

ORIGINAL

Decision No. 92182 SEP 3 - 1980

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHWEST GAS CORPORATION)
for an order exempting it from regulation)
pursuant to Public Utilities Code, Section)
1001, as interpreted by the Commission in)
Decision No. 88005, dated October 18, 1977,)
or waiver of certification for certain)
out-of-state plant.)

Application No. 59672
(Filed May 19, 1980)

O P I N I O N

Applicant Southwest Gas Corporation (Southwest Gas) requests an order from this Commission for a blanket exemption from the requirements of California Public Utilities Code Section 1001 with respect to construction undertaken by it outside of California or in the alternative for an order waiving compliance with Section 1001 with respect to construction of certain out-of-state facilities consisting of some 75 miles of pipeline that would form two loops, the first on Southwest Gas' Carson lateral in Carson City, Lyon and Storey Counties and the second to be connected between Southwest Gas' liquefied natural gas (LNG) plant and the Wadsworth junction.

Southwest Gas asserts that the first loop is necessary to provide increased capacity to serve increased market requirements through the Carson lateral which includes all volumes delivered to California and that the second loop is necessary to enable it to transport additional supplies of natural gas from its LNG plant to both its northern Nevada and California distribution and to CP National's California distribution system. Further, Southwest Gas states that the estimated design day requirements for natural gas by its customers in its northern Nevada system will exceed the design capacity of the

current facilities to deliver such gas beginning with the 1980-81 heating season. The proposed loop pipelines will ensure the daily design capacity of the northern Nevada system to deliver the estimated design day requirements of natural gas to Southwest Gas' customers through the 1984-85 heating season. The estimated cost of the proposed pipelines is \$26,100,000.

Southwest Gas has filed an application for a certificate of public convenience and necessity with the Federal Energy Regulatory Commission (FERC) at Docket No. CP80-343. FERC has not yet acted on this application.

Southwest Gas hopes to have all necessary approvals to begin construction of the first loop in time to complete it before the 1980-81 heating season, and requests that if the Commission should determine that a general exemption from the requirements of Public Utilities Code Section 1001 should not be granted it should grant a waiver from the requirements of that section for the specific out-of-state pipeline described in the application.

Discussion

We note that the proposed pipeline loops are a part of Southwest Gas' larger project to construct peaking facilities. Waivers from the requirements of Public Utilities Code Section 1001 for the construction of these peaking facilities were granted by Decision No. 91117 dated December 18, 1979 in Application No. 58988 and Decision No. 91801 dated May 20, 1980 in Application No. 57936. The factors relevant to the impact of the proposed peaking projects on California and California ratepayers were discussed at length in those decisions and need not be repeated here.

The loop pipelines proposed will help transport gas to Southwest Gas' service areas in North Lake Tahoe and to service areas of CP National at South Lake Tahoe. The present pipeline capacity of Southwest Gas' transmission system is 125,000 Mcf per day. The Priority 1 and 2 requirements from that system for a normal winter will equal 129,000 Mcf per day in 1981-82 winter. In a cold winter the Priority 1 and 2 requirements are 139,000 Mcf per day for the 1980-81 winter. The deficiency for the 1980-81 winter will be compensated for by the propane plant which is presently under construction. If Southwest Gas is to meet its Priority 1 and 2 customer requirements systemwide in subsequent winters, the LNG plant must be utilized. The LNG plant is capable of injecting 70,000 Mcf per day into the main line pipeline near Lovelock, Nevada. These loops make it possible to distribute that additional 70,000 Mcf to all Southwest Gas' customers. Approximately 13.5 percent of the Priority 1 and 2 requirements go to California. If the loop pipelines are not constructed, then the needed additional gas supplies could not be distributed.

Section 21080 of the Public Resources Code was amended (Chapter 697, 1979 Statutes) to exempt any out-of-state project from the California Environmental Quality Act (CEQA) provided that the project was subject to environmental review under the National Environmental Policy Act or similar state laws of that state. Any emissions or discharges which would have a significant effect on the environment of the State of California remain subject to CEQA.

Southwest Gas filed an Environmental Impact Report for The Proposed Construction of High Pressure Gas Transmission Mains in Northern Nevada Division as a part of its application to FERC in Docket No. CP80-343. Southwest Gas asserts that there will be no adverse environmental impact on California if the proposed pipelines are built. If they are not built, it would be impossible to estimate how much more oil might be burned which might well have an impact on California.

Although it does not appear at this time that the financing of the proposed pipelines will unduly burden California ratepayers, Southwest Gas is placed on notice that our decision in this matter does not preclude this Commission from examining the reasonableness or prudence of Southwest Gas' expenditures with regard to the project in future rate cases.

Since the proposed pipeline loops are exempt from the requirements of CEQA under the provisions of Public Resources Code Section 21080(b)(13) and since any effort by this Commission to assess the need for and the feasibility of the proposed pipelines would duplicate the efforts of FERC, it is appropriate to exempt the proposed pipeline loops from the requirements of Public Utilities Code Section 1001.

To give Southwest Gas an opportunity to begin construction of the pipeline loops immediately if it receives a certificate of public convenience and necessity from FERC, hopefully while some construction time remains before the 1980-81 heating season, we will make our decision effective on the date of signing but will condition it on receipt of a certificate of public convenience from FERC and all required approvals from the Public Service Commission of Nevada.

Findings of Fact

1. Pursuant to Decision No. 88005, utilities whose primary service area is outside California may apply to this Commission for exemption from the certificate requirement of California Public Utilities Code Section 1001.
2. A blanket exemption from the provisions of Public Utilities Code Section 1001 for all out-of-state projects is not appropriate.
3. Southwest Gas' primary service area is in Nevada.
4. The proposed pipeline loops will primarily serve Nevada.

5. The proposed pipeline loops are needed at this time and do not entail any adverse environmental impact on California.

6. The Commission specifically makes no findings on the reasonableness or prudence of any expenditures on proposed pipeline loops and reserves all considerations for ratemaking treatment of them for future rate cases.

7. To enable Southwest Gas to begin construction of these pipeline loops for the 1980-81 heating season without delay, it is necessary to make our order effective on the date of signature and condition it on Southwest Gas' obtaining a certificate of public convenience and necessity from FERC and any other required approvals from the Public Service Commission of Nevada.

Conclusions of Law

1. Southwest Gas' request for a blanket exemption from the requirements of Public Utilities Code Section 1001 for all out-of-state construction should be denied.

2. Southwest Gas' two proposed pipeline loops described in this application should be granted an exemption from Public Utilities Code Section 1001 contingent on receipt of a certificate of public convenience and necessity from FERC and any necessary authorities from the Public Service Commission of Nevada.

3. Further exemption from the requirements of Public Utilities Code Section 1001 should be considered on a project-by-project basis giving consideration to the relevant circumstances in each application.

O R D E R

IT IS ORDERED that:

1. Southwest Gas Corporation's (Southwest Gas) application for exemption from the requirements of Public Utilities Code Section 1001 for the two proposed pipeline loops described herein is granted contingent on receipt of a certificate of public convenience and necessity from the Federal Energy Regulatory Commission and any necessary authorities from the Public Service Commission of Nevada.

2. Southwest Gas' application for a blanket exemption from Public Utilities Code Section 1001 with respect to all lines, plant, or systems (except as exempted above) which Southwest Gas may construct outside the State of California is denied.

3. Southwest Gas may seek exemption from Public Utilities Code Section 1001 with respect to all lines, plant additions, or systems which it may construct outside the State of California on a project-by-project basis in accordance with Commission practices and procedures and general orders which the Commission may establish or modify from time to time.

The effective date of this order is the date hereof.

Dated SEP 3 - 1980, at San Francisco, California.

John E. Byron
President
Thomas L. Ferguson
Charles W. Howell
Clair T. Davis
Samuel J. ...
Commissioners