

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION G-3217
AUGUST 1, 1997

R E S O L U T I O N

RESOLUTION G-3217. REQUEST OF SOUTHERN CALIFORNIA GAS COMPANY (SOCALGAS) FOR APPROVAL OF TWO CALIFORNIA GAS PRODUCER ACCESS AGREEMENTS (AGREEMENTS), DATED MARCH 1 AND JUNE 1, 1993, BETWEEN SOCALGAS AND MARATHON OIL COMPANY (MARATHON) AND BAKERSFIELD ENERGY RESOURCES (BAKERSFIELD) TO ENABLE GAS PRODUCED BY BOTH COMPANIES TO BE TRANSPORTED THROUGH SOCALGAS' SYSTEM TO THIRD PARTIES. APPROVED

BY ADVICE LETTERS 2174 AND 2222, FILED ON MAY 3, 1993 AND OCTOBER 13, 1993, RESPECTIVELY.

SUMMARY

1. Southern California Gas Company (SoCalGas) seeks approval of two California Gas Producer Access Agreements (Agreements), dated March 1, and June 1, 1993, with Marathon Oil Company (Marathon) and Bakersfield Energy Resources (Bakersfield), respectively. SoCalGas requests approval of: (1) the Agreements and (2) the operation and maintenance (O&M) fee generated by the Agreements to be credited to a O&M transmission account. The Agreements have similar features and provisions. They allow gas produced by the two companies to be transported through SoCalGas' system for delivery to third parties.
2. This Resolution approves SoCalGas' requests because they would facilitate transportation of gas within California in compliance with existing Public Utilities (PU) Code provisions and provide revenues to offset operating expenses.

BACKGROUND

1. On May 3 and October 13, 1993 SoCalGas filed Advice Letters 2174 and 2222, respectively, as required by Section X.A of General Order (GO) 96-A and PU Code Section 785.7(b) requesting approval for two access Agreements. 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) allows a gas corporation to charge gas producers for services provided and authorizes the Commission to

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ensure that the charge is based on actual costs for construction, operation, maintenance, labor, material and overhead involved for such service. The two Agreements are combined in one resolution because they have similar features and provisions.

2. SoCalGas signed the Agreements with Marathon and Bakersfield on March 13 and June 16, 1993, respectively, subject to Commission approval and filed them with advice letters. SoCalGas understands that access agreements are subject to Commission approval, however, in practice, for business reasons, these Agreements have been implemented on the Agreements' date. For Marathon, gas started flowing through SoCalGas' system on March 1, 1993, and for Bakersfield, gas did not flow until February 25, 1994. In order to avoid the violation of Commission's directive and also remove the administrative burden associated with filing individual advice letters for access agreements, Resolution G-3194 of September 4, 1996 approved a standard charge structure for future access agreements. The filing of these Agreements obviously preceded the Resolution, therefore, Commission's approval is needed to continue SoCalGas' implementation of the Agreements with Marathon and Bakersfield.

3. The Agreements cover both Marathon's and Bakersfield's gas from their respective fields. The Marathon's Agreement supersedes and terminates two short purchase agreements covering gas from the Parcel 401 offshore Santa Barbara Channel, dated June 5, 1992 and the incremental gas from the South Coles Levee Unit, dated October 15, 1992. Marathon's Agreement is from March 1, 1993 through December 31, 1993. It may, however, continue from year to year thereafter until terminated by either party upon 30 days prior notice, except as otherwise provided for in the Agreement. If the Agreement is terminated, only the obligations of SoCalGas to accept and Marathon to deliver gas are terminated, other terms and conditions relating to obligations incurred prior to the termination date would remain.

4. Bakersfield's Agreement is from June 1, 1993 through December 31, 1993 and continuing thereafter on a contract year basis until terminated by either party upon a six months notice. Upon termination, only the obligations to accept and deliver gas are affected, other provisions remain.

5. The Agreements allow gas produced by both Marathon and Bakersfield to be collected in an accounting pool and transported to third parties through SoCalGas' system under a separate transportation tariffs approved by the Commission. Marathon and Bakersfield must balance its deliveries into the pool with nominations from its customers against the pool within certain tolerances. The facilities receiving Bakersfield's gas were constructed for the Point of Receipt. For Marathon, the facilities had been built. Additional significant provisions of the Agreement include the following:

6. SIGNIFICANT TERMS AND CONDITIONS OF THE AGREEMENT

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A. The Agreements provide that if SoCalGas deems it necessary to upgrade the facilities or either Marathon or Bakersfield makes such a request in order to continue receiving Marathon's or Bakersfield's gas, SoCalGas shall oblige. Marathon or Bakersfield, however, shall reimburse SoCalGas for the entire capital investment required including the administrative and overhead costs and any federal and state taxes if the funds provided are deemed Contributions in Aid of Construction (CIAC) by the Internal Revenue Service (IRS).

B. SoCalGas proposes that any revenues collected under the Agreement be credited to an existing transmission operating and maintenance expense account. SoCalGas proposes to charge an O&M fee of \$1,500.00 per month for operating and maintaining the metering facilities, depending on whether the point of receipt is shared with others and they do not include an Hydrogen Sulphide monitor. This fee is subject to revision from time to time by SoCalGas after proper notice to the customers.

C. Marathon agrees to deliver a maximum of one million cubic feet of gas daily (1,000 Mcf/d) through Parcel 401 Point of Receipt and 4,000 Mcf/d through South Coles Levee Field at different pressures. Bakersfield agrees to deliver a maximum of 12 million cubic feet (12,000 Mcf) during any month from its one point of receipt.

D. The Agreements provide SoCalGas the ability to terminate a Receipt Point and or the Agreement in the case of one receipt point if Marathon or Bakersfield 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. The Energy Division (ED) received no protests to Advice Letters 2174 and 2222.

DISCUSSION

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1. ED has reviewed SoCalGas' Advice Letters 2174 and 2222 and the Agreements including the provisions of PU Code Section 785.7.
2. ED believes that the Agreements contain provisions that protect ratepayers' interests. Marathon and Bakersfield agree to reimburse SoCalGas for any capital investment and additional federal and state taxes if the funds provided are deemed by IRS as taxable. 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 on a cumulative basis exceed the lower of the imbalance permitted without a charge under SoCalGas' tariff conditions or ten percent of the total gas quantities nominated by Marathon or Bakersfield and confirmed by SoCalGas. Other provisions of the Agreements call for dispute resolution through arbitration, including inspection or audit of parties' records.
3. SoCalGas' requests by Advice Letters 2174 and 2222 are reasonable and should be approved.
4. SoCalGas is reminded that contracts with its customers require Commission approval and future non-proforma access agreements should provide sufficient time for review and approval by the Commission before implementation. SoCalGas can be subject to penalties for violating Commission orders.

FINDINGS

1. Prior to September 4, 1996, access agreements filed with the Commission were generally implemented by SoCalGas before they were approved, to facilitate timely business transactions. The continuation of these agreements, however, are still subject to Commission's approval either by a letter or resolution.
2. All access agreements are no longer filed with the Commission for approval since a proforma agreement and standard charge structure were approved by Resolution G-3194 on September 4, 1996.
3. The Agreement with Marathon was implemented on March 1, 1993 and the transportation of gas started on the same date.
4. The Agreement with Bakersfield was implemented on June 1, 1993 but gas did not start to flow through SoCalGas' system until February 25, 1994.
5. On March 19 and June 16, 1993 after the implementation dates, SoCalGas signed two Agreements with Marathon and Bakersfield respectively, to allow gas produced by the two companies access to SoCalGas' system for transportation to third parties under separate tariffs approved by the Commission.
6. On May 3 and October 13, 1993, SoCalGas filed Advice Letters 2174 and 2222 respectively, as required by GO 96-A Section X.A and PU Code 785 (b).


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7. SoCalGas requests approval of the access Agreements with Marathon and Bakersfield and its proposal to credit the O&M fee generated by the Agreements to a transmission account.
8. The provisions of the Agreements between Marathon and Bakersfield are reasonable
9. SoCalGas' requests will not cause an increase in rates or charges or withdrawal of service.

THEREFORE, IT IS ORDERED that:

1. Advice Letters 2174 and 2222 are hereby approved.
2. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 1, 1997. The following Commissioners approved it:


WESLEY FRANKLIN
Executive Director

P. Gregory Conlon, President
Jessie J. Knight, Jr.
Henry M. Duque
Josiah L. Neeper
Richard A. Bilas
Commissioners