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Decision No. 85189

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's Own Motion into the Adequacy and Reliability of the Energy and Fuel Requirements and Supply of the Electric Public Utilities in the State of California.

Case No. 9581  
(Filed July 3, 1973)

Investigation on the Commission's own motion into the natural gas supply and requirements of gas public utilities in the State of California.

Case No. 9642  
(Filed December 18, 1973)

Investigation on the Commission's own motion into the establishing of priorities among the types of categories of customers of every electrical corporation and every gas corporation in the State of California and among the uses of electricity or gas by such customers.

Case No. 9884  
(Filed March 11, 1975)

(See Appendix A for appearances.)

INTERIM OPINION

On December 18, 1973 the Commission in Case No. 9642 instituted its investigation into California's natural gas supply and requirements. Hearings were held on a consolidated record with Case No. 9581, the Commission's investigation into the adequacy and reliability of the fuel requirements and supply of the State's electric public utilities. Hearings on the gas portion of those consolidated proceedings were held on alternate weeks in San Francisco, Los Angeles,

and San Diego beginning January 18, 1974. After 26 days of hearings the proceedings were adjourned until further notice.

Acting on petitions for emergency relief filed by Collier Carbon and Chemical Corp., Chevron Chemical Corp., and Shell Oil Company, the Commission issued Decision No. 83612 on October 16, 1974. That decision, among other things, acknowledged the importance California agriculture plays in the State's economy, that the supply of natural gas is so critical that what is now classified as "firm" load could soon become subject to curtailment, and that the California gas distribution utilities have been calling to the attention of their customers the growing shortage of gas supplies since 1970.

On December 10, 1974 the Commission issued Interim Decision No. 83819. That decision extensively reviewed the problem of the insufficient supply of natural gas confronting the California utilities and focused on the adoption of an end-use priority system for allocating supplies. The decision noted that, in addition to the California Energy Planning Council and most industrial users advocating an end-use priority system as an alternative to the present method of allocating supplies, the Federal Power Commission (FPC) had adopted an end-use curtailment plan for El Paso Natural Gas Company (El Paso) and that the California Legislature had added to the Public Utilities Code Sections 2771-2776 requiring the Commission to establish a system of priorities among categories of customers and uses in descending order, starting with those which "provide the most important public benefits and serve the greatest public need." That decision also restricted the gas distribution utilities from providing new nonresidential service with requirements over 200 Mcf/d without Commission approval. ✓

On March 11, 1975 the Commission issued its Order of Investigation, Case No. 9884, which because of the interrelationships of the subject matter, was consolidated for hearing with Cases Nos. 9581 and 9642. Case No. 9884 recited the events to date in Cases Nos. 9581 and 9642, referred to the FPC opinion affecting deliveries of natural gas by El Paso to California, noted the emerging national policy requiring less dependence upon foreign oil, and quoted Section 2772 of the Public Utilities Code concerning priorities. It sought to establish priorities for both gas and electric use which would meet the Section 2771 tests of "most important public benefits" and "greatest public need" and sought to determine if not establishing any priority system would have the effect of reducing the amount of gas to be allocated to California under federal law. It expanded Case No. 9642 to consider which gas rate structures would achieve high levels of conservation. It ordered an investigation into mutual assistance between the gas companies and between the electric companies to deal with shortages. This latest Order of Investigation was consolidated for hearing with Cases Nos. 9581 and 9642.

Hearings on the consolidated matters began on April 21, 1975 and were conducted in San Francisco, Los Angeles, and San Diego, for a total of 21 hearing days to the date of closing on June 30, 1975.

#### Issues

The primary issue for decision is whether the present price-volume priority system of allocating gas in California should continue or whether an end-use method of allocation should be adopted. If it is decided that an end-use method of allocation of gas should be adopted, the city of San Diego (San Diego) has put in issue whether any order changing the present method of allocation

can be implemented before an Environmental Impact Report (EIR) is issued pursuant to the California Environmental Quality Act (CEQA). It also must be determined whether the tariffs filed with the FPC by El Paso will have an effect upon the distribution of El Paso gas within California. Finally, issues arise with respect to each of the five priority classes recommended by the staff.

Simply stated, since the supply of natural gas is not expanding as rapidly as demand, how should this limited supply be allocated among the numerous claimants?

The Present Price-Volume Method  
of Allocating Gas in California

The California gas distribution utilities presently operate their systems under the so-called price-volume or price-priority system of curtailment.<sup>1/</sup> Under this system customers are classified as either firm or interruptible with some customers receiving both firm and interruptible service. Under this system, by opting for interruptible service, the customer is rewarded with lower rates but thereby exposes himself to interruption whenever supplies are not adequate to meet firm demands. Under the price-volume priority system these interruptible users (generally those requiring more than 200 Mcf/d) are required by utility tariffs to have an alternate fuel capability.

The Staff Plan

Decision No. 83819 set forth an initial base on which an end-use system could be adopted. The Commission staff introduced Exhibit 203 as their recommended end-use curtailment priority plan.

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<sup>1/</sup> Rules currently in effect are PG&E Rule 21, SoCal Rule 23, and SDG&E Rule 23.

through witnesses Leigh Stamets and Donald L. King. Witness Stamets analyzed volumes of gas consumed by the interruptible customers of PG&E, SoCal, and SDG&E under the criteria of Exhibit 153 and under the present price priorities system. Staff end-use priority recommendations were presented by witness King. An analysis of natural gas requirements for each major utility under the present curtailment procedures and under the staff proposed curtailment procedures also was presented.

The staff proposed a five priority end-use allocation system to operate on a statewide basis so as to protect Priorities 1 and 2. The overall staff-proposed plan closely resembles the Interim El Paso curtailment plan now in effect under FPC supervision. The major distinction between the two is that under the El Paso Plan Priorities 4 and 5 are based on volumetric amounts while the staff plan looks to end-use.

Issues arising under each priority classification as proposed will be discussed below, in order of descending priority.

Priority 1 - All Residential Use Regardless of Size.

All Other Firm Use with Peak-Day Demands  
Less Than 100 Mcf/d.

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Fundamental to the staff recommended criteria is the concept that utility customers with no present alternate fuel capacity be protected from curtailment to the extent permitted by available supplies and load equating facilities. Generally customers now on firm schedules who therefore are not required to have alternate fuel capability tend to fall in this category. First and foremost to be protected are the residential users and small commercial users of gas who historically have been on firm schedules and have little or no capability to convert. The staff criteria attempts to define end-use priorities in terms of customers' present status in order to minimize the confusion associated with determining the end-use status of individual customers.

The staff initially proposed that customers with a peak-day requirement of less than 50 Mcf/d be placed in Priority 1. However, analysis by the staff of SoCal, PG&E, and SDG&E customer accounts indicates that a total of approximately 1,200 customers now on firm schedules have peak-day requirements of between 50 and 100 Mcf/d and have total annual requirements estimated to be approximately 16,000 MMcf. This represents 1.8 percent of 1975 estimated total firm requirements. These 1,200 customers would increase the number of customers presently subject to curtailment by 50 percent. In the staff's opinion the administrative burden to the utilities of monitoring and enforcing curtailment of an additional 1,200 customers for the relatively small impact on total fuel requirements cannot be justified under present estimates of supply availability. Accordingly, in the interests of economy and efficiency, all firm use with peak-day demands less than 100 Mcf/d would be placed in Priority 1. Further the staff recommended that uses not exceeding 25 Mcf/d on a peak day be placed in the next higher priority where such use is part of a multi- or split priority customer's total use. Requests for new nonresidential connections in excess of 50 Mcf/d or expansion of present service to a level above 50 Mcf/d should not be granted without specific Commission authorization in each case.

Since it is possible that supply conditions even under the staff proposals may not meet future priority requirements, we will require the utilities to maintain and report customer and consumption data on nonresidential peak-day usage between 50 and 100 Mcf/d.

Under this plan, gas service to multiple unit dwellings requiring an excess of 100 Mcf/d for water heating or steam generation for space heating would not be classified as Priority 1, but to the extent an alternate fuel capability exists would be classified as Priority 3.

Priority 2-A - Where Primary Use Is As a Feedstock  
With No Alternative.  
Current Firm Nonresidential Use With  
Peak-Day Demands Greater Than 99 Mcf/d:  
Where Conversion To Alternate Fuel  
Is Not Feasible.  
Where Conversion To Alternate Fuel  
Is Feasible.  
Electric Utility Start-up and  
Igniter Fuel.

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Priority 2-A contains three categories of uses with no present alternatives to natural gas: Feedstock customers, non-residential users with peakday use greater than 99 Mcf/d, and utilities which require gas for ignition, start-up, and flame stabilization. Curtailment of natural gas to feedstock customers and present firm nonresidential customers with peakday use greater than 99 Mcf/d will have substantial adverse effects upon the economy and the public. Curtailment of gas to electric utilities for ignition, start-up, and flame stabilization use would restrict their ability to provide electric service.

Feedstock. This category includes customers who use natural gas as a raw material to produce an end product. A Priority 2-A feedstock customer has no present capability of using an alternative fuel. Total estimated annual requirements for this category are: 17,580 MMcf on the SoCal system and 12,640 MMcf on the PG&E system.

Current firm nonresidential use with peak-day demands greater than 99 Mcf/d. Residential use is service to customers which consists of direct natural gas usage in a residential dwelling for space heating, air conditioning, cooking, water-heating, and other residential uses. The following includes all firm use that is not residential use and exceeds peak-day demands greater than 99 Mcf/d:

<u>Customers</u>	<u>1975 Estimated Requirements</u>	
	<u>Alternate Fuel Feasible</u>	<u>Not Feasible</u>
	(MMcf)	
<u>SoCal System</u>		
904	15,920	25,755
<u>PG&amp;E System</u>		
591	12,505	19,683
<u>SDG&amp;E System</u>		
28	710	160

The staff recommended that the customers in Priority 2-A considered capable of converting to an alternate fuel be transferred to the appropriate lower priority by October 1, 1977 or two years from the effective date of this decision, whichever is later. They emphasize that customers in Priority 2-A have no present alternative to the use of natural gas. The time span recommended is considered reasonable to convert to alternate fuel capability. A customer who cannot realistically convert within the recommended period of time may apply to the Commission for a specific deviation upon a substantial showing.

Electric utility igniter, start-up, and flame stabilization fuel. There is no present alternative to the use of natural gas for these applications. Both SoCal and PG&E have indicated they are now studying the cost of converting to alternate fuels, after which we will determine whether these uses should be assigned to Priority 2-A permanently. The utilities will be required to provide detailed cost estimates of converting to a light oil or other alternate within one year of the date of this decision so that we may determine the feasibility of transferring this requirement to Priority 5.



Estimates of annual requirements for electric utility ignition, start-up, and flame stabilization are:

SoCal System .....	5,064 MMcf *
PG&E .....	1,008 "
SDG&E .....	144 "

\* Includes requirements of the Los Angeles Department of Water and Power.

The requirements listed above represent the total estimated Priority 2-A requirements on the utilities' systems that have been included in the tables in Chapter 3 of the staff report.

Priority 2-B - Current Interruptible Customers  
 With Liquefied Petroleum Gas (LPG)  
 Or Other Gaseous Fuel Standby Facilities:  
 Where Conversion To Alternate Fuel  
 Is Not Feasible.  
 Where Conversion To Alternate Fuel  
 Is Feasible.

This group includes all current interruptible users who use LPG as an alternate to natural gas, plus that portion of petroleum refinery use which is dependent upon LPG or other internally generated gaseous fuel during periods of curtailment.

The number of customers and estimated annual requirements are:

<u>Customers</u>	<u>Estimated Annual Requirements</u>	
	<u>Alternate Fuel Feasible</u>	<u>Not Feasible</u>
<u>SoCal System</u>	(MMcf)	
120	10,310	4,150
<u>PG&amp;E System</u>		
132	15,070	52,510
<u>SDG&amp;E System</u>		
22	800	560

The above requirements represent total estimated statewide requirements in Priority 2-B.

The staff recommended that customers in Priority 2-3 considered capable of converting to an alternate fuel be transferred to the appropriate lower priority on October 1, 1976 or one year from the effective date of this decision, whichever is later. Staff witness Stamets provided the following testimony relating to the criteria by which to determine the feasibility of a conversion.

"The conversion to alternate fuel should be considered feasible if the conversion can be accomplished by the installation of alternate fuel burners, controls and supporting facilities, such as piping and storage, and further, where the use of an alternate fuel would not cause significant adverse effects on product quality or process equipment. It is intended that 'feasible conversion' will include conversions which may require small changes in equipment such as minor modification to allow burner placement or the small addition of refractory materials. Boilers, except those with 'atmospheric burners', appear feasible for conversion under this criteria. Also this criteria should result in the conversion of such equipment as certain dryers, kilns, and furnaces where natural gas or propane continues to be used as a fuel primarily as a matter of convenience and cost.

"In this regard it is recognized that extenuating circumstances will exist causing feasibility of conversion to be questionable for some gas users. Examples may be code restrictions or space limitations. These instances will need to be considered on a case-by-case basis."

It was emphasized that electricity should not normally be considered as alternate use since it must be presumed to be just as scarce as natural gas. Likewise, a long-term conversion from gas to a process not requiring gas to produce the product will not be considered a reasonable alternative for current conversions. Building code restrictions or space limitations may be considered an extenuating circumstance.

The seasonal interruptible customer without alternate fuel facilities was not included in the staff's priority system. In our opinion this customer should be included in this category and evaluated to determine whether he should have permanent or temporary status.

Much discussion focused upon the definition of process gas and the reasons for such use being included in Priority 2. Certain existing process gas users have installed equipment that is not capable of burning a fuel other than natural gas. However, in most instances, if such customer had no gas available the customer could have installed substitute equipment that would eliminate the need for natural gas. Accordingly, the staff recommended that an industrial customer desiring to use natural gas for new or additional equipment must convince the Commission that, as a practical matter, there is no other equipment that is capable of producing the desired product or that there is no other equipment that is capable of burning alternate fuel. We concur with the staff.

Priority 3 - All Use Not Included in Another Priority.

This priority distinguishes commercial boiler fuel usage from that of industrial and utility steam-electric generation use and includes central boilers in multi-unit apartment houses using more than 100 Mcf/d. The staff recommended that interruption of service to Priority 3 be minimized by cycling storage under circumstances that would not jeopardize higher priority service.

With respect to the financial ability of a particular customer to convert to alternate fuel capability, the recommended priorities are based on general conditions and to the extent certain customers, from a competitive standpoint, may be forced out of business, the Commission will consider an exception. The customer concerned, however, would have to make a very strong showing in order to justify a change in priorities.

Priority 4 - Industrial Boiler Fuel Where Capability  
of Utilizing an Alternate Fuel is Present.  
Cement Plants.

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"Industrial use" is service to customers engaged primarily in a process which creates or changes raw or unfinished materials into another form or product. Industrial use may be further defined as use in the categories falling under Division B, mining; Division C, construction; and Division D, manufacturing, in the Standard Industrial Classification manual issued by the Executive Office of the President, Office of Management and Budget.

Generally, use of gas in industrial processes occurs in substantial volumes. It is consistent with existing interruptible service to place the largest volume users in a position least protected from curtailment. On current interruptible schedules such industrial users are required to be equipped with standby fuel capability.

A principal problem of industrial users who fall in the proposed Priority 4 category is the substantially higher cost of alternate fuel. It must be emphasized that the proposed priority system is based on a general approach. If an industrial customer has space limitations similar to that of commercial customers, special consideration may be given by the Commission to a possible higher level of service. Priorities cannot be written in a manner to provide for all special conditions; some will have to be handled individually.

Cement plants were placed in Priority 4 due in part to the large volumes of gas consumed and in part to their ability to shift to alternate fuels. There are indications that some cement plants are already shifting to the use of coal in preparation for deeper curtailments in their level of gas service.

Priority 5 - Utility Steam-Electric Generation  
Plants and Utility Gas Turbines.

Consistent with the policy that the highest volume users are the first to be interrupted or curtailed on present service schedules and because of their ability to substitute other fuels, steam-electric generation plants are placed in the lowest priority of service.

Gas consumed by steam-electric utilities in this category must be distinguished from those uses temporarily in Priority 2-A where gas is used for boiler ignition, start-up, and flame stabilization.

Other Plans

In addition to the staff's proposal, curtailment plans were introduced by SoCal (Appendix C) and General Motors Corporation (GM) (Appendix D).

The GM proposal was presumably introduced to be implemented by the Commission in California. It is patterned along the lines of the FPC El Paso curtailment plan which, as we have indicated, is similar to the staff's proposal and, therefore, we will not make further comment.

SoCal's plan was introduced as an alternate to the staff's proposal should it be determined that end-use should be adopted. SoCal's plan is similar to the staff's but there are differences which should be noted. First SoCal proposes that industrial and commercial boiler uses be classified in the same priority while the staff's proposes that industrial boiler use is inferior to commercial and that a social objective is achieved by placing commercial boilers in a higher priority. Second, SoCal proposes that Priority 3 would be subblocked on a volumetric basis and curtailed in the order of size to provide the utility with the flexibility necessary to meet the demands placed on

its system, based on the theory that larger customers are better equipped to deal with curtailment and if larger customers are curtailed first larger quantities of gas within that priority will be available. The staff believes that all customers within Priority 3 should receive equal levels of service on an annual basis. Third, SoCal asserts that a moratorium or limitation on new or existing loads in excess of 99 Mcf/d is unnecessary at this time because (1) the requirement to install alternate fuel capability would prevail and (2) the view that an existing customer has a prior or vested right to future gas supplies is unacceptable.

Position of Respondent Utilities

The gas utilities are united in their opposition to the proposed change from the current price-volume curtailment procedure to an end-use priority system, albeit for varying reasons. They argue that there are significant differences in the operations and systems of the various utilities which are reflected in their respective curtailment rules and that these differences should be recognized when considering the feasibility of an end-use system. They point out that certain users now served as "firm" customers under existing rate schedules would be transferred to a lower priority under an end-use system and thus be subject to earlier curtailment and that these customers would be required to make large expenditures for alternate fuel burning and storage equipment.

PG&E opposes the concept of a statewide end-use system of allocation alleging that its present Rule 21 dealing with curtailment will best serve the customers on its system. It also states that the operation of the SoCal system is different from PG&E's and such differences should be recognized when considering the feasibility of an end-use system.

SoCal opposes the adoption of an end-use priority system alleging it is not now necessary since firm customers on their system will not be subjected to curtailment until 1978-79 based on current estimates of available supplies and that any change would entail administrative hardship resulting in disruption and dislocation of industrial/commercial customers without a correlative benefit to residential customers and that an end-use system will not change the basic requirements or supply of natural gas, but will have a tremendous economic impact. SoCal also asserts that the end-use concept is not a realistic approach to establishing priorities.

San Diego opposes the adoption of end-use because in its opinion end-use places too much emphasis on the ability to convert to an alternate fuel, that none of the end-use plans submitted for consideration considers the customers and uses of gas which provide the most important public benefits, that the full impact of economic feasibility to convert has not been considered, that no consideration is given to operational burdens placed on the utilities, and that an end-use system would result in large volumes of gas transferred from one geographical area to another.

#### Discussion

The kind of natural gas shortage facing California today is far different from that contemplated by the concept of interruptibility as it was known in the 1950's and 1960's. The Commission is now confronted with a situation where it must reassess the ability of various gas consumers to cope with extended periods of curtailment and not simply the brief interruptions occasioned by normal peak-day demand. The existing utility curtailment rules do not respond adequately to today's circumstances.

The ability of the various classes of customers to respond will vary regardless of whether such customers happen to be "firm" or "interruptible" under one or another of the current schedules filed with the Commission. The Commission has a duty to consider such differing capabilities in a meaningful fashion and to adopt appropriate modifications to the current regulations governing priority of service in order to prevent what we believe would otherwise be unlawful discrimination. It seems clear that the Commission could not countenance a rule promulgated by a utility which purported to treat customers similarly situated in a dissimilar manner, whether such treatment be with respect to rates, quality of service, or whatever. The prevention of such discriminatory treatment is one of the historical cornerstones of utility regulation.

The facts indicate that the critical period for California, from a gas supply standpoint, is the next two-to-four years. Following that interval, we expect new natural gas supplies from Alaska and other sources, perhaps new supplies from coal gasification, and a switch from gas to other sources of energy by large users.

The present system of priorities was principally economic in nature and developed during a period of plentiful supply when pipeline companies were actually competing to serve the California market for natural gas. The limitation on firm service of 200 Mcf/d, without significant distinction in priority of use, was adequate to serve the dual purpose of keeping utilities' lines at full capacity in order to allow maximum utilization of facilities to the benefit of the small consumer, and of maintaining a substantial cushion on interruptible service which could be forced off the lines during peak periods of relatively short duration. The degree of interruptibility in those happier days was not usually a significant point



of discussion between the utility and a new industrial customer. Thus, a new industrial concern could make a rather fine decision regarding which rate it might pay and still be reasonably assured of obtaining its overall needs for natural gas.

The State Legislature has expressed its concern with respect to the diminishing supply situation in Senate Bill No. 1476, which adds Chapter 4.5 to Part II, Division 1, to the Public Utilities Code (Secs. 2771-2776). This amendment requires the Commission to establish priorities among the categories of customers of every electrical corporation and every gas corporation in California and to establish priorities among the uses of electricity or gas by customers. The Commission is directed to determine which categories and uses provide the most important public benefit and serve the greatest public need. All customers and uses are to be categorized in order of descending priority based upon those standards. The priorities are to be used for the allocation of gas or electricity in times of shortages. (See Order Instituting Investigation in Case No. 9834 dated March 11, 1975.)

The record in this case consists of masses of data showing a declining supply of natural gas available for all classes of service. Under the present price-volume method of allocation, interruptible customers are generally required to have alternate capability installed. Curtailments of a greater magnitude than historically experienced may be expected. For example, SoCal may have no interruptible gas by 1979. Thus, we recognize that a system of allocation must be adopted that will give the highest priority to those who have no feasible substitute fuel.

That this Commission has the power to alter existing contracts and utility company tariffs by which service is supplied to their customers in times of gas shortages, so as to allocate gas for the greatest public benefit, is well established. (Sutter Butte Canal Co. v Railroad Comm. (1927) 202 Cal 179, affirmed (1929) 73 L ed 637; Market Street Railway Co. v PG&E (1925) 6 F 2d 533; Traber v Railroad Comm. (1970) 183 Cal 304.)

The record in this case clearly demonstrates the urgent need for a system of allocation of natural gas that will minimize adverse economic and social impacts resulting from the continuing decline in the supply of natural gas (Decision No. 83612 dated October 16, 1974, Decision No. 83819 dated December 10, 1974, and Decision No. 83923 dated December 30, 1974).

The staff's proposal is a comprehensive and detailed plan which answers the questions facing the Commission relative to the gas supply problem while following the directive imposed on the Commission by the Legislature. An underlying consideration in adopting the staff's plan is the consideration given to the economic and technological feasibility of conversion to alternate fuels by the various gas users. Indeed, the implementation of this feature will, in our opinion, ease any burden or hardship on users while indirectly taking into account the social value of the end product.

We recognize that each gas distribution system has its differences both in operation and supply. However, differences of systems and their operation are not of primary importance. Rather, we are faced with an emergency situation in which our natural gas supplies are being depleted without an offsetting increase in reserves. We must determine how best such supplies can benefit the citizens of California.

In adopting the end-use system as contained in Appendix B, we recognize that many customers of the utilities will be placed in a lower priority than they presently enjoy. In the order that follows we will provide that a 180-day notice from the effective date of this order be given to all customers subject to a change in priority.

Statewide Parity

The present PG&E-SoCal gas interchange emergency agreement basically provides that either of the parties will divert gas from their own storage facilities and, if necessary, their interruptible customers if the other company's firm service customers are in jeopardy. The agreement is designed to meet a temporary operating emergency or an abnormal peak-day load situation whenever firm service is threatened.

The Commission staff has proposed that the assistance agreement be expanded to assure statewide service for Priority 1 and Priority 2 requirements of the staff's proposed plan. The proposed service would provide protection for Priority 1 and Priority 2 customers of any utility to the extent that such protection can be assured without jeopardizing deliveries to the Priority 1 and Priority 2 requirements of the delivering utility.

Assuming that the staff's proposal is adopted, PG&E feels that Priority 2 customers capable of converting to an alternate fuel should be transferred to the appropriate lower priority prior to implementation of the staff's recommendation. PG&E asserts that if this were not done, PG&E would experience severe operational problems in attempting to move increased volumes of gas to southern California. PG&E also points out that discussions regarding mutual assistance with SoCal have taken place and are continuing.

SoCal supports the staff's concept of a negotiated agreement to protect Priority 1 and Priority 2 customers on both systems but suggests that a separate agreement be negotiated rather than expanding the agreement that is presently in effect.

We agree that Priority 1 and Priority 2 customers on both systems should be protected. Accordingly, to maintain a constant level of service for Priority 1 and Priority 2 customers, we will expect PG&E and SoCal to expand their existing contract or negotiate a separate agreement, keeping the Commission advised of the progress. We conclude, however, that because of the different systems, statewide parity of service for all levels of priorities is inappropriate.

Igniter, Start-up, and Flame Stabilization

This issue is critical and requires additional comment. The bulk of California's electricity is generated by oil- and gas-fired turbines. With the advent of the natural gas shortage and the consequent low priority given it for boiler use, the electric utilities have been required to use alternate fuels. However, a portion of the gas consumed by electric utilities is for boiler ignition, start-up, and flame stabilization. The utilities and the staff argue that gas for this purpose is vital to maintain electric service, that there is no present practical alternate fuel for this

use, that any change would require major redesign of all units, and that electric service is vital to the health and welfare of the citizens of the State and consequently should be given a high priority.

We agree that natural gas for ignition, start-up, and flame stabilization plays an integral part in generating electricity and that any curtailment of gas for this purpose has the potential not only to disrupt basic electric service but also to drastically affect the health and welfare of the citizens of the State.

The rapidly changing fuel situation made it difficult for the electric utilities to accurately project their igniter fuel requirements for the 1975-1976 season. The quantities projected indicate those requirements to be a small percent of total requirements and deliverability. By assigning igniter fuel to Priority 2, we can better assure the citizenry of continued firm electric service. We believe, however, that because of the supply situation, it is necessary to make an accurate determination of the igniter fuel requirements of all of California electric utilities. Accordingly, hearings will be held promptly and the utilities will be ordered to supply past usage and future requirement statistics.

In addition we expect the electric utilities in cooperation with the gas distributors to pursue a research program with the aim of finding substitutes for natural gas to be used for igniter purposes. Along this line we will require quarterly reports on the progress of the research programs. To the extent that customers of the gas utilities have their own source of supply and are physically able to use such supply to meet their own requirements, the obligation of the gas utility should be equivalently reduced starting with the highest priority under which the customer receives service.

Petition of Collier Carbon and Chemical Corp.  
for Extension of Emergency Relief

On October 16, 1974 in Decision No. 83612 the Commission granted Collier Carbon and Chemical Corp. (Collier) the right to transfer for a period of 12 months from SoCal Schedule G-53T to Schedule G-50T thereby allowing Collier to be curtailed with SoCal's B Block priority customers. On August 18, 1975 Collier filed for an extension of the interim relief for an additional year or until such time as an end-use system being considered in this case has been implemented.

The staff's proposed end-use plan recognizes that some customers use natural gas as a feedstock and has provided for those customers by placing such use in Priority 2-A. Priority 2-A would place Collier and others similarly situated in a priority higher than they presently enjoy. However, since end-use priorities cannot be implemented for this coming winter, Collier's request for an extension of interim relief was granted by Decision No. 85073 dated October 28, 1975.

Also, by Decision No. 83923, certain petrochemical customers on the SoCal's system were allowed to transfer to C Block priority until December 31, 1975 or the issuance of a decision on overall service priorities, whichever came first. It is now evident that the end-use priorities established here will not be applicable until after December 31, 1975; therefore, an extension of the authorization in Decision No. 83923 is necessary.

Environmental Impact Report

On April 14, 1975 San Diego filed a motion requesting that the staff prepare an environmental data statement (EDS) pursuant to Rule 17.1 of the Commission's Rules of Practice before adoption of an end-use system of priorities for the allocation of natural gas. San Diego admits that there is a shortage of natural gas, but argues that the present price-volume priority system works and that the parties supporting an end-use system are confusing an emergency with a change in allocation of gas.

The staff agreed with San Diego but argued that the preparation of an EDS was necessary only prior to the adoption of a final curtailment plan order and that the fact of rapidly diminishing supply of natural gas, in addition to the legislative mandate in Section 2771, requires the adoption of an interim plan. We believe the urgency of the situation requires prompt adoption of the staff's end-use proposal on an interim basis with hearings to resolve any issues arising from the implementation of an end-use plan which may be subject to CEQA and to Commission Rule 17.1. (See re So. Cal. Gas Decision No. 84512 dated June 10, 1975 in Application No. 53797.)

We agree that the end-use concept is only a change from one allocation system to another. However, the critical point is that the end-use system as proposed by the staff is designed to protect those users who have no technically or economically feasible alternative to the use of natural gas as opposed to those relying on the present price-volume priority system whereby a party can select the schedule it determines can best serve its needs without regard to supply.

The FPC was faced with a similar question in the El Paso curtailment case, Docket No. RP72-6. In its Decision No. 697, pp. 22-27, the FPC held that compliance with the procedural requirements of the National Environmental Policy Act (NEPA) with respect to environmental impact statements in curtailment cases is "not meaningfully possible". In view of the close similarity between NEPA and CEQA and given the fact that substantial curtailments in the use of natural gas will take place, whether under present interruptible schedules or under a system of end-use priorities, we believe an EIR is not required prior to the issuance of an interim order adopting an end-use curtailment plan.

We are convinced that an EIR must be prepared before adoption of a final permanent curtailment plan. However, to the extent that the staff is now preparing an EDS at the examiner's request, we are of the opinion that because of the urgency of the situation an EDS is not necessary for adoption of an interim end-use allocation plan.

The Effect of the El Paso Tariffs on California Supplies

On December 19, 1974, the FPC issued its Opinion No. 697-A in Docket No. RP72-6, modifying and clarifying El Paso's effective interim curtailment plan. Since that opinion states that volumetric entitlements are independent of all but total supplies available to El Paso and historical end-use profiles, curtailment procedures in California will have no effect on the amount of gas available from El Paso.

In April 1975, El Paso filed with the FPC its proposed final curtailment plan. Of the several interpretations of the final plan it appears that supplies of gas in each priority category would be frozen at existing levels and would be diminished permanently upon any reported reduction in daily usage as compared to the initial



profile. Many protests have been filed with the FPC to this El Paso plan, including one from this Commission. El Paso is presently allocating supplies pursuant to FPC interim orders 634 and 634-A.

On June 17, 1975 the FPC issued a Notice of Intention to Act and Order Granting Intervention wherein it set forth its intention to act on protests and motions filed by interested parties in response to portions of El Paso's plan. Thus the outcome is still in doubt whether intrastate allocations would be affected by the final El Paso curtailment plan.

#### Conservation

Conservation received considerable attention during this proceeding. In Decision No. 24902 we recognized that conservation by firm customers does not result in a reduction of the volume of gas consumed because any decrease in usage is taken up by the interruptible and steam electric customers. We are convinced, based on the testimony in this proceeding, that we must prepare guidelines for conservation implementation by the gas utilities to protect the public interest. It will therefore be ordered that each gas utility under our jurisdiction shall:

1. Report every six months on its present and future plans relative to conservation. The first such report is to be filed no later than December 30, 1975.
2. Each utility shall file with the Commission quarterly a detailed analysis of:
  - a. Budgetary expenditures for the past six months for conservation and expenditure forecasts.
  - b. Conservation activities and results with present interruptible and steam electric customers.

- c. Conservation activities and results with all other customer classes.
- d. Insulation activities.
- e. Customer information regarding conservation.

We will also expect each utility to work in concert with all parties interested in conservation including the conservation unit to be established within this Commission.

We stress that adoption of this end-use system of priorities should not be construed in any way as a means to relieve the utilities or their customers of their responsibility to conserve natural gas. We will expect the respondent utilities to continue their efforts and programs toward a reduction of usage.

#### Findings

1. The total supply of natural gas available to California has become increasingly inadequate in recent years to serve the total demand for this premium fuel by all types of customers of the State's gas utilities. Supplies and reserves are expected to decline further.

2. Existing priorities of service among different classes of customers evolved when gas supplies were plentiful and the State's gas utilities were expanding their facilities at a rapid rate to serve new customer loads brought about by both increasing population and commercial and industrial demands for natural gas.

3. Present tariff filings of the gas utilities require interruptible customers to maintain the capability to burn fuels other than natural gas, with exceptions granted to those which, because of the nature of their industrial processes, can use only natural gas.

4. Supply deficiencies projected for the next two to three years will require extensive curtailment of the gas utilities' interruptible customers and, unless additional anticipated supplies become available on schedule, what is now classified as "firm" load, could become subject to curtailment by 1978.

5. Curtailments of supply to interruptible customers in the magnitudes projected have required reconsideration of present rules and policies to reflect the fundamental changes which have occurred in the availability of natural gas for industrial and other large users.

6. The critical consideration which must be controlling in any effort to reasonably distribute the effects of a sustained shortage in a manner which is the least adverse to the public interest is the relative capability of different classes of customers to utilize fuels other than natural gas.

7. An end-use priority system of allocating the natural gas supply is the only fair and reasonable way to protect those with the least capability to convert to alternate fuel.

8. The staff's proposed end-use curtailment plan as modified by this decision is fair and reasonable and in the best interests of all of California.

9. The residential gas customer is the one with the least amount of economic or practical flexibility to change his use from gas to some other fuel. This conclusion may also be true for some other users such as small commercial and industrial customers.

10. Present residential and small commercial and industrial customers should be accorded the highest priority because of the comparative inability of such customers to convert to the use of alternate fuels.

11. Customers whose use of natural gas is for feedstock purposes as defined in Appendix B should be placed on a priority status just below that of those customers using gas for residential and small commercial and industrial purposes.

12. Interruption of service to Priority 3 should be minimized by cycling storage under circumstances that would not jeopardize higher priority service.

13. To the extent that customers of the gas utilities have their own source of supply and are physically able to use such supply to meet their own requirements, the obligation of the delivering utility should be equivalently reduced.

14. The respondent gas utilities should, within 150 days of the effective date of this order, file new tariff proposals incorporating the priorities of service set forth in Appendix B.

15. The outcome of deliveries of gas to California, based on the El Paso Natural Gas Co. curtailment plan filed with the Federal Power Commission in FPC Docket No. RP72-6 is still in doubt.

16. Adoption of an end-use priority system of allocation will cause problems for many utility customers. Customers required to switch to an alternate fuel should be allowed sufficient time to implement the change.

17. Customers in Priority 2-A who are considered capable of converting to an alternate fuel should be transferred to an appropriate lower priority two years from the effective date of this decision. Customers unable to convert within the two-year period may apply to the Commission for an extension of time.

18. Priority 2-B customers considered capable of converting to an alternate fuel should be transferred to a lower priority one year from the effective date of this order.

19. Electricity should not be considered as an alternate energy source for purposes of conversion.

20. There is no present alternative to the use of natural gas for electric utility igniter, start-up, and flame stabilization fuel. Electric utilities should undertake studies to determine the feasibility and cost of conversion to alternate fuels for igniter, start-up, and flame stabilization uses and report progress to the Commission quarterly.

21. Hearings shall be held to determine the electric utility requirements for igniter, start-up, and flame stabilization fuel.

22. PG&E's and SoCal's mutual assistance agreement should be expanded to assure statewide service for Priority 1 and Priority 2 requirements to the extent possible. Statewide parity is inappropriate.

23. Respondent utilities shall maintain records and report customer consumption data on nonresidential peak-day uses between 50 and 100 Mcf/d.

24. Implementation of this interim order is of such urgency that an Environmental Impact Report is not required prior to the adoption of an interim end-use priority system of allocation. Hearings on the environmental issue should be scheduled after distribution of the staff's Environmental Data Statement.

25. Copies of this decision should be served upon all members of the California Congressional Delegation, the Governor, and members of the Legislature.

26. California utilities should continue to emphasize to their customers the importance of conserving natural gas. They should expand existing conservation programs, especially those in which customers are given an incentive to conserve.

27. The authorization provided by Decision No. 83923 for certain petrochemical companies on the SoCal system should be extended until the end-use priorities established herein become effective.

INTERIM ORDER

IT IS ORDERED that:

1. A system of end-use priorities for statewide allocation of natural gas based on the criteria set forth in Appendix B of this decision is hereby adopted on an interim basis pending resolution of any environmental impact issues. Tariff schedules reflecting the end-use priorities established herein shall be filed by the respondent utilities in accordance with General Order No. 96-A to become effective within one hundred and eighty days from the effective date of this order.
2. Southern California Gas Company (SoCal), Pacific Gas and Electric Company (PG&E), and San Diego Gas & Electric Company (SDG&E) shall maintain data and report to the Commission quarterly on the number of customers and consumption of nonresidential customers with peak-day demands between 50-100 Mcf/d.
3. California gas utilities shall not provide service to new customers, or additional service to current customers, when the customer's new requirement will be in excess of 50 Mcf/d and that requirement can be met with an alternate fuel.
4. Commission approval will be required before a gas utility can (1) provide service to any new nonresidential customer with a demand in excess of 50 Mcf/d and (2) install additional facilities to provide additional service to a nonresidential customer when the new level of demand is in excess of 50 Mcf/d.
5. SoCal, PG&E, and SDG&E shall file with the Commission within one hundred and twenty days after the effective date of this order lists of customers falling into the categories of Priority 2-A and Priority 2-B permanent, and Priority 2-A and Priority 2-B temporary.

6. PG&E and SoCal shall expand their mutual assistance agreement or negotiate a separate agreement to protect deliveries to Priority 1 and Priority 2 customers on a statewide basis.

7. PG&E, SDG&E, and Southern California Edison Company (Edison) shall submit to the Commission within one hundred and eighty days from the effective date of this order a detailed estimate of the cost of converting igniter, start-up, and flame stabilization fuel requirements and a detailed analysis of the quantities used for these purposes.

8. PG&E, SDG&E, and Edison shall initiate a program designed to convert to an alternate fuel the natural gas now used for igniter, start-up, and flame stabilization purposes.

9. Uses not exceeding 25 Mcf/d on a peakday may be in the next higher priority where such use is a part of a multi- or split-priority customer's total use.

10. PG&E, SDG&E, Edison, and SoCal shall report every six months on present and future plans relative to conservation. The first such report is to be filed no later than December 30, 1975.

11. PG&E, SDG&E, Edison, and SoCal shall file quarterly a detailed analysis of:

- a. Expenditures for the immediate past six months for conservation and expenditure forecasts.
- b. Conservation activities and results with present interruptible and steam-electric customers.

- c. Conservation activities and results with all other customer classes.
- d. Insulation activities.
- e. Customer information regarding energy conservation.

12. The authorization in Decision No. 83923 for certain petrochemical companies to transfer to C Block priority is hereby extended until the end-use priorities authorized herein become effective.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 2nd day of DECEMBER, 1975.

*I will file a  
conurrence*  
*Leonard Ross*  
Commissioner

*I will file a  
conurrence*  
*Robert Patrick*  
Commissioner

*William J. Lyons*  
President  
*Verizon L. L. Lyons*  
*Leonard Ross*  
*Robert Patrick*  
Commissioners



APPENDIX A  
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LIST OF APPEARANCES

Respondents: Chickering & Gregory, by C. Hayden Ames, David A. Lawson, III, and Edward P. Nelsen, Attorneys at Law, John H. Woy, Paul L. Hathaway, Jr., and Stanley Jewell, General Counsel, for San Diego Gas & Electric Company; Dennis G. Monge, Attorney at Law, for Southern California Edison Company; Harvey L. Brown, John P. Vetromile, and Donald J. Carman, for California Pacific Utilities Co.; Ralph P. Cromer, John Madariaga, and Richard G. Campbell, General Counsel, for Sierra Pacific Power Company; Bernard J. Della Santa, Malcolm H. Furbush, and John C. Morrissey, Attorneys at Law, for Pacific Gas and Electric Company; A. E. Engel, for Plumas-Sierra Rural Electric Cooperative, Inc.; Ivan Lewis Gold and Robert F. Harrington, Attorneys at Law, and George L. Rodgers, Corporation Counsel, for Pacific Power & Light Company; Charles H. McCrea, General Counsel, for Southwest Gas Corporation; K. R. Edsall and David B. Follett, Attorneys at Law, for Southern California Gas Company; Cecilia Arnold, for Bay Point Light & Power Company; Mrs. H. Dambacher, for Alex Brown Electric Plant; W. V. Caveney, for Southern California Water Co.; Donald W. Hicks, for Surprise Valley Electrification Corp.; O. M. Spear, for Valley Electric Association; P. F. Stewart, for Del Norte Gas Company and Garberville Gas Corporation; Carl Swanson, for Lake County Utility Company; D. F. McClendon, for McCloud Gas Company, Inc.; R. J. Munzer, for Petrolane Sierra Gas Service; Dean W. Knight, for Rolling Green Utilities, Inc.; N. E. Waltenspiel, for Russian River Gas Company, Inc.; George Pangborn, for The Sea Ranch Gas and Water Co.; and E. H. Schneider, for Siskiyou Vangas.

Interested Parties: Lou A. Papais, for Ad-Art, Inc.; G. J. Whittlinger, for Anza Electric Cooperative, Inc.; Lee Adler, for California Grain & Feed Association; Vaughan, Paul & Lyons, by John G. Lyons, Attorney at Law, and Sidney H. Bierly, for California Fertilizer Association; Edward A. Boehler, for California Ammonia Company; W. J. Bogaard, Attorney at Law, for California State Outdoor Advertising Association; George C. Bond and Kenneth L. Riedman, Jr., Attorneys at Law, for Union Oil Company of California; C. Rex Boyd and John L. Williford, Attorneys at Law, for Phillips Petroleum Company; James T. Brodie, for Pasadena Water and Power; Donald C. Burns, for Swimming Pool Industry Energy Conservation Task Force; Brobeck, Phleger & Harrison, by Gordon E. Davis and Robert N. Lowry, Attorneys at Law, and Robert E. Burt, for California Manufacturers Association; Tom Burton, Attorney at Law, and R. R. Fritz, for

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Continental Oil Company; Pillsbury, Madison & Sutro, by James L. Wanvig, Attorney at Law, Noel Dyer, Attorney at Law, and C. J. Cariton, for Standard Oil Company of California; Grant Cattaneo, for California Hospital Association; James A. Chilko, for National Electrical Contractors Association; Edward E. Clark and D. A. Preavy, Attorneys at Law, for Atlantic Richfield Company; J. T. Hugill, for Liquid Air, Inc.; Edwin S. Hurst and Walter Shellshear, for Gulf Oil; Scott Poole, for Gulf Oil Company of California; LeRoy Jackson, Attorney at Law, and John McKinnon, for City of Torrance; Ronald L. Johnson, Attorney at Law, and William Shaffran, Deputy City Attorney, for City of San Diego; Thomas G. Johnson, James W. McCartney, Earl A. Radford, William G. Riddoch, Chester D. Walz, and William A. Wood, Jr., Attorneys at Law, for Shell Oil Company; Gordon B. Jones, for The Irvine Company; Donald W. Kolstad and Robert L. Schmalz, Attorneys at Law, for Amstar Corporation; Thomas A. Lance, Attorney at Law, for The Atchison, Topeka & Santa Fe Railway Company; Thomas M. O'Connor, City Attorney, and Robert R. Laughead, for City and County of San Francisco; Archie A. Messenger and Baker & Botts, by John P. Mathis, Attorney at Law, for Union Carbide Corporation; Henry F. Lippitt, II, Attorney at Law, for California Gas Producers Association; Skornia, Rosenblum & Gyemant, by Thomas A. Skornia, Attorney at Law, and Robert Lorenzini, for WEMA; Corbertt, Welden, Kane & Hartman, by Jacquines R. Welden, Attorney at Law, and Robert A. Loudon, for American Sign & Indicator Corporation; Robert G. Luncne and John S. Nevitt, for Los Angeles County Air Pollution Control District; Thomas W. Lynch, Attorney at Law, for Amerada Hess Corporation; N. W. Matthews, for Surprise Valley Electrification Corporation; McDonough, Holland, Schwartz & Allen, by Martin McDonough, Attorney at Law, for Northern California Power Agency; M. E. Moseley, for San Gabriel Water Company; Robert N. Noyce, for Intel Corporation; Dave W. Paradis, for Arcadia Chamber of Commerce; Louis Possner, for City of Long Beach, Bureau of Franchises and Public Utilities; Robert O. Randall, for Suburban Water Systems; Don Reining, for Southern California Rock Products Association; Gerson Ribnick, for The Heating & Air Conditioning Industry of the State of California; Robert W. Russell, for City of Los Angeles, Department of Public Utilities and Transportation; Sylvia M. Siegel, for Consumer Federation of California, et al.; Howard J. Smiley, for California Broadcasters Association; James F. Sorensen, for Friant Water Users Association; Jan Staklis, for State Department of Water Resources; William E. Still, Attorney at Law, for Southern Pacific Transportation Company; Glicksberg, Kushner & Goldberg, by Terrance L. Stinnett, Attorney at Law, for Optical Coating Laboratory; Lawrence J. Straw, Jr., Attorney at Law, for Mobile Oil Corporation; Robert L. Sullivan, Attorney at Law, for Sun Oil Company; Robert W. Thompson, for Metropolitan Water District of Southern California; Bert Trask, for California Trucking.

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Association; Philip Tyner, for Powerine Oil Company; R. D. Copley, Jr., and L. E. Kell, Attorneys at Law, for Getty Oil Company; Lawler, Felix & Hall, by Richard D. De Luce, Attorney at Law, and William F. Marsh, for Air Products & Chemicals, Inc.; Arthur T. Devine, Ralph Guy Wesson, and Frederick H. Kranz, Jr., Attorneys at Law, for City of Los Angeles, Department of Water & Power; Col. Frank J. Dorsey, Attorney at Law, for Executive Agencies of the U.S.A., Office of the Staff Judge Advocate; Cassandra Dunn, Attorney at Law, for U.S. Environmental Protection Agency; Alan R. Watts, Attorney at Law, George H. Edwards, and Henry Wiley, for City of Anaheim; William H. Edwards, Attorney at Law, Ralph O. Hubbard, and William L. Knecht, for California Farm Bureau Federation; William H. Fell and Richard L. Young, for City of Glendale; E. J. Ferguson, for County of Orange; Donald F. X. Finn, for Geothermal Energy Institute; William R. Frehse, for Federal Aviation Administration; C. H. Fuller, Jr., for California Coin-op Association; Gerald Geiger, for Energy Crisis Task Force; Albert Gluckson, Attorney at Law, for Computer Sciences Corporation; Charles L. Hair and Kenneth J. Mellor, for Sacramento Municipal Utility District; James Hamersley, Attorney at Law, for Aluminum Recycling Association; Walker Hannon, for Suburban Water Systems; Argue, Freston & Myers, by Stephen F. Harbison, Attorney at Law, for Armco Steel Corporation; Howry, Simon, Baker & Murchison, by Richard S. Harrell, Attorney at Law, for American Olean Tile Co., Inc.; William R. Harris, for The Rand Corporation; A. M. Hart and Kenneth K. Okel, Attorneys at Law, for General Telephone Company of California; Walter W. Henderson, Attorney at Law, for El Paso Natural Gas Company; William R. Veal, Attorney at Law, for Exxon Company, U.S.A.; William D. Watt, for California & Hawaiian Sugar Co.; John W. Whitsett, Deputy County Counsel, for County of Los Angeles; James D. Woodburn, for City of Burbank; Joel S. Wight, Attorney at Law, for General Electric Company; Boris H. Lakusta, Attorney at Law, and John Clark, for Collier Carbon & Chemical Corporation; Dunne, Phelps & Mills, by Robert M. Dunne, Attorney at Law, for ADOGA; Morrison, Forester, Holloway, Clinton & Clark, by James J. Garrett, Attorney at Law, for Hercules Incorporated; Milton J. Carlson, for Union Sugar, Division of Consolidated Foods Co.; Charles J. Maxwell, for Interpace Corporation; Downey, Brand, Seymour & Rohwer, by Philip A. Stohr, Attorney at Law, for General Motors Corporation; Dr. J. O. Bray, for Stanford Research Institute; Warren Williams, Attorney at Law, for Valley Nitrogen Products, Inc.; Arthur L. Malacky, for Powerine Oil Company; and Tom Wilson, for Peninsula Oil.

Commission Staff: Rufus G. Thayer, Jr., Attorney at Law, Page E. Golsan, John E. Johnson, and Colin Garrity. ✓

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End-Use Curtailment

1. The following will establish an end-use priority system to replace the existing price-volume priorities under which the gas distribution utilities presently curtail deliveries of natural gas.
2. The criteria for categorizing the uses of natural gas of the customers of record as of the effective date of this decision is as follows:

<u>Priority</u>	<u>Description</u>
1	All residential use regardless of size.  All other firm use with peak-day demands less than 100 Mcf/d.
2-A	Where primary use is as a feedstock with no alternative.  Current firm nonresidential use with peak-day demands greater than 99 Mcf/d: Where conversion to alternate fuel is not feasible. Where conversion to alternate fuel is feasible.  Electric utilities start-up and igniter fuel.
2-B	Current interruptible customers with LPG or other gaseous fuel standby facilities: Where conversion to alternate fuel is not feasible. Where conversion to alternate fuel is feasible.  Other interruptible customers with CPUC-approved deviation from requirements for standby facilities.
3	All use not included in another priority.
4	Industrial boiler fuel where capability of utilizing an alternate fuel is present.  Cement plants.
5	Utility steam-electric generation plants and utility gas turbines.

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The following definitions are to be associated with the criteria:

<u>Alternate fuels:</u>	Nongaseous fuels; particularly excluding SNG, LNG, and LPG.
<u>Boiler fuel:</u>	Gas used specifically to fire boilers, regardless of the end use of the steam produced.
<u>Feasible alternate fuel:</u>	The condition of a customer who currently has no capability of using an alternate fuel (as defined above), but where conversion to alternate fuel is technologically possible and economically practicable, within the context of the customer in question.
<u>Feedstock usage:</u>	Natural gas used as raw material for its chemical properties in creating an end product.
<u>Firm customers:</u>	Customers currently purchasing gas under firm natural gas service schedules.
<u>Interruptible customers:</u>	Customers currently purchasing gas under interruptible natural gas tariff schedules.
<u>Peak-day demand:</u>	A customer's highest month's requirement divided by the number of days of operation in that month.
<u>Residential use:</u>	Service to customers which consists of <u>direct</u> natural gas usage in a residential dwelling for space heating, air conditioning, cooking, water heating, and other residential uses.
<u>Industrial use:</u>	Service to customers engaged primarily in a process which creates or changes raw or unfinished materials into another form or product.

Note: Industrial use is further defined as uses in the categories falling under Division B, Mining, Division C, Construction, and Division D, Manufacturing in the Standard Industrial Classification Manual issued by the Executive Office of the President, Office of Management and Budget.

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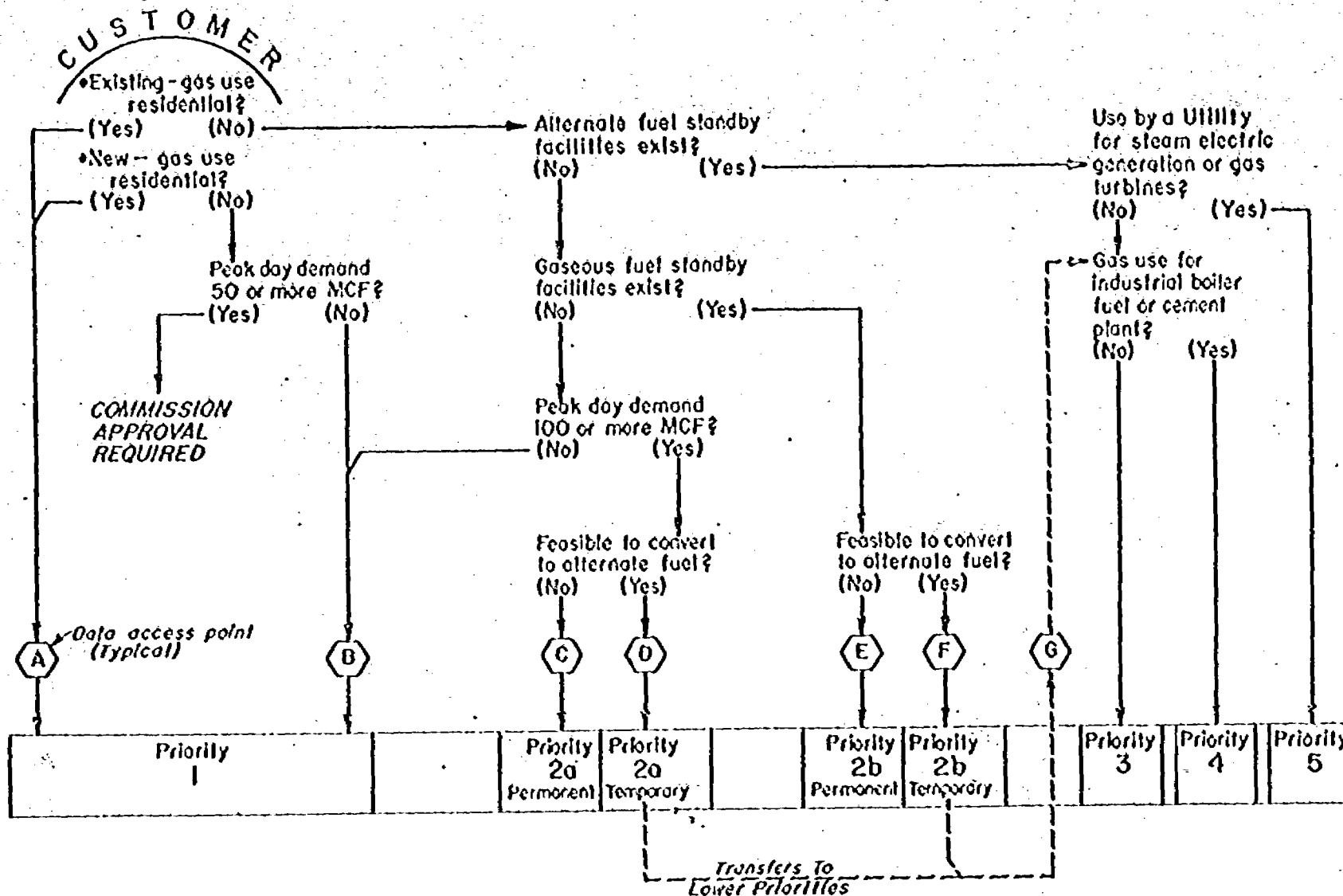
Process Gas:

Use for which alternate fuels are not technically feasible such as in applications requiring precise temperature controls and precise flame characteristics.

Electric utilities start-up and igniter fuel:

Electric utility natural gas use where no alternate fuel capability exists for: (1) heating the boiler system adequately during start-up to enable efficient oil burning to meet pollution standards; and (2) insuring continuous ignition and flame stabilization within the boiler.

# GAS PRIORITY CRITERIA



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DEFINITIONS FOR SOUTHERN CALIFORNIA GAS COMPANY'S  
PROPOSED PRIORITY SYSTEM

1. Peak-day Volume - The average daily usage during the customer's peak month of operation in calendar year 1973. When no Market Services information is present, the peak load day will be calculated according to the following table:

Days/Month

Residential	30
Commercial	26
Industrial	22

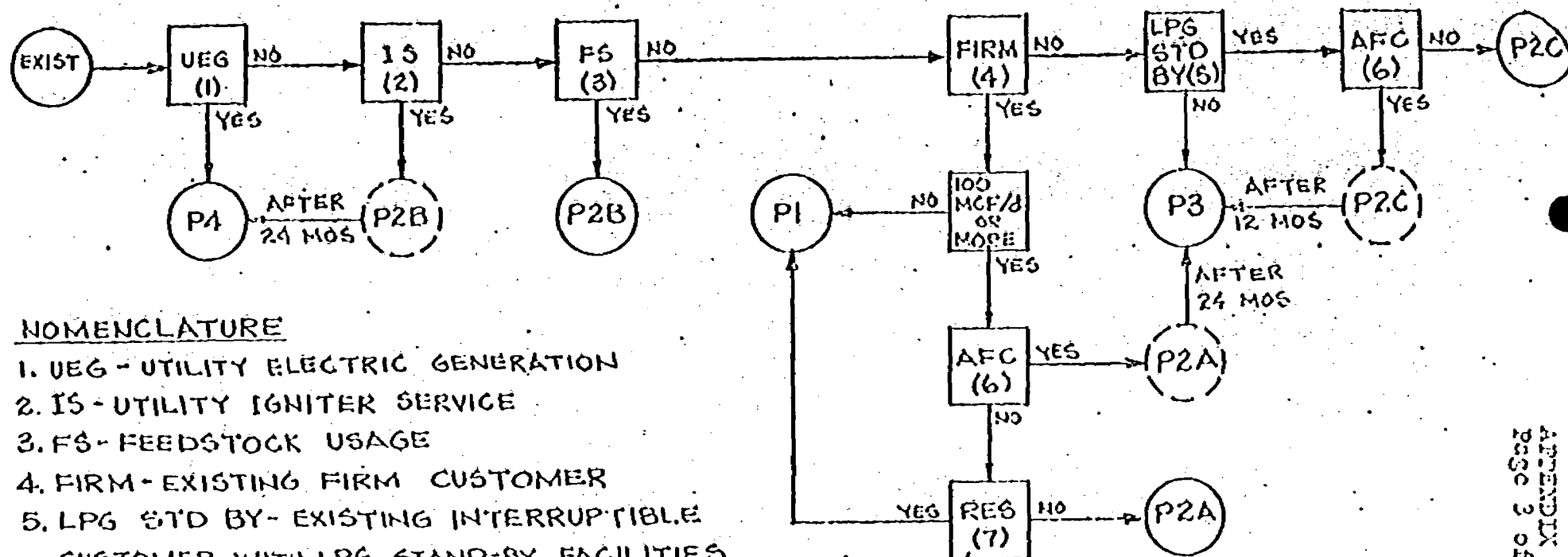
2. Customer - A meter or combination of meters which constitute one bill.
3. Alternate Fuel - Commercial Standard #2 (CS2) or heavier oil.
4. Central Boiler - A central steam or hot water boiler which will supply the domestic hot water, space heating, or other heat energy requirements for multiple residential units.
5. Nonresidential Service - Service to customers for other than direct uses within a residential dwelling unit and utility electric generation.
6. Secondary Fuel Capability - The ability to utilize another fuel such as LPG, coal, or gasoline as an interchangeable alternative to natural gas.
7. Utility Electric Generation - Service to electric utilities engaged in the production of electric power through the use of boilers and turbines.
8. Family Dwelling Unit - A group of rooms; such as a house, a flat, or an apartment which provides complete family living facilities in which the occupant normally cooks meals, eats, sleeps, and carries on the household operations incident to domestic life (as defined in Co. Rule No. 1).
9. Feedstock - Natural gas used as a raw material for its chemical properties in creating an end product.



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DEFINITIONS FOR SOUTHERN CALIFORNIA GAS COMPANY'S  
PROPOSED PRIORITY SYSTEM (Contd.)

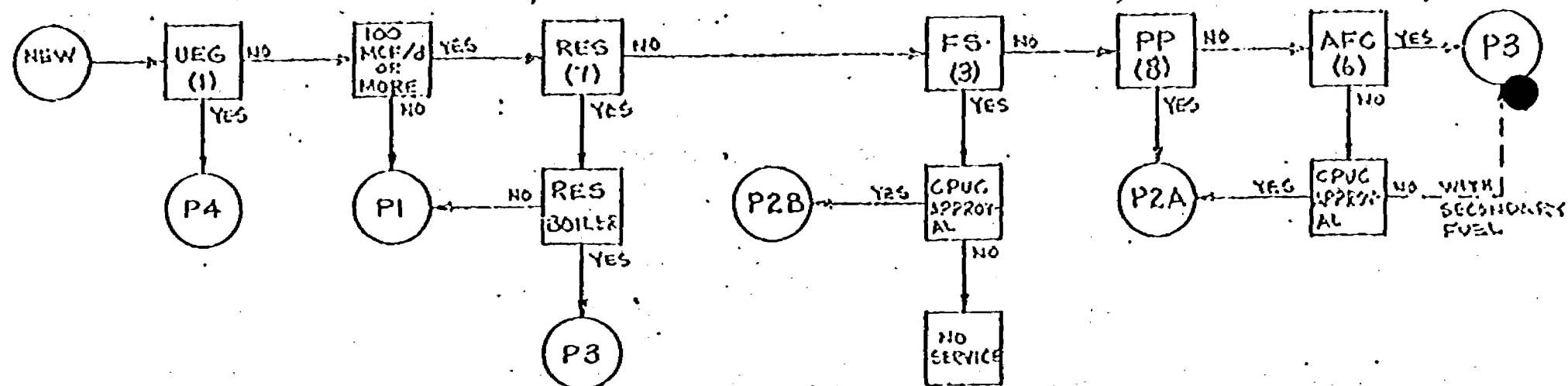
10. Interruptible Service - Service to customers under the provisions of an interruptible rate schedule.
11. Plant Protection - Minimum volumes required to prevent physical harm to the plant facilities or danger to plant personnel when such protection cannot be afforded through the use of an alternate fuel. This includes the protection of such material in process as would otherwise be destroyed, but shall not include deliveries required to maintain plant production.
12. Residential - Gas service for use at family dwelling units.



### NOMENCLATURE

1. UEG - UTILITY ELECTRIC GENERATION
2. IS - UTILITY IGNITER SERVICE
3. FS - FEEDSTOCK USAGE
4. FIRM - EXISTING FIRM CUSTOMER
5. LPG STD BY - EXISTING INTERRUPTIBLE CUSTOMER WITH LPG STAND-BY FACILITIES
6. AFC - ALTERNATE FUEL CAPABILITY
7. RES - RESIDENTIAL USAGE
8. PP - PLANT PROTECTION USAGE

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SOUTHERN CALIFORNIA GAS COMPANY PROPOSED END-USE  
PRIORITIES - CASE NO. 9642

<u>Priority</u>	<u>Description</u>
1	New residential. (1) Existing firm residential. (2) Other existing firm and new customers peak-day demand of 99 Mcf/day or less.
2	Customers in this priority will be categorized by subblock, in accordance with the following and curtailment will be in inverse order beginning with Priority 2-C. A. New nonresidential loads with a peak-day demand of 100 Mcf or more/day without alternate fuel capability. (3) Plant protection. Existing firm nonresidential loads with a peak-day demand of 100 Mcf or more/day. (4) Existing seasonal interruptible customers without alternate fuel facilities. (4)
<hr/>	
(1)	Where total peak-day load of the customer is 100 Mcf or more/day, central boilers which can use an alternate fuel will be placed in Priority 3.
(2)	Where total peak-day load of the customer is 100 Mcf or more/day, central boilers which can use an alternate fuel will be placed in Priority 3, 24 months after effective date of decision.
(3)	That equipment which cannot use alternate fuel requires Commission approval. If refused may qualify for Priority 3 by installing secondary fuel capability.
(4)	Equipment which can use alternate fuel will be transferred to Priority 3, 24 months after effective date of decision. Balance of equipment remains in Priority 2-A.

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SOUTHERN CALIFORNIA GAS COMPANY PROPOSED END-USE  
PRIORITIES - CASE NO. 9642 (Contd.)

<u>Priority</u>	<u>Description</u>
	B. Existing feedstock. (5) Igniter service. (6) New feedstock. (7)
	C. Existing interruptible customers with installed LPG facilities. (8)
3	Existing interruptible loads with installed alternate fuel facilities. New residential boilers where the customers' total peak-day load is 100 Mcf or more/day. New nonresidential loads with a peak-day demand of 100 Mcf or more/day with alternate fuel capability or which have been refused Priority 2-A classification and have installed secondary fuel capability. Customers in this priority will be categorized by subblock, in accordance with the following peak day usage and curtailment will be in inverse order beginning with Priority 3-D. A. 0-499 Mcf/day. B. 500-1499 Mcf/day. C. 1500-4999 Mcf/day. D. 5000 Mcf/day and greater.
4	Utility electric generation, including boilers and turbines.

- 
- (5) Volumes will be limited to 1974 usage adjusted for curtailment.
  - (6) Transfer to Priority 4, 24 months after effective date of decision.
  - (7) Requires Commission approval.
  - (8) Equipment capable of using an alternate fuel transfers to Priority 3, 12 months after effective date of decision.  
Balance of equipment remains in Priority 2-C.

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GENERAL MOTORS' PROPOSED DEFINITIONS  
(Modified per Ricca Testimony)

Residential: Service to customers which consists of natural gas usage in a residential dwelling for space heating, air conditioning, cooking, water heating, and other residential uses.

Commercial: Service to customers engaged primarily in the sale and distribution of goods or services including institutions and local and federal government agencies for uses other than those involving manufacturing or electric power generation.

Industrial: Service to customers engaged primarily in a process which creates or changes raw or unfinished materials into another form or product including the generation of electric power.

Plant Protection Gas: Minimum volumes required to prevent physical harm to the facilities or danger to personnel when such protection cannot be afforded through the use of an alternate fuel. This includes the protection of such material in process as would otherwise be destroyed. It shall not include deliveries required to maintain plant production, except for ignition gas where alternate fuel facilities have not been installed. For the purposes of this definition, propane and other gaseous fuels shall not be considered alternate fuels.

Feedstock Gas: Natural gas used as a raw material for its chemical properties in creating an end product.

Process Gas: Natural gas use for which alternate fuels are not technically or economically feasible, such as in applications requiring precise temperature controls and precise flame characteristics or other premium applications, including flame stabilization for coal-burning units where alternate fuel facilities have not been installed. For the purposes of this definition, propane and other gaseous fuels shall not be considered alternate fuels.

Boiler Fuel: Natural gas used as a fuel for the generation of steam or electricity, the utilization of gas turbines for the generation of electricity, compression, or pumping, and all other indirect-fired applications.

Alternate Fuel Capability: Where an alternate fuel could have been utilized whether or not the facilities for such use have actually been installed, provided, however, where the use of natural gas is for plant protection, feedstock, or process uses and the only alternate fuel is propane or another gaseous fuel, then the consumer will be treated as if he had no alternate fuel capability.

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GENERAL MOTORS'  
COMPOSITE CURTAILMENT PRIORITIES

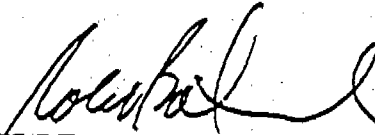
- Priority 1. Residential usage; plant protection gas, including ignition gas; and all small usage (50 Mcf/day or less) otherwise.
- Priority 2. Large (more than 50 Mcf/day) commercial and industrial users with no alternate fuel capability and/or feedstock available; process gas, including flame stabilization gas; and storage injection gas.
- Priority 3. Large commercial and industrial users with alternate fuel capability, and/or feedstock capability, whether or not presently installed.
- Priority 4. Commercial and industrial requirements for boiler-fuel use.
- Priority 5. Utility electric generation plant requirements including gas turbines used for generation of electricity.

C. 9581  
C. 9642, C. 9884  
D. 85189

COMMISSIONER BATINOVICH, CONCURRING:

While I concur generally in the priorities established by this decision, I believe that this order does not go far enough in regard to determining respective priorities between existing and future residential users. If the main rationale for priorities is to protect Priority 1 then: why do we continue to expand Priority 1 customers at the expense of other equally important customers, who affect all consumers?

December 2, 1975  
San Francisco, California



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Robert Batinovich, Commissioner

Decision No. 85189

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's )  
 Own Motion into the Adequacy and )  
 Reliability of the Energy and Fuel )  
 Requirements and Supply of the )  
 Electric Public Utilities in the )  
 State of California. )

Case No. 9581  
 (Filed July 3, 1973)

Investigation on the Commission's )  
 own motion into the natural gas )  
 supply and requirements of gas )  
 public utilities in the State of )  
 California. )

Case No. 9642  
 (Filed December 18, 1973)

Investigation on the Commission's )  
 own motion into the establishing )  
 of priorities among the types of )  
 categories of customers of every )  
 electrical corporation and every )  
 gas corporation in the State of )  
 California and among the uses of )  
 electricity or gas by such )  
 customers. )

Case No. 9884  
 (Filed March 11, 1975)

CONCURRING OPINION OF COMMISSIONER ROSS

I concur in the decision of the majority, but I feel that greater clarity and detail are necessary in a final disposition of this matter:

(1) The differences between our priority system and the El Paso system should be clearly outlined and defended, and an estimate should be made of the amount of gas potentially lost as a result of these differences.

(2) Distinctions between industrial and commercial users should be defended more explicitly, or else reformulated on the basis of volume of use.

(3) We should, where possible, differentiate essential from luxury uses within each priority. For example, we should curtail the use of



gas for heating of newly-installed swimming pools, and phase out use for existing pools.

(4) We should give detailed consideration to air pollution problems in allocating gas between regions of the State during critical periods.



Commissioner

San Francisco, California

December 8, 1975