

Decision No. 34944

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of PACIFIC GAS AND ELECTRIC COMPANY for an order authorizing applicant to supply to its customers in the Northern District of its San Joaquin Power Division natural gas having an average monthly heating value ranging from 1000-1100 Btu. per cubic foot; also, as an alternative to supply customers in applicant's Merced District natural gas having an average monthly heating value ranging from 900-1000 Btu. per cubic foot; also, to file and make effective a revised Rule and Regulation No. 2 and certain revised and modified natural gas rate schedules, and to withdraw and cancel Schedules G-42 and G-43; and issuing to applicant a certificate declaring that the present and future public convenience and necessity require or will require the construction, operation, maintenance and use of the high pressure natural gas transmission mains and facilities herein mentioned.

ORIGINAL

Application No. 24654

R. W. DuVal, Attorney, for Applicant.

M. A. Bailey, City Attorney of Madera, appearing for Cities of Madera and Chowchilla.

A. L. Hildebrand, Finance Commissioner, and
F. M. Ashley, Commissioner of Public Works,
for City of Fresno.Paul Gregg, for Building Owners and Managers
Association of Fresno.

BY THE COMMISSION:

O P I N I O N

In this application Pacific Gas and Electric Company, hereinafter sometimes referred to as Applicant, requests permission to supply its customers in the Northern District of its San Joaquin Power Division natural gas having an average monthly heating value varying within the limits of 1000 to 1100 B.t.u. per cubic foot and, at such times as conditions in the future warrant, to supply customers in its Merced District natural gas having an average

monthly heating value within the limits of 900 to 1000 B.t.u. per cubic foot, all in place of the natural gas presently being served in these areas of an average monthly heating value between 1100 and 1200 B.t.u. per cubic foot; also to file and make effective a revised Rule and Regulation No. 2, and certain modified gas rate schedules, all of which are set forth in Exhibits "B," "C" and "D," attached to the application, and to withdraw and cancel firm industrial gas schedules G-42 and G-43. Applicant further asks for an order certifying that public convenience and necessity require the construction and operation of certain gas transmission mains and facilities; and in connection therewith the exercise of the rights and privileges of certain permits, easements and franchises which it possesses and which may prove useful in connection with the construction and operation of said mains and facilities, and the distribution and sale of natural gas as is contemplated thereunder.

A public hearing was held in the City of Fresno on January 7, 1942, before Examiner Wehe, when evidence was presented and the matter submitted for decision.

The so-called Northern District of Applicant is all territory in its San Joaquin Power Division except the Bakersfield District, while the Merced District is understood to be that portion of the Northern District contained in the County of Merced. The Northern District is presently served with gas from the Kettleman Hills gas producing areas. This gas is transported from the fields through mains owned and operated by Southern California Gas Company. The territory served consists essentially of the communities of Selma, Easton, Fowler and Sanger, located to the south and east of the City of Fresno, and also the communities served along the gas transmission line (Line No. 118) extending from Fresno northwest to Livingston and including Madera, Berenda, Chowchilla, Merced and Atwater. The communities of Merced, Atwater and Livingston are a part of the Merced District.

At the hearing witnesses for Applicant testified as to the increasing requirements for natural gas in the Northern District of Applicant's San Joaquin Power Division. Figures were presented that showed the present transmission line capacity from Kettleman was insufficient to provide for maximum peak-day requirements. It is this situation that prompts Applicant to take steps to augment the supply of natural gas to the area in question. It is of record that recently two new gas fields have been developed southwest of the City of Fresno. These fields are known as the Raisin City gas field and the Helm gas field. In addition a third field, known as the Chowchilla gas field and located west of the community of Chowchilla, is at present in the development stage and is expected to provide a third source of local gas for that area. It was further testified that the carrying out of such a program, involving substitution of gas from one or more of the three local fields for gas presently served which emanates from the Kettleman Hills area, will insure continuity of service in the Northern District of the San Joaquin Power Division and at the same time release greater amounts of gas from the Kettleman Hills area to meet the growing demands on the remainder of Applicant's system, all of which will enable it to make the most effective and economical use of the available gas supply and its own natural gas facilities.

The record shows that it is Applicant's intention to augment the gas obtained from one or more of the fields in the Fresno area with varying amounts of gas from the Kettleman Hills area, and particularly from the dry gas fields to the south. This gas will be transported to the Fresno area by means of existing facilities of Southern California Gas Company, as is the practice at present. Witnesses for Applicant stated their belief that a continuous supply of natural gas of appreciable volume could be obtained from the local fields, that they had completed preliminary negotiations for the purchase of gas from the Raisin City field and, further, that similar agreements for the purchase of gas in the Helm field would be negotiated as rapidly as conditions warrant.

The record indicates that the proposed change-over would involve approximately 36,000 customers and that it would be necessary to make certain capital expenditures to bring about the connection of the three local gas fields with its transmission and distribution systems. The necessary capital expenditures for installing transmission mains from the Helm to the Raisin City gas field, and from the Chowchilla gas field to Line No. 118, have not as yet been estimated, but it was stated that the cost of a 12-3/4 inch gas transmission line approximately thirteen miles in length, from the Raisin City field to connect with Applicant's Line No. 118, would be about \$225,000. Further, that it intended to pay the cost to construct all mains and facilities involved in this proceeding out of its income and from funds in its treasury not obtained from the issue of stock, bonds, notes, or other evidences of indebtedness, and or from such funds as it may obtain from the issue of such stock, bonds, notes, or other evidences of indebtedness as the Railroad Commission of the State of California shall hereafter upon proper application authorize for that purpose.

A witness for Applicant testified that field tests indicate the average heating value of the gas to be obtained from the Raisin City and Helm fields will be between 1000 and 1100 B.t.u. per cubic foot and that the gas which may become available from the Chowchilla field is expected to have a heating value of approximately 900 B.t.u. per cubic foot. The gas obtained at present from the Kettleman Hills and other gas fields in the south, for distribution in this territory, has a range of heating value between 1100 and 1200 B.t.u. per cubic foot, with an average during the year 1941 of 1146 B.t.u., although during the recent winter months the heating value has approached the 1100 level.

A change-over to gas of a lower heating content, such as is herein contemplated, requires consideration as to how the new gas will affect the operation and efficiency of existing appliances and also the effect on customers' bills. Applicant reiterated its evidence presented at numerous

similar proceedings before this Commission, indicating that it was unnecessary to make adjustments to customers' appliances to take care of changes in heating value of the gas as would be involved when going from distribution of the gas presently served to that which will be available from the Raisin City or Helm gas fields. It was further testified that Applicant appreciated some appliances would have to be adjusted, particularly in the event it eventually distributes the still lower heating content gas from the Chowchilla gas field, and it was ready and willing upon request to make any appliance adjustments necessary to bring about a proper utilization of the new gas.

In connection with the effect on customers' bills of the contemplated change-over, the record shows that all existing rate tariffs now in effect in this area will be reduced in approximately the same ratio that the heating value of the gas is reduced, so that customer billings for a given quantity of heat units will remain unchanged.

It is evident from the record developed that because of load growth Applicant must have available a greater and increasing gas supply to care for its customers' needs in the general Fresno area. The discovery of gas in the nearby Raisin City and Helm gas and oil fields affords a logical source of gas supply for Applicant to meet these requirements. Accordingly, the Commission is of the opinion that it is in the public interest to authorize Applicant to construct, operate and maintain the gas transmission lines connecting the Raisin City and Helm gas and oil fields with Applicant's gas system, as more fully described in the application. In reference to the authority to construct, maintain and operate a pipe line from the Chowchilla field, the Commission is of the opinion that such authority should not be granted at this time, but only when developments in that field have proceeded further, so as to establish the feasibility of utilizing what now appears to be a gas of a somewhat uncertain and lower heating value. If and when the Chowchilla field development takes place, Applicant can, through a supplemental application and order, secure the necessary permission

to proceed, if conditions then warrant the granting of such supplemental application.

At the hearing Applicant submitted exhibits and testimony on the necessary changes in its Rule and Regulation No. 2 to afford the service of gas emanating from one or more of the three local sources. Exhibits and testimony were also presented on the presently effective rates in this area, as well as the proposed reduced rates to be charged.

It is of record that all effective gas tariffs in the Northern District of Applicant's San Joaquin Power Division will be reduced in general approximately 10% in order that customers' billings will not be increased for similar gas service after the change-over to the lower heating value gas from the Raisin City and Helm gas fields and, further, that should future developments warrant the further change-over in the Merced District to gas from the Chowchilla gas field, still further reductions will be made in that area to bring about a like result. The record also shows, however, that it is impracticable to make adjustments in the tariffs which will result in all cases in identical billings for a given heat utilization. The rates have been adjusted so that the great majority of all customers will actually receive some slight reduction on an annual basis in addition to that required to equalize the difference in the heating value of the gas served.

It is true that a few customers using large quantities of gas may experience slight increases, but the record shows that every effort was made to work out new tariffs which would result in neither increases nor decreases. It must be appreciated, however, that in arriving at new tariffs for such a large number of customers as are involved, practical difficulties arise and while some customers using large amounts of gas may have increases in their billing of a few cents during certain months of the year, in other months decreases will result, so that the effect on their annual cost for gas service will be negligible. Bearing these factors in mind, to the extent that the authorization hereinafter granted results in increased rates, such increases are hereby found to be justified.

The presently effective rate tariffs in the Northern District of Applicant's San Joaquin Power Division which contain fuel oil clauses provide for increase or decrease of the commodity charges when the price of fuel oil is above or below 75¢ per barrel, f.o.b. Seguro. Similar proposed rates contained in Exhibits "C" and "D," attached to the application, retain the above base of 75¢ per barrel for fuel oil and provide only for an increase in the gas commodity charges when the price of fuel oil exceeds 75¢ per barrel. The present price of fuel oil in this area is 85¢ per barrel and because of existing conditions it is not believed that this price will be any lower for a considerable time in the future. The corresponding rate tariffs in most of the remainder of Applicant's system are so constructed and, in the interest of uniformity and to prevent discrimination, the proposed change is held to be justified.

Applicant requests permission to withdraw and cancel its firm industrial gas schedules G-42 and G-43. The record shows that these schedules were experimental in nature and were placed in effect many years ago, during the period in which the newly developed natural gas resources of the state were highly competitive with fuel oil. These schedules are considerably lower for most usages than corresponding schedules in the remainder of Applicant's natural gas territory and, in fact, are lower under certain conditions than its surplus gas schedules that are subject to shutoff during periods of gas shortage. The evidence shows that certain customers whose usage is small can be transferred to other firm industrial schedules without increases, but that the transfer of the greater portion of the customers to such schedules would bring about increased billings of considerable magnitude. Representatives for the City of Fresno protested the transfer of any customer presently being served under Schedules G-42 and G-43 to a different schedule where such transfer would bring about an increase in rates, since these customers were not in appearance at the hearing.

While the evidence presented by Applicant shows rather clearly that Schedules G-42 and G-43 are not in harmony with similar tariffs elsewhere on its system, and that the two tariffs may be too low, the Commission is of the opinion that Applicant at this time should not be authorized to withdraw and cancel the two firm industrial schedules. In fact, Applicant at the hearing indicated that its primary purpose in bringing this matter before the Commission was to call attention to a situation that should be corrected. The Commission's order will provide that, for the present at least, the two tariffs should be closed to new customers.

Applicant serves three customers in the area in question under special contracts. These are the Yosemite Portland Cement Company plant near Merced, the U. S. Bombing Base at Fresno and the Merced Airport. At the hearing Applicant stated it intended to make an adjustment in the rates for these customers similar to that for customers served under filed tariffs. In the case of the Bombing Base and the Merced Airport, the Commission is of the opinion that this step is justified, as the rates charged are of the general magnitude of its filed tariffs. In reference to service to the Yosemite Portland Cement Company plant, a different situation exists. The rates presently charged this customer are low compared to those for other large surplus gas customers and, further, are lower than the price that competitive fuels would require. In addition, the special agreement between the two parties infers that the customer is obligated to take gas at the specified rates as long as its heating value does not drop below 1000 B.t.u. On the other hand, in view of Applicant's practice in the past of adjusting the rates for all customers where substitution of a lower heat content gas has taken place, some adjustment appears warranted. However, the Commission is of the opinion that any change made in the aforesaid agreement shall under no conditions provide for a terminal rate lower than ten and one half cents per 1000 cubic feet.

Other than heretofore mentioned, no one appeared to oppose or protest the granting of the authorization herein requested.

O R D E R

The above-entitled matter having been submitted after taking of evidence at public hearing, and based upon the record and upon the factual findings contained in the above opinion; and,

It being found as a fact that public convenience and necessity require the construction and operation by Pacific Gas and Electric Company of gas transmission lines and facilities from the Raisin City and Helm gas and oil fields to connect with its transmission and distribution systems in the Northern District of its San Joaquin Power Division;

IT IS ORDERED that Pacific Gas and Electric Company be and hereby is granted a certificate to exercise the rights and privileges granted to it and San Joaquin Light and Power Company under Ordinance Nos. 273 and 279, respectively, by the Board of Supervisors of the County of Fresno, in so far as the exercise of such franchise rights may be necessary to carry out the above construction and operating program and, further, to make gas extensions and render service along the lines so constructed and operated.

IT IS FURTHER ORDERED that Pacific Gas and Electric Company is hereby authorized to substitute in that portion of its territory known as the Northern District of its San Joaquin Power Division, gas of a heating value of from 1000 to 1100 B.t.u. per cubic foot (dry basis) for gas presently served of between 1100 and 1200 B.t.u. per cubic foot.

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

- (1) Pacific Gas and Electric Company shall file and make effective on not less than fifteen (15) days' notice prior to the change-over to a mixture of gases of a heating value range of from 1000 to 1100 B.t.u. in the Northern District of its San Joaquin Power Division the Tariffs and Rule and Regulation No. 2 set forth in Exhibits "B" and "C," attached to the application.
- (2) Pacific Gas and Electric Company shall apply the rates applicable to the service of gas of the heating value ranges set forth in (1) above to all meter readings taken in those areas fifteen (15) days after the date on which it changes over to gases of such heating value.

- (3) Pacific Gas and Electric Company shall refile its schedules G-42 and G-43 to include rates adjusted for service of gas of a heating value range of 1000 to 1100 B.t.u., and an appropriate statement that such schedules are available only to customers receiving service thereunder on January 23, 1942, and only so long as such customers continue to take such service at their location as of that date.
- (4) Pacific Gas and Electric Company, its successors or assigns, shall never claim a value for the franchises or the authority herein granted in excess of the actual cost thereof before this Commission or before any court or public body.

Except as herein otherwise provided, the effective date of this order is the date hereof.

Dated at San Francisco, California, this 23rd day of January, 1942.

[Signature]
[Signature]
[Signature]
Commissioners.