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ORIGINALDecision S3 02 0S3 FEB 24 1983

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's)
 own motion into the matter of the)
 adoption of regulations governing)
 the safety and construction of a)
 liquefied natural gas terminal in)
 the State of California.)

OII 1
 (Filed October 18, 1977)

In the Matter of the Application)
 of Western LNG Terminal)
 Associates, a general partnership,)
 and of a Joint Application of)
 Western LNG Terminal Associates,)
 Pacific Gas and Electric Company)
 and Pacific Lighting Service)
 Company, California corporations,)
 for a permit authorizing the)
 construction and operation of an)
 LNG terminal pursuant to Section)
 5550 et seq., of the Public)
 Utilities Code.)

Application 57626
 (Filed October 14, 1977)

In the Matter of the Application)
 of Pacific Gas and Electric)
 Company, and Pacific Lighting)
 Service Company, California)
 corporations, for a Certificate)
 that Public Convenience and)
 Necessity require the construc-)
 tion, operation, and maintenance)
 of a 34" Pipeline from the Point)
 Conception area, Santa Barbara)
 County, California, and related)
 facilities.)

Application 57792
 (Filed January 9, 1978)

Investigation on the Commission's)
 own motion into the impact of)
 the decline in natural gas)
 available to California from)
 traditional sources and the need)
 for and timing of deliveries from)
 supplemental supply projects.)

Case 10342
 (Filed June 1, 1977;
 amended August 23, 1977)

ORDER GRANTING LIMITED REHEARING
OF DECISION 82-10-023

Applications for rehearing of Decision (D.) 82-10-023 have been filed by the Hollister Ranch Owners' Association (Hollister), the Sierra Club, and the Indian Center of Santa Barbara (Indian Center). We have carefully considered every allegation of error and are of the opinion that good cause for granting limited rehearing has been shown.

To begin with, the parties have raised the issue of the Commission's authority to bank the Little Cojo site. This issue is one of first impression. This order, therefore, grants limited rehearing for the purpose of enabling the parties to submit legal arguments on the following issues: whether the Commission has the authority to bank this site, and if so, what the scope of this authority is. This rehearing will be consolidated with hearings on Pacific Gas and Electric Company's (PG&E) and Southern California Gas Company's (SoCal) LNG rate offset applications (docketed as Applications (A.) 82-12-04 and 82-12-02). In view of this, it would be premature to further delineate our intent relative to site banking until we have reviewed the arguments of the parties.

We do stress, however, that regardless of our eventual decision on site banking, that decision will not constitute a commitment to any particular ratemaking treatment for PG&E's and SoCal's expenses. A decision on the appropriate ratemaking treatment will be made independently of any decision to bank the Little Cojo site.

A second issue raised by the petitions concerns the legality of allowing the applicants to retain their conditional permit under circumstances which preclude us from granting a final permit. To aid us in properly evaluating this contention, we have reviewed again the information currently available to us which was

discussed in some detail in D.82-10-023. As we state there, this information seriously erodes our original findings on project need and economic feasibility. These factors constituted the fundamental basis for issuing that permit. If that basis is no longer valid, it follows that the permit must be withdrawn.

We do not intend to withdraw the permit today. However, we believe the issue of whether it should be withdrawn in view of significantly changed circumstances relating to need and economic feasibility was not sufficiently reviewed in D.82-10-023, but should be examined on the record. We will, therefore, grant further limited rehearing, also to be consolidated with hearings on PG&E's and SoCal's rate offset applications, to require evidence and legal argument to be submitted on this issue by applicants, staff, and any other party having an interest in its outcome. We hereby put the applicants on notice that we will seriously contemplate withdrawal of the conditional permit unless we are presented with convincing evidence that it should remain in place, or the Legislature clarifies its direction to this Commission regarding the need for the LNG facility.

In addition to the petitions for rehearing, two virtually identical documents entitled "Objection to Election and Request for Hearing" have been filed by the Bixby Ranch Company (Bixby) and the County of Santa Barbara (County). Those documents raise two issues. First, these parties challenge the Commission's authority to offer a site-banking option; secondly, they allege the "Notice of Election" filed by Western LNG Terminal Associates in response to D.82-10-023 is not in compliance with that decision. The first issue, concerning the basis for our authority, should have been, but was not, raised in timely petitions for rehearing of D.82-10-023. Consequently, as to Bixby and the County, the allegations relating to this issue are not properly before the Commission as grounds for rehearing and will be dismissed. However, because the site banking issue will be

considered in the course of PG&E's and SoCal's rate offset proceeding, Bixby and the County are free to address this issue as parties therein. Moreover, the second issue, concerning applicants' election, raises questions appropriately considered in the utilities' offset hearings, and are, therefore, referred to that proceeding.

Finally, while it may have similar effect, today's order does not reverse our decision to deny the motion of the Sierra Club and Toward Utility Rate Normalization to rescind the conditional permit or reopen the permit proceeding. We consider it fully appropriate to consider in the course of the rate offset hearings whether Western LNG Terminal Associates' election complies with D.82-10-023, as well as whether, under that election, the conditional permit should be retained or withdrawn. Any change in the status quo must await the outcome of those hearings.

IT IS THEREFORE ORDERED that:

1. Limited rehearing of D.82-10-023 is granted as provided below.
2. Western LNG Terminal Associates is made a respondent in A.82-12-02 and A.82-12-04.
3. During the hearings on A.82-12-02 and A.82-12-04, Western LNG Terminal Associates, the Commission staff, and other interested parties shall submit legal briefs on the questions of whether the Commission has the authority to bank the Little Cojo Site, and if so, what the scope of such authority includes.
4. Also during the above hearings, Western LNG Terminal Associates, the Commission staff, and other interested parties shall submit evidence and legal briefs on the question of whether, in view of significant changed circumstances concerning project need and economic feasibility, the conditional permit should be retained or withdrawn.

5. The Objections to Election of Bixby Ranch Company and the County of Santa Barbara are dismissed without prejudice as to Points A and B. Points C and D, questioning compliance with the terms of D.82-10-023, will be considered during the hearings on A.82-12-02 and A.82-12-04.

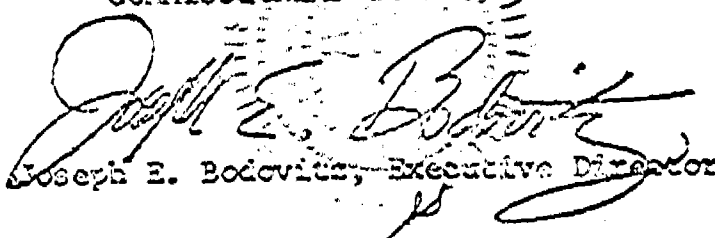
This order is effective today.

Dated FEB 24 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President

VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
Commissioners

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


Joseph E. Bodovitz, Executive Director

discussed in some detail in D.82-10-023. As we state there, this information seriously erodes our original findings on project need and economic feasibility. These factors constituted the fundamental basis for issuing that permit. If that basis is no longer valid, it follows that the permit must be withdrawn.

We do not intend to withdraw the permit today. However, we believe the issue of whether it should be withdrawn in view of significantly changed circumstances relating to need and economic feasibility was not sufficiently reviewed in D.82-10-023, but should be examined on the record. We will, therefore, grant further limited rehearing, also to be consolidated with hearings on PG&E's and SoCal's rate offset applications, to require evidence and legal argument to be submitted on this issue by applicants, staff, and any other party having an interest in its outcome. We hereby put the applicants on notice that we will seriously contemplate withdrawal of the conditional permit unless we are presented with convincing evidence that it should remain in place, or the Legislature clarifies its position to the PUC regarding the need for the LPA terminal.

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