

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2890
SEPTEMBER 7, 1989

R E S O L U T I O N

RESOLUTION G-2890. 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 VISTA PACIFIC RESOURCES CORPORATION.

BY ADVICE LETTER 1880, FILED JUNE 21, 1989.

SUMMARY

1. Southern California Gas Company (SoCal) requests approval of an Agreement with Vista Pacific Resources Corporation (Vista). Vista agrees to pay operation and maintenance (O&M) charges of \$953 per month to SoCal for measurement and control facilities.
2. This Resolution authorizes the request.

BACKGROUND

1. Vista is an independent gas producer. The gas it produces at Bacon Hills field in Kern County is sold on the open market. Vista shares the producing field jointly with Fairbanks and Haas (F&H). Of the total gas taken into this intake point to SoCal's system, Vista's gas output is 63.5%. The remaining 36.5% is assigned to F&H.
2. A California Gas Producer Delivery Agreement (Agreement) between SoCal and Vista was included with Advice Letter 1880, submitted June 21, 1989. The Agreement provides that SoCal shall operate and maintain measurement and quality control facilities necessary to accept Vista's gas. The Agreement also provides that Vista will reimburse SoCal for additional facilities.
3. Under the Agreement Vista pays SoCal \$953 per month to operate and maintain the facility. This is 63.5% of the system average operating and maintenance (O&M) cost of \$1,500 per month per facility.

4. F&H sells its gas exclusively to SoCal. Because of this, F&H's share of the O&M cost is a cost of gas in SoCal's base rates.

5. The O&M fee includes costs related to meter chart changing and reading, gas sampling and analysis, equipment maintenance and calibrations, direct and indirect expenses, as well as administrative and general office allocated costs. This charge is subject to review and revision on a monthly basis in the second year and thereafter.

6. The initial term of the Agreement is for five years, and continues month-to-month thereafter until terminated by either party on thirty days' written notice.

7. SoCal proposes that the O&M fees collected 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).

8. In Appendix B of the Agreement, there is an estimated charge of \$8,800 for the additional facilities. The additional facilities consist of an orifice meter, pressure regulator, scrubber and an odorant injection system. The estimated \$8,800 charge represents the entire cost of the additional facilities. Vista is to pay these additional costs as CIAC. All of these additional facilities installed by SoCal remain the sole property of SoCal.

9. The Agreement would become effective as of March 10, 1989 upon California Public Utility Commission (CPUC) approval of the installation, operation and maintenance charges.

10. SoCal states that the Agreement contains proprietary and confidential information and, consequently, provision of the Agreement to the CPUC is subject to Public Utilities Code (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.

PROTESTS

1. No protests were received by the Commission Advisory and Compliance Division (CACD).

DISCUSSION

1. The CACD has reviewed SoCal's Advice Letter 1880 and supporting work papers. The CACD staff agrees that SoCal's proposal is reasonable, based on SoCal's system average costs.

2. Code Section 785.7 addresses gas processing and gathering. 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."

3. CACD believes that SoCal's contract with Vista is in compliance with Section 785.7, because the customer is being served at its request and because the resulting O&M charges are based on actual costs.

4. The CACD recommends approval of the proposed contract.

FINDINGS

1. Vista should pay to SoCal the sum of \$953 per month for the initial year of the Agreement. This payment is for its 63.5% share of the operating and maintenance costs for a gas transportation acceptance facility, and is subject to possible adjustment in the second year and each month thereafter.

2. Vista 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.

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 installation of measurement and quality control facilities as Construction In Aid of Construction.

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

THEREFORE, IT IS ORDERED that:

1. The California Gas Producer Delivery Agreement signed March 10, 1989 between Southern California Gas Company and Vista Pacific Resources Corporation is approved.
2. SoCal Advice Letter 1880 and the Agreement shall be marked to show that they were approved by Resolution G-2890.
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 September 7, 1989. The following Commissioners approved it:

G. MITCHELL WALK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

Wesley Franklin
WESLEY FRANKLIN
Acting Executive Director