

**ORIGINAL**

Decision No. 51946

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 SAN DIEGO GAS & ELECTRIC COMPANY, a )  
 corporation, for a certificate of )  
 public convenience and necessity to )  
 construct and operate a gas booster )  
 plant. )

Application No. 37112

Chickering & Gregory, by Sherman Chickering,  
 for applicant;  
 Aaron Reese and Clarence A. Winder, for City  
 of San Diego, interested party;  
Robert O. Randall, for the Commission staff.

O P I N I O N

In this application filed July 8, 1955, the San Diego Gas & Electric Company requests a certificate that present and future public convenience and necessity will require the construction and operation by applicant of a 2,200 horsepower gas booster plant near Moreno on the so-called Moreno pipeline of the Southern Counties Gas Company of California (hereinafter sometimes referred to as Southern Counties). A public hearing on this application was held before Examiner Carl E. Crenshaw on August 5, 1955, in Los Angeles, at which no objection to the granting of the requested certificate was entered.

Present and Proposed Operation

At the present time, Southern Counties supplies the entire natural gas requirements of applicant by means of two transmission lines, one a 12-inch line from Huntington Beach to Rose Canyon Station near La Jolla, and the other a 16-inch line from the Moreno off-take on the so-called Texas pipeline to a terminal station near San Diego. From the Moreno off-take to the San Diego County line at Rainbow (approximately 35 miles), this latter pipeline is owned and operated by Southern Counties. At that point the gas is delivered to applicant,

which owns and operates the balance of the line (approximately 50 miles), from Rainbow to the San Diego terminus.

When originally constructed, the Moreno pipeline was estimated to have a nominal capacity of 40 million cubic feet per day.<sup>1</sup> Due, however, to increased pressures available from the Texas pipeline and the installation of a compressor station owned and operated by applicant at Rainbow, the nominal capacity of the line is currently estimated to be 83 million cubic feet per day.

By the installation of the proposed compressor plant near the Moreno off-take from the Texas pipeline it is estimated that the capacity of the Moreno pipeline will be increased to 112 million cubic feet per day. All of these nominal capacities assume a delivery pressure at the San Diego terminus of 200 psi, which witness for applicant stated was necessary to meet the requirements of its distribution system during peak periods.

The Huntington Beach pipeline was stated to have a present nominal delivery capacity to San Diego on a peak day of 25 million cubic feet per day. Thus, the present physical deliverability to San Diego on a peak day is 108 million cubic feet per day and, by the proposed installation of a compressor plant at Moreno, the physical deliverability on a peak day will be increased to 137 million cubic feet per day.

#### Necessity for Proposed Installation

In Exhibit No. 1 applicant set forth its requirements for gas on a peak day and on a daily average basis. On a daily average basis applicant's potential requirements for firm and interruptible usage have risen from an average of 90.6 million cubic feet per day in 1953 to an estimated 104 million cubic feet per day in 1955, and it is estimated that these requirements will further rise to

<sup>1</sup> See Dec. No. 42475, dated February 1, 1949, Applications Nos. 29753 and 29754 (48 Cal.P.U.C. 411).

115.9 million cubic feet per day in 1958. Estimates of gas availability made by Southern Counties and provided to applicant indicate that on a daily average basis applicant will be able to deliver to its customers 92.4 million cubic feet per day in 1958. This delivery is based on current estimates of gas availability and requirements throughout the integrated system of the Southern California area companies.

This exhibit also shows that on an extreme peak day, that is, one having a temperature equal to the temperature occurring on January 4, 1949, (when the average temperature was 40 degrees Fahrenheit), it is estimated that applicant's requirements for firm customers will be:

<u>Winter Season</u>	<u>Firm Requirement Million Cubic Feet Per Day</u>
1955-1956	124.4
1956-1957	133.0
1957-1958	141.5
1958-1959	148.3

It will be noted that all of these requirements are in excess of the present physical deliverability of the two pipelines supplying San Diego.

Southern Counties, under its filed Tariff No. G-60, is committed to supply San Diego with up to 95 million cubic feet per day, subject to certain limitations as to availability. That schedule also provides, however, that for the purpose of meeting firm peaks, and if available to Southern Counties without curtailment of its own firm customers, it will make available to applicant up to 135 million cubic feet of gas per day.

The form of service agreement entered into by applicant and Southern Counties, and prescribed by Schedule No. G-60, contains certain commitments regarding the pressure at which Southern Counties

will deliver gas to applicant at Rainbow. These commitments are based on the volume of gas flowing at any time. Applicant testified that, without increasing the pressure at the initial end of the line or by some other means reducing the pressure drop in the line, it would be impossible to obtain the added amounts of gas which Southern Counties agree to make available, at the pressure required in San Diego. Applicant further testified that since Southern Counties' present commitment is limited to the pressure-volume relationships shown in the service agreement, and that since Southern Counties had indicated it did not desire to take steps to provide increased pressures, applicant, of necessity, proposes to provide, at its own expense, the facilities necessary to transmit the additional quantities of gas to the San Diego area.

Applicant's witness further testified that, as shown in Exhibit No. 4, studies of various means of increasing the capacity of the Moreno pipeline (which included the installation of an additional compressor at Rainbow, the paralleling of the existing pipeline with 24 miles of 12-inch pipe, the paralleling of a portion of the existing pipeline with 41.5 miles of 24-inch pipe, or the installation of a 1,183,000-gallon propane standby facility in San Diego) indicated that the installation of additional compressor capacity at Moreno is the most economical method of achieving the desired increased capacity.

Applicant submitted as Exhibit D, attached to the application, a letter agreement in which Southern Counties assented to the proposed installation and operation of a compressor on Southern Counties' portion of this line.

Cost of Proposed Facilities

Applicant submitted estimates of the cost of the proposed Moreno compressor plant, which will consist of two 1,100 horsepower gas engine driven compressors, as follows:

Compressors and Engine	\$215,110	
Auxiliaries and Piping	252,000	
Land, Buildings and Appurtenances	78,900	
Miscellaneous Material	6,480	
Subtotal Material	<u>552,490</u>	
Engineering and Overheads	211,625	
Interest during Construction	3,080	
Total	<u>\$767,195</u>	

Based on an installed capacity of 2,200 horsepower this amounts to approximately \$350 per installed horsepower.

Witness for applicant estimated that the annual fixed charges and operating costs of the proposed Moreno compressor station for an immediate future year would be:

Operating and Maintenance Expense

Fuel, Electricity and Oil	\$19,100	
Operating Labor	12,400	
Maintenance Expense and Miscellaneous		
Operating Supplies	<u>8,100</u>	
Total Oper. and Maintenance Expense		\$ 39,600

Fixed Charges

Return on Investment	\$46,000	
Depreciation	30,700	
Taxes, exclusive of Income Tax	15,300	
Insurance	400	
Taxes on Income	<u>42,100</u>	
Total Fixed Charges		<u>134,500</u>

Total Estimated Annual Cost	\$174,100
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Relating this estimated annual cost to the estimated total annual purchase in 1955 of 32,137 million cubic feet of gas, the witness estimated that the use of this station, as contemplated herein, would increase the cost of the total gas supply delivered to San Diego by 0.54¢ per Mcf. He pointed out, however, that this figure would be reduced slightly since the use of the existing compressor

at Rainbow would be reduced during the first years of operation of the Moreno compressor station. Since these capital and operating costs are estimated costs, the Commission is not at this time 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.

### Conclusions

The record clearly shows that applicant is in need of increased gas supplies to meet its firm peak requirements, and, further shows that applicant can utilize increased gas supplies throughout the year. The record is not as clear as might be desirable regarding the availability of quantities of gas in excess of 95 million cubic feet per day which this compressor is expected to transmit to San Diego. The record shows that such gas in excess of 95 million cubic feet per day is available to San Diego only if it is available to Southern Counties.

Exhibit No. 1 shows, in the tabulation of Peak Day Supply and Requirements, that on the peak day of the winter season 1958-1959 Southern Counties does not at the present time contemplate supplying more than 95 million cubic feet per day to applicant. Were this condition actually to occur, this compressor plant would appear to be of use to applicant only during the next three winter seasons. If this condition were expected to occur, it might have been more economical for applicant to install standby facilities, even at a higher unit cost for the gas so made available. Witness for applicant testified, however, that, based on past experience and his knowledge of the activities of Southern Counties and its affiliates in obtaining increased gas supplies for Southern California, he felt sure that the increased supplies needed to meet San Diego's peak requirements would be made available.

The Commission, likewise, is aware of the activities of the Southern California companies in obtaining additional gas supplies for this area. We take note, however, of the data referred to by witnesses, contained in "A Report to the Public Utilities Commission of the State of California on Availability of and Demands for Gas in California, Years 1954 through 1959, and Winter Seasons 1954-1955 Through 1959-1960", dated June 1, 1955, which is submitted to this Commission annually by all natural gas companies in the State of California in response to this Commission's Decision No. 49127, dated September 22, 1953, in Case No. 5272. These figures show that through the peak day in the winter season 1957-1958 there will be an adequate gas supply in the Southern California area to meet all firm requirements, with curtailment of no firm customers except those of applicant.

The Commission is of the opinion that applicant should undertake diligently to obtain an increased firm supply of gas for its customers and that applicant should not rely solely on the conditional availability of gas from its supplier to meet <sup>its</sup> ~~is~~ firm peak requirements. *Chu*

In view of the record as a whole, it does not appear that the proposed installation will be adverse to the public interest, and it will be authorized.

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 present and future public convenience and necessity will require the construction and operation by applicant of a 2,200 horsepower gas booster plant at Moreno

on the Moreno pipeline of the Southern Counties Gas Company of California as set forth in the opinion herein.

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to the San Diego Gas & Electric Company to construct and operate the above-described gas booster plant at Moreno on the Moreno pipeline of the Southern Counties Gas Company of California.

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

Dated at San Francisco, California, this 6th day of SEPTEMBER, 1955.

[Signature]  
President

[Signature]

[Signature]

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Commissioners

Ray E. Untereiner

Commissioner Matthew J. Dooley being necessarily absent, did not participate in the disposition of this proceeding.