

Decision No. 55552**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 PACIFIC GAS and ELECTRIC COMPANY)
 and SOUTHWEST GAS CORPORATION for)
 authority, among other things, to)
 carry out an agreement dated July 8,)
 1957 for the sale by the former to)
 the latter of natural gas.)
 (Gas))

Application No. 39277

O P I N I O N

Pacific Gas and Electric Company (hereinafter referred to as Pacific), and Southwest Gas Corporation (hereinafter referred to as Southwest), by the above-entitled joint application filed July 26, 1957, request an order of the Commission authorizing them to carry out the terms and conditions of an agreement, dated July 8, 1957, relating to the sale of natural gas by Pacific to Southwest, a copy of which is attached to the application and made a part thereof as Exhibit A. In addition, applicants request in certain matters related to the proposed agreement, that the Commission:

1. Authorize Southwest to file and make effective its revised Rule and Regulation No. 19, "Limitation Upon Natural Gas Service," set forth as Exhibit B, and concurrently with the filing and making effective of said revised rule and regulation, to withdraw and cancel its existing Rule and Regulation No. 19.

2. Authorize Pacific to file and make effective its revised Schedule No. G-64, "Resale Natural Gas Service," set forth as Exhibit C, and revised related "Gas Service Contract Form, Schedule No. G-64," and concurrently with the filing and making effective thereof to withdraw and cancel its existing Schedule No. G-64 and related contract form.

3. Grant applicants such further or different relief as to the Commission may appear proper.

Under date of September 6, 1955, the Commission in Decision No. 51915 in Application No. 37101 authorized Pacific and Southwest, among other things, to carry out the terms and conditions of the written agreement dated May 23, 1955, (herein sometimes called Existing Agreement) relating to the supply of natural gas by Pacific to Southwest, for resale to Southwest's customers in its Barstow and Victorville areas, San Bernardino County, California. A copy of this agreement is attached to the application as Exhibit D.

Southwest and Pacific have negotiated and mutually agreed upon a new gas agreement (Exhibit A) designed to adjust and bring up to date the relations between the two companies. This gas service agreement, dated July 8, 1957, (herein sometimes called New Agreement) will supersede the Existing Agreement dated May 23, 1955.

Some of the more important changes incorporated in the New Agreement are as follows:

1. The initial term is for a period of ten years from and after the effective date of the Commission's order. The initial term of the Existing Agreement commenced May 23, 1955, and terminates August 31, 1961.

2. Under the New Agreement Pacific agrees to deliver to Southwest and Southwest agrees to buy from Pacific all of the gas required by Southwest's public utility business for use by Southwest and resale by it directly to its domestic, commercial and industrial customers for use within Southwest's service area. The Existing Agreement provides for a maximum daily contract quantity of 15 million cubic feet of gas.

3. Southwest may provide interruptible gas service to individual installations which have requirements not in excess of three million cubic feet per day instead of two million cubic feet per day as provided in the Existing Agreement and in Southwest's filed and effective Rule and Regulation No. 19. No change has been made in the curtailment provisions for interruptible service.

4. Southwest agrees to pay for all gas so delivered in accordance with the rates and conditions set forth in Pacific's applicable rate schedules, as the same shall from time to time be established by Pacific and filed with and authorized by the Commission. The rates to be charged in the New agreement are those contained in Pacific's proposed Schedule G-64, "Resale Natural Gas Service," made a part of said agreement. The rate for firm and interruptible services is 38.66 cents per Mcf per month. The minimum monthly charge is \$15,000 plus \$5,000 for each additional 5,000 Mcf or fraction thereof of gas delivered to Southwest in excess of 15,000 Mcf on any day within each contract year, accumulative each such year. This effects no change in the present rates and charges under the existing contract, except for the minimum charge when daily demands exceed 15,000 Mcf per day.

5. The description of the service area of Southwest has been changed to read:

"Territory in San Bernardino County, California, in which Southwest is now or may hereafter be authorized to supply natural gas service under the certificates of public convenience and necessity granted to it by said Commission."

This description eliminates previous objections to the territorial limitations in the Existing Agreement and provides for expansion by Commission authorization.

6. A procedure is established under which Southwest may acquire certain facilities of Pacific, under Commission authorization and thereby undertake the responsibility of supplying several small customers now served by Pacific near Newberry.

Southwest proposes to amend its filed and effective Rule and Regulation No. 19, "Limitation upon Natural Gas Service," in conformity with the agreement reached with Pacific so as to, among other things, remove the limitation of two million cubic feet of gas per day of 24 hours and to substitute therefor the limitation of three million cubic feet of gas per day of 24 hours.

Pacific proposes to amend its filed and effective Schedule No. G-64, "Wholesale Natural Gas Service," and related contract form (Revised Cal. P.U.C. Sheets No. 3844-G and No. 3845-G) in conformity with the agreement reached with Southwest.

The New Agreement of July 8, 1957 is the result of extended negotiations between Pacific and Southwest and will clarify the general relationship between the two companies in the desert area. As Pacific is presently receiving a larger amount of out-of-state gas than at the time when the Existing Agreement was entered into, it is in a better position to supply the requirements of Southwest as provided in the New Agreement without jeopardizing the present and future deliveries of gas to Pacific's customers in northern and central California. The supply by Pacific of all of Southwest's gas requirements for a period of not less than ten years, permits Pacific to include Southwest's load requirements as a definite part of its future planning, and assures Southwest of a gas supply for its growing requirements for the term of the contract.

There appears to be no reason for withholding approval of the proposed new agreement. Upon the basis of information now before us, we are of the opinion and so find that the approval of this agreement will not be adverse to the public interest.

O R D E R

The above-entitled application having been considered, 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. Applicants be and they are hereby authorized to carry out the terms and conditions of the written agreement, dated July 8, 1957, as set forth in Exhibit A attached to the application, and to furnish the service under the terms, charges and conditions stated therein.
2. Applicants shall file with the Commission, within thirty days after the effective date of this order, four certified copies of the contract as executed, together with a statement of the date on which the contract is deemed to have become effective.
3. Applicants shall notify this Commission of the date of termination of said contract within thirty days after the date of termination.
4. Pacific Gas and Electric Company shall file with this Commission, within ten days after the effective date of this order and in conformity with General Order No. 96, the proposed Schedule G-64 set forth as Exhibit C of the application. Such revised tariff sheets shall become effective upon one day's notice to the Commission and to the public.

5. Pacific Gas and Electric Company shall refile, within ten days after the effective date of this order, its Gas Service Contract form, Schedule No. G-64, to conform with the contract authorized herein. Such revised tariff sheets shall become effective upon one day's notice to the Commission and to the public.

6. Southwest Gas Corporation shall withdraw and cancel its Rule and Regulation No. 19, now on file with this Commission, and file in quadruplicate with this Commission, within ten days after the effective date of this order and in conformity with General Order No. 96, the proposed Rule and Regulation No. 19 set forth as Exhibit B of the application. Such revised tariff sheets shall become effective upon one day's notice to the Commission and to the public.

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

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

E. P. Mitchell
President

James L. Lawrence

Michael J. Quinlan

R. B. ...

E. J. Fox
Commissioners