

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2903
February 23, 1990

R E S O L U T I O N

RESOLUTION G-2903. PACIFIC GAS AND ELECTRIC COMPANY IS AUTHORIZED TO TRANSFER HURON GINNING, INC. AND C&K DEHYDRATORS FROM CORE TO NONCORE GAS TRANSPORTATION SERVICE.

BY ADVICE LETTER 1560-G, FILED ON NOVEMBER 3, 1989 AND ADVICE LETTER 1566-G, FILED ON NOVEMBER 27, 1989, RESPECTIVELY.

SUMMARY

1. Pacific Gas and Electric Company (PG&E) requests authority to transfer Huron Ginning, Inc. (Huron) and C&K Dehydrators (C&K) from core to noncore gas transportation service. Both Huron and C&K have the technical capability and economic incentive to install and use an alternate fuel system as required for noncore service.
2. The Division of Ratepayer Advocates (DRA) protested the Advice Letters. DRA requested that the reassignment agreements be modified to explicitly state the customers' responsibilities in the event of a natural gas curtailment and the potential penalties for noncompliance. The changes are adopted by this Resolution.
3. This Resolution grants the request and orders PG&E to file a new standard reassignment agreement containing the revisions requested by DRA.

BACKGROUND

1. The transfer of customers from core to noncore transportation status was addressed in Decision (D.) 88-03-085. Customers whose usage is greater than 20,800 therms per month are considered large core customers and may transfer to noncore status without installing alternate fuel burning equipment under the following circumstances: a) The customer must be willing to accept a lower priority of service, and, b) The Commission grants an exception upon successful showing that the customer "... has the clear technological capability to use alternate fuel and where the cost to do so and then use alternate fuel would be less than the cost of core service." (D.88-03-085, pg. 15, and Ordering Paragraph No. 5).

NOTICE

1. Public notice of these filings was made by mailing copies of the Advice Letters to other utilities, governmental agencies and to all interested parties who requested such notification. Notice of the filing of Advice Letter 1560-G was published in the Commission calendar on November 8, 1989. Notice of the filing of Advice Letter 1566-G was published in the Commission calendar on December 1, 1989.

PROTESTS

1. The Division of Ratepayer Advocates (DRA) filed protests to both Advice Letters with the Commission Advisory and Compliance Division (CACD). The protests expressed DRA's concern that the customers may not be aware of their responsibilities as noncore customers to curtail when ordered. DRA requested that PG&E's agreements with Huron and C&K be revised to include a

term listing the actions that customers must take when PG&E announces a gas curtailment. DRA also asked that the agreements describe the penalties PG&E may apply if a customer does not comply with a gas curtailment request.

2. On December 5, 1989 a meeting was held with representatives of DRA, PG&E and CACD to discuss DRA's concerns. PG&E pointed out that its Standard Form 79-737, Agreement for Reassignment of Priority P2B, refers to the curtailment requirements of PG&E's Gas Rule 14. Gas Rule 14 states that if a customer does not comply with a curtailment order PG&E may backbill the customer for the previous 12 months at the otherwise applicable tariff rate. However, PG&E had no objection to amending the standard contract. In a letter to CACD dated December 6, 1989 PG&E agreed to the following:

"PG&E will revise its reassignment agreements with C&K and Huron to include the actions these customers must take when PG&E announces a gas curtailment. The revision will also include the actions PG&E will take in the event of non-compliance of its request. PG&E does not object if the Commission requires revisions to all previously approved reclassification agreements and Standard Form Agreement 79-737."

3. DRA agreed that, pending the approval of an amended standard contract, letters from Huron and C&K stating that they are aware of their responsibilities in the event of a gas curtailment would be sufficient.

4. PG&E has provided CACD with copies of letters from C&K and Huron in which the companies acknowledge their responsibilities and accept the possible penalties for noncompliance.

DISCUSSION

1. Huron is a cooperative cotton gin in Huron, California. C&K Dehydrators is a fruit dehydrator facility in Fowler, California. CACD conducted field investigations of each customer's facilities and determined that they have the technical and economic capability to install facilities that would allow them to use alternative fuel on a sustained basis. CACD believes that these customers would switch to an alternative fuel if the requests to switch to noncore are denied.

2. Huron was classified as a core gas customer in the throughput forecast adopted by the Commission for cost allocation in PG&E's last Annual Cost Allocation Proceeding (ACAP), D.89-05-073. Transferring Huron from core to noncore may therefore cause a revenue shortfall to the core fixed cost revenue account. The accounting consequences of core to noncore transfers were considered in Resolution G-2796, dated August 24, 1988. Ordering Paragraph 2 of G-2796 states fixed cost revenue contributions from this customer will continue to be credited to core gas fixed cost account (GFCA) until it is transferred to noncore for purposes of cost allocation. In addition, Ordering Paragraph 3 of Resolution G-2796 requires that the difference between forecasted and actual core gas fixed cost revenues will be recorded in a memorandum account during the interval between cost allocation proceedings.

3. Although C&K is currently a core gas customer, it was forecast as a noncore customer in the throughput forecast adopted by the Commission for cost allocation in PG&E's last ACAP. Therefore, its fixed cost revenue contributions will continue to be booked into noncore gas fixed cost account until the next cost allocation.

4. Because Huron and C&K are currently classified as core customers, they will not be subject to the noncore to the core portfolio switching ban if they should choose to purchase gas from the core portfolio at this time. These Advice Letters request a change in the transportation status, not the purchase of gas.

5. DRA's protest raised an issue of legitimate concern. PG&E has informed CACD that it expects to curtail gas customers during the 1990 heating season. Noncore customers, such as Huron and C&K, who do not have alternate fuel systems in place need to be fully aware of the risk associated with their new status. Amending the standard contract is an economical way to ensure that these customers are aware of their responsibilities.

FINDINGS

1. Huron and C&K meet the conditions required by D.87-03-085 to transfer from core to noncore gas transportation service.
2. Huron and C&K were core customers prior to their reassignment agreement and will not be subject to the noncore to core portfolio switching ban.
3. The accounting consequences of utility customers' conversion from core to noncore were considered by Commission Resolution G-2796, dated August 24, 1988. Fixed cost revenue contributions and shortfalls should be treated in the same manner as specified in Resolution G-2796.
4. These filings will not increase any existing rate or charge, conflict with other schedules or rules, or cause the withdrawal of service.
5. PG&E's request to reassign Huron and C&K from core to noncore status is reasonable.

6. DRA's concern that noncore customers may not be aware of the risks of noncore status is reasonable.

7. PG&E should modify the standard reassignment agreement to specify the penalties for not complying with a gas curtailment order.

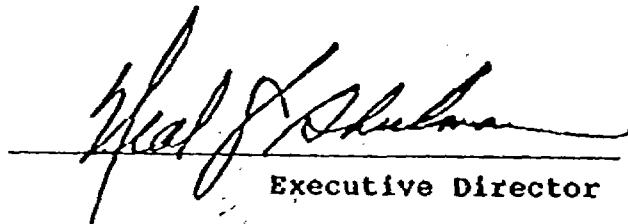
8. PG&E has received letters from Huron and C&K that state they are aware of and accept their responsibilities during a gas curtailment, and the penalties for not curtailing.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to provide noncore gas transportation service to Huron Ginning, Inc. and C&K Dehydrators as requested in Advice Letters 1560-G and 1566-G, respectively.
2. Huron Ginning, Inc. and C&K Dehydrators shall not be subject to a portfolio switching ban at this time.
3. Fixed cost revenue contributions shall be recorded in the fixed cost account that corresponds to the customer's classification during the most recent cost allocation decision, as discussed in Resolution G-2796.
4. Within 45 days of the effective date of this Resolution Pacific Gas and Electric Company shall file by Advice Letter an amended Standard Form 79-737, Agreement for Reassignment of Priority 2B, describing the actions the customer must take when a gas curtailment is announced and the penalties a customer faces if it does not comply with a gas curtailment order.
5. Advice Letters 1560-G and 1566-G shall be marked to show that they were approved by Resolution G-2903. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on February 23, 1990. The following Commissioners approved it:

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners


Executive Director