GH

ORIGINAL

Decision No. 53818

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

(Amended Title) In the Matter of the Application of PACIFIC GAS AND ELECTRIC COMPANY for an order authorizing applicant to carry out the terms and conditions of a contract with PACIFIC COAST BORAX CO., DIVISION OF BORAX CONSOLIDATED, LIMITED, dated April 20, 1956, as amended by an agreement dated August 8, 1956. (Gas)	Application No. 38245

OPINION AND ORDER

Applicant's Request

Pacific Gas and Electric Company (hereinafter referred to as Pacific) filed the above-entitled application July 12, 1956, and filed an amendment thereto on August 20, 1956, seeking authority to carry out the terms and conditions of a written contract with Pacific Coast Borax Company, Division of Borax Consolidated, Limited (hereinafter referred to as Pacific Coast), dated April 20, 1956, as amended by an agreement dated August 8, 1956, copies of which are attached to the application as Exhibits A and H.

Agreement With Pacific Coast

Pacific seeks authority to provide natural gas service in accordance with the terms and conditions of an agreement with Pacific Coast, dated April 20, 1956, as amended by an agreement dated August 8, 1956. The agreement provides that Pacific shall sell and deliver to Pacific Coast such quantity of interruptible gas as shall be required for fuel purposes in the operation of Pacific Coast's kilns, dryers, calciners, and boilers located upon its premises near the unincorporated Town of Boron, County of Kern, California. Pacific is not obligated to supply interruptible gas to Pacific Coast at a rate of flow in excess of 750,000 cubic feet per hour. The agreement provides for payment of a surcharge at the rate of 0.65¢ per Mcf in lieu of any immediate obligation of Pacific Coast to pay the installation cost of that portion of the main necessary to provide the capacity reserved for Pacific Coast. It is agreed that the installation cost is $76,087. The usual liability, curtailment, standby fuel and Commission jurisdictional clauses have been included in the agreement, as well as protective clauses regarding the cost of installing and removing service facilities if Pacific Coast terminates the contract prior to the expiration of the initial term which is five years.

Proposed Construction and Cost

Pacific agrees to install a gas transmission main, approximately five miles in length, extending from its Topock-Milpitas Gas Main No. 300, at a point approximately three miles west of Boron, to Pacific Coast's plant, all located in Kern County. The estimated cost of the proposed gas main extension to serve Pacific Coast is $110,170, as set forth in detail in Exhibit C attached to the application. The gas main extension will provide the afore-mentioned interruptible service to Pacific Coast and also will provide firm service to its trailer camp, employees' quarters and administration building in the maximum amount of 17.67 Mcf per hour. Exhibit E attached to the application shows the cost proration of the proposed pipeline between the firm and interruptible demand and may be summarized as follows:

	Cost Proration		
	Firm	Interruptible	Total
Total Pipe Line	$11,469	$76,087*	$ 87,556
Customer Meters, Regulators and Services	5,614	17,000	22,614
Total	17,083	93,087	110,170

* Cost to be paid by Pacific Coast

The payment to be made for the facilities installed for interruptible service in accordance with Pacific's gas Rule and Regulation No. 15 is to be made by means of a monthly charge of 0.65¢ per Mcf for all interruptible gas delivered to Pacific Coast from the date of first service until the aggregate of such payments equal the installation cost of $76,087 plus interest at six per cent per annum. Exhibit I attached to the application shows that the estimated interest payments will amount to $12,441 over a period of 55 months. On the completion of the payment of the principal, the additional monthly charge will be discontinued. Applicant's proposed accounting is to charge the installation cost to Ac. 125, Accounts Receivable, and credit the same to Ac. 265, Contributions in Aid of Construction. The monthly amounts of money received by means of the surcharge will be credited in part to Ac. 524, Interest Revenue, for the portion equal to six per cent per annum interest on the remaining unpaid balance, and the balance of the monthly payment will be credited to Ac. 125, Accounts Receivable.

Franchise

Pacific proposes to lay and install the gas transmission main to serve Pacific Coast primarily on private rights of way, crossing only one public highway. The application states that Pacific now possesses a general county gas franchise which was granted to its predecessor, San Joaquin Light and Power Corporation, by the Board of Supervisors of the County of Kern under Ordinance No. 242 on March 9, 1931 and which expires April 8, 1981. The Commission in its Decision No. 34492 dated August 12, 1941 and Decision No. 42460 dated January 25, 1949 issued to Pacific certificates of public convenience and necessity to exercise this franchise, "except in those parts or portions of said county now being served by the Southern California Gas Company, Coast Counties Gas and Electrid Company, and Commercial Land Company". Pacific alleges that the location of its proposed gas main to serve Pacific Coast is not in or adjacent to the service areas of Southern California Gas Company and/or Commercial Land Company.

Proposed Rates

Pacific proposes to charge Pacific Coast for all interruptible gas delivered at its filed Schedule G-50 "Interruptible Natural Gas Service" until the monthly billing equals or exceeds $16,000 whereupon for that month and thereafter Pacific Coast will pay Pacific for all interruptible gas delivered at the rates contained in Pacific's presently filed and effective Schedule G-56 "Interruptible Natural Gas Service". Pacific proposes to render firm natural gas service under Schedule G-6 and Schedule G-40.

Economics of Project

Pacific represents that the furnishing and supplying of interruptible and firm gas service to Pacific Coast will not constitute a burden upon Pacific's other gas customers but will be of benefit and advantage to them. Pacific states that the estimated net annual income from Pacific Coast from the total interruptible and firm service for the first, third, and ninth years of operation will be $50,300, $81,000, and $120,500, respectively. Exhibit F attached to the application shows the estimated effect of Pacific Coast's business on Pacific's gas department's system 1956 rate of return. The third year of operation is shown to increase the gas department rate of return from 5.92 per cent to 5.94 per cent and the additional load for the ninth year increases the system rate of return to 5.95 per cent.

Discussion

In considering the proposed agreement the Commission notes that the provision pertaining to the interest rate on the unpaid balance of the installation cost of $76,087 has been increased from 4 per cent in the original agreement to 6 per cent in the amended agreement, Exhibit H. Also, the term of the contract is limited to five years. The interest rate and the term of the contract conform with the views previously expressed in decisions relating to the service of interruptible gas to certain large consumers.

In figuring a gain in net revenue as set forth in Exhibit F, Pacific used an average cost of purchased gas of 25.55 cents. This is the same average amount which Pacific used in other recent applications.[1] In those proceedings, the average cost of gas included a basic gas cost of 25.34 cents per Mcf plus 0.21 cent per Mcf for transmission line compression costs. It did not allow any transmission costs, other than the compressor fuel, on the assumption that the transmission costs are all chargeable to firm services. However, it does appear logical that interruptible services should pay some rental charge for using the firm services' transmission lines during off-peak periods and should pay some pro rata of demand costs on out-of-state gas purchases. The purchased gas costs per Mcf used in estimating the annual net income for firm gas service to Pacific Coast is 38.92 cents per Mcf which appears to include 13.58 cents per Mcf for transmission costs for firm services. Applicant is hereby placed on notice that the services herein authorized shall not be permitted to burden its other customers.

Applicant proposes to make its Schedules G-40 and G-50 applicable for firm industrial and the initial interruptible service, respectively, furnished to Pacific Coast. However, presently filed and effective Schedules G-41 and G-54 are applicable in the vicinity

1/ A-38170 - P. G. and E. Co. - Southwestern Portland Cement Co.
A-38171 - P. G. and E. Co. - Riverside Cement Co.

of Pacific Coast's operation near Boron and are the appropriate tariffs under which such gas service should be furnished and the order will so provide.

Findings and Conclusions

After considering the contents of the application and the provisions of the proposed contract the Commission finds and concludes that the application should be granted and that a public hearing is not necessary; therefore,

IT IS HEREBY ORDERED that

1. Applicant be and is authorized to carry out the terms and conditions of a contract with Pacific Coast Borax Company, Division of Borax Consolidated, Limited, dated April 20, 1956, as amended by an agreement dated August 8, 1956.

2. Applicant is authorized to file with this Commission after the effective date of this order, in conformity with General Order No. 96, revised Schedules G-41, G-54 and G-56 with changes in description of territory and, after not less than five days' notice to this Commission and to the public, to make said rates effective prior to the furnishing of gas service to Pacific Coast Borax Company near Boron.

3. Applicant shall file with the Commission within 30 days after the effective date of this order three certified copies of the contract as executed.

4. Applicant shall notify this Commission in writing of the date service is first rendered under the agreement herein authorized, within 30 days after such commencement of service.

5. Applicant, within six months following the date of completion of this extension, shall file with this Commission a detailed statement of the capital costs of the added pipeline and related facilities and a summary of the accounting thereof.

6. Applicant shall notify this Commission of the date of termination of said contract within 30 days after said date of termination.

7. Applicant, within 30 days after the installation cost, including interest, has been paid by the customer, shall furnish this Commission a detailed summary of the accounting thereof and, in the event that the contract is terminated in any manner prior to completion of pay out of the installation cost, an appropriate accounting summary shall be included with the above-mentioned termination notice.

The authorization herein granted will expire if not exercised within one year from the date hereof.

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

Dated at San Francisco, California, this 25th day of SEPTEMBER, 1956.

Peter E. Mitchell
President

Justus F. Craemer

Ray E. Untereiner

Matthew J. Dooley

C. Arnold

Commissioners