

ORIGINALDecision No. 54225

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SOUTHERN CALIFORNIA GAS COMPANY)
for an order authorizing applicant)
to carry out the terms of a written) Application No. 38603
service agreement entered into)
between applicant and CITY OF LONG)
BEACH.)

OPINION AND ORDERApplicant's Request

Southern California Gas Company filed the above-entitled application November 21, 1956, seeking authority to carry out the terms and conditions of a written service agreement with the City of Long Beach (hereinafter referred to as City), dated November 20, 1956, a copy of which is attached to the application as Exhibit A. Agreement with City of Long Beach

Applicant seeks authority to provide natural gas service in accordance with the terms and conditions of an agreement with City, dated November 20, 1956. This is a new service not previously furnished by applicant. The agreement provides that applicant shall sell and deliver to City quantities of gas required to meet City's potential peak-day firm requirements for the period specified as follows:

<u>Daily Maximum</u>	<u>Period</u>
20,000 Mcf	Effective date through November 30, 1957
35,000 Mcf	December 1, 1957, through November 30, 1958
45,000 Mcf	December 1, 1958, and thereafter

Deliveries subsequent to the calendar year 1958 are subject to review in light of the then estimated requirements and availability of supply.

For the initial period of the agreement, i.e., through November 30, 1957, City will have the right to an additional daily maximum volume of 5,000 Mcf of so-called emergency gas, deliverable on demand when available, in order to assist City in meeting its firm peak requirements.

The agreement shall continue in effect through November 15, 1961. Further, contingent on approval by the State Legislature of City Charter Amendment CC, adopted November 6, 1956, extending the permissible term of utility contracts from 5 to 25 years, this agreement shall continue in effect after November 15, 1961, but in any event shall terminate not later than 25 years from date of execution.

The agreement contains the usual Commission jurisdictional clauses, as well as detailed curtailment provisions to coordinate, to the extent feasible, the curtailment procedures of City with those of applicant and its affiliate, Southern Counties Gas Company of California.

The agreement also specified delivery points, delivery pressure, measurement procedures, quality of gas, responsibility for gas, and billing and payment methods.

A provision is included whereby should the City require additional gas, other than from stated sources, applicant has a 60-day option to supply such gas under mutually satisfactory conditions.

Concurrently with the execution of the service agreement, applicant entered into a letter agreement with the city (attached to application as Exhibit "C", dated November 20, 1956), providing for termination of said service agreement in the event of failure of City to grant to applicant, within six months of said date, a franchise in the form attached to said letter agreement, to

transport and/or distribute gas within the City. The applicant will be expected to apply to this Commission for a certificate of public convenience and necessity to exercise the rights of the franchise granted by the City of Long Beach.

Proposed Construction and Cost

Applicant will install measuring, regulating and control equipment at three locations to supply City with gas service. Replacement of 3,600 feet of existing 8-inch main with 12-inch pipe is necessary to reduce the pressure drop in the supply line to the Burnett Street and Cherry Avenue delivery point. The total cost of facilities required to supply City is estimated to be \$54,000 summarized as follows:

<u>Location</u>	<u>Estimated Cost</u>
Gordon Street and Edison Right-of-Way	\$10,000
Studebaker Road and Spring Street	7,500
Burnett Street and Cherry Avenue Facilities	<u>36,500</u>
Total	\$54,000

Proposed Rates

Applicant proposes to charge City for gas delivered under the provisions of a new rate schedule numbered G-60, filed with its application as Exhibit B.

Proposed Rate Schedule G-60, "Resale Natural Gas Service", provides the following rates:

<u>Deliveries of Contract Demand Gas</u>		
	<u>Demand Charge</u>	<u>Commodity Charge</u>
Before January 1, 1958	\$2.40 per month per Mcf of daily contract demand	24½¢ per Mcf
After December 31, 1957	Same as above	26½¢ per Mcf
<u>Excess Deliveries for Firm Peaks</u>		
Per Mcf of monthly delivery applicable only during the period through November 30, 1957		45¢ per Mcf

The proposed rate schedule provides for automatic adjustment to foregoing rates as follows:

When the price per Mcf for out-of-state gas purchases at 100 percent load factor from sources now or hereafter contracted for is increased or decreased above or below the price per Mcf of 24.57 cents, effective November 1, 1956, each of the effective charges in the above rates shall be concurrently increased or decreased by the ratio existing between the total average price for out-of-state gas purchases of 24.57 cents per Mcf and the new effective total average price per Mcf for out-of-state gas purchases at 100 percent load factor.

The components of the foregoing rates were arrived at by negotiation but were predicated on underlying cost analyses data. Applicant has advised, by supplemental letter that the cost analyses data includes return at 6 percent. Exhibit D attached to the application develops costs and revenues computed for several load factors as follows:

<u>Load Factor</u>	<u>Costs per Mcf</u>	<u>Revenues per Mcf</u>	
		<u>1st Year</u>	<u>After 1st Year</u>
40%	46.55¢	44.23¢	46.23¢
50%	41.17¢	40.28¢	42.28¢
60%	37.57¢	37.65¢	39.65¢
70%	35.01¢	35.77¢	37.77¢

Economics of Project

Applicant represents that the furnishing and supplying of gas service to City will be in the public interest, and will assist the City in meeting its urgent requirements for additional gas and at the same time provide applicant with a desirable market at a fair price for that portion of its available supply of gas called for in the service agreement. The applicant states that studies made by the City indicate that due to load growth the City's present available supply of gas will not be adequate to meet its firm peak requirements, not only on a peak day under low

temperature conditions, but also for comparatively long periods during the months of December through April for the approaching heating season of 1956-57. Deficiencies will increase in subsequent years and occur in most of the months throughout the year if additional supplies of gas are not made available.

Applicant has advised by supplemental letter that since this added load is essentially a firm load for which additional supply will be procured, there will be no detrimental effect on its present customers.

Applicant estimates that for the year 1957 the effect of sales to City will increase its system rate of return from 4.73 percent to 4.78 percent at 70 percent load factor and to 4.77 percent at 90 percent load factor.

Findings and Conclusions

After considering the contents of the application and the provisions of the proposed service agreement, the Commission finds and concludes that this service agreement is in the public interest, that it will not be detrimental to present customers, that the application should be granted and that a public hearing is not necessary.

In view of the urgent need of the City of Long Beach to supplement its gas supply for the winter season of 1956-1957, the effective date of the order will be five days after the date hereof; therefore,

IT IS HEREBY ORDERED as follows:

1. That applicant be and it is authorized to carry out the terms and conditions of the service agreement with the City of Long Beach, dated November 20, 1956.
2. That applicant shall file with the Commission within thirty days after the effective date of this order three certified copies of the service agreement and letter agreement as executed.

3. That applicant shall notify this Commission in writing of the date gas service is first furnished under the agreement herein authorized within thirty days after such commencement of service.
4. That applicant shall notify this Commission of the date of termination of said service agreement within thirty days after such date of termination.
5. That applicant is ordered to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, tariff schedule No. G-60, "Resale Natural Gas Service", and the form of service agreement as set forth in Exhibits A and B attached to the application and on not less than one day's notice to the Commission and the public to place said rates into effect.

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

Dated at San Francisco, California, this 11th day of DECEMBER, 1956.

[Signature]
President
[Signature]
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Commissioners