NB

Decision No. 51742

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA for a Certificate of Public convenience and Necessity under Section 1001 of the Public Utilities Code.	))))))	Application No. 36875

Milford Springer and Frederick G. Dutton, for applicant.
T. M. Chubb and N. E. Gainder, for Department of Public Utilities and Transportation of the City of Los Angeles; Chickering and Gregory and Walter Fox, for San Diego Gas & Electric Company, interested parties.
Robert O. Randall, for the Commission staff.

O P I N I O N

Southern Counties Gas Company of California in this proceeding seeks a certificate of public convenience and necessity for the construction and operation of 31.5 miles of 30-inch diameter pipeline between Cactus City and Desert Center in Riverside County in order to complete the looping of the so-called Texas pipeline.

General

A public hearing on this proceeding was held in Los Angeles on June 2, 1955, before Examiner Carl E. Crenshaw at which no objection to the granting of the certificate was manifested. A representative appearing for the San Diego Gas & Electric Company, which purchases gas at wholesale from applicant, stated that that company supported this application since, in its opinion, this construction would increase the security and continuity of the gas supply to the customers of San Diego Gas & Electric Company.

In this application, which was filed April 12, 1955, applicant proposes to construct, and retain 100 per cent ownership

of 31.5 miles of 30-inch diameter pipeline to be operated as an integral part of the so-called Texas pipeline system now jointly owned and operated by applicant and its affiliate, Southern California Gas Company. This 31.5-mile section is the last segment required to complete the original plan for a parallel pipeline system extending from Blythe to the Los Angeles Basin area.

The estimated costs of construction for the proposed facilities were set forth in applicant's Exhibit No. 2 and are shown in the following table:

Rights of way	$ 4,000
Transmission main	2,499,400
Pressure limiting station	30,155
Total	2,533,555

According to the record applicant proposes to finance its estimated $16,000,000 construction program for 1955, of which this installation is a part, from net operating income, from funds representing depreciation charged against current operating expense, and from funds to be provided by the sale of $10,000,000 of common stock currently contemplated for the last quarter of the year. A witness for applicant stated that an application for Commission approval of this stock issue will be submitted at an appropriate time.

Operation of System

The Texas pipeline system is presently transporting a maximum volume of approximately 713 million cubic feet per day (on a 14.73 pressure base). This capacity was made possible by the installation of facilities approved by this Commission in Decision No. 48663, dated June 1, 1953 (Application No. 34049). The facilities which applicant is here seeking to install will not increase the overall through-put capacity of the Texas pipeline system; however, applicant cited certain other advantages which would be obtained. It was pointed out that by installation of these facilities the available

"line pack" storage in the Texas pipeline system will be increased by approximately 30 million cubic feet. A study currently being made for applicant by an outside consultant, the complete results of which are not yet available, was stated by witness to show that large additional quantities of storage for hourly load equation will be required in the near future on the system of applicant and its affiliate, Southern California Gas Company. Applicant's witness testified that the 30 million cubic feet of storage made available by this construction would be of value in meeting this requirement.

If the entire $2,533,555 investment in this installation were considered to be made solely to obtain additional storage, the unit cost of such storage would be approximately $84 per Mcf, and would, according to applicant, be a very reasonable price for this type of storage. A comprehensive study made by applicant's engineers in 1949 for presentation before the American Gas Association showed that at that time similar storage (for hourly load equation), would cost between $76 and $137 per Mcf. The figures in that study were based upon a 10-hour filling period. Applicant's witness also testified that applicant has built one underground pipe-type storage facility at a cost of approximately $214 per Mcf and that another utility in Southern California has recently constructed one at a cost of $95 per Mcf. This latter facility was constructed to operate on a 24-hour filling time. According to the testimony, a study being prepared by applicant's independent consultant reportedly shows that any storage facilities that applicant might construct for hourly equation should have an 8-hour filling time and that such facilities might cost in excess of $200 per Mcf at this time. It was testified that the cost of pipe holders increases rapidly as the time available for filling is reduced, due to the additional compressor capacity required. It was brought out by witness for applicant that the

nature of the operation of the Texas pipeline makes the line-pack storage available on a cycle which is equivalent to a holder having an 8-hour filling time.

In addition to the storage obtainable, the installation of the proposed facilities is alleged to have other benefits for applicant and its affiliates. By reducing the pressure drop through the existing length of single pipe, greater flexibility of operation may be obtained. In Exhibit No. 2, applicant pointed out that without this installation the daily through-put of 713 million cubic feet can barely be sustained with the existing horsepower installed at Blythe if either the Desert Center or Cactus City compressor were to fail. Under such conditions there would be little or no storage available. If the proposed line is installed, completing the parallel system, the existing compressor capacity at Blythe will be able to maintain the full 713 million cubic foot flow with the sacrifice of only between 16 and 22 million cubic feet of the approximately 106 million cubic feet of available line-pack storage.

Applicant's witness testified that the construction of the proposed line would increase the structural reliability of the entire Texas pipeline system. It was stated that the original pipeline installed in 1947 contained the first 30-inch diameter high-stress pipe manufactured for high pressure transmission pipeline, over 65 miles of which was manufactured with single-pass outside longitudinal welding. The pipe used in the remainder of the 213-mile original installation was made by an improved process involving both inside and outside longitudinal welding. Approximately 28 miles of the original singe-pass welded pipe is located in the 31.5-mile section of line herein proposed to be paralleled. Also, in this section of the original line, as well as in other sections now paralleled, small changes in angularity of the line were made by the formation of cold

wrinkle bends in the pipe. Experience in other parts of the country and on applicant's system has shown that cold wrinkle bending in high-stress pipeline is not as satisfactory as the later developed method of smooth bending. In fact, witness for applicant testified that there has been one failure on the Texas pipeline system directly attributable to a cold wrinkle bend.

In addition, this section of line is subject to unusual temperature stresses caused by the high discharge temperature leaving the Desert Center compressor. Applicant's witness discussed the measures which were found to be necessary to prevent actual movement of the pipe due to temperature stress in these areas. The witness also pointed out that by having two parallel lines leaving the Desert Center compressor station a great deal more pipe wall area would be available for heat dissipation and the problem of temperature stress in this section of the line would be [redacted] minimized.

While the pipe in the original line is considered by applicant to be entirely satisfactory from a safety standpoint under normal conditions, it is felt that the importance of the Texas pipeline system to the gas supply for Southern California would warrant reasonable expenditures to reduce possible hazard. Applicant, in Exhibit 3, outlined the measures taken for fire protection at the Desert Center and Cactus City compressors as examples of the steps already taken.

Another witness for applicant testified that while the above-mentioned benefits, some of which had a tangible value but others of which had a value that could not be directly measured, would be obtained by the proposed installation, the increase in the cost of transporting gas from Blythe to the Los Angeles Basin area due to the installation of these facilities would be only 0.16¢ per Mcf at a 91 per cent load factor, as set forth in applicant's Exhibit No. 5.

Ownership of Facilities

Applicant intends that these proposed facilities will be owned 100 per cent by applicant, even though forming an integral part of the existing Texas pipeline system jointly owned and operated as tenants in common with applicant's affiliate, the Southern California Gas Company. The 100 per cent ownership of this section is proposed in order to bring applicant's total interest in jointly used facilities closer to applicant's proportional use of those facilities.

Applicant and its affiliate, Southern California Gas Company, have entered into an agreement for the reallocation of gas supply and transmission costs, which agreement was approved by this Commission in Decision No. 50718, dated October 26, 1954 (Application No. 35690). Under said agreement applicant and its affiliate pool all of the costs of operation of certain specified jointly used gas supply and transmission facilities and then reallocate these costs on the basis of the total gas usage of each of the two affiliates. The Texas pipeline system constitutes a major part of the facilities involved in this agreement.

Testimony was presented to the effect that at the present time applicant's usage of the jointly used facilities is approximately 30 per cent, while its share in the ownership of these facilities is only approximately 26.75 per cent. By the addition of this 100 per cent owned facility of applicant to the jointly used supply facilities, applicant's share in the total ownership of these facilities will be increased to 28.48 per cent, as shown in applicant's Exhibit No. 6.

It was stated that as a practical matter it would be highly desirable to have both the ownership and the use of facilities in as nearly the same ratio as possible, so that the actual transfer of funds under the reallocation agreement could be held to a minimum.

Applicant's witness stated that the only other means by which this result could be readily obtained would be by an actual transfer of ownership of a portion of the undivided proportionate interest in the Texas pipeline facilities. Such a transaction was stated to be very complicated since these facilities are covered by both companies' mortgage indentures and therefore any transfer would require the trustees' approval and release. It was pointed out that the proposed ownership arrangement would not be unusual since there are several other facilities included in the jointly used facilities agreement which are 100 per cent owned by one or the other of the two utilities. In addition, it was stated that the basic operating agreement between applicant and its affiliate has been amended to reflect the 100 per cent ownership of this portion of the Texas pipeline system.

Conclusions

In view of the record it is reasonable to conclude that the installation proposed by applicant will provide some of the additional storage needed on the systems of the Southern Counties Gas Company and the Southern California Gas Company at a cost which does not appear excessive when compared with other means of obtaining like storage capacity. As these are estimated costs for the installation of this segment of the Texas line, 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. Furthermore, the proposed installation would appear to increase the structural reliability of the Texas pipeline system, which according to the record provides approximately 65 per cent of the gas supply to Southern California. In view of these facts, and since the addition proposed is the last segment needed to complete the paralleling of the original Texas pipeline system, we are of the opinion that the certificate requested herein should be granted.

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 for any amount of money in excess of the amount (exclusive of any tax or annual charge) actually paid to the State 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 being now ready for decision,

IT IS HEREBY FOUND AS A FACT that public convenience and necessity will require the construction and operation of a segment of pipeline and pressure-limiting facilities by the Southern Counties Gas Company of California in Riverside County, as shown on the map incorporated in Exhibit No. 1 in this proceeding; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Southern

Counties Gas Company of California to construct and operate said segment of gas pipeline and pressure-limiting facilities for transporting and distributing gas in the territory hereinbefore described.

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

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

Dated at San Francisco, California, this 26th day of July, 1955.

~~President~~

Commissioners

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