PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2866
APRIL 12, 1989

RESOLUTION

RESOLUTION G-2866. SOUTHERN CALIFORNIA GAS COMPANY AUTHORIZED TO BOOK OPERATION AND MAINTENANCE REVENUES FOR CERTAIN FACILITIES OPERATION, AS DESCRIBED IN A CALIFORNIA GAS PRODUCER DELIVERY AGREEMENT WITH CHEVRON U.S.A., INCORPORATED. BY ADVICE LETTER 1855, FILED FEBRUARY 16, 1989.

SUMMARY

1. Southern California Gas Company (SoCal) requests approval of a California Gas Producer Delivery Agreement with Chevron U.S.A., Incorporated (Chevron). The agreement contains operation and maintenance (O&M) charges associated with measurement and control facilities which Chevron asked SoCal to operate and maintain for the receipt of Chevron's gas into the SoCal system.

2. This resolution authorizes the request.

BACKGROUND

1. SoCal submitted the agreement executed between SoCal and Chevron dated January 30, 1989 with Advice Letter 1855. The agreement provides that SoCal shall operate and maintain measurement and quality control facilities necessary to accept Chevron's gas. The agreement also provides that should additional facilities become necessary to accept Chevron's gas, Chevron shall reimburse SoCal for any required future investment in additional facilities, as well as the applicable Federal and State taxes on such facilities.

2. Under the agreement Chevron shall pay SoCal $1350 per month to operate and maintain the facilities. The O&M fee shall include costs related to meter chart changing and reading, gas sampling and analysis, equipment maintenance and calibrations, direct and indirect expenses, and administrative and general office allocated costs. This charge may be revised annually.

3. The initial term of the agreement is for approximately two years, until December 31, 1990, and shall continue month-to-month thereafter until terminated by either party on thirty days' written notice.

4. SoCal proposes that revenue collected for operating and maintaining the measurement and quality control facilities be booked as miscellaneous operating revenue. SoCal also proposes that any revenues collected for the installation of any additional measurement and quality control facilities be offset against installation costs by being booked as a Contribution in Aid of Construction (CIAC).

5. The agreement shall become effective January 30, 1989 upon Commission approval of the installation, operation and maintenance charges.

6. SoCal states that the agreement contains proprietary and confidential information and, consequently, provision of the agreement to the Commission is subject to Public Utilities Code Section 583 and General Order 66-C. Therefore, the advice letter was mailed to other utilities, interested parties and governmental agencies without the agreement attached.

7. SoCal requests expedited approval of this advice letter under Section 491 of the Public Utilities Code.

8. No protests were made to Advice Letter 1855.

DISCUSSION

1. The Commission Advisory and Compliance Division (CACD) has reviewed SoCal's Advice Letter 1855 for cost estimates, the contract with Chevron, compliance with existing legislation, and the pending investigation relating to gas gathering and processing, OII 88-11-012.

2. The estimated $1350 per month O&M costs align with documentation submitted for SoCal's Advice Letter 1847, for a similar contract with Horizon Operating Company (Resolution G-2861). The workpapers contain a summary and breakdown of the estimated average costs incurred for maintaining a producer delivery point with and without an hydrogen sulfide monitor. The cost estimates are based on average costs over four regional areas and 123 delivery points. The costs include direct and indirect costs from each affected department for transmission, measurement (chart processing and gas analysis), and gas acquisition management.

The agreement provides that Chevron will pay these costs monthly and that in the second contract year, the fee will be recalulated to reflect increases or decreases in O&M associated with the utility's receipt point. CACD recommends that the recalculation be made to reflect actual costs as closely as is feasible.

4. CACD was unable to independently verify the estimated monthly O&M costs associated with the utility's receipt point. However, since Chevron and SoCal have agreed to these costs and have contracted to adjust the costs at a later time, CACD believes that the costs actually paid will be reasonable.

5. Section 785.7 addresses gas processing and gathering and was added to the Public Utilities Code in 1988. This section primarily prohibits a utility from charging more for the transportation of gas produced in California than for the transportation from any other source. It also prohibits the utility from requiring a producer to use the utility's services or facilities in order to deliver or process the gas. However, part (b) states:

> "...If the gas corporation constructs new facilities at the request of the producer or customer exclusively to receive gas by the gas corporation's gas plant, the gas corporation may impose a charge for the construction, operation, and maintenance of these facilities. The amount of the charge for the processing service or facilities authorized by this subdivision shall be established by the commission and shall be based on the actual expenses for the construction, operation, maintenance, labor, materials, and overhead involved in providing the specific service or facilities."

CACD believes that SoCal's contract with Chevron is in compliance with Section 785.7, because the customer is being served by its own request and because the resulting O&M charges are to be based on actual costs as closely as is feasible. CACD, therefore, recommends approval of the proposed contract.

FINDINGS

1. Chevron should pay SoCal to operate and maintain the facilities, estimated to be $1350 per month during the first year.

2. Chevron should reimburse SoCal for any installation of additional measurement and quality control facilities.

3. SoCal's charges for the operation and maintenance of these facilities should be adjusted as needed to reflect actual costs as closely as is feasible.

4. SoCal should book revenue collected for the operation and maintenance of the facilities under miscellaneous operating revenue and should book any additional revenue collected for an installation of measurement and quality control facilities as CIAC.

5. SoCal's proposed contract is in compliance with Public Utilities Code Section 785.7

THEREFORE, IT IS ORDERED that:

1. The gas producer delivery agreement signed January 30, 1989 between Southern California Gas Company and Chevron U.S.A., Incorporated is approved as discussed above.

2. SoCal Advice Letter 1855 and the agreement shall be marked to show that they were approved by Commission Resolution G-2866.

3. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the California Public Utilities Commission at its regular meeting on April 12, 1989. The following Commissioners approved it:

G. MITCHELL WILK
President
STANLEY W. HULETT
JOHN B. OHANIAN
Commissioners

Victor Weisser

Executive Director

Commissioner Frederick R. Duda being necessarily absent, did not participate.

Commissioner Patricia M. Eckert present but not participating.