

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2777
February 24, 1988

R E S O L U T I O N

PACIFIC GAS & ELECTRIC (PG&E), ORDER AUTHORIZING A
FOURTH EXTENSION OF THE SPECIAL CONTRACT WITH CHEVRON
USA, INCORPORATED (CHEVRON) FOR PURCHASE AND SALE OF
NATURAL GAS.

SUMMARY

1. By Advice Letter 1448-G, filed January 6, 1988, PG&E proposes to extend the existing sale/transportation contract with Chevron until the implementation date of the new rates resulting from Decision 87-12-039 in the Commission's gas-industry restructuring investigation OII 86-06-005 and OIR 86-06-006. In no case will this contract be extended beyond July 31, 1988.

BACKGROUND

1. By Advice Letter 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 1368-G and Resolution G-2692, dated August 20, 1986, the Commission extended the contract for one month from November 30, 1986 to December 31, 1986.

2. By Advice letter 1386-G and Resolution G-2710, dated December 17, 1986, the Commission approved Supplemental Agreement 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 implementation 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. By Advice letter 1405-G and Resolution G-2728, dated May 29, 1987, The Commission approved Supplemental Agreement 3 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 December 31, 1987, whichever occurred first. No other modifications to contract conditions were sought at that time.

4. By this filing, PG&E files Supplemental Agreement 4 to extend the terms of the Third Supplemental Agreement (Existing Agreement) approved by Resolution G-2728.

5. In addition to the time extension PG&E also seeks other modifications agreed to by both parties as follows:

- a) Increases in the fixed-rate demand charge from \$0.06 per therm to \$0.075 per therm.
- b) Establishes that PG&E shall transport gas owned by Chevron at no additional cost above the customer and demand charge except when that gas is produced within the State of California, in which case, an additional \$0.034 per therm gathering charge shall apply.
- c) Revises Appendix A to clarify the rate Chevron will pay PG&E for transport gas.

DISCUSSION

1. Under the existing contract, service to Chevron is "unbundled", giving Chevron the choice of purchasing gas from PG&E or transporting its own gas. The contract allows for a stable contribution towards the fixed costs of providing service to Chevron, while at the same time directly communicating to Chevron the wellhead cost of the gas.

2. This resolution will amend the existing contract to extend the expiration date from December 31, 1987 to the implementation date established by Decision 87-12-039, but in any case, no later than July 31, 1988, which allows an extra sixty days beyond the May 1, 1988 implementation date of Decision 87-12-039 in the event that any contingency might arise. This decision is part of the proceedings of the Commission's gas industry restructuring investigation.

3. The amended contract also makes other modifications agreed upon by both parties including, but not limited to, the increase of the fixed-rate demand charge from 6 cents per therm to 7.5 cents per therm.
4. All other existing contract conditions will remain in effect.
5. PG&E has negotiated with Chevron to reach contract terms, including the amended term of expiration, which are acceptable to the parties involved. The amended contract shall not become effective without the Commission's approval.
6. The Commission Advisory and Compliance Division (CACD) has received no protests on this matter.
7. 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 such copies.

FINDINGS

1. PG&E negotiated the existing agreement and modifications as proposed by Advice Letter 1448-G in order to retain Chevron as a viable customer in light of the currently competitive price of fuel oil.
2. Chevron has agreed to the proposed modifications to the contract.
3. The original contract together with Supplemental Agreements 2, 3 & 4 should be extended to the implementation date of Decision 87-12-039. In any case, this contract should not extend beyond July 31, 1988.
4. The original agreement between PG&E and Chevron, as submitted by Advice Letter 1359-G and approved by Commission Resolution G-2684; with amendments, as submitted by Advice Letters 1368-G, 1386-G & 1405-G and approved by Commission Resolutions G-2692, G-2710 & G-2728 respectively, remains in full force and effect, except for the revised contract expiration date and the proposed changes submitted herein.
5. We have already determined, by Resolution 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 we have considered the appropriate long-term gas rate design for PG&E customers. Approval of these proposed amendments will in no way alter this.

6. We further find that the increase in demand charge, the extended expiration date and the other modifications proposed herein are just and reasonable.

THEREFORE

IT IS ORDERED that:

1. Pacific Gas & Electric Company is authorized under the provisions of Sections 490 and 532 of the Public Utilities Code to revise Part 1 of its gas service agreement with Chevron USA Inc., to delete the phrase: "term ending December 31, 1987," and to substitute in its place: "until the actual implementation date of the Commission's December 9, 1987 Decision 87-12-039, but in any case, no later than July 31, 1988."

2. Pacific Gas & Electric Company is authorized to further amend the gas service agreement with Chevron by increasing the monthly demand charge from 6 cents per therm to 7.5 cents per therm and to make such other modifications as mutually agreed to by both parties and as presented in the 4th Supplemental Agreement to the gas service contract.

3. Advice Letter 1448-G and the 4th Revision to the gas service agreement shall be marked to show that they were authorized for filing by Commission Resolution G-2777.

4. This resolution shall be served on all parties to the Commission's ongoing gas long-term rate design proceeding in I.84-04-079.

5. This resolution is effective today, which constitutes more than regular notice.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on February 24, 1988. The following Commissioners approved it:

STANLEY W. HULETT
President
DONALD VIAL
JOHN B. OHANIAN
Commissioners


EXECUTIVE DIRECTOR