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Decision No. 89340

SEP 6 1978

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY for authority to revise its gas service tariff to offset the effect of increases in the price of gas from CALIFORNIA SOURCES.

(Gas)

Application of PACIFIC GAS AND ELECTRIC COMPANY for authority to revise its gas service tariff to offset the effect of increases in the price of gas from EL PASO NATURAL GAS COMPANY.

(Gas)

Application of PACIFIC GAS AND ELECTRIC COMPANY for authority to revise its gas service tariff to offset the effect of increases in the price of gas from PACIFIC GAS TRANSMISSION COMPANY.

(Gas)

Application of PACIFIC GAS AND ELECTRIC COMPANY for authority to revise its gas service tariff to offset the effect of increases in the price of gas from PACIFIC GAS TRANSMISSION COMPANY.

(Gas)

Application No. 55468  
(Order Granting Limited  
Rehearing filed July 29,  
1975)

Application No. 55469  
(Order Granting Limited  
Rehearing filed July 29,  
1975)

Application No. 55470  
(Order Reopening filed  
July 29, 1975; Order  
Granting Limited Rehearing  
filed September 10, 1975)

Application No. 55687  
(Order Granting Limited  
Rehearing and Further  
Hearing filed August 26,  
1975)

THIRD SUPPLEMENTAL ORDER

Decision No. 84616 entered on July 1, 1975 directed the Legal Division to prepare an Order To Show Cause to be served on all producers of California gas who have contracted to supply such gas to Pacific Gas and Electric Company (PG&E) to determine whether they should be regulated as public utilities. At the same time, PG&E was prohibited from renegotiating any contract with any of its suppliers of California gas pending a decision in the Order To Show Cause proceeding.

The Order To Show Cause was issued in Decision No. 85827 entered on May 18, 1976. The proceeding is still pending and no order has been issued therein. Decisions Nos. 85292 entered on December 30, 1975 and 86165 entered on July 27, 1976 in seriatim extended the time after which PG&E could not include in the renegotiation of any contract with any of its gas suppliers, a provision which would escalate the price to be paid for such gas until June 30, 1978.

On July 31, 1978, PG&E filed a petition seeking an order ending the aforesaid renegotiation prohibition or a further extension of time to defer its operative date. The petition alleges that: "PGandE has gone through two arbitration proceedings involving various California producers to determine the market value of California produced gas. The first arbitration decision was issued May 24, 1976, and covered price for the years July 1975 through July 1979. The second arbitration decision, covering years July 1976 through July 1980, was issued on July 28, 1978. These arbitrated price determinations set the prices which PGandE must pay certain producers and affect the prices which PGandE can negotiate with the balance. The Commission has not addressed the question of California gas prices in connection with its Order to Show Cause. Determinations of California gas prices have not been made solely through negotiations with producers since 1975, but have been in part the subject of arbitration. PGandE is contractually required to negotiate with respect to California gas prices to be effective beginning July 1, 1978. Nearly all such prices are subject to arbitration if negotiations fail."

The Commission is of the opinion that an extension of time is warranted. The Commission makes the following findings and conclusion.

Findings of Fact

1. A public hearing is not necessary in this matter.

2. The public interest requires that Decision No. 84616, as modified by Decisions Nos. 85292 and 86165, be further modified by changing the date in Ordering Paragraph 7 from June 30, 1978 to June 30, 1980.

3. To eliminate uncertainty with respect to current negotiations with respect to California gas prices, the public interest requires that the order entered herein be effective on the date it is issued.

Conclusion of Law

Ordering Paragraph 7 of Decision No. 86416, as modified, should be further modified by changing the date therein to June 30, 1980.

IT IS ORDERED that:

1. Ordering Paragraph 7 of Decision No. 84616, as modified in Decisions Nos. 85292 and 86165 is further modified as follows:

7. PG&E should not, in the renegotiation of any contract with any of its suppliers of California gas, include any provision which would escalate the price to be paid for such gas after June 30, 1980, pending a decision in the Order To Show Cause ordered by paragraph 6 above.

2. The other provisions of the order in Decision No. 84616 shall remain in effect unless otherwise modified by the Commission.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 6<sup>th</sup>  
day of SEPTEMBER, 1978.

Robert Batemanich  
President  
William J. Simon  
Vernon L. Sturgeon  
Charles D. Cooke  
Commissioners

Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.