

Decision No. _____

31501.

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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 of the State of California, issuing to applicant a certificate declaring that the present and future public convenience and necessity require or will require the construction of the high pressure natural gas transmission lines and facilities herein described; to substitute natural gas service for the artificial gas service now supplied in the areas herein mentioned; to abandon the Colusa and Marysville gas production plants and amortize the remaining investment in said plants in the manner herein stated; and to file and make effective the revised Rules and Regulations No. 2 and the new and/or revised schedules of gas rates and charges set forth herein; etc.

ORIGINAL

Application No. 22277.

BY THE COMMISSION:

FIRST SUPPLEMENTAL ORDER

On pages three and four of the Opinion of Decision No. 31452, the following statements appear:

"The record further shows that the applicant has entered into a natural gas purchase agreement with Euttes Oilfields, Inc., owners and operators of the two developed gas wells, covering the purchase and sale of gas produced from said wells for a period of ten years. Witness for applicant testified that if the gas available from this source is sufficient to fill the utility's entire requirements in the territory proposed to be cut over to natural gas service in this application, the applicant is obligated to take or pay for such requirements in accordance with rates prescribed in this contract. The Commission is of the opinion that this feature of the contract in reference to taking all gas requirements for the project may not be to the best interests of the applicant or its consumers. Under this condition, among others, the Commission further believes that the applicant's plan to defer construction of the proposed Woodland-Yuba City transmission line is justified at

the present time inasmuch as the present known gas supply from the two wells in the Marysville-Buttes Field appears to provide considerably more gas than is needed to fulfill present demands and future demands for several years. Further, certain drillings may develop added gas supply in this field if not in other localities in the general vicinity. For these reasons the Commission is of the opinion that it is unnecessary at this time to authorize the construction of the proposed line from Woodland to connect with the projected Yuba City transmission line and is of the opinion that this portion of the project if later required should be left for future determination. A similar situation exists in reference to the write-off and amortization of the Marysville plant, and this may likewise be deferred to a future date when said plant is no longer required."

Good cause appearing, the above statements are hereby amended to read as follows:

"The record further shows that the applicant has entered into a natural gas purchase agreement with The Buttes Oilfields, Inc., owners and operators of the two developed gas wells, covering the purchase and sale of gas produced from said wells for a period of ten years. Applicant, according to the record is obligated to take its full requirements in the territory from Buttes Oilfields Inc., provided said producer can fulfill those requirements and no other natural gas production is developed in the territory. If additional gas is developed in this territory and applicant should make purchases thereof, then applicant's obligation to take gas from The Buttes Oilfields, Inc., may be reduced to not less than 50 per centum of its requirements in said territory. While the Railroad Commission fully appreciates the necessity of definite commitments in reference to gas purchases, the Commission is also of the opinion that the obligations assumed by the purchasing utility should not be so restrictive as to interfere with the free flow of its gas from one service area to another. For this reason the Commission is rather apprehensive whether the purchase obligations assumed by applicant are to the best interest of itself or its consumers. Under these conditions, among others, the Commission further believes that the applicant's plan to defer construction of the proposed Woodland-Yuba City transmission line is justified at the present time inasmuch as the present known gas supply from the two wells in the Marysville Buttes Field appears to provide considerably more gas than is needed to fulfill present demands and future demands for several years. Further, certain drillings may develop added gas supply in this field if not in other localities in the general vicinity. For these reasons the Commission is of the opinion that it is unnecessary at this time to authorize the construction of the proposed line from Woodland to connect with the projected Yuba City transmission line and is of the opinion that this portion of the project if later required should be left for future determination. A similar situation exists in reference to the write-off and amortization of the Marysville plant, and this may likewise be deferred to a future date when said plant is no longer required."

The following language appears on pages five and six of the Opinion in the above mentioned Decision:

"By means of testimony introduced through its witnesses, applicant stated that it proposes to bear so-called 'cut-over' expense. The expense thus to be borne will be similar to that incurred by the company in other areas in which the service of straight natural gas has been substituted for artificial gas, wherein the adjustment of appliances, minor service repairs of utilization equipment, and the furnishing of small inexpensive parts are afforded in enabling the adaptation of the consumers' equipment to the use of the new commodity. By its testimony the applicant requests authorization to amortize this expense over a period of five years following the introduction of natural gas service. The Commission is of the opinion that for accounting purposes, the applicant may proceed in accordance with its request, but in so far as such cut-over expenses may affect applicant's rates and earning position in the future the Commission deems it desirable that it shall be free to handle said expense as circumstances then warrant."

Good cause appearing, the above language is hereby amended to read as follows:

"By means of testimony introduced through its witnesses, applicant stated that it proposes to bear so-called 'cut-over' expense. The expense thus to be borne will be similar to that incurred by the company in other areas in which the service of straight natural gas has been substituted for artificial gas, wherein the adjustment of appliances, minor service repairs of utilization equipment, and the furnishing of small inexpensive parts are afforded in enabling the adaptation of the consumers' equipment to the use of the new commodity. Testimony of the applicant further shows that these costs, even though abnormal, will be charged to operating expenses during the first year of natural gas operation."

Good cause appearing, the words "G-57 (Revised Sheet C.R.C. 642-G)," appearing in Condition (2) of the Order in the above Decision, are hereby amended to read "G-59 (Revised Sheet C.R.C. 642-G)."

In all other respects Decision No. 31452 shall remain in full force and effect.

This supplemental order shall be effective immediately.

Dated San Francisco, California, November 28, 1938.

Raymond W. [unclear]
Leon Whittell

Ray L. [unclear]
[unclear]
Commissioners.