

Decision No. 82596

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern Pacific Pipe
Lines, Inc. for Authority to Increase
Rates on Petroleum Products to Cover
Increases in Fuel Cost.

Application No. 54638
(Filed February 7, 1974)

OPINION AND ORDER

The applicant, Southern Pacific Pipe Lines, Inc., is a Delaware corporation operating as a common carrier by pipeline of petroleum products between points in California under tariffs lawfully on file with this Commission. By this application authority is sought for a 2.8 percent general increase in applicant's California intrastate petroleum pipeline rates to offset like increases in fuel costs.

The sole fuel used by applicant to transport property consists of electricity required to operate its pumps. Applicant purchases electricity from public utilities subject to regulation by this Commission. From December 1972 to December 1973 applicant states that the prices it has paid for electric power to transport property under the intrastate pipeline rates involved herein have substantially increased. In order to offset such increases in its electric power costs applicant says it will be necessary to increase its California intrastate pipeline rates by 2.8 percent. The proposed rate increase will yield additional annual gross revenue of approximately \$259,000 based on the amount of traffic handled for the year 1973.

Applicant requests that the sought authority be granted by ex parte order at the earliest possible date. The application notes that similar relief was granted to the airlines by ex parte order in Decision No. 82280 dated December 18, 1973. A comparison of applicant's present and proposed rates follows:

TABLE 1

<u>Origin</u>	<u>Destination</u>	<u>Rates</u> (in cents per barrel)	
		<u>Present</u>	<u>Proposed</u>
Watson	Norwalk	5	5.1
	(Ontario Internat'l. Airport	6.5*	6.7
Watson	(Colton	6.5*	6.7
Norwalk	(Niland	26*	26.7
	(Imperial	33*	33.9
	(San Jose	6*	6.2
Richmond	(Stockton	6.5*	6.7
Concord	(Sacramento	8.5*	8.7
	(Roseville	15*	15.4
	(Chico	21*	21.6
Bakersfield	Fresno	13*	13.4
Seguro	Bakersfield	5*	5.1
	(Oakland	4.5**	4.6
Martinez	(Oakland Internat'l. Airport	4.5**	4.6
Richmond	(Brisbane	4.5**	4.6
	(S.F. Internat'l. Airport	4.5**	4.6
Martinez	Richmond	4.5**	4.6

* SPPL Local Pipeline Tariff 1-Z, CPUC 39.

** SPPL Local Pipeline Tariff 11-B, CPUC 37.

In support of the sought relief applicant has submitted its latest available balance sheet and income statement for the year ending December 31, 1973. In addition, a verified statement prepared by the president and general manager of Southern Pacific Pipe Lines, Inc. was attached to the application as Exhibit E. Applicant's electric power cost for operating the pumps to move traffic under the rates proposed to be increased, the kilowatt hours required, and the cost per kilowatt hour for the month of December 1972 and 1973, as determined by affiant, are:

TABLE 2

	<u>Dec. 1972</u>	<u>Dec. 1973</u>
Electric power cost for operating pumps to move traffic under rates proposed to be increased	\$55,614	\$75,642
Kilowatt hours used	4,735,436	4,747,853
Cost per kilowatt hour	\$.01174	\$.01593
Increased cost per kilowatt hour for Dec. 1973 over Dec. 1972 (\$.01593 minus \$.01174)		\$.00419
Increased costs for Dec. 1973 over Dec. 1972 for movement under rates proposed to be increased (\$.00419 x 4,747,853)		\$19,894
Percentage of increased costs to revenues for Dec. 1973 (\$19,894 + \$701,732)		2.8%

The computations of applicant's president and general manager, as noted in Table 2, indicate that the cost per kilowatt hour for the month of December 1973 was \$.00419 greater than for December 1972, and that the total cost for December 1973 was greater by some \$19,894 as a result of this increased cost per kilowatt hour. The affiant explains that the revenue received from traffic moving in December 1973 under the rates proposed to be increased amounts to \$701,732. Table 2 shows that an increase of 2.8 percent in such revenue would be required to offset the December 1973 increased power cost of some \$19,894. It is explained in the verified statement that during the calendar year 1973 the volume of traffic handled for the month of December constituted 7.7 percent of the total traffic handled for the entire year. On this basis the proposed rate increase of 2.8 percent would yield additional annual gross revenues of approximately \$259,000.

Findings and Conclusions

1. The Southern Pacific Pipe Lines, Inc. has demonstrated that since December 1972 its cost for electric power has increased significantly. Such increase is due to related increases in the rates

per kilowatt hour assessed by public utilities for electricity used to operate applicant's pumps to move property through its pipeline between designated points within California.

2. The present level of applicant's California intrastate pipeline rates proposed to be increased herein does not reflect the increase in electric power costs experienced by applicant since December 1972 up to and including December 1973.

3. Applicant requests authority for an electric power cost offset increase in rates of 2.8 percent. The sought increase is expected to yield additional annual gross revenues of approximately \$259,000 to offset a projected like increase of applicant's electric power costs.

4. In light of the existing national energy crisis, the resulting power shortages and accelerating costs therefor, applicant's sought power cost offset rate increase has been shown to be justified.

5. The increase in annual revenue found justified herein will have no appreciable effect upon applicant's rate of return on fixed capital investment and for return on common equity.

The Commission concludes that the ex parte authority should be granted. A public hearing is not necessary.

IT IS ORDERED that:

1. Southern Pacific Pipe Lines, Inc. is authorized to establish the increased rates proposed in Application No. 54638. Tariff publications authorized to be made as a result of this order shall be filed not earlier than the effective date of this order and may be made effective not earlier than five days after the effective date of this order on not less than five days' notice to the Commission and to the public.

2. The authority shall expire unless exercised within sixty days after the effective date of this order.

3. The authority granted by this order is subject to the express condition that applicant will never urge before this Commission in any proceeding under Section 734 of the Public Utilities Code, or in any other proceeding, that this opinion and order constitute a finding of fact of the reasonableness of any particular rate or charge. The filing of rates and charges pursuant to this order will be construed as a consent to this condition.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 19th
day of MARCH, 1974.

William L. Steiner
President
William L. Steiner
William L. Steiner
William L. Steiner
Commissioners

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.