

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION NO. G-2818
September 28, 1988

R E S O L U T I O N

RESOLUTION G-2818. PACIFIC GAS AND ELECTRIC COMPANY (PG&E). ORDER REJECTING PG&E'S RECLASSIFICATION OF STONE CONTAINER CORPORATION (STONE), A PG&E GAS CUSTOMER, FROM CORE TO NONCORE GAS SERVICE. ADVICE LETTER NO. 1463-G, FILED JUNE 3, 1988.

SUMMARY

1. By Advice Letter 1463-G, filed June 3, 1988, PG&E requested that Stone, a PG&E gas customer, be reclassified from core status to noncore status for the period from May 1, 1988 to April 30, 1989. PG&E informed the Commission Advisory and Compliance Division (CACD), in a letter written August 4, 1988, that the conditions under which Stone's reassignment agreement had been signed had changed, and that PG&E now wished Stone's reassignment agreement to be effective only between May 1, 1988 and August 7, 1988.

BACKGROUND

1. In Decision 88-03-085, the Commission authorized the reclassification of certain large core gas customers to noncore status if the customer could demonstrate technological capability to use alternate fuel and where the cost to do so would be less than the cost of core gas service.

2. PG&E evaluated Stone's capability based upon a five year forecast of gas use and concluded that Stone should be recommended for noncore status.

3. PG&E signed a reassignment agreement with Stone Container Corporation effective May 1, 1988. On July 6, 1988, PG&E learned that Stone Container had signed an agreement with a cogeneration company for the provision of steam in early 1990, replacing PG&E's natural gas as an energy source in about a year and a half.

DISCUSSION

1. PG&E's reassignment agreement used a forecast period of five years of gas service. The cost amortization over a five year period resulted in an overall lower alternative fuel burning cost, thus allowing Stone to qualify for a lower negotiated transportation rate. However, PG&E believes that if the cost of the alternative fuel system were amortized over an eighteen month period, it would have substantially increased Stone's cost of burning an alternative fuel making it ineligible for reclassification to noncore. Therefore, under the circumstances, on July 7, 1988, PG&E cancelled Stone's reassignment agreement effective August 8, 1988 (30 day's notice).

2. CACD has analyzed PG&E's request. Based on an eighteen month forecast period, CACD agrees with PG&E that Stone could not install the necessary equipment to utilize an alternate fuel at less than the cost of core service.

3. CACD believes that PG&E should have gotten reasonable assurance from Stone that it would continue as a qualified non-core customer for the forecast period. Since Stone almost immediately entered into a contract with a cogenerator that invalidated PG&E's analysis, PG&E apparently did not have such assurance. PG&E has not shown otherwise. Lacking such assurance, CACD believes that PG&E should not have entered into the contract with Stone in the first place.

4. CACD recommends rejection of PG&E Advice Letter 1463-G since the requirements of D. 88-03-085 were never met.

PROTESTS

1. A limited protest concerning the revenue and marginal cost accounting consequences of the change from core status to noncore status has been submitted by the consumer group TURN. The substance of the protest was addressed in Commission Resolution G-2796.

FINDINGS

1. Stone was not, and is not qualified for non-core service because it cannot install the necessary equipment to utilize an alternate fuel at less than the cost of core service when such equipment is amortized over eighteen months.

2. PG&E should not have entered into the contract with Stone without first obtaining reasonable assurance that Stone would continue as a qualified non-core customer through the end of the analysis period.

THEREFORE, IT IS ORDERED that:

- (1) PG&E's Advice Letter 1463-G is rejected.
- (2) As discussed above, when determining a customer's eligibility for non-core service PG&E shall base its analysis upon an evaluation period for which the customer has given reasonable assurance that it will remain a qualified non-core customer.
- (3) This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 28, 1988. The following Commissioners approved it:

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



Executive Director