ORIGINAL

Decision No. 89517 OCT 17 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY for authority and approvals to withdraw from gas service and to lease to Blythe-Moreno Company certain facilities between Moreno, California, and Blythe, California.

Application No. 57695
(Filed November 18, 1977; amended October 10, 1978)

Leslie E. LoBaugh, Jr., and Jonel C. Hill, Attorneys at Law, for applicant.
Virgil E. Duncan, for himself, protestant.
Chickering & Gregory, by C. Hayden Ames, Attorney at Law, for San Diego Gas & Electric Company; Rollin E. Woodbury, Robert J. Cahall, William E. Marx, H. Robert Barnes, and Carol B. Henningson, by Carol Henningson, Attorney at Law, for Southern California Edison Company; William Waterhouse and Jan Chatten-Brown, Attorneys at Law, for City of Los Angeles; Henry F. Lippitt, 2nd, Attorney at Law, for California Gas Producers Association; Ball, Hunt, Hart, Brown and Baerwitz, by Allan E. Tebbetts and Neal Thompson, Attorneys at Law, for Sohio Transportation Company; and J. W. Whitsett, District Counsel, Curtis L. Coleman, Assistant District Counsel, and Linda T. Phillips, Deputy District Counsel, for South Coast Air Quality Management District; interested parties.
James Squeri, Attorney at Law, J. E. Johnson, and Bert Patrick, for the Commission staff.

O P I N I O N

On November 18, 1977, Southern California Gas Company (SoCal), pursuant to Section 851 of the Public Utilities Code (Code) and Sections 35 through 37 of the Commission's Rules of Practice and Procedure, filed Application No. 57695 with the Commission requesting conditional authority to withdraw a portion of its existing natural gas transmission pipeline system from utility service and to lease these facilities to the Blythe-Moreno Company (Blythe-Moreno), a nonutility affiliate of SoCal. Blythe-Moreno is a wholly owned subsidiary of SoCal's parent, Pacific Lighting Corporation (PLC). A portion of the pipeline system utilized by SoCal in providing service to its customers is jointly owned by its affiliate, Pacific Lighting Service Company (PLS).

SoCal purchases all of its supplies of natural gas from PLS and from El Paso Natural Gas Company (El Paso). PLS purchases natural gas from California producers, Pacific Interstate Transmission Company (PacInterstate) and Transwestern Pipeline Company (Transwestern). El Paso and Transwestern are nonaffiliated interstate pipeline companies. PacInterstate is an affiliated interstate pipeline company. These companies deliver natural gas at the California border from Texas and other southwestern states. El Paso and Transwestern also deliver gas to customers in states other than California.

A prehearing conference was held in this proceeding on December 15, 1977. Hearings were held in Los Angeles on January 4, 1978, for receipt of applicant's evidence and on January 18, 1978, for presentation of staff testimony. On January 18, 1978, the hearing record closed and the matter stood submitted subject to receipt of opening briefs on or before February 1, 1978, and closing briefs on or before February 15, 1978.

By the present application, SoCal has requested permission and approval to withdraw from public utility service and subsequently to lease to Blythe-Moreno the following:

1. Approximately 19.0 miles of 30" O.D. x .344" pipeline with appurtenances commencing at valve No. 3A (31 miles from the Colorado River) to the Desert Center Compressor Station;
2. Approximately 31.5 miles of 30" O.D. x .344", .375", and .312" pipeline with appurtenances commencing at the Desert Center Compressor Station to the Cactus City Compressor Station; and
3. Approximately 69.9 miles of 30" O.D. x .312", .281", .500", and .375" pipeline with appurtenances commencing at the Cactus City Compressor Station to San Timoteo between Banning, California, and Moreno, California.

In total, SoCal's proposal involves 120.4 miles of 30" O.D. transmission line. SoCal's request for withdrawal is conditioned upon the Federal Energy Regulatory Commission (FERC) approval of the El Paso abandonment application in Docket No. CP75-362 and subsequent acceptance of that authorization by El Paso.[1/]

On May 17, 1976, Blythe-Moreno and Standard Oil of Ohio (SOHIO) executed a preliminary agreement respecting the lease of the facilities for which SoCal seeks withdrawal authorization herein and their subsequent conversion to crude oil service in connection with SOHIO's proposed West Coast Midcontinent Liquid Hydrocarbon Project (Crude Oil Project). The Crude Oil Project contemplates the use of both new and existing facilities to transport

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1/ On November 10, 1977, the FERC issued Opinion No. 4, approving the requested abandonment. On December 9, 1977, El Paso filed an application for rehearing of Opinion No. 4. On January 9, 1978, the FERC granted rehearing for purposes of further consideration. On May 26, 1978, the FERC issued Opinion No. 4A denying rehearing but modifying in part the prior opinion and order granting abandonment.

up to 500,000 barrels per day (Bpd) of Alaskan crude oil, allegedly surplus to West Coast needs, to be offloaded at the Port of Long Beach, California. SoCal's facilities will comprise approximately 120 miles of a total system extending from the Port of Long Beach to terminal facilities near Midland, Texas.[2/] At that point, the Crude Oil Project will intersect existing liquid hydrocarbon transmission pipelines extending to refining centers located on the Gulf Coast and in the midwestern and eastern United States. Under the interim agreement between Blythe-Moreno and SOHIO, the project was divided into Phases I and II. Phase I envisions a system capable of transporting 500,000 Bpd and is the subject of this proceeding. Phase II, if pursued, would consist of an expansion of the Phase I facilities to a system having a total capacity of 1,000,000 Bpd and would be the subject of a separate proceeding before this Commission.[3/]

2/ El Paso's facilities, the subject of the abandonment proceeding in Docket No. CP75-362, constitute approximately 670 miles of the total system. To complete the pipeline link from Long Beach to Midland will require construction by SOHIO of approximately 270 miles of new line in addition to construction of terminal facilities in Long Beach Harbor.

3/ Any phase II proceedings would also require a separate Environmental Impact Report under the California Environmental Quality Act (CEQA). At this point it must be stressed that abandonment of SoCal's Phase I facilities does not in any way constitute an estoppel against protesting the proposed abandonment of any additional facilities at a later time.

A. The Blythe-Moreno/SOHIO Interim Agreement

After approximately two years of direct negotiations with SOHIO, an interim agreement was reached by Blythe-Moreno[4/] on May 17, 1976, to participate in the Crude Oil Project.

The key provisions of the interim agreement are as follows:

(1) Blythe-Moreno shall acquire the abandoned Phase I facilities from SoCal and lease them to SOHIO;

(2) SOHIO will lease the Phase I facilities from Blythe-Moreno at a rental rate of $2,500,000 per year beginning with the project commencement date and increasing to $3,750,000 per year within eighteen (18) months and continuing thereafter for eighteen and one-half (18.5) years;

(3) SOHIO shall bear the expense of constructing and acquiring all new facilities and rights-of-way required to convert and complete the proposed pipeline system, in addition to one-half of all costs in excess of $200,000 incurred in securing additions or modifications to existing rights-of-way required for liquid hydrocarbon transportation;

(4) Prior to the Phase I project commencement date, SOHIO may elect not to lease the Phase I facilities, subject to payment of $7,500,000 to Blythe-Moreno;

(5) SOHIO shall have the option to renew the Phase I lease for one or two additional twenty (20) year terms at a maximum annual rental of $900,000;

4/ Blythe-Moreno includes any other PLC assignee.

(6) SOHIO shall have the option to lease Phase II facilities, presently utilized in SoCal's transmission system, if SoCal's Phase II facilities are no longer required for natural gas service; and

(7) SOHIO shall pay all expenses, including expenses of maintaining and operating the leased facilities in liquid hydrocarbon transport service as well as all ad valorem taxes or other similar taxes related to the leased facilities.

SoCal contends that the terms of the above-referenced agreement were the result of arms' length bargaining over a substantial period and that the lease rentals are based upon SoCal's opinion of the value of a less than optimum-sized used natural gas line versus the cost of a new oil line. SoCal presented testimony indicating that SOHIO's initial offer comprehended payment of $900,000 per year for the Phase I line. SoCal's counter offer sought lease payments of $7,400,000, the estimated lease value for a new 42-inch line.[5/]

Further testimony indicated that if the rental cost per mile for the 30-inch El Paso line, the subject of a previous SOHIO-El Paso agreement, were utilized in establishing the rental price for the SoCal line, the annual lease payments would total $3,050,000. SOHIO initially felt that the rental for the SoCal line should be proportionately less than for the El Paso line since the unavailability of the El Paso line due to its commitment to the Crude Oil Project drastically reduced the usefulness of SoCal's line in delivering El Paso gas supplies to California consumers. SoCal countered by stating that their line was worth more per mile than

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5/ SOHIO contemplated construction of a 42-inch oil transmission line in the event it failed to lease the 30-inch line which is the subject of this proceeding.

El Paso's since SOHIO's lease with El Paso would have less value in the absence of SoCal's commitment of their pipeline to the Crude Oil Project. Against the backdrop of these negotiations, SoCal maintains that annual rental payments of $3,750,000 represent the maximum amount SoCal could possibly extract in leasing the subject line.

The Commission staff did not take issue with the terms and conditions of the interim agreement between Blythe-Moreno and SOHIO.

B. The Blythe-Moreno/SoCal Agreement

Pursuant to an agreement with Blythe-Moreno dated November 17, 1977, SoCal agreed to apply for required authorization from this Commission for discontinuance from natural gas service of the pipeline facilities which are the subject of this proceeding, conditioned upon El Paso's abandonment of its Phase I facilities. Further, by the same agreement, Blythe-Moreno and SoCal evidenced their intent to enter into a definitive lease agreement which includes, among other things, the following significant provisions:

(1) For an initial term of twenty (20) years with the option to renew for second and third terms, SoCal shall lease the Phase I facilities to Blythe-Moreno for conversion to and use for liquid hydrocarbon transport in Phase I of the Crude Oil Project;

(2) Blythe-Moreno shall lease the Phase I facilities from SoCal at a rental rate of $2,500,000 per year beginning with the project commencement date and increasing to $3,750,000 per year within eighteen (18) months and continuing thereafter for eighteen and one-half (18.5) years;

(3) SoCal shall bear the cost of withdrawal, as well as the cost of modifying existing facilities and constructing

additional facilities to maintain present gas service provided by the Phase I line;

(4) Blythe-Moreno shall bear all costs of converting the Phase I facilities and all expenses of maintaining and operating the leased facilities in liquid hydrocarbon transport service as well as all ad valorem taxes or other similar taxes related to the leased facilities, except that the costs of liability insurance and conformance of the existing right-of-way to oil transmission service shall be deducted by Blythe-Moreno from its rental payments to SoCal; and

(5) Unless SoCal receives all necessary regulatory approvals for discontinuance from gas service of the Phase I facilities and unless such authorizations are acceptable to SoCal and do not contain conditions having materially adverse financial consequences to SoCal or to PLC, the obligations under this agreement do not take effect.

The Commission staff did not contest the terms and conditions of the agreement between Blythe-Moreno and SoCal.

C. Withdrawal Issues

1. SoCal's System Capacity

SoCal sponsored evidence maintaining that if El Paso's corresponding facilities are abandoned, SoCal can safely withdraw the subject facilities from service and continue to provide reliable transportation for the natural gas it receives for ultimate distribution to its customers. SoCal's witness testified that with the line withdrawn from natural gas service, SoCal and Pacific Gas and Electric Company (PG&E) can continue to receive all the gas which their east-of-California out-of-state suppliers have the ability to deliver to SoCal.

The Commission staff did not dispute this contention. Further, the staff testified that in the event that El Paso withdraws from service the natural gas transmission facilities which are the subject of Docket No. CP75-362,[6] SoCal has adequately demonstrated that, under all reasonable supply scenarios, its present and future gas supplies will not require the use of SoCal's present transmission capacity. If El Paso does abandon its proposed segment of connecting pipeline, the Commission staff agreed with applicant that withdrawal of the subject facilities will not materially affect SoCal's ability to render an adequate level of gas utility service.

The staff's evidence shows that, given conversion of El Paso's gas pipeline to oil service, the maximum amount of gas that the El Paso system can deliver to California is approximately 2592 million cubic feet per day (MMcfd). With conversion of the SoCal pipeline to oil transmission service, the ability of SoCal and PG&E to receive gas from El Paso at the California border is approximately 2787 MMcfd. Even assuming that the optimistic development of gas supplies and the removal of interstate curtailment regulations allowed El Paso to fully utilize its remaining system for deliveries to California, there would still exist sufficient capacity on the SoCal and PG&E systems to deliver all the available gas to California consumers.

The staff's evidence indicates that withdrawal of SoCal's transmission system will not materially affect capacity during winter peak flow conditions. During summer months peak-day capacity

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6/ SoCal has continually reiterated that its request for abandonment is contingent upon acceptance by El Paso of the federal abandonment authority.

on the system will be reduced by 103.6 MMcfd. However, the capacity of the El Paso system to deliver gas to the California-Arizona border after abandonment will be reduced by approximately 198 MMcfd at Blythe and approximately 100 MMcfd at Topock, a total decrease in capacity of 298 MMcfd. This represents a nearly three-to-one decrease in SoCal's system.

The staff concluded that if El Paso abandons its segment of natural gas pipeline, retention of the SoCal line in service with its excess capacity would be of little value to California gas consumers and thus its withdrawal would be warranted.

2. Economics of Withdrawal

SoCal's proposed accounting for the withdrawal and transfer of the pipeline consists of crediting the original cost of the pipeline, $9,410,772, to the plant accounts and charging the depreciation reserve for the same amount.7/ These entries are provided by the Uniform System of Accounts for natural gas companies in the case of retirements. Since SoCal has presently credited only $5,370,078 to the depreciation reserve, the net effect of the retirement entry is to leave a permanent $4,040,694 (less further accruals up to the actual retirement date) in SoCal's rate base.

The Commission staff computed that the revenue requirement over the initial 20-year leasé term on the $4,040,694 permanent rate base would equal $11,677,606. Staff then compared this figure to the amount that SoCal could earn over that period under existing conditions if the subject facilities are not retired from service. The revenues under such circumstances would total $12,820,074. Based upon this comparison, staff concluded that SoCal's proposed accounting treatment is acceptable.

7/ SoCal uses straight-line remaining life depreciation for its utility properties.

SoCal further stated that the cost of removing its facility and converting it from gas to oil transmission service would be approximately $1,700,000; this expense will be borne by SOHIO. The costs of withdrawal, estimated at $100,000 for separating the withdrawn line from the remainder of the system and purging it of gas, would be charged to SoCal's depreciation reserve. The expenditure by SoCal of $700,000 to $800,000 to install additional service taps and other facilities necessary to maintain gas service to its customers would be added to SoCal's rate base. The Commission staff took no issue with this treatment.

With respect to the lease fees received by SoCal from Blythe-Moreno, SoCal proposed to apply the net lease payments received from Blythe-Moreno as an addition to its depreciation reserve thereby reducing its rate base. The net lease payments will equal SOHIO's annual rental to Blythe-Moreno, reduced by the following expenses: (1) annual liability insurance costs of $2,800; (2) amortization at an interest rate equal to SoCal's authorized rate of return of expenditures by Blythe-Moreno to conform gas pipeline rights-of-way to oil transmission service; and (3) federal and state income taxes computed at the statutory rate.[8/] The Commission staff accepted SoCal's computation of the net lease payments but took strong exception to SoCal's proposal to credit the net lease payments received from Blythe-Moreno to its depreciation reserve.

The Commission staff presented its independent analysis of the economic impacts occasioned by withdrawal under several different scenarios. The staff initially determined that withdrawal would result in additional costs to ratepayers of approximately $11,162,000 over 20 years. These additional costs incurred by the

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8/ State income tax rate of 9 percent plus federal income tax rate of 48 percent equals a net tax rate of 52.68 percent.

ratepayer consist of the following items: (1) return on the additional plant investment required to maintain service to existing customers; (2) the depreciation and ad valorem tax expenses related to these additions; and (3) increased compressor fuel costs neccessitated by withdrawal totaling approximately $8,924,000. These figures are not disputed.

The staff then presented testimony which analyzed four different methods of dealing with withdrawal. The purpose of the exhibit was to demonstrate the comparative benefits to SoCal's ratepayers based on different methods of handling the plant withdrawal and treating the lease payments over the initial 20-year term. For each of the four alternative methods, the staff computed: (1) the net reduction in revenue requirements over the 20-year lease term; (2) the present value of the reduced revenue requirement discounted at SoCal's currently authorized rate of return of 8.8 percent; and (3) the net reduction in revenue requirements during the first four years of the lease.

Case I presents an analysis of the net reduction in revenue requirements over the 20-year lease term based upon SoCal's proposal. Case II is similar to the Case I analysis, except that the accounting for the leased plant reduces SoCal's rate base by the net depreciated cost of the plant (approximately $4 million) as soon as the line is removed from natural gas service. Further, the Case II alternative also permits Blythe-Moreno, in determining the net lease payment credited to SoCal's depreciation reserve, to deduct a rate of return on the $4 million investment (at SoCal's authorized rate of return) as well as related depreciation expenses. Case III varies from Case I through use of lower effective tax rates rather than statutory income tax rates proposed by SoCal. Case IV is based upon a direct flow-through of the pretax-lease payments, reduced by certain minor expenses, to SoCal's annual revenue requirement rather than to its depreciation reserve. The results of the staff analysis are tabulated below.

Item	Case I	Case II	Case III	Case IV
		(In Thousands	of Dollars)	
Net Reduction in Revenue Requirement over 20 Years	$45,321	$48,671	$70,484	$65,094
Present Value of Net Reduction over 20 Years at 8.8 Percent	15,462	17,725	25,178	30,390
Net Reduction in Revenue Requirement over First Four Years	1,966	3,724	4,693	13,110

The staff recommended adoption of the Case IV treatment since the total benefits to SoCal's ratepayers, the present value of these benefits, and the short-term benefits to current ratepayers are greater than the corresponding benefits obtained by adoption of either Case I or Case II. While the Case III analysis shows a higher net reduction in revenue requirement than Case IV, staff cautioned that Case III is based upon a speculative assumption, i.e., the effective income tax of SoCal's parent corporation, PLC. Although the effective income tax rate has been significantly lower than the incremental income tax over the last four years, there is no guarantee that this situation will continue in the future. Staff thus concluded that Case IV treatment is preferable from the ratepayer's perspective.

SoCal avers that the staff analysis contains several critical infirmities and further states that the Case IV proposal would have materially adverse financial consequences for SoCal by imposing an unjust and unreasonable cost on SoCal's shareholders of $1,142,468.[9]

9/ The difference over 20 years between the amount of revenue received by SoCal if the facilities were withdrawn according to the Case IV method ($11,677,606) and the amount of revenue SoCal would receive if the facilities remained in service under existing conditions ($12,820,074). (See p. 10 of this decision.)

SoCal further argues that the staff's Case IV analysis fails to take into consideration the effect of SoCal's and the staff's proposals upon the ratepayers after the 20-year period of the lease. SoCal contends that its customers would continue to benefit after the lease expired and into perpetuity since proposed rate base reductions would become permanent ($9,522,308).[10] In addition, under Case IV, it is claimed that the ratepayers could incur additional expenses ($1,228,183) for which they would receive no offsetting benefit after the 20-year lease expires.[11] SoCal posits that the following revenue requirement figures are mathematically correct.

Item	Case I	Case IV
	(In Thousands of	Dollars)
Present Value of Net Reduction in Revenue Requirement over 20 Years at 8.8 Percent	$15,462	$30,390
Present Value Beyond 20 Years	9,522	(1,228)
Total	24,984	29,162

(Red Figure)

The staff considers these modifications beyond the initial 20-year term to be totally speculative.

10/ Under SoCal's proposal, ratepayers will benefit by reduction in rate base equal to the aggregate net rental payments; theoretically, this adjustment will become a permanent reduction in SoCal's rate base.

11/ Additional expenses would consist of the present value of the return allowed SoCal in perpetuity on the $4 million permanent rate base.

SoCal claims that justification to remove the line from service exists if it is determined that present and future natural gas supplies to California will not require retention of SoCal's present transmission capacity. Accordingly, it is both unnecessary and inappropriate to determine further whether SoCal ratepayers will receive sufficient economic benefits so as to justify abandonment.

It is SoCal's contention that SoCal's shareholders, not the utility's customers, invested the equity and bear the investment risks associated with the line. It is also SoCal's position that its ratepayers have received everything for which they have paid, including the entitlement to and benefit of gas service provided by the line. It is argued that Case IV ignores the fact that SoCal's original $9 million investment has appreciated in value to a minimum worth of approximately $20 million according to staff testimony and would totally deprive the investors of the direct benefits of appreciation. SoCal finally states that no basis has been established for the acquisition by SoCal's customers of any ownership or other proprietary interest in SoCal's property, as they contend Case IV presumes. They conclude that Case IV is confiscatory and violative of the due process and just compensation provisions of both the California and United States Constitutions and that acceptance by SoCal of authority to withdraw on the basis of staff's proposal appears to be contrary to the legal obligations of SoCal's management to its shareholders.

The staff counters SoCal's allegation of confiscation under Case IV by maintaining that SoCal can properly determine the impact on its shareholders by comparing the net after-tax cash flows resulting from maintenance of the line in service to the net after-tax cash flow occasioned by withdrawal pursuant to the staff recommendation and not by an "apple v. orange" comparison between

revenue requirements occasioned by the above-mentioned scenarios. Staff claims that if this correct comparison is made, SoCal investors will find themselves in the same basic position after withdrawal as before, i.e., there will be no measurable difference in return to the investor. Further, staff contends that in analyzing the impact of withdrawal upon SoCal's investors, it must be remembered that in the course of its normal ratemaking policies the Commission may well increase SoCal's depreciation rate to reflect the early retirement and removal of a major component of SoCal's plant-in-service. This ratemaking adjustment would be utilized to ameliorate any "de minimis" accounting problems occasioned by withdrawal and would result in availability of increased depreciation and a corresponding increase in net after-tax cash flow for SoCal.

The staff's position is that its recommendation will not result in any materially adverse financial consequences to SoCal or its investors. Staff concludes that under its proposal the ratepayer, who has borne the cost of financing and building the pipeline and who runs the risks of withdrawal, i.e., potential capacity shortages, increased compressor fuel costs, etc., should receive the direct benefits of withdrawal.

Regardless of the particular method which the Commission ultimately orders for treatment of withdrawal, both staff and SoCal concur that rate reductions resulting from the post-withdrawal lease arrangements should be credited to all users, including lifeline, on a uniform cents-per-therm basis. The parties also agree that SoCal's rates should be modified on a semiannual basis, concurrent with SoCal's Purchased Gas Adjustment (PGA) filing to reflect the appropriate rate reduction.

D. The CEQA Process

On April 29, 1976, the Sohio Transportation Company of California (SOHIO TC) filed Application No. 56445 with this Commission requesting authority to issue 10,000 shares of $1.00 par value capital stock for working capital. In Decision No. 86125, an interim order dated July 19,1976, the Commission authorized SOHIO TC to issue not more than 10,000 shares of its $1.00 par value capital (common) stock to SOHIO and authorized SOHIO to acquire and control SOHIO TC. The shares were issued to allow SOHIO TC a small amount of initial working capital in conjunction with its proposal to construct pipelines and related facilities for the transportation of liquid hydrocarbons in California and to operate and maintain the pipeline and related facilities as a public utility "pipeline corporation" and as part of the larger Crude Oil Project.

In Decision No. 86125 the Commission noted that the facilities which SOHIO TC proposed to construct might have a significant effect on the environment in California. By Commission Resolution No. A-4530, dated March 30, 1976, the Commission authorized the Executive Director to execute an agreement with the Port of Long Beach (Port) for the joint preparation of an Environmental Impact Report (EIR) for the Crude Oil Project. The agreement, dated March 30, 1976, included a set of procedures to be followed in preparing the EIR. The agreement was approved by the Director of the Governor's Office of Planning and Research.

The Draft EIR (DEIR) for the Crude Oil Project was completed on October 25, 1976. Three public hearings were held on the DEIR (November 30, 1976, December 6, 1976, and December 14, 1976). Responses to over 650 written comments, as well as the oral comments made at the public hearings, were incorporated into the Final EIR (FEIR).

On May 2, 1977, the Long Beach Board of Harbor Commissioners certified the FEIR as complying with CEQA and the Guidelines for Implementation of CEQA. In Decision No. 87432, dated June 7, 1977, the Commission took similar action and issued a final order in Application No. 56445, certifying the FEIR for the Crude Oil Project.

By Application No. 57563, filed August 31, 1977, the City of Los Angeles (LA) requested modification of Decision No. 87432 alleging that the FEIR should not be certified in light of inadequacies in the DEIR. Among other things, LA contended that the DEIR failed to evaluate the environmental impacts associated with the potential Phase II development of the Crude Oil Project.

Subsequent to the certification of the FEIR and prior to Commission action on LA's application, SOHIO made some substantial changes in its proposed project. Because of these changes, the Commission and the Port, by contract dated October 4, 1977, agreed to the joint preparation of a Supplement to the EIR. The Draft Supplement (DS) to the EIR was completed on November 15, 1977. A public hearing on the DS was held in Los Angeles on November 29, 1977. The deadline for filing written comments on the DS was December 6, 1977. Subsequently, a Final Supplement (FS) to the EIR was then prepared. After review of the DS, LA considered withdrawal of its application if it could be determined that the FS would be a part of the legally required EIR and that the Port and the Commission would be bound by the information contained therein, particularly with respect to mitigation measures outlined in the FEIR and the FS.

On January 10, 1978, the Commission issued another order in Application No. 56445 and a response to LA's Application No. 57563; Decision No. 88311 contained this Commission's certification that the FEIR for the originally proposed Crude Oil Project,

as well as the FS, which is considered part of the FEIR for the revised Crude Oil Project, has been completed in compliance with CEQA and the Guidelines for Implementation of CEQA.[12/] The Commission rejected LA's proposal to prepare a detailed environmental analysis concerning the possible abandonment of another SoCal line for use in Phase II of the Crude Oil Project. The Commission stated, in part, that Phase II transportation of additional volumes is a different possible future project. Proper review, including detailed environmental analysis, will be performed by the Commission when and if a Phase II proposal is presented. LA's Application No. 57563 was denied, and LA did not petition for rehearing of Decision No. 88311.

In its present application SoCal points out that as a result of an earlier application filed by SOHIO TC, pursuant to Section 818 of the Code, the Commission, in conjunction with the Port, commenced preparation of an EIR for the Crude Oil Project, of which SoCal's proposed withdrawal is an integral part.

In its application SoCal also states its opinion that the results of the FEIR can and should serve as the staff EIR for these proceedings. The staff concurred and filed a motion, dated December 9, 1977, requesting the Commission, pursuant to Rule 87 of the Commission's Rules of Practice and Procedure, to waive Rule 17.1(f) and (g) of said rules in order that the FEIR for the Crude Oil Project, together with the FS, can serve as the staff EIR for this proceeding. The staff argues in its motion that the waiver of Rule 17.1(f) and (g) was authorized by the Director of the Governor's Office of Planning and Research to secure fast, speedy, and inexpensive determination of the environmental issues presented in the original and in the revised Crude Oil Project. The Commission

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12/ The Port certified the FS on December 19, 1977.

staff submits that the EIR for the Crude Oil Project, together with the FS thereto, will contain all necessary environmental information regarding SoCal's proposed application so that the Commission can utilize the EIR for resolution of SoCal's application; finally, it is contended that all interested parties have had sufficient opportunity to comment on the EIR.

On December 27, 1977, LA filed a pleading opposing the staff motion to utilize the FEIR for the Crude Oil Project as the staff EIR in the instant proceeding. This filing seeks to relitigate issues raised in Application No. 56445, e.g., the need for a detailed environmental analysis of Phase II of the Crude Oil Project. Additionally, the pleading raised the issue of the loss of gas available to SoCal and its consumers because additional compression or fuel will be required on SoCal's system due to the withdrawal.

The testimony of the staff and SoCal shows that withdrawal would increase compressor fuel requirements by approximately 0.75 MMcfd. Given the future supply estimates of El Paso and Transwestern, SoCal's out-of-state suppliers, if this application were denied or if SoCal elects not to withdraw, the gas available for sale would be increased by less than one-twentieth of a percent of SoCal's out-of-state supplies.

LA did not seek to develop the record or to present evidence in the proceeding which is the subject of this decision. LA filed no opening brief in this matter, yet LA did submit a closing brief raising environmental concerns not addressed in any of the other filed briefs.

In its closing brief, LA requests the Commission to approve withdrawal of the SoCal pipeline only if impacts from the loss of

natural gas due to increased use of compressor fuel is mitigated as required by CEQA. LA contends that such mitigation could be achieved by imposition of a number of possible alternative conditions including requirements that: (1) SoCal's remaining compressor pumps be fueled by fuel oil[13/] rather than by natural gas; (2) SoCal and SOHIO supply additional natural gas to the South Coast Air Basin to offset the natural gas loss due to the increased use of compressor fuel; and (3) a policy be adopted whereby the highest priority for any new gas supplies made available to California will be to use the gas to offset the loss of natural gas in the South Coast Air Basin due to increased use of compressor fuel, which would be an additional increment equivalent to compressor fuel losses, beyond that amount which they would otherwise receive as their "fair share" of any new gas supplies. There is no evidence of record in this proceeding dealing with the above-mentioned alternatives.

Discussion

The Commission concurs with SoCal that sufficient justification exists to remove the subject facilities from service if it is determined that present and future natural gas supplies to California will not require retention of SoCal's present transmission capacity.

The evidence regarding this threshold issue is both conclusive and undisputed. The record clearly indicates that given conversion of El Paso's gas pipeline to oil service, the maximum amount of gas that the El Paso system can deliver to California is

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13/ And if possible, SOHIO install oil-fueled pumping equipment instead of the planned electric pump stations. This possibility was evaluated in the Project EIR.

approximately 2,592 MMcfd. The evidence shows further that SoCal and PG&E, in the event of withdrawal, can receive approximately 2,787 MMcfd from El Paso at the California border. Even considering that the most optimistic scenario for development of gas supplies and removal of interstate curtailment regulations allowed El Paso to fully utilize the remaining systems, SoCal and PG&E could deliver all the available gas to California consumers and still maintain approximately 200 MMcfd of excess transmission capacity.

Since retention of the SoCal line in service with its excess capacity would be of little value to California gas consumers in the event El Paso abandons its segment of natural gas pipeline, the Commission concludes, under such circumstances, that withdrawal is warranted.

However, determination that justification exists for withdrawal is but one component in any Commission determination to authorize withdrawal from utility service and subsequent transfer and lease of public utility property pursuant to Section 851 of the Code. It is this Commission's duty, when public utility property is to be withdrawn and transferred, to assure that the transfer will not be adverse to the public interest. (Decision No. 68272, App. of Dyke Water Co. (1964) 63 Cal. P.U.C. 641.)

In addition to merely documenting the existence of excess transmission capacity in the SoCal system, this Commission must also analyze economic and environmental factors to determine in what manner withdrawal shall be implemented so as to be consistent with the public interest. We now address ourselves to that task.

Upon review of the record evidence, it is the Commission's conclusion that neither the proposal of SoCal, the so-called Case I method, nor staff's alternative, the Case IV method, accurately reflect the equities or protect the legitimate interests of both shareholder and ratepayer alike.

SoCal's proposal fails to provide sufficient present benefits to its ratepayers. Under SoCal's plan, the average net benefits to SoCal's customers would not reach the level of the after-tax cash flow to Blythe-Moreno until sometime in the seventh year. Thereafter, customer benefits would exceed the cash flow each year. The staff's exhibit graphically illustrates that under SoCal's Case I proposal, the early benefits of withdrawal accrue to SoCal and its shareholders. Case I results in early availability of cash flow to SoCal far in excess of revenue reductions flowed through to its customers. It is the Commission's belief that withdrawal should be so structured as to flow increased initial benefits through to SoCal's present customers, the ratepayers who have borne the cost of financing and building the pipeline and who run the risks of withdrawal, i.e., potential capacity shortages, increased compressor fuel costs, etc.

The staff's proposal, Case IV, is equally flawed in its failure to protect the equity interests of SoCal and its parent, PLC. The record shows that under Case IV, SoCal's revenue requirements over the 20-year period of the lease would total $11,677,606. If the line were not retired from service and the SoCal rate of return remained constant at its present 8.8 percent level, SoCal's revenue requirement would equal $12,820,074 over 20 years. The difference between these two figures, $1,142,648, represents a cost borne by the ratepayers and not, as SoCal maintains, by its investors. The impact on SoCal's shareholders can properly be determined by comparing the net after-tax cash flow resulting from maintenance of the line in service to the net after-tax cash flow occasioned by withdrawal pursuant to the staff recommendation. If the correct comparison is made, staff's proposal will result in a reduction of

approximately $307,000 over 20 years in net after-tax cash flow to SoCal. Albeit the amount is minimal, it is clear that staff's Case IV will result in some adverse financial consequences for SoCal or PLC; accordingly, the staff proposal must be rejected.

The Commission is fully cognizant that the contemplated withdrawal and lease arrangement is of an extraordinary type, one that neither investor nor shareholder could originally have anticipated. A combination of external circumstances and events, i.e., a West Coast oil glut, no market outlet for SOHIO's crude, and a lack of oil transmission capacity to the Midwest has caused the unexpected and unquantified appreciation of SoCal's original $9.4 million pipeline investment. Having rejected both SoCal's and the staff's proposals, it is this Commission's obligation to determine to whom and in what manner the appreciation in value should be allocated.

To assist the Commission in resolution of this difficult issue, we turn to the principles outlined in the case of Democratic Cent. Comm. of D.C. v. Washington Metropolitan Area Transit Comm'n. (WMATC), 485 F 2d 786 (D.C. Cir. 1973, cert. denied 415 U.S. 935 (1974)). Therein, the court stated:

> "The allocation between investors and consumers of capital gains on in-service utility assets... rests essentially on equitable considerations. The allocative process...necessitates a delicate balancing of the investors and consumers in light of governing equitable principles." (WMATC, supra, 485 F 2d at 821.)

In undertaking this delicate balancing of considerations, we recognize, as the court stated, that there is no impediment, constitutional or otherwise, to recognition of a ratemaking principle

enabling ratepayers to benefit from appreciations in value of utility properties accruing while in service.[14] Further, it is understood that the amount of eventual investor recovery may permissibly be limited to the amount of the original outlay; this is but another way of saying that the investors do not possess a vested right in value-appreciations accruing to in-service utility assets.[15]

Initially, the Commission must identify the principles which will guide the allocation as between investor and consumer. The relevant principles can be stated simply:

(1) The right to capital gains on utility assets is tied to the risk of capital losses;

(2) He who bears the financial burden of particular utility activity should also reap the benefit resulting therefrom; and

(3) Consumers become entitled to appreciation in value of operating utility assets when they have discharged the burden of preserving the financial integrity of the stake which investors have in such assets.

Application of these principles compels us to the conclusion that the appreciation in value of the subject utility assets should be flowed directly through to the consumer.

High risks justify larger returns while low risks more nearly guarantee the investment and thus may warrant smaller returns. The latter situation is most accurately demonstrated in the area of utility equity investment. Investors are foreclosed from any claim to an asset's appreciated value when they have been insulated against the risk of loss of their investment. On the other hand,

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14/ WMATC, supra, 485 F 2d at 800.

15/ WMATC, supra, 485 F 2d at 804.

significant risks associated with utility assets are typically imposed upon ratepayers. Many utility assets are susceptible to loss or damage from acts of nature and man, and risks of such casualties are generally passed on to the consumer. As a rule, the loss from premature retirement of assets because of obsolescence also rests with the ratepayer. Further, in the instant proceedings, the additional risks occasioned by withdrawal, such as potential gas capacity shortages and increased compressor fuel costs, are borne by the ratepayer. The investor—and it is the very nature of his investment—bears no comparable risk.

The equities are equally clear in our mind and dictate that the economic benefit should follow the economic burden. It is the ratepayer who bears the expenses of ordinary operation and maintenance and depreciation, including obsolescence and depletion. Fairness requires that consumers, whose payments reimburse investors for all wear, tear, and waste of utility assets in service, should benefit in situations where gain occurs and to the full extent of that gain. Investors who are afforded the opportunity of a fair return on a secure investment in utility property cannot claim they have not received their just due.

In light of the foregoing discussion, the Commission will direct SoCal, in the event it accepts withdrawal authority, to treat the ~~abandonment~~ withdrawal and the lease proceeds therefrom in the following manner:

(1) To remove the pipeline facilities from utility service, SoCal shall credit the original cost of the pipeline, $9,410,772, to Account 101, Gas Plant in Service; Account 108, Accumulated Depreciation Reserve, shall be charged with the amount of depreciation on the subject facilities accrued at the time of actual retirement;16/

16/ The record shows that present depreciation expenses total $5,370,078.

(2) SoCal shall charge the original cost of the facility, $9,410,772, to Account 121, Nonutility Property Account; Account 122, Accumulated Depreciation Reserve-Nonutility Property, shall be credited with the amount of depreciation on the subject facilities accrued at the time of actual withdrawal;

(3) Prior to payment to SoCal, Blythe-Moreno shall be allowed to deduct the following items from SOHIO's lease payments: (a) insurance; (b) amortization plus return and the income taxes associated with the return on expenditures required to conform the rights-of-way to oil transmission service; (c) depreciation of the $4 million of net plant over the 20-year lease term; and (d) the latest authorized return and the income taxes associated therewith on the declining net plant balance over the 20-year lease term;

(4) SoCal shall flow the net lease payment from Blythe-Moreno directly through to its revenue requirements; SoCal shall credit the net lease payments from Blythe-Moreno to Account 495, Other Gas Revenues; and

(5) Rate reductions, resulting from the above-mentioned procedure, will be credited to all users, including lifeline, on a uniform cents-per-therm basis. SoCal's rates shall be modified on a semiannual basis, concurrent with SoCal's PGA filing, to reflect the appropriate rate reduction.

In accordance with the principles articulated in this decision, this adopted methodology serves to protect both investor and consumer. The financial integrity of the stake which investors have in the subject assets is preserved. The investor is made completely whole, and recoupment of his original investment plus

return is assured. On the other hand, the consumer, as equity dictates, receives the direct benefits of withdrawal. The Commission methodology, as ordered, will result in a net reduction in revenue requirement over 20 years totaling $63,951,577. The present value of such reduction equals $29,231,943. Finally, the net reduction in revenue requirements in the first four years will amount to $12,086,667.

The parties did not address the issue of disposition of the $7,500,000 to be paid, subject to conditions, by SOHIO to Blythe-Moreno in the event SOHIO elects not to lease the Phase I facilities. The proceeds of the cancellation payments should be used to make SoCal whole for all expenses incurred in connection with the processing of this application. If the payment is made, any amounts expended by SoCal and/or Blythe-Moreno for plant to make the abandonment possible or to restore the line to gas service should be recorded as a credit to plant account. Any remaining portion of the payment, less income taxes, should be credited to SoCal's revenue requirement.

We now address our attention to review of the environmental aspects of the present application to withdraw certain pipeline facilities. We are impressed with the logic of staff's motion to waive Rule 17.1(f) and (g) and to use the EIR prepared in conjunction with Application No. 56445 as the EIR in the present application. We will grant staff's motion.

It is clear that the previously prepared EIR for the Crude Oil Project, together with the FS, contains all the necessary environmental information regarding SoCal's proposed application.

The Commission can adequately utilize the existing EIR to assist us in resolution of SoCal's application, while saving expenditures of time and money. Further, the procedures followed in preparing the EIR, procedures which were approved by the Director of the Governor's Office of Planning and Research, fully allowed all interested parties sufficient opportunity to comment.

With respect to the contentions raised by LA in its closing brief, the issues raised by LA do not deal with any new information or with information which was not known and could not have been known at the time the final certification of the EIR for the Crude Oil Project was made in Decision No. 88311. LA failed to raise its objections on a timely basis during the Crude Oil Project review and following Decision No. 88311. That was the proper forum for raising its objections. LA's proposals for further detailed environmental analysis cannot be entertained at this late hour. Further, there is absolutely no evidence supporting any of LA's suggested measures for mitigating the impacts from the loss of natural gas due to increased use of compressor fuel given withdrawal. The existing environmental treatment is sufficient, and we will not require further environmental studies.

LA's closing brief does correctly surmise that the air quality impacts due to the substitution of fuel oil for gas in the service area due to the increase in compressor fuel requirements on the remainder of SoCal's transmission system might be overstated. The staff reviewed this contention and a staff memorandum (Appendix A) shows the correct values for increased emissions of sulfur dioxide and particulate matter. The overstatement is by a factor of 10. The FS should reflect this reduction in increased emissions. This decision will be distributed to all parties who received a copy of Decision No. 88311 relating to the Crude Oil Project.

Findings and Conclusions

1. Pursuant to Section 851 of the Code, SoCal filed an application on November 18, 1977, to withdraw a portion of its existing gas transmission system from service and to lease these facilities to an affiliate company, Blythe-Moreno.

2. Blythe-Moreno will lease the subject facilities to SOHIO for their conversion to oil transmission service and their ultimate use as part of the 1,012-mile Crude Oil Project.

3. The terms of the Blythe-Moreno/SOHIO Interim Agreement were the result of arm's length bargaining and are reasonable.

4. The terms of the Blythe-Moreno/SoCal Agreement are reasonable.

5. If El Paso's corresponding facilities are abandoned, SoCal's ability to transmit gas volumes, based upon current and optimistic future estimates of gas supplies from its out-of-state suppliers, will not be impaired by the requested withdrawal.

6. If El Paso abandons its segment of natural gas pipeline, retention of the SoCal line in service with its excess capacity has little value to California gas consumers and its withdrawal is warranted.

7. In determining whether withdrawal is in the public interest, the Commission must analyze the economic and environmental impacts of the proposed withdrawal.

8. SoCal's proposal to withdraw its facilities from gas service and to lease them to Blythe-Moreno, which in turn proposes to lease the facilities to SOHIO, is an extraordinary type of "abandonment" in that SoCal is not relinquishing its interest in the property, nor writing it off its books; but, on the contrary, SoCal is retaining the property to lease; the property is generating rental income and remains subject to the lien of the First Mortgage Indentures dated October 1, 1940.

9. Both the proposals of SoCal and staff for treating the retirement and accounting for withdrawal fail to protect the legitimate interests of investor and ratepayer alike.

10. The right to capital gains on utility assets is tied to risk of capital loss.

11. He who bears the particular burden of particular utility activity should also reap the resulting benefit.

12. The ratepayer, in the instant circumstance, has borne the risk of capital loss and shouldered the economic burden of operating, maintaining, and depreciating the subject facilities.

13. The ratepayer, who has borne both the risk and the expense attendant to the subject facilities, is entitled to the appreciation in value of the particular public utility assets.

14. The investor is protected by preservation of the financial integrity of the stake he has in the asset and the bondholders are protected by the preservation of the lien of the First Mortgage Bond Indentures.

15. The Commission's method of accounting for withdrawal and treating the lease payments assures the shareholder full recoupment of his investment and properly flows the direct benefits of withdrawal through to the ratepayer.

16. As a condition to acceptance of the withdrawal authority, SoCal shall credit the original cost of the pipeline to Account 101, Gas Plant in Service; Account 108, Accumulated Depreciation Reserve, shall be charged with the amount of depreciation on the subject facilities accrued at the time of actual withdrawal.

17. As a condition to acceptance of the withdrawal authority, SoCal shall charge the original cost of the facility to Account 121, Nonutility Property; Account 122, Accumulated Depreciation Reserve-Nonutility Property, shall be credited with the amount of depreciation on the subject facilities accrued at the time of actual withdrawal.

18. Prior to payment to SoCal, Blythe-Moreno shall be allowed to deduct the following items from SOHIO's lease payments: (a) insurance; (b) amortization plus return and the income taxes associated with the return on expenditures required to conform the

rights-of-way to oil transmission service; (c) depreciation of the $4 million of net plant over the 20-year lease term; and (d) the latest authorized return and income taxes associated therewith on the declining net plant balance over the 20-year lease term.

19. SoCal shall flow the net lease payment from Blythe-Moreno directly through to its revenue requirements; SoCal shall credit the net lease payments from Blythe-Moreno to Account 495, Other Gas Revenues.

20. Rate reductions, resulting from the withdrawal, will be credited to all users, including lifeline, on a uniform cents-per-therm basis; SoCal's rates shall be modified on a semiannual basis, concurrent with SoCal's PGA filing, to reflect the appropriate rate reduction.

21. SoCal's acceptance of withdrawal authority will not result in any adverse financial consequences to PLC or SoCal.

22. If the $7,500,000 cancellation payment is made by SOHIO to Blythe-Moreno, the payment, less income taxes, shall be credited to SoCal's revenue requirement.

23. Issuance of withdrawal authority is conditioned upon and in conjunction with issuance and acceptance of all applicable federal, state, and local certificates and permits for the Crude Oil Project.

24. The EIR prepared pursuant to Application No. 56445, together with the Supplement thereto, contains all the necessary environmental information for adequately reviewing the environmental impacts occasioned by SoCal's proposed withdrawal.

25. Decision No. 88311, issued in response to Application No. 56445, contains the Commission's certification that the FEIR for the Crude Oil Project has been completed in compliance with CEQA and the Guidelines.

26. The staff motion to waive Rule 17.1(f) and (g) and to utilize the EIR prepared for the Crude Oil Project and pursuant to Application No. 56445 as the EIR in this proceeding is reasonable and should be granted.

27. A correction, as shown in Appendix A, reducing the Crude Oil Project emission levels for additional compressor fuel use to one-tenth of the sulfur dioxide and particulate matter levels in the FS and our certification in Decision No. 88311 should be made.

28. SoCal shall supply the Commission, when and as appropriate with the Phase I commencement date, the withdrawal date, the accounting entries made pursuant to Findings and Conclusions 16, 17, and 19, and any significant changes in contract implementation.

29. Subject to the conditions contained in Findings and Conclusions 16, 17, 18, 19, 20, 22, 23, and 28, the requested withdrawal is in the public interest.

O R D E R

IT IS ORDERED that:

1. Application No. 57695, filed by Southern California Gas Company pursuant to Section 851 of the Public Utilities Code, seeking authority to withdraw certain natural gas transmission facilities from utility service shall be granted.

2. The authorization granted in Ordering Paragraph 1 is subject to the terms and conditions contained in Findings and Conclusions 16, 17, 18, 19, 20, 22, 23, and 28.

3. The Final Supplement to the Final Environmental Impact Report in Application No. 56445 is modified to incorporate the corrections contained in Appendix A. The Commission's certification in Decision No. 88311 is modified to incorporate these corrections.

4. The staff motion to waive Rule 17.1(f) and (g) and to utilize the EIR prepared for the Crude Oil Project and pursuant to Application No. 56445 as the EIR in this proceeding is granted.

5. The Executive Director of the Commission shall file with the Secretary of Resources a Notice of Determination which is attached hereto as Appendix B.

The effective date of this order shall be thirty days after the date hereof.

Dated at San Francisco, California, this 17th day of OCTOBER, 1978.

President

William Symons Jr.

Vernon L. Sturgeon

Richard D. Gravelle

Claire T. Dedrick

Commissioners

Commissioner Robert Batinovich, being necessarily absent, did not participate in the disposition of this proceeding.

A.57695 Alt.-CTD-EA

Appendix A

State of California

Memorandum

Date : April 25, 1978

To : Jerry Levander, ALJ - CPUC - Los Angeles

Bill Yuen Lee

Bill Yuen Lee, Senior Utilities Engineer

From : Public Utilities Commission—San Francisco

File No.: A 57695

Subject: Review of Closing Brief filed by City of Los Angeles

The Response to Comment No. 087 contained in the Final Supplement to the SOHIO Project Environmental Impact Report, Volume 5, Part 2, included a table of emissions that would result from the possible substitution of crude oil for natural gas that could be curtailed for use as compressor fuel in the event of abandonment of the natural gas pipeline currently being used by the El Paso and Southern California Natural Gas Companies.

Inadvertently omitted was a factor of (10^6) in the column titled "Equivalent BTU Replacement Oil (gal/yr)."

The calculation for SO_2 and Particulate Matter under the column titled "Increased Emissions" should be corrected as follows:

SO_2	Particulate Matter
308.1	82.0
308.1	82.0
249.2	66.4

Please correct your page 20 of Volume 5, Part 2 to reflect the above.

cc: Frederick John, Director - Policy and Program Development

SOHIO Project File

APPENDIX B

NOTICE OF DETERMINATION

TO: Secretary for Resources
1416 Ninth Street, Room 1311
Sacramento, CA 95814

County Clerk
County of ______________

____

FROM: (Public Agency)______________
California Public Utilities Commission
____

SUBJECT: Filing of Notice of Determination in compliance with Section 21108 or 21152 of the Public Resources Code.

Project Title	
Blythe - Moreno transmission pipeline.	
State Clearinghouse Number (If submitted to State Clearinghouse)	
76102673	
Contact Person	Telephone Number
Frederick E. John	(415) 557-1487
Project Location	
Riverside County	
Project Description	
Portion of SOHIO Project. EIR was certified by Port of Long Beach Board of Harbor Commissioners on May 2, 1977 and PUC on June 7, 1977 in Decision 87432. The attached decision authorizes Southern California Gas Company to abandon, transfer, and lease Phase I transmission facilities to Standard Oil Company of Ohio.	

This is to advise that the California Public Utilities Commission (Lead Agency) has approved the above described project and has made the following determinations regarding the above described project:

1. The project [X] will, [ ] will not, have a significant effect on the environment.

2. [X] An Environmental Impact Report was prepared for this project pursuant to the provisions of CEQA.

   [ ] A Negative Declaration was prepared for this project pursuant to the provisions of CEQA. A copy of the Negative Declaration may be obtained at: ______________

3. A statement of Overriding Considerations [X] was, [ ] was not, adopted for this project.

Date Received for Filing ______________

____
Signature

Executive Director
Title Date

Reference: California Administrative Code, Title 14, Sections 15035, 15083(f), 15083(h), 15085(i).