

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2728
May 29, 1987

R E S O L U T I O N

PACIFIC GAS & ELECTRIC COMPANY (PG&E). ORDER AUTHORIZING A THIRD EXTENSION OF THE SPECIAL CONTRACT WITH CHEVRON USA, INCORPORATED (CHEVRON) FOR PURCHASE AND SALE OF NATURAL GAS. (Advice Letter No. 1405-G, filed April 16, 1987)

SUMMARY

1. By Advice Letter No. 1405-G, filed April 16, 1987, PG&E proposes to extend the existing sale/transportation contract with Chevron until August 31, 1987, or 30 days after the implementation date of the new rates resulting from the final decision in the Commission's gas-industry-restructuring investigation OII 86-06-005 and OIR 86-06-006, whichever date is later. In no case shall this contract be extended beyond December 31, 1987.

BACKGROUND

1. By Advice Letter No. 1359-G and Resolution G-2684 dated June 5, 1986, the Commission approved a contract between PG&E and Chevron for the retail sale and/or transportation of natural gas for Chevron's Richmond refinery. By Advice Letter No. 1368-G and Resolution G-2692 dated August 20, 1984, the Commission extended the contract for one month from November 30, 1986 to December 31, 1986.

2. By Advice Letter No. 1386-G and Resolution G-2710, dated December 17, 1986, the Commission approved supplemental agreement No. 2 to extend the original contract until the implementation of new rates resulting from the Commission's decision in OII 86-06-005 and OIR 86-06-006, or until June 30, 1987, whichever occurred first. In addition to the time extension, Resolution G-2710 also amended three conditions which went into effect January 1, 1987 as follows:

- a) The institution of a flat-fee customer charge of \$3,500 per month.

- b) Elimination of the two-tier system of determining demand charges, and
- c) introduction of a ratcheted, fixed-rate demand charge of \$0.06 per therm, applied to all gas delivered under this agreement.

3. PG&E has filed supplemental Agreement No. 3 with Advice Letter No. 1405-G simply to extend the term of the Second Supplemental Agreement (Existing Agreement) approved by Resolution G-2710. No modifications to Contract conditions are being sought at this time.

PROTESTS

1. The Commission Staff has received no protests in this matter.

DISCUSSION

1. Under the existing contract, service to Chevron is "unbundled", with Chevron having the flexibility to choose whether to purchase gas from PG&E or transport its own gas. The contract allows for a stable, cost-justified contribution towards the fixed costs of providing service to Chevron, while at the same time directly communicating to Chevron the wellhead cost of gas.

2. This Resolution will amend the existing contract to extend the expiration date from June 30, 1987 to the later of August 31, 1987, or 30 days after the implementation date of the final OII 86-06-005/OIR 86-06-006 decision, but in any case no later than December 31, 1987. These proceedings are part of the Commission's gas-industry-restructuring investigation and interim decisions were approved by the Commission on December 3, 1986.

3. All existing contract conditions will remain in effect as previously authorized by applicable Commission Resolutions.

4. PG&E has negotiated with Chevron to reach contract terms, including the amended term of expiration herein addressed, which are acceptable to the parties involved. The amended contract terms are presented here for Commission approval.

5. Public notification of this filing has been made by mailing copies of the advice letter to other utilities, governmental agencies, and to all interested parties who requested them.

FINDINGS

1. PG&E and Chevron have entered the existing agreement in order to retain Chevron as a viable customer in light of the currently competitive price of oil.
2. The original contract together with Supplemental Agreement No. 2 and Supplemental Agreement No. 3 should be extended to the later of August 31, 1987 or until otherwise modified by the final decision in OII 86-06-005/OIR 86-06-006. In any case, this contract should not extend beyond December 31, 1987.
3. The original agreement between PG&E and Chevron, as submitted by Advice Letter No. 1359-G and approved by Commission Resolution No. G-2684; with amendments, as submitted by Advice Letter No. 1386-G and approved by Commission Resolution No. G-2710, remains in full force and effect, except for the contract expiration.
4. The Commission has already determined, by Resolution No. G-2684, that it is reasonable for PG&E to provide service under this special short-term contract to maintain competitive natural gas prices, while the Commission considers the appropriate long-term gas rate design for PG&E customers. Approval of these proposed amendments will in no way alter this reasonableness; therefore,

IT IS ORDERED that:

1. Under the provisions of Public Utilities Code Sections 490 and 532, Pacific Gas and Electric Company is authorized to revise Part 1 of its gas service agreement with Chevron U.S.A. Inc., to delete the phrase: "term ending December 31, 1986," and to substitute in its place: "until the later of August 31, 1987, or 30 days after the implementation date of the final OII/OIR decision, but in any case no later than December 31, 1987.
2. Advice Letter No. 1405-G and revision to the gas service agreement shall be marked to show that they were authorized for filing by Commission Resolution No. G-2728.
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 as of June 1, 1987, which constitutes regular statutory notice.

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I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on May 29, 1987. The following Commissioners approved it:



Executive Director

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. CHANIAN
Commissioners