

ORIGINAL

Decision No. 47494

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHERN CALIFORNIA GAS COMPANY, a)
corporation, and SOUTHERN COUNTIES)
GAS COMPANY OF CALIFORNIA, a corpora-)
tion, under Section 50 (a) of the)
Public Utilities Act, for a certifi-)
cate of public convenience and)
necessity for the construction and)
operation of pipeline facilities.)

Application No. 32528
(As Amended)

T. J. Reynolds and Milford Springer, for applicants;
Chickering & Gregory, by W. B. Pattee, for San Diego Gas
& Electric Company, interested party; Roger Arnebergh,
T. M. Chubb, and R. W. Russell, for City of Los Angeles,
interested party; Howard L. Minister, for Eleventh Naval
District, interested party; California Manufacturers
Association, by Homer R. Ross, interested party; E. L.
Gates and Lloyd E. Cooper, for Commission staff.

O P I N I O N

Southern California Gas Company and Southern Counties Gas Company of California in this proceeding seek a certificate of public convenience and necessity for the construction and operation of pipe-line facilities to loop a section of the present so-called Texas pipe line.

Public hearings in this proceeding were held in Los Angeles on July 19, 1951 and on March 19, 1952 before Commissioner Huls and Examiner Crenshaw, at which no objection to the granting of the certificate was manifested.

In the original application filed June 26, 1951, applicants applied for a certificate to construct and operate a 30-inch diameter gas pipe line, approximately 81 miles in length, to loop the present so-called Texas line from Whitewater Junction to a

point approximately 4 miles east of Desert Center, and a small segment of approximately 6 miles east of Blythe Compressor Station to the California-Arizona boundary.

The proposed new pipe line was to have been installed as shown on the map introduced in evidence as applicants' Exhibit No. 1. In addition, applicants proposed to install two 1,760 horsepower gas-driven compressors at Blythe Compressor Station, together with necessary auxiliary equipment. These proposed facilities were designed to add approximately 150 million cubic feet per day to the capacity of the California segment of the Texas pipe line. The estimated cost of the proposed facilities to be constructed by applicants totaled \$7,767,525.

According to the record applicants had intended to finance this capital investment through available current funds and then later by the issuance of securities. About half of the cost was to have been financed through the sale of bonds and the remainder by the sale of common stock or through internal funds.

The matter was submitted at the original hearing on January 19, 1951, contingent upon the applicants filing with this Commission within 120 days a copy of their contract with the El Paso Natural Gas Company covering the supply of an additional 150 million cubic feet of natural gas per day and subject to reopening of the matter should the Commission deem it necessary.

On November 2, 1951, applicants filed an amendment to the above application, setting forth changes in its proposed construction program, in that only 39 miles of 30-inch pipe line would be installed easterly from the terminus of the existing loop line at Whitewater and that a second section would be installed eastward from Blythe Compressor Station to connect with the present 30-inch line just west of the suspension bridge over the Colorado

River, which is the California-Arizona boundary. In addition to the paralleling of a portion of the so-called existing Texas pipe line it was proposed to install two additional 1,760 horsepower gas engine driven compressors at the Blythe Compressor Station, together with necessary auxiliary equipment; also, a new 5,000 horsepower gas turbine-driven centrifugal compressor was proposed to be installed near Desert Center. It was further stated that the necessary contracts and orders had been placed with various firms for delivery of this equipment. The estimated cost of this latter proposal is \$5,386,000.

The reasons for changing the type of the proposed facilities, as stated by applicants, are as follows:

- (1) Since the original application was filed in this proceeding, the Secretary of the Interior has issued a new regulation (Section 244.53 of Part 244 of the Department's Regulations) requiring a more burdensome common carrier stipulation from owners of gas pipe lines crossing public lands.
- (2) A large portion of the originally proposed 87 miles of 30-inch diameter pipe line for this project would have crossed public lands.
- (3) Applicants are unwilling to sign the stipulation now required by the Secretary of the Interior, as a prerequisite to permission to cross public lands.
- (4) The supply of pipe for the gas industry is less than its requirements, and the Applicants' new proposal to use 45.3 miles of 30-inch diameter pipe in place of the originally proposed 87 miles would benefit the nation by using a lesser tonnage of steel.

Applicants had not been able within the 120 days after the July 19, 1951 hearing to consummate a contract with the El Paso Natural Gas Company for the additional 150,000 Mcf of natural gas per day and therefore requested that they be given an extension of time within which to submit this contract. Under the circumstances applicants requested that the matter be reopened for further hearing.

By Decision No. 46789, dated February 26, 1952, the Commission ordered that the submission heretofore entered in the above-entitled matter be set aside and the proceeding reopened for further hearing before Commissioner Huls and Examiner Crenshaw on March 19, 1952. It was further ordered that the time limit for filing a comprehensive and definitive copy of a contract between Southern California Gas Company and Southern Counties Gas Company of California, buyers, and the El Paso Natural Gas Company, supplier, covering the additional 150,000 Mcf of natural gas per day, be extended to March 19, 1952.

At the hearing on March 19, 1952, applicants submitted a third proposal which increased the original estimated compressor capacity and reduced the length of the 30-inch loop pipe line to 20.3 miles, for which the construction completion date was estimated as January 15, 1953.

The estimated cost of this new proposal is \$5,053,686, which includes 20.3 miles of 30-inch pipe line, two 1,760 compressor units at Blythe, with completion scheduled for December, 1952, and two 5,000 horsepower gas turbine-driven centrifugal compressors, one of which is to be located at Desert Center and the other at Cactus City, completion of which was scheduled for February, 1953. Approval of the Petroleum Defense Administration has been obtained.

Both the original application and the amended application were filed by the Southern California Gas Company and the Southern Counties Gas Company of California as tenants in common, having a 75% and 25% interest, respectively, in the proposed facilities. It was stated that an application for the construction and operation of these additional facilities to loop a segment of the so-called Texas pipe line had been filed with the Federal Power Commission.

The addition of these facilities is for the purpose of transmitting the additional 150 million cubic feet of natural gas per day to be obtained from the El Paso Natural Gas Company. This would increase the capacity of the Texas pipe line from 405 million cubic feet to a total of 555 million cubic feet per day.

Applicants introduced as Exhibit No. 8 a copy of a new Service Agreement, dated March 1, 1952, with the El Paso Natural Gas Company, which covers the supplying of natural gas to applicants and includes the additional 150 million cubic feet of natural gas per day. The supplying of this additional 150 million cubic feet of natural gas is contingent upon El Paso Natural Gas Company being able to secure adequate field contracts to assure the delivery of this additional gas on a firm basis and to its obtaining a certificate of public convenience and necessity and other required governmental authorizations.

By order issued June 23, 1952, under Docket G-1630 et al., the Federal Power Commission granted to El Paso Natural Gas Company a certificate of public convenience and necessity to sell to Southern California Gas Company and Southern Counties Gas Company of California an additional 150 million cubic feet of gas per day and issued a certificate of public convenience and necessity under Docket G-1718, authorizing the construction and operation of additional pipe-line facilities and the transportation and sale of the additional 150 million cubic feet of natural gas per day to be purchased from El Paso Natural Gas Company at the California-Arizona boundary near Blythe, California, by Southern California Gas Company and Southern Counties Gas Company of California.

According to the information presented in this proceeding there is a need for the additional amount of gas as applicants are experiencing a continuing decline in California's source of gas due

to the diversion of large volumes of California gas by producers to repressuring and pressure maintenance and the lack of significant new oil and gas discoveries in California. This decline in the available gas supply in California, together with an extraordinary population growth and demand for natural gas, has created the necessity for importation of out-of-state gas to supply the market in southern California.

During the years 1930 through 1950 the average number of general service meters of applicants was as follows:

<u>Year</u>	<u>Average Number of Consumers</u>
1930	710,078
1940	930,604
1950	1,482,260

At the beginning of 1951, applicants' active meters totaled 1,540,098. In addition, Southern Counties Gas Company of California wholesales gas to San Diego Gas and Electric Company, which supplies natural gas to 141,172 customers; therefore, at the beginning of 1951, 1,681,270 active meters were supplied with natural gas by applicants and the San Diego Gas and Electric Company.

In Table 3 of Exhibit No. 11 submitted by applicants is shown the annual gas supply and demand by years for applicants from 1947 to and including the year 1956. For the years 1947 through 1951 the information is based upon actual operations. For the balance of the period through 1956 the information is based upon estimates.

The following table is a summary of the supply and requirements by years for the above-mentioned periods:

Southern California Gas Company
Southern Counties Gas Company of California
Average Daily Annual Gas Supply and Requirements

Year	Supply MMCFD	Requirements - MMCFD		
		Firm	Interruptible	Total (Excl. Large Electric Plants)
1947 (Actual)	580.7	379.9	274.9	654.8
1948 "	745.9	435.2	341.9	777.1
1949 "	790.1	483.2	303.3	786.5
1950 "	891.2	482.5	360.8	843.3
1951 "	952.4	519.1	420.6	939.7
1952 Est. Cold Yr. Basis	833.4	556.7	412.1	968.8
1953 " " " "	780.8	583.8	409.2	993.0
1954 " " " "	760.7	601.2	371.3	972.5
1955 " " " "	743.5	618.7	371.9	990.6
1956 " " " "	726.9	631.2	372.6	1003.8

From the above table it will be noted that estimates for the years 1952 through 1956 both inclusive are on a cold year basis and the figures are the same as those shown in the following table for the "Average Day" (Lower Demand Limit); also that the supply began decreasing after the year 1951, while on the other hand the requirements have materially increased yearly since 1947 through those estimated for the year 1956.

In their Exhibit No. 11 applicants submitted an estimate of supply and requirements, excluding the proposed 150 million cubic feet of out-of-state gas which they expect to receive in 1953.

The following is a table showing the estimated peak day demands upon both the upper and lower demand limit bases and also the average day demand on both bases, as well as the deficiency in gas supply:

SUMMARY OF ESTIMATED SUPPLY AND REQUIREMENTS
EXCLUDING PROPOSED 1953 OUT-OF-STATE INCREMENT

	<u>Peak Day</u>		
	<u>Millions of Cubic Feet</u>		
	<u>Firm Requirements</u>	<u>Total Supply</u>	<u>Deficiency</u>
<u>(Lower demand limit)</u>			
<u>Season</u>			
1952-53	1,390.3	1,407.4	-
1953-54	1,445.4	1,377.7	67.7
1954-55	1,493.8	1,358.2	135.6
1955-56	1,535.2	1,345.8	189.4
1956-57	1,578.0	1,344.0	234.0
<u>(Upper demand limit)</u>			
<u>Season</u>			
1952-53	1,437.3	1,407.4	29.9
1953-54	1,533.2	1,377.7	155.5
1954-55	1,641.9	1,358.2	283.7
1955-56	1,755.4	1,345.8	409.6
1956-57	1,880.7	1,344.0	536.7

	<u>Average Day</u>		
	<u>Millions of Cubic Feet</u>		
	<u>Firm (Including Underground Storage)</u>	<u>Interruptible Industrial & Wholesale</u>	<u>Total</u>
<u>(Lower demand limit)</u>			
<u>Year</u>			
1952 - Requirements	556.7	412.1	968.8
Available	556.7	276.7	833.4
Deficiency	00.0	135.4	135.4
1953 - Requirements	583.8	409.2	993.0
Available	583.8	197.0	780.8
Deficiency	00.0	212.2	212.2
1954 - Requirements	601.2	371.3	972.5
Available	599.0	161.7	760.7
Deficiency	2.2	209.6	211.8
1955 - Requirements	618.7	371.9	990.6
Available	606.1	137.4	743.5
Deficiency	12.6	234.5	247.1
1956 - Requirements	631.2	372.6	1003.8
Available	608.8	118.1	726.9
Deficiency	22.4	254.5	276.9

(Upper demand limit)	<u>Average Day</u>		
	<u>Millions of Cubic Feet</u>		
	<u>Firm</u> (Including Underground Storage)	<u>Interruptible</u> Industrial & Wholesale	<u>Total</u>
<u>Year</u>			
1952 - Requirements	561.3	412.1	973.4
Available	<u>561.3</u>	<u>272.1</u>	<u>833.4</u>
Deficiency	-	<u>140.0</u>	<u>140.0</u>
1953 - Requirements	597.6	409.2	1006.8
Available	<u>597.6</u>	<u>183.2</u>	<u>780.8</u>
Deficiency	-	<u>226.0</u>	<u>226.0</u>
1954 - Requirements	632.7	371.3	1004.0
Available	<u>625.3</u>	<u>135.4</u>	<u>760.7</u>
Deficiency	<u>7.4</u>	<u>235.9</u>	<u>243.3</u>
1955 - Requirements	672.1	371.9	1044.0
Available	<u>635.3</u>	<u>108.2</u>	<u>743.5</u>
Deficiency	<u>36.8</u>	<u>263.7</u>	<u>300.5</u>
1956 - Requirements	710.6	372.6	1083.2
Available	<u>644.8</u>	<u>82.1</u>	<u>726.9</u>
Deficiency	<u>65.8</u>	<u>290.5</u>	<u>356.3</u>

It will be noted from the preceding table that there is an increase in the peak day firm requirements and a substantial increase in the deficiency from 1952-1953 season to and including the 1956-1957 season.

In view of the record we can only conclude that there is an urgent need for the additional amount of natural gas in order that adequate gas service may be maintained by applicants in meeting present and future demands. To meet the increasing demands for gas service it is necessary for applicants to increase the capacity of the so-called Texas pipe line facilities, as previously described. The estimated construction and annual incremental operating costs were set forth in applicants' Exhibit No. 9 and are shown in the following table:

ESTIMATED CONSTRUCTION COSTS

Rights of Way	\$ 22,500
Transmission Main, Meter, and Regulator Stations	1,795,065
Compressor Plants	<u>3,236,121</u>
Total Estimated Cost	5,053,686

ESTIMATED INCREMENTAL OPERATING COST

Pipe Line	\$ 3,500
Compressor Stations	142,880
Payroll Tax, Pension, and Benefit Plan	5,030
General and Administrative Costs	<u>25,000</u>
Total Incremental Annual Operating and Maintenance Expense (Excluding Fuel)	176,410
Compressor Fuel	<u>217,085</u>
Total Increment and Operating Expenses	393,495

As the above are estimated costs the Commission at this time is not passing upon the reasonableness of these charges as the actual costs will be of record when the construction work is completed and subject to review for rate-fixing purposes.

Since the additional 150 million cubic feet of gas is now available, and the record sustains the need for this additional amount of gas, we are of the opinion that the certificate requested herein should be granted as soon as possible so that work may be started at the earliest possible date on the installation of the loop line and compressor equipment as previously described in this opinion.

The certificate of public convenience and necessity granted herein is subject to the following provisions of law:

That the Commission shall have no power to authorize the capitalization of this certificate of public convenience and necessity or the right to own, operate or enjoy such certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or to a political subdivision thereof as the consideration for the grant of such certificate of public convenience and necessity or right.

O R D E R

The above-entitled application having been considered, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that public convenience and necessity will require the construction and operation of a pipe line and compressor facilities by Southern California Gas Company and Southern Counties Gas Company of California in Riverside County, in the area as set forth on a map incorporated in Exhibit No. 9 in this proceeding; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Southern California Gas Company and Southern Counties Gas Company of California to construct and operate the gas pipe line and compressor facilities for transporting and distributing gas within the territory hereinbefore described.

The authorization herein granted will expire if not exercised within two (2) years from the date hereof.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco California, this 22nd day of July, 1952.

A. Z. [Signature]
President.
Justin F. [Signature]
Harold A. [Signature]
Herbert [Signature]

Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.