

ORIGINAL

Decision No. 99190

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of PACIFIC GAS AND ELECTRIC COMPANY, a corporation, for an order of the Railroad Commission, approving:

(1) Memorandum of Agreement between Standard Oil Company of California, a Delaware corporation, and Pacific Gas and Electric Company, dated January 14, 1930; (2) Agreement of Sale between applicant and Standard-Pacific Gas Line, Incorporated, a Delaware corporation, dated March 20, 1930; and (3) Agreement between applicant and said Standard-Pacific Gas Line, Incorporated, dated March 20, 1930, providing for the transportation and re-delivery of natural gas; and granting and conferring upon applicant all necessary authority in all respects to consummate each of said agreements in accordance with its terms and conditions; etc.

Application No. 16422.

C. P. Cutten, for Applicant.
 Chickering & Gregory by Allen Chickering,
 for Pacific Gas and Electric Company and
 for Standard-Pacific Gas Line, Incorporated.
 Pillsbury, Madison & Sutro by Oscar Sutro,
 for Standard Oil Company of California.

SEAVEY, COMMISSIONER:

O P I N I O N

In this application, Pacific Gas and Electric Company, a California corporation, hereinafter sometimes referred to as applicant, asks the Railroad Commission of the State of California to make its order and decision:

1. Approving memorandum of agreement between applicant and Standard Oil Company of California, a Delaware corporation, dated January 14, 1930, (Exhibit "B" of this Application) in all respects in

which such approval is required by law, and granting and conferring upon applicant all necessary authority to in all respects consummate said agreement of January 14, 1930, in accordance with its terms and conditions;

2. Approving agreements between applicant and Standard-Pacific Gas Line, Incorporated, a Delaware corporation, dated March 20, 1930, (Exhibits "C" and "D" of this Application) in all respects in which such approval is required by law, and granting and conferring upon applicant all necessary authority to in all respects consummate each of said agreements in accordance with its terms and conditions;
3. Granting and conferring upon applicant all necessary permission and authority to charge to fixed capital accounts the net actual cost to applicant of acquiring and maintaining a one-half interest and ownership in the natural gas transmission project to be constructed and operated by Standard-Pacific Gas Line, Incorporated, a Delaware corporation, as in the aforesaid agreement provided; and
4. Amending and modifying the order in this Commission's Decision No. 21511 (Application No. 15676) dated September 3, 1929, in all respects necessary to permit applicant to fully perform its covenants set forth and contained in the aforesaid agreement, (Exhibits "B," "C," and "D" of this Application).

A public hearing was had on this application on April 23, 1930.

Exhibit "B" of the application is a memorandum of agreement between applicant and Standard Oil Company of California, dated January 14, 1930, the purpose of which is alleged to be the establishment of a working agreement between said parties whereunder and in accordance with the terms of which said parties would construct jointly, through a third corporation to be known as Standard-Pacific Gas Line, Incorporated, (a Delaware corporation), a single natural gas transmission line from Kettleman Hills Oil and Gas field in Fresno and Kings Counties, to the San Francisco Bay area, for the purpose of transmitting natural gas for either or both of said parties or others.

It appears that at the time said memorandum of agreement was drawn up, each of said parties had started the construc-

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tion of separate natural gas transmission lines along the route proposed for the joint line, applicant's line having an estimated delivery capacity without compression of ninety-three million (93,000,000) cubic feet per day and an estimated cost of seven and one-half million dollars (\$7,500,000), and Standard's line having an estimated delivery capacity without compression of eighty-five million (85,000,000) cubic feet per day and an estimated cost of seven and one-half million dollars (\$7,500,000). The total estimated combined delivery capacity of these two lines would have been one hundred seventy-eight million (178,000,000) cubic feet per day without compression and the total estimated cost thereof without compression, fifteen million dollars (\$15,000,000). The installation of compressor plants necessary at some later date would have necessitated approximately two million dollars (\$2,000,000) additional investment.

It is alleged that the joint line would have an estimated delivery capacity of one hundred thirty-eight million (138,000,000) cubic feet per day without compression and one hundred eighty million (180,000,000) cubic feet per day with compression and that the estimated cost of such joint line would be between nine million and ten million dollars (\$9,000,000 - \$10,000,000) thereby effecting a saving in initial investment of from six million to seven million dollars (\$6,000,000 - \$7,000,000) through the installation of a single joint line over the installation of two separate lines.

It is further alleged that the operation and maintenance costs of the proposed joint line will be less than the total of such costs for two separate lines, and that as a result of such savings and economies in both fixed and operating costs,

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said parties will be able to deliver gas to consumers at lower rates than if separate lines were installed.

Said memorandum of agreement between said parties dated January 14, 1930, further sets forth in detail the management of proposed line, maintenance and operation of same, division of pipe line delivery capacity, transporting of gas for other parties, depreciation rate, accounting, profits, deliveries of gas, unaccounted-for gas, taps and metering, gas for Southern Division of Coast Counties Gas & Electric Company, territorial division, standby obligations, use of line during construction, enlargement of line capacity, and purchase and sale of stock.

Exhibit "C" of the application is an agreement between applicant and Standard-Pacific Gas Line, Incorporated, a Delaware corporation, dated March 20, 1930, which provides that subject to the approval of this Commission, applicant agrees to sell, assign and transfer to Standard-Pacific Gas Line, Incorporated, and the latter agrees to purchase and accept from the former, for the consideration and on its terms and conditions stated in said agreement, certain gas pipe lines, land, pipeline rights-of-way, telephone poles and telephone circuits maintained thereon, together with the privilege of maintaining and operating the same, and materials and supplies, all of said property and rights being mentioned and/or particularly set forth in the aforesaid agreement.

Exhibit "D" of this application is an agreement between applicant and Standard-Pacific Gas Line, Incorporated, a Delaware corporation, dated March 20, 1930, which provides that said Standard-Pacific Gas Line, Incorporated, upon the completion and putting into full operation of the gas pipe line therein referred

to, will set aside and reserve for the exclusive use of applicant one-half of the carrying capacity of said line, and if, when and as requested so to do, will accept from, transport for and (less transmission losses) re-deliver to applicant, or its nominee or nominees, at such point or points on said line as applicant or its said nominee or nominees shall hereafter from time to time designate, such quantity of natural gas up to a volume equivalent to one-half of the carrying capacity of said pipe line as applicant shall from time to time deliver or cause to be delivered into said pipe line for transportation thereunder.

It appears that the terms and provisions of the memorandum of agreement, Exhibit "B," and the agreements, Exhibits "C" and "D," described above, are fair and reasonable and that the consummation of each of said agreements in accordance with its terms and conditions would be in the public interest and for the benefit of the public service.

Applicant has, under date of February 24, 1930, filed with this Commission, a stipulation, in the form of a letter, agreeing to bind itself and its successors and assigns, in the event that this Commission shall grant and confer upon applicant permission and authority to consummate the aforementioned agreements in accordance with their terms, to treat its investment in said gas transmission project to be constructed and operated by said Standard-Pacific Gas Line, Incorporated, and its ownership of said one-half of the carrying capacity of said gas transmission project as a public utility enterprise, as completely as though said project had been constructed and operated under authority of this Commission's Decision No. 21511, dated September 3, 1929, in Application No. 15676.

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Under date of April 3, 1930, Coast Counties Gas and Electric Company, a subsidiary of Standard Oil Company of California, filed with this Commission, a stipulation, duly executed upon authority of its Board of Directors, agreeing that if the above mentioned agreements are approved by this Commission, that in all rate hearings concerning rates to be charged to domestic and commercial consumers by Coast Counties Gas and Electric Company, the reasonable costs for transportation of natural gas delivered to said Coast Counties Gas and Electric Company through said pipe line may be determined by this Commission on the basis of transportation costs for natural gas used in determining rates allowed to Pacific Gas and Electric Company, with due adjustment for the volume of gas and transportation mileage involved. Coast Counties Gas and Electric Company has agreed to accept such costs.

Applicant requests that it be authorized to charge to its fixed capital accounts the net actual cost to it of acquiring and maintaining a one-half interest and ownership in the natural gas transmission project to be constructed and operated by Standard-Pacific Gas Line, Incorporated. From the record it appears that applicant will own one-half of the outstanding stock of Standard-Pacific Gas Line, Incorporated, and that such corporation will hold the title to the transmission project to which reference has been made. It appears to us that, under the circumstances, Pacific Gas and Electric Company should show the investment which it may make in the project under Account 104, "Miscellaneous Investments" ~~RESPONDENT'S STATEMENT CONCERNING THE PROJECT~~, and not show such investment on its books under charges to fixed capital accounts.

I recommend the following form of Order:

O R D E R

Pacific Gas and Electric Company having applied to the Railroad Commission for authority to perform the acts to which reference has been made in the foregoing opinion, a public hearing having been held, and the Commission being of the opinion that this application should be granted to the extent and in the manner indicated in this order, therefore,

IT IS HEREBY ORDERED that Pacific Gas and Electric Company may execute and consummate the agreements filed in this proceeding as Exhibits "B," "C" and "D."

IT IS HEREBY FURTHER ORDERED that the order in Decision No. 21511, dated September 3, 1929, as amended in Application No. 15676, be and the same is hereby amended to the extent that it is necessary for applicant to execute and consummate the agreements filed in this proceeding as Exhibits "B," "C" and "D."

IT IS HEREBY FURTHER ORDERED that this application, in so far as it involves the request of Pacific Gas and Electric Company to charge to fixed capital accounts the net actual cost to it of acquiring and maintaining a one-half interest and ownership in the natural gas transmission project to be constructed and operated by Standard-Pacific Gas Line, Incorporated, be and the same is hereby dismissed without prejudice.

The authority herein granted is subject to the following conditions and not otherwise:

(1) That all of the natural gas transported by means of the aforesaid pipe line for the use of Pacific Gas and Electric Company, or other public utility, shall be distributed, allocated and disposed of in accordance with the orders of the Railroad Commission.

(2) That Pacific Gas and Electric Company shall, at the request of the Railroad Commission and when its share of the transmission line and compressor capacities permit, transport natural gas for other public utilities, the volumes of gas thus transported and the transportation charges made therefore being subject to the approval of the Railroad Commission.

(3) That before the effective date of this order, Pacific Gas and Electric Company shall file a stipulation that within one year from the effective date of this order it will complete the institution of the service of straight natural gas to all of its gas consumers which can be economically served with gas from natural gas transmission lines.

The authority herein granted will become effective twenty (20) days from and after the date hereof.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 14th day of May, 1930.

Cl. Scammy
Ernest J. ...
Leon ...

M. J. ...
Commissioners.