NB

Decision No. 54851

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application of PACIFIC GAS AND ELECTRIC COMPANY and SOUTHERN CALIFORNIA GAS COMPANY for an order authorizing applicants to carry out the terms of an agreement dated the 11th day of December, 1956, covering the delivery of natural gas by the former to the latter from its Topock-Milpitas pipeline solely for resale to Monolith Portland Cement Company and the delivery of an equivalent quantity of natural gas in exchange therefor at the Paloma recycling plant.	Application No. 38865

OPINION AND ORDER

Applicants' Request

Pacific Gas and Electric Company, hereinafter referred to as Pacific, and Southern California Gas Company, hereinafter referred to as Southern, filed the above-entitled application March 1, 1957, seeking authority to carry out the terms of an agreement dated December 11, 1956, a copy of which is attached to the application as Exhibit A. The application states that Southern has been supplying interruptible natural gas service to the cement plant of Monolith Portland Cement Company, hereinafter called Monolith, at Monolith, California, through its San Joaquin Valley-Monolith pipeline. Monolith's present requirement for gas is 14.2 million cubic feet per day, of which Southern is now able to supply approximately 12 million cubic feet per day through its system. Monolith's total daily gas requirements are anticipated to be 16.3 million cubic feet by June, 1957; 20 million cubic feet during the year 1958; and 27 million cubic feet during the year 1960. Southern alleges that it has made studies to determine how the supply of interruptible natural gas to Monolith can be increased and concludes that the least expensive course is to obtain the necessary supplemental volumes of gas from Pacific's Topock-Milpitas pipeline, the nearest point of which is located about 3½ miles from Monolith's cement plant.

Proposed Agreement

The agreement provides that Pacific shall deliver natural gas called "exchange gas" from its Topock-Milpitas pipeline to Southern solely for resale to Monolith. Southern shall deliver, or cause to be delivered, to Pacific at the Paloma recycling plant, at substantially the same hourly rates as Pacific is delivering gas to Southern, an equivalent quantity of gas of a quality and heating value acceptable to Pacific and a pressure sufficient to enter Pacific's existing facilities at Paloma but not in excess of 800 psig. Pacific may curtail or cease deliveries to Southern hereunder in accordance with Pacific's procedure for curtailment of deliveries to its own interruptible customers receiving service under its effective Schedule G-56. Whenever Southern fails or is unable to deliver to Monolith from its San Joaquin Valley-Monolith facilities a minimum quantity of 12 million cubic feet per day, Pacific is not obligated to deliver to Southern any additional quantities of gas to make up the deficiency in supply to Monolith.

The agreement also provides that Pacific shall construct and maintain a suitable tap on the Topock-Milpitas pipeline near Monolith, California, and suitable pressure regulating and metering equipment near this tap for the purpose of exchanging gas. Southern shall construct and maintain all other facilities, including metering equipment at Paloma recycling plant, required for the exchange of gas. The facilities which Southern must construct and maintain in order to make deliveries to the cement plant of Monolith will consist of 17,710 feet of 6-inch main at an estimated cost of approximately

$51,569; sales meter and regulation facilities at Monolith which will cost approximately $11,650. Facilities which Southern must construct at Paloma recycling plant will consist of plant piping, metering facilities and flow controller at an approximate cost of $5,000.

The agreement further provides that Southern shall file a new rate schedule with this Commission under which Monolith will pay Southern for all gas delivered to it from Pacific's Topock-Milpitas pipeline an effective terminal block rate of 30 cents per Mcf. For all exchange gas delivered to Southern, it agrees to pay Pacific a unit exchange fee equal to the difference by which the terminal block rate of Pacific's then effective Schedule G-56 exceeds the effective terminal block rate under the new rate schedule filed by Southern. In the event the block commodity rate form of Pacific's G-56, or the rate form of Southern's new rate schedule should be changed to another rate form, the unit exchange fee shall be renegotiated by Pacific and Southern. Such renegotiated exchange fee shall not be greater than the difference by which the average rate per Mcf obtained by applying Pacific's then effective schedule, exceeds the average rate per Mcf obtained by applying Southern's then effective schedule to deliveries of exchange gas to Southern for the purpose of serving Monolith for the 12-month period immediately preceding the effective date of such changed schedule. The agreement provides that the unit exchange fee shall never be less than ½ cent per Mcf.

The agreement is to become effective on the first day of the month following authorization by this Commission, or on the date on which Southern's proposed new rate schedule becomes effective, whichever is later. The agreement will continue in effect for five years thereafter, and thereafter from year to year unless terminated by either party upon one year's written notice given at any time after four years from the effective date of the agreement. If the agreement does not become effective as provided within six months from its date, it shall terminate forthwith. The agreement contains the Commission's usual jurisdictional clause.

Finding and Conclusion

The application states that, based on the quantity of natural gas which Southern estimates it will sell to Monolith during the 5-year period next following the commencement of deliveries of such natural gas, Southern estimates that it will earn at least an average annual rate of return on the cost of such facilities of 10 per cent during such 5-year period. Supplemental information has been made available to our staff covering the rate of return study of the proposed Monolith exchange. The revenues to Southern have been computed at the proposed rate of 30 cents per Mcf and cost of gas returned by Southern to Pacific is computed at a unit cost of 28.73 cents per Mcf which includes the present price of gas of 27.44 cents per Mcf for steam-electric plant service under Southern's Schedule No. G-55 plus an exchange fee of 1.3 cents per Mcf.

The Commission desires to place Monolith, Pacific and Southern on notice that there are proceedings presently pending before it which contain issues concerning the cost of gas and priority of service of large interruptible customers. This Commission has continuing jurisdiction of utility rates and service and may, from time to time, order changes in rates and priority of service which may affect the conditions of service covered in the proposed agreement in this application. Southern should advise Monolith of this situation.

Applicants allege that the exchange arrangement will not constitute a burden on any of their existing ratepayers but will be of value to applicants and their customers and will be especially beneficial to Monolith because it will be able to purchase gas at a lower cost than it can purchase competitive fuels at the present time. After considering the contents of the application, the Commission finds and concludes that the application should be granted.

As mentioned above, Southern, at the request of our staff, has furnished additional data and information which we deem necessary to a full understanding of this matter. Such data and information were transmitted by letter dated March 8, 1957, and we believe that the letter and attachments thereto should be made a part of the record in this proceeding. The order will so provide.

The Commission wishes to point out that applicants seeking ex parte action have an obligation to provide full and complete information in the application or in exhibits thereto so that a full understanding of the situation may be had from a review of the application.

The Commission having considered the request of applicants and being of the opinion that the application should be granted and that a public hearing is not necessary, therefore,

IT IS HEREBY ORDERED that:

1. Applicants be and are authorized to carry out the terms of an agreement dated December 11, 1956.

2. Southern California Gas Company is authorized to file with this Commission in conformity with General Order No. 96, a revised Schedule G-53, which shall include a paragraph under "Rates" subtitled "Supplemental Service to Monolith Portland Cement Company" to read as follows:

   > "Notwithstanding anything herein elsewhere contained in this schedule, the rate for all natural gas coming from the Topock-Milpitas gas transmission pipeline of Pacific Gas and Electric Company and delivered to the cement plant of Monolith Portland Cement Company at Monolith, California, shall be 30 cents per Mcf, subject to adjustment to reflect variations in the heating value of such gas as hereinafter prescribed."

and, after not less than five days' notice to this Commission and to the public, such filing shall be effective on the date that service is first furnished to Monolith under the agreement dated December 11, 1956.

3. Applicants shall file three certified copies of the agreement as executed within thirty days after the effective date of this order.

4. Applicants shall notify this Commission of the date of termination of said agreement within thirty days after said date of termination.

5. The letter dated March 8, 1957 and attachments thereto submitted by Southern California Gas Company shall be docketed and made a part of the record in this proceeding.

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

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

Dated at San Francisco, California, this 16th day of April, 1957.

Peter E. Mitchell
President

Rex Hardy

C. Lyn Fox
Commissioners