

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Energy BranchRESOLUTION G-2774
January 13, 1988

RESOLUTION

PACIFIC GAS AND ELECTRIC COMPANY (PG&E) AND SOUTHERN CALIFORNIA GAS COMPANY (SOCAL GAS). ORDER AUTHORIZING EMERGENCY SHORT NOTICE AMENDMENT TO THE GAS SERVICE MUTUAL ASSISTANCE AGREEMENT BETWEEN THE TWO UTILITIES IN ORDER FOR PG&E TO PROVIDE EMERGENCY GAS TO SOCAL GAS AT A RATE THAT IS FAIR AND EQUITABLE.

SUMMARY

1. By Advice Letters 1449-G and 1762, both filed January 8, 1988 PG&E and SoCal Gas respectively have each requested Commission authorization to amend the Gas Service Mutual Assistance Agreement on a short notice emergency situation.
2. The original agreement was authorized by Commission Resolution G-2274 on May 8, 1979 and provided for either company to request gas from the other in time of imminent curtailment.

BACKGROUND

1. Due to recent extreme cold temperatures in southern California, SoCal Gas was forced to require gas assistance from PG&E in order to continue service to its Priority 2B, 3 and 4 customers. Such assistance was commenced by PG&E on December 28, 1987 and currently the emergency situation continues.
2. PG&E was able to provide such assistance by curtailing its P-5 customers. However, due to the current disparity between the price of low-sulphur fuel oil and the price of natural gas, PG&E finds itself in a money-losing situation under the terms of the then-existing pricing terms of the Mutual Assistance Agreement, thereby placing a burden on its own ratepayers.
3. Paragraph 14 of the Mutual Assistance Agreement provides for suspension of obligation by either party in the event that the operation of the agreement "results in such party suffering undue financial detriment". Absent any renegotiation in price for diverted gas, PG&E will be forced to invoke the provisions of Paragraph 14, in order to protect its ratepayers. The two utilities have arrived at an amendment to the agreement (Shown as Attachment A to this Resolution).

4. Prices for the emergency gas have been negotiated based upon PG&E's cost for substitute oil to generate electricity. Replacement oil prices are \$0.305 per therm for the first 565,000 barrels of fuel oil, \$0.310 per therm for the next 540,000 barrels, and PG&E's estimate for any additional oil.

5. PG&E will flow through revenues from the sale of gas at the rate of \$0.21744 per therm (the current G-55 commodity rate) to the Gas Department, and the excess revenue to the Electric Department.

6. Commission authorization is required to make this amendment to the agreement effective.

FINDINGS

1. Due to the extreme short notice emergency situation of these filings, the Commission Advisory and Compliance Division (CACD) has not had adequate time to fully review this request nor has there been time to receive protests, if any. However, in the interest of providing continuous service to SoCal Gas's customers and to protect PG&E's customers from any undue financial hardship, approval for this amendment should be granted, subject to the condition that the Commission reserves the right to re-examine these findings at a later date and to modify its decision after further consideration of the facts and circumstances in this case.

2. The payments made under the amended agreement should be made subject to refund as of the date of this order; and such a condition is proper in that the costs in question represent a specific limited area of expense and do not involve general ratemaking.

3. This order is being issued without advance publication on the Commission's agenda, pursuant to the emergency conditions exemption under Public Utilities Code Section 306(b). The emergency situation presented by the curtailment of SoCal Gas Company's higher priority customers will be alleviated by this action. The urgency which exists in this situation requires that the Commission act in an expedited manner. The proposed amendment to the Mutual Assistance Agreement is just and reasonable based upon the facts available to the Commission at this time.


THEREFORE:

IT IS ORDERED THAT:

1. Pacific Gas and Electric Company and Southern California Gas Company are authorized under Sections 306(b), 490 and 491 of the Public Utilities Code to place the Amendment to the Gas Service Mutual Assistance Agreement, as shown in Attachment A to this Resolution, into effect immediately. However, any payments received by either company under the amended agreement shall be collected subject to refund as of the effective date of this Resolution, January 13, 1988, in the event that the Commission subsequently modifies its order after further review of the amended agreement.
2. Southern California Gas Company and Pacific Gas & Electric Company shall jointly provide a report to the CACD, no later than June 30, 1988, as to the revenue effects of the gas sales/transfers made under the amended Gas Service Mutual Assistance Agreement.
3. The Commission reserves the right to re-evaluate the above amendment to the agreement in the event of any possible protests and to make such modifications to this order as it may deem necessary.
4. This Resolution is adopted without notice as an emergency measure to prevent curtailment of gas supplies to Southern California Gas Company's higher priority customers.
5. The above advice letters and attachments shall all be marked to show that they were authorized for filing by Commission Resolution G-2774. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on January 13, 1988. The following Commissioners approved it:

DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners



Executive Director

Commissioner Stanley W. Hulett
being necessarily absent, did
not participate.

AMENDMENT TO GAS SERVICE MUTUAL ASSISTANCE AGREEMENT

THIS AGREEMENT to amend (hereinafter "Amendment") the Gas Service Mutual Assistance Agreement dated April 13, 1979 (hereinafter "Assistance Agreement"), is made this 8th day of January, 1988, by and between Pacific Gas and Electric Company, a corporation (hereinafter "PG&E"), and Southern California Gas Company, a corporation (hereinafter "SoCalGas"), collectively referred to hereinafter as "parties".

RECITALS

WHEREAS, due to unusual prevailing weather conditions in the SoCalGas service area, SoCalGas requested assistance from PG&E to meet its gas supply needs to provide service to its P-3 and P-4 customers in order to avoid curtailment to such customers; and

WHEREAS, SoCalGas anticipated such request for assistance would continue for the foreseeable future; and

WHEREAS, pursuant to paragraph 14 of the Assistance Agreement, PG&E suspended its obligations under the Assistance Agreement because invocation of the payment provisions of paragraph 5(a) of the Assistance Agreement would cause undue

financial detriment to PG&E's shareholders and ratepayers by not reimbursing PG&E for the cost of burning and replacing fuel oil used in PG&E's electric power plants, which burning enabled PG&E to provide SoCalGas with assistance gas; and

WHEREAS, PG&E nevertheless agreed to provide temporary gas supply assistance to SoCalGas to the best of PG&E's ability and consistent with prudent operation of its system, as long as it was fully compensated for its purchases of oil; and

WHEREAS, since December 28, 1987, PG&E has provided SoCalGas protection gas supply at a rate of between two hundred (200) MMcf per day and three hundred fifty (350) MMcf per day and has burned and replaced substantial quantities of oil in its electric power plants to permit gas to be delivered to assist SoCalGas, and has made and will be making purchases of fuel oil as a consequence of such burning; and

WHEREAS, pursuant to paragraph 14 of the Assistance Agreement, upon notice of suspension by PG&E, the parties immediately met to amend such Agreement to alleviate any undue financial detriment; and

WHEREAS, the parties agree that the Assistance Agreement should be amended to provide for reimbursement to PG&E for the cost of replacing quantities of oil used in electric power plants to enable temporary gas service to be delivered to assist SoCalGas; the parties believe the new pricing provisions are reasonable, fair and equitable to both parties; and

WHEREAS, PG&E shall cooperate in any Commission proceeding examining SoCalGas' request for assistance and delivery hereunder by providing information and testimony to explain the basis and verify the price of oil and associated direct expenses in subparagraph 5(c) of the Assistance Agreement as amended hereunder.

NOW, THEREFORE, it is hereby agreed that the Assistance Agreement shall be amended as follows:

1. Paragraph 5 of the Assistance Agreement shall be amended to add a new subparagraph (c) as follows:

"(c) Payment by SoCalGas for gas deliveries which result in oil purchases for PG&E's electric power plants.

Notwithstanding subparagraphs (a) and (b) of this paragraph 5, and notwithstanding any other provision in this Agreement to the contrary, the all-inclusive price to be paid for P-1/P-2A Protection Gas, P-2B/P-3/P-4 Protection Gas and Contingency Gas delivered to SoCalGas on and after December 28, 1987, pursuant to the terms of paragraphs 2(a), 3(a) and 4(a) hereof on any day that PG&E is burning oil in electric power plants shall be as follows:

- (i) For the first 3,559,500 decatherms of gas requested by and delivered to SoCalGas, the price shall be \$3.05 per decatherm, which price shall be based on an equivalent price of oil for 565,000 barrels.

- (ii) For the next 3,402,000 decatherms of gas requested by and delivered to SoCalGas, the price shall be \$3.10 per

decatherm, which price shall be based on an equivalent price of oil for 540,000 barrels.

(iii) For any gas requested by and delivered to SoCalGas thereafter, in addition to the quantities described in subparagraphs (i) and (ii), the price per decatherm shall be based on PG&E's reasonable estimate of the then current or future cost of low sulphur fuel oil for use in its electric power plants.

(iv) PG&E shall not request the return of, nor pay for the return of, P-1/P-2A Protection Gas or P-2B/P-3/P-4 Protection Gas and Contingency Gas provided hereunder by the burning of oil in electric power plants."

2. Pursuant to paragraph 9, Kern River Station and Kettleman Intertie Meter and Regulator Station shall be added

as additional points of interconnection between the system of PG&E and SoCalGas.

3. The parties shall jointly submit this Amendment to the California Public Utilities Commission (Commission) for authorization of the terms and conditions of the Amendment immediately upon execution, and shall each exercise best efforts to obtain emergency authorization as soon as permissible under the Commission's regulations. The parties shall cooperate fully in obtaining such authorization and shall actively support any application seeking such emergency authorization.

4. This Amendment shall become effective only upon Commission approval of this Amendment as submitted. In the event such approval is not obtained, this Amendment will have no force or effect, and the suspension described above shall continue. This Amendment shall continue in full force and effect until PG&E shall notify SoCalGas in writing that it is no longer burning oil in its electric power plants to enable PG&E to deliver gas to SoCalGas pursuant to the Assistance Agreement. However, paragraph c (iv) above shall survive any termination of the Amendment.

All other terms and conditions not changed herein shall continue in full force and effect.

IN WITNESS WHEREOF, PG&E and SoCalGas have caused this agreement to be executed on January 8, 1988.

SOUTHERN CALIFORNIA GAS COMPANY

PACIFIC GAS AND ELECTRIC COMPANY

By William H. Ows
Vice President

By Dan Z. [Signature]
Vice President