

March 5, 2001

Advice 2295-G-A

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

Pacific Gas and Electric Company (PG&E) hereby submits this supplemental advice filing for revisions to its gas tariffs. The affected tariff sheets are listed on the enclosed Attachment I. As explained more fully below, this filing supplements Advice 2295-G, which PG&E originally filed on February 26, 2001, by substituting revised tariff language that differs somewhat from the proposed tariff language filed in Advice 2295-G.

Purpose

The purpose of Advice 2295-G, as explained therein, was to change gas Rule 14—*Capacity Allocation and Constraint of Natural Gas Services*, to comply with Decision (D.) 01-02-049, issued February 15, 2001. The purpose of this supplemental filing is to modify the proposed tariff language originally submitted by PG&E to comply with D.01-02-049. PG&E respectfully requests that the tariff sheets included with this supplemental filing replace those originally filed with Advice 2295-G.

Background

Because of a gas supply emergency, and at the request of the Office of Ratepayer Advocates (ORA) and The Utility Reform Network (TURN), the Commission in D.01-02-049 ordered that noncompliance charges associated with Operational Flow Orders (OFO) and Emergency Flow Orders (EFO) for PG&E's core procurement customers be waived. In Advice 2295-G, PG&E filed proposed tariff language to implement this waiver.

Shortly after Advice 2295-G was filed, a representative of certain core aggregators who serve gas customers in PG&E's service area, contacted PG&E to express concern about the draft tariff language PG&E had filed. The representative indicated that the draft tariff language filed by PG&E appeared to be somewhat broader in its effect than the Commission had ordered in D.01-02-049, and might operate to place his clients at a competitive disadvantage vis-a-vis PG&E's Core Procurement Department.

More particularly, in authorizing waivers of OFO and EFO noncompliance charges for PG&E's core ratepayers, the Commission, in Ordering Paragraph 2(a) of D.01-02-049, stated that such waivers should apply "only if PG&E has to engage in a diversion of noncore gas supplies, and due to PG&E's lack of credit, it is unable to procure core gas supplies directly from gas suppliers." (D.01-02-049, *mimeo* p. 37.) Similarly, Conclusion of Law No. 3 in D.01-02-049 concluded that "[t]he Commission should waive the OFO and EFO noncompliance charges contained in PG&E's Gas Rule 14 for core procurement customers if diversion of noncore gas supplies occurs due to PG&E's lack of credit and its inability to procure core gas supplies directly from gas suppliers." (*Id.*, p. 36.)

In Advice 2295-G, PG&E proposed tariff language stating simply that OFO and EFO noncompliance charges would be waived for PG&E core ratepayers "for the period of the gas supply emergency referred to in [D.01-02-049]." PG&E believed that this language would ensure protection of core ratepayers, consistent with the intent of D.01-02-049, and also that it would be easy to administer.

However, the concern was expressed that the tariff language as proposed by PG&E potentially could make the waiver of OFO and/or EFO noncompliance charges available to PG&E's Core Procurement Department at times other than when actual diversions of non-core gas supplies were occurring. This might give PG&E an unwarranted competitive advantage, since core aggregators compete with PG&E's Core Procurement Department on price and other terms, and any waiver of OFO and EFO charges obviously would affect delivered gas prices. It was requested that PG&E consider narrower language adhering literally to the language of Ordering Paragraph 2(a) of D.01-02-049.

Upon consideration of the concerns expressed above, and in order to avoid burdening the Commission with a dispute on this relatively minor point, PG&E is submitting this supplemental advice, including tariff language closer to the specific language of Ordering Paragraph 2(a) of D.01-02-049. In making this change, PG&E wishes to emphasize that it is concerned about the prospect that an OFO or an EFO could occur during the current gas supply crisis directly as a result of PG&E's inability to obtain adequate gas supplies, in a circumstance where an actual diversion of non-core supplies was not occurring. PG&E believes that the intent of the waiver requested by ORA and TURN, and approved by the Commission in D.01-02-049, was to protect PG&E's core ratepayers from OFO and EFO noncompliance charges in this circumstance, as well as in the circumstance where an actual diversion was occurring. Nonetheless, PG&E is persuaded that the language of Ordering Paragraph 2(a) of D.01-02-049, like the language of Conclusion of Law No. 3, appears to provide for waivers of OFO and EFO charges only in conjunction with an actual diversion of non-core supplies.

Accordingly, PG&E respectfully requests that the Commission accept the tariff sheets included herewith in place of the tariff sheets filed by PG&E in its original Advice 2295-G on February 26, 2001.

Protests

Anyone wishing to protest this supplemental filing may do so by sending a letter within 20 days of the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

IMC Branch Chief
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, CA 94102
Facsimile: (415) 703-2200

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Jerry Royer, Energy Division, at the address shown above. It is also requested that a copy of the protest be sent via postal mail and facsimile to Pacific Gas and Electric Company on the same date it is mailed or delivered to the Commission at the address shown below.

Pacific Gas and Electric Company
Attention: Les Guliasi
Director, Regulatory Relations
77 Beale Street, Mailcode B10C
P.O. Box 770000
San Francisco, CA 94177
Facsimile: (415) 973-7226

Effective Date

In accordance with D. 01-02-049, and consistent with Advice 2295-G, PG&E requests that this supplemental advice filing become effective **February 15, 2001**.

Notice

In accordance with Section III, Paragraph G, of General Order 96-A, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes should be directed to Nel Avendano at (415) 973-3529.

Vice President - Regulatory Relations

cc: Service Lists – A. 92-12-043, 94-06-044, R. 90-02-008, and R. 88-08-018

Attachments



RULE 14—CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE
(Continued)

E. OPERATIONAL FLOW ORDERS (OFO) (Cont'd.)

OFO NONCOMPLIANCE CHARGE EXEMPTION:

If a Balancing Agent's OFO noncompliance charge is calculated after the OFO Imbalance Rights trading period to be less than or equal to \$1,000 for any month, the noncompliance charge will be exempted and the charge will be zero. If the noncompliance charge is greater than \$1,000, the Balancing Agent will be responsible for the full noncompliance charge; i.e., \$1,000 will not be deducted from the calculated noncompliance charge. This exemption provision only applies to OFO noncompliance charges.

As ordered in Decision 01-02-049, PG&E shall waive any OFO noncompliance charges incurred by core customers whose gas is procured by PG&E if: 1) PG&E has implemented an Involuntary Diversion of noncore gas supplies (see Section G, below; and 2) due to PG&E's lack of credit, PG&E is unable to procure sufficient core gas supplies directly from suppliers.

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OFO COMPLIANCE

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OFO compliance and charges will be based on the following:

1. For a Noncore End-Use Customer with automated meter reading (AMR) capability and for PG&E's Electric Generation (EG) Department, compliance during an OFO will be based on actual daily metered usage, and the calculation after the OFO event of any applicable noncompliance charge will be based on actual daily metered usage.
2. For a Noncore End-Use Customer without AMR capability (all or part non-AMR capability at their premises), or for Noncore End-Use Customers with non-functioning AMR meters, and all Schedule G-CSP Customers, compliance during an OFO will be based on the average daily quantity (ADQ) as specified in the Customer's NGSAs. The calculation of any applicable noncompliance charges after the OFO event will be based on one of the following, whichever results in the lesser charge:
 - a) the Customer's ADQ; or
 - b) the Customer's actual daily metered usage; or
 - c) when Customer's actual daily metered usage is not available (e.g., due to meter failure), the average daily metered usage for the affected premises will be substituted for the actual daily metered usage. The average daily metered usage is calculated by dividing the recorded monthly usage by the number of days in the billing period.

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RULE 14—CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE
(Continued)

F. EMERGENCY FLOW ORDERS (EFO)

PG&E may invoke Emergency Flow Orders (EFO) when a forecast or an actual supply and/or capacity shortage threatens deliveries to End-Use Customers.

During an EFO, End-Use Customers' usage must be less than or equal to supply for a gas day (i.e., supply must be equal to or greater than usage). With the one exception specified herein, EFOs will have a zero (0) percent tolerance and a five dollar per therm noncompliance charge for each Therm of usage in excess of supply.

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As ordered in Decision 01-02-049, PG&E shall waive any EFO noncompliance charges incurred by core customers whose gas is procured by PG&E if: 1) PG&E has implemented an Involuntary Diversion of noncore gas supplies (see Section G, below; and 2) due to PG&E's lack of credit, PG&E is unable to procure sufficient core gas supplies directly from suppliers.

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EFO COMPLIANCE

EFO compliance and charges will be based on the following:

1. For a Noncore End-Use Customer with automated meter reading (AMR) capability and for PG&E's EG Department, compliance during an EFO will be based on actual daily metered usage and the calculation after the EFO event of any applicable noncompliance charge will be based on actual daily metered usage.
2. For a Noncore End-Use Customer without AMR capability (all or part non-AMR capability at their premises) or for Noncore End-Use Customers with non-functioning AMR meters, and all Schedule G-CSP Customers, compliance during an EFO will be based on the average daily quantity (ADQ) as specified in the Customer's NGSA. The calculation of any applicable noncompliance charges after the EFO event will be based on one of the following, whichever results in the lesser charge:
 - (1) the Customer's ADQ, or
 - (2) the Customer's actual daily metered usage, or
 - (3) when Customer's actual daily metered usage is not available, the average daily metered usage for the affected premises will be substituted for the actual daily metered usage. The average daily metered usage is calculated by dividing the recorded monthly usage by the number of days in the billing period.

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RULE 14—CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE
(Continued)

F. EMERGENCY FLOW ORDERS (EFO) (Cont'd.)

3. For a Core Procurement Group (CP Group), compliance during an EFO will be based on the latest available forecast for the CP Group prior to the time the event is called, up to and including a 5:00 p.m. Pacific Time forecast, from the core load forecast model. The calculation after the EFO event of any applicable noncompliance charge will also be based on the core load forecast model forecast for the CP Group.

With the exception of the EFO noncompliance charge waiver specified above, if PG&E invokes an involuntary supply diversion (see Section G, below) in conjunction with an EFO, an additional \$5/Th diversion usage charge will apply for a total involuntary diversion charge of \$10/Th for all gas delivered in excess of the supply received by PG&E.

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An EFO will normally be invoked following an Operational Flow Order (OFO), but PG&E may invoke an EFO without previously invoking an OFO if, in PG&E's judgement, emergency operating conditions exist. There shall be no minimum notice period for EFOs; however, PG&E will attempt to provide as much notification to Customers as practicable under the circumstances.

PG&E may implement other measures to ensure system integrity should an EFO fail to alleviate the emergency condition.

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RULE 14—CAPACITY ALLOCATION AND CONSTRAINT OF NATURAL GAS SERVICE
(Continued)

G. DIVERSION OF CUSTOMER-OWNED GAS (Cont'd)

1. INVOLUNTARY DIVERSIONS

PG&E may divert gas supplies from Backbone Transmission System Customers. Firm transportation to off-system is not subject to diversion. Diversions will occur in the following order:

- a. Supply scheduled under As-Available transmission service will be diverted in order of increasing transmission contract price and on a pro rata basis for all volumes transported under the same price. However, supply under scheduled deliveries from storage using As-Available transmission service will be treated as the highest priority Firm transmission service. (See G.1.c., below.)
- b. Supply scheduled to Noncore End-User Customers under Firm transmission service is diverted on a pro rata basis.
- c. Scheduled deliveries from storage using Firm or As-Available transmission service will be treated as the highest priority Firm transmission service and will be diverted on a pro rata basis.

2. INVOLUNTARY DIVERSION COMPLIANCE AND CHARGES

All Customers who use more gas during an involuntary diversion than their post-diverted supply, whether or not their gas is subject to an involuntary diversion, will be assessed involuntary diversion charges. Those customers will be deemed to be receiving involuntarily diverted supply, and therefore will be assessed a \$5/Th diversion usage charge, in addition to a \$5/Th EFO noncompliance charge, for a total involuntary diversion charge of \$10/Th. See section F, above, for conditional waiver of only the EFO noncompliance charges for certain core customers during an involuntary diversion.

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Involuntary diversion compliance and charges will be based on the following:

- a. For a Noncore End-Use Customer with automated meter reading (AMR) capability, compliance and the calculation after the involuntary diversion event of any involuntary diversion charge will be based on actual daily metered usage and the post-diverted supply. (Post-diverted supply is the original scheduled supply less the diverted volumes.)

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