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Decision No. 90396 NOV 6 1979

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application Pursuant to Paragraph No. 6 of Decision No. 86357 to Reinstate Priority 3, by CENTURY CITY NORTH BUILDING (CENTURY CITY, INC.), CENTURY PLAZA TOWER NORTH (DELTA TOWERS JOINT VENTURE), CENTURY PLAZA TOWER SOUTH (DELTA TOWERS JOINT VENTURE), CENTURY PLAZA HOTEL (CENTURY CITY, INC.), 1901 AVENUE OF THE STARS BUILDING (AETNA LIFE INSURANCE CO.), 1900 AVENUE OF THE STARS BUILDING (AETNA LIFE INSURANCE CO.), NORTHROP BUILDING (NORTHROP CORPORATION), TIGER INTERNATIONAL BUILDING (NORMARL OF CALIFORNIA), NATIONAL CASH REGISTER BUILDING (NCR CORPORATION), CENTURY CITY MEDICAL PLAZA (CENTURY CITY MEDICAL PLAZA, INC.), CENTURY CITY HOSPITAL (CENTURY CITY MEDICAL PLAZA, INC.), ABC ENTERTAINMENT CENTER-PLITT THEATRES (AMERICAN BROADCASTING COMPANIES, INC.), ABC ENTERTAINMENT CENTER-SHUBERT THEATRE (AMERICAN BROADCASTING COMPANIES, INC.), CENTURY PARK EAST CONDOMINIUMS (CENTURY PARK EAST HOMEOWNERS ASSOCIATION), SENOR PICO RESTAURANT (SENOR PICO-LOS ANGELES, INC.), AND CENTRAL PLANTS, INC.

Application No. 57326
(Filed May 20, 1977)

Graham and James, by Boris H. Lakusta,
David J. Marchant, Jerome J. Sulch,
and James T. Proctor, Attorneys at
Law, for Central Plants, Inc., et
al., applicants.

Dennis G. Monge, Attorney at Law, for
Southern California Edison Company;
Thomas D. Clarke and David B. Follett
by David B. Follett, Attorney at
Law, for Southern California Gas
Company; interested parties.

William J. Jennings, Attorney at Law,
for the Commission staff.

O P I N I O N

Applicant Central Plants Inc. (CPI), a wholly owned subsidiary of Pacific Lighting Corporation, operates a number of commercial boiler plants in Southern California. One of its plants, containing four main boilers, is located in West Los Angeles within the commercial and residential development known as Century City. This CPI plant produces from natural gas the heating and cooling energy, in the form of steam, chilled water, and high temperature hot water, which is used for space heating, space cooling, cooking, laundry, and production of domestic hot water for various buildings in the Century City complex. This combination of services is distributed by CPI to various buildings in the Century City complex.^{1/}

^{1/} The following applicants receive service from CPI:
Century City North Building (Century City, Inc.),
Century Plaza Tower North (Delta Towers Joint
Venture), Century Plaza Tower South (Delta Towers
Joint Venture), Century Plaza Hotel (Century
City, Inc.), 1901 Avenue of the Stars Building
(Aetna Life Insurance Co.), 1900 Avenue of the
Stars Building (Aetna Life Insurance Co.),
Northrop Building (Northrop Corporation), Tiger
International Building (Normarl of California),
National Cash Register Building (NCR Corporation),
Century City Medical Plaza (Century City Medical
Plaza, Inc.), Century City Hospital (Century City
Medical Plaza, Inc.), ABC Entertainment Center-
Plitt Theatres (American Broadcasting Companies,
Inc.) ABC Entertainment Center-Shubert Theatre
(American Broadcasting Companies, Inc.), Century
Park East Condominiums (Century Park East
Homeowners Association), and Senor Pico Restaurant
(Senor Pico-Los Angeles, Inc.)

Because CPI supplies energy to the other applicants herein, all references in this opinion will be to CPI.

Decision No. 85189 dated December 2, 1975 instituted an end-use priority system for California gas-distribution utilities and their customers. On December 12, 1975 Southern California Gas Company (SoCal) filed a Petition for Rehearing of Decision No. 85189 to consider, among other things, the sub-blocking of Priority 4 customers. Rehearing was granted on March 16, 1976 by Decision No. 85591.

On September 1, 1976, Decision No. 86357 modified Decision No. 85189 to provide that when a customer has a peak-day demand of 750 Mcf or less, the customer falls into Priority 3. Customers with a peak-day demand of more than 750 Mcf, fall into Priority 4.

CPI states that because of Decision No. 86357, SoCal has advised that the four boilers serving the Century City complex are to receive natural gas service as a Priority 4 customer. By this application CPI seeks restoration to Priority 3.

Public hearing was held August 1, 1977 at Los Angeles.

In its application CPI states that while the average natural gas consumption of each of the four boilers at Century City is in the vicinity of 750 Mcf per day, the peak-day demand of these boilers exceeds that figure; under Decision No. 85189 the gas purchased by CPI was Priority 3 gas; and as a result of Decision No. 86357, CPI was downgraded to Priority 4, in spite of the fact that each building in the Century City complex has a peak-day energy requirement which translates to less than 750 Mcf per day. It is alleged that the downgrading priority puts the applicants herein at a competitive disadvantage with other Southern California buildings receiving natural gas service as Priority 3.

CPI also argues that an extension of Decision No. 87221 dated April 19, 1977 would provide a Priority 3 classification since that decision found that customers of gas utilities which have their own distribution system will have their priorities determined by

reference to the sub-meter readings of each customer's own gas distribution system. That decision found:

"Where a customer-owned gas distribution system is receiving master-metered service from the utility and supplies a number of individual premises, the end-use priority system should apply to each of the premises as if the utility were serving directly from the utility-owned distribution system, provided that the use at each individual premise can be measured or realistically determined."

CPI acknowledges that the Commission was justified in determining that commercial and industrial boilers should be treated alike for priority purposes, but argues that since the individual buildings in the Century City complex would, if each had its own self-contained boiler, use less than 750 Mcf/day, they should be eligible for Priority 3 service.

In support of its application, CPI presented three witnesses. First, Mr. Charles T. Dierker, president of CPI, stated that CPI's operations at Century City are unlike any other commercial boiler usage in the State in that a large number of individually owned or managed buildings are receiving energy in "refined" form from gas-fired boilers. This unique use should, therefore, qualify CPI for Priority 3 service. Mr. Dierker expanded the CPI argument that the individual buildings at Century City consume less than the equivalent of 750 Mcf per day and therefore should receive Priority 3 service.

Mr. Robert Burford, vice president of Century City, Inc., stated that the decision to install the total energy system operated by CPI was made because it was thought to be an energy efficient system. He stated that to place CPI in Priority 4 was inequitable inasmuch as no other private commercial buildings in Southern California are classified as Priority 4, and many such customers are in Priorities 1 or 2.

Finally, Mr. Chris Lourvus, engineering manager for Century City, Inc., testified that to place CPI in Priority 4 was inequitable and that all commercial buildings should be treated the same.

The staff presented Mr. Raymond G. Parks who testified that after a review of Decisions Nos. 85189, 86357, and 87221, he concluded that SoCal had properly classified CPI and its boiler use under Priority 4. He stated that SoCal's records indicate that the four boilers in question have a peak-day use of 2,935 Mcf and that CPI has 18 gas engines classified as Priority 2-A with a peak-day demand of 301 Mcf. Mr. Parks stated that the Priority 4 classification of the boilers and the P-2A classification of the gas engines are based on the equipment's capability to use an alternate fuel and their peak-day use.

Finally, Mr. Parks stated that the 1976 California Gas Report indicates that if no new supplies are received the level of service for Priority 3 and Priority 4 in Southern California would decline as follows:

	<u>Priority 3</u>	<u>Priority 4</u>
1977	89%	-
1978	13	-
1979	-	-

In Decision No. 86357 we stated:

"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 judgement 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 alternative 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."
[Emphasis added.]

CPI acknowledges that the boilers in question consume over 750 Mcf per day to produce steam and other refined energy for distribution to buildings in the Century City complex. Boilers are in the lowest priority since they consume large quantities of gas and can feasibly and economically be converted to an alternate fuel.

The analogy drawn by CPI to Decision No. 87221 is not applicable to the circumstances here. In that decision we found that customer use as used in Decision No. 85189 and amended by Decision No. 86357 means total gas consumption whether it be through a single or a combination of meters and that where a customer-owned gas distribution system is received master-metered service from the utility and supplies a number of individual premises, the end-use priority system should apply to each of the premises as if the utility were serving directly from the utility-owned distribution system, provided that the use at each individual premise can be measured or realistically determined. The priority system refers to the use of gas by the customer and not what the customer is producing and or distributing. Clearly here CPI is a customer as

determined by Decision No. 87221 and is using natural gas as boiler fuel. In fairness we cannot go beyond this use and determine the equities of the product produced.

In addition, it is acknowledged that the "total energy" concept at Century City was installed because of economy as well as efficiency. It would, therefore, seem that the economy realized while natural gas was plentiful and inexpensive was to the competitive advantage of CPI and that while the total energy concept is still efficient, the economic advantage once enjoyed with natural gas service no longer exists.

Finally, while CPI acknowledges that it has standby and alternate fuel capability, it argues that inconvenience and congestion place its customers at a disadvantage with other commercial buildings. We do not agree.

While we are denying this application for reclassification of service, we point out that hearings are now scheduled to align state priority's criteria with federal criteria. If the state criteria is brought into conformance with existing federal criteria it may result in the reclassification of CPI into a higher priority.

The application should be denied.

Findings of Fact

1. CPI operates a commercial boiler plant, containing four boilers, within the commercial and residential development known as Century City.
2. The CPI plant at Century City produces from natural gas the heating and cooling energy, in the form of steam, chilled water, and high temperature hot water used for space heating, space cooling, cooking, laundry, and production of domestic hot water for various buildings in the Century City complex.
3. Decision No. 85189 dated December 2, 1975 instituted an end-use priority system for California gas distribution utilities and their customers.

4. Decision No. 86357 dated September 1, 1976 modified Decision No. 85189 to provide that boilers with a peak-day demand in excess of 750 Mcf per day shall be placed in Priority 4.

5. CPI's four boilers located at Century City have a peak-day demand in excess of 750 Mcf per day.

6. If each building in the Century City complex had its own self-contained boilers, the peak-day demand would be less than the equivalent of 750 Mcf per day.

7. CPI has 18 gas engines with peak-day demands of 301 Mcf receiving Priority 2-A service.

8. Boilers of CPI are classified as Priority 4 because of the equipment's ability to utilize an alternate fuel and the fact that the peak-day use which is predominantly commercial rather than residential, exceeds 750 Mcf. ✓

9. Customer use means total natural gas consumption whether it be through a single or a combination of meters. ✓

Conclusion of Law

The Commission concludes that the application should be denied.

O R D E R

IT IS ORDERED that Application No. 57326 is denied.

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

Dated NOV 6 1979, at San Francisco, California.

I dissent

Clair T. Dierich

I dissent

Vernon L. Sturgeon

John E. Bayson

President

Richard D. Howell

[Signature]

Commissioners