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Decision 92-06-053 June 17, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Gas Company for Approval of Capital Investment in Facilities to Permit Interconnection with the Kern Kern/Mojave pipeline.

(U 904 G)

ORIGINAL Application 90-11-035 (Filed November 16, 1990)

ORDER

Southern California Gas Company (SoCalGas) moves for approval of an interim process establishing priority of service for firm shippers on the Kern River Gas Transmission Company/Mojave Pipeline Company pipeline project (Kern/Mojave) which has been proposed under the pro forma Facilities Amortization Agreement (FAA) at issue under its application in this proceeding. Through this motion, SoCalGas seeks interim approval of a sequence order under which firm Kern/Mojave Shippers, who have indicated their intention to use the interconnection with SoCalGas at Wheeler Ridge on a firm basis in sufficient volumes for SoCalGas to recover its interconnection costs, receive priority of capacity allocations at the Kern/Mojave interconnect over shippers who have not made any such commitments to SoCalGas. This authority is to be effective from the date the motion is granted through the date on which the compression facilities, the subject of this proceeding, are placed in service. SoCalGas submits that this proposal is in the public interest because it recognizes the commitment of firm access shippers to relieve the general body of ratepayers of future liability in the event that there are unused facilities associated with the Kern/Mojave interconnect.

As of January 1992, SoCalGas completed the initial phase of its interconnection with the Kern/Mojave pipeline. With the completion of this initial phase of this interconnect gas supplies

began flowing from Kern/Mojave into SoCalGas' intrastate system on a best-efforts basis by late February 1992. Although SoCalGas is in the process of constructing the necessary intrastate compression facilities at Wheeler Ridge to provide approximately 450 MMcf of firm capacity into SoCalGas' system, completion of these compression facilities is not expected until mid-1993.

At present, certain firm shippers on the Kern/Mojave pipeline project have provided reservation letters to SoCalGas identifying the extent to which they intend to utilize capacity on a firm basis at this interconnect. These reservation letters have provided a principal basis for establishing the amount of investment required by SoCalGas to optimally size the level of firm access capacity to be provided at this interconnect. SoCalGas has sized its take-away facilities at Wheeler Ridge based upon the reservation letters of these shippers. These shippers have expressed their intent to use the interconnect on a regular basis prior to the approval of the FAA in this proceeding and afterward through their execution of the FAA. The execution of the FAA by these shippers constitutes a commitment which will reduce the possibility of future cost burdens to other ratepayers associated with stranded costs which could result should there be any unused facilities associate with this interconnect. In order to afford the firm shippers who have made these commitments a level of service in line with their commitment to use this interconnect, SoCalGas has proposed that the Commission provide that the available interconnection capacity be allocated to these "firm access shippers" ahead of "non-firm access shippers."¹

¹ For the purposes of this motion, "firm access shippers" are defined as those shippers who have provided reservation letters to SoCalGas and intend to use the interconnect on a regular basis prior to the approval of the FAA in this proceeding and afterward through their execution of the FAA.

The total capacity of the Kern/Mojave pipeline project is estimated to be 1,100 MMcfd. It is anticipated that 450 MMcfd will be deliverable into SoCalGas' system on a firm basis once SoCalGas' compression facilities have been completed. Prior to completion of these facilities however, the level of take-away capacity at Wheeler Ridge will depend upon Kern/Mojave's delivery pressure, SoCalGas' "net" San Joaquin Valley demand and downstream operating conditions. Due to the amount by which the total capacity of the Kern/Mojave pipeline exceeds SoCalGas' take-way capacity, it is likely that nominations at the Wheeler Ridge interconnect could substantially exceed SoCalGas' take-away capacity prior to completion of SoCalGas' compression facilities. As a result, it is clear that gas deliveries into SoCalGas' system at Wheeler Ridge may have to be allocated to a level consistent with SoCalGas' take-away capacity at the interconnect.

SoCalGas asked that priority access should also be provided to certain EOR customers. A group of shippers calling themselves the Kern/Mojave Shippers² objected to that portion of SoCalGas' motion.

Argument on the motion was heard May 4, 1992, at which time SoCalGas agreed to delete the request for priority access for EOR customers and affirmed that the FAA shippers are first in line for the available capacity at Wheeler Ridge. Service for EOR customers will be subordinated to the capacity made available to the FAA shippers. The Kern/Mojave Shippers accepted this modification and withdrew its opposition.

2 Canadian Hydrocarbons (U.S.) Inc.; CanWest Gas Supply USA Inc.; Chevron U.S.A. Inc.; Los Angeles Department of Water & Power Meridian Oil Inc.; M. H. Whittier; Mobil Natural Gas Inc.; Petro-Canada Hydrocarbons Inc.; Union Pacific Fuels, Inc.; and Westcoast Resources Inc.

We will grant the motion to the extent set forth in our order.

IT IS ORDERED that:

1. The motion of Southern California Gas Company to establish priority of service for firm shippers on the Kern River Gas Transmission Company/Mojave Pipeline Company pipeline project is granted.

2. Those shippers over the pipeline who have executed the pro forma reservation letter set forth in the application in this proceeding shall receive priority of capacity allocations at the Kern/Mojave interconnect over shippers who have not made any such commitments.

3. This authority is effective today and shall expire on the date on which the compression facilities, the subject of this proceeding, are placed in service or until further order of the Commission, whichever comes first.

This order is effective today.

Dated June 17, 1992, at San Francisco, California.

DANIEL Wm. FESSLER
President

JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners

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


NEAL J. SHULMAN, Executive Director