

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Energy Branch

RESOLUTION G-2985  
April 8, 1992

## R E S O L U T I O N

RESOLUTION G-2985. 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 GEO PETROLEUM, INCORPORATED.

BY ADVICE LETTER 2103, FILED FEBRUARY 20, 1992.

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SUMMARY

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

BACKGROUND

1. SoCal submitted the agreement executed between SoCal and Geo dated December 1, 1991 with Advice Letter 2103. The agreement provides that SoCal shall operate and maintain measurement and quality control facilities necessary to accept Geo's gas. The agreement also provides that should additional facilities become necessary to accept Geo's gas, Geo 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 Geo shall pay SoCal \$1,500 per month to operate and maintain the facilities. The O&M charges 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 one year, until November 30, 1992, and shall continue from 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 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.

#### NOTICE

1. Public notice of this filing has been made by publication in the Commissions calendar on February 26, 1992, and by mailing copies of the filing to adjacent utilities and other appropriate interested parties.

#### PROTESTS

1. No protests to this Advice Letter have been received by the Commission Advisory and Compliance Division (CACD).

#### DISCUSSION

1. CACD has reviewed Advice Letter 2103's cost estimates, the proposed contract with Geo, compliance with existing legislation, and the pending investigation relating to gas gathering and processing, OII 88-11-012.

2. The estimated \$1,500 per month O&M costs are consistent with documentation submitted for SoCal's Advice Letter 1847, for a similar contract with Horizon Operating Company (Resolution G-2861), and Advice Letter 1855, for a similar contract with Chevron U.S.A., Inc. (Resolution G-2866). 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 six leases through one delivery point. 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 Geo will pay the above costs monthly and that in the second contract year, the fee will be recalculated 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 could not independently verify the estimated monthly O&M costs associated with the utility's receipt point. However, since Geo 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. Public Utilities Code (PUC) Section 785.7 addresses gas processing and gathering and was added to the Public Utilities Code in 1988. A utility is prohibited from charging more for the transportation of gas produced in California than for the transportation from any other source. A utility is also prohibited from requiring a producer to use the utility's services or facilities in order to deliver or process the gas. However, PUC Section 785.7 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 Geo is in compliance with PUC Section 785.7, because the customer is served on its own request and because the resulting O&M charges will be based on actual costs as closely as is possible. CACD, therefore, recommends approval of the proposed contract.

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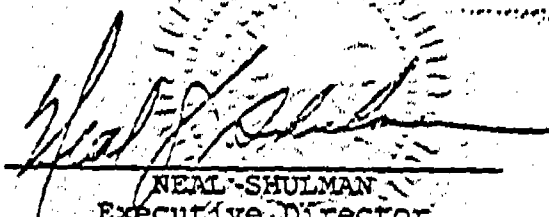
FINDINGS

1. Geo should pay SoCal to operate and maintain the facilities, estimated to be \$1,500 per month during the first year.
2. Geo 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 annually 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 the costs of any installation of measurement and quality control facilities as Contributions in Aid of Construction (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 December 1, 1991 between Southern California Gas Company and Geo Petroleum, Incorporated is approved as discussed above.
2. SoCal Advice Letter 2103 and the agreement shall be marked to show that they were approved by Commission Resolution G-2985.
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 8, 1992. The following Commissioners approved it:

  
NEAL SHULMAN  
Executive Director

DANIEL Wm. FESSLER  
President  
JOHN B. CHANLAN  
PATRICIA M. ECKERT  
NORMAN D. SHUMWAY  
Commissioners