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Decision No. 53121

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY and SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA for a certificate of public convenience and necessity under Section 1001 of the Public Utilities Code.	Application No. 37014 Amended

Appearances and List of Witnesses are set forth in Appendix A.

O P I N I O N

Applicants' Requests

Southern California Gas Company and Southern Counties Gas Company of California, primarily retail gas distributing utilities operating in the central and southern parts of the State of California, on June 3, 1955 filed the above-entitled application and on December 9, 1955 filed an amendment to the application, requesting authority to construct and operate pipeline facilities from the California-Arizona border near Topock to Alhambra, as shown on Exhibit "G" attached to the amended application, for the purpose of receiving from El Paso Natural Gas Company and transmitting to the Los Angeles area an additional 177 million cubic feet daily (cfd) of out-of-state natural gas. Also, applicant Southern California Gas Company seeks a certificate of public convenience and necessity to serve interruptible natural gas to the cement plants of the Riverside Cement Company and Southwestern Portland Cement Company located at Oro Grande and Victorville, California, respectively.

Public Hearing

This matter was assigned to Commissioner Ray E. Untereiner and Examiner M. W. Edwards for purposes of hearing and receiving evidence. After due notice, the first two days of public hearing were held on this application, as amended, in Los Angeles on January 9 and 10, 1956. During these two days applicants presented 12 exhibits and testimony by six witnesses in support of their request. A witness for the Pacific Gas and Electric Company presented Exhibit No. 13 and another witness testified regarding the service areas in San Bernardino County. The Pacific Gas and Electric Company did not object to the application but inasmuch as the proposed gas transmission line of the applicants would cross San Bernardino County in the same general area as that now served and proposed to be served by Pacific, it asked that any certificate granted be conditioned so that the southern companies will not become competitors of Pacific with respect to its presently certificated areas and reasonable economic extensions therefrom.

The City of Los Angeles presented one exhibit and testimony by two witnesses on the subject of air pollution in opposition to the applicants' request to serve interruptible gas to cement plants located outside of the Los Angeles basin. The two cement companies each presented testimony by separate witnesses regarding their loads and need for interruptible gas service. At the close of the second day of hearing the matter was submitted for Commission decision subject to written closing statements.

Following receipt on February 11, 1956, of the closing statements, the Commission considered the evidence but did not find sufficient data in the record with regard to possible alternate or shorter routes for the pipeline to rule properly on the applicants' request. Also, the Commission had received informal notice of the availability of additional volumes of out-of-state gas, details of which would assist the Commission in deciding on the economics and proper location of the proposed line. Accordingly the Commission, on

March 13, 1956, set aside the submission and reopened the matter for further hearing.

Two additional days of public hearing were held in Los Angeles on April 16 and 17. Applicants presented an additional 13 exhibits and testimony by seven witnesses, four of them being witnesses who had not previously testified. On the last day of hearing the Southwestern Portland Cement Company presented a new witness on the subject of air pollution, his testimony being in the nature of rebuttal to the contentions of the City of Los Angeles on this subject. The matter was resubmitted for Commission decision at the close of the last day of hearing; however, prior thereto, applicants moved that the first amended application be amended to conform to proof adduced during the hearing. The principal amendment is to provide for an additional 151.8 million cfd of gas (on a 14.73 psi pressure base) based on the letter of intent dated January 30, 1956, from the El Paso Natural Gas Company, copy of which is included in this record as Exhibit No. 15. This will increase the total increment of additional gas to 328.8 million cfd and enables the applicants to recompute the economics of the proposed line on delivery of 278.2 million cfd via Topock plus an added 50.6 million cfd via Blythe over the existing pipeline system. The motion is granted.

Need for Project

Applicants state that the combination of the continuing increase in population and the decline in available natural gas sources in California makes it imperative that more natural gas be imported to enable them to render adequate service to the two million existing customers and to future customers. Applicants' estimates of their average daily requirements and supply, with existing deliveries of approximately 713 million cfd from out-of-state, are set forth in Exhibit No. 5, Table No. 1, and may be summarized as follows:

Average Daily Requirements - Million Cubic Feet						
Year		Firm Requirements*	Potential Interruptible	Total Requirements	Supply	Deficiency
1952	Recorded	596.2	600.9	1,197.1	967.8	229.3
1953	Recorded	607.8	714.3	1,322.1	1,097.6	224.5
1954	Recorded	628.1	636.8	1,264.9	1,215.1	49.8
1955	Estimated	722.8	676.1	1,398.9	1,239.4	159.5
1956	Estimated	778.3	660.9	1,439.2	1,198.3	240.9
1957	Estimated	815.4	664.9	1,480.3	1,158.9	321.4
1958	Estimated	845.3	692.0	1,537.3	1,140.0	397.3
1959	Estimated	875.7	704.2	1,579.9	1,129.3	450.6
1960	Estimated	902.0	734.6	1,636.6	1,096.5	540.1
1961	Estimated	933.3	759.0	1,692.3	1,070.8	621.5

* Estimated years are on a cold year basis.

On abnormally cold days, because of space heating demands, the daily load of firm customers increases to about three times their average daily load or six times their summer load. To handle this large increase most of the interruptible load can be curtailed, the rate of dry gas production can be increased and sizeable amounts can be withdrawn from underground storage. Even with all of these measures, firm load deficiencies are indicated starting in the 1956-57 winter season if an abnormally cold day, as low as 36 degrees Fahrenheit mean temperature, is encountered. The next tabulation shows the abnormal firm peak day requirements, supply and deficiencies summarized from data shown in Exhibit No. 5, Tables XI and XXVI.

Abnormal Peak Day - Million Cubic Feet					
Winter Season		Mean Temperature	Firm Requirements	Send Out	Firm Deficiency
1952-53	Recorded	44.6 Degrees F.	1,194.1	1,352.0	-
1953-54	Recorded	48.0 Degrees F.	1,062.4	1,570.1	-
1954-55	Recorded	49.4 Degrees F.	1,329.4	1,685.5	-
1955-56	Estimated	36 Degrees F.	2,028.4	2,028.4	-
1956-57	Estimated	36 Degrees F.	2,149.1	2,094.2	54.9
1957-58	Estimated	36 Degrees F.	2,279.4	2,082.7	196.7
1958-59	Estimated	36 Degrees F.	2,397.9	2,068.7	329.2
1959-60	Estimated	36 Degrees F.	2,505.3	2,053.4	451.9
1960-61	Estimated	36 Degrees F.	2,622.2	1,969.0	653.2
1961-62	Estimated	36 Degrees F.	2,738.7	1,961.3	777.4

The above two tabulations indicate that on an average daily basis the proposed increment of 328.8 million cfd is not needed to supply the firm load, but that it would help to meet the indicated peak day firm deficiencies starting during the winter of 1956-57 if extremely cold weather is encountered. The first tabulation indicates that the average daily load, including the potential interruptible load, can fully absorb the proposed increment by 1958. Applicants represent that there is no practical problem about the ability of consumers in Southern California to utilize the proposed 328.8 million cfd of additional gas supply. Furthermore, the applicants do not expect to obtain all of the additional gas at the start, but contemplate receiving it in the following increments:

Date			Cumulative Million cfd at 14.73 psia, 60 Degrees F. at:		
			Blythe	Topock	Total
3-1-56	to	10-31-56	89.9	-	89.9
11-1-56	to	3-31-57	101.9	-	101.9
4-1-57	to	6-30-57	50.6	126.4	177.0
7-1-57	to	6-30-58	50.6	202.3	252.9
7-1-58	to	12-31-58	50.6	278.2	328.8

The above tabulations indicate need for more gas by 1959, and applicants propose to build a line from Topock that will carry more than 278.2 million cfd in the future.

Proposed Construction and Costs

The route of the proposed 30-inch pipeline is from the Colorado River near Topock westward through Pisgah, Victorville, and Palmdale to Newhall. From Newhall the route turns southward to Haskell Station and thence eastward to Alhambra. Applicants represent that the segment of this proposed pipeline between Newhall and Alhambra would be required regardless of the outcome of this request to receive additional gas from El Paso because of future peak day receipts from proposed underground storage projects in the San Joaquin

Valley. The following summary of estimated costs from Exhibit No. 17 does not include any costs assignable to the construction from Newhall Station to Alhambra Station and Haskell Station and from Lindley Junction to Haskell Station, estimated at $6,573,000:

Newhall - Topock Line - Estimated Capital Cost

Item	Amount
236 miles of 30-inch Pipeline and Other Materials	$15,171,000
Labor, Contract and Company Direct	6,566,000
Three Bridges, Maintenance and Measuring Stations	441,000
Engineering and Inspection	589,000
Rights of Way and Damages	120,000
General and Administrative	128,000
Interest During Construction	177,000
Contingencies	432,000
Subtotal	23,624,000
Compressor Station at Topock: 5, 1,760-hp Gas Engine Driven Reciprocating Compressors	3,339,000
Total	26,963,000

If the above line were reduced to a size just sufficient to transport the 278.2 million cfd the estimated cost would be $24,810,000.

In addition to the above line and the Newhall-Alhambra section, applicants request authority to reinforce the metropolitan pipeline system with 22.94 miles of 30-inch pipeline between Placentia and Victoria Station.

Applicants propose to finance the cost of the project during the 2-year construction period with internal funds, such as depreciation, cash and retained earnings, and with external funds derived from the sale of bonds and common stock. Also, additional external funds may be obtained by short-term borrowing from the applicants' parent company, Pacific Lighting Corporation. The sale of any securities, according to law, will be subject to Commission authorization.

Alternate Route

The question of an alternate route for the pipeline was considered and presented by the applicants' witnesses in Exhibit No.18.

The alternate route roughly would parallel and loop about two thirds of the existing Santa Fe Springs-Blythe line and terminate at Placentia. Applicants' primary reasons for proposing the route from Newhall to Topock were to obtain the security of a different route as the existing line parallels a branch of the San Andreas Fault, and because Topock is closer to the out-of-state source of gas. The record indicates that this alternate line would cost about $21,414,000.

Annual Costs

In Exhibit No. 20 applicants show the annual costs with the proposed line as designed for future expansion, Case A; the same line with minimum pipe size, Case B; and the alternate line, Case C; summarized as follows:

Item	Case A	Case B	Case C
Operation and Maintenance (Including Fuel)	$ 514,000	$ 591,000	$ 465,000
Depreciation	922,000	848,000	730,000
Taxes:			
Ad Valorem	527,000	486,000	418,000
State Franchise at 4%	73,000	67,000	58,000
Federal Increase at 52%	913,000	838,000	723,000
Return at 6%	1,633,000	1,502,000	1,297,000
Total Transport Costs	4,582,000	4,332,000	3,691,000
Unit Transport Cost per Mcf	3.85¢	3.65¢	3.11¢

The above unit costs are predicated upon the total volume of 328.8 million cfd being delivered. If only the quantity of 278.2 million cfd were used for computing Cases A and B the unit figures would be approximately 4.5 and 4.3 cents, respectively; however, the applicants represent that the total volume should be used, as the incremental cost of handling 50.6 million cfd via the existing Blythe system is practically nothing but some added compressor fuel.

Interconnections

A witness for the applicants, pursuant to Item 5 in the Commission's order reopening this proceeding, presented testimony relative to interconnections with the Pacific Gas and Electric Company's system. This testimony indicated that at the present time there are interconnections between the two systems through which relatively small quantities of gas could be interchanged; that it would be possible to make an interconnection between the proposed main from Topock to Newhall and the Pacific Gas and Electric Company's Topock-Milpitas main in the vicinity of Pisgah at an estimated cost of $43,000, and an interconnection at the Colorado River crossing at an estimated cost of $30,000.

It appears desirable and feasible for applicants to provide interconnections for emergency use at these points. However, applicants' witness stated that, while these interconnections would be of service to the southern companies in the event of an emergency, no engineering studies had been made in conjunction with the Pacific Gas and Electric Company to determine whether these would be of material benefit to that company in the event of a line break on its system. Applicants did indicate willingness to make such studies and the Commission is of the opinion that it is in the public interest for applicants to inform the Commission of the cost and feasibility of making interconnections, in addition, at such points as will insure the least disruptions of service to the public in the event of a failure of the transmission system.

Economic Feasibility

In determining the economic feasibility of the proposed pipeline from Newhall to Topock, applicants compared the delivered cost of gas with the competitive costs of other types of fuels and also compared the delivered cost with the costs of other methods of meeting the growing firm peak day requirements. Applicants state that their customers use natural gas because alternate fuels are more expensive. For house heating purposes the gas price equivalent for oil is $1.10 per Mcf and for coal is $1.50 per Mcf. Coal is little used in this state and then primarily for metallurgical purposes; its lack of general availability undoubtedly accounts for its comparatively high price. For residential cooking purposes the principal competition is from electricity which they state is equivalent to $2.30 to $3.00 per Mcf. Similarly, for electric refrigeration and water heating the equivalent costs are $1.50 to $1.10 per Mcf. The present cost of gas delivered to the customers' homes for these functions ranges from 82 to 55 cents per Mcf.

Applicants' Exhibit No. 10 shows that gas obtained from underground storage to help meet the peak load would cost about 41.8 cents per Mcf; from propane-air-natural-gas plants about $1.08 per Mcf; and from high-Btu-oil-gas plants about $3.10 per Mcf. Applicants' general conclusion is that out-of-state gas which can be delivered in the Los Angeles area presently for about 28 cents per Mcf is the most economical way of meeting the growing firm load requirements. However, in making this conclusion they recognize that the meeting of additional firm peaks through an increase in the primary gas supply does require the sale of a portion of such gas to the interruptible customers during the periods of low use by the firm customers.

The interruptible rates are designed in such a manner as to meet the competitive price of fuel oil after allowance for any premium value inherent to natural gas as a fuel. Exhibit No. 11 shows the following equivalent price of fuel oil delivered tax paid in Los Angeles and the matching equivalent price per Mcf of gas on a heat unit basis:

Fuel Oil		Matching Equivalent
Type	Price per Barrel	Price of Gas per Mcf
PS - 400	$1.85 - $2.00	31.9¢ - 34.5¢
Bunker	1.70 - 1.85	29.3¢ - 31.9¢
Bunker	1.55 - 1.70	25.8¢ - 28.3¢

Applicants state that present gas rates for interruptible service are now at the ceiling imposed by competitive fuel oil prices; the average rate being received by the applicants for interruptible sales is 29.68 cents per Mcf.

Interruptible Service Agreements

In view of the fact that the proposed pipeline passes near the towns of Victorville and Oro Grande, applicant Southern California Gas Company desires to serve interruptible gas to two cement plants and, in this connection, has entered into letter agreements with the two cement companies involved. A copy of the agreement with the Riverside Cement Company to serve its plant near Oro Grande is included in this record as Exhibit No. 7. A copy of the agreement with the Southwestern Cement Company to serve its plant near Victorville is included in this record as Exhibit No. 6. In general, these agreements provide that service will be rendered under separate rate schedules identical with rate Schedule G-53 as may be effective at the time that gas is received from El Paso and the line is completed, but containing an effective rate not less than that of the present G-53 schedule. The purpose of this arrangement is to hold the rate at the present level in case the price of fuel oil should drop and the rate escalate downward.

Since these letter agreements were negotiated, the posted price of fuel oil has risen about $2 in the Los Angeles area; and, when delivery cost is added, the equivalent value of natural gas is about 40 cents per Mcf at Victorville. The staff requested the applicants to introduce Exhibit No. 27, which shows that the proposed interruptible rate is roughly 3 cents per Mcf lower than the rate which the Pacific Gas and Electric Company is offering the new Cushenbury plant of the Permanente Cement Company. Counsel for each of the two cement companies objected to this exhibit or to the Commission's giving any consideration to a higher rate primarily on the grounds that the service from Southern California Gas Company would be subject to more interruption than the comparable service from Pacific Gas and Electric Company, and, after paying the higher price for fuel oil during the period when the gas service would be interrupted, the combined fuel bill would be about the same.

Cement Plant Load

Applicants' witness testified that the estimated load of the Riverside plant near Oro Grande is 17 million cfd and that the cost of the 4 miles of pipe to serve the plant is estimated at $57,100; that the estimated load of Southwestern plant near Victorville is 23 million cfd and that the cost of the 2 miles of pipe to serve the plant is estimated at $34,900.

In the application it is stated that these two plants are located within the territory certificated to Southwest Gas Corporation, Ltd., but that this utility now is serving gas only to the Southwestern plant, and only on a very limited basis, principally for the purpose of preheating the fuel oil used by the plant in its kilns, and for certain space heating purposes. Such statement does not agree with the statement by the representative for the Southwest Gas Corporation at the hearing. He stated that both of these plants are presently customers to a limited degree for firm gas and for interruptible gas at the Oro Grande plant. This representative welcomed the additional source of gas supply in Southwest's service area but desired that this proposal not impair or jeopardize Southwest's present or future sales to these customers.

Franchises and Rights

Applicants represent that they now own certain franchises in San Bernardino and Los Angeles Counties which will be used to cover the proposed facilities. They state that if any new franchises are needed they will obtain the same and file them with the Commission. With regard to the Southwest Gas Corporation's territory they do not plan to serve any customers within that territory, except the two cement plants heretofore mentioned.

Applicants propose to divide the out-of-state gas between themselves on a 70 to 30 per cent ratio, the higher percentage applying to the Southern California Gas Company. At the present time, applicants' contracts with El Paso Natural Gas Company provide for a volumetric division of purchases in the ratio of 75 to 25 per cent. Since these ratios were originally established, Southern Counties Gas Company's load has grown faster than Southern California Gas Company's load and now the relationship is approximately 70 to 30 per cent. Applicants propose to divide this new increment of gas so as to result in an over-all ratio applicable to out-of-state gas purchases which more nearly reflects present load conditions.

Applicants state that it is also desirable that their over-all ownership in the facilities used to transport out-of-state gas be divided on a 70 to 30 per cent basis. They therefore propose to share the total dollar investment in transmission facilities for out-of-state gas on this basis. However, they plan that all jointly owned facilities be owned as tenants in common, with a 75 per cent interest in Southern California Gas Company and a 25 per cent interest in Southern Counties Gas Company of California, and certain portions of the newly required facilities to be owned 100 per cent by one company or the other.

The Air Pollution Problem

One of the reasons advanced by applicants' witness for increasing the amount of out-of-state gas was that there would be less air pollution than if an equivalent quantity of fuel oil were burned. The City of Los Angeles presented testimony by the control officer of the Los Angeles County Air Pollution Control District regarding the excessive amount of atmospheric contaminants resulting from the burning of fuel oil compared to natural gas. In Exhibit No. 14 the particular problem of emissions from large steam-electric generating plants in the Los Angeles Basin is outlined. Testimony indicated that the type of fuel oil burned in the basin's steam-electric plants is characterized by its high sulphur and ash content and that this fuel oil, even though properly burned, produced approximately six times as much air pollutants as natural gas for a given quantity of energy production. The witness recommended the increased use of natural gas in lieu of fuel oils.

Mention was made of the fact that the Air Pollution Control District has denied authority for the Southern California Edison Company to install two new units at the Los Alamitos Plant and one at the Redondo Beach Plant, and that it was particularly concerned over the El Segundo Plant where natural gas is not available in the area for operation of the plant. All of these plants except El Segundo normally burn natural gas during the summer months and fuel oil during the colder parts of the winter months when natural gas is not available. Testimony indicated that the worst months for smog are September and October when wind velocities are low and when there is likely to be inversions of the atmosphere; however, even in January, during the course of the first two days of hearing in Los Angeles, smog was noticeable.

The Southwestern Portland Cement Company offered testimony by a chemist in the nature of rebuttal testimony to that by the Los Angeles County Air Pollution Control officer. He did not agree that the advantage of gas over fuel oil was as great as indicated and stated that the effect of burning of sulphur was of little consequence other than as an impediment to visibility. After carefully analyzing Exhibit No. 14-B he found little difference between the two fuels from an air pollution standpoint other than in the matter of opacity.

Position of the Southern California Edison Company

Counsel for Southern California Edison Company took the position that the additional quantity of natural gas is needed and that therefore the application should be authorized. He urged the Commission to consider apportionment of the available supply of natural gas, and requested that applicants be required to show the natural gas available to each steam-electric plant customer. This request was taken under advisement for later ruling inasmuch as the total gas available to and used by steam-electric plants was in applicants' figures. The level of air pollution should be reduced in the interest of public health, safety and comfort. At the same time, the continued expansion of residential, commercial and industrial requirements for electricity must be met. Both of these ends are served by expansion of the supply of natural gas. The Commission recognizes the desirability of promoting the most effective use of all the gas that is available. However, the matters involved in the present application apply to the enhancement of the gas supply, which is desirable from all points of view; and the action requested by Edison would not assist in the determination of the issue now before us.

Position of the City of Los Angeles

The City of Los Angeles took the position that, on the basis of the presently known conditions, the southern California area will be best served by the acquisition of additional primary supplies of out-of-state gas to the extent the market will permit, together with the supplementing of their supplies with increased deliveries from underground storage and additional purchases from California reserves which may be available to help meet peak demands. The city was opposed to the diversion of any of the proposed new gas supply to any new interruptible loads outside of the Los Angeles basin area because of its problem of atmospheric contamination. It contends that all available natural gas should be burned in the Los Angeles basin area, where atmospheric contamination is critical, rather than in the relatively smog-free desert area.

The city states that the end purpose of constructing the proposed pipeline and contracting for additional supplies of gas is that of supplying the requirements of firm users within the certificated service areas of applicants' utilities. Furthermore, it states that the market provided by the cement plants at Victorville was not a controlling factor in determining the economic feasibility of the pipeline project. It contends that the request to serve the cement plants should be denied on the basis that the cement plants are within the service area of another gas utility and that the greater public benefit would result from such denial.

Positions of Other Interested Parties

The Southwestern Portland Cement Company took the position that the Victorville locality should not be denied service because of the smog situation since the Commission lacks the jurisdiction to favor one locality over the other. It refers to Section 453 of the Public Utilities Code which reads in part ".....No public utility shall establish or maintain any unreasonable difference as to rates, charges, service, or facilities or in any other respect, either as between localities or as between classes of service ...."

Furthermore, Southwestern contends that under the present franchise granted to Southern California Gas Company and under its existing rules and regulations, such company has both the right and duty to serve the two cement plants. While recognizing that one condition of the certificate[1] authorizing the utility to exercise the

1 Decision No. 34728, dated November 4, 1941, under Application No. 24319, granted a certificate, subject to certain conditions, to exercise the rights and privileges granted by County of San Bernardino by Ordinance No. 497.

franchise was: "that, except upon further certificate of this Commission first obtained, applicant shall not exercise such franchise for the purpose of supplying gas within those parts or portions of said County now being served with gas by any other public utility ....," Southwestern contends that the Southwest Gas Corporation does not have the gas or the lines to serve the two cement plants. Therefore, it concludes that the two cement companies are, in effect, in a new territory and that Southern California Gas Company is the company that can, in the ordinary course of its business and by normal extensions into the territory contiguous to its system, best serve the two cement companies.

The Riverside Cement Company pointed out that the principal source of smog is motor vehicles and any claimed amount of air pollution by steam plants is controversial and speculative, and that further engineering studies will probably develop suitable air pollution control equipment for steam plants so that low cost fuel oil may well remain the most economic and practicable fuel for such plants. It concludes that the position taken by the City of Los Angeles completely ignores the economic feasibility and desirability of the cement plant loads both to the applicants and to all of their consumers.

The representative for the California Farm Bureau Federation urged favorable consideration of the application and liked the diversity of the proposed route because of past flood and earthquake experiences.

The California Manufacturers Association appeared in support of the applicants' position in this case, and took no exception to it, contending that interruptible gas is a utility service and that applicants have a duty to serve the cement plants.

A customer's representative favored the building of the new line at a separate location from the existing line. Also, he stated the view that the cement companies are entitled to the gas, but pointed out that the rates for interruptible gas by the Pacific Gas and Electric Company are substantially higher in this area than those being offered by the applicant Southern California Gas Company herein.

The San Diego Gas & Electric Company favored the granting of a certificate to build the line but took no position on the cement plant applications.

Conclusion on Pipeline Location

Of the several advantages advanced by the applicants to justify the construction of the proposed line between Topock and Newhall, rather than between Blythe and Placentia, the following, in the Commission's opinion, outweigh the estimated 0.74 cent per Mcf increased unit cost of transportation:

1. Diversity of route as a protection against system outage from earthquakes or floods.
2. An indicated cost saving of 0.32 cent per Mcf for El Paso to deliver the bulk of the additional gas at Topock rather than at Blythe.
3. A saving of approximately $75,000 annually in exchange fees when Southern California Gas Company is able to serve the Palmdale area directly.
4. Possibility of developing new loads within economic reach along the proposed route of the new line.
5. An additional interconnection point with the Pacific Gas and Electric Company system at comparatively low capital outlay.

Conclusion on Interruptible Load of Cement Plants

In arriving at this conclusion as to pipeline location we have not given weight to the possible advantage from the proposed interruptible load of the two cement plants. In the first place, these plants lie within the certificated area of another utility that is not a party to the proposed agreements and does not give an unqualified release. In the second place, the level of the proposed interruptible rates may be too low based on the competitive cost of fuel oil. In the third place, we are aware of the smog situation in Los Angeles, which must be considered even though the availability of an additional 151.8 million cfd of gas more than offsets the proposed sale of 40 million cfd to the cement companies. In the fourth place, the request to serve these cement plants is premature because sufficient gas to make the service worthwhile may not be available until some time after the new line is completed and the additional gas covered by the letters of intent is definitely available from El Paso.

Findings and Conclusions

After considering the evidence of record the Commission finds that public convenience and necessity will require the installation and operation of a 30-inch pipeline and appurtenances between Topock and Newhall including sections of 30-inch pipeline between Newhall and Alhambra and Victoria Station and Placentia as shown by Chart 1 attached to Exhibit No. 17, and the acquisition and use of all lands, rights of way and easements, and the exercise to the extent necessary of all rights, permits and franchises and the procurement of additional natural gas, up to a quantity of 328.8 million cfd, from El Paso Natural Gas Company. The Commission finds, at this time, that public convenience and necessity do not warrant the granting of a certificate to serve interruptible natural gas at some future date to the cement plants of the Riverside Cement Company and the Southwestern Cement Company located at Oro Grande and Victorville, California, respectively.

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

> That the Commission shall have no power to authorize the capitalization of any franchises involved herein or this certificate of public convenience and necessity, or the right to own, operate or enjoy such franchise

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> or 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 franchise, 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 and it being the opinion of the Commission that this application should be granted in part, subject to certain conditions, and in part denied; therefore,

IT IS HEREBY ORDERED that Southern California Gas Company and Southern Counties Gas Company of California be and they are granted a certificate that public convenience and necessity require the construction, operation and maintenance of the transmission pipeline and appurtenances generally as described in this application, as amended, and more particularly as shown by Chart 1 attached to Exhibit No. 17, between Topock and Newhall, and as shown on Exhibit No. 19, Chart 1, for sections between Newhall and Alhambra and between Victoria Station and Placentia, the acquisition and use of all lands, rights of way and easements, and the exercise to the extent necessary of all rights, permits and franchises, and the procurement of additional natural gas up to a quantity of 328.8 million cubic feet per day from El Paso Natural Gas Company, and the transmission, distribution, delivery and sale of such natural gas supplies to its present and prospective customers in accordance with its certificates of public convenience and necessity and with its rates, rules and regulations duly filed with this Commission.

IT IS HEREBY FURTHER ORDERED as follows:

1. That the portion of the application concerning a certificate for future sale of interruptible natural gas to the cement plants of the Riverside Cement Company and the Southwestern Cement Company

located at Oro Grande and Victorville, California, respectively, is denied without prejudice.

2. That applicants may redistribute the costs on a 70 to 30 per cent basis as described in the application.

3. That applicants shall file with this Commission, within thirty days after they become available, three certified copies of the final contracts entered into with El Paso Natural Gas Company covering the procurement of up to the 328.8 million cubic feet per day of gas as contemplated herein.

4. That applicants shall undertake to make the necessary arrangements with the Pacific Gas and Electric Company to establish interconnections between its Topock-Newhall main and the Pacific Gas and Electric Company's Topock-Milpitas main in the vicinity of Pisgah and the Colorado River crossing.

5. That applicants shall also prepare a detailed study of the engineering and economic feasibility of making interconnections with the existing transmission system of the Pacific Gas and Electric Company at such points as would provide maximum benefit to both the southern companies and Pacific Gas and Electric Company in the event of a failure in either company's transmission system. This study shall be filed with the Commission within six months after the effective date hereof.

6. That applicants, within six months following the date of completion of this main transmission line and sections, shall file with this Commission a detailed statement of the capital costs of the added pipeline and related facilities.

7. That applicants shall not exercise any franchise that may be involved in the construction and operation of this pipeline for the purpose of serving gas to any areas not presently served with natural gas by them without first obtaining proper certificate and authorization from this Commission.

8. That the authorization herein granted will expire if not exercised within three years after the date hereof.

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

Dated at San Francisco, California, this 22nd day of May, 1956.

Peter E. Mitchell
President

Justus F. Craemer

Ray E. Untereiner

Matthew J. Dooley

R. Hardy

Commissioners

APPENDIX A

LIST OF APPEARANCES

For Applicants: Milford Springer and Frederick G. Dutton of Southern Counties Gas Company of California; T. J. Reynolds and Harry P. Letton, Jr., of Southern California Gas Company.

Interested Parties: Pacific Gas and Electric Company by F. T. Searls and John C. Morrissey; City of Los Angeles by Roger Arnebergh, Alan G. Campbell, Claude E. Hilker, T. M. Chubb and Robert W. Russell; Southern California Edison Company by Bruce Renwick and Rollin E. Woodbury; California Portland Cement Company by Wallace K. Downey; Monolith Portland Cement Company by Joseph T. Enright and Norman Elliott of Enright & Elliott and Waldo A. Gillette; Challenge Cream and Butter Association by W. D. Mackay of Commercial Utility Service; California Electric Power Company by Karl McGowen and Kenneth Lemon; San Diego Gas & Electric Company by Sherman Chickering of Chickering and Gregory; California Farm Bureau Federation by J. J. Deuel and Bert Buzzini; Southwestern Portland Cement Company by Donald H. Ford of Overton, Lyman, Price & Vermille; Riverside Cement Company by L. M. Wright of O'Melveny and Myers; California Manufacturers Association by Robert N. Lowry of Brobeck, Phleger & Harrison; Southwest Gas Corporation by W. M. Laub and John L. Holleran; City of Long Beach by Henry E. Jordan.

Commission Staff: William W. Eyers.

LIST OF WITNESSES

Evidence was presented on behalf of the applicants by:
Grove Lawrence, Roy M. Bauer, W. J. Herrman, Cecil L. Dunn, J. A. Millen, J. L. Oberseider, W. V. Holik, H. A. Proctor, Robert P. Sharp, S. A. Bradfield.

Evidence was presented on behalf of the interested parties by:
James S. Moulton, Smith Griswold, Robert L. Ghass, John Kinard, Felix S. McGinnis, Jr., Kenneth D. Johnson.