

**ORIGINAL**Decision 84 03 037 MAR 7 1984

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO PIPELINE )  
 COMPANY, for authority to increase )  
 transportation rates for refined )  
 petroleum products pursuant to the )  
 provisions of Section 454 of the )  
 Public Utilities Code of the State )  
 of California. )

Application 83-10-47  
 (Filed October 26, 1983)

O P I N I O N

By this application, San Diego Pipeline Company requests authority to increase its rates on refined petroleum products in its Local Pipeline Tariff 2-A, Cal PUC 9. It has not increased its rates since they were first established on April 1, 1963.

Applicant declares that increased rates are necessary to offset increases in operating expenses and to bring applicant's intrastate rates to a level where they will begin to contribute their proper share of applicant's revenue needs. The present and proposed rates, in cents per barrel, are as follows:

From Norwalk

<u>To:</u>	<u>Present</u>	<u>Proposed</u>
Orange	9.85	10.0
Mission Valley	17.35	23.1
San Diego	17.35	23.1
Miramar Junction	17.35	23.1

Applicant states that its operating results for 1983 will show increased operating expenses of more than \$1.0 million, which represents a 39 percent increase over actual 1982 expenses. Applicant expects to incur an additional increase in operating expenses of approximately \$0.5 million in 1984 which represents a 13 percent increase over 1983.

Applicant points out that the requested rates will yield an estimated gross revenue of \$5.444 million, and will result in an increase of \$1.295 million in 1984. Estimated annual gross revenues without the proposed rate increases are \$4.149 million for 1984. The increase in gross revenues is 31.2 percent.

Increased costs incurred by applicant are for power, labor, repair of severe flood damages at several points along the pipelines, and product losses sustained at the crossing of the San Luis Rey River in the winter of 1982-1983.

According to applicant, it has experienced a deterioration in earnings and a severe decline in its rate of return on its investments. Exhibit B of the application shows that applicant's rate of return for 1983, on a net investment base, will be 4.02 percent. For 1984, applicant's rate of return without rate increases will be a negative figure. Applicant further states that the deterioration in earnings is due to the rapid cost increases incurred in recent years and a declining rate base resulting from cumulative accruals for depreciation.

Applicant states that with the requested increases, its rate of return will be 12.68 percent for the pro forma year 1984. Applicant has demonstrated in Exhibit H of the application, (verified statement of Richard N. Hildahl) that the projected rate of return is still insufficient to meet the cost of capital in today's markets, but has limited it to 12.68 percent to soften the impact of the increased rates on its shippers.

The Commission staff has reviewed this application and believes that a 12.68 percent rate of return on rate base is reasonable.<sup>1/</sup>

The application was listed on the Commission's Daily Calendar of October 28, 1983. Also, applicant declares that all shippers have been contacted and notified in writing of the proposed rate increases. No objection to the granting of the application has been received.

Findings of Fact

1. The increases resulting from this proposal are reasonable and justified.

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<sup>1/</sup> In Decision 83-08-037 of August 3, 1983 in Application 82-04-66 of Four Corners Pipe Line Company, the Commission authorized a 14.34% rate of return on rate base.

2. Applicant has not increased its rates since they were first established on April 1, 1963.
3. Applicant has incurred increased costs in power, labor, repair of pipeline due to flood damage, and product loss.
4. Applicant has shown that its rate of return on net investment base for 1983 will be 4.02 percent.
5. Under the proposed increase in rates, applicant has projected a 12.68 percent rate of return on rate base for 1984.
6. A public hearing is not necessary.

Conclusion of Law

The application should be granted.

O R D E R

IT IS ORDERED that:

1. San Diego Pipeline Company is authorized to increase its rates in Local Pipeline Tariff 2-A, Cal PUC 9, as stated in the opinion.

2. The tariff publication authorized to be made as a result of this order shall be filed on or after the effective date of this order and may be made effective not earlier than 5 days after the effective date of this order on not less than 5 days' notice to the Commission and to the public.

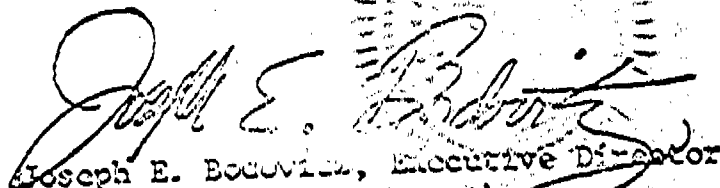
This order is effective 30 days from today.

Dated MAR 7 1984, at San Francisco, California.

VICTOR CALVO  
PRISCILLA C. GREW  
DONALD VIAL  
WILLIAM T. BAGLEY  
Commissioners

Commissioner Leonard M. Grimes, Jr.,  
being necessarily absent, did not  
participate.

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE-  
COMMISSIONERS' BOARD.

  
Joseph E. Bodovick, Executive Director