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Decision No. 90794

SEP 12 1979

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)

INTERIM ORDER MODIFYING DECISION

In Decision No. 85189 dated December 2, 1975, the Commission ordered the establishment of an end-use priority system for gas utilities to replace the then effective firm/interruptible system. By that decision customers classified as Priority 2A and considered capable of converting to an alternate fuel were scheduled to be transferred to an appropriate lower priority by December 2, 1977. By Decision No. 87784 dated August 30, 1977, the deadline was extended to October 1, 1978, and by Decision No. 88664 dated April 4, 1978, the deadline was further extended to October 1, 1979.

Priority 2A (temporary) customers are those customers who, under the firm/interruptible system were firm, nonresidential customers not subject to curtailment and, therefore, did not maintain alternate fuel facilities. Such customers include hospitals and educational institutions as well as customers in the agricultural, industrial and commercial sectors.

On January 5, 1979, the Commission solicited comments from all interested parties in Case No. 9642 on the following staff proposed changes to the end-use priority system established by Decisions Nos. 85189 and 86357:

1. The assignment of certain central heating plants serving residential and commercial complexes to Priority 1 from the presently effective Priority 3.
2. The assignment of electric utility gas turbines to Priority 3 from the presently effective Priority 5.
3. The restructuring of the presently effective state priority criteria to conform, to the extent practicable, with federal criteria applicable to interstate pipelines serving California.

Hearings were held on Items 1 and 2 above on April 4 and 5, 1979, at Los Angeles. Hearings on Item 3 are now scheduled for December 11, 1979, in Los Angeles.

On May 2, 1979, the Federal Energy Regulatory Commission (FERC) issued its Final Regulation for the Implementation of Section 401 of the Natural Gas Policy Act of 1978 (NGPA).<sup>1/</sup> This regulation establishes a permanent curtailment rule which provides that, to the maximum extent practicable, curtailment plans of interstate pipelines shall protect deliveries of natural gas for "essential agricultural uses" and for "high priority users" as those terms are defined in Section 401(f)(2) of the NGPA.

Under this FERC rule, local distribution company customers of interstate pipelines will be required to reexamine the data used to determine base period volumes for curtailment plans in order to identify which volumes meet the Economic Regulatory Administration's (ERA) definition of Priority 1. Such definition expands the present Priority 1 classification to include schools, hospitals, large multiunit residential complexes, correctional facilities, and police and fire protection. Some of these users are classified as Priority 2 under the present federal criteria and Priority 2A (temporary) under the state criteria.

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<sup>1/</sup> FERC Order No. 29, Docket No. RM 79-15.

The new interstate pipeline curtailment plans must include a new Priority 2 which will contain only the requirements necessary to serve "essential agricultural uses" as defined by the Secretary of Agriculture,<sup>2/</sup> and uses where an alternate fuel is not economically practicable and reasonably available.<sup>3/</sup> All other existing priorities will then be renumbered to follow in sequence after the new Priorities 1 and 2.

Local distribution companies must report and document their revised Priority 1 and Priority 2 customer requirements to their interstate pipeline suppliers. Draft tariff sheets and an index of entitlements are to be filed with the FERC and served on all customers of the interstate pipelines.

Commission Decision No. 88664 of April 4, 1978, requires that all existing California Priority 2A (temporary) customers transfer to a lower priority (California Priority 3) by October 1, 1979. Included in this pending transfer are users which will be classified as Priority 1 or Priority 2 pursuant to the NGPA guideline.

As noted above hearings are now scheduled on bringing the state curtailment criteria closer to the federal criteria. In view of the potential impact of the NGPA and implementing rules on any decision that might result from our consideration of the staff proposal to conform the state criteria with the federal criteria, we believe that it would be unnecessarily disruptive at this time to transfer all Priority 2A (temporary) customers to a lower priority on October 1, 1979, as required by Decision No. 88664, and should be postponed until hearings on the staff proposal are completed and a decision issued.

Findings of Fact

1. FERC Order No. 29, implementing Section 401 of the NGPA, provides for an expanded Priority 1 category and a new Priority 2 category in all interstate pipeline curtailment plans.

2. Included with the state Priority 2A (temporary) users, which are scheduled to be transferred to state Priority 3 on October 1, 1979,

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2/ 7 CFR 2900.

3/ Section 401(b) of the NGPA.

are users which will be classified as Priority 1 or Priority 2 under the federal rules implementing the NGPA.

3. Hearings have been scheduled in Case No. 9642 to consider restructuring the state priority criteria to conform, to the extent practicable, with federal curtailment criteria.

4. The transfer of customers presently classified as Priority 2A (temporary) to a lower priority and a return of such customers to a higher priority could be unnecessarily disruptive.

5. It is in the public interest to retain in Priority 2A (temporary) certain customers beyond the October 1, 1979 transfer date ordered by Decision No. 88664 pending further hearings in Case No. 9642.

Conclusion of Law

The transfer of all Priority 2A (temporary) gas customers to a lower priority by October 1, 1979, as required in Decision No. 85189, as amended by Decisions Nos. 87784 and 88664, should be delayed pending completion of further hearings and a decision in Case No. 9642.

In order that the distribution utilities have sufficient time to notify those customers affected by this order, we shall make this order effective the date of signature.


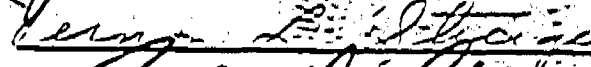
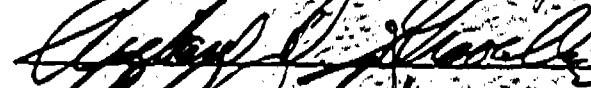

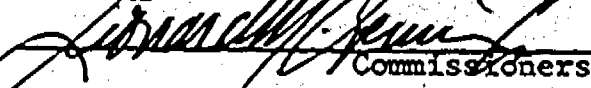
IT IS ORDERED that:

1. The deadline of October 1, 1979 for the transfer of all Priority 2A (temporary) gas customers to a lower priority shall not apply to:
  - a. Commercial and institutional customers.
  - b. Essential agricultural customers whose requirements are submitted to interstate pipeline suppliers in accordance with FERC Order No. 29 in Docket No. RM79-15.

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2. Pacific Gas and Electric Company and Southern California Gas Company shall expeditiously, and before October 1, 1979, serve a copy of this order on all customers classified as Priority 2A (temporary).

The effective date of this order is the date hereof.  
Dated SEP 12 1979, at San Francisco, California.

  
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President  
  
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Commissioners