

**ORIGINAL**Decision No. 58706

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 a certificate of )  
 public convenience and necessity )  
 authorizing it to construct, oper- )  
 ate and maintain an underground gas )  
 storage project in the McDonald )  
 Island Gas Field. )  
 (Gas) )

Application No. 41083

William E. Johns and John S. Cooper, for  
 applicant.  
 California Farm Bureau Federation, by  
William L. Knecht, interested party.  
Clarence Unnever, Thomas L. Deal and  
C. V. Shawler, for the Commission  
 staff.

O P I N I O N

By this application, filed April 27, 1959, Pacific Gas and Electric Company seeks a certificate of public convenience and necessity covering the construction, operation and maintenance of an underground gas storage project in the McDonald Island Gas Field in San Joaquin County and an order of this Commission authorizing it to make certain entries in its books of account respecting the field and gas facilities used in connection therewith.

Public hearing in the matter was held before Examiner F. Everett Emerson on June 3, 1959, at San Francisco; and the matter was submitted on such date.

The evidence indicates that since 1950 applicant's requirements for natural gas to serve its customers have been increasingly met from out-of-state sources. Presently, more than 70 per cent of applicant's total gas supply is imported from fields in Texas,

New Mexico and Colorado. To make such long-distance transmission projects economically feasible, it is necessary that the transmission pipeline be operated at as high a load factor as possible, resulting in a fairly constant flow of gas in large quantity at all times during the year. On the other hand, the gas requirements for applicant's system are subject to large seasonal, weekly and daily fluctuations. After engineering and economic studies, applicant has concluded that the most feasible way of attempting to equate these opposing requirements of supply and usage is to store gas in underground depleted or partially depleted gas fields during periods of low demand and to withdraw gas therefrom during system peak demands and other periods of large usage.

Applicant proposes to store gas in the partially depleted McDonald Island Gas Field, located about 10 miles northwest of Stockton. Such field is very favorably situated with respect to applicant's gas transmission and distribution systems and the large load center of the San Francisco Bay area. Gas storage in such field will materially assist in equating peak hourly, daily, weekly and seasonal loads and, in addition, will provide a valuable emergency source of gas for the five bay area counties.

Estimated expenditures for the project proposed herein total \$22,873,617, of which approximately \$9,090,000 had been expended by the end of February, 1959. Expenses of storage operation are estimated to equal 11.65 cents per thousand cubic feet of gas stored. An annual storage cycle of 30 billion cubic feet of gas will be provided by the proposed project and withdrawal deliverability will approximate 400 million cubic feet on a daily basis.

No opposition to applicant's storage project proposal was expressed at the hearing. The position of the Commission staff is that the project is in the public interest.

As hereinabove indicated, applicant seeks authority to make certain journal entries so as to record on its books the cost of the properties which it has acquired for the project. The consideration given is other than cash and, in accordance with this Commission's Uniform System of Accounts for Gas Corporations, the value of the consideration is to be determined on a cash basis under such circumstances. The details of the amounts to be debited to specific plant accounts are set forth in this record on page 1 of Exhibit No. 3 and the proposed journal entries are set forth on page 3 of the same exhibit. These entries may be subject to adjustment at the time of the actual transfer of the properties, however.

No opposition to applicant's proposed journal entries was expressed at the hearing. The Commission staff indicated that it had not verified the valuation prepared by the company and included in these journal entries.

In view of the evidence, the Commission is of the opinion that applicant's proposed storage project is in the public interest and that applicant has clearly and convincingly demonstrated the need for and feasibility of the project. The Commission finds as a fact that public convenience and necessity now require and will require the construction, operation, maintenance and use of the underground gas storage project, as proposed in this proceeding, and that a certificate should be issued for the same. Further, in view of the evidence, the Commission concludes that applicant should be authorized to record the transfer of the McDonald Island properties in the manner and substantially in the amounts proposed herein. Also, in view of the evidence, the Commission concludes that the action taken herein shall not be construed to be a finding of the value of the properties to be transferred or acquired by the applicant.

The certificate issued herein is subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of this certificate of public convenience and necessity or the right to own, operate or enjoy such a certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as the consideration for the issuance of such certificate of public convenience and necessity or right.

O R D E R

Based upon the evidence and the findings contained in the foregoing opinion,

IT IS ORDERED that a certificate of public convenience and necessity be and it is hereby granted Pacific Gas and Electric Company to construct, operate, maintain and use the underground gas storage project, as described in this Application No. 41083.

IT IS FURTHER ORDERED that Pacific Gas and Electric Company is hereby authorized to record the acquisition of the McDonald Island properties in the manner set forth on page 3 of Exhibit No. 3 in this proceeding and, further, that within six months following the date of acquisition, it shall file with this Commission a copy of the actual journal entries used to record the transfer of the properties.

IT IS HEREBY FURTHER ORDERED that Pacific Gas and Electric Company shall file with this Commission a detailed statement of the capital costs of the underground storage project and related appurtenances herein authorized within six months following the date of completion.

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

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

Dated at San Francisco, California, this 7<sup>th</sup> day of July, 1959.

Ernest McFarland  
 President

W. E. [unclear]

William [unclear]

E. J. Fox

Theodore [unclear]  
 Commissioners