

ORIGINAL

Decision No. 87089

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Petition of the County of Los Angeles
for Ex Parte relief under Ordering
Paragraph No. 6, of Decision No. 86357.

} Application No. 56897
(Filed November 24, 1976)

Ronald L. Schneider, for the County of Los Angeles,
petitioner.
David B. Follett, Attorney at Law, for Southern
California Gas Company; Dennis G. Monge, Attorney
at Law, for Southern California Edison Company;
Bernard J. Della Santa, Attorney at Law, for
Pacific Gas and Electric Company; Downey, Brand,
Seymour, & Rohwer, by Philip A. Stohr, Attorney
at Law, for General Motors Corporation; and
Allen B. Wagner, Attorney at Law, for The Regents
of the University of California; interested parties.
Peter Arth, Jr., Attorney at Law, and Eugene S. Jones,
for the Commission staff.

O P I N I O N

The County of Los Angeles (County) filed this application on November 24, 1976 requesting that the following four facilities be authorized to receive Priority P-3 natural gas service for the balance of the 1976-1977 fiscal year.

- Central Steam and Refrigeration Plant
- Los Angeles County/USC Medical Center
- Martin Luther King Hospital
- Rancho Los Amigos Hospital

The application states that as a result of Decision No. 86357 the four facilities were moved from Priority P-3 to Priority P-4. By moving the above facilities to Priority P-4, it is alleged that little or no natural gas can be expected for the balance of this fiscal year, that additional funds not budgeted will be required to purchase alternate fuels, and that such creates an unforeseen financial

crisis resulting in undue hardship. It is alleged that the four facilities burn an average of \$6,877 worth of gas each day. To provide the same heating and air-conditioning service will require \$15,011 worth of oil and diesel oil per day resulting in an over-expenditure of the 1976-1977 budget of \$1,974,862. Further, it is alleged that the County is faced with the necessity of allocating from funds already allocated to other purposes in the current budget the large sum of money necessary to maintain and operate the four facilities.

Hearing was held January 24, 1977 at Los Angeles before Examiner Banks, at which time the matter was submitted.

Mr. Michael Gotthainer, assistant administrative officer, testifying on behalf of the County stated that the 1976-1977 fiscal year has been a year of "unprecedented financial constraints" on the County. In his testimony he thoroughly reviewed the many budget items relating to the County's financial constraints. Recognizing that conditions have created financial problems, a review and discussion of the budget items covered by Mr. Gotthainer are not necessary.

Mr. Gotthainer stated that although the Southern California Gas Company had projected 45 days of curtailment, the County budgeted for only 35 days because "past estimates of gas curtailment made by Southern California Gas Company have been significantly higher than our actual curtailment experience." He also stated that actual curtailment for the 82 days from November 1, 1976 to January 21, 1977 has been 58 days, and he anticipates no gas service for the remainder of the current fiscal year.

He stated that the 1976-1977 budget included \$4½ million in a contingency fund which was to be used for utility rate increases and for the initial funding of a computerized building management system. The computerized building management system, termed as a critical new project, is designed to save the taxpayers \$1 million a

year after its completion. On January 11, 1977 the Board of Supervisors transferred the money in the contingency fund into the County utility budget. The funds originally budgeted for the computerized management center are now earmarked for the unbudgeted oil costs created by Decision No. 86357.

On cross-examination, Mr. Gotthainer explained that though the County's budget is \$3.281 billion, after excluding that budgeted for community redevelopment agency payments, state mandated payments to the state for medical and the supplemental security income program, and that amount that is budgeted for welfare health services over which the County has little or no jurisdiction, only about \$69 million is really under the control of the Board of Supervisors. When asked how the County would cope with the problem under the economic limit of its currently adopted budget, he stated that at this point all of the conceivable flexibility has been eliminated so that anything that now happens must result in the elimination of another service or program that the County is now operating.

Further, on cross-examination Mr. Gotthainer confirmed that the four facilities in question have the ability to burn an alternate fuel but stated that the storage facilities are limited.

The Commission staff recommends the application be denied.

Mr. Jones of the staff testified that he had visited all four County facilities and determined that adequate storage facilities for fuel oil are present, that while there had been a problem with late deliveries the problem was alleviated when the County's supplier was notified, and that under present conditions no supply or delivery problems for fuel oil are foreseen prior to June 30, 1977. He also stated that a review of Decisions Nos. 85189 and 86357 revealed that special relief could be obtained for those customers now utilizing natural gas for boiler fuel if it is felt they are unable to convert their system to an alternate fuel. To date the Commission has not authorized special relief to Priority P-4 customers with adequate fuel storage facilities.

It has been the policy of the Commission to reject requests for reclassification based solely on additional alternate fuel costs as this was not one of the criteria used in establishing the priorities in Decisions Nos. 85189 and 86357. Extensions of time for customers adversely affected by reclassification from Priority P-3 to Priority P-4 have been granted, provided the petitioner was unable to utilize alternate fuels at the present time.

Since it has experienced over 58 days of curtailment since November 1, 1976, the County is requesting no further curtailment for the 1976-1977 fiscal year. With present supplies, further curtailment of Priority P-3 customers appear inevitable. Thus even if the four facilities were elevated to Priority P-3 further curtailment would be necessary.

Further, the record in Case No. 9642 et al. is replete with evidence to substantiate the establishing of priorities based on a customer's ability to convert to an alternate fuel. Decisions Nos. 85189 and 86357 considered and rejected the economic argument and provide customers with the ability to use an alternate fuel, but who are without storage capacity, ample time in which to convert.

Finally, the County witness stated that the peak-day consumption for the four facilities in question is:

L.A. County/USC Medical Center	1.9 - 2.8 MMcf
Rancho Los Amigos Hospital	1.1 MMcf
Martin Luther King Hospital	.8 - 1.0 MMcf
County Central Heating Plant	2.0 - 2.5 MMcf

We believe that those volumes are significant and to authorize Priority P-3 service for boiler fuel use will adversely affect other P-3 customers by hastening their curtailment of the limited available supplies of natural gas.

Under the current critical natural gas crises facing the country, economic hardship for the purchase of an alternate fuel is not a significant reason to authorize firm gas service for large boiler fuel use. The application should be denied.

Findings and Conclusions

1. Decision No. 85189 established a system for the allocation of natural gas based on end-use.

2. Decision No. 86357 amended Decision No. 85189 moving all boiler-fuel customers of gas utilities using more than 750 Mcf/day from Priority P-3 to Priority P-4.

3. The basis to establish the end-use allocation system was a customer's ability to utilize and convert to an alternate fuel.

4. Decisions Nos. 85189 and 86357 provide for exceptions where a customer is unable to convert to an alternate fuel.

5. The County's facilities each have peak-day requirements in excess of 750 Mcf/day.

6. Use of natural gas as boiler fuel is the lowest priority.

7. The County would use the natural gas requested as boiler fuel.

8. The \$2 million over expenditure is only 0.06 percent of the County's \$3.281 billion budget.

9. The County budgeted for only 35 days of curtailment even though advised by the Southern California Gas Company that curtailment for Priority P-3 customers would be 45 days for the 1976-1977 fiscal year.

10. From November 1, 1976 through January 21, 1977 the County experienced 58 days of curtailment.

11. The County expects further curtailment of service during the current fiscal year.

12. The four facilities in question all have alternate fuel capability with adequate fuel oil storage facilities.

use of alternate fuel is not a justifiable reason to
order priority or grant an extension of time to
authorize the County to receive P-3 priority for boiler
use would adversely affect other P-3 customers by reducing the
supplies of natural gas available to them.
The Commission concludes that the application should be
denied.

O R D E R

IT IS ORDERED that Application No. 56897 is denied.
The effective date of this order shall be twenty days

after the date hereof.

San Francisco

California, this 15th

Dated at MARCH, 1977.

day of _____

Robert Bateman
President
William J. ...
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...
Commissioners

CORRECTION

CORRECTION

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HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

13. The cost of alternate fuel is not a justifiable reason to reclassify a customer priority or grant an extension of time to convert facilities to use an alternate fuel.

14. Authorizing the County to receive P-3 priority for boiler fuel use would adversely affect other P-3 customers by reducing the supplies of natural gas available to them.

The Commission concludes that the application should be denied.

O R D E R

IT IS ORDERED that Application No. 56897 is denied.

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

Dated at San Francisco, California, this 15th day of MARCH, 1977.

Robert Bateman
President

William S. ...

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Commissioners