

ORIGINAL

Decision No. 87136

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE REGENTS OF THE UNIVERSITY OF CALIFORNIA for ex parte relief under Ordering Paragraph No. 6 of Decision No. 86357.

Application No. 56959
(Filed December 23, 1976)

Allen E. Wagner and George L. Marchand, Attorneys at Law, for The Regents of the University of California, applicant.

David B. Follet, Attorney at Law, for Southern California Gas Company; Bernard J. Della Santa, Attorney at Law, for Pacific Gas and Electric Company; Graham and James, by Boris H. Lakusta and David J. Marchant, Attorneys at Law, for Alcoa; John H. Woy and Chickering & Gregory, by Edward P. Nelson, Attorney at Law, for San Diego Gas & Electric Company; Downey, Brand, Seymour & Rohwer, by Phillip A. Stohr, Attorney at Law, for General Motors Corporation; and Dennis G. Monge, Attorney at Law, for Southern California Edison Company; interested parties.

Peter Arth, Jr., Attorney at Law, for the Commission staff.

O P I N I O N

The Regents of the University of California (University) requests that its campuses at Berkeley, San Francisco, Davis, Los Angeles, Irvine, Riverside, and San Diego be classified as Priority P-3 for natural gas service. In the alternative the University seeks (1) for unexpected economic reasons a Priority P-3 classification for those campuses until July 1977 and (2) for lack of on-site storage capacity that the San Francisco campus be classified Priority P-3 until December 1978 and that the Davis, Irvine, and San Diego campuses be classified Priority P-3 until July 1978 to allow for the completion of adequate storage. Hearing was held before Examiner Banks on February 7, 1977 at San Francisco at which time the case was submitted.

The University is seeking restoration of its Priority P-3 classification for the seven campuses on two grounds. First, it is alleged there is a substantial unanticipated increase in fuel cost caused by the timing of the change in priority classification from Priority P-3 to P-4 and, second, there is a present immediate risk to ongoing university operations because of a lack of storage capacity for alternate fuels, accompanied by the unavailability of the required type of alternate fuel.

The University presented the testimony of four witnesses. Mr. Harry K. Winters, Senior Engineer for Energy Matters, testified that the seven campuses in question were placed in Priority P-3 classification by Decision No. 85189 and that as a result of Decision No. 86357 all seven were reclassified as Priority P-4. He further stated since that decision all seven campuses have experienced extended curtailment.

In his capacity as senior engineer, Mr. Winters participated in the establishment of a minimum 14-day alternate fuel storage capacity for the University system. Notwithstanding this minimum, the storage capacity for the seven campuses are presently:

San Francisco	1.3	-	2	days
Davis	4	-	5	"
Irvine	7	-	8	"
San Diego	10.7	-	12.5	"
Los Angeles	12.5	-	14.3	"
Berkeley	10.5	-	12	"
Riverside	21.7	-	27.7	"

Mr. Winters also stated that the Berkeley and Irvine campuses are working on plans to install additional storage tanks while the San Diego and Davis campuses are expediting requests for funding in the 1977-1978 state budget for additional storage tanks.

However, due to state funding and approval requirements, the University does not anticipate operation of these additional facilities until mid-1978.

With respect to the San Francisco campus, the present storage tanks are located in a location making it impossible for a normal oil-sized tanker to make deliveries. To burn oil for an extended length of time requires a constant flow of oil trucks to assure continued operations. In addition to the problems of storage and availability of alternate fuels, Mr. Winters stated that the various campuses use different grades of oil and that air pollution control problems are present wherever heavier PS-300 oil is burned.

On cross-examination, Mr. Winters stated that the only campus with a contract for fuel oil was Los Angeles. Further, the University turned down a Standard Oil of California proposal to furnish fuel oil to all campuses on a contractual basis because the contract required a minimum delivery on a take or pay basis. When asked what makes the University unique in the oil availability and delivery problems as compared to other customers, Mr. Winters responded that before any construction can begin on what would be considered adequate storage, the University must go through a long budgetary process involving the State Legislature, the Governor, and the Regents. By contrast a private concern can begin construction and installation whenever it so desires. Mr. Winters also stated that while the budgetary process was not in his area of expertise, budgeted funds may not be diverted to other uses and that budgeted funds not used revert back to the general fund. Finally, Mr. Winters acknowledged that he would suspect there are fewer customers in Priority P-4 as a result of Decision No. 86357 and consequently a less severe oil-truck shortage for P-4 customers. He said that the University has had no problem getting fuel deliveries.

The University also presented Mr. Carl L. Stegner, a Principal Budget Analyst II for the University systemwide administration. His testimony related only to state funded programs. Mr. Stegner stated that the reclassification to Priority P-4 would result in additional curtailment causing the University to incur a net additional fuel cost of approximately \$1.5 million. He stated that this additional cost takes into account the fact that the University has already reduced its deficit utility consumption by almost \$2 million. In response to a hypothetical question, Mr. Stegner stated that if the price of gas were 25 percent higher than fuel oil, the University would not, in all probability, have filed the instant application.

Mr. Nat A. Garibaldi, manager of maintenance and operation at the San Francisco Medical Center campus of the University system, also testified. The thrust of Mr. Garibaldi's testimony was that the San Francisco campus has a critical storage problem, i.e., only a 2-day maximum, and that the lack of storage capacity renders monumental operational problems. On cross-examination, Mr. Garibaldi acknowledged that under the present end-use priority plan delivery problems to the San Francisco campus are minimized because of the fewer number of customers in Priority P-4.

Finally the Hospital Administrator of the San Francisco Medical Center testified regarding the operation of the San Francisco campus and the importance natural gas service plays in maintaining the services provided to the public.

Mr. Eugene Jones, testifying on behalf of the Commission staff, stated that he visited each of the seven campuses' central heating plants and, except for San Francisco, all have adequate storage facilities to take care of normal load requirements. He further stated that the only problem he could foresee would be a delay in delivery to one of the facilities but that under present conditions it did not appear that such a problem would arise. Mr. Jones recommended that the application be denied except that the San Francisco campus should be granted Priority P-3 status through December 1978.

On cross-examination, Mr. Jones stated that in his opinion the fact that the campuses were operating under the curtailment conditions existing to date, plus the adequate storage capacity at six of the seven campuses in question, indicates that the University is capable of operating under a Priority P-4 classification.

Pacific Gas and Electric Company (PG&E) stated that, assuming the San Francisco campus remained in Priority P-4, it was willing to make a temporary arrangement with the University wherein PG&E will continue to furnish gas with some type of payback provision, whenever the San Francisco campus is in danger of running out of fuel. This arrangement would be conditioned on Commission approval and to the extent that delivery to higher priority customers would not be jeopardized.

Southern California Gas Company stated that it has a critical customer curtailment program wherein customers providing critical services are supplied natural gas when their alternate fuel capability is exhausted. The gas supplied under this program is subject to pay back at a later date.

The decisions emanating from Cases Nos. 9581, 9642, and 9884 have extensively reviewed the state's critical supply of natural gas. In establishing the priorities for the allocation of natural gas in Decision No. 85189, the relative ability or inability of a customer to convert to an alternate fuel was the key criterion.

The record discloses that Priority P-4 customers have experienced as much as 11 consecutive days of gas curtailment without interrupting operations. Clearly this ability to sustain operations by use of an alternate fuel is the very essence of the priority system established in Decision No. 85189. As we pointed out in Finding 6 of that decision, "The critical consideration which must be controlling to reasonably distribute the effects of a sustained shortage in a manner which is the least adverse to the public interest is the capability of different classes of customers to utilize fuels other than natural gas", and in Finding 7 therein we stated, "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".

The University's witness, Mr. Winters, acknowledged under cross-examination that he was not surprised that the Los Angeles campus enjoyed a higher level of service under a Priority P-4 classification than it did under the old price priority system. Notwithstanding this, he was still of the opinion that the University should be classified as Priority P-3. Under present supply conditions we cannot agree.

Finally, the fact that the University is a state institution and requires funding through the state's budgetary process is not justification to elevate it to a higher priority for natural gas service to the detriment of utility customers less able to withstand extended curtailment. This is especially true where an alternate fuel works equally well.

Except for the San Francisco campus, the application should be denied.

Findings

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 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 facilities to an alternate fuel.

4. Decisions Nos. 85189 and 86537 provide for exceptions for customers who are unable to convert to an alternate fuel.

5. Each of the University's campuses herein have peak-day requirements in excess of 750 Mcf/day.

6. Natural gas for boiler fuel use is the lowest priority and least efficient use.

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

8. All of the subject campuses, except San Francisco, have adequate alternate fuel storage capacity.

9. Plans for the installation of additional storage for the Berkeley, Irvine, San Diego, and Davis campuses are in process and should be operational by mid-1978.

10. The San Francisco campus' geographic location creates construction problems which require further study.

11. The San Francisco campus is located in a densely populated area making daily delivery of fuel oil extremely difficult.

12. The San Francisco campus cannot withstand the extended curtailment that Priority P-4 customers are now experiencing and should be classified as Priority P-3 through December 1978.

13. During the present heating season, Priority P-4 customers have sustained as many as eleven consecutive days of curtailment.

14. The natural gas crisis which requires interruption of service can cause financial difficulties for all customers. Placing the University in Priority P-3 reduces the quantity of P-3 gas to customers in that priority, thereby increasing their chances of curtailment.

15. As a result of Decision No. 86357 there are fewer customers in Priority P-4.

16. Curtailment of the University as a result of a Priority P-4 classification could result in additional fuel costs of approximately \$1.5 million.

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

18. PG&E has the ability in an emergency to deliver gas to low-priority customers with payback provisions.

19. Southern California Gas Company has a critical customer curtailment program wherein critical services are supplied natural gas customers when their alternate fuel capability is exhausted. Gas supplied under this program is subject to pay back at a later date.

The Commission concludes that the application should be granted as regards the San Francisco Medical Center. In all other respects the application should be denied.

O R D E R

IT IS ORDERED that:

1. The University of California, San Francisco Medical Center, shall be classified as Priority P-3 for natural gas service until December 31, 1978. On January 1, 1979 the University of California, San Francisco Medical Center, shall again be classified as Priority P-4 for natural gas service.

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2. Except as granted by Ordering Paragraph 1, Application No. 56959 is denied.

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

Dated at San Francisco, California, this 29th day of MARCH, 1977.

Robert B. Farnsworth
President
William J. Farnsworth, Jr.
Terrence L. Sturgeon
Leonard R. ...
Richard D. ...
Commissioners