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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3181
April 19, 1996

RESOLUTION

RESOLUTION G-3181. REQUEST OF SOUTHERN CALIFORNIA GAS COMPANY (SOCALGAS) FOR APPROVAL OF A CALIFORNIA GAS PRODUCER ACCESS AGREEMENT (AGREEMENT), SIGNED PRIOR TO THE EXPECTED EFFECTIVE DATE OF OCTOBBER 1, 1995, BETWEEN SOCALGAS AND CHEVRON USA PRODUCTION COMPANY (CHEVRON) TO ENABLE GAS PRODUCED BY CHEVRON TO BE TRANSPORTED THROUGH SOCALGAS' SYSTEM TO CHEVRON, ITS AFFILIATES AND THIRD PARTIES.

BY ADVICE LETTER 2437, FILED ON AUGUST 18, 1995.

SUMMARY

1. Southern California Gas Company (SoCalGas) seeks approval of a California Gas Producer Access Agreement (Agreement), signed on June 1, 1995 but proposed to be effective October 1, 1995, with Chevron USA Production Company (Chevron). SoCalGas requests approval of: (1) the Agreement; (2) credit of operation and maintenance (O&M) fee generated by the Agreement to a O&M transmission account. The proposed Agreement will allow gas produced by Chevron access to SoCalGas' system at ten (10) different locations for transportation to Chevron, its affiliates and third parties.

2. No protests to Advice Letter 2437 were received.

3. This Resolution approves SoCalGas' request because the Agreement would facilitate transportation of gas within California in compliance with existing Public Utilities Commission (PUC) Code Section 785.7(b).

BACKGROUND

1. SoCalGas filed Advice Letter 2437 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. PUC Code Section 785.7(b) allows a gas corporation to charge gas producers for services provided and for the Commission to ascertain such charge to ensure that it is established based on actual costs for construction, operation, maintenance, labor, materials and overhead involved for providing the specific service.

2. The proposed Agreement between Chevron and SoCalGas was signed on June 1, 1995 but expected to be effective October 1, 1995, subject to Commission approval. The Agreement is for two years, expiring on September 30, 1997 and may continue from month to month thereafter until terminated by either party by giving a minimum of six months prior written notice. If the Agreement is terminated, only the obligations of SoCalGas to accept and Chevron to deliver gas are terminated, other terms and conditions relating to obligations incurred prior to the termination would remain in effect.

3. The Agreement allows gas produced by Chevron and collected in an accounting pool to be transported to third parties through SoCalGas' system under its transportation tariff Schedule No. GT-F Cal. P.U.C. Sheets No. 26706-G to 26708-G. Chevron must balance its deliveries into the pool with nominations by its customers against the pool within certain tolerances. SoCalGas and Chevron agree that the Points of Receipt have the existing facilities needed to receive gas produced by Chevron for redelivery by SoCalGas.

4. <u>The Agreement also Contains the Following Significant Provisions:</u>

A. Under the Agreement either SoCalGas or Chevron (at SoCalGas' discretion) can add to, modify, remove or abandon existing facilities in order for SoCalGas to continue receiving gas produced by Chevron for redelivery to third parties. Chevron, however, will reimburse SoCalGas for both the capital and recurring costs incurred by SoCalGas for any of these activities. SoCalGas will treat the reimburseable capital investment as Contribution in Aid of Construction (CIAC) should the Internal Revenue Service (IRS) consider it taxable. Chevron will pay any additional state and federal taxes due on such funds based on the Commission authorized CIAC method.

B. Under the Agreement SoCalGas is obligated to operate and maintain suitable meters and equipment for receiving gas from Chevron. SoCalGas agrees to provide Chevron's employee access to facilities being used for the receipt of gas for testing and Chevron will allow SoCalGas to continuously sample the quality of gas being delivered to SoCalGas for redelivery to third parties. Chevron will pay SoCalGas a monthly O&M fee for the service. Except for Kettleman Point of Receipt, the monthly fees for the other 9 Points of Receipt are the same at $1,500. Kettleman's O&M fee is $1,100 per month. SoCalGas states that the charge is lower than $1,500 because the gas from this source does not contain Hydrogen Sulfide and therefore does not require a Hydrogen Sulfide monitor.

C. SoCalGas estimates that the O&M costs for a typical Point of Receipt, which includes Hydrogen Sulfide monitor, is $1,500 per month. SoCalGas states that this amount was established in 1991/1992 and has not changed because of productivity gains. 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 fee is based on actual system average costs of providing the service.

D. The Agreement provides that Chevron may challenge the basis for the charge in any SoCalGas' proceeding. If the Point of Receipt is shared with other producers, the O&M charge to Chevron is to be based on the proportion of gas deliveries under this Agreement to the total delivered at each Point of Receipt for the month or the previous year.

E. Chevron agrees to deliver the following Maximum Daily Volume (MDV) of gas expressed in Million Cubic Feet or (1,000 Mcf) and Thousand Cubic Feet or (100 Mcf) in the following Points of Receipt that cover four counties.

Receipt Point	County	MDV of Gas	Maximum Fee	Gas Operator
Kettleman	Kern	5,000 Mcf	$1,100	Chevron
Lost Hills	Kern	10,000 Mcf	$1,500	Texaco
South Coles Levee	Kern	7,000 Mcf	$1,500	Arco
McKittrick	Kern	60,000 Mcf	$1,500	Chevron
Buena Vista Hills	Kern	35,000 Mcf	$1,500	Chevron
Parcel 402	Ventura	3,000 Mcf	$1,500	UnoCal
Carpinteria	Santa Barbara	30,000 Mcf	$1,500	Chevron
Point Arguelo	Santa Barbara	60,000 Mcf	$1,500	Chevron
Los Angeles	Los Angeles	800 Mcf	$1,500	St. James Oil
Los Angeles	Los Angeles	400 Mcf	$1,500	St. James Oil

Gas deliveries through Lost Hills, McKittrick, and Buena Vista Hills are limited to a combined daily quantity of 60,000 Mcf because the gas from these sources must go through transmission Line 85, which is pressure limited. For gas deliveries through Chevron's facilities, Chevron shall provide the daily total quantities of gas delivered at such receipt points and the portion of such daily quantities attributable to deliveries by Chevron to SoCalGas under this Agreement. The reported quantities are the basis for the O&M fee that will be charged by SoCalGas.

F. The Agreement also states that monthly or cumulative imbalances shall not exceed the lower of: (a) tolerance levels permitted without charge under SoCalGas' Schedule No. G-IMB - Transportation Imbalance Trading or (b) 10% of the confirmed nominations by SoCalGas for such month. Imbalances outside the tolerance levels shall be corrected within five days as agreed to by the parties.

G. The Agreement also states that gas delivered by Chevron to SoCalGas shall conform to the specifications of each Point of Receipt. The gas quality and pressure at each receipt point are not uniform. In most cases, the quality specifications go beyond the quality requirements of Rule No. 30, Transportation to Customer Owned Gas. They include some specifications required by the California Air Resources Board (CARB), which establishes commercial requirements for Compressed Natural Gas (CNG) supplies used as a vehicle fuel in California. The Agreement provides that any change to the specifications under the Agreement will be subject to CARB limits after the required notice is given by SoCalGas to Chevron. It also provides that SoCalGas can waive CARB limits starting January 1, 1996 at each Point of Receipt if Chevron and SoCalGas can have a mutual arrangement in place for such a waiver.

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 2437.

DISCUSSION

1. CACD has reviewed SoCalGas' Advice Letter 2437, the Agreement, PU Code Section 785.7, gas Schedule No. GT-F, Firm Intrastate Transmission Service and other related tariffs.

2, CACD believes that the Agreement as a whole is balanced because its provisions ensure that Chevron will pay for the services required from SoCalGas. Chevron 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. Also, the Agreement states that in no event shall imbalance for any month or on a cumulative basis exceed the lower of the imbalance permitted without charge under SoCalGas' tariff or ten percent of the total gas quantities nominated by Chevron and confirmed by SoCalGas. There are also provisions to correct imbalances that are beyond tolerable allowances within a specific time period. Chevron's failure to make arrangements to correct imbalances beyond the tolerance allowances may terminate the Agreement. Other provisions of the Agreement call for dispute resolution through arbitration, including inspection or audit of parties' records.

3. CACD reviewed the derivation of the $1,500 O&M fee in Advice Letter 2397 filed February 21, 1995 by SoCalGas. Resolution G-3170 of August 11, 1995 approved the filing because the derivation of the fee was in compliance with the provision of PU Code 785.7(b) stated in part below:

> "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."

4. When Advice Letter 2397 was recommended for approval, CACD recognized that the derivation of O&M fee was based on system-wide average costs developed in 1991/1992. SoCalGas continues to determine charges to its customers based on this method. CACD agrees with this method because it appears to be cost effective.

5. In this filing, except for the Kettleman Point of Receipt, SoCalGas will charge a maximum monthly O&M fee of $1,500 for each receipt point. The actual charge depends on the quantity of gas delivered under the Agreement to the total deliveries at each Point of Receipt for each month or during the prior calendar year. CACD finds this method of determining the charge to Chevron reasonable.

6. SoCalGas' request that the money received under this contract with Chevron be credited to transmission O&M account is reasonable also.

7. CACD observes that SoCalGas has filed a number of producer access contracts similar in form and content to this Agreement for Commission approval. CACD recommends that SoCalGas should look for ways to tariff this standard agreement to reduce the administrative burdens of both SoCalGas and the Commission.

FINDINGS

1. On June 1, 1995, SoCalGas signed a two year Agreement that is effective October 1, 1995 with Chevron to allow gas produced by Chevron access to SoCalGas' system at ten (10) Points of Receipt to be transported to third parties under existing tariffs approved by the Commission.

2. On August 18, 1995, SoCalGas filed Advice Letter 2437 as required by GO 96-A Section X.A and PU Code 785 (b).

3. SoCalGas requests approval of: (1) the proposed Agreement with Chevron and (2) credit of the O&M fee of mostly $1,500 monthly generated by the Agreement to a transmission O&M account.

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

5. CACD finds it reasonable for SoCalGas to tariff producer access contracts that are similar in form and content in order to eliminate administrative burdens.

6. The Agreement will be effective upon approval of this Resolution by the Commission.

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

THEREFORE, IT IS ORDERED that:

1. The Agreement between Southern California Gas Company (SoCalGas) and Chevron USA Production Company (Chevron) signed June 1, 1995, to allow gas produced by Chevron access to SoCalGas' system for transportation to Chevron, its affiliates and third parties is approved.

2. SoCalGas is authorized to charge Chevron an O&M fee of up to $1,500 per month for the services rendered by SoCalGas at nine (9) Points of Receipt listed on page 3 of this Resolution and $1,100 per month for the Kettleman Point of Receipt to reimburse SoCalGas for expenses incurred to operate and maintain meters and necessary equipment to redeliver gas produced by Chevron. The amount received shall be credited to an existing O&M transmission account.

3. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 19, 1996. The following Commissioners approved it:

Wesley Franklin

Wesley M. Franklin
Executive Director

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

Commissioner Josiah L. Neeper, being necessarily absent, did not participate.