

ORIGINALDecision No. 54829

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application of SOUTHERN CALIFORNIA GAS COMPANY and SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA for an order of the Commission authorizing applicants to carry out the terms of a written gas exchange agreement entered into between applicants and Southern California Edison Company and El Paso Natural Gas Company.

Application No. 38575

Appearances and Witnesses are listed in Appendix A.

INTERIM OPINION AND ORDERApplicants' Request

Southern California Gas Company and Southern Counties Gas Company of California, engaged in the purchase, distribution and sale of natural gas to an area in southern California having a population of about 8,000,000 persons, jointly filed the above-entitled application on November 9, 1956, requesting that the Commission duly give and make its order granting and conferring upon applicants all necessary permission and authority to carry out the terms and conditions of a written gas exchange agreement with Southern California Edison Company. A copy of the agreement, attached to the application as Exhibit "A", is designated Memorandum of Agreement, and dated October 27, 1956.

Public Hearing

After due notice three days of public hearing were held on the application¹ on January 2, 1957 and February 4 and 5, 1957,

¹ For hearing purposes this application was joined with Application No. 38527.

before Commissioner Matthew J. Dooley and Examiner Manley W. Edwards in Los Angeles. Applicants presented four exhibits and testimony by three witnesses in support of their request. The Commission's staff and other parties cross-examined the applicants' witnesses. Concurrent summary or closing statements have been filed (on or before March 15, 1957) and the matter is ready for decision.

Purpose of Agreement

The purpose of this agreement is to provide for the sale of certain natural gas by El Paso Natural Gas Company, hereinafter sometimes referred to as El Paso, to Southern California Edison Company, hereinafter sometimes referred to as Edison, at the California-Arizona border and delivery of equivalent quantities of gas by the applicants to Edison's steam plants in the Los Angeles area. This gas would be physically delivered to the applicants and comingled with gas sold to them by El Paso and, since this gas would not be physically segregated from the other gas for transportation purposes, applicants propose to deliver an equivalent volume of exchange gas to Edison's Long Beach, Redondo, and Etiwanda plants, up to the capacity of presently existing facilities, and to Edison's Los Alamitos and El Segundo plants up to a rate of 75 million cubic feet per day each.

Quantity of Gas

The basic quantity of gas provided in the agreement is 100 million cubic feet per day, subject to lesser amounts in 1957 and 1958 (50 million and 75 million respectively), and for additional quantities, up to an aggregate of 300 million cfd subject to availability of supply to El Paso and certain cost limitations.

During each calendar year after 1959 an increase of 25 million cfd per day over the previous year is provided for, subject to availability and Edison's fuel requirements.

Out-of-State Gas Supply Situation

At the present time the El Paso Natural Gas Company has obtained certificates of public convenience and necessity to deliver gas to the Southern California Gas Company and Southern Counties Gas Company of California at the rate of 955,000 Mcf per day and to the Pacific Gas and Electric Company at the rate of 950,000 Mcf per day (14.9 p.s.i.a.). A certificate for the facilities required to deliver the last increment of 75,000 Mcf per day to the southern companies and a like amount to Pacific Gas and Electric Company was granted by the Federal Power Commission in Docket G-10499 by order issued December 19, 1956. Additional increments of 75,000 Mcf per day to the southern companies and to Pacific Gas and Electric Company are covered by letters of intent by the El Paso Natural Gas Company and the California companies. On January 25, 1957, El Paso filed an application (Docket G-11797) with the Federal Power Commission seeking a certificate for the facilities required to deliver these increments. Appropriate authorization has been obtained by the California companies for facilities to transport the volumes covered by the letters of intent, namely: a total of 1,030,000 Mcf per day to the southern companies, and 1,025,000 Mcf per day to Pacific Gas and Electric Company.

In Docket G-10499 the Federal Power Commission staff raised a question as to the sufficiency of El Paso's showing of its gas supplies and reserves to support the delivery of the additional 150,000 Mcf per day increment on a firm basis for a period of 15 years. In its order issuing the certificate, the Commission stated:

"Neither should it be construed from the issuance of a certificate at this time that we are unmindful of the serious problem facing El Paso with respect to its ability to meet its system requirements. The record conclusively demonstrates that after 1958 the requirements of present customers will exceed El Paso's ability to supply gas to them. This, of course, is of serious concern not only to El Paso but to ultimate consumers in California and elsewhere on the El Paso system. Under the circumstances of this case we do not feel it appropriate to condition this certificate upon a solution of El Paso's over-all gas supply problem. However, we shall require in the next certificate proceeding which El Paso has before us, that it present a definite program demonstrating how its future system requirements are to be met and how the ultimate consumers will be protected."

In view of this situation this Commission does not believe that it would be advisable to act at this time upon the request of the applicants herein. There are two orders of the Commission which have an important bearing on the matter of this application. The first is a decision in Application No. 38527, which authorizes the applicants herein to place into effect a new tariff, Schedule G-54, covering service to steam-electric generating stations and cement plants. The effect of this schedule will be to improve the position of the Edison Company with respect to its priority for use of natural gas and will increase the volume of gas available to Edison. The second order is an order of investigation into the gas supply and requirement situation

on a statewide basis with particular reference to priority of service as between industrial use and steam plant use.

Conclusion

In view of the over-all gas supply situation and the action being taken by the Commission with respect to issuance of the two orders mentioned above, and being of the opinion that immediate action in the pending proceeding is not warranted under the circumstances,

IT IS ORDERED that final decision on Application No. 38575 be temporarily deferred.

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

Dated at San Francisco, California, this 10th day of April, 1957.

[Signature]
President
[Signature]
[Signature]
[Signature]
[Signature]
Commissioners

APPENDIX A

List of Appearances

Applicants: Milford Springer and J. R. Rensch for Southern Counties Gas Company of California. T. J. Reynolds and Harry P. Letton, Jr., for Southern California Gas Company.

Interested Parties: Bruce Renwick, Harry W. Sturges, Jr., and Rollin E. Woodbury for Southern California Edison Company; F. T. Searls and John C. Morrissey for Pacific Gas and Electric Company; Joseph T. Enright and Norman Elliott, and Waldo A. Gillette for Monolith Portland Cement Company; Donald J. Carman for California Electric Power Company; Roger Arnebergh, Alan G. Campbell and A. L. Driscoll for City of Los Angeles; Erobeck, Phieger & Harrison, by George D. Rives for California Manufacturers Association; Chickering and Gregory by W. B. Pattee for San Diego Gas & Electric Company; O'Melveny & Myers, by Lauren M. Wright for Riverside Cement Company; Wallace K. Downey for California Portland Cement Co.; Bert Buzzini and J. J. Deuel for California Farm Bureau Federation; A. L. Capon, N. W. Sagek, Archie L. Walters for City of Burbank; John H. Lauten and Howard Gulick for City of Glendale; Vincent W. Heublein and T. M. Goodrich for City of Pasadena; W. D. MacKay (Commercial Utility Service) for Challenge Cream & Butter Assn. and The Exchange Orange Products Co.; Henry E. Jordan for City of Long Beach; Draper W. Phillips for U. S. Department of Justice.

Commission Staff: Harold J. McCarthy and Marshall J. Kimball.

List of Witnesses

Evidence was presented on behalf of the applicants by: Grove Lawrence, Paul Kayser, J. A. Millen and T. S. Miller.

Evidence was presented on behalf of the interested parties by: H. G. Dillin, for San Diego Gas & Electric Company.