

Decision No. 85410

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHERN CALIFORNIA GAS COMPANY for)
A General Increase In Its Gas Rates.)

Application No. 55345
(Filed November 26, 1974)

(Appearances listed in Appendix A)

OPINION ON IGNITER REQUIREMENTS FOR TEST YEAR 1976

Southern California Gas Company, a California corporation, (SoCal) does not anticipate that any gas will be available for 1976 delivery to its retail electric customers or to meet its wholesale customer's requirements for electric generation under priority classifications A, S-1, or S-2 due to the decline in available gas supplies. SoCal's contracts with its G-58 customers provide for deliveries of gas for igniter purposes in generating stations even though all regular interruptible customers supplied under priorities A, B, C, D, and E, are curtailed. There is an anomaly in that SoCal's Rule 23 governing interruptible curtailment does not provide for this igniter service. The contract quantities in the G-58 contracts, with the exception of Imperial Irrigation District (IID) which has no igniter requirements, were entered into in 1966. Whether through oversight or otherwise SoCal did not amend the various G-58 contracts to incorporate increased igniter requirements related in part to new generating plant construction by its G-58 customers.

SoCal supplied most of the potential gas requirements of (a) its G-58 customers and (b) indirectly those of San Diego Gas & Electric Company's (SDG&E's) electric plants from 1966 through 1972. The igniter gas deliveries were required when A, S-1, and S-2 curtailments were all in effect. The relatively minor quantities of igniter gas supplied to electric generating stations (compared to total requirements) are the only deliveries these customers may expect in 1976. SoCal proposed a higher rate to compensate for the high level of delivery service needed to meet igniter, flame stabilization, startups, light-off, standing pilot flames, and oil burner maintenance requirements. The definitions were sometimes changed by a single witness preparing different estimates.

During the hearings SDG&E, which purchases gas at wholesale rates from SoCal for service to its retail customers and for interdepartmental purposes, objected because SoCal did not propose to deliver igniter gas to SDG&E for SDG&E's steam plant use. SDG&E argued that this would be discriminatory and contrary to the provisions of D.84512 dated June 10, 1975 in A.53797, which reallocated gas on a parity basis. SDG&E sought to raise the issue of discrimination in igniter deliveries in A.53797. D.84817 dated August 18, 1975 in A.53797 provided that the determination of igniter requirements would be relegated to this proceeding. Igniter requirements were not an issue in A.53797.

SoCal agreed to provide for the igniter requirements of SDG&E on a comparable basis to its G-58 customers and suggested that the examiner direct it to deliver the actual requirements of its G-58 customers and of SDG&E for igniter purposes pending a disposition of their rate case-in-chief.

SDG&E demurred pointing out that this was a new service; that it wished to go into the matter of rate design in that it was paying demand charges as opposed to the G-58 customers who paid no demand charges; that it wished to extensively test the estimated igniter requirements of SoCal's G-58 customers in a manner comparable to the testing of G-58 requirements in connection with the reallocation issue in Phase II of A.53797.^{1/}

SDG&E pointed out that the evidence showed that deliveries well in excess of the contractual amounts for igniter requirements were being delivered to the G-58 customers and took the Commission to task for not forcing compliance of these contracts.

SDG&E proposed that its igniter requirements be met fully but that the G-58 igniter deliveries be limited to contract quantities.

The contract quantities of igniter requirements, 1,116,000 Mcf, total less than 0.2 percent of the total requirements of the G-58 customers and less than 0.2 percent of the total deliveries for all purposes by SoCal in the test year. The authorized quantities of igniter deliveries, 3,122,236 Mcf, tabulated in Appendix B attached hereto, which includes the requirements of SDG&E's electric and steam departments, represents less than 0.6 percent of SoCal's total sales volumes. ✓

^{1/} Forty-two days of hearing were taken up on the interim Phase II proceeding dealing with the reallocation issue, a considerable portion of which dealt with the potential requirements on applicant's system by the various wholesale and retail steam electric customers involved.

SDG&E devoted considerable time in cross-examination of SoCal witnesses in the rate case-in-chief on the subject of igniter requirements. In addition approximately three and a half days of hearing was devoted specifically to resolving the issue of igniter requirements. At the conclusion of the cross-examination and rebuttal testimony the examiner stated that he would recommend that the igniter requirements of all of the involved utilities be met with the exception of the requirements for Los Angeles Department of Water and Power's (DWP) Scattergood Unit 3 generating station, which was not authorized to utilize fuel oil for generating purposes, absent convincing briefs from the parties.^{2/}

The evidence shows that each of the electric utilities utilizes different techniques of measuring their total igniter requirements which have been tailored to their own operating situations. The various electric utility witnesses explained the measures they were taking to minimize their igniter requirements and of their need for igniter gas for reliable operations and to avoid violations of air pollution laws. Certain subcategories of igniter usage utilized common equipment which made precise determinations of the subcategories usage and requirements difficult. In addition, metering facilities were usually designed for the far greater volumetric requirements of meeting A, S-1, and S-2 deliveries. Smaller meters or by-pass meters should be installed to accurately record usage for igniter purposes both by SoCal and by SDG&E.

^{2/} DWP's brief requested that if it was authorized to use fuel oil at this plant that the igniter requirements for the plant should be met. The examiner stated that that would be his recommendation.

The evidence shows that there is a wide divergency between ideal operating conditions minimizing igniter usages and actual operating practices caused by mechanical or control failures or by other factors. The witnesses illustrated a wide range of operating problems and demonstrated the need of the respective utilities for the volumes contained in Appendix B, attached hereto. There was testimony that igniter requirements may increase due to the greater frequency of starts using oil as compared to past periods during which gas was available for boiler heating purposes and due to changes in availability of power from other generating resources. Several of the utilities including SDG&E revised their September 1975 estimates (Exhibit 46) of igniter requirements.

SDG&E questioned the reasonableness of Edison's requiring large quantities of gas for burner maintenance compared to insignificant volumes of gas required by the other utilities. Edison sustained its burden of proof concerning the hazards of utilizing another fuel for such purposes and of potential operating difficulties. Edison should ascertain if other utilities' burner maintenance practices can be utilized to lessen their gas usage for oil burner maintenance. Edison's activities in this sphere should be part of the reports to the Commission in compliance with Ordering Paragraphs 10 and 11 of D.85189 dated December 2, 1975 in C.9642.

In 1967 SDG&E negotiated a reduction of its demand charges from Southern Counties Gas Company (Counties), prior to Counties' merger with SoCal. SDG&E's daily contract quantity was reduced by 1,000 Mcf per day along with a reduction in demand charges. Counties' Advice Letter (AL) 550 states that SDG&E said that it can reduce its total firm requirements in a daily amount equal to its electric generating plant igniter requirements. SDG&E stated the reduction in

firm demand is made possible by taking advantage of its parity of curtailment priorities, i.e. the igniter priority entered into with the retail steam electric customers of Counties and SoCal. Resolution 1384 dated July 11, 1967 authorized the reduction in daily contract demand and demand charges requested in AL 550 but it did not discuss the igniter priority. If subsequent contract revisions were negotiated on the same premises as was AL 550 then SDG&E's contention that it should not be the only party paying demand charges for igniter service is specious. The current contract between SoCal and SDG&E does not contain any provision specifically covering the igniter requirements of SDG&E.

During the course of the hearing SoCal offered to deliver the igniter requirements of SDG&E based upon SDG&E's Federal Power Commission (FPC) Form No. 4 filing. SDG&E rejected this proposal as not covering all of its requirements including allocated igniter requirements for its steam department^{3/} (TR 3834) and its boiler igniter deliveries for standing pilot and light-off uses. SDG&E's witness believes that gas flowing to SDG&E's boiler igniters which was not incorporated in FPC Form No. 4 should have been.

SDG&E's 1976 igniter requirements estimates in this proceeding are 348,500 Mcf (Exhibit 51) under optimal operating conditions, 460,920 Mcf (Exhibit 52) as a peak requirement or worst operating conditions estimate and their earlier September 9, 1975 estimate to SoCal of 433,800 Mcf (Exhibit 46). Exhibit 46 includes an oil burner maintenance estimate of 49,000 Mcf.

3/ Steam service is provided by SDG&E by bleeding off steam from a noncondensing electric turbine.

Exhibits 51 and 52 contain no significant amounts for oil burner maintenance due to SDG&E's redefinition of this category of usage and a transfer of the requirements to other categories. SDG&E requested and we are authorizing deliveries of SDG&E's highest estimate.

SDG&E contends that it is revising its operating procedures by using its steam boilers to a greater extent than in the past and by decreasing its usage of gas turbines to reduce high turbine maintenance costs. The reasonableness of these procedures may be tested in SDG&E's A.55627.

The examiner ruled that the outside sources of gas available to Edison and to SDG&E would not be deducted from their igniter requirements except for Southern California Edison Company's (Edison) Mandalay generating station. Edison receives gas from the Atlantic Richfield Company (ARCO) at Mandalay in excess of Mandalay's igniter requirements but less than Mandalay's total requirements. Edison has an operating arrangement with SoCal in which ARCO gas destined for its Mandalay plant is delivered to SoCal which in turn delivers gas to Edison's Ormand Beach plant. During times when SoCal's deliveries of Edison's igniter requirements have exceeded the contract quantity of 60,000 Mcf per day Edison delivered the ARCO volumes to SoCal for its use in meeting part of the overall igniter requirements of Edison. SDG&E receives truck deliveries of liquefied natural gas (LNG) at its LNG storage facility at South Bay.

The issue of whether to use ARCO gas volumes as a reduction in gross potential requirements on SoCal or as a reduction in net deliveries from SoCal to Edison was the subject of an SDG&E motion in A.53797 which was decided in D.82414 dated January 29, 1974 and ultimately carried to the California State Supreme Court in S.F.23101. SDG&E's petition for a writ of review was denied on July 17, 1974.

We established interim end-use gas priorities in D.85189. On mimeo. page 21 of that decision we stated that "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 a gas utility should be equivalently reduced starting with the highest priority under which the customer receives service." The examiner's recommendation contained in Appendix B, attached hereto, sets forth the authorized quantities, expressed as annual volumes, which should be effective until the date the end-use priorities are used by SoCal in making its interruptible deliveries. We will require SDG&E and Edison to supply this Commission and SoCal with their estimates of alternate sources of gas deliveries commencing one hundred and eighty days from the effective date of D.85189. SoCal in turn should prepare revised estimates of igniter deliveries to SDG&E, to its G-58 customers, and to its regular interruptible customers consistent with the provisions of D.85189.

In the event that DWP should secure operating authority to utilize fuel oil in its Scattergood Unit 3 generating station the allocation of igniter fuel for meeting the 60,000 cubic feet per day requirements of this plant should be authorized.

Until such time as SoCal is able to advise its customers of the availability of A-priority gas the reporting required for the monthly revisions of SoCal's Rule 23 implicit in Ordering Paragraph 2 of D.84512, which requires reporting of steam plants past months fuel usage as a basis for allocating deliveries for the subsequent period are unnecessary and should be discontinued. At such time as A-block

gas may again become available the reporting requirements should reflect the ability of the utilities to compile the necessary information. Several utilities have indicated that a 15 day period, rather than the 7 day compilation period, set forth on mimeo page 23 of D.84512, should be utilized.

Summary

The igniter requirements of the several utilities have been stated as necessary to insure reliable safe operation of their generating plants, to insure against unnecessary disruptions of service, and/or to prevent violations of the relevant air pollution district regulations. This Commission is charged with seeing that the various utilities provide, just, reasonable, safe, and proper service to their customers (Section 761 Public Utilities Code). It would be hazardous for us to arbitrarily cut the estimates of the several utilities and to toy with the possibility of interrupted service. Testimony concerning the variability of requirements such as those imposed by a wide range of usage required for cold startups indicates that the operation of a steam electric generating station is an art as well as a science. The following testimony of Edison's witness is illustrative of the problem of establishing igniter requirements. "There are, however, so many variables in the operation of an electric utility system that a realistic hourly, daily, or even a monthly figure which could conceivably serve as a top limit for Edison's Igniter Gas requirements for such time periods should not be developed by prorating the annual minimum requirement described above. Such operating variables applicable to electric generating units include, among others, the number of outages that may occur,

the time required for return to service, shutdowns and starts for system load requirements, short and long range scheduled and forced maintenance outages, as well as the size and type of unit involved."

The present contractual limits in the G-58 contracts are inadequate, with the exception of IID which has no requirement for its turbine unit, and these limits should be increased to provide for reliable utility electric service.

SDG&E requires igniter volumes for its steam electric generating plants. Edison's recommendation that SDG&E's electric generating turbines should not be supplied with B-priority gas is consistent with D.85189 and should be adopted. Had SoCal held igniter deliveries to the contractual amounts it could have disrupted electric service operations by its G-58 customers. The charges for the igniter volumes delivered to SoCal's customers were made at the lowest price charged to its retail interruptible customers or to SDG&E. Had SoCal withheld those deliveries and instead delivered these volumes to B through E-block customers it would have realized additional revenues. In light of these circumstances no penalty against SoCal appears to be in order.

SoCal should meter and monitor the igniter uses of its customers. The igniter requirements of Edison should be met either directly from SoCal or from ARCO. They should not be met indirectly through an allocation to Long Beach. Long Beach was able to provide Edison with gas under the A and S-1 priorities pursuant to its service agreement with SoCal. No provision of that agreement involved igniter requirements and we will not establish one now. SoCal should review the electric utilities' procedures to standardize the

methodology of estimating present igniter gas requirements and to evaluate those requirements. We will authorize SoCal to deliver gas at a rate in excess of these estimated quantities if necessary to meet the requirements of the various utilities. SoCal should advise the Commission of the igniter volumes delivered and if the quantities delivered are in excess of the amounts shown in Appendix B. In the event that the deliveries exceed 25 percent of the amounts contained in Appendix B on a monthly or on a cumulative basis, SoCal should determine the cause and report on whether there was a need for a continued higher level of deliveries. The testimony does not support retention of daily or hourly requirements.

We are providing for the igniter requirements of the several electric utilities. Usage for these purposes should not be expended to consume the authorized quantities as a relatively inexpensive boiler feed supply but should be limited to the actual igniter requirements.

SoCal's Rule 23 should be revised to incorporate the igniter priority on an interim basis pending implementation of D.85189. The G-58 and G-61 service agreements should be revised to incorporate the quantities set forth in Appendix B.

SoCal should charge its authorized G-58 rate and the G-61 commodity rate for igniter volumes delivered to its G-58 customers and to SDG&E respectively, pending further order of this Commission.

We do not know the reasons for SDG&E's insistence on a detailed review of utility igniter requirements in this proceeding. In practice its actions strongly countered its professed desire to lessen regulatory lag.

Findings

1. SoCal supplied most of the potential gas requirements of its G-58 customers and indirectly supplied most of SDG&E's potential generating station requirements from 1966 through 1972. Due to its declining gas supplies, SoCal anticipates that the only gas it could furnish its G-58 customers in test year 1976 would be igniter service deliveries.

2. SoCal's G-58 service agreements set forth quantities of high priority gas for igniter purposes. The delivery priority for igniter gas is higher than for any other interruptible use. There is no specific provision for igniter requirements in SoCal's contract with SDG&E.

3. The annualized G-58 contract quantities for meeting igniter service requirements, 1,116,000 Mcf, are inadequate to meet the G-58 customers' gas igniter requirements. Igniter requirements as defined in this proceeding include ignition, flame stabilization, start-ups, light-off, standing pilot flames, and oil burner maintenance.

4. SoCal's Rule 23 and SDG&E's Rule 23 governing interruptible curtailments do not contain a curtailment priority for igniter purposes.

5. This Commission is charged with seeing that various utilities provide just, reasonable, safe, and proper service to their customers. The provision of adequate volumes of igniter requirements to the electric and steam utilities supplied directly or indirectly by SoCal requires adequate quantities of igniter gas to accomplish these purposes.

6. The annual igniter requirements for SoCal's G-58 customers and SDG&E's electric and steam operations total 3,122,236 Mcf per year. This amount should be increased by 216,000 Mcf if fuel oil usage is permitted at the Scattergood Unit 3 generating station of DWP. The daily or hourly igniter requirements contained in the G-58 service agreements should be eliminated.

7. SoCal's Rule 23 and SDG&E's Rule 23 should be revised and the G-58 and G-61 service agreements should be revised to incorporate the igniter volumes set forth in Appendix B.

8. The igniter requirements set forth in Appendix B should be reduced commencing on May 31, 1976 to reflect Edison's and SDG&E's alternative gas supplies as described in the opinion.

9. The requirements for igniter service vary considerably from time to time and flexibility must be allowed to meet changed conditions. The annual quantities tabulated in Appendix B should be utilized by SoCal for making igniter deliveries. In the event that greater requirements are necessary SoCal should make the additional deliveries. In the event that the monthly rate or cumulative usage rate of delivery made to meet the igniter requirements of any of the utilities listed in Appendix B is exceeded by 25 percent SoCal should review the reasons for the need for the increased deliveries and should by advice letter filing request authorization for meeting changed requirements. SoCal should report igniter deliveries along with its curtailment reports, as described in the opinion.

10. SoCal's proposal for a higher rate to compensate for the high level of delivery service needed to meet ignition requirements should be deferred until further order of the Commission. Pending such order SoCal should charge its G-58 customers at the authorized G-58 commodity rate and should charge SDG&E at the authorized commodity rate in its G-61 schedule.

11. Accurate measurements of the total igniter requirements are not now being made either by SoCal or by SDG&E. These utilities should install smaller meters or by-pass meters to accurately record such usage. These installations should be completed within 60 days after the effective date of this order.

12. SoCal should periodically monitor the need for the specific igniter requirements of its G-58 and G-61 customers and should set up a standardized method for reporting such usage within 90 days after the effective date of this decision.

13. Ordering Paragraph 2 of D.84512 should be modified to discontinue the reporting requirements necessary for revising the A and S-1 priorities of its G-58 and G-61 customers pending the expected availability of A-block gas. At such time as A-block gas may again become available the reporting requirements should be made within 15 days after the end of a month.

14. Edison should report its activities in the area of lessening gas usage for oil burner maintenance in compliance with Ordering Paragraphs 10 and 11 of D.85189.

15. SoCal delivered igniter gas in excess of the contractual amounts in its G-58 agreements at the lowest price in its retail interruptible schedules. Had SoCal limited igniter deliveries to the contractual amounts it could have disrupted the electric service operations of its G-58 customers. SoCal should not be penalized for making these deliveries.

16. No igniter requirements should be established for Long Beach to enable Long Beach to serve Edison with igniter gas. Usage for igniter requirements should not be expended to consume the authorized quantities as a relatively inexpensive boiler fuel supply but should be limited to meeting the actual igniter requirements of the utilities receiving the gas.

17. SDG&E's use of B-block gas for electric generation should be discontinued.

Conclusion

SoCal should be authorized to deliver the increased igniter requirements set forth in Appendix B attached hereto subject to the conditions contained in the order.

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company is authorized and directed to file a revised Rule 23 and revised service contracts with its G-58 customers and with San Diego Gas & Electric Company to incorporate the igniter requirements set forth in Appendix B attached hereto. This filing shall be made within 10 days after the effective date of this order. The filing shall be effective on the date of filing.

The quantities set forth in Appendix B are the authorized annualized quantities for igniter deliveries made through May 30, 1976. These quantities shall be revised to conform to D.85189 as of May 31, 1976.

2. Southern California Gas Company shall supply igniter requirements and make the necessary filings and reports as described in Finding 9.

3. Southern California Edison Company shall make the filings discussed in Finding 14 as a part of their filings in Ordering Paragraphs 10 and 11 in D.85189.

4. Southern California Gas Company and San Diego Gas & Electric Company shall meter or submeter the electric plants served from their systems to accurately measure quantities of igniter gas being delivered within sixty days after the effective date of this order.

5. Southern California Gas Company shall review the igniter usages of its G-58 and G-61 customers and file a method for uniformly reporting these requirements to the Commission and to the affected customers. The revised method of reporting such requirements shall be filed within ninety days after the effective date of this order.

6. Southern California Edison Company and San Diego Gas & Electric Company shall supply this Commission and Southern California Gas Company with their respective estimates of alternate gas supplies which may be substituted for Southern California Gas Company gas supplies for the period commencing May 31, 1976, within thirty days after the effective date of this order.

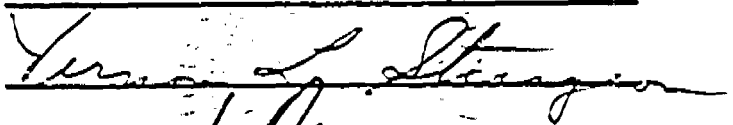
7. San Diego Gas & Electric Company is directed to discontinue B-priority gas deliveries to its electric generating plants.

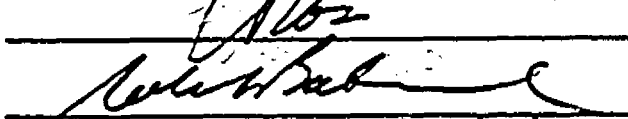
The effective date of this order is the date hereof.

Dated at San Francisco, California, this 3rd
day of FEBRUARY, 1976.



President





Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
Page 1 of 2

LIST OF APPEARANCES

Applicant: William M. Pfeiffer and David B. Follett, Attorneys at Law, for Southern California Gas Company.

Protestants: Frederick A. Gage, for Progress Association of Los Angeles County; Herman Mulman and Larry Gross, for Coalition for Economic Survival; Hyman Finkel, for Seniors for Legislative Issues; Royal M. Sorensen, Attorney at Law, for City of Camarillo; and Alexander Googooian, City Attorney, for Cities of Bellflower and La Mirada.

Interested Parties: Burt Pines, City Attorney of Los Angeles, by Leonard L. Snaider, Attorney at Law, for City of Los Angeles; Robert Russell and Manuel Kroman, for Department of Public Utilities and Transportation, City of Los Angeles; John W. Witt, City Attorney of San Diego, by William S. Shaffran, Attorney at Law, for City of San Diego; Leonard Putnam, City Attorney, by William E. Emick, Jr., Deputy City Attorney, Attorney at Law, Edward C. Wright, General Manager, Long Beach Gas Department, Gerald D. Herman, Administrative Assistant, Long Beach Gas Department, and Roy A. Wehe, Consulting Engineer, for City of Long Beach; Frederick H. Kranz, Jr., Attorney at Law, and John O. Russell, for Los Angeles Department of Water and Power; Chickering and Gregory, by Sherman Chickering, Donald J. Richardson, Jr., David A. Lawson, III, and David R. Pigott, Attorneys at Law, and Gordon Pearce, Attorney at Law, for San Diego Gas & Electric Company; Brobeck, Phleger & Harrison, by Gordon E. Davis, Thomas G. Wood, William H. Booth and Robert N. Lowry, Attorneys at Law, and Robert E. Burt, for California Manufacturers Association; Roy A. Wehe, Consultant, and Robert F. Carter, General Manager, for Imperial Irrigation District; Rollin E. Woodbury, William Marx, Robert Barnes and Richard Durant, Attorneys at Law, for Southern California Edison Company; Henry F. Lippitt 2nd, Attorney at Law, for California Gas Producers Association; Boris H. Lakusta, Attorney at Law, and John J. Clarke, for Union/Collier; Sidney Maleck, Attorney at Law, and Warren D. Hinchee, by Frank A. Miller, for City of Burbank; A. Barry Cappello, City Attorney, Attorney at Law, for City of Santa Barbara; Norman Elliott, Attorney at Law, for Committee to Protect California Economy; Donald Young, General Counsel, Maurice J. Street, Assistant General Counsel, by Renn C. Fowler, Attorney at Law, for the General Services

APPENDIX A
Page 2 of 2

LIST OF APPEARANCES

Interested Parties: Administration, Office of the General Counsel, Regulatory Law Division, U. S. Government; R. M. Shillito, for California Retailers Association; and Graham & James, by Boris H. Lakusta and David J. Marchant, Attorneys at Law, for Western Mobilehome Association.

Commission Staff: Janice E. Kerr, Attorney at Law, Kenneth K. Chew, Sesto F. Lucchi, and Edmund J. Teixeira.

APPENDIX B

Annual Igniter Requirements^{1/}

<u>Company</u>	<u>Volume in Mcf</u>
Southern California Edison	1,932,000
Los Angeles Department of Water and Power	530,280 ^{2/}
City of Burbank	78,148
City of Pasadena	85,692
City of Glendale	35,196
San Diego Gas and Electric Company	<u>460,920</u>
Total	3,122,236

^{1/} Effective until May 30, 1976.

^{2/} To be increased by 216,000 Mcf if fuel oil usage is permitted at Scattergood Unit No. 3 generating station.