

Decision 89 06 006 JUN - 7 1989

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
VALLECITOS PIPE LINE COMPANY (VPC-1))	Application 88-06-027
For Authority to Abandon Public)	(Filed June 17, 1988)
Utilities Status.)	

OPINION

Summary

Applicant Vallecitos Pipe Line Company (VPC), a California corporation, will be authorized to abandon its oil pipeline and attendant facilities located in San Benito County and to have its public utility service terminated. VPC will be required to notify the Executive Officer of the California Regional Water Quality Control Board Central Coast Region 3 (WQCB) prior to the abandonment for specific instructions on "pigging"¹ the line, flushing it with water, sealing the pipeline, and disposal of the waste water.

Summary of Application

VPC owns a six-inch pipeline connecting Vallecitos field oil wells to a terminus approximately 19.5 miles from the oil field. The terminus contains two 12,500 barrel storage tanks and truck loading facilities. VPC's facilities were constructed in 1958. The pipeline was designed to transport 2,100 barrels of crude oil daily from the oil field to the terminus.

There have not been any significant discoveries of additional oil in the Vallecitos field since the construction of

1 Pigging involves propelling an object through the pipeline (e.g., using water pressure against the object) to remove any oil or solvent within the pipeline or adhering to the sides of the pipeline.

the system. The field is remote from other pipelines and oil fields which could utilize VPC's facilities for transporting oil. There has been a decline in oil production rates in the wells served by VPC's pipeline. Total oil production in the field has dropped to less than 150 barrels per day. That quantity of oil does not justify the continued operation and maintenance of the pipeline. VPC has operated at a loss for several years. Furthermore, if VPC resumed operations as an oil carrier, there would be a significant potential risk of environmental damage from crude oil leaking from the pipeline. VPC has not transported crude oil for any of its shareholders since October 1987 or for other oil producers since February 1983.

VPC requests authority to be relieved of its public utility status since it no longer serves the public. It has provided a copy of its application to every customer served by it since January 1, 1982 and to all current oil well operators located within 10 miles of the origin of the pipeline.

VPC alleges that granting the application will have no significant effect on the human environment.

Terminal Facilities

VPC proposed to retain the terminal storage tanks for intermittent storage of crude oil. That crude oil would be delivered to and removed from the tanks by trucks.

Environmental Issues

In Exhibit 1, VPC advised the Commission staff that it would flush the pipeline with water prior to abandoning it.

By telephone, the Commission staff contacted the WQCB staff for Central Coast Region 3 to determine what measures, if any, were needed to avoid any potential water quality problem resulting from the abandonment. This WQCB staff stated it would not be concerned about a possible water quality hazard if the line was pigged and flushed with water before abandonment. The Commission staff requested written confirmation from WQCB's

requirements for the pipeline abandonment (see Exhibit 2). WQCB's reply (Exhibit 3) states:

"The subject oil pipeline must be abandoned in a manner that prevents a discharge including petroleum products and solvents. Pigging and flushing the pipeline with water as suggested must be done in a manner which prevents the discharge of waste oils and solvents both during the cleaning and after abandonment. Such wastes must be taken to an appropriate disposal site."

Discussion

The requested pipeline abandonment should be authorized. There is no public convenience and necessity for resumption of VPC's pipeline operations. No protest against the proposed abandonment was received. The proposed use of the terminal for intermittent oil storage does not require Commission certification. After the abandonment has been accomplished, VPC's tariffs should be cancelled.

However, the abandonment should be conditioned on meeting WQCB's requirements and on sealing the ends of the pipeline. We will require VPC to contact WQCB prior to the abandonment for specific instructions on carrying out those requirements. It can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment if the mitigating measures described above are implemented.

Findings of Fact

1. VPC facilities were constructed in 1958 for transporting oil from the Vallecitos oil field to the terminal. The pipeline was designed to transport 2,100 barrels of crude oil per day to the terminal.
2. Oil production in the Vallecitos oil field has declined to less than 150 barrels per day.

3. It is not economical to operate the pipeline to transport the reduced volume of oil production. The pipeline has not been used for oil transportation since October 1987.

4. VPC requests authority to abandon its public utility pipeline transportation service. Past and potential pipeline customers have received copies of the application. None of them protested against the proposed abandonment.

5. Certain mitigating measures are needed prior to the abandonment so that it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

Conclusions of Law

1. The proposed abandonment should be authorized subject to implementation of the mitigating measures described above.

2. This decision should be made effective today to permit VPC to promptly proceed with the abandonment and to avoid further operating losses.

3. After receipt of notice of the above described abandonment, VPC's tariffs should be cancelled by the Commission's Advisory and Compliance Division.

ORDER

IT IS ORDERED that:

1. Vallecitos Pipe Line Company (VPC) is authorized to abandon its pipeline system after obtaining and carrying out the instructions of the California Regional Water Quality Control Board on pigging its pipeline, flushing the pipeline with water, disposing of the waste water, and sealing the ends of the pipeline.

2. VPC shall provide to the Commission a copy of the notice of satisfaction of the mitigation requirements of the Regional Water Quality Control Board, within 10 days of its receipt.

3. Upon receipt of the notice of satisfactory completion of the mitigation measures by the Commission, VPC shall be relieved of its public utility status and responsibilities with regard to the pipeline system.

4. Upon receipt of the notice of satisfactory completion of the mitigation measures, VPC's tariffs shall be cancelled by the Commission Advisory and Compliance Division.


This order is effective today.

Dated JUN - 7 1989, at San Francisco, California.

G. MITCHELL WILK
President
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

Commissioner Frederick R. Duda,
being necessarily absent, did
not participate.

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.



Victor Weisser, Executive Director

10

the system. The field is remote from other pipelines and oil fields which could utilize VPC's facilities for transporting oil. There has been a decline in oil production rates in the wells served by VPC's pipeline. Total oil production in the field has dropped to less than 150 barrels per day. That quantity of oil does not justify the continued operation and maintenance of the pipeline. VPC has operated at a loss for several years. Furthermore, if VPC resumed operations as an oil carrier, there would be a significant potential risk of environmental damage from crude oil leaking from the pipeline. VPC has not transported crude oil for any of its shareholders since October 1987 or for other oil producers since February 1983.

VPC requests authority to be relieved of its public utility status since it no longer serves the public. It has provided a copy of its application to every customer served by it since January 1, 1982 and to all current oil well operators located within 10 miles of the origin of the pipeline.

VPC alleges that granting the application will have no significant effect on the human environment.

Terminal Facilities

VPC proposed to retain the terminal storage tanks for intermittent storage of crude oil. That crude oil would be delivered to and removed from the tanks by trucks.

Environmental Issues

In Exhibit 1, VPC advised the Commission staff that it would flush the pipeline with water prior to abandoning it.

By telephone, the Commission staff contacted the WQCB staff for Central Coast Region 3 to determine what measures, if any, were needed to avoid any potential water quality problem resulting from the abandonment. This WQCB staff stated it would not be concerned about a possible water quality hazard if the line was pigged and flushed with water before abandonment. The Commission staff requested written confirmation from WQCB's

requirements for the pipeline abandonment (see Exhibit 2). WQCB's reply (Exhibit 3) states:

"The subject oil pipeline must be abandoned in a manner that prevents a discharge including petroleum products and solvents. Pigging and flushing the pipeline with water as suggested must be done in a manner which prevents the discharge of waste oils and solvents both during the cleaning and after abandonment. Such wastes must be taken to an appropriate disposal site."

Discussion

The requested pipeline abandonment should be authorized. There is no public convenience and necessity for resumption of VPC's pipeline operations. No protest against the proposed abandonment was received. The proposed use of the terminal for intermittent oil storage does not require Commission certification. After the abandonment has been accomplished, VPC's tariffs should be cancelled.

However, the abandonment should be conditioned on meeting WQCB's requirements and/or on sealing the ends of the pipeline. We will require VPC to contact WQCB prior to the abandonment for specific instructions on carrying out those requirements. It can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment if the mitigating measures described above are implemented.

Findings of Fact

1. VPC facilities were constructed in 1958 for transporting oil from the Vallecitos oil field to the terminal. The pipeline was designed to transport 2,100 barrels of crude oil per day to the terminal.
2. Oil production in the Vallecitos oil field has declined to less than 150 barrels per day.