

ORIGINAL

Decision No. 59781

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 PACIFIC GAS AND ELECTRIC COMPANY)
 (1) for authorization to carry out)
 the terms and conditions of its)
 contract dated February 6, 1959, as)
 amended by a letter agreement dated)
 August 13, 1959, with California)
 Electric Power Company, and to file)
 and make effective an interruptible)
 natural gas schedule applicable)
 thereto; and (2) for the issuance)
 of a certificate or certificates of)
 public convenience and necessity.)
 (GAS))

Application No. 41431

F. T. Searls, John C. Morrissey, and Malcolm A. MacKillop, for Pacific Gas and Electric Company, applicant.
Willis T. Johnson, for California Electric Power Company; L. T. Rice, for Southern California Gas Company; C. H. McCrea, for Southwest Gas Corporation; and William L. Knecht, for California Farm Bureau Federation, interested parties.
George C. Young, for the Commission staff.

O P I N I O N

On August 27, 1959, Pacific Gas and Electric Company, applicant herein, filed its application seeking an order:

1. Authorizing Pacific (a) to carry out the terms and conditions of its contract dated February 6, 1959, as amended by a letter agreement dated August 13, 1959, with California Electric Power Company for, among other things, the sale and delivery by Pacific of interruptible natural gas required for fuel purposes in the operation of the boilers to be installed at California Electric's proposed steam-electric generating plant near the Town of Daggett, San Bernardino County, California, and (b) to file and make effective

for said interruptible natural gas service the proposed schedule which is attached to the amendatory letter agreement of August 13, 1959; and

2. Issuing to applicant a certificate or certificates of public convenience and necessity to construct, operate, maintain and use the natural gas main extension therein described, and to exercise the permits, easements and franchises which may be used or useful in connection therewith.

A public hearing was held in this matter before Examiner Wilson E. Cline in San Francisco on January 21, 1960. At the close of the hearing the matter was taken under submission.

The application and the exhibits attached were received in evidence as Exhibit No. 3 and oral evidence was submitted in support of the application by a witness for applicant. No one opposed the granting of the application.

I - INTERRUPTIBLE NATURAL GAS SERVICE CONTRACT

Copies of said agreement dated February 6, 1959, and amendatory letter agreement dated August 13, 1959, between applicant and California Electric Power Company have been received in evidence as Exhibits A and B respectively in Exhibit No. 3. The provisions of these agreements are fully described in the application herein which is also a part of said Exhibit No. 3. The agreement dated February 6, 1959, as amended by the letter agreement dated August 13, 1959, is hereinafter sometimes called the contract.

Under the contract Pacific agrees to sell and deliver to California Electric interruptible natural gas for fuel purposes in the operation of its high pressure steam boilers to be installed in its Cool Water Plant near the Town of Daggett, San Bernardino County. California Electric agrees that its total demand for interruptible natural gas which Pacific shall be obligated to supply shall not exceed a total of 1,500,000 cubic feet per hour. Pacific proposes

to make applicable to this interruptible gas service the rates and charges set forth in the proposed schedule attached to the letter agreement dated August 13, 1959, which schedule is subject to change or modification at any time by Pacific upon authorization of this Commission. The proposed rates and charges for this service are equivalent to those contained in Pacific's filed Schedule G-56, "Interruptible Natural Gas Service", presently applicable to a number of large interruptible gas users in the Mojave Desert Area.

The contract contains substantially all of the usual conditions of Pacific's other agreements for interruptible service except that it provides for a procedure under which California Electric may discontinue using interruptible gas during periods when it is available and use fuel oil instead.

To provide interruptible gas service to California Electric, Pacific agrees to construct a gas main extension to the Cool Water Plant at a cost of approximately \$35,075 of which California Electric will pay Pacific in advance of construction \$14,216 in accordance with Pacific's filed Rule No. 15, "Gas Main Extensions". The extension will consist of tapping Pacific's Topock-Milpitas gas transmission main and installing primary and secondary regulators, approximately 200 feet of 6-inch main, meters, service connections and related facilities.

The contract provides that it shall not become effective until the Commission shall, by its order, authorize Pacific to carry out all of the terms and conditions thereof, and shall grant Pacific all necessary certificates of public convenience and necessity. The contract will be in force for five years after the date interruptible gas is first supplied California Electric and shall continue in force thereafter from year to year subject to termination.

The contract provides that it shall at all times be subject to such changes or modifications by the Commission, as it may, from time to time, direct in the exercise of its jurisdiction.

It is estimated that California Electric's first unit will require approximately 375,000 Mcf of gas per month, or 4,500,000 Mcf annually if gas is used continuously. On this basis Pacific estimates an annual gross revenue of about \$1,615,000 under the proposed rates. The installation of the second generating unit will eventually double these amounts.

Pacific alleges that the contract and its terms and conditions are fair, just and reasonable to the parties thereto; and that the furnishing and supplying of interruptible gas by Pacific to California Electric at and in accordance with the rates, terms and conditions of the contract will not constitute a burden upon Pacific's other utility service customers and will be of benefit and advantage to such other customers.

II - CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY

In Decision No. 49101 dated September 15, 1953, and Decision No. 52436 dated January 4, 1956, the Commission issued to Pacific certificates of public convenience and necessity to exercise the rights, privileges and franchises granted to Pacific under Ordinances Nos. 714 and 760 by the Boards of Supervisors of the County of San Bernardino, in so many and in such parts of the public roads within the area described as a strip of land of the uniform width of 20 miles lying equally on each side of that portion of Pacific's Topock-Milpitas pipeline, subject to the provision, among others, that Pacific shall not exercise said rights for the purpose of supplying gas to customers lying within the service areas of Southwest Gas Corporation, Ltd.

In Decision No. 55552, dated September 10, 1957, the Commission authorized Pacific and Southwest Gas Corporation to carry out the terms and conditions of their agreement dated July 8, 1957, for the sale by Pacific to Southwest of gas for resale and use only within Southwest's certificated areas. Under Section 11 of said agreement Pacific may, upon certification of the Commission, supply large interruptible customers, located in Southwest's certificated area, whose gas requirements exceed 3,000,000 cubic feet per day. Southwest further agrees not to oppose any certificate matter brought before the Commission by Pacific for the sole purpose of obtaining specific authorization to serve any such large interruptible customer's premises directly.

California Electric's Cool Water Plant and Pacific's proposed extension to furnish interruptible service to such plant are located in Southwest's so-called Barstow certificated service area and are shown on Exhibits C and D in Exhibit No. 3 herein. Pacific proposes to make its gas main extension to the Cool Water Plant on private rights of way from its Main No. 300-B as shown on the map marked Exhibit D in Exhibit No. 3. If California Electric's load requirements are increased in the future Pacific may want to connect its Main No. 300-B with Main No. 300-A in this area, to balance the flow of gas on Pacific's Topock-Milpitas Gas Transmission System. This connection would cross a public highway between the two paralleling mains. The interruptible natural gas service requirements of California Electric's Cool Water Plant are estimated to exceed the minimum of 3,000,000 cubic feet of gas per day specified under the agreement between Pacific and Southwest Gas Corporation.

At the hearing the representative appearing for Southwest Gas Corporation stated: "The application correctly states the certificate and contract matters as they affect Southwest and Pacific

Gas and Electric Company and we are currently making arrangements with California Electric Power Company to serve the incidental load at the proposed steam plant and we are completely in accord with the application."

Findings and Conclusions

After consideration of the record in this proceeding, the Commission finds and concludes that:

1. Applicant Pacific Gas and Electric Company should be authorized to carry out the terms and conditions of the contract with California Electric Power Company, dated February 6, 1959, as amended by letter agreement dated August 13, 1959, and to render the service described therein under the terms, charges and conditions stated therein, and to file and make effective for the proposed interruptible natural gas service to California Electric Power Company the proposed schedule of rates which is attached to the amendatory letter agreement between Pacific Gas and Electric Company and California Electric Power Company, dated August 13, 1959.

2. The rates set forth in the proposed schedule of rates which is attached to the amendatory letter agreement of August 13, 1959, are hereby found to be just and reasonable.

3. The present and future public convenience and necessity require (a) the construction, operation, maintenance and use by Pacific Gas and Electric Company of the natural gas main extension described above and in the application herein which extension will be located in the Barstow, San Bernardino County, certificated service area of Southwest Gas Corporation, and (b) the exercise of the rights and privileges under the general county gas franchise granted to Pacific Gas and Electric Company under Ordinance No. 760 of the Board of Supervisors of the County of San Bernardino to the extent

which may be necessary to enable Pacific Gas and Electric Company to carry out the terms and conditions of its contract with California Electric Power Company, dated February 6, 1959, as amended by letter agreement dated August 13, 1959, and to render the service described therein.

The certificates of public convenience and necessity herein granted are subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of the franchise involved herein or these certificates of public convenience and necessity or the right to own operate or enjoy such franchise or certificates of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or to a political subdivision thereof as the consideration for the grant of such franchise, certificate of public convenience and necessity or right.

O R D E R

The above-entitled application having been filed, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED that:

1. Applicant is authorized to carry out the terms and conditions of its contract with California Electric Power Company, dated February 16, 1959, as amended by letter agreement dated August 13, 1959, and to render the service described therein under the terms, charges and conditions stated therein.
2. Applicant shall notify this Commission of the date of termination of said contract within thirty days from and after said date of termination.
3. Applicant is authorized to file the rates attached to the amendatory letter agreement between applicant and California Electric

Power Company, dated August 13, 1959, and as set forth in Exhibit B to Exhibit No. 3 herein to be effective on or before the date interruptible natural gas service is first rendered to California Electric Power Company, together with a form of contract and tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96.

4. A certificate of public convenience and necessity is hereby granted applicant to construct, operate, maintain and use the natural gas main extension described above and in the application herein, in rendering interruptible gas service pursuant to the contract between applicant and California Electric Power Company, dated February 6, 1959, as amended by letter agreement dated August 13, 1959.

5. Applicant shall notify this Commission in writing of the completion of the extension for which this certificate is granted within thirty days thereafter.

6. Applicant shall file with this Commission, within thirty days after the completion of the extension for which the certificate herein is granted, four copies of a comprehensive map drawn to an indicated scale not smaller than 100 feet to the inch, delineating by appropriate markings the territory served by the extension and the principal gas distribution facilities included within such extension.

7. A certificate of public convenience and necessity is hereby granted to applicant to exercise the rights and privileges granted applicant under Ordinance No. 760 of the Board of Supervisors of the County of San Bernardino to the extent which may be necessary to enable Pacific applicant to carry out the terms and conditions of its contract with California Electric Power Company, dated February 6, 1959, as amended by letter agreement dated August 13, 1959, and to render the service described therein. Nothing herein

shall be construed as a limitation upon the certificate of public convenience and necessity previously granted to applicant by Decision No. 52436 dated January 4, 1956, in Application No. 29548.

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 15th day of March, 1960.

Ernest R. Boyd
 President

William H. ...

E. ...

Theodore ...
 Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.