

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION
Energy BranchRESOLUTION G-2666
April 2, 1986RESOLUTION

FURTHER CONSIDERATION OF SOUTHERN CALIFORNIA GAS COMPANY (SoCal). ORDER AUTHORIZING EXTENSION OF EMERGENCY CONTRACT FOR PURCHASE AND SALE OF NATURAL GAS FOR UTILITY ELECTRIC GENERATION

BACKGROUND

By Advice Letter No. 1610, dated March 5, 1986, and pursuant to Section 491 of the Public Utilities Code, SoCal Gas requested a temporary deviation from the rates for service and sales volumes of gas provided under contracts now in effect for service in accordance with Rate Schedule GN-5, GN-5A, G-60, G-61 and Resolution No. G-2664 to Southern California Edison Company, Los Angeles Department of Water and Power, Burbank Public Service Department, Glendale Public Service Department, Pasadena Water and Power Department, Imperial Irrigation District, Long Beach Gas Department and San Diego Gas and Electric Company.

Customers served under these schedules have informed SoCal Gas, and SoCal Gas believes, that the continuing precipitous drop in the world oil prices makes it uneconomical to use natural gas for utility electric generation at the currently authorized rates.

By Resolution G-2668 dated March 12, 1986, the Commission authorized SoCal Gas to sell natural gas to UEG customers at a rate of \$2.25/MMBtu with a margin contribution of \$0.20/MMBtu with the understanding that SoCal Gas would negotiate through hard bargaining with its suppliers to increase the margin on these UEG sales. Specifically, the Commission stated on Pages 7 and 8 of Resolution G-2668, that: "We expect SoCal to take whatever action is necessary to put continued downward pressure on spot gas prices to bring the margin contribution through the special UEG commodity price of \$2.25/MMBtu to a minimum of 30 cents by April first. If it fails to do so, at our regularly scheduled meeting of April 2, we may choose to impute the 30 cent contribution in the \$2.25 special rate for the balance of the 30 day period of this order.

DISCUSSION

By letter dated March 25, 1986, (See Attachment A) SoCal Gas informed the Commission that it has received bids for 2 Bcfd deliveries of spot gas at \$1.82/MMBtu assuming that UEG sales average 700 MMcf/d and SoCal Gas receives a rate of \$2.25/MMBtu for these sales SoCal Gas would receive a margin contribution of \$0.43/MMBtu for these UEG sales. We are pleased that SoCal Gas has bargained effectively to increase its contribution to margin on UEG sales. We are also aware that SoCal Gas and Southern California Edison Company (SCE) on March 26, 1986 negotiated the terms and conditions of a longer-term one-year solution to the fuel switching problems and that SoCal Gas has filed Advice Letter No. 1619 for authority to implement these longer-term solutions.

It is appropriate to allow time to review this advice letter filing and to allow interested parties to comment on that filing. Therefore, we will continue the effectiveness of the UEG rate of \$2.25/MMBtu until our May 7, 1986 meeting affording SoCal Gas the margin contribution of \$0.43/MMBtu pending our consideration of longer-term UEG contracts.

FINDINGS

1. Resolution No. G-2668 authorized the sale of UEG gas at a rate of \$2.25/MMBtu including a margin contribution of \$0.20/MMBtu for a period not to exceed 30 days.
2. Resolution No. G-2668 placed SoCal Gas on notice that it should take all steps possible to bring down its cost of gas to increase its margin contribution.
3. SoCal Gas has increased its margin contribution from \$0.20 to \$0.43/MMBtu for April 1986 spot gas deliveries.
4. SoCal Gas has negotiated with SCE for longer-term UEG sales contracts, and has filed Advice Letter No. 1619, for authority to carry out the longer term contracts.
5. It is reasonable to allow the Commission and interested parties time to review the terms and conditions appropriate for future UEG sales to SCE and to afford interested parties an opportunity to comment on these longer-term contracts.

THEREFORE;

1. SoCal Gas is hereby authorized to extend its current UEG contracts for a period of 30 days from April 12, 1986.

2. In all other respects the terms and conditions in Resolution No. G-2668 will continue to remain in effect for an additional 30-day period until May 12, 1986 unless cancelled or otherwise modified by further order of this Commission.
3. This Resolution shall be served on all parties to the Commission's ongoing Gas Long Term Rate Design proceeding in I.84-04-079.
4. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 2, 1986. The following Commissioners approved it:


Executive Director

DONALD VIAL
President
VICTOR CALVO
PRISCILLA C. GOFW
FREDERICK R. DEGA
Commissioners