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Decision No. 86357

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 Decision No. 85189 for appearances and Appendix A for additional appearances.)

O P I N I O N

In Decision No. 85189 dated December 2, 1975 the Commission ordered the establishment of an end-use priority system for the statewide allocation of natural gas. On December 12, 1975 Southern California Gas Company (SoCal) filed a petition for rehearing alleging that (1) the end-use priorities established are not in the public interest, (2) the Commission failed to consider the necessity for rate adjustments, (3) the decision may be inconsistent with the Federal Power Commission's final determination on the El Paso Natural Gas Company's permanent curtailment plan, and (4) rules of the California Air Resources Board (ARB) may prevent compliance with that decision.

On December 26, 1975 the California Gas Producers Association (CGPA) filed a petition for rehearing alleging that the Commission erred by its failure to order statewide parity in the delivery of gas for interruptible industrial and steam electric generation purposes.

On March 16, 1976 the Commission granted rehearing stating "said rehearing to be limited to the issue of whether the system of end-use priorities for statewide allocation of natural gas adopted in Decision No. 85189 should be amended to provide for the volumetric subblocking of Priority 4 customers."

Hearing was held March 29 and 30, 1976 at Los Angeles before Examiner Banks with oral argument April 30, 1976 at San Francisco. In addition to petitioner SoCal, oral argument was made by PG&E, General Motors Corp. (GM), Union Carbide (Union), California Drop Forge-Fansteel, Owens-Illinois, Owens-Corning Fiberglass, California Fertilizer Association, Kerr-McGee Chemical Corporation, Gas Department of the City of Long Beach, Pacific Forge, Inc., California Manufacturers Association (CMA), and the Commission staff.

SoCal proposed that existing customers with alternate fuel capability and a peak-day consumption of less than 50 Mcf per day be assigned to Priority 1 with equivalent priority to that of new customers. Customers who use between 50 and 100 Mcf per day are better equipped to deal with curtailment and should be placed in Priority 2-B with other similarly situated customers such as those with LPG standby.

To solve the apparent plight of the approximately 250 to 300 small D and E Block customers who remain in Priority 4, SoCal proposes further modification be made on a volumetric basis to distinguish between Priority 3 and Priority 4, without regard to type of equipment, by assigning existing interruptible customers who have an alternate fuel capability and a peak-day requirement of 1,000 Mcf

or more to Priority 4. Customers not otherwise assigned would be placed in Priority 3.

As an alternative SoCal proposes an end-use concept whereby existing interruptible customers with a peak-day use of less than 50 Mcf per day be placed in Priority 1, existing interruptible customers with a peak-day use between 50 and 100 Mcf be placed in Priority 2-B with similarly situated customers, all interruptible non-boiler use and small interruptible boilers with existing alternate fuel capability with peak-day use less than 750 Mcf be placed in Priority 3 and large interruptible boilers with alternate fuel capability whose peak-day use is 750 Mcf or more be placed in Priority 4. It argues that this alternative would have the same advantage as its first proposal except that multiple priority customers would still remain, thus resulting in an increase in cost of service.

Through its witness, Mr Frank Morris, SoCal argued that in the highly industrialized southern half of the state there are a great many customers with extremely limited alternate fuel capability who, under Decision No. 85189 face the prospect of being forced out of business for want of natural gas. In reaching this conclusion SoCal argues that these small industrial customers are presently classified as D and E Block customers and will be assigned to Priority 4 under the end-use decision and therefore be subject to immediate and extended curtailment. Because their curtailment experience in the past has been for but a few days at a time they are presently incapable of withstanding the curtailment forecast for Priority 4 customers.

SoCal also argues that the predicament these customers find themselves in is not of their own making but rather is a result of factors beyond their control such as the lack of fuel oil distribution systems, the inability to secure FEA allocations, ARB air quality restrictions and limited fuel oil storage capacity, and that

the proposed shift from Priority 4 would allow these customers additional time to deal with the problem.

It is alleged that the end-use plan has three basic defects. First, it presumes to assign some equipment with alternate fuel capability to a priority higher than identical equipment with the technological capability to use an alternate fuel simply because of the customers classification. Second, with respect to Priorities 3 and 4 the order is inconsistent in its application of the principle that larger customers can more easily cope with curtailment than small customers. Third, the order presents the utilities with an enormous administrative burden by drastically increasing the number of customers who will have multiple priorities.

In making its proposal, SoCal asserts that the impact on those customers most directly affected could be mitigated without any undue adverse impact on other customers, that small industrial customers with no proven curtailment capability would be protected and accorded a reasonable time to prepare to utilize alternate fuels, and that unwarranted distinctions between similar pieces of equipment would be eliminated.

Those supporting SoCal's position included SDG&E and the City of Long Beach Gas Department (Long Beach). SDG&E also supported the staff's proposal to place all customers who use 100 Mcf per day or less in Priority 1.

In support of SoCal's position, Long Beach acknowledged the fact that commercial boilers are generally located in a higher density area than are industrial boilers. However, it expressed the concern that many of its industrial customers are located primarily in fully developed areas and that additional fuel oil storage is extremely limited, that capital outlays for additional storage capacity is critical, and that even with adequate storage space and sufficient capital there are problems with various regulatory agencies.

Two small industrial firms, California Drop Forge-Fansteel and Pacific Forge Inc., argued that the cost of energy has already increased dramatically and that to impose a requirement to switch to an alternate fuel would hasten the small- and medium-size industrial customers demise.

Commission Staff

The Commission staff stated that rehearing was to be limited to the issue of whether the system of end-use priorities adopted by Decision No. 85189 should be modified to provide for volumetric subblocking of Priority 4 customers. The staff emphasized any modification of the established priority that would significantly diminish the expectations of customers currently classified as Priority 3 was clearly beyond the scope of the order granting rehearing.

To alleviate the plight of the small customer faced with extensive curtailment of natural gas service in the immediate future, the staff witness recommended that Priority 1 be expanded to include customers presently served on interruptible schedules with total peak-day demands of 100 Mcf per day or less. The effect of this modification would be to transfer 637 or 30 percent of the customers presently classified in Priorities 3 and 4, statewide, with an associated use estimated to be only 2 percent of the total present use classified as Priorities 3 and 4. Moving the 637 customers to Priority 1 will significantly reduce the administrative burden of curtailing a large number of small customers. It will also increase the level of deliveries to these small customers from partial or complete curtailment to an expected 100 percent satisfaction for the foreseeable future. The staff recommended modification will, of course, reduce the deliveries that would otherwise be available to Priorities 3 and 4 under the established criteria. However, since the associated volumes are very small in comparison to the total Priorities 3 and 4 volumes, the decline in levels of service as a result of the transfer will be negligible and therefore relief is

provided without significant adverse impacts on the established Priority 3 and Priority 4 categories.

The staff's proposal would move 307 customers out of Priorities 3 and 4 to Priority 1 on the SoCal system, and on the PG&E system 202 customers would move from Priorities 3 and 4 to Priority 1. Such movement would have a negligible impact upon the total Priority 1 demand.

The staff opposes the SoCal proposal stating that it would transfer two types of use from the present Priority 3 to Priority 4. The major type transferred is the large industrial customer who utilizes over 100 Mcf per day of natural gas for industrial processes other than industrial boiler fuel. Such use includes industrial dryers, kilns, and furnaces primarily in the chemical, food processing, petroleum, and metals industry. Exhibit No. 112, introduced by staff, shows that under SoCal's proposal an estimated 42 customers with uses in these industrial processes would be transferred from Priority 3 to Priority 4 on the PG&E system, on SoCal's system 75 customers would be transferred from Priority 3 to Priority 4. The annual requirements of the 75 customers transferred from Priority 3 to Priority 4 are estimated to be approximately 40 billion cubic feet. SoCal estimates, under its modification, that the level of service to the 40-billion-cubic-feet requirements of 75 industrial customers will be reduced from 54.9 percent to 11.8 percent for the year 1977. This represents a drastic adverse impact on a major portion of the industrial use classified as Priority 3 under the criteria established by Decision No. 85189.

There are two major reasons for the staff's opposition to SoCal's proposed modification as it relates to the transfer of industrial process use from Priority 3 to Priority 4:

1. The proposed modification ignores the relative ease of converting industrial boilers from the use of natural gas to fuel oil when compared with other industrial process uses, a fact fully supported in the existing record in Case No. 9642.
2. The proposed modification adversely affects the level of service expected by the established Priority 3 industrial user and does so without notification, or indication in the Order Granting Rehearing that such action would be considered.

The other type of use that would be transferred from Priority 3 to Priority 4 under SoCal's proposed modification is the large nonindustrial customer. Such customers are, in the majority of cases, institutional, and use natural gas primarily as boiler fuel. In Exhibit 112, the staff estimates that 14 customers of this type on the PG&E system would be transferred with a total estimated annual requirement of approximately 9 billion cubic feet. The 14 customers include two hospitals, four educational institutions, and five military installations. Data provided by SoCal indicates 19 such customers on its system with an annual requirement estimated at approximately 10 billion cubic feet would be transferred. The 19 customers include five educational institutions, four hospitals, and two military installations. Admittedly, the boiler fuel requirements of these customers could be transferred from the present classification of Priority 3 to Priority 4 without abandoning the end-use concept as would be the case if industrial process use were transferred. The staff concludes however that there are other reasons for assigning such use as a Priority 3 status. One is that, in the general case, commercial and institutional customers are located in more restricted midcity areas and would thus have greater problems with the delivery and storage of fuel oil than the typical industrial customer who is located in an industrial area and functions

*CORRECTION*

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**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

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within building codes and zoning regulations that recognize the need for the shipment and receipt of materials and fuels in the normal course of business. Additionally, the transfer of commercial and institutional customers from the present Priority 3 status to Priority 4 would adversely affect expected levels of service, and, as in the case of the transfer of industrial process use to Priority 4, would do so without any indication in the order granting rehearing that such action was being considered.

General Motors Corporation

GM opposed the SoCal proposal for subblocking arguing that SoCal is seeking to solve two separate though closely related problems. First, the alleged hardship experienced by small customers in converting their natural gas usage to alternate fuels and second, the administrative burden on the utility in implementing end-use curtailment.

With respect to the hardship issue, GM stressed that the problem as pointed out by SoCal is oversimplified in that the record does not disclose that implementation of Decision No. 85189 will drive small customers out of business. It points out that the adopted priority curtailment plan anticipated hardships on some customers and provides special relief provisions. GM argues that the plan as adopted should be given an opportunity to work and that it is not the end-use curtailment priorities that cause a hardship but rather the rapidly diminishing gas supply.

On the issue of administrative problems, GM argues that this issue was raised during the original hearings in Case No. 9642 and that the Commission laid that issue to rest in Decision No. 85189 by concluding that the utilities had overemphasized any such problem. However to eliminate the possibility of an administrative problem, GM supports the staff proposal to move all present customers who use less than 100 Mcf per day into Priority 1.

GM agreed with SoCal's position regarding the proper classification of gas for boiler fuel use. They stated that the technical and economic costs of conversion are for all practical purposes the same and there is no rational justification for the distinction that is presently made in Decision No. 85189 between industrial and commercial boiler fuel.

Union Carbide

Union Carbide opposes SoCal's proposal stating that while the curtailment plan adopted in Decision No. 85189 may not be perfect and that maybe some changes should be made, SoCal is engaging in a delaying action and that unless new supplies are forthcoming there will not be enough gas even for the residential customer in the foreseeable future. They point out that with the projected supply situation it won't matter whether a particular customer likes it or not, the effort must be made to convert to an alternate fuel, and therefore the argument of priority of service will be moot. In order to meet the problem raised by SoCal, Union supports the staff recommendation as worthwhile in alleviating the alleged plight of the small user.

Owens-Illinois

Owens-Illinois operates four plants in California, each utilizing more than 1,000 Mcf per day which are presently classified as Priority 3. Under the SoCal proposal a major portion would be transferred to Priority 4. It is argued that from an end-use rationale or from an evidentiary basis, SoCal failed to justify treating direct-flame industrial process use the same as the large volume boiler fuel use now in Priority 4, that the record supports the conclusion that boilers are generally easier to convert than are direct-fired process gas applications and that the distinction made in Decision No. 85189 between the Priority 3 industrial direct-flame applications and Priority 4 boiler-uses must be retained.

Owens-Corning Fiberglass

Owens-Corning urged that SoCal's plan be rejected as being at odds with the end-use concept, and that the testimony presented in the rehearing indicates no evidence to support such a concept because it is based purely on the utility's alleged administrative burden. Owens-Corning argues that either you have an end-use plan or you do not and to grant a higher priority to an industrial user based solely on the basis of the amount of gas used is unreasonably discriminatory.

California Fertilizer Association

In support of the Commission staff's proposal California Fertilizer Association stated that volumetric subblocking unavoidably causes discrimination among competing customers and that dividing Priority 4 users into those using less than 1,000 Mcf per day and those using more than 1,000 Mcf per day would create an undesirable incentive for customers to substitute smaller operations which would be less efficient because of the economies of scale.

Kerr-McGee Chemical Corporation

Kerr-McGee Chemical Corporation supported the staff's proposal on the bases that the total volume of gas elevated to Priority 1 is not extremely large, and it would eliminate needless hardships among smaller nonresidential customers not protected from curtailment.

California Manufacturers Association

The CMA took the position that SoCal's proposal is an unwarranted departure from the principles enunciated by the Commission in Decision No. 85189 and that to adopt it would be nothing more than maintaining the price-priority or price-volume system of curtailment. CMA stated that with the adoption of the staff's plan the majority of the problems raised by SoCal would be solved and that all boiler fuel use in an end-use priority system should be treated alike.

Discussion

The issue before us is whether the end-use plan adopted in Decision No. 85189 should be modified as proposed by SoCal and the staff.

There is merit in SoCal's position that the controlling factor in the priority placement should be the equipment capability, i.e., technological capability, to use an alternate fuel. However, it is difficult to reconcile this position with SoCal's basic proposal to include direct-fired industrial equipment in Priority 4 along with boilers. We also believe that volumetric subblocking within a single priority discriminates among users and is not consonant with the end-use concept. Thus, SoCal's basic proposal will be rejected but certain modifications appear to be in order.

As pointed out in Case No. 9642 in December 1973, the record indicates a 7 percent margin of supply safety over firm requirements in 1973-74 but that by 1977-78 there is expected to be a peak-day curtailment of firm gas supplies. While the California utilities have programs underway to gain new supplies, the state's overall natural gas supply is no brighter now than it was in 1973.

Thus customers whether served in the past on a firm or interruptible schedule, and regardless of their volume demand, should prepare to switch to an alternate fuel. In this regard we would reemphasize the importance of conservation to extend the gas now available to those less able to utilize an alternate fuel.

In Decision No. 85189 we distinguished between gas for industrial boiler fuel use (Priority 4) and commercial boiler use (Priority 3). Notwithstanding the distinction made therein, we believe, as argued by all parties, that a true end-use plan requires that the use of the gas and not the end product should determine the appropriate customer priority. As pointed out and concurred in by most participants, a distinction based on customer classification, i.e., industrial and commercial, rather than how the gas is used at

the burner tip is a social judgment and not based on the end-use concept. Accordingly we will provide that all gas for boiler use in excess of 750 Mcf per day shall be placed in Priority 4.

Commercial and industrial customers who will be placed in Priority 4 have extensive standby facilities and while not well accustomed to curtailments of natural gas, should be better able to operate for prolonged periods on alternate fuel than small interruptible customers. Should those commercial and institutional customers now utilizing natural gas for boiler fuel feel that they are unable to convert their system to an alternate fuel, they may apply to the Commission for special relief under established procedures.

In Decision No. 85189 we noted that the urgency of the situation as regards the natural gas supply required prompt action. That decision provided an initial starting point but we recognized that selected changes were needed. We believe that SoCal has raised a valid point in that small interruptible customers have historically experienced the least curtailment and are less capable of maintaining operations during prolonged periods of curtailment.

Under the price-priority curtailment system, to obtain interruptible service interruptible customers were required to maintain standby facilities. Under the end-use priority system adopted many of these customers because of the amount of gas consumed on a peak day will receive the equivalent of firm service. The adoption of an end-use system places many customers in a higher service priority than was available as an interruptible customer. Since these customers are

being afforded the opportunity to receive a higher level of service and because they presently maintain standby facilities and have curtailment experience which present firm customers do not have, we believe those customers moving into a higher priority should be curtailed before present firm customers who are in the same priority category. Accordingly, we will require that present interruptible customers eligible for Priority 1 or Priority 2 service because of their peak-day requirements retain the standby facilities. Should curtailment of that priority class become necessary, those customers with standby facilities will be curtailed first.

While ease of administration by the utilities is an important factor in modifying the end-use plan, of equal importance is timing. Those customers of all classes who are changing from a firm or interruptible status to a priority classification and historically have not experienced curtailment for a prolonged period should, if only for economic reasons, be allowed sufficient time to convert their facilities to use alternate fuels.

In adopting the priority plan in Decision No. 85189 we recognized that the system of allocation must give the highest priority to those customers with no feasible substitute fuel. While considering the economic and technological feasibility of conversion to alternate fuels, we also recognized that some customers would be placed in a lower priority than that enjoyed under the price-priority curtailment scheme.

As explained in that decision it is extremely difficult to establish a priority system without some customers receiving higher levels of service than others and that the natural gas supply situation required the reassessment of customers' ability to withstand extended periods of curtailment and not simply brief interruptions occasioned by normal peak-day demand.

We would note that while certain customers, both small and large, and their processes appear to be disadvantaged as compared to other classes of customers, the priorities plan adopted in Decision No. 85189 provides relief upon a showing by the injured party.

For ease of administration for the utility, we will classify as Priority 1 all residential use and all other firm and interruptible use with peak-day demands of 100 Mcf per day or less. The changes adopted herein will further ease the utilities' administrative burden with a minimal effect on the gas available for all priority categories.

#### Findings

1. The legislative mandate that an end-use priority system provides for the most important public benefit and the greatest public need will best be served by selective modifications of the end-use system adopted in Decision No. 85189.
2. Smaller interruptible customers have historically experienced the least curtailment and are less capable of maintaining operations during prolonged periods of curtailment.
3. The Commission staff recommends that the end-use system adopted in Decision No. 85189 be modified to the extent that existing interruptible customers having a peak-day demand of 100 Mcf per day or less be placed in category Priority 1.

4. Present interruptible customers with existing alternate fuel capability and a peak-day use of 100 Mcf per day or less would receive an undue advantage over present firm customers with no alternate fuel capability if placed without qualification in category Priority 1. If curtailment of Priority 1 becomes necessary, present interruptible customers with alternate fuel capability should be curtailed before other Priority 1 customers.

5. Present interruptible customers using 100 Mcf per day or less moving to Priority 1 should continue to maintain alternate fuel capability.

6. Customers in Priority 4 after the changes adopted herein and subject to extensive curtailment creating undue hardship should apply to the Commission for relief.

7. Characterizing boiler use as commercial or industrial is not determinative of priority classification under the end-use concept.

8. Large commercial boilers are more often in a better position to contract for and use an alternate fuel than are many small industrial customers. All boilers with peak-day demand in excess of 750 Mcf per day should be placed in Priority 4.

#### Conclusion

The end-use system of allocating natural gas adopted in Decision No. 85189 requires modification.

#### O R D E R

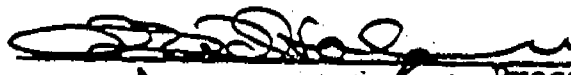
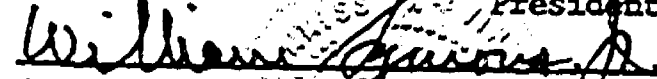

IT IS ORDERED that:

1. The end-use priority system established in Decision No. 85189 shall be modified as provided in Appendix B attached hereto.

2. The order in Decision No. 86178 extending the effective date of the tariffs filed pursuant to Decision No. 85189 is hereby rescinded. Respondent gas utilities shall file revised tariffs incorporating the priorities of service set forth in Appendix B attached hereto to become effective October 1, 1976.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 1st  
day of SEPTEMBER, 1976.

  
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President  
  
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Leonard Ross  
  
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Robert Bateman  
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Commissioners

Commissioner Leonard Ross, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

LIST OF ADDITIONAL APPEARANCES

Petitioner: Robert J. Young, Attorney at Law, for Whirlpool Therapy Bath Industry.

Interested Parties: Enright, Elliott & Betz, by Norman Elliott, Attorney at Law, for Committee to Protect California Economy; Silver, Rosen, Fischer & Stecher, by John Paul Fischer, Attorney at Law, for City of Palo Alto; O'Donnell, Waiss, Wall & Lueschke, by Fredrick S. Waiss, Attorney at Law, for Stauffer Chemical Company; John G. Lyons, Attorney at Law, for himself; Morrison & Foerster, by Charles R. Farrar, Jr., Attorney at Law, for Kerr-McGee Chemical Corporation; R. D. Twomey and R. P. Will, Attorneys at Law, for Metropolitan Water District of Southern California; R. M. Shillito, for California Retailers Association; Fritjof Thygeson, for San Diego Energy Coalition; C. F. Gotschalk and J. McCafferty, for Solar Division of International Harvester; Pettit, Evers, & Martin, by Susan L. Paulus, Attorney at Law, for Owens-Corning Fiberglass Corp.; Richard A. Paul, Attorney at Law, for National Cash Register Company; Leland E. Butler, Attorney at Law, for San Diego Pipeline Company; Earl Sutton, for Energy & Pollution Information Council; H. Cushman Dow, Attorney at Law, for General Dynamics/Convair; Ralph E. Shadwell, Deputy County Counsel and Robert Smothers, Director Facilities Maintenance, for County of San Diego; Gerald R. Young, Attorney at Law, for Teledyne Ryan Aeronautical; Kenneth M. Robinson, Attorney at Law, for Kaiser Steel Corporation and Kaiser Cement & Gypsum Corporation; Jeptha A. Wade, for California Water Service Company; Susan R. Bush, Attorney at Law, for Sunkist Growers, Inc.; William Emick, Deputy City Attorney, for City of Long Beach - Long Beach Gas Department; Dunne, Phelps & Mills, by Marshall G. Berol, Attorney at Law, for Swimming Pool Industry Energy Conservation Task Force; Eldon R. Clawson, Attorney at Law, for Teledyne-Laars, a Division of Teledyne Industries, Inc.; Richard H. Semm, Attorney at Law, for Fafco L.A.; and Karns & Karabian, by Edward L. Kunkel, Attorney at Law, for Recycled Waste Products, Inc., Specialty Paper Mills, Inc., and Gabriel Container Co.

Commission Staff: Rufus G. Thayer and Freda Abbott, Attorneys at Law.

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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 of 100 Mcf/d or less. All interruptible use with peak-day demands of 100 Mcf/d or less.
2-A	Where primary use is as a feedstock with no alternative. Current firm nonresidential use with peak-day demands greater than 100 Mcf/d: Where conversion to alternate fuel is not feasible. Where conversion to alternate fuel is feasible.
2-B	Electric utilities start-up and igniter fuel. Current interruptible customers with LPG or other gaseous fuel standby facilities and peak-day demands greater than 100 Mcf/d: 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	Existing interruptible boiler use with peak-day demand greater than 750 Mcf/d. All use in cement plant kilns.
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