

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Copy for:

Orig. and Copy
to Executive Director

Director
Numerical File
Alphabetical File
Accounting Officer

RESOLUTION NO. G-2311

UTILITIES DIVISION
BRANCH/SECTION: Gas
DATE: October 23, 1979

R E S O L U T I O N

SUBJECT: Request for Natural Gas Allocations Deviating from the
Procedures Established by Decision No. 85189, as Modified

WHEREAS: LOS ANGELES DEPARTMENT OF WATER AND POWER (LADWP), by letter filed July 18, 1979, has requested that Southern California Gas Company (SoCal) be required to allocate gas for electric generation boiler fuel requirements under the following conditions:

1. LADWP's requirements for Scattergood Generating Unit 3 (SGS-3), which are presently Priority 5 requirements, would be served in parallel with SoCal Priority 3 service.
2. Annual deliveries to LADWP would be limited to the quantities delivered to LADWP under presently effective curtailment procedures with the net effect being a change in the pattern of monthly deliveries.

WHEREAS: SGS-3 is not presently equipped to use fuels other than natural gas and under present curtailment procedures, it is expected that insufficient natural gas would be available to fuel SGS-3 during the winter months, and

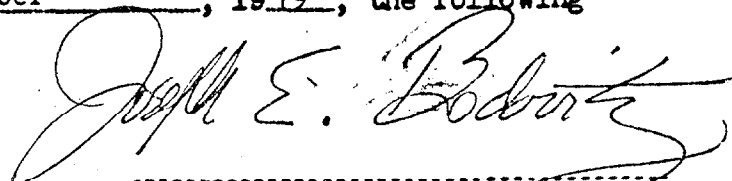
WHEREAS: Special allocation arrangements deviating from the procedures authorized by Decision No. 85189 are required to permit a greater and more efficient utilization of SGS-3, therefore, good cause appearing,

IT IS ORDERED that: Southern California Gas Company shall serve the requirements of LADWP's Scattergood Generating Station Unit 3 in parallel with Priority 3 service under the following conditions:

1. Priority 3 status for SGS-3 shall be limited to the period November 1, 1979 through April 30, 1980.
2. Total deliveries to LADWP during the period November 1, 1979 through April 30, 1980 shall be limited, to the extent practicable, to the quantity necessary to satisfy the requirements of SGS-3 or the total quantity that would have been received under the present procedures, whichever is greater.
3. Total deliveries to LADWP shall be brought into parity with other Priority 5 customers by November 1, 1980, even if it is necessary to reduce deliveries below the level required to satisfy SGS-3 during the summer of 1980.
4. If LADWP obtains deliveries of an independent source of supply during the period November 1, 1979 through April 30, 1980, the special allocation arrangements authorized herein, except for the provision requiring Priority 5 parity by November 1, 1980, shall terminate. The effective date of this Resolution is the date hereof.

I hereby certify that the foregoing Resolution was duly introduced, passed and adopted at a regular conference of the Public Utilities Commission of the State of California, held on the 23rd day of October, 1979, the following Commissioners voting favorably thereon:

JOHN E. BRYSON, President
RICHARD D. GRAVELLE, CLAIRE T. DEDRICK,
LEONARD M. GRIMES, JR., Commissioners



Executive Director

State of California

Memorandum

Date : October 23, 1979
Conference

To : THE COMMISSION

From : Public Utilities Commission — San Francisco -- G. L. Way, Chief Gas Engineer

Phone: 7-3310

File No.: C.9642

Subject: Allocation of Natural Gas to the Los Angeles Department of Water and Power from Southern California Gas Company (Resolution No. G-2311)

ISSUE: Request of the Los Angeles Department of Water and Power (LADWP) for Commission authorization of special arrangements under which Southern California Gas Company (SoCal) would allocate gas to LADWP for use of its Scattergood Generating Unit 3 (SGS-3), under conditions deviating from the provisions of Decisions Nos. 85189 and 86357.

FACTS: By letter filed July 18, 1979, LADWP has requested that SoCal be authorized to allocate certain quantities of gas to LADWP's SGS-3 in parallel with Priority 3 service, provided, however, that the annual quantities delivered to LADWP are limited to the quantities that would be delivered under SGS-3's present priority classification. The present classification of SGS-3 is Priority 5.

LADWP's request states that SGS-3 was originally designed in 1968 to burn fuel oil at a full load capacity of 490 megawatts (MW). However, due to restrictions in the Authority to Construct issued by the Los Angeles Air Pollution Control District, the unit was redesigned during the construction phase to burn only natural gas. In addition, the construction permit limited SGS-3 operation to 315 MW. SGS-3 began operations in November of 1974. Due to the limited availability of natural gas, SGS-3 has operated only intermittently since that time. LADWP further states that it is vigorously pursuing necessary approvals to burn fuel oil and that the estimated cost of converting SGS-3 to dual fuel capability is \$140,000,000.

DISCUSSION: In effect, Commission approval of the request would result in increased deliveries to LADWP during the winter months and reduced deliveries during the summer months as total annual deliveries are brought back into parity with other Priority 5 requirements. The precise effect on other customers on the SoCal system depends on high priority demand and total supplies available, both of which are heavily dependent on weather conditions, and, therefore, not predictable.

The staff requested comments on LADWP's proposal from other Priority 5 customers on the SoCal system. San Diego Gas & Electric Company (SDG&E) comments that although the annual total gas for LADWP may not change, the pattern of monthly

*OK for
B. L. Way*

gas deliveries will be impacted for the remaining Priority 5 customers. SDG&E further comments that increasing deliveries in the summer (to Priority 5 customers other than IADWP) increases the chance of gas rejection due to fuel oil commitments and that such a rejection would cause an economic burden on SDG&E ratepayers. SDG&E suggests that: "In the event that IADWP's request is approved, and if the Commission agrees that there is adverse effect upon other utilities in the state, SDG&E feels that the CPUC should set up a mechanism by which those inequities are remedied."

CONCLUSIONS AND RECOMMENDATIONS: The staff concludes that a temporary deviation from the curtailment procedures established by Decision No. 85189, as modified, is justified and recommends approval of IADWP's request conditioned as specified in the attached Resolution.

SDG&E's suggestion that the Commission set up a mechanism to remedy economic inequities that may result from Commission approval of IADWP's request in effect asks the Commission to address the broad issue of compensation in curtailment orders. It is clear that as long as the gas available for distribution is less than the total requirements, any modification of, or deviation from, existing procedures that results in additional deliveries to a particular customer, or use, will result in an equivalent reduction in deliveries to other users. In this case, approval of IADWP's request could result in a diminution of the gas available to Priority 3 and Priority 4 service, as well as changing the pattern of monthly deliveries to Priority 5. Therefore, a mechanism to compensate other utilities for any resulting adverse economic impacts--as SDG&E suggests--would appear to require similar treatment of all Priority 3 and Priority 4 customers. Although not recommended by the staff, it would appear that hearings on IADWP's request would have to be held if the Commission wishes to address the issue of compensation as suggested by SDG&E.

DLK:LO

Attachment

October 25, 1979

Southern California Gas Company
Box 3249 Terminal Annex
Los Angeles, CA 90051

Attention: Mr. Jonal Hill
Vice President

Gentlemen:

The Commission has received and filed a letter from the Department of Water and Power, the City of Los Angeles (LADWP) dated July 9, 1979, requesting Commission authorization of special arrangements under which the Southern California Gas Company (SoCal) would allocate gas to LADWP for use at its Scattergood Generating Unit 3 (SGS-3), under conditions deviating from the provisions of Decisions Nos. 85189 and 86357.

You are hereby notified that the Commission on October 23, 1979 by Resolution No. G-2311, a conformed copy attached herewith, granted authority for SoCal to deviate from the provisions of Decisions Nos. 85189 and 86357, and to allocate certain quantities of gas to LADWP's SGS-3 in parallel with Priority 3 service for a limited period of time.

Enclosed is a copy of LADWP's letter dated July 9, 1979, showing thereon the date of filing and that the authorization was granted under Resolution No. G-2311 of the Public Utilities Commission of the State of California.

Very truly yours,

Greville L. Way
Chief Gas Engineer

RGP:LO
m

Enclosures

cc: Mr. Louis H. Minnard
General Manager and Chief Engineer
Department of Water and Power, the City of Los Angeles
Box 111
Los Angeles, CA 90051

bcc: Mr. Martin White, Gas Branch, SF
LA Office

Department of Water and Power



PUBLIC
the City of Los Angeles

JUL 18 10 22 AM '79

TOM BRADLEY
Mayor

Commission
SARA C. STIVELMAN, *President*
HERBERT C. WARD, *Vice President*
RICARDO R. GUTIERREZ
JOHN L. MALONEY
WILLIAM H. MCADAM
JUDITH K. DAVISON, *Secretary*

LOUIS H. WINNARD, *General Manager and Chief Engineer*
PAUL H. LANE, *Chief Engineer of Water Works and Assistant Manager*
JAMES L. MULLOY, *Chief Electrical Engineer and Assistant Manager*
WILLIAM D. SACHAU, *Chief Financial Officer*

July 9, 1979

Mr. J. E. Bodovitz
Executive Director
Public Utilities Commission
State of California
California State Building
San Francisco, California 94102

GAS BRANCH

JUL 18 1979

FILED
JUL 18 1979
PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA

Dear Mr. Bodovitz:

Filed: JUL 18 1979

~~Advice No. Utility Request~~

Resolution No. G 2311

Signed OCT 23 1979

Effective OCT 23 1979

Request for Natural Gas Curtailment Of
Scattergood Generating Station Unit 3
With Priority 3

This is to request that the Commission, for natural gas allocation purposes, allow the Los Angeles Department of Water and Power's electric generating unit designated Scattergood Generating Station Unit 3 (SGS-3) to be curtailed with Priority 3.

SGS-3 is the Department's newest and most efficient basin electric generating unit. It was originally designed in 1968 to burn fuel oil at a full load capacity of 490 megawatts (mw). However, due to restrictions in the Authority to Construct issued by the Los Angeles County Air Pollution Control District (LACAPCD) on February 18, 1971, a copy of which is enclosed as Enclosure A, the unit was then redesigned during the construction phase to burn only natural gas. In addition, the construction permit limits its operation to 315 mw.

SGS-3 began commercial operation with these fuel and load restrictions in November 1974. It is still operated in this manner today with its use being limited by a lack of adequate supplies of natural gas. Due to these limited supplies, SGS-3 has operated only intermittently since it began operation.

Because future supplies of natural gas were becoming more uncertain and in order to use SGS-3 on a continuous basis, the Department proposed in early 1975 to convert this unit to also burn fuel oil. Air quality permit applications and an Environmental Impact Report were prepared. All of the necessary permits to convert the unit to fuel oil were received by December 1, 1977. A copy of the permit from the Southern California Air Pollution Control District is Enclosure B, and the permit from the Environmental Protection Agency (EPA) is Enclosure C.

Water and Power Conservation... a way of life

July 9, 1979

However, subsequently by letter of February 22, 1978, a copy of which is enclosed as Enclosure D, the EPA notified the Department that SGS-3 must also meet the stringent nitrogen oxide, sulfur oxide, and particulate emission limits of what had been the LACAPCD Rule 67. The LACAPCD had been superseded by the South Coast Air Quality Management District (SCAQMD). Although Rule 67 had been removed by the SCAQMD, it was still a part of the State Implementation Plan. No thermal electric power plant can meet the emission limitations of Rule 67 while burning oil. It was for these reasons that EPA qualified their previous approval, thus preventing the conversion of SGS-3 to burn oil.

Since that time, the Department has reviewed the conditions under which approval to burn fuel oil in SGS-3 could be obtained in numerous meetings and correspondence with the Air Resources Board and the SCAQMD. The Department is vigorously pursuing necessary approvals to burn fuel oil in SGS-3, as shown by our letter of June 12, 1979 to the SCAQMD requesting the necessary permits (Enclosure E). These permit applications reflect the conditions under which the Department understands that the permits will be granted.

The Federal Power Commission (FPC), now succeeded by the Federal Energy Regulatory Commission (FERC), had established (Enclosure F) priority of service categories for periods of curtailed gas deliveries on the El Paso Natural Gas Company system. This provides in Priority 5 for "industrial requirements for large volume (in excess of 3,000 Mcf per day) boiler fuel use where alternate fuel capabilities can meet such requirements". We understand capability here is meant as technical capability and not physical capability but that legal restrictions against the use of an alternate fuel would mean that technical capability was lacking. As SGS-3 cannot legally have alternate fuel capabilities, it does not belong in FPC (now FERC) Priority 5.

The State of California Public Utilities Commission (CPUC) has adopted a gas curtailment priority system (Enclosure G) with standards similar to, but not exactly the same as, the federal gas curtailment categories referred to above. In this classification system, Priority 5 is "utility steam-electric generation plants and utility gas turbines". In both the Federal and State curtailment plans, Priority 3 is essentially defined as all use or industrial requirements not included in another priority.

SGS-3 is the most efficient unit available to the Los Angeles Department of Water and Power. Whenever that unit is in operation, overall system fuel consumption is reduced, as well as emissions into the South Coast Air Basin.

Mr. J. E. Bodovitz

- 3 -

July 9, 1979

Curtailement in parallel with Priority 3 for SGS-3 would make SGS-3 available to help meet not only the City of Los Angeles' but the State of California's energy and capacity requirements through most of the winter months.

The Department requests that the Commission allow SGS-3 to be curtailed in parallel with natural gas curtailment plan Priority 3 until the Department is able to burn fuel oil in such unit, provided the Department vigorously pursues approval to use such liquid fuels and, further, provided that the annual quantity of gas taken by the Department be limited to that presently received under parity limitations of the GN-5 tariff.

Sincerely,

ORIGINAL SIGNED BY
LOUIS H. WINNARD

LOUIS H. WINNARD
General Manager and Chief Engineer

Enclosures

cc w/enclosures:

Mr. Greville Way
Chief Gas Engineer
Public Utilities Commission

Mr. Patrick R. Shea
Vice President
Southern California Gas Company