

ORIGINAL

Decision No. 55752

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 PACIFIC LIGHTING GAS SUPPLY COMPANY,)
 a corporation, under Section 1001 of the)
 Public Utilities Code, for a Certificate)
 that Public Convenience and Necessity)
 require the construction, maintenance,)
 and operation of a 34" Pipeline between)
 Buena Vista Lake and Newhall.)

Application No. 38407
 (First Supplemental)

O. C. Sattinger and J. R. Elliott for applicant.

Bruce Renwick, Harry W. Sturges, Jr. and Rollin E. Woodbury by Rollin E. Woodbury for Southern California Edison Company; Roger Arnebergh, Alan G. Campbell and Manuel Kroman for the City of Los Angeles; Bert Buzzini for the California Farm Bureau Federation; Brobeck, Phleger & Harrison by Robert N. Lowry and Edwin Fleischmann for the California Manufacturers Association; Frank Porath for San Diego Gas & Electric Company; Commercial Utility Service by W. D. MacKay for Challenge Cream & Butter Association, interested parties.

Louis W. Mendonsa for the Commission staff.

OPINION AND ORDER ON
FIRST SUPPLEMENTAL APPLICATION

Applicant's Request

Pacific Lighting Gas Supply Company filed the above-entitled first supplemental application on July 31, 1957 for the purpose of increasing the size, from 30 inches to 34 inches, of the recently authorized¹ pipeline between Buena Vista Lake and Newhall. Applicant requested ex parte consideration of this matter, without further public hearing, and on July 31, 1957 filed an amendment to this first supplemental application containing five exhibits in support of its supplemental application. Inasmuch as the proposed

¹ Authorization to construct, operate and maintain a 30-inch pipeline was heretofore granted by Decision No. 54238, dated December 11, 1956.

pipe size increase involved a substantial increase in capital investment, the Commission decided that further public hearing should be held to learn of any public objection to the applicant's proposal. At the hearing, applicant asked amendment of the title to show a 34-inch line, which was granted.

Public Hearing

After due notice to interested parties, a day of public hearing was held on this first supplemental application before Examiner Manley W. Edwards on September 18, 1957 in Los Angeles. Applicant presented three witnesses to testify to the five exhibits set forth in its amendment to the first supplemental application. The Commission staff and other parties cross-examined applicant's witnesses. The City of Los Angeles entered a statement of position into the record in support of applicant's request. No party objected to the applicant's proposal to increase the size of the line to 34 inches.

Applicant's Position

Applicant represents that since the 30-inch line was authorized it has obtained further contracts for gas in the San Joaquin Valley to the extent that in the winter of 1957-58 there will be under contract and available for peak-day supply 97,300 Mcf of gas in excess of the existing pipeline capacity; that, in addition, there is at present under negotiation a potential additional supply of 410,000 Mcf of peaking gas per day and storage projects which, if all were consummated, would provide a total 330,000 Mcf of gas per day, or a total additional peak-day supply of gas over and above that presently under contract of 740,000 Mcf per day; that with a 34-inch line it will be able to take and handle large volumes of gas when same are tendered to it from various sources; and that,

in its opinion, the additional supplies of gas and additional storage reservoirs heretofore referred to justify the installation of a pipeline larger than that heretofore certificated.

Applicant states that it already has placed an order for the 34-inch pipe, that it is scheduled for delivery in November and December of 1957 and January of 1958, and that the pipeline construction should be completed and ready for operation in July of 1958.

Proposed Line Capacity

The proposed 34-inch line would have a capacity of 648,000 Mcf per day, with a pressure drop from an initial pressure of 750 pounds per square inch (psi) to 300 psi. The 300 psi pressure is the operating anticipated peak-day pressure limit in the section of the pipeline of Southern California Gas Company and Southern Counties Gas Company of California extending from Newhall into the Los Angeles metropolitan area. The proposed pipeline will have a 750 psi or higher rating for its entire length so that it can provide pack and draft capacity in addition to its normal through-put.

<u>From</u>	<u>To</u>	<u>Length (Miles)</u>	<u>Wall Thickness</u>	<u>Maximum Permissible Operating Pressure</u>
Ten Section	Paloma	10.8	0.513 in.	800 psi.
Paloma	Grapevine	20.5	0.500 in.	750 psi.
Grapevine	Castaic	37.2	0.416 in.	750 psi.
Castaic	Castaic Creek	2.3	0.566 in.	750 psi.
Castaic Creek	Santa Clara River	4.6	0.500 in.	750 psi.
Santa Clara River	Newhall	<u>5.2</u>	0.566 in.	750 psi.
Total Length		<u>80.6</u>		

Economics of Proposed Line

Applicant estimates that the cost of the proposed 34-inch line, together with its necessary appurtenances, will be \$14,900,000, which is \$4,600,000 greater than the original cost of \$10,300,000

estimated for the 30-inch line. The estimated annual cost of the 34-inch line is next compared to the annual cost of the 30-inch line.

	<u>34-Inch</u>	<u>30-Inch</u>
Operating Expense	\$ 18,000	\$ 18,000
Depreciation (40-year life)	373,000	258,000
Ad Valorem Taxes	359,000	248,000
Return at 6.9%	1,029,000	711,000
State Income Tax	89,000	61,000
Federal Income Tax	<u>1,115,000</u>	<u>770,000</u>
Total Annual Costs	<u>\$2,983,000</u>	<u>\$2,066,000</u>

The annual cost per Mcf of daily capacity for the 34-inch line is estimated at \$5.14 compared to \$5.10 for the 30-inch line. On the basis of annual sales of approximately 66,000,000 Mcf, the proposed 34-inch line will add the equivalent of approximately 4.5 cents per Mcf to the present average rate that the applicant is now charging for its gas in the form of a monthly charge and a commodity charge. The comparable added cost for a 30-inch line is approximately 3 cents per Mcf.

Permits, Franchises, Financing

Applicant states that the 34-inch line will follow substantially the same route as proposed for the 30-inch line and that the franchises and permits obtained or being obtained for the 30-inch line will cover the 34-inch line. No change was proposed from its former financing method; that is, to obtain funds from its parent company, Pacific Lighting Corporation, in the form of temporary borrowings, later to be replaced, subject to Commission approval, by permanent financing in the form of capital stock.

Findings and Conclusions

While it appears that the result of this proposal would be to add an amount roughly equivalent to 4.5 cents per Mcf to its costs, the installation of a line as large as 34 inches should make

A-38407 DR

sufficient additional gas available so that the unit equivalent cost on the basis of a larger supply may be less than the 4.5 cents per Mcf, as computed. Applicant indicated a willingness of its suppliers to divert less gas for repressuring operations in the future and to make more gas available for sale to the public than was evident when the 30-inch line was proposed. The mere fact that applicant's rates may have to be raised as much as 4.5 cents per Mcf does not mean a similar increase to the public served by the Southern Counties and the Southern California Gas Companies. Their total sales are so much greater than 66,000,000 Mcf per year that it appears it will be less than 1 cent per Mcf when spread over their entire sales.

The Commission is aware of the growing demand for gas service in the State and is particularly anxious that the firm services should not have to be curtailed in the winter months. While the authorization of a 34-inch line, instead of a 30-inch line, will result in a further increase in the cost of operation to applicant, such further increase, in the Commission's opinion, is a reasonable means to help avoid firm peak-load deficiencies.

Applicant expects to complete the 34-inch line by July 1958, which is within the two-year time period formerly authorized which terminates December 31, 1958.

The Commission having considered applicant's first supplemental application herein, further public hearing having been held, the matter having been submitted and the Commission being of the opinion and hereby finding that a larger line than heretofore authorized will be in the public interest and is required by public convenience and necessity, therefore

