

ORIGINALDecision No. 52707

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the application of)
 PACIFIC GAS AND ELECTRIC COMPANY, a)
 corporation, for an order of the)
 Commission issuing to applicant a)
 certificate of public convenience)
 and necessity, under Chapter 5,)
 Article I, of the Public Utilities)
 Code of the State of California,)
 for the construction, operation and)
 maintenance of the natural gas pipe-)
 line project herein described.)

Application No. 29548

OPINION AND ORDER ON FOURTH SUPPLEMENTAL APPLICATIONApplicant's Request

Pacific Gas and Electric Company, operating public utility electric and gas systems and relatively minor water and steam heat systems in Northern and Central California, on February 14, 1957, filed this fourth supplemental application for authority to construct, install, operate and maintain facilities for enlargement of the capacity of its Topock-Milpitas gas transmission pipeline so as to increase the daily capacity of the pipeline from approximately 875* to 1,025* million cubic feet daily.

Authorized Construction

Applicant refers to and incorporates in its application the following applications and decisions of the Commission which granted it certificates of public convenience and necessity, among

* Wherever volumes of gas are marked with an asterisk, it indicates a pressure base of 14.9 pounds per square inch absolute for measurement purposes. Where not so marked, the pressure base is 14.73 pounds per square inch absolute.

other things, for the construction, operation and maintenance of its Topock-Milpitas transmission pipeline.

<u>Application Number</u>	<u>Filed</u>	<u>Decision Number</u>	<u>Date</u>
29548	7-27-48	42460	1-25-49
29548 1st Sup.	9-28-51		
29548 1st Sup. Amd.	2-14-52	47492	7-22-52
29548 2nd Sup.	7-24-53	49101	9-15-53
29548 3rd Sup.	7--7-55		
29548 3rd Sup. Amd.	10-28-55	52436	1--4-56

Applicant's original construction pursuant to Decision No. 42460 dated January 25, 1949, consisted of a natural gas pipeline from the Milpitas terminal in Santa Clara County, California, to a point on the California-Arizona boundary near Topock, Arizona, connecting with a pipeline of El Paso Natural Gas Company. Three compressor plants were constructed at Kettleman Hills, Hinkley, and near Topock, with a total capacity of 44,820 brake horsepower. The construction of these facilities provided a delivery capacity of approximately 400* million cubic feet per day.

Applicant was authorized by Decision No. 47492 dated July 22, 1952, to construct 83.90 miles of looping and to increase the capacity of its compressor plants by 19,540 brake horsepower to a total of 64,360 brake horsepower. These added facilities increased the total capacity of the pipeline to 550* million cubic feet per day.

Applicant constructed 199.05 miles of looping and increased the capacity of compressor plants by 2,500 brake horsepower to a total of 66,860 brake horsepower pursuant to Decision No. 49101 dated September 15, 1953. The completion of these facilities added approximately 150* million cubic feet per day to the capacity of the pipeline and brought its total capacity to approximately 700* million cubic feet per day.

Applicant states that it is now engaged in the construction of 149.60 miles of looping and the installation of an additional

10,820 brake horsepower in its compressor plants, increasing the total compressor capacity to 77,680 brake horsepower. These additional facilities, authorized by Decision No. 52436 dated January 4, 1956, will add 175* million cubic feet per day to the capacity of the pipeline bringing its total capacity to approximately 875* million cubic feet per day.

Additional Out-of-State Gas Supply

Applicant states that it is now purchasing gas from El Paso Natural Gas Company under a service agreement dated December 16, 1955, which provides for the delivery of 875* million cubic feet of gas per day at the border line between California and Arizona near Topock, Arizona. Applicant has entered into a letter agreement dated January 30, 1956, a copy of which is attached to the application and marked Exhibit A, for the purchase from El Paso of additional quantities of gas. El Paso proposes to sell to applicant a maximum additional quantity of 150* million cubic feet of gas per day. El Paso is to use its best efforts to deliver, and applicant is to use its best efforts to take, the first 75* million cubic feet per day not later than July 1, 1957, and the full 150* million cubic feet per day not later than July 1, 1958; provided, however, in any event El Paso will deliver and applicant will take the first 50* million cubic feet not later than November 1, 1957, the next 50* million cubic feet per day not later than November 1, 1958, and the full 150* million cubic feet per day not later than November 1, 1959. The letter agreement provides, among other things, that the term of delivery of gas shall be firm for a period of 15 years and El Paso shall use its best efforts to continue delivery of such gas for an additional period of 5 years. The letter agreement is subject to the obtaining by applicant from this Commission, and by El Paso from the Federal Power Commission, of a certificate, in form acceptable to both parties, that public convenience and necessity require the

construction of the facilities necessary to carry out the terms of an amended service agreement to supersede this informal agreement.

Applicant states that the Federal Power Commission authorized El Paso in Docket No. G-10499, under date of December 19, 1956, to sell and deliver to applicant the first additional 75* million cubic feet per day as provided in the letter agreement of January 30, 1956. This quantity of gas will increase applicant's total purchases to 950* million cubic feet of gas per day.

Applicant further states that El Paso has requested authorization of the Federal Power Commission in Docket No. G-11797 (filed on January 25, 1957), to sell to applicant the second additional 75* million cubic feet of gas per day under the letter agreement of January 30, 1956. This additional quantity of gas will bring applicant's total purchases to 1,025* million cubic feet of gas per day.

Proposed Construction and Cost

Applicant proposes to construct, install and place in operation additional facilities to increase the capacity of its Topock-Milpitas pipeline by 150* million cubic feet of gas per day in order to transmit the additional quantities of out-of-state gas and a relatively small amount of California gas from Paloma field located about 19 miles southwest of Bakersfield in Kern County. The applicant states that it has designed the additional facilities in two parts, first, those facilities required to increase the capacity of its pipeline to 950* million cubic feet per day, and, second, those facilities which are required to increase the capacity of the pipeline to 1,025* million cubic feet per day as follows:

Part No. 1, Increase to 950* million cubic feet per day

1. A 33.3-mile loop of 34-inch outside diameter pipe having a wall thickness of 13/32-inch extending in a westerly direction from the Hinkley Compressor Station.

2. A 40.2 mile loop of 34-inch outside diameter pipe having a wall thickness of 13/32-inch extending in a northwesterly direction from Kettleman Station to Panoche Junction.
3. Conversion of two engines at Topock Compressor Station from 2,500 to 3,500 brake horsepower and additions to station piping components at Topock, Hinkley and Kettleman, resulting in a total compressor capacity on the pipeline of 79,680 brake horsepower.
4. The total capital cost of the additional above-noted facilities, based on current labor and material prices, is as follows:

Compressor Stations	\$ 598,560
Land and Land Rights	93,513
Main Pipeline	8,131,412
Total Direct Costs	<u>8,823,485</u>
Overhead at 6%	529,409
Total	<u>9,352,894</u>

5. Estimated annual cost of operation, including fuel cost, and assuming a 91% load factor - \$1,426,000.

Part No. 2. Increase to 1,025* million cubic feet per day

1. Install additional facilities at the Topock and Hinkley Compressor Stations to increase their capacities by 4,500 and 4,000 brake horsepower, respectively, resulting in a total compressor capacity on the pipeline of 88,180 brake horsepower.
2. The total capital cost of the additional above-noted facilities, based on current labor and material prices, is as follows:

Compressor Stations	\$1,837,564
Overhead at 6%	<u>110,254</u>
	1,947,818

3. Estimated annual cost of operation, including fuel cost, and assuming a 91% load factor - \$483,000.

Applicant states that it plans to commence construction of the facilities under Part No. 1 upon authorization of this Commission and to complete expeditiously said facilities in order to receive promptly the first additional 75* million cubic feet of gas per day which the Federal Power Commission has authorized El Paso to deliver to it. Applicant plans to commence construction of the facilities

under Part No. 2 as soon as all governmental authority, permits and rights are obtained, and to use due diligence in completing the facilities in order to receive the full additional 150* million cubic feet of gas per day provided for in the letter agreement of January 30, 1956.

Applicant proposes to finance the cost of the project involved from treasury funds, cash available from internal sources, from short-term bank loans and from the sale of additional securities as the Commission shall hereafter, upon proper application, authorize for that purpose.

Need for Project

Applicant states that the proposed additions to its pipeline facilities are essential to northern and central California for the following principal reasons:

1. The people and the economy of the State of California are dependent upon natural gas.
2. The consumption of natural gas in California is growing even more rapidly than the population.
3. The supply of California gas is decreasing.
4. Applicant does not anticipate that it will receive a larger share of California production in the future.
5. Applicant will be able to market all the gas which it intends to purchase from El Paso.

Applicant avers that the economic feasibility of the proposed project is established by the increasing demand together with the decreasing local supply and the fact that the incremental cost of the additional gas delivered from the pipeline is estimated to be substantially similar to the delivered cost of the gas applicant is now authorized to receive. Applicant states that the proposed pipelines will be of value to the nation in the event of a war or other emergency as it will supply additional volumes of natural gas to northern and central California and thereby release equivalent

quantities of fuel oil for other uses, including the fueling of the U. S. Navy and merchant vessels operating the Pacific Ocean.

Findings and Conclusions

After considering the contents of the application and the history of this project on which the Commission has rendered four decisions, the latest of which is dated January 4, 1956, it is concluded that the natural gas requirements of applicant's system will require the construction of additional facilities to transport gas from out-of-state. Applicant's proposed plan of providing additional facilities in two parts, to transport additional quantities of gas as added increments become available, appears reasonable. 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 it is granted a certificate that public convenience and necessity require the construction, operation and maintenance of transmission pipeline and related facilities described as Part No. 1 in this fourth supplemental application.
2. Applicant be, and it is granted a certificate that public convenience and necessity require the construction, operation and maintenance of additional facilities described as Part No. 2 in this fourth supplemental application. Such certificate will become effective at such time as the Federal Power Commission authorizes the construction and operation of facilities by El Paso Natural Gas Company to deliver the second additional 75* million cubic feet of gas per day to applicant, in Federal Power Commission Docket No. G-11797.
3. Applicant shall file with this Commission a copy of any order issued by the Federal Power Commission in Docket No. G-11797.

4. Applicant shall file with this Commission a detailed statement of the capital costs of the added pipeline and related facilities herein authorized within six months following the date of completion.

The authorization herein granted will expire if not exercised within three years from the date hereof.

Dated at Los Angeles, California, this 21st day of March, 1957.

[Signature]
President
[Signature]
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Commissioners