

ET

DECISION NO. 59455

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the joint appli- )  
cation of SOUTHERN CALIFORNIA GAS )  
COMPANY and SOUTHERN COUNTIES GAS )  
COMPANY OF CALIFORNIA for a certifi- )  
cate of public convenience and neces- )  
sity under Section 1001 of the Public )  
Utilities Code. )

Application No. 40588  
(Amended)

(Appearances and witnesses  
are listed in Appendix A)

SECOND INTERIM OPINION

Applicants' Original Request

Southern California Gas Company and Southern Counties Gas Company of California<sup>1</sup> filed the above-entitled application on November 7, 1958, requesting that the Commission make its decision and order, as provided for by the provisions of Section 1001 of the Public Utilities Code:

1. Granting and conferring all necessary permission and authority to construct, maintain and operate a 34-inch pipeline and related facilities between the California-Nevada border near Ivanpah Valley and Placentia, California in order to deliver additional out-of-state gas to be received from El Paso Natural Gas Company at the state border, and from their affiliate, Pacific Lighting Gas Supply Company at Newberry;

---

<sup>1</sup> Applicants are primarily retail natural gas distribution companies who purchase, distribute, and sell gas in the central and southern parts of the State of California. Together they serve directly in excess of 2,250,000 customers and, in addition, Southern Counties Gas Company of California sells gas at wholesale to the San Diego Gas & Electric Company, and Southern California Gas Company sells gas at wholesale to the City of Long Beach. Pacific Lighting Gas Supply Company, an affiliate, supplies applicants with a portion of their requirement for natural gas.

2. Declaring that public convenience and necessity now require the construction, maintenance, and operation of the said 34-inch line and related facilities and the use by applicants of all permits, easements, and franchises which may be used or useful in connection with the construction, maintenance, and operation of said 34-inch pipeline and related facilities;
3. Issuing to applicants a certificate declaring that the present and future public convenience and necessity require and will require that such construction, maintenance, and operation of the 34-inch pipeline and related facilities be undertaken by applicants; and
4. Granting applicants such other authority herein as may be required.

Applicants' Amended Request

On November 18, 1959, applicants filed an amendment to Application No. 40588 and a supplemental application for authority to construct promptly the portion of the facilities described in the original application covering the pipeline from Newberry to Placentia so that they can receive the Transwestern gas at Newberry and deliver it to the market area around Placentia. The amendment is concerned primarily with the installation of a 36-inch line in place of the originally proposed 34-inch line between Newberry and Placentia.

Public Hearing

After due notice, public hearing was held upon the amendment and supplemental application on December 17, 1959, before Commissioner Peter E. Mitchell and Examiner Manley W. Edwards in Los Angeles. The applicant presented four exhibits (Nos. 59 through 62) and testimony by two witnesses in support of its request and made a motion for a prompt interim order on this latest request. Several appearances and counsel for the Commission's staff cross-examined the witnesses for the purpose of developing a full record to aid the Commission in deciding this matter.

Counsel for several oil companies,<sup>2</sup> who had protested the granting of the entire Rock Springs project as proposed in the original application, did not offer any objection to the granting of this supplemental request which would augment the Transwestern Project<sup>3</sup> provided that the applicants not urge that a portion of the Rock Springs Project has been completed as a reason for the authorization of the entire project.

This amended request and supplemental matter was submitted for Commission determination on motion of applicants' counsel and now is ready for decision.

Proposed Construction

Applicants propose to construct approximately 115 miles of 36-inch pipeline from a point near Newberry in a generally south-westerly direction through the Cajon Pass to Placentia when the line will tie in with an existing 30-inch line of the Los Angeles basin high pressure loop system as shown by Chart 1 of Exhibit No. 59. The line will receive gas from the 34-inch line of the Pacific Lighting Gas Supply Company near Newberry.

Applicants represent that the proposed 36-inch pipeline will be designed in accordance with Section 8 of the American Standard Code for Pressure Piping ASA B31.1.8-1958; the steel will

---

<sup>2</sup> Standard Oil Company of California, Richfield Oil Company, Golden Bear Oil Co., Lloyd Corporation, Ltd., National Oil Company, Thornbury & Geis, Mt. Diablo Co., Bon Mac Oil Company, Marco Oil Company, Atlas Royalties, Inc., McGreghar Land Company, Petroleum Supply Company and Frank Goldman.

<sup>3</sup> Authorization was granted for the Transwestern Project by Decision No. 57419, Application No. 40022, dated September 31, 1958. This decision was conditioned on certain Federal Power Commission action (granted August 10, 1959 by Opinion No. 328) and granted authorization for a 34-inch pipeline between the California-Arizona border near Topock, Arizona and Newberry, California, and purchase by Pacific Lighting Gas Supply Company of out-of-state gas from the Transwestern Pipeline Company.

conform to API 5LX specifications with a guaranteed minimum yield strength of 52,000 psi and an ultimate strength of 72,000 psi; and the wall thickness will vary from 0.359 inches to 0.500 inches depending upon pressures and required type of construction along the right of way.

Applicants plan that deliveries of pipe will start on March 1, 1960; pipeline field construction will start on April 1; and the pipeline will be completed and ready for operation by October 1, 1960. On November 27, 1959 applicants placed a firm order for 52,000 tons of steel for building the Newberry to Placentia line.

Need for Proposed Line

Applicants' Exhibit No. 62 shows that some additional pipeline capacity will be needed as soon as Transwestern gas becomes available; which capacity needs will increase to 320,000,000 cubic feet per day by March of 1961. Applicants represent that this deficiency in pipeline capacity can be met by the proposed 36-inch pipeline from Newberry to Placentia. While a 36-inch pipeline has more capacity than 320,000,000 cfd, economy and storage considerations indicate that a 36-inch line is preferable to a 34-inch or 30-inch line. Applicants' Exhibit No. 61 shows an alternative way of handling this gas over the existing 30-inch pipeline from Newberry to Quigley by installing two compression plants totalling 22,800 brake horsepower and not building the proposed Newberry-Placentia line. However, applicants represent that the proposed 36-inch pipeline is the least costly way of moving the gas to market area after considering all of the advantages and disadvantages.

Economics of Proposed Line

Applicants estimate that the initial cost of the proposed 36-inch line will be \$19,089,000 installed. This is \$1,253,000 more than the estimated cost for a 34-inch line as originally proposed. However, the usable line pack storage with the 36-inch line is 92,600 Mcf which is 20,000 Mcf greater than the line pack storage with a 34-inch line. This increase in cost is equal to approximately \$63 per Mcf of storage. Applicants' witness testified that the capital costs of storing gas in holders vary from \$76 to \$214 per Mcf depending upon type of storage project and pressures involved; and that he considered the cost of incremental storage of \$63 per Mcf to be an economical method of providing storage for hourly load equation.

By Exhibit No. 60 applicants present a study of the comparative transport costs of alternate pipe sizes: 30-inch, 34-inch, and 36-inch for the Newberry to Placentia pipeline. The results of this study are summarized on three bases as shown below:

	Pipe Size		
	<u>30-Inch</u>	<u>34-Inch</u>	<u>36-Inch</u>
1. <u>Initial Delivery Rate (No compression)</u>			
a. Volume Transported M <sup>2</sup> cfd	345	345	345
b. Transport Cost-Cents per Mcf	1.69	2.12	2.27
2. <u>Initial Line Capacity (No compression)</u>			
a. Volume Transported M <sup>2</sup> cfd	382	524	604
b. Transport Cost-Cents per Mcf	1.53	1.39	1.30
3. <u>Maximum Line Capacity (With Compression)</u>			
a. Volume Transported M <sup>2</sup> cfd	615	856	855
b. Transport Cost-Cents per Mcf	2.09	2.05	1.83

Financing of Line

In the original application it was stated that the expenditures for the project will be financed over the three-year period involved, 1959-1961, as a part of the two companies' annual construction budgets; that applicants' finance plant expenditures with

internal funds, such as depreciation cash and retained earnings, and with external funds derived from the sale of new issues of bonds and common stock; that additional external funds are obtained temporarily by short-term borrowing from the parent company, Pacific Lighting Corporation; and that permanent financing is undertaken when needed, through the sale of bonds to the public and common stock to the parent company under its pre-emptive rights.

Permits, Franchises, and Rights

Applicants represent that they now own certain franchises in San Bernardino and Los Angeles Counties, but it is possible that new franchises will be required to cover at least some of the new facilities. Applicants request that the Commission make its decision and order declaring that public convenience and necessity require the use by applicants of all permits, easements, and franchises which may be used or useful in connection with the construction, maintenance and operation of the said 36-inch line.

Competition

Applicants state that a portion of the proposed line, from Newberry to Cajon Pass, will pass through the area in San Bernardino County presently being served by Southwest Gas Corporation with gas purchased from Pacific Gas and Electric Company; that pursuant to special authorization of the Commission, Pacific Gas and Electric Company also serves three cement plants in the general area (Decisions Nos. 53610, issued August 21, 1956, and 53754, issued September 11, 1956); and that a copy of the original application has been served on each such company. No protest to the granting of this supplemental request was made by any of these companies.

Findings and Conclusions

Applicants' studies indicate need for additional transmission line capacity when the new Transwestern Gas becomes available at Newberry and that a new 36-inch pipeline is more economical than adding compressors to existing pipeline facilities between Newberry and Quigley. Also, that storage consideration and future larger transport capabilities point to the desirability of a 36-inch pipeline in place of a 34-inch or 30-inch pipeline between Newberry and Placentia.

After considering the evidence of record the Commission finds and concludes that applicants have presented a reasonable means of augmenting their transmission line capacity; that the proposed construction is in the public interest; and that an order should be issued granting the authorization of the project as requested by this amended and supplemental application.

The Commission finds that public convenience and necessity require the construction, maintenance and operation of the proposed 36-inch pipeline between Newberry and Placentia and the use by applicants of all permits, easements and franchises which may be used or useful in connection with the construction, maintenance and operation of said 36-inch pipeline.

The certificate of public convenience and necessity 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 any such 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.

SECOND INTERIM ORDER

The above-entitled application, as amended and supplemented, having been considered, a public hearing having been held, the matter having been submitted and basing its order on the foregoing findings and conclusions, therefore,

IT IS HEREBY ORDERED that Southern California Gas Company and Southern Counties Gas Company of California be and they are hereby granted a certificate that public convenience and necessity require the construction, operation and maintenance of a 36-inch pipeline between Newberry and Placentia as described in this amendment to application and supplemental application, the procurement and use of the necessary permits, easements and franchises as may be necessary for the construction or operation of the project, the transportation and sale of gas from the project of their customers in accordance with their certificates of public convenience and necessity, and with their rates, rules and regulations duly filed with the Commission.

IT IS HEREBY FURTHER ORDERED that Southern California Gas Company and Southern Counties Gas Company of California shall file with this Commission a detailed statement of the capital costs of the 36-inch pipeline herein authorized within six months following the date of completion.



The authorization herein granted will expire if not exercised within two 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 5<sup>th</sup>  
day of January, 1960..

Curtis Altberg  
President  
W. E. [unclear]  
W. H. [unclear]  
E. [unclear]  
Theodore Jenner  
Commissioners

APPENDIX A  
Page 1 of 2

List of Appearances

For Applicants: T. J. Reynolds, Harry P. Letton, Jr., Henry F. Lippett, 2nd, for Southern California Gas Company; Milford Springer and Robert M. Olson, Jr., for Southern Counties Gas Company of California.

Protestants: Gerald H. Trautman of McCutchen, Doyle, Brown and Enersen, for Richfield Oil Company, Standard Oil Company of California, Golden Bear Oil Co., Lloyd Corporation, Ltd., National Oil Company, Thornberg & Geis, Mt. Diablo Co., Bon Mac Oil Company, Marco Oil Company, Atlas Royalties, Inc., McGreghar Land Company, Petroleum Supply Company and Frank Goldman.

Interested Parties: O. C. Sattinger, Jr., T. R. Elliott and Joseph R. Rensch, for Pacific Lighting Gas Supply Company; Rollin E. Woodbury, Harry W. Sturges, Jr., John R. Bury by William E. Marx, for Southern California Edison Company; Chickering & Gregory by C. Hayden Ames, Angus G. MacDonald and Frank R. Porath, for San Diego Gas & Electric Company; C. H. McCrea for Southwest Gas Corporation; W. W. Miller and F. A. McCrackin, for California Electric Power Company; Brobeck, Phleger & Harrison by Robert N. Lowry, and W. W. Evers for California Manufacturers Association; J. J. Deuel, for California Farm Bureau Federation; Roger Arnebergh, T. M. Chubb, Robert W. Russell, John Synott and Manuel Kroman, for the City of Los Angeles; Henry E. Jordan, for the City of Long Beach; O'Melveny & Myers by Lauren M. Wright, for Riverside Cement Company, Division of American Cement Corporation; W. D. MacKay (Commercial Utility Service) for Challenge Cream and Butter Association; Harold C. Brown, and Vinson, Elkins, Weems & Searls by Raybourne Thompson, for Transwestern Pipeline Company.

Commission Staff: Louis W. Mendonsa, Harold J. McCarthy.

LIST OF WITNESSES  
on Original Application

Evidence was presented on behalf of the applicants by: Grove Lawrence, J. A. Millen, J. C. Oberseider, Keith Kelsey, W. M. Jacobs, W. J. Herrman, Paul Kayser, W. E. Mueller, Homer R. Ross, A. M. Lawson, Raymond W. Todd, Farrele S. Young, James W. Gaston, M. C. Norwood, Edward L. Dunn, Melvin A. Ehrlich, Berry Hunsaker, Thomas L. Pelica, John J. Yeonopolus and Mills Cox.

Evidence was presented on behalf of the protestants by: Felix Chappellet, D. D. Ostrom, Richard R. Von Hagen, A. C. Rubel and Frederick C. Loomis.

Evidence was presented on behalf of the Commission staff by: Kenneth J. Kindblad and Louis W. Mendonsa.

APPENDIX A  
Page 2 of 2

List of Witnesses on Amended  
and Supplemental Application

Evidence was presented on behalf of the applicants by: J. A. Millen  
and Keith Kelsey.

Evidence was presented on behalf of the Commission staff by: Louis  
W. Mendonsa.