

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA  
COMMISSION ADVISORY AND COMPLIANCE DIVISION  
ENERGY BRANCH

RESOLUTION G-2790  
May 25, 1988

RESOLUTION

RESOLUTION G-2790. SOUTHERN CALIFORNIA GAS COMPANY REQUEST FOR AUTHORIZATION OF A GAS TRANSMISSION SERVICE CONTRACT WITH MIDWAY-SUNSET COGENERATION COMPANY FOR ENHANCED OIL RECOVERY USE, ADVICE LETTER 1784, FILED MARCH 31, 1988.

SUMMARY

By Advice Letter 1784, filed March 31, 1988, Southern California Gas Company ("SoCalGas") submitted for approval a Gas Transmission Service Contract ("Contract") with Midway-Sunset Cogeneration Company ("Midway-Sunset") in accordance with the principles set forth at pages 61-71 of Decision 86-12-009, dated December 3, 1986, and Rate Schedule GLT.

BACKGROUND

1. SoCalGas rate schedule GLT is applicable to transportation of customer-owned natural gas for use in enhanced oil recovery ("EOR") facilities as provided by Decision 86-12-009, including gas used for combined EOR/cogeneration facilities.
2. The rate schedule provides that SoCalGas and customers shall negotiate a transmission rate, a customer charge and an appropriate escalation factor to be stated in the gas transmission service contract. The negotiated transmission rate shall not be set below the short-term marginal cost.
3. The rate will include any applicable taxes, fees, regulatory surcharges, intra- or interstate pipeline charges imposed as a result of transporting gas under the schedule. In the event customer delivers more or less gas into the utility system than it accepts on redelivery, such imbalances shall be specifically provided for in the Contract.
4. Customers may receive service under the GLT schedule (a) separately or (b) in combination with an applicable sales rate schedule. Where service is rendered under (b), a separate monthly customer charge may be applicable for service under each schedule. If service is rendered under (a), the customer must still meet the terms and conditions of the customer's

otherwise applicable sales rate schedule.

5. Midway-Sunset is a California partnership between Sun Oil Company and Mission Energy (a subsidiary of Southern California Edison Company). The company is currently constructing a cogeneration plant for its EOR operations in the Kern County area. The volumes to be transported under this Contract will be a maximum of 680,000 therms per day for combined EOR steamflood cogeneration use at this facility.

#### SUMMARY OF CONTRACT TERMS

1. This Contract is submitted by SoCalGas for approval under the terms of the GLT schedule as provided by Decision No. 86-12-009.
2. The Contract contains the following description of rates and charges which are fully set forth in the contract.
  - (1) Customer Charge: Five Hundred Dollars (\$500.00) per premise per month.
  - (2) Transmission Charge: 3.675 cents (\$0.03675) for each therm of gas accepted at the points of delivery.
  - (3) Escalation: The Transmission Charge under the Contract will be adjusted on January 1, 1989 and on each January 1 thereafter by an adjustment factor equal to changes in SoCalGas' total authorized margin from the prior year. In any event, the charge shall not be increased by more than 5% of the current rate, nor decreased by more than 5% of the current rate, in any one contract year. The rate will never go lower than the CPUC's minimum acceptable rate plus .5 cents per therm.
3. The term of the Contract is twenty (20) years as requested by Midway-Sunset. Midway-Sunset may terminate this Contract if its operations are discontinued because of economic unfeasibility as defined in the Contract.
4. Minimum Transmission Obligation: There is no fixed demand charge, however, Midway-Sunset is required to transport, and/or to purchase from SoCalGas, a quantity not less than 66.67% of its annualized Contract quantity. If this quantity is not delivered to Midway-Sunset, Midway-Sunset will pay the transmission costs for the entire amount. Make-up is allowed in the two year period following the underdelivery, however, the right to make-up only extends for one year after Contract termination.

### DISCUSSION

1. The Commission segregated EOR customers from other ratepayers in Decision No. 85-12-102. The Commission clearly stated in that Decision that the California utilities, including SoCalGas, were to begin providing transportation service to the EOR market "as soon as possible" and that "the total transportation package we offer now or in the future must be competitive with the interstate pipeline proposals and other service alternatives" so that the utilities can serve the entire EOR market to the maximum extent possible. The Commission clarified and re-emphasized the importance of utility service to the EOR market in Decision 86-12-009.
2. The Contract submitted with Midway-Sunset was negotiated in compliance with these Commission imposed requirements. Making greater use of utility facilities will substantially contribute to recovery of the utilities' fixed costs for the benefit of all ratepayers.
3. In order to closely supervise the utilities' actions, the Commission requires that each long-term contract be submitted individually to the Commission.
4. The Contract includes the factors and provisions which the Commission has cited as important to EOR customers including service reliability, volume flexibility, points of delivery options, and the obligation to transport minimum volumes of gas.
5. The Commission Advisory and Compliance Division (CACD) has reviewed the terms of the Contract and has determined that it is in compliance with Commission Decisions 85-12-102, 86-12-009, 87-05-046 and 87-12-039.
6. Public notification of these filings has been made by mailing copies of the advice letter to other utilities, governmental agencies, all parties of record in OII 86-06-005 and OIR 86-06-006, and to all interested parties who requested them.

### PROTESTS

1. No protests were received.

### FINDINGS

1. We find that the terms and conditions of this Contract comply with our guidelines for long-term gas transportation service and rates as set forth in Decision 86-12-009.
2. It is reasonable for SoCalGas to provide service to

Midway-Sunset under the terms and conditions of this Contract, including the 20 year term requested by the customer, in accordance with Decision 86-12-009. .

THEREFORE, IT IS ORDERED that:

1. SoCalGas is authorized, under the provisions of Public Utilities Code Sections 491 and 532, to enter into the Contract with Midway-Sunset for the transportation of natural gas as submitted by Advice Letter 1784.
2. SoCalGas is ordered to furnish data to establish the volumes, price, priority, and contribution to margin from this Contract both annually, and at the time of each revision in the transportation rate, beginning sixty (60) days after the first such revision in rates, in order for the Commission to actively supervise this Contract. This information shall be sent to the Commission Advisory and Compliance Division.
3. Advice Letter 1784 and the accompanying Contract shall be marked to show that they were approved by Commission Resolution G-2790.
4. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting of May 25, 1988. The following Commissioners approved it:

STANLEY W. HULETT  
President  
DONALD VIAL  
FREDERICK R. DUDA  
G. MITCHELL WILK  
JOHN B. OHANIAN  
Commissioners

  
Executive Director