

**ORIGINAL**

Decision No. 59966

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 SAN DIEGO GAS & ELECTRIC COMPANY,  
 a corporation, for a certificate of  
 public convenience and necessity to  
 install and operate a gas transmission  
 pipeline from Rainbow to San Diego.

Application No. 41724

Chickering & Gregory, attorneys, by Sherman Chickering  
 and C. Hayden Ames, for applicant.  
 Southern Counties Gas Company of California, by  
 Milford Springer and Robert M. Olson, Jr.;  
 J. F. DuPaul, city attorney, by F. B. Holoboff,  
 chief deputy, and Stanley M. Lanham, consultant,  
 for the City of San Diego; Curran, Golden &  
 McDevitt, attorneys, by Robert O. Curran, for the  
 City of National City; and William L. Knecht,  
 attorney, for the California Farm Bureau Federation;  
 interested parties.  
W. R. Roche, attorney, for the Commission staff.

O P I N I O N

San Diego Gas & Electric Company, a corporation, by the  
 above-entitled application, filed December 3, 1959, seeks a certifi-  
 cate of public convenience and necessity, under Section 1001 of the  
 Public Utilities Code, to install and operate a 30-inch gas trans-  
 mission pipe line from Rainbow to San Diego. The proposed route of  
 said pipe line is shown schematically on the map, Exhibit "B",  
 attached to the application.

Public hearings were held before Commissioner C. Lyn Fox  
 and Examiner Stewart C. Warner on March 10 and 11, 1960, at  
 San Diego. No protests were entered to the granting of the appli-  
 cation, and counsel for the California Farm Bureau Federation

supported it. Counsel for the City of National City suggested that the Commission make no finding of public convenience and necessity with regard to the application but rather express no objection, if that were to be its opinion, to the proposed 30-inch pipe-line construction. Said counsel also suggested that the Commission set depreciation rates for the proposed pipe line based on an estimated service life longer than twenty years. He further suggested that the Commission reserve to itself the right to include in any future rate base and estimate of operating expenses, in any future rate proceeding, only those proportionate amounts of the capital costs and operating expenses associated with the amount of pipe line actually in service as of the date of said proceeding.

The matter was submitted subject to the receipt of late-filed Exhibits Nos. 11 and 12 on or before March 21, 1960, and subject to the receipt of written statements by counsel on or before March 31, 1960. It is now ready for decision.

#### General Information

The applicant furnishes natural gas service in San Diego County in the cities of Carlsbad, Chula Vista, Coronado, Del Mar, El Cajon, Escondido, Imperial Beach, La Mesa, National City, Ocean-side, and San Diego. The majority of applicant's consumers are furnished gas service on a firm basis, but there are approximately 100 interruptible consumers and the applicant's natural gas service to its own steam electric generating stations is furnished on an interruptible basis.

#### Supply

As shown on Exhibit "B", supra, the applicant's present sources of supply are through a 12-3/4 inch<sup>1/2</sup> transmission line

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1/ Hereinafter referred to as 12-inch.

extending from Huntington Beach to San Diego, owned by Southern Counties Gas Company of California,<sup>2/</sup> and a 16-inch line extending from a tap on Southern Counties' Blythe to Santa Fe Springs line near Moreno, Riverside County, to a point on the San Diego-Riverside County line near Rainbow, plus a 24-inch loop of the Moreno line from Moreno to Rainbow, each owned by Southern Counties. From Rainbow, gas is transmitted through a 16-inch line, owned by the applicant, to San Diego. The Rainbow compressor station is owned by the applicant. Capacity of the 12- and 16-inch pipe lines, utilizing presently installed compressor station horsepower, is 175.7 million cubic feet<sup>3/</sup> of gas on a peak day.

The proposed 30-inch gas transmission pipe line with deliverability, utilizing presently installed compressor horsepower, of 178 million cubic feet per day,<sup>4/</sup> will follow a so-called western route from Rainbow to applicant's Tecolote terminal station near the City of San Diego. It will be available for tapping of service to communities lying along the western coastal plain from Oceanside south en route to San Diego. Construction of the proposed pipe line will increase applicant's total deliverability to 320 million cubic feet per day through facilities at Rainbow.

Southern Counties' witness testified that said company assumed that its ability to supply the applicant for the period beginning with the winter season 1963-64 would be augmented by Southern Counties' so-called Rock Springs supply, or that Southern Counties would, necessarily, look elsewhere to meet its contract schedules with applicant.

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<sup>2/</sup> Hereinafter referred to as Southern Counties.

<sup>3/</sup> M<sup>2</sup>cf

<sup>4/</sup> M<sup>2</sup>cf/d

Need

The following tabulation shows applicant's estimated firm peak day system requirements for the winters 1959-60 through 1964-65 and for the winter of 1968-69:

<u>Winter</u>	<u>MCF</u>
1959-60	179,600
1960-61	198,800
1961-62	217,000
1962-63	234,000
1963-64	251,000
1964-65	268,000
1968-69	342,000

Applicant's witnesses testified that the applicant could meet its requirements for the winter of 1960-61, utilizing existing facilities, if all facilities were operating to best advantage on the peak day of that winter season. This would require the simultaneous full operation of the existing 12- and 16-inch transmission pipe lines, a propane air generating plant, and applicant's existing gas storage equipment. Also, it would be necessary to have available some line pack storage for peak hour deliveries. However, as operators of the system, they believed it would be imprudent to rely upon simultaneous operation of all such facilities to carry such a day. Deficiencies and excesses without and with the proposed 30-inch pipe line, respectively, are summarized as follows from data contained in Exhibit No. 10:

<u>Winter</u>	<u>Deficiencies without 30-inch Pipe Line</u>	<u>Excesses with 30-inch Pipe Line</u>
		<u>M<sup>2</sup>CFD</u>
1960-61	23.1	154.9
1961-62	41.3	136.7
1962-63	58.3	119.7
1963-64	75.3	102.7
1964-65	92.3	85.7
1968-69	166.3	11.7

A witness for Southern Counties testified that Southern Counties' deliverability through its 12-inch pipe line might decrease from 33.7 M<sup>2</sup>cf/d to about 25 M<sup>2</sup>cf/d by the winter of 1968-69 due to anticipated growth and demand along its route in Orange County.

Usable line pack storage in the pipe lines between Moreno and San Diego was estimated to be 30.9 M<sup>2</sup>CF, which is 75 percent of applicant's gross storage.

Economics, Annual Charges, Costs and Routes

Exhibit No. 5 is an economic comparison of 24-, 30-, and 34-inch pipe-line diameters for the proposed Rainbow to San Diego gas pipe-line system. Total annual charges and the present worth of such charges at 5 percent over the 20-year period 1961 to 1980 for the three such diameters are shown in said Exhibit as follows:

<u>Pipe-line Diameters</u>	<u>Total Annual Charges</u>	<u>Present Worth of Total Annual Charges at 5 Percent</u>
24-inch	\$62,781,400	\$32,663,600
30-inch	46,195,700	29,906,900
34-inch	46,586,200	28,722,800

Based on the above annual charges data, and after considering the relative costs of adding gas compression facilities to existing pipe lines, and after projecting gas system requirements for the next 20 years, the applicant concluded that the construction of a 30-inch pipe line would be the most economical.

Exhibit No. 1 is a route study prepared by a consulting engineering firm. At the request of applicant in 1959, said firm studied two alternate routes for the proposed gas pipe line from Rainbow to San Diego and recommended the construction on the west

route. The principal reason prompting such recommendation was that the areas along the west route were experiencing rapid growth and appeared to offer a more attractive market potential than those along the east route, which is already being served by the applicant's existing 16-inch line. Estimated costs for the west route were slightly lower because of terrain conditions. The total length of the west route is 51.58 miles.

Total estimated construction cost of the proposed pipe line is \$8,701,000. This includes costs of pipe, a terminal regulator station, construction labor, inspection, rights of way, purchase and warehouse costs of \$8,294,000; company engineering costs, at 1 percent, of \$83,000; contingencies, at 2½ percent, of \$209,000; and interest during construction, of \$115,000; all as shown in Exhibit No. 3.

Total incremental annual expense of the project was estimated to be \$1,646,800 as shown in Exhibit No. 7. This includes operation and maintenance expenses of \$25,800; depreciation of \$416,800; ad valorem taxes of \$233,300; income taxes of \$487,300; and return of \$565,600; for a subtotal of \$1,728,800. Deducted from this amount was a saving of \$82,000 in compressor expense occasioned by the new pipe line.

The record shows that applicant, if granted the authority, plans to start construction in August, 1960, and place the pipe line in service by December 1, 1960.

#### Findings and Conclusions

After carefully considering applicant's present gas transmission facilities, its estimated peak day requirements, not only for the immediate but for the long range future, its proposal to

meet such requirements, its need for line pack storage, and the economics of the proposed construction as compared with the economics of implementing existing facilities or constructing various other-sized pipe lines on another possible route or routes, the Commission finds as a fact that the construction of a 30-inch pipe line on the so-called west route as proposed in the application is reasonable and in the public interest. It is found that public convenience and necessity require that the application be granted, and the order hereinafter will so provide.

The certificate of public convenience and necessity herein granted 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 certificate of public convenience and necessity for any amount of money 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.

As the costs of the 30-inch pipe-line construction outlined herein are estimated costs, the Commission is not at this time passing upon the reasonableness of these charges as the actual costs will be of record when the construction work is completed and subject to review for rate-fixing purposes. The order hereinafter will provide that the applicant shall file a detailed statement of capital costs of the gas transmission facilities certificated herein within one year following the date of completion of such facilities.

ORDER

Application as above entitled having been filed, public hearings having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

1. That a certificate of public convenience and necessity be, and it hereby is, granted to San Diego Gas & Electric Company, a corporation, to construct and operate a 30-inch gas transmission pipe line from Rainbow to San Diego as set forth in the application herein.

2. That applicant shall file, with this Commission, a detailed statement of capital costs of the gas transmission facilities certificated herein within one year following the date of completion of such facilities.

3. That applicant shall notify this Commission in writing of the completion of the pipeline for which this certificate is granted within thirty days thereafter.

The authorization herein granted will lapse if not exercised within one year from the date hereof.

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

Dated at San Francisco, California, this 19th day of April, 1960.

[Signature]  
President

[Signature]

[Signature]

[Signature]

[Signature]  
Commissioners