

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3170
August 11, 1995

R E S O L U T I O N

RESOLUTION G-3170. REQUEST OF SOUTHERN CALIFORNIA GAS COMPANY (SOCALGAS) FOR APPROVAL OF A CALIFORNIA GAS PRODUCER ACCESS AGREEMENT (AGREEMENT), DATED JANUARY 1, 1995, BETWEEN SOCALGAS AND SHELL ONSHORE VENTURES, INC. (SHELL) TO ENABLE GAS PRODUCED BY SHELL TO BE TRANSPORTED THROUGH SOCALGAS' SYSTEM TO THIRD PARTIES.

BY ADVICE LETTER 2397-G, FILED ON FEBRUARY 21, 1995.

SUMMARY

1. Southern California Gas Company (SoCalGas) seeks approval of a California Gas Producer Access Agreement (Agreement), dated January 1, 1995, with Shell Onshore Ventures Inc. (Shell). SoCalGas requests approval of the following: (1) the Agreement; (2) credit of operation and maintenance (O&M) fee generated by the Agreement to a O&M transmission account, and (3) a deviation from gas quality provisions of Rule 30 - Transportation of Customer Owned Gas. The proposed Agreement will allow gas produced by Shell access to SoCalGas' system for transportation service to utility electric generation (UEG) plants in the City of Long Beach (Long Beach).
2. No protests to Advice Letter 2397-G were received.
3. This Resolution approves SoCalGas' request because the Agreement would facilitate transportation of gas within California in compliance with existing Public Utilities (PU) Code.

BACKGROUND

1. SoCalGas filed Advice Letter 2397-G as required by Section X.A of General Order (GO) 96-A and PU Code Section 785.7(b). GO 96-A, Section X.A, directs utilities to obtain Commission authorization for any contract arrangement or deviation for utility service at rates or under conditions other than those filed with the Commission. PU Code Section 785.7(b) authorizes a gas corporation to charge gas producers for services provided and that the amount of the charge be established by the

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Commission based on actual costs for construction, operation, maintenance, labor, material and overhead involved for the service.

2. The proposed Agreement between Shell, a Delaware corporation, headquartered in Bakersfield, California and SoCalGas was signed on January 1, 1995, subject to Commission approval and filed with Advice Letter 2397-G. SoCalGas states that this Agreement replaces a prior agreement (Measurement and Analysis of Gas Agreement) between Shell and Long Beach, covering gas from the Huntington Beach field. This agreement was assigned to SoCalGas when it assumed the operation of Long Beach pipeline (Line 1228), leased for 25 years from the City of Long Beach and approved by D.93-12-043. The agreement expired on December 31, 1994. The new Agreement is for four years, expiring on January 1, 1998. It may, however, continue from year to year thereafter until terminated by either party upon six months written notice, except as otherwise provided for in the Agreement. If the Agreement is terminated, only the obligations of SoCalGas to accept and Shell to deliver gas are terminated, other terms and conditions relating to obligations incurred prior to the termination would survive.

3. The Agreement allows gas produced by Shell and collected in an accounting pool to be transported to third parties through SoCalGas' system under its transportation tariffs approved by the Commission. Shell must balance its deliveries into the pool with nominations by its customers against the pool within certain tolerances. SoCalGas states that the Huntington Beach Receipt Point has the facilities needed to receive gas produced by Shell for redelivery. They were built by Shell and owned by Long Beach. Additional significant provisions of the Agreement include the following.

4. SIGNIFICANT TERMS AND CONDITIONS OF THE AGREEMENT

A. The Agreement states that SoCalGas intends to upgrade the receiving facilities in order to continue receiving gas from Shell for delivery to third parties. Shell will reimburse SoCalGas both the capital and recurring costs incurred by SoCalGas. Shell's capital obligation is limited to \$150,000 throughout the Agreement period for the Huntington Beach Receipt Point. SoCalGas will treat the reimburseable capital investment as Contribution in Aid of Construction (CIAC) should the Internal Revenue Service (IRS) consider it taxable. Therefore, Shell agrees to pay any additional state and federal taxes due on such funds based on the Commission authorized CIAC method.

B. SoCalGas is obligated under the Agreement to operate and maintain suitable meters and equipment for receiving gas from Shell. Shell will pay SoCalGas a monthly O&M fee. SoCalGas' estimate of the O&M costs for a typical Receipt Point, which includes Hydrogen Sulphur monitor, is \$1,500 per month. According to SoCalGas, this amount was established in 1991/1992 and has not changed because of productivity gains. SoCalGas accordingly agrees with Shell to fix the Huntington Beach O&M fee at \$1,500 per month for the duration of the Agreement. This

fee includes costs of meter maintenance and reading, gas sampling and analysis, equipment maintenance and calibrations, direct and indirect expenses, and administrative and general office allocated costs. The O&M fee for any other mutually agreed Receipt Point may be revised annually but not that of Huntington Beach. SoCalGas proposes that revenue collected under the Agreement be credited to an existing transmission operating and maintenance expense account.

C. Shell agrees to deliver a maximum of seven million cubic feet (7MMcf/d) gas daily, of specified quality, pressure, and temperature. The quality specifications for gas produced by Shell are different from the gas quality required by SoCalGas under gas Rule 30 - Transportation of Customer Owned Gas. The exceptions are set forth in Appendix C of the Agreement. They affect maximum content of oxygen, inert gases, carbon dioxide, water dewpoint, heating value by volume and interchangeability. SoCalGas requests deviation from Rule 30 quality requirements. SoCalGas states that the gas produced by Shell is consumed by utility electric generation plants designed to use this type of gas, located in Long Beach.

D. The Agreement provides SoCalGas with the ability to terminate a Receipt Point if Shell is unable to deliver at least 2,080 decatherms per month for any three consecutive months. Another provision is that imbalances outside tolerance levels permitted under Schedule No. G-IMB - Transportation Imbalance Trading or 10% of the confirmed nominations for that month shall be corrected within five days.

NOTICE

1. Public notice of this filing has been made by publication in the Commission's calendar and by mailing copies of the advice letter to interested parties specified by General Order 96-A without the Agreement, except by request.

PROTESTS

1. Commission Advisory and Compliance Division (CACD) has received no protests to Advice Letter 2397-G.

DISCUSSION

1. CACD has reviewed SoCalGas' Advice Letter 2397-G, the Agreement, the O&M transmission cost estimates provided by SoCalGas, PU Code Section 785.7, and gas Rule 30.

2. CACD believes that the Agreement as a whole is balanced because it contains provisions to insure that Shell will pay for the services required from SoCalGas. Shell agrees to reimburse SoCalGas for any capital investment and recurring costs associated with the operation and maintenance of the delivery system during the Agreement period. There are also provisions to correct imbalances that are beyond tolerable allowances within a specific time period. In no event shall imbalance for any month or on a cumulative basis exceed the lower of the imbalance

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permitted without charge under SoCalGas' tariff or ten percent of the total gas quantities nominated by Shell and confirmed by SoCalGas. Other provisions of the Agreement call for dispute resolution through arbitration, including inspection or audit of parties' records.

3. CACD notes, that the Huntington Beach O&M fee has been fixed at \$1,500 per month over the period of the Agreement with Shell for a certain level of response to unexpected shutoffs of flow at the meter. CACD accepts SoCalGas' derivation of the fee and its basis because it is in agreement with the provision of PU Code 785(b), which states in part:

"The amount of the charge for the processing service or the facilities authorized by the subdivision shall be established by the commission and shall be based on the actual expenses for the construction, operation, maintenance, labor, materials, and overhead expenses involved in the specific service or facilities." [Emphasis Added.]

4. CACD does not take exception to the \$150,000 capital investment cap over the life of the Agreement because management can ensure that the amount incurred is not exceeded.

FINDINGS

1. On January 1, 1995, SoCalGas signed a four year Agreement with Shell to allow gas produced by Shell access to SoCalGas' system for transportation to third parties under existing tariffs approved by the Commission.

2. On February 21, 1995, SoCalGas filed Advice Letter 2397-G as required by GO 96-A Section X.A and PU Code 785 (b).

3. SoCalGas requests approval of the following: (1) the proposed Agreement with Shell (2) credit of the O&M fee (\$1,500 monthly) generated by the Agreement to a transmission account, and (3) a deviation from quality requirements of Rule 30.

4. The provisions of the Agreement between Shell and SoCalGas are just and reasonable

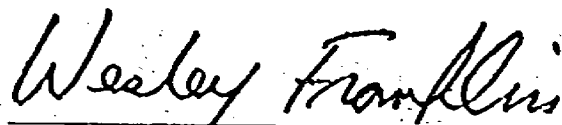
5. SoCalGas' requests will not cause an increase in rates or charges or withdrawal of service.

THEREFORE, IT IS ORDERED that:

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1. The agreement between Southern California Gas Company (SoCalGas) and Shell or its successor, dated January 1, 1995, to allow gas produced by Shell access to SoCalGas' system for transportation to third parties is authorized.
2. SoCalGas is authorized to charge Shell an O&M fee of \$1,500 per month to reimburse SoCalGas for expenses incurred to operate and maintain meters and necessary equipment to redeliver gas produced by Shell. The amount shall be credited to an existing O&M transmission account.
3. For this agreement with Shell or its successor, the deviation from Rule 30 (Transportation of Customer Owned Gas) quality requirements requested by SoCalGas is approved.
5. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 11, 1995. The following Commissioners approved it:



WESLEY M. FRANKLIN
Acting Executive Director

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
Commissioners