern California should have substantial long-term benefits that outweigh the potential costs of bypass. An expansion of interstate capacity should put downward pressure on the price of capacity and the delivered cost of gas at the California border, as well as ensure sufficient gas infrastructure to meet the state's growing demands; those elements should benefit all ratepayers. In support of this theory, ORA offers the example that constructing even one relatively small new interstate

pipeline into California could save SoCalGas ratepayers alone between \$10.2 and \$51.1 million, if the existence of that pipeline reduces gas prices by only \$0.01-0.05 per decatherm.

We are also concerned that the potential costs of bypass are overstated. SoCalGas testified to a worst-case analysis of the potential lost revenue if both the Southern Trails Pipeline and Kern River Expansions are filled to capacity with load currently served by SoCalGas. This scenario would result in 420 mmcf/d in throughput reduction, or approximately 25% of SoCalGas' total noncore throughput. SoCalGas estimated that this loss would result in a \$51 million undercollection. Allocated evenly between core and noncore, SoCalGas estimated the lost throughput could raise core rates 2% and noncore rates 50%. However, as ORA points out, the \$51 million estimate includes the 2000 ITCS cost component, which is significantly reduced in 2001 and can reasonably be expected to continue at low levels, given the relatively high value of interstate capacity to California. It also assumes that the two interstate pipelines are filled with existing SoCalGas load, not with new load. In fact, any incremental facility added in SoCalGas' service territory that elects to take peaking service from SoCalGas could actually contribute new load to the system.

We believe the fundamental purpose of a peaking rate is just that: to make available a peaking service option to shippers on the SoCalGas system. We evaluate the different proposals from the standpoint of fairly compensating the utility for providing peaking rate service, not from the perspective of punishing a customer for taking peaking rate service.

A. Market-Based Peaking Rate

We do not believe that SoCalGas' market-based proposal reflects market realities, and are concerned that it produces unwanted results.

Our concerns are based largely on the grounds that customers served by SoCalGas have no practical alternative to peaking service provided by the utility. There is no market for peaking rates; no other pipeline offers a peaking rate in competition with

SoCalGas. Further, as ORA and Watson have explained, off-system or independent storage projects can only provide peaking service through the use of the SoCalGas-controlled pipeline system. Alternate fuels are more expensive than natural gas, may produce higher air emissions, and require additional time and expense to switch systems and technologies.

Further, the record shows that the market-based rate is likely, in many cases, to impose costs on shippers that are actually higher than the cost to shippers under the current RLS tariff. We test the SoCalGas revenue cap with a hypothetical example. We assume for the purpose of the hypothetical that the default tariff is 4 cents per therm and the customer’s total annual volume is 100,000 therms or 100 Mtherms. Table 1 shows the results of the hypothetical under varying bypass volumes, LRMC scenarios, and bypass rates.

Table 1
SoCalGas Peaking Rate Revenue Cap

Total Vol. Therms	Bypass Vol. Therms	Default Rate ¢/therm	LRMC ¢/therm	Bypass Rate ¢/therm	Rev. Cap \$	Rev. Cap ¢/therm	Total Cust Cost \$
100,000	80,000	4	3	2	1600	8.00	3200
100,000	60,000	4	3	2	2200	5.50	3400
100,000	40,000	4	3	2	2800	4.67	3600
100,000	30,000	4	3	2	3100	4.43	3700
100,000	20,000	4	3	2	3400	4.25	3800
100,000	80,000	4	2	1	2400	12.00	3200
100,000	60,000	4	2	1	2800	7.00	3400
100,000	40,000	4	2	1	3200	5.33	3600
100,000	30,000	4	2	1	3400	4.86	3700
100,000	20,000	4	2	1	3600	4.50	3800

It is clear that SoCalGas' revenue cap formula produces perverse results because, as the utility's LRMC and bypass rate go down, the revenue cap stays the same, while the total cost for the customer goes up. SoCalGas' revenue cap has little to do with marginal cost or economic bypass and much to do with keeping the customer cost the same even though the competitive pipeline offers a lower rate and the utility marginal cost is lower. Furthermore, the revenue cap goes up as the customer's bypass volume goes down. We believe SoCalGas' market based rate would provide customers with an incentive to bypass the SoCalGas system altogether and could, in certain situations, prove to be more punitive than the RLS tariff.

B. Cost-Based Peaking Tariff Rate

We believe a cost-based peaking rate best reflects the true cost of providing the service. The cost-based rate we adopt for SoCalGas' peaking tariff will include the components as described below.

1. Customer Charge

The customer charge is designed to collect the total cost of the customer-related facilities through a monthly charge. SoCalGas uses the annualized cost of customer-related facilities adopted in the 1999 BCAP as a proxy for an assessment of the meter and associated facilities. SoCalGas then adjusts the revenue associated with the customer-related facilities by the Long Run Marginal Cost (LRMC) scaler to approximate the total cost of these facilities.

The monthly customer charge in SoCalGas' otherwise applicable tariff, GT-F for retail noncore customers, does not recover the full cost of the customer-related facilities. For GT-F customers, a portion of the customer-related costs is collected through the customer's volumetric transportation rate. For full-requirements customers, the utility has a reasonable expectation of recovering the customer-related costs. However, the utility may not know the extent to which a bypass customer will take service from the utility. Therefore, it is reasonable to permit SoCalGas to collect the full

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cost of the customer-specific facilities as part of a monthly customer charge in the peaking rate tariff.

Not all customers currently have a monthly customer charge as a part of their tariff. SoCalGas points out, for example, that large electric generators and wholesale customers do not have a monthly customer charge. We believe it is more equitable to adopt a consistent approach of using the annualized customer charge for all peaking service customers. SoCalGas proposes a monthly customer charge of \$800 to \$19,000 depending on the customer class. ORA and Watson agree that SoCalGas should collect the full cost of customer-related facilities as part of a monthly charge. We will adopt this proposal.

2. Public Purpose Program Charge

SoCalGas proposes to collect the PPP charge from the partial bypass customer based on the customer's total natural gas consumption at the facility.

Since SoCalGas submitted its testimony, Assembly Bill (AB) 1002 became law. Under the provisions of AB 1002, customers of interstate pipelines are mandated to pay a volumetric public purpose program surcharge to the Board of Equalization. The CPUC implemented AB 1002 in December 2000. The customers of public utility companies are required to pay the surcharge as a separate line item on their bills effective July 1, 2001. Prior to July 1, 2001, the customers continue to pay the costs of public purpose programs included in their volumetric transportation rates. SoCalGas' proposal to charge its peaking rate customers a public purpose program surcharge based on their total usage including volumes delivered on interstate pipelines, is now moot.

On the bills of its peaking tariff customers, SoCalGas shall show a separate line item public purpose program surcharge to be collected volumetrically in compliance with AB 1002. The surcharge will be based on the public purpose program surcharge rates adopted by the Commission in Resolution G-3303 and will only apply to the customer's volumes served by SoCalGas. The customer will pay the public purpose program on the volumes served by an interstate pipeline, to the Board of Equalization.

3. Reservation Charge for Firm Peaking Service

For reliability purposes, the gas utility designs its transmission and distribution system to meet the demands placed upon it on an abnormal peak day. In designing customer class rates, the utility's costs are allocated to various customer classes using marginal cost allocators. The marginal demand measure (MDM) for the distribution system is the coincident peak month demand, while the MDM for the transmission system is the cold year throughput. (D.00-04-060, p. 98.) The coincident peak demand is the demand of the entire customer class at the time of the system peak. The noncoincident peak demand represents the highest demand day of the individual customer during the year.⁷

A peaking rate should reflect the cost the customer imposes on the system when the customer takes peaking service. Although the customer might use the peaking service to meet its own noncoincident demand, the utility is primarily concerned about whether it has to build additional capacity to meet the additional demands placed upon it in order to meet the needs of the customers served under the firm peaking tariff. A firm peaking rate based upon the customer class noncoincident demand, on the other hand, does not reflect that the peaking customer class' highest demand may not impose any additional demands on the system if it occurs at a time when the overall system demand is not at its peak.

The demand charge for firm peaking service should be customer-class specific. As ORA points out, an average peaking rate applied to the entire noncore class has the effect of assigning distribution costs to transmission-only level customers, such as certain industrial and electric generation customers, resulting in those customers contributing for costs they do not cause. The customer class-specific approach is consistent with the SoCalGas standard tariff, which separates the noncore class into

⁷ SoCalGas' proposal requires a capacity reservation based on a customer-specific peak day requirement, which is more closely related to its non-coincident demand.

specific groups, including Commercial & Industrial, Electric Generation, and Wholesale. We recognize that the interstate pipelines do not charge customer class-specific rates, and that this is not entirely consistent with interstate rate design. However, interstate pipelines do not distinguish between core and noncore, or between noncore customers, or even between the different reliability needs of different customer classes. This approach is consistent with our policy of recognizing the varying levels of reliability and costs associated with different customer groups, and will reflect the actual costs firm peaking customers impose on the system.

The demand charge should also be clear and relatively easy to calculate to avoid disputes. It must be based on information readily available or obtainable by SoCalGas, and it must provide sufficient information to allow SoCalGas to accurately plan for future capacity needs. Although we do not adopt SoCalGas' Cost-Based Rate proposal in its entirety, it is appealing because it is based on a standard tariff rate that is posted and does not vary except when rates are changed in SoCalGas' regular ratesetting proceedings.

The monthly reservation rate will be calculated based on the currently authorized end-use customer rate for the specific customer class, adjusted to exclude customer costs, ITCS, and balancing account costs. The excluded costs will be collected separately through monthly customer charges and/or volumetric charges. The customer must select a maximum daily quantity (MDQ) to reserve capacity. The reservation rate will be applied to the customer's MDQ to determine the monthly demand charge.

To provide partial service customers with an incentive to select an MDQ high enough to meet their needs, an overrun charge will be applied to all volumes in excess of a customer's MDQ. The overrun charge will be 150% of the default tariff. Volumes in excess of a customer's MDQ will be considered interruptible and customers will have no assurance that capacity in excess of the reserved MDQ will be available.

This approach fairly reflects the demands placed on the SoCalGas system over the course of a year. The demand profiles of noncore customers in general, and of

electric generators in particular, have shifted over the past year as we have seen spring and summer peaks almost equal to SoCalGas' historical winter peak. We believe it is prudent to account for this emerging trend in the peaking rate. Furthermore, this approach ensures that customers who happen to have low or even zero throughput on the system peak day – which historically is in the winter heating season – pay their fair share on average over the course of a 12-month cycle. If the last year's trend continues, those same customers' very high peaking throughput other times during the year could contribute to peaks at other times in the year that are very close to the annual coincident peak.

The firm peaking rate demand charge will apply each month, regardless of whether the customer takes peaking service in that month. This approach fairly compensates SoCalGas for the facilities associated with standing ready to provide firm peaking level service. We recognize that customers taking firm peaking service will not be able to release or broker this capacity on the SoCalGas system. We balance that concern against the need to compensate the utility for the costs of standing ready to serve on a firm basis, and to ensure that the remaining full-requirements customers do not bear those costs.

Given the current volatile nature of the natural gas and electric generation markets, we will monitor carefully the effectiveness of the cost based peaking rate we adopt today. We take note of the fact that since the record was submitted in this proceeding, the electric generation and natural gas markets in California have undergone significant upheaval. If necessary, we will revise the charge after sufficient time and experience with this tariff.

4. Interruptible Peaking Rate

In addition to the firm peaking service, we believe SoCalGas should make available an interruptible peaking service at a volumetric rate instead of a monthly demand charge. An interruptible rate affords customers the opportunity to most efficiently manage their natural gas capacity options.

We clarify that SoCalGas will not be obliged to build facilities to serve interruptible peaking customers taking service at a volumetric-only rate, and such customers will have no assurance that peaking service will be available. We further caution customers that we observe demand patterns have changed over the last 18 months on the SoCalGas system. Customers should carefully consider this trend if they want a higher level of assurance that peaking service will be available when they need it in order to maximize the benefits of multiple supply and capacity sources, and to meet their electricity supply commitments to California.

Watson has proposed that the rate for interruptible peaking service should be a volumetric rate set at 120% of the peaking demand charges at 100% load factor, plus the volumetric portions of the firm peaking rates. We agree that the volumetric rate should reflect a premium over firm service. However, we recognize that the 120% is somewhat arbitrary, suggested to be consistent with a settlement proposal in a separate SoCalGas proceeding and with the interruptible tariff on the PG&E system. We do not believe the SoCalGas volumetric peaking rate needs to parallel either of these elements. The settlement proposal is contained in a comprehensive restructuring package pending before the Commission. Furthermore, the 120% volumetric rate on the PG&E system is for standard interruptible service, not the peaking interruptible service, not the peaking interruptible service we establish here.

We also are concerned that 120% of the peaking demand charge will not adequately reflect the potential swings in customer demand. Peaking service is, almost by definition, subject to widely varying demand levels. A higher interruptible rate will reflect the higher degree of load volatility, and will provide a better incentive to customers to carefully evaluate their peaking rate options. We will adopt an interruptible rate set at 150% of SoCalGas' default tariff rate at 100% load factor. As with the demand charge for firm peaking service, we will monitor closely the effects of this interruptible peaking service on the southern California natural gas capacity market, and will modify the tariff as necessary. Consistent with our findings regarding the customer

change above, we believe it is reasonable to permit SoCalGas to collect the full cost of customer specific facilities as a monthly customer charge.

5. Other Non-Fuel Related Charges

SoCalGas proposes to collect all other non-fuel related costs in the monthly reservation charge. These other costs include transition cost accounts, such as the ITCS, the Sempra-wide rate surcharge, and other various balancing accounts.

Generally, balancing account costs – such as the ITCS – reflect transition costs that are not related to the costs incurred by SoCalGas to build its system to serve its customers. Further, the ITCS and Sempra-wide rate are currently collected from all customers on a volumetric, equal-cents-per-therm basis. We will continue this approach for these surcharges, as well as any other balancing account surcharges that are currently authorized to be collected on this basis.

6. Daily Balancing

SoCalGas advocates requiring customers to balance their gas nominations and deliveries to +/-5% on a daily basis and +/-1% on a monthly basis. Daily balancing requires the customers to manage their own gas supplies in a manner that does not adversely affect other customers on the system. The customer would also be expected to maintain uniform hourly deliveries and usage to the extent practical. If the customer anticipates significant variations in its deliveries or usage during the day, SoCalGas will attempt to accommodate the customer's expected load profile. In such cases, the customer and SoCalGas will establish a protocol that provides sufficient notification for the utility to meet the customer's load profile.

All the interstate pipelines serving SoCalGas' market have daily balancing requirements, and some even have tighter provisions. ORA agrees with the daily balancing requirement advanced by SoCalGas.

On the other hand, Watson's proposal to allow for a full range of balancing choices would disproportionately benefit customers with erratic load profiles that do not align their deliveries with their consumption pattern over customers that make an effort to

match their burns and deliveries. Monthly balancing would allow bypass customers to avoid imbalance penalties on the interstate pipeline and realize price arbitrage opportunities not available on the interstate pipeline. Under current natural gas market conditions, where the price of gas is very high, more relaxed balancing provisions might encourage the peaking customers to use SoCalGas' balancing as a price arbitrage tool which would impose additional burdens on captive customers.

We prefer daily balancing, because it requires customers to manage their own gas supplies in a manner that does not adversely impact other customers. We will adopt the proposal put forth by SoCalGas.

7. Service Interruption Credit

SoCalGas currently offers its GT-F customers a Service Interruption Credit (SIC) as part of Rule 23. SoCalGas proposes to exempt partial bypass customers from the SIC provision. ORA agrees that partial bypass customers should not be afforded a SIC. We agree, to the extent that customer has elected to take interruptible peaking service at a volumetric rate. On the other hand, a customer taking firm peaking service and which has paid a firm reservation charge for that service, is entitled to the same compensation for service interruptions as a customer taking baseload service under SoCalGas' standard tariff. We clarify that the service interruption credit should only apply to the volumes interrupted up to the level of volumes used to calculate each firm peaking rate customer's respective monthly demand charge.

8. General Tariff Provisions

The SoCalGas cost-based rate proposal submitted in this proceeding was based on the company's revenue requirement adopted in the 1999 BCAP as well as the coincident demand which is based on the BCAP adopted throughput. Since the submission of the record in this proceeding, however, SoCalGas has updated its rates at the end of 2000, pursuant to the annual update allowed under the provisions of the BCAP process. Therefore, we order SoCalGas to file, within 20 days after the issuance of this decision, an advice letter containing its peaking rate tariff updated for its year 2000

revenue requirement, but based on the coincident peak demand adopted in the 1999 BCAP.

SoCalGas proposes that the tariff be updated effective January 1 each year to reflect adjustments to PBR base margin and updates to the noncore balancing accounts. We agree.

SoCalGas should file an advice letter within 10 days of the issuance of this decision in compliance with the modified cost-based tariff we adopt today.

9. Applicability Provisions

Almost all parties except SoCalGas and TURN support the implementation of a peaking tariff on a facility-by-facility basis rather than imposing it on a customer basis, thereby subjecting total loads of generators with multiple facilities to the tariff. As ORA points out, there is no rationale for such an application. Under the SoCalGas proposal, if an existing generator develops a new power plant and decides to take service for that power plant from a competing interstate pipeline, then the generator will not be able to take SoCalGas peaking service for that plant without subjecting all of the plants it owns to the peaking tariff. This provision is unreasonable and could prove to be so onerous that it might in fact promote bypass of SoCalGas' system by electric generators. Certainly, it may discourage development of new generation facilities. A peaking service tariff applied to each facility individually will help to maximize the available tools to California shippers in keeping gas costs low.

Watson and other parties suggest that new generation facilities should be exempt from a peaking tariff. We reject this proposal as discriminatory. There is no precedent for this Commission to set different rates for new customers who might move into a utility's territory even if they impose additional costs on the utility's system. Similarly, we cannot allow a customer to be exempt from a tariff just because the customer is new. As we have stated earlier in this decision, the goal of the peaking rate is to fairly compensate SoCalGas for this service, not to punish a particular customer or subset of customers for electing to diversify their supply options. The firm peaking

service we have designed in this order allows both existing and new customers to impose special demands on SoCalGas' system; we believe those customers should pay their fair share for that privilege.

V. Public Review and Comment

The proposed decision of ALJ Brown and Commissioner Bilas in this matter was mailed to the parties in accordance with Pub. Util. Code § 311(d) and Rule 77.1 of the Rules of Practice and Procedure. Comments were filed on June 18, 2001, and reply comments were filed on June 25, 2001.

Findings of Fact

1. On June 19, 2000, SoCalGas filed the instant Application, in compliance with D.00-04-060, Ordering Paragraph 6, to establish a peaking rate to replace the RLS tariff.
2. A peaking rate is the tariff charged to a noncore customer who uses an interstate pipeline for baseload service, and returns to the SoCalGas system for peakload service.
3. A peaking rate should allow SoCalGas to mitigate any revenue loss from a partial pipeline bypass, so that core customers and shareholders do not bear the cost of competition from interstate pipelines, yet not be a deterrent to economic bypass.
4. D.00-04-060 stated that the peaking rate should not be the equivalent of the RLS tariff, and should close the regulatory gap between FERC rate structures for interstate pipelines and this Commission's rate structure for SoCalGas' system.
5. The interstate pipelines are regulated by FERC.

6. Under this Commission's regulations, SoCalGas is obligated to provide service at tariffed rates.

7. Because of the regulatory gap between the rate structures set by FERC and this Commission, noncore customers had an incentive to bypass the SoCalGas system, leaving the core customers paying the tab for stranded capacity.

8. To correct this gap, the Commission instituted the RLS tariff in D.95-07-046. Before establishing this tariff, SoCalGas had been charging an all-volumetric rate structure that did not accurately reflect the utility's cost to provide peaking service to customers that took partial service from a competing pipeline.

9. The RLS tariff, while allowing SoCalGas to mitigate any revenue loss it might suffer due to partial pipeline bypass, effectively discouraged new pipeline competition in SoCalGas' service territory.

10. There is no market for peaking rates. There is no other pipeline offering a peaking rate in competition with SoCalGas.

11. SoCalGas' market-based revenue cap has little to do with marginal cost or economic bypass and much to do with keeping the customer cost the same even though the competitive pipeline offers a lower rate and the utility marginal cost is lower.

12. SoCalGas' proposed market-based rate would provide customers with an incentive to bypass the SoCalGas system altogether and could, in certain situations, prove to be more punitive than the RLS tariff.

13. Daily balancing requires the customer to manage its own gas supply in a manner that does not adversely affect other customers on the system.

14. All the interstate pipelines serving SoCalGas' market have daily balancing requirements, and some even have tighter provisions.

15. Under current natural gas market conditions, where the price of gas is very high, more relaxed balancing provisions might encourage the peaking customers to use SoCalGas' balancing as a price arbitrage tool which would impose additional burdens on captive customers.

16. The customer charge is designed to collect the total cost of the customer-specific facilities through a monthly charge.

17. The customers of public utility companies are required to pay the surcharge as a separate line item on their bills effective July 1, 2001. Prior to July 1, 2001, the customers will continue to pay the costs of public purpose programs included in their volumetric transportation rates.

18. For reliability purposes, the gas utility designs its transmission and distribution system to meet the demands placed upon it on an abnormal peak day.

19. In designing customer class rates, the utility's costs are allocated to various customer classes based upon marginal cost allocators.

20. A peaking rate should reflect the cost the customer imposes on the system when the customer takes peaking service.

21. To design a tariff based upon the customer class noncoincident demand makes little sense, since the customer class peak demand may not impose any additional demands on the system if it occurs at a time when the system demand is not at its peak.

22. The aim of the peaking tariff should be to assess a charge that results in a sufficient premium over the systemwide default rate in order to accurately reflect the costs imposed by only using the utility system at peak times.

23. If we were to use the noncoincident peak demand of the noncore class in the denominator, it is likely that we will arrive at a rate that is lower than the default rate based on the average demand. Such an outcome could prove to be so onerous that it might in fact promote bypass of SoCalGas' system by electric generators and could discourage development of new generation facilities.

24. Under the provisions of AB 1002, customers of interstate pipelines are mandated to pay a volumetric public purpose program surcharge to the Board of Equalization.

Conclusions of Law

1. It is reasonable to establish a cost-based peaking rate, as described herein, that encourages economic bypass, and discourages uneconomic bypass, of the SoCalGas' transmission and distribution system.
2. There is no competitive market for peaking rates.
3. A cost-based rate fairly compensates SoCalGas for standing ready to provide peaking service.
4. This order should be effective today to allow the new tariff to be implemented expeditiously.
5. The cost-based pricing mechanism described in the body of this order is consistent with our policy of promoting economic bypass.
6. The Commission should monitor the impact of the SoCalGas peaking rate and revise the tariff as necessary.
7. The PPP surcharge should be based on the public purpose program surcharge rates adopted by the Commission in Resolution G-3303 and will only apply to the customer's volumes served by SoCalGas.
8. The customer should pay the public purpose program charges on the volumes served by an interstate pipeline to the Board of Equalization.

O R D E R

IT IS ORDERED that:

1. The firm cost-based peaking rate set forth herein is adopted.
2. The interruptible peaking rate set forth herein is adopted.
3. Within 10 days of the issuance of this order, Southern California Gas Company (SoCalGas) shall submit an Advice Letter to the Energy Division, requesting a cost-based peaking rate that is in conformity with this order.
4. The cost-based firm peaking tariff shall include the following components: a customer charge; a Public Purpose Program (PPP) charge based on the PPP rates adopted

by the Commission in Resolution G-3303; a reservation rate calculated using the currently authorized end-use customer rate for the customer class applied to a customer-specified MDQ; and a volumetric rate that collects the Interstate Transition Cost Surcharge charge, Sempra-wide rate charge and other similarly-situated balancing accounts as a separate, equal-cents-per-therm surcharge, to be applied to the actual, recorded, monthly throughput.

5. The peaking tariff shall include the following provisions: (a) customers shall balance their nominations and burns daily; (b) it shall apply to all shippers who use peaking service on SoCalGas' system; (c) customers who use the interruptible, volumetric peaking rate shall not be eligible for SIC credit; and (d) the tariff shall apply on a facility-by-facility basis.

6. Application 00-06-032 is closed.

This order is effective today.

Dated August 2, 2001, at San Francisco, California.

LORETTA M. LYNCH
President
RICHARD A. BILAS
CARL W. WOOD
GEOFFREY F. BROWN
Commissioners

Commissioner Henry M. Duque, being necessarily absent, did not participate.

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List of Appearances

Interested Parties: Alcantar & Elsesser, LLP, by Michael Alcantar, Attorney at Law, for Cogeneration Association of California; Tom Beach, Crossborder Energy, for PG&E National Energy Group; Kirby Bosley and Michael Briggs, for Reliant Energy; Matthew V. Brady & Associates, by Matthew V. Brady, Attorney at Law, for the Department of General Services; Sharon Cohen, Sempra Energy, for Gasoducto Rosarito; Goodin, MacBride, Squeri, Ritchie & Day, by Brian T. Cragg, for Cabrillo I, LLC and Cabrillo II, LLC; Terry Dutton, County of San Diego, for San Diego County Air Pollution Control District; Alcantar & Elsesser, LLP, by Evelyn Kahl Elsesser, Attorney at Law, for Chevron USA, Amoco Energy Trading, Burlington Resources, Texaco & Aera Energy; Energy Law Group, LLP, by Diane I. Fellman, Attorney at Law, for NRG Energy, Inc.; Alex Goldberg, for Williams Companies, Inc.; Patrick L. Gileau, Attorney at Law, for CPUC Office of Ratepayer Advocates; Morrison & Foerster, LLP, by Peter W. Hanschen, Attorney at Law, for PG&E National Energy Group; Marcel Hawiger, Attorney at Law, for The Utility Reform Network; Bruno Jeider, for the City of Burbank; White & Case, LLP, by Joseph M. Karp, Attorney at Law, for California Cogenerators Council; Ellison, Schneider & Harris, by Douglas K. Kerner, Attorney at Law, for Duke Energy North American; Eric Klinkner, for the City of Pasadena; Luce, Forward, Hamilton & Scripps, LLP; by John W. Leslie, Attorney at Law, for Coral Energy Resources; Steven G. Lins, for the City of Glendale; Sutherland, Asbill & Brennan, LLC, by Keith McCrea, Attorney at Law, for California Manufacturers & Technology Association and California Industrial Group; Sara Steck Myers, Attorney at Law, for the City of San Diego; Ronald G. Oechsler, for Navigant Consulting Inc.; Frederick M. Ortlieb, Deputy City Attorney, for the City of San Diego; Jones, Day, Reavis & Pogue, by Norman A. Pedersen, Attorney at Law, for Southern California Generation

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Coalition; Roger T. Pelote, for Williams Energy Services; Robert L. Pettinato, for the Los Angeles Department of Water and Power; Patrick J. Power, Attorney at Law, for the City of Long Beach; Michael Shames, Attorney at Law, for Utility Consumers' Action Network; John Steffen, for the Imperial Irrigation District; and Catherine E. Yap, for Barkovich & Yap, Inc.

Intervenors: Craig Chancellor, Davis, Wright, Tremaine, LLP, by Lindsay How-Downing, Attorney at Law, for Calpine Corporation; Davis, Wright, Tremaine, LLP, by Edward W. O'Neill, Attorney at Law, for El Paso Natural Gas Company; and Michael R. Thorp, Sempra Energy, for San Diego Gas & Electric Company and Southern California Gas Company.

State Service: Joyce Alfton and Richard A. Myers, for the Energy Division; Jacqueline Greig and Robert M. Pocta, for The Office of Ratepayer Advocates; and Scott Tomashefsky and Bill Wood, for the California Energy Commission.

(END OF APPENDIX A)