

Decision No. 48486**ORIGINAL**

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the joint  
 application of COAST COUNTIES GAS )  
 AND ELECTRIC COMPANY and PACIFIC )  
 GAS AND ELECTRIC COMPANY for an )  
 order authorizing applicants to )  
 carry out the terms of the )  
 annexed Gas Sales Agreement and )  
 the Joint Utilization and )  
 Curtailment Agreement between )  
 said applicants, both dated )  
 December 31, 1952. )  
 (Gas) )

Application No. 34094

Appearances for applicant: W. E. Johns and  
J. E. Sheeks, for Coast Counties Gas and  
 Electric Company; R. W. DuVal, for Pacific  
 Gas and Electric Company.

Interested parties: California Farm Bureau  
 Federation, by Eldon Dye and Edson Abel;  
 Gentry, Inc., by W. D. MacKay; 12th Naval  
 District, by A. E. Laffsa.

Other appearances: Boris H. Lakusta and  
Charles W. Mors, for the Commission staff.

OPINION AND ORDER

Coast Counties Gas and Electric Company and Pacific Gas  
 and Electric Company, hereinafter referred to as Coast Counties and  
 Pacific, respectively, operating natural gas utilities in northern  
 California, by the above-entitled application filed February 16, 1953,  
 request an order of the Commission authorizing them to carry out the  
 terms of two agreements between themselves dated December 31, 1952.  
 One contract is a gas purchase and sale agreement providing for the  
 sale by Pacific to Coast Counties of natural gas on a firm basis,  
 and the other is a joint utilization and curtailment agreement making  
 provision for the utilization of natural gas available to each of  
 said applicants on an equitable basis. Copies of the sale agreement,  
 marked Exhibit D, and of the joint utilization and curtailment

agreement, marked Exhibit E, are attached to the application. After due notice a public hearing was held on this application on March 16, 1953, before Commissioner Peter E. Mitchell and Examiner M. W. Edwards, at San Francisco, California.

#### Coast Counties' Position

Coast Counties asserts its load has been growing and an additional supply of natural gas is required. Coast Counties contends it is impracticable to obtain an out-of-state source of gas directly for its own account because the quantities which it could undertake to purchase would not economically support a long transmission line. It alleges the only practicable way for Coast Counties to share, either directly or indirectly, in the advantages of an out-of-state gas supply would be to enter into contractual arrangements of the type set forth in the two contracts being considered herein.

#### Pacific's Position

Pacific states it can make available a quantity of California produced gas sufficient to fulfill the requirements of Coast Counties in accordance with the contracts and can replace it with out-of-state gas for use in supplying its own customers. Therefore, for the purpose of determining the sale price of this California produced gas to Coast Counties, it uses the price of out-of-state gas at the state line plus transmission cost to the vicinity of the point of delivery of California gas. The principal delivery point is to be Kettleman Hills, but delivery at Rio Vista Field or at other mutually agreed points is provided for.

#### Sale Agreement

The sale agreement makes provision for Pacific to sell and deliver to Coast Counties, each day during the term thereof, such quantities of gas as Coast Counties shall from time to time request up to the maximum quantity of 30,000 Mcf, provided that Coast Counties shall take on each day during each winter period (October through March) no less than 26,100 Mcf, and on each day during the summer

period (April through September) no less than 28,500 Mcf.

Coast Counties is to pay for all gas delivered each month a price per 1,000 cubic feet which shall be equal to the cost of gas (on a 14.73 p.s.i.a. pressure base) which Pacific purchases from El Paso Natural Gas Company during said month at the California-Arizona border, plus a charge of 6 cents per 1,000 cubic feet. Each party has the right, by written request to the other, to have said additive charge reviewed and redetermined (not more than once in any calendar year) to the nearest 1/100 of a cent in accordance with the method set forth in Exhibit A attached to and made a part of said sale agreement.

The term of the agreement is for a period of 10 years, from January 1, 1953 to January 1, 1963, with provision for extension for an additional 5 years if the parties thereto are able to agree prior to January 1, 1963 (without resorting to arbitration), on the terms and conditions of such extension.

#### Joint Utilization and Curtailment Agreement

The joint utilization and curtailment agreement contemplates and makes provision for Coast Counties and Pacific sharing the natural gas available to each on an equitable basis in order that the most economic utilization of gas supplies available to each shall be made. In order to effectuate that purpose said agreement provides, among other things, that whenever the combined requirements of both parties cannot be met from the available sources of supply their respective requirements shall be curtailed, to the extent necessary, in the following sequence:

- a. Steam plants, subject to Special Condition 3 of Pacific's Tariff Schedule G-55;
- b. Refinery customers;
- c. Interruptible customers, prorata, with gas available over and above that required for categories (d) and (e) below, being apportioned 80 per cent to Pacific and 20 per cent to Coast Counties;

- d. Injection into underground storage, prorata, with gas available over and above that required for firm customers being apportioned 92 per cent to Pacific and 8 per cent to Coast Counties.
- e. Firm customers, prorata, with available gas being apportioned 92 per cent to Pacific and 8 per cent to Coast Counties.

The agreement provides that when either party, on any day, purchases or otherwise obtains a greater quantity of gas than required to supply its own load (curtailed if necessary) and delivers the excess to the other party, such excess is to be paid for as follows:

- a. The price for gas diverted from steam plants and delivered to Coast Counties shall be computed in accordance with a formula based on fuel oil cost as set forth in the agreement and shall be 29.36 cents per Mcf until revised at the request of either party;
- b. The price for gas made available as a consequence of curtailment shall be predicated on the level of the terminal blocks of certain interruptible schedules;
- c. The price for accommodation gas, gas other than steam plant gas and/or curtailed gas, shall be related to the price paid by Pacific for dry gas purchased by it from local sources; however, for accommodation gas delivered by Coast Counties to Pacific, on any day, the price shall not exceed the price paid under said sale agreement during the month in which such day occurs.

The term of the joint utilization and curtailment agreement is to be concurrent with that of the afore-mentioned sale agreement, unless sooner terminated as therein provided.

#### Provision for Arbitration

The contracts herein considered provide that in the event any dispute arises between the parties, it may, at the request of either party, be arbitrated in accordance with the provisions of the California Code of Civil procedure.

#### Unauthorized Sales

Evidence adduced at the hearing brought forth the fact that Coast Counties had been obtaining gas from Pacific under temporary

arrangements since November 1, 1951, without Pacific having first obtained authority from the Commission for the sale. Coast Counties obtained gas from certain Rio Vista Producers on a basis of release under contracts which had committed the gas to Pacific. Coast Counties paid the producers direct for the contract price of the gas, and then paid Pacific an additional 5 per cent of the field price if Pacific was not curtailing its deliveries at the time. If it was curtailing, Coast Counties reimbursed it for the difference between the field cost of gas and equivalent cost of oil for steam plant use.

Also during 1952 the parties had an "Interim Agreement" not covered by a signed agreement which covered "accommodation gas" supplied by one party to the other at times when the supplier did not need to curtail any of its other deliveries. This gas was priced at Rio Vista field price plus 5 per cent. Both of these agreements long ago should have been reduced to a tariff schedule and filed with the Commission.

#### Commission Jurisdiction

Each of the agreements in this application contains a provision that it shall not become effective until authorized by the Commission and that it is subject to changes or modifications as the Commission may direct in the exercise of its jurisdiction.

While these contracts, by including such clause, technically meet the requirements of General Order No. 96, Section X.A. of this Commission, it is more appropriate that separate tariffs should be filed for this type of sale. Where complicated serving conditions are involved, as in this sale, the tariff schedule can provide for a supplemental service agreement or agreements. By this means it is not necessary for the Commission to undertake the complicated steps involved in exercising its jurisdiction every time it desires to change the level of a rate.

Customer Interest

No particular objection to the authorization of these contracts was made by any party during the course of the hearing. A customer's representative did make a statement in opposition to a gas cost offset rate increase proposal by Coast Counties in the hearing on Application No. 34107 which followed the hearing on the instant application. He requested reopening of this application for consideration of his position. This request was taken under submission.

Conclusion

Upon a review of the record the Commission is of the opinion that this sale of gas by Pacific provides Coast Counties with an additional source of gas at a cost that does not appear to be unreasonable.

While these contracts in effect mean that Coast Counties will be paying the increased cost of out-of-state gas in contrast to Pacific's other customers, whose rates have not been similarly increased, there is no showing that Coast Counties could obtain the needed California gas at a more favorable price. The request of the customer's representative to reopen this case for consideration of his testimony on this point is denied.

Pacific did not submit evidence of the effect of this sale upon its earnings in the future. However, it is obvious that the increased revenue realized on this sale will not offset the increased cost on all of the remaining gas Pacific purchases from out-of-state sources, as this sale is approximately 6 per cent of the total out-of-state purchases by Pacific. In so far as Coast Counties' earnings on sales to Pacific are concerned, this matter is before us in Application No. 34107 and it does not appear that Coast Counties' revenues are such as to warrant a different rate level than set forth in the agreements.

We must caution the applicants herein regarding their failure to seek Commission authorization prior to the sale of this gas on a temporary, interim, or final agreement basis and we will not authorize the applicants to carry out the agreements as requested by Application No. 34094. The Commission prefers that all service be rendered on the basis of filed tariffs rather than special contracts. While the contract terms and conditions in general are not objectionable, applicants will be required to file appropriate tariffs substantially as set forth in Exhibits A, B, and C herein. If applicants find that supplemental service agreements are necessary they should be reduced to standard forms and filed in the manner applicants file other standard forms. Such supplemental agreements should omit arbitration clauses because of their possible conflict with Commission jurisdiction.

O R D E R

Coast Counties Gas and Electric Company and Pacific Gas and Electric Company having requested authority to carry out the terms of certain contracts between themselves regarding gas sales and joint utilization and curtailment, public hearing having been held and the Commission being of the opinion that the contracts should not be authorized but instead that the contemplated service should be rendered under filed tariff schedules; therefore,

IT IS ORDERED that the Sales Agreement and the Joint Utilization and Curtailment Agreement, both dated December 31, 1952, be not authorized.

IT IS FURTHER ORDERED that applicant Pacific Gas and Electric Company shall file in quadruplicate with this Commission, after the effective date of this order, in conformity with General

Order No. 96, rate schedules substantially in accordance with Exhibits A and B herein, and that applicant Coast Counties Gas and Electric Company shall similarly file a rate schedule substantially in accordance with Exhibit C herein, and; after not less than five days' notice to the Commission and the public, make said rates effective for service rendered on and after May 15, 1953.

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

Dated at San Francisco, California, this 14<sup>th</sup> day of April, 1953.

[Signature]  
President

[Signature]

[Signature]

[Signature]  
Commissioners



EXHIBIT A  
Page 1 of 2

Schedule No. G-61

WHOLESALE NATURAL GAS SERVICE

APPLICABILITY

This rate schedule is available only to the Coast Counties Gas and Electric Company (hereinafter referred to as "Buyer") for the purchase of natural gas from Pacific Gas and Electric Company (hereinafter referred to as "Seller").

TERRITORY

The principal points of delivery for gas to be delivered by Seller shall be at the following locations:

1. In the Kettleman Hills Field.
2. Intake of Soller's Compressor Station A at Kettleman.
3. Milepost 0.0 of Stanpac main (#4) in Rio Vista Field.
4. Other mutually agreeable points on the Stanpac System.

RATES

For all gas deliveries hereunder the rate per Mcf per month shall be equal to the cost of gas per Mcf at 14.73 p.s.i.a. which Seller purchases from El Paso Natural Gas Company during said month at the California-Arizona border, plus an additive charge of 6 cents per Mcf. See supplemental tariff sheet in this schedule.

SPECIAL CONDITIONS

1. Obligation to Sell and Purchase Gas. On each day during the term hereof Seller shall sell and deliver to Buyer and the latter shall purchase and take from Seller such quantities of gas as Buyer shall from time to time request up to the maximum quantity of 30,000 Mcf; provided, however, that Buyer shall take on each day during October through March, inclusive, no less than 26,100 Mcf of gas, and on each day during April through September, inclusive, no less than 28,500 Mcf.

If, at any time, Seller's right to purchase gas from El Paso Natural Gas Company is reduced below its then currently certificated maximum daily demand by the action of any federal and/or state body having jurisdiction in the premises or by other causes beyond Seller's reasonable control, Buyer's obligation to purchase, and Seller's obligation to sell gas hereunder shall be reduced in the same proportion that Seller's right to purchase gas from El Paso Natural Gas Company shall have been so reduced.

EXHIBIT A  
Page 2 of 2

Schedule No. G-61

WHOLESALE NATURAL GAS SERVICE

SPECIAL CONDITIONS—contd.

2. Seller shall submit quarterly to the California Public Utilities Commission, in conformity with General Order No. 96, a supplemental tariff sheet to accompany this rate schedule setting forth for each of the three preceding calendar months the average rates per Mcf (14.73 p.s.i.a. basis) resulting from purchases of gas from El Paso Natural Gas Company. The rates applicable to Buyer under this schedule shall be included also in the said supplemental tariff sheet for the same periods.

3. Gas deliveries shall be made at the pressure available at each of the delivery points.

4. Gas shall be measured according to standard practices.

5. Buyer and Seller shall have the right, by written request to the other, to have the 6-cent per Mcf additive charge set forth under "Rates" above, reviewed and redetermined to the nearest one one-hundredth of a cent in accordance with the method set forth in Exhibit "A" of Exhibit "D" attached to Application No. 34094, provided that it shall not be so reviewed and redetermined more than once in any calendar year.

6. Buyer need not, but may if it so elects, accept any gas hereunder having a heating value of less than 950 Btu per cubic foot or containing any deleterious substance in an amount sufficient to be injurious to its pipelines or other facilities.

7. An agreement covering the sale of natural gas may be required as a condition precedent to service under this schedule, which agreement should contain all terms and conditions applying to such service not heretofore set forth.

EXHIBIT B  
Page 1 of 3

Schedule No. G-62

INTERMITTENT NATURAL GAS SERVICE

APPLICABILITY

This rate schedule is available only to Coast Counties Gas and Electric Company (hereinafter referred to as "Buyer") for the purchase of natural gas from Pacific Gas and Electric Company (hereinafter referred to as "Seller") on an intermittent basis.

TERRITORY

The principal points of delivery for gas to be delivered by Seller shall be at the following locations:

1. At any point of input of California-produced gas on the Stanpac System.
2. At the intake of Seller's Compressor Station A at Kettleman.

RATES

For all gas deliveries hereunder per Mcf per month:

Steam Plant Gas .....	29.36¢
Curtailed Gas .....	31.50¢
Accommodation Gas .....	27.17¢

SPECIAL CONDITIONS

1. Definitions:

Steam Plant Gas: Gas diverted from steam plants and delivered by Seller to Buyer on any day;

Curtailed Gas: Gas made available on any day by Seller to Buyer as a consequence of curtailment by the Seller of service to its customers;

Accommodation Gas: Gas, other than steam plant gas and/or curtailed gas, which Buyer purchases from Seller on any day and which is taken and used and/or sold by it;

Firm Customers: Those customers of Buyer and Seller who receive natural gas service under applicable firm tariff schedules;

Interruptible Customers: Those customers of Buyer and Seller who receive natural gas service under tariff schedules and/or gas service contracts providing for interruption of service at certain times;

EXHIBIT B  
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Schedule No. G-62

INTERMITTENT NATURAL GAS SERVICE

SPECIAL CONDITIONS—contd.

Refinery Customers: Those customers of Buyer who purchase natural gas for oil refinery operations under applicable tariff schedules (other than firm industrial tariff schedules) and/or gas service contracts providing for interruption of service at certain times;

Steam Plants: Seller's steam electric generating plants;

Cubic Foot: That quantity of natural gas containable in a volume of one cubic foot at a pressure of 14.73 p.s.i.a. at a temperature of 60° F.;

Day: That period of time from 7:00 a.m. on any day to 7:00 a.m. on the succeeding day, Pacific Standard or Daylight Saving Time, whichever shall be in effect.

2. Whenever the combined requirements of Buyer and Seller cannot be met from the available sources of supply, their respective requirements shall be curtailed, to the extent necessary, in the sequence listed as follows:

- (a) Steam Plants, subject to Special Condition 3 of Seller's tariff Schedule G-55;
- (b) Refinery Customers;
- (c) Interruptible customers, prorata, with gas available over and above that required for categories (d) and (e) below being apportioned 80 per cent to Seller and 20 per cent to Buyer;
- (d) Injection into underground storage, prorata, with gas available over and above that required for firm customers being apportioned 92 per cent to Seller and 8 per cent to Buyer;
- (e) Firm customers, prorata, with available gas being apportioned 92 per cent to Seller and 8 per cent to Buyer.

Provided, however (a) Seller need not curtail steam plants in order to divert any portion of Seller's own gas supply to Buyer for refinery customers, and (b) Buyer need not purchase steam plant gas for sale to refinery customers.

Within five days after the effective date hereof, Seller shall notify Buyer whether or not it elects to curtail steam plants and divert gas to Buyer for refinery customers, and Buyer shall notify Seller whether or not it elects to purchase steam plant gas for sale to refinery customers. Either party may change its election from time to time on five days' notice provided that neither party may change its election oftener than once in any calendar month.

EXHIBIT B  
Page 3 of 3

Schedule No. G-62

INTERMITTENT NATURAL GAS SERVICE

SPECIAL CONDITIONS—contd.

3. Within five days of the effective date hereof, Seller shall notify Buyer where it will deliver gas hereunder. Such notification shall remain effective until changed by Seller on five days' notice; provided that Seller shall not change the point of delivery more than once in any calendar month.

4. The price for steam plant gas delivered hereunder, which may be revised at the request of either Buyer or Seller, shall be computed according to the following formula:

$$P = \frac{F \times B}{6,250}$$

- Where P = price to be paid per thousand cubic feet
- F = delivered price per barrel of fuel oil at the steam plant curtailed
- B = average Btu content per cubic foot of gas ordinarily delivered to the steam plant curtailed.

5. The price for curtailed gas delivered hereunder shall be the same as that which Seller's customers pay under the terminal block of Seller's then effective interruptible tariff Schedule No. G-50B.

6. An agreement covering the sale of natural gas may be required as a condition precedent to service under this schedule, which agreement should contain all terms and conditions applying to such service not heretofore set forth. ✓✓

EXHIBIT C  
Page 1 of 3

Schedule No. G-60

INTERMITTENT NATURAL GAS SERVICE

APPLICABILITY

This rate schedule is available only to Pacific Gas and Electric Company (hereinafter referred to as "Buyer") for the purchase of natural gas from Coast Counties Gas and Electric Company (hereinafter referred to as "Seller") on an intermittent basis.

TERRITORY

The principal points of delivery for gas to be delivered by Seller shall be at the following locations:

1. At any point of input of California-produced gas on the Stanpac System.
2. At the intake of Buyer's Compressor Station A at Kettleman.

RATES

For all gas deliveries hereunder per Mcf per month:

Curtailed Gas ..... 29.90¢

Accommodation Gas:

1. For gas delivered to Buyer by Seller on any day, up to but not exceeding the volume of gas purchased by Seller on such day under Buyer's tariff Schedule No. G-61, Wholesale Natural Gas service, the price shall not exceed the price paid under said schedule during the month in which such day occurs.
2. For gas delivered in excess of the volume purchased by Seller on any day under Buyer's tariff Schedule No. G-61, Wholesale Natural Gas Service ..... 27.17¢

SPECIAL CONDITIONS

1. Definitions:

Steam Plants: Buyer's steam electric generating plants;

Curtailed Gas: Gas made available on any day by Seller to Buyer as a consequence of curtailment by the Seller of service to its customers;

EXHIBIT C  
Page 2 of 3

Schedule No. G-60

INTERMITTENT NATURAL GAS SERVICE

SPECIAL CONDITIONS—Cont.

Accommodation Gas: Gas, other than curtailed gas which Buyer purchases from Seller on any day and which is taken and used and/or sold by it;

Firm Customers: Those customers of Buyer and Seller who receive natural gas service under applicable firm tariff schedules;

Interruptible Customers: Those customers of Buyer and Seller who receive natural gas service under tariff schedules and/or gas service contracts providing for interruption of service at certain times;

Refinery Customers: Those customers of Seller who purchase natural gas for oil refinery operations under applicable tariff schedules (other than firm industrial tariff schedules) and/or gas service contracts providing for interruption of service at certain times;

Cubic Foot: That quantity of natural gas containable in a volume of one cubic foot at a pressure of 14.73 p.s.i.a. at a temperature of 60° F.;

Day: That period of time from 7:00 a.m. on any day to 7:00 a.m. on the succeeding day, Pacific Standard or Daylight Saving Time, whichever shall be in effect.

2. Whenever the combined requirements of Buyer and Seller cannot be met from the available sources of supply, their respective requirements shall be curtailed, to the extent necessary, in the sequence listed as follows:

- (a) Steam Plants, subject to Special Condition 3 of Buyer's tariff Schedule G-55;
- (b) Refinery Customers;
- (c) Interruptible customers, prorata, with gas available over and above that required for categories (d) and (e) below being apportioned 80 per cent to Buyer and 20 per cent to Seller;
- (d) Injection into underground storage, prorata, with gas available over and above that required for firm customers being apportioned 92 per cent to Buyer and 8 per cent to Seller;
- (e) Firm customers, prorata, with available gas being apportioned 92 per cent to Buyer and 8 per cent to Seller.

EXHIBIT C  
Page 3 of 3

Schedule No. G-60

INTERMITTENT NATURAL GAS SERVICE

SPECIAL CONDITIONS—Contd.

3. Within five days of the effective date hereof, Seller shall notify Buyer where it will deliver gas hereunder. Such notification shall remain effective until changed by Seller on five days' notice; provided that Seller shall not change the point of delivery more than once in any calendar month.

4. The price for curtailed gas delivered hereunder shall be the same as that which Seller's customers pay under the terminal block of Seller's then effective interruptible tariff Schedule No. G-51 for 1,050 Btu gas.

5. An agreement covering the sale of natural gas may be required as a condition precedent to service under this schedule, which agreement should contain all terms and conditions applying to such service not heretofore set forth. ✓