

ORIGINAL

Decision No. 45139

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 SOUTHERN COUNTIES GAS COMPANY OF
 CALIFORNIA for authorization (1) to
 carry out the terms of a contract for
 the sale of additional quantities of
 gas to the San Diego Gas and Electric
 Company, (2) to construct and operate
 a new San Diego supply pipeline under
 Section 50(a) of the Public Utilities
 Act, and (3) to exercise the rights
 under a Riverside County Franchise to
 be acquired pursuant to Section 50(c)
 of the Act.

Application No. 29753

In the Matter of the Application of
 SAN DIEGO GAS & ELECTRIC COMPANY,
 a California corporation, for the
 approval of a gas contract between Appli-
 cant and Southern Counties Gas Company
 of California, a California corporation.

Application No. 29754

Chickering & Gregory, by Walter C. Fox, Jr.
 for San Diego Gas & Electric Company; Milford
Springer for Southern Counties Gas Company;
K. Charles Bean, General Manager and Chief
 Engineer, Board of Public Utilities and Trans-
 portation, City of Los Angeles, and Roger
Arnebergh, Assistant City Attorney, for City
 of Los Angeles; Homer R. Ross for California
 Manufacturers Association; and Major John W.
Rood for United States Department of Defense.

SECOND SUPPLEMENTAL OPINION AND ORDER

Southern Counties Gas Company of California, hereinafter
 referred to as Counties, and San Diego Gas & Electric Company, herein-
 after referred to as San Diego, by supplemental applications in the
 above proceedings have requested this Commission to issue an order
 authorizing both applicants to execute and carry out the terms of a
 contract dated November 8, 1950, covering the delivery of intrastate
 gas to San Diego through the Huntington Beach pipe line, and authorize

Counties to file a proposed Wholesale Natural Gas Service Rate Schedule G-60 for such service, to become effective January 1, 1951, both of which documents are attached to and made a part of the application as Exhibit 1.

A public hearing in this proceeding was held in Los Angeles on December 11, 1950 before Commissioner Huls and Examiner Crenshaw.

At the hearing both applicants requested that their joint supplemental applications be amended to request authorization to practice the gas curtailment procedure for deliveries through the Moreno-Rainbow pipe line as requested herein for deliveries through the Huntington Beach pipe line.

In the above designated applications this Commission authorized by Decision No. 42475, dated February 1, 1949 (48 CPUC 411) the construction and operation of a second pipe line from Moreno to Rainbow, called the Moreno-Rainbow pipe line, to supply gas to San Diego from the 30" Texas line. In addition, Counties and San Diego were authorized, so far as this Commission has jurisdiction in the premises, to carry out the terms of a contract dated October 4, 1948, for the sale of gas through both the Huntington Beach pipe line and the Moreno-Rainbow pipe line. Since the Moreno-Rainbow pipe line delivery involved the sale of natural gas in interstate commerce for resale, that transaction was subject to the approval of the Federal Power Commission. This 1948 contract, covering the sale of both interstate and intrastate gas, was not accepted by the Federal Power Commission and, accordingly, separate agreements were required for deliveries through each of the two pipe lines.

The agreement dated October 4, 1948, between Counties and San Diego, provided for a two-part rate, consisting of annual fixed charges and commodity charges, some of which were subject to escalation within prescribed maximum and minimum rate levels depending upon the posted price of fuel oil.

Prior to the proposed 1948 agreement covering service over both the so-called Huntington Beach and Moreno-Rainbow pipe lines, Counties was supplying San Diego with its natural gas requirements over the Huntington Beach line under a contract dated November 20, 1945, as authorized by this Commission by Decision No. 38626, Application No. 27174. Since the 1948 agreement did not become operative, San Diego was billed under the old 1945 agreement for gas service over the Huntington Beach line, and under an interim rate, permitted by the Federal Power Commission, for gas service over the Moreno-Rainbow line, subject to certain refund provisions herein later discussed.

In June, 1950, a nine-day hearing was held in Los Angeles by the Federal Power Commission in its Docket No. G-1157 involving the rates to be charged and the conditions of service surrounding the delivery of gas by Counties to San Diego through the Moreno-Rainbow pipe line. Subsequent to the conclusion of the hearing, representatives of interested parties conferred with a view to obtaining a settlement of the case. Thereafter a stipulation was entered into by all parties to this proceeding, whereby Southern Counties would file a new Federal Power Commission Gas Tariff and a service agreement covering stipulated rates and conditions of service. On November 7, 1950, pursuant to the stipulation, applicant tendered for filing a new Federal Power Commission Gas Tariff, Original Volume No. 1. Concurrently with the filing on November 7, 1950, of its Federal Power Commission Gas Tariff, Original Volume No. 1, applicant filed First Revised Sheets Nos. 4 and 5. These revised sheets provide for an increase effective as of October 1, 1950, reflecting increased taxes and the increased cost of gas purchased from El Paso Natural Gas Company. This increase is to be subject to a refund depending upon the Commission's final determination of the proceeding involving El Paso's rates in Docket No. G-1380. Decision in this matter was rendered on

December 8, 1950 by the Federal Power Commission and a copy of the decision is in evidence in this proceeding as Exhibit No. FH-2.^{1/} Said decision permits Rate Schedule F-1, together with the service agreement to become effective for gas deliveries to San Diego as of October 1, 1950, and accepts for filing the rate for the period November 20, 1949 to and including September 30, 1950, all in accordance with the stipulation. The F-1 Schedule provides for facility charges which are composed of an annual charge of \$345,000, and a variable facility charge applicable to the Moreno-Rainbow pipe line which was estimated to be \$239,000 for the year 1951. In addition, the schedule provides for a commodity charge of 16.5¢ per Mcf for all deliveries through the Moreno-Rainbow pipe line.

The proposed Wholesale Gas Service Tariff G-60, for which applicants are now seeking authorization to file, is a two-part rate consisting of an annual fixed charge of \$658,000 a year, plus a commodity charge of 17.5¢ per Mcf for all gas delivered over the Huntington Beach line.

Counties submitted at the hearing as Exhibit No. FH-7, a comparison of the estimated revenue which would have been received had the 1948 contract become effective for both the Huntington Beach and Moreno-Rainbow pipe line, with the proposed rates submitted in this joint proceeding and those authorized by the Federal Power Commission. In making this comparison Counties estimated the gas deliveries for San Diego for the year 1951 to be 8,931 M² cf through the Moreno-Rainbow line and 7,367 M² cf through the Huntington Beach line or a total of 16,298 M² cf. Upon this basis the revenue under the 1948 contract is estimated to be \$3,894,000, while under the proposed schedules involving separate contracts for the Moreno-Rainbow pipe

^{1/} Order Accepting for Filing Federal Power Commission Gas Tariff and Terminating Proceedings, Docket No. G-1157, dated December 8, 1950.

line and the Huntington Beach pipe line, the total revenue as estimated is \$4,005,000, of which \$2,058,000 is for deliveries over the Moreno-Rainbow line and \$1,947,000 for the Huntington Beach line. A witness for Counties introduced Exhibit No. FH-6 purporting to substantiate the estimated revenue to be received for the delivery of 16,298 M² cf in 1951 over the two pipe lines. The major factors set forth as justification for the increased revenue over the 1948 contract were (a) an adjustment for contemplated increases in cost of gas purchased from California sources, and (b) additional fixed charges applicable to capital additions for gas facilities to be operative in 1951.

The special conditions contained in proposed Rate Schedule No. G-60 provide a basis (firm parity) of allocating firm gas between Counties and its affiliate Southern California Gas Company and San Diego in the event of any deficiency in the natural gas supply. In such event, San Diego shall be entitled to share up to the combined capacity of Counties' Huntington Beach and Moreno-Rainbow pipe lines during the continuance of such deficiency on the basis of firm parity (as defined in Schedule G-60) in the then available natural gas supply deliverable to the Los Angeles Basin market of Counties and Counties' affiliate, Southern California Gas Company, considered together.

It is provided also under the special conditions that San Diego's interruptible industrial customers shall occupy the same priority positions with reference to the curtailment of such service as customers on Counties' system and will be curtailed on the same basis.

With regard to delivery of natural gas to San Diego for fuel in its steam-electric generating stations and/or its gas generating station, such uses will be curtailed in favor of all interruptible customers of Counties and its affiliate, Southern California Gas Company, in so far as practicable operating conditions will permit,

except, that such uses of San Diego shall enjoy priority over the sale of gas by Counties and/or its affiliate to Southern California Edison Company and/or the Los Angeles Department of Water and Power for steam-electric station fuel, and to Pacific Gas and Electric Company under the 1947 contract relating to the second block of 50 million cubic feet of gas per day.

The record shows that, while the Southern California Edison Company and the Pacific Gas and Electric Company were served copies of these supplementary applications and were notified of the hearing by this Commission, no one appeared at the hearing in behalf of either utility. Counsel for the City of Los Angeles, and representatives of the California Manufacturers Association and United States Department of Defense have indicated there was no objection to the filing of the proposed contract and tariff schedule.

The above curtailment procedure will apply also to the gas received over the Moreno-Rainbow pipe line.

Under the special conditions set forth in proposed Rate Schedule No. G-60 for wholesale gas service to San Diego by Counties, it is provided that the term "firm retail requirements", as defined therein, is considered as including gas engine customers under the firm industrial customer classification.

Under the contract dated November 8, 1950, which supplements the rate schedule, received herein as Exhibit No. FH-5, it is set forth, and the testimony confirms the fact that Counties has supplied San Diego's entire firm requirements for natural gas since September, 1932, up to the capacity of Counties' pipe line facilities. Counties now supplies natural gas to San Diego through a 12-3/4-inch diameter pipe line, called the Huntington Beach pipe line, with a capacity of 33 million cubic feet a day, and also through a 16-inch diameter pipe line transporting interstate gas and designated as the Moreno-Rainbow pipe line, with a capacity of 40 million cubic feet a day.

In order to provide for the integration of service over both lines consistently with the jurisdiction of this Commission and of the Federal Power Commission, respectively, the requirements of San Diego will be allocated between the two pipe lines for billing purposes on an annual basis of 33/73 to the Huntington Beach line and 40/73 to the Moreno-Rainbow line. The initial annual period for the application of this paragraph shall end on September 30, 1951.

This contract is proposed to become effective January 1, 1951, and continue in effect until November 20, 1959, and thereafter from year to year subject to termination by either party upon twelve months' advance written notice to the other given at any time after November 20, 1958. It is also provided that said agreement dated November 20, 1945, and all supplements and amendments to it made by the parties to this contract, covering the sale and purchase of natural gas, shall cease and terminate on January 1, 1951.

It is further provided that this contract shall not become effective until appropriate authorization has been obtained from the Public Utilities Commission of the State of California, and shall be subject, at all times, to any changes or modifications ordered by this Commission.

The amount charged San Diego by Counties under the interim rate permitted by the Federal Power Commission was subject to adjustment when the final rate was established; therefore, it was testified that there would be some adjustment due San Diego.

Under the Federal Power Commission order dated December 8, 1950, Counties was directed to make an appropriate refund to San Diego of the amounts collected by Counties under the Interim Rate Schedule in excess of the rates made effective by its order. Accordingly, this Commission directs that Counties submit a report setting forth the basis and computation of such an adjustment and the book entries which are made in completing the transaction. Likewise, San Diego should

report to the Commission its savings as compared with the 1948 contract rate over the combined lines. Records should also be kept as to the charges over the Moreno line and San Diego should report any refund it may receive in the future from Counties as a result of the rate charged San Diego by Counties effective October 1, 1950. Upon receipt of such information the Commission will then determine whether or not San Diego shall be required to pass on to its customers the benefit of any such refunds and savings. This proceeding will be kept open for the purpose of making an appropriate supplemental order in the premises.

While our authorization of said contract and tariff schedule relating to deliveries over the Huntington Beach line shall not be taken as establishing the reasonableness of the rates therein specified, the resulting revenues and associated expenses will of necessity be given due consideration in any future rate proceeding before this Commission.

Counties and San Diego have requested authorization to enter into and carry out the terms of said contract dated November 8, 1950, and, in addition, Counties has asked that it be permitted to file its Wholesale Natural Gas Service Schedule No. G-60, to become effective January 1, 1951. Counties and San Diego further requested that the curtailment provisions as set forth in the contract and Rate Schedule G-60 also be applicable to the natural gas deliveries over the Moreno-Rainbow pipe line.

We are of the opinion that the granting of the authority requested herein will not be contrary to the public interest and should be permitted.

In order that Wholesale Natural Gas Service Schedule No. G-60 may become effective January 1, 1951, it will be necessary that this order become effective on less than twenty (20) days' notice.

O R D E R

Public hearing having been held, evidence both oral and documentary having been received, and the matter being submitted for decision, the Commission being fully informed with respect to the applications, therefore

IT IS HEREBY ORDERED:

1. That Southern Counties Gas Company of California is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, Rate Schedule G-60, as shown in Exhibit FH-4 received herein, and after not less than five (5) days' notice to the Commission and the public, to make said rates effective for service rendered on and after January 1, 1951. ✓
2. That Southern Counties Gas Company of California be and it is authorized to carry out the terms and conditions of that certain contract dated November 8, 1950, between Southern Counties Gas Company of California and San Diego Gas & Electric Company, attached to and made a part of the supplemental applications as Exhibit 1, and to render the service therein contemplated and to charge and collect the rates set forth in said Schedule No. G-60. ✓
3. That San Diego Gas & Electric Company be and it is authorized to carry out the terms and conditions of that certain agreement dated November 8, 1950, between San Diego Gas & Electric Company and Southern Counties Gas Company of California, received herein as Exhibit FH-5, which supplements the filed Wholesale Natural Gas Service Schedule No. G-60 as authorized herein. ✓
4. That Southern Counties Gas Company of California and San Diego Gas & Electric Company shall apply the same curtailment procedures authorized herein in Wholesale Natural Gas Service Schedule No. G-60 to all gas deliveries through the Huntington Beach and Moreno-Rainbow pipe lines subject to change only upon authorization by this Commission.

5. That Southern Counties Gas Company of California and San Diego Gas and Electric Company shall keep records and file with this Commission information as specified in the foregoing opinion concerning any savings which San Diego Gas and Electric Company may realize and any refunds which Southern Counties Gas Company of California may make to San Diego Gas and Electric Company, and this proceeding is held open for the purpose of enabling this Commission to make an appropriate supplemental order concerning such matters, should the Commission determine that such supplemental order should be issued.

The effective date of this order shall be five (5) days after the date hereof.

Dated at San Francisco, California, this 19th day of December, 1950.

R. E. Anderson
Justice J. Calver
Wm. H. Lowell
Harold H. Kule
Kenneth J. Foster
Commissioners.