

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



June 19, 2008

Advice Letter 3869

Ken Deremer  
Director  
Tariffs & Regulatory Accounts  
8330 Century Park Court CP32C  
San Diego, CA 92123-1548

Subject: Denial of A's Match Dyeing Co. Standby Service

Dear Mr. Deremer:

Advice Letter 3869 is effective June 22, 2008.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director  
Energy Division



Ken Deremer  
Director  
Tariffs & Regulatory Accounts

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May 23, 2008

Advice No. 3869  
(U 904 G)

Public Utilities Commission of the State of California

**Subject: Denial of A's Match Dyeing Co. Standby Service**

**Purpose**

Southern California Gas Company (SoCalGas) hereby submits for filing with the California Public Utilities Commission (Commission) this advice letter, to notify the Commission in writing of SoCalGas' decision to deny the "standby" gas service requested by A's Match Dyeing Co. (A's Match), a former customer located within the City of Vernon (Vernon). This advice letter is being filed pursuant to SoCalGas Rule No. 02 ("Rule 2").

**Background**

In 1992, Vernon created its own municipal gas department, and subsequently applied to the Commission for a traditional wholesale rate for itself and to serve primarily the city's larger industrial businesses. In 1996, the Commission's Decision (D.) 96-09-104 approved the Stipulation and Settlement Agreement (S&SA), which ruled that Vernon would be eligible for a traditional wholesale rate (which excludes distribution level costs) when it was capable of serving all the customers within Vernon. Until then, Vernon would only be entitled to an "interim wholesale" rate which included the distribution level costs. In 2005, Vernon certified that it completed the construction of its parallel gas distribution system making it capable of serving all customers within Vernon's boundaries. In accordance with the S&SA, SoCalGas has since provided Vernon with a traditional wholesale gas rate.

Starting in December 2006, Vernon began to solicit and sign up distribution gas customers with facilities located within Vernon. In November 2007, A's Match informed SoCalGas of its intention to switch to Vernon's gas service, due to lower overall costs, but also inquired about the possibility of retaining SoCalGas gas service on a "standby" basis (see definition below). On or around that time, SoCalGas discussed with the Commission's Energy Division the possibility of denying this type of service to A's Match. Upon further considerations of economic and operational factors, SoCalGas ultimately decided not to provide a redundant service to A's Match, and communicated this by letter to A's Match dated March 17, 2008 (see Attachment B). To date, SoCalGas has not

received any follow-up inquiries or complaints regarding the March 17, 2008 letter from A's Match.

### **Discussion**

SoCalGas does not have a standby tariff to specifically address the type of redundant service A's Match requested. SoCalGas Rule No. 01 defines "Standby" as "Gas service used as an alternate energy source, typically for emergency or backup purposes."<sup>1</sup> Rule 2 indicates that the utility reserves the right to refuse service to any premises for standby purposes, and will notify the Commission whenever a denial of service is contemplated.<sup>2</sup> SoCalGas hereby memorializes its November communication with Energy Division contemplating the denial of A's Match request for redundant service and discloses the reasons for its decision, in the form of an advice letter.

#### **Providing redundant service to A's Match results in an additional cost burden to other ratepayers.**

Prior to switching to Vernon's gas service, A's Match was served solely by and relied only on SoCalGas' system without a need for a redundant gas service from an alternative service provider. The provision of redundant service will not only require SoCalGas to install certain equipment,<sup>3</sup> but SoCalGas would then have to continue to maintain its gas distribution facilities. SoCalGas does not have an appropriate tariff to recover the costs of standby service for customers of a wholesale customer of SoCalGas. Since A's Match would only be paying the GT-I3D customer charge (\$350/month for noncore customers) the utility would not recover the full costs of customer-related facilities to serve them (\$1320/month as established in the GT-PS<sup>4</sup> tariff). That means remaining (non-standby) SoCalGas customers would have to subsidize the costs associated with providing redundant gas service to a former customer.

These types of costs are typically recoverable under a tariff. As mentioned earlier, SoCalGas does not have a tariff to cover this unique situation involving a handful of Vernon customers that have opted to take gas service from Vernon instead of SoCalGas, but seek redundant service as a back-up plan. As such, it does not have a tariff allowing it to recover the costs described above, nor does it have tariff protections that define performance requirements, liabilities, etc. Because of the rather small number of former customers involved, SoCalGas does not believe the creation of a new tariff is necessary at this juncture.

Furthermore, as more customers potentially switch from SoCalGas service to the Vernon system, it is conceivable that either part or all of SoCalGas' distribution system in Vernon

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<sup>1</sup> SoCalGas Rule No. 01, Definitions, in relevant part (see Attachment C).

<sup>2</sup> SoCalGas Rule No. 02, Description of Service, Section M.2 (see Attachment C).

<sup>3</sup> The cost of the equipment itself and its installation would be borne by A's Match.

<sup>4</sup> GT-PS Customer Charge is provided as a reference point. GT-PS tariff is designed to specifically address the situation where the alternative service provider bypasses the SoCalGas system altogether, and not applicable to a wholesale customer replacing SoCalGas as the retail service provider, where the retail customers still use a portion of SoCalGas facilities even when taking service from the alternative (wholesale) provider, and pay for the facilities used via the wholesale rate.

will eventually become redundant and could potentially be abandoned. Such partial or full system abandonment would result in annual operating and maintenance cost savings of approximately \$210,000. However, if SoCalGas must maintain a redundant and unused system to accommodate "standby" service for A's Match, system abandonment will not be an option in the future.

Providing redundant service to A's Match raises safety and liability issues.

In order for a facility to be simultaneously connected to both Vernon and SoCalGas distribution systems, installation of additional safety valves is required to prevent backflow of gas from one system to another. Without these valves, the difference in system design specifications and operating pressure could lead to an unsafe operating environment and accidental gas backflow could potentially damage SoCalGas' meter and regulator equipment. Moreover, there are potentially onerous and complicated liability issues in the event of a gas-related incident causing property damage and/or personal injury that make such an arrangement undesirable for all parties.

**Conclusion**

While SoCalGas is committed to serving its existing customers located in Vernon, for the reasons stated above, SoCalGas does not believe at this point, it is in the best interests of the utility or its customers to provide redundant gas service to A's Match, a former customer now receiving gas service from Vernon. Therefore, SoCalGas requests the Commission to allow its denial of redundant gas service to A's Match.

**Protest**

Anyone may protest this advice letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date of this advice letter. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of both Maria Salinas ([mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov)) and Honesto Gatchalian ([jnj@cpuc.ca.gov](mailto:jnj@cpuc.ca.gov)) of the Energy Division. A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Sid Newsom  
Tariff Manager - GT14D6  
555 West Fifth Street  
Los Angeles, CA 90013-1011  
Facsimile No. (213) 244-4957  
E-mail: [snewsom@SempraUtilities.com](mailto:snewsom@SempraUtilities.com)

**Effective Date**

This advice letter is being submitted pursuant to Rule 2, and as such, SoCalGas believes this advice letter is subject to Energy Division disposition and should be classified as Tier 2 (effective upon staff's approval) pursuant to GO 96-B and requests that this be effective on June 22, 2008, which is 30 calendar days after the date filed.

**Notice**

A copy of this advice letter is being sent to the parties listed on Attachment A.

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Ken Deremer  
Director  
Tariffs and Regulatory Accounts

Attachments

Cc: Young Kim, A's Match Dyeing Company

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SOUTHERN CALIFORNIA GAS COMPANY (U 904-G)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Sid Newsom

Phone #: (213) 244-2846

E-mail: snewsom@semprautilities.com

### EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 3869

Subject of AL: Denial of A's Match Dyeing Co. Standby Service

Keywords (choose from CPUC listing): Rules

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL No

Summarize differences between the AL and the prior withdrawn or rejected AL<sup>1</sup>: N/A

Does AL request confidential treatment? If so, provide explanation: No

Resolution Required?  Yes  No

Tier Designation:  1  2  3

Requested effective date: 6/22/08

No. of tariff sheets: 0

Estimated system annual revenue effect (%): None

Estimated system average rate effect (%): None

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: \_\_\_\_\_

Service affected and changes proposed<sup>1</sup>: N/A

Pending advice letters that revise the same tariff sheets: None

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:**

**CPUC, Energy Division**

**Attention: Tariff Unit**

**505 Van Ness Ave.**

**San Francisco, CA 94102**

**mas@cpuc.ca.gov and jnj@cpuc.ca.gov**

**Southern California Gas Company**

**Attention: Sid Newsom**

**555 West Fifth Street, GT14D6**

**Los Angeles, CA 90013-1011**

**snewsom@semprautilities.com**

<sup>1</sup> Discuss in AL if more space is needed.

**ATTACHMENT A**

**Advice No. 3869**

**(See Attached Service List)**

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**ATTACHMENT B**

**Advice No. 3869**

**SoCalGas Letter Denying A's Match Dyeing Co.  
Standby Service Request, Dated March 17, 2008**

**ATTACHMENT C**

**Advice No. 3869**

**SoCalGas Rule No. 01, Definitions, Definition of Standby**

**SoCalGas Rule No. 02, Description of Service, Section M.2**