

Industrial Claims Procedure

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Industrial Claims Procedure - General Approach

- For each industrial customer:

$$\text{Monthly Damage Claim} = \text{Customer's Actual Monthly Gas Supply Cost} - \text{Estimates of the "Competitive" Gas Supply Cost}$$

- These calculations are done for each of the 15 months, March 2000 through May 2001, and damages are totaled over the 15 months – representing the customer's **Total Damage Claim**.
- For all of California (south and north combined), compute the **Ratio** of each industrial customer's **Total Damage Claim** to the sum of all industrial customers' **Total Damage Claims**. This **Ratio** is the industrial customer's share of the non-core gas settlement amount.
- The industrial customer's settlement amount equals the product of the customer's **Ratio** and the **Total Non-core Gas Settlement Amount**.

Each Non-Core Industrial Customer's Damage Claim

- A customer's monthly gas cost will equal the cost of its gas purchases less both the revenues of its gas sales and any revenues from financial hedges.
- For each region, (south and north), one "competitive" unit (\$/therm) gas cost (reflecting 80% bidweek and 20% daily weighting) will be developed for each month to apply to all types of contracts.
- For non-core customers in SoCalGas and SDG&E's service territory, costs will be measured at SoCalGas' "citygate." For non-core customers in PG&E's service territory, costs will be measured at PG&E's citygate.

Claim Form

- Asks the customer to report monthly gas consumption at its facilities [1].
- Gas purchases [2] and their cost [3] are drawn from the second table, **Gas Purchases**.
- The form also requires the customer to provide gas sales [4] and associated revenues [5] as well as the gains [6] and losses [7] associated with financial hedges.
- Documentation for customer to provide:
 - ↗ Monthly invoices from the local gas distribution company (e.g., PG&E, SoCalGas, SDG&E) which indicate the quantity of gas delivered to the customer's facilities.
 - ↗ Invoices that a customer sent out for sales of natural gas it made to others.
 - ↗ Documentation of financial hedging gains or losses.

**XYZ Industrial Company
Claim Form**

| | [1] | [2] | [3] | [4] | [5] | [6] | [7] |
|--------|--|-----------------------------------|---------------------------------|-------------------------------|---------------------------------|--|-----|
| | Gas Consumption At Your Facilities <u>Therms</u> | Gas Purchases <u>Therms</u> | Gas Purchases <u>Cost</u> | Gas Sales <u>Therms</u> | Gas Sales <u>Revenues</u> | Financial Hedges Related to Gas Consumption at California Facilities <u>Gains</u> <u>Losses</u> | |
| Mar-00 | 100,000 | 100,000 | 40,000 | 1,000 | 400 | 0 | 0 |
| Apr-00 | 96,000 | 95,500 | 39,110 | 0 | 0 | 0 | 0 |
| May-00 | 110,000 | 110,000 | 46,400 | 0 | 0 | 0 | 0 |
| Jun-00 | 130,000 | 130,200 | 56,090 | 0 | 0 | 0 | 0 |
| Jul-00 | 130,000 | 130,000 | 58,400 | 0 | 0 | 0 | 0 |
| Aug-00 | 140,000 | 139,950 | 64,975 | 0 | 0 | 0 | 0 |
| Sep-00 | 110,000 | 110,100 | 51,252 | 0 | 0 | 0 | 0 |
| Oct-00 | 90,000 | 90,000 | 35,600 | 0 | 0 | 0 | 0 |
| Nov-00 | 90,000 | 90,000 | 52,000 | 0 | 0 | 0 | 0 |
| Dec-00 | 120,000 | 120,000 | 118,000 | 0 | 0 | 0 | 0 |
| Jan-01 | 130,000 | 128,240 | 113,888 | 0 | 0 | 0 | 0 |
| Feb-01 | 120,000 | 118,800 | 109,440 | 2,000 | 800 | 0 | 0 |
| Mar-01 | 110,000 | 111,000 | 93,200 | 0 | 0 | 0 | 0 |
| Apr-01 | 100,000 | 100,425 | 75,468 | 0 | 0 | 0 | 0 |
| May-01 | 110,000 | 110,000 | 98,000 | 0 | 0 | 0 | 0 |

Gas Purchases

- Customer reports the monthly volume and cost associated with each of its supply contracts.
- The customer's total volume and cost is summed over the contracts in the two rightmost columns of the table. These amounts are carried through to the **Claim Form** table, above.
- Documentation for customer to provide:
 - Supply contracts.
 - Monthly invoices from their supplier(s) associated with the amounts in the table.

| XYZ Industrial Company Gas Purchases | | | | | | |
|---|--|--------|---|--------|--------------------------------|---------|
| | Supply Contract #1 Supplier: Producer QRS Term: 1/00-12/00 | | Supply Contract #2 Supplier: ABC Trading Term: 1/00-12/00 | | Total Supply ("Gas Purchases") | |
| | Therms | Cost | Therms | Cost | Therms | Cost |
| Mar-00 | 50,000 | 20,000 | 50,000 | 20,000 | 100,000 | 40,000 |
| Apr-00 | 50,000 | 20,000 | 45,500 | 19,110 | 95,500 | 39,110 |
| May-00 | 50,000 | 20,000 | 60,000 | 26,400 | 110,000 | 46,400 |
| Jun-00 | 50,000 | 20,000 | 80,200 | 36,090 | 130,200 | 56,090 |
| Jul-00 | 50,000 | 20,000 | 80,000 | 38,400 | 130,000 | 58,400 |
| Aug-00 | 50,000 | 20,000 | 89,950 | 44,975 | 139,950 | 64,975 |
| Sep-00 | 50,000 | 20,000 | 60,100 | 31,252 | 110,100 | 51,252 |
| Oct-00 | 50,000 | 20,000 | 40,000 | 15,600 | 90,000 | 35,600 |
| Nov-00 | 50,000 | 20,000 | 40,000 | 32,000 | 90,000 | 52,000 |
| Dec-00 | 50,000 | 20,000 | 70,000 | 98,000 | 120,000 | 118,000 |
| Jan-01 | 50,000 | 20,000 | 78,240 | 93,888 | 128,240 | 113,888 |
| Feb-01 | 50,000 | 20,000 | 68,800 | 89,440 | 118,800 | 109,440 |
| Mar-01 | 50,000 | 20,000 | 61,000 | 73,200 | 111,000 | 93,200 |
| Apr-01 | 50,000 | 20,000 | 50,425 | 55,468 | 100,425 | 75,468 |
| May-01 | 50,000 | 20,000 | 60,000 | 78,000 | 110,000 | 98,000 |

Calculation of Damages Claim

- The table compares a customer's reported monthly usage in the **Claim Form** with the net of the customer's purchases and sales for that month.
 - The customer is asked to explain and document any deviations below 95% or above 105%.
- The customer's monthly natural gas costs are equal to the cost of its gas purchases, less the revenue from its gas sales and the revenue from its financial hedges.
- The monthly cost at a competitive price is the product of the consumption and a monthly competitive price that would be supplied with the form. For a given month, we expect the "competitive" unit price (\$/therm) at the citygate will be the same for all non-core customers of an LDC.
- The monthly damage claim is the difference between the customer's gas costs and the gas cost at a competitive price.
- The total damage claim is the sum of the monthly damage claims and is multiplied by the payout factor to arrive at the adjusted damage claim.

| XYZ Industrial Company Calculation of Damages Claim | | | | | | | Competitive No. CA Unit Prices (\$/Therm) [G] | Competitive So. CA Unit Prices (\$/Therm) [G] | |
|--|---------------------------|--------------------------------------|--|---|--|--|---|---|------|
| | Consumption [A] [1] | Purchase - Sales [B] [2] - [4] | % of Consumption Explained [C] [C] = [A] / [B] | Natural Gas Costs [D] [3] - [5] - [6] | Cost of Gas Consumption At Competitive Price [E] [E] = [A] x [G] | Monthly Damage Claims [F] [F] = [D] - [E] | | | |
| Mar-00 | 100,000 | 99,000 | 101.01% | 39,600 | 27,455 | 12,145 | \$ | 0.27 \$ | 0.26 |
| Apr-00 | 96,000 | 95,500 | 100.52% | 39,110 | 30,269 | 8,841 | \$ | 0.32 \$ | 0.30 |
| May-00 | 110,000 | 110,000 | 100.00% | 46,400 | 35,521 | 10,879 | \$ | 0.32 \$ | 0.31 |
| Jun-00 | 130,000 | 130,200 | 99.85% | 56,090 | 58,537 | 0 | \$ | 0.45 \$ | 0.44 |
| Jul-00 | 130,000 | 130,000 | 100.00% | 58,400 | 61,590 | 0 | \$ | 0.47 \$ | 0.48 |
| Aug-00 | 140,000 | 139,950 | 100.04% | 64,975 | 59,384 | 5,591 | \$ | 0.42 \$ | 0.44 |
| Sep-00 | 110,000 | 110,100 | 99.91% | 51,252 | 48,011 | 3,241 | \$ | 0.44 \$ | 0.52 |
| Oct-00 | 90,000 | 90,000 | 100.00% | 35,600 | 50,314 | 0 | \$ | 0.56 \$ | 0.55 |
| Nov-00 | 90,000 | 90,000 | 100.00% | 52,000 | 49,301 | 2,699 | \$ | 0.55 \$ | 0.53 |
| Dec-00 | 120,000 | 120,000 | 100.00% | 118,000 | 100,790 | 17,210 | \$ | 0.84 \$ | 0.74 |
| Jan-01 | 130,000 | 128,240 | 101.37% | 113,888 | 136,461 | 0 | \$ | 1.05 \$ | 1.03 |
| Feb-01 | 120,000 | 116,800 | 102.74% | 108,640 | 86,964 | 21,676 | \$ | 0.72 \$ | 0.70 |
| Mar-01 | 110,000 | 111,000 | 99.10% | 93,200 | 56,382 | 36,818 | \$ | 0.51 \$ | 0.57 |
| Apr-01 | 100,000 | 100,425 | 99.58% | 75,468 | 72,825 | 2,643 | \$ | 0.73 \$ | 0.58 |
| May-01 | 110,000 | 110,000 | 100.00% | 98,000 | 63,600 | 34,400 | \$ | 0.58 \$ | 0.53 |

[H] Total Damage Claim

\$ 156,143