

Decision No. 52315**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 PACIFIC GAS AND ELECTRIC COMPANY for)
 an order of the Public Utilities)
 Commission of the State of California) Application No. 37492
 approving certain contracts and)
 authorizing applicant to carry out)
 their terms.)

OPINION AND ORDER

Pacific Gas and Electric Company by the above-entitled application, filed November 17, 1955, seeks an order of the Public Utilities Commission approving certain contracts between applicant and Shell Oil Company, Mohawk Petroleum Corporation, and Morton and Dolley. Applicant is an operating public utility engaged principally in the business of furnishing electric and gas service throughout a large part of northern and central California with properties located and operations carried on entirely in California.

The contracts for which applicant seeks approval relate to the assignment of the oil and gas lease interests of said Shell Oil Company, Mohawk Petroleum Corporation and Morton and Dolley in the Pleasant Creek gas field situated in Yolo County to Natural Gas Corporation, alleged to be a wholly owned nonpublic utility subsidiary of applicant. A copy of each of the proposed agreements is attached to the above-mentioned application as Exhibits B, C and D, respectively. Applicant states that, in addition to the oil and gas interests covered by the contracts in the application herein, it will acquire, through its subsidiary, Natural Gas Corporation, the land in this field and construct the necessary facilities and wells to convert the Pleasant Creek gas field to underground storage operations.

It contemplates that upon completion of the project the interests of Natural Gas Corporation in this field will be transferred to applicant and the project will be dedicated to public service. Applicant further states that when the land acquisition program has progressed sufficiently to enable it to ascertain the costs in connection with this project, it plans to make further application to the Commission for a certificate that public convenience and necessity require the construction and operation by applicant of an underground storage project in this field. The present phase of the project is designed to assure acquisition of interests of the producing companies and preservation of the structure and remaining recoverable reserves of natural gas. It is contemplated by applicant that the project would have an optimum working storage capacity of 3,250 million cubic feet and a delivery rate of approximately 80 million cubic feet per day when the storage is full. Applicant alleges that this project, when completed, would provide additional supplies of natural gas to meet peak demands during the winter season in applicant's gas service areas in its North Bay and Sacramento divisions and by substitution increase the rate of availability of gas required for peaking purposes in the load centers surrounding the San Francisco Bay area.

The Commission has heretofore recommended that the gas companies in this state "investigate and periodically inform the Commission as to the status and development of new underground or seasonal storage projects in the state".¹ This project, as proposed, appears to be one means of augmenting the supplies of gas available to applicant's customers and as such it would appear, in general, to be in the public interest.

¹ Decision No. 49127, Case No. 5272, (52 CPUC 776) Commission's Investigation re Demand and Availability of Natural Gas in California.

However, this project is in the early stages of development and at the present time no cost estimates have been presented to the Commission for its consideration. The Commission, while approving the contracts, cannot at this time state that it will find that the costs incurred by applicant are necessarily a proper and legitimate expense for rate-making purposes. Applicant's stockholders must assume such risks as may be involved until such time as applicant has presented proof of the reasonableness of the costs involved and the necessity of the project. Applicant is also advised that the costs involved in this project must be kept in accordance with the Commission's classification of accounts and in such form and detail that a complete analysis of costs of this project can readily be made.

The Commission, having considered the request of the applicant, being of the opinion that the application should be granted and that a public hearing is not necessary; therefore,

IT IS HEREBY ORDERED that the applicant be and it is hereby authorized to carry out the terms and conditions of the written agreements with Shell Oil Company, Mohawk Petroleum Corporation and Morton and Dolley under the terms and conditions stated therein.

IT IS HEREBY FURTHER ORDERED that the applicant shall:

1. File with the Commission within thirty days after the effective date of this order two certified copies of the contract as executed together with a statement of the date on which the contract is deemed to become effective.
2. Provide this Commission with reports of the progress of this project every six months until such time as it makes application for a certificate of public convenience and necessity for the construction and operation by applicant of an underground storage

project in this field, or until the project is abandoned.

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

Dated at San Francisco, California, this 5th day of December, 1955.

John E. Marshall
President

Justin F. Green

Ray G. Lutz

Markus D. Doherty

R. H. Hardy

Commissioners