

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION O-0007
October 18, 1995

R E S O L U T I O N

RESOLUTION O-0007. UNOCAL CALIFORNIA PIPELINE COMPANY (UNOCAP) REQUESTS APPROVAL TO CANCEL CRUDE OIL TRANSPORTATION SERVICE ORIGINATING AT THE PIRU GATHERING LINE NO. 653 IN LOS ANGELES COUNTY, TO ITS LINE NO. 600 AT TORREY STATION IN VENTURA COUNTY. CAL PUC NO. 30 WILL REPLACE CAL PUC NO. 24.

BY ADVICE LETTER NO. 6, FILED ON JUNE 30, 1995.

SUMMARY

1. Unocal California Pipeline Company (UNOCAP) seeks approval to cancel crude oil transportation service originating at the Piru Gathering Line No. 653 in Los Angeles County, to its Line No. 600 at Torrey Station in Ventura County. The State Department of Transportation (Caltrans) will be widening its Highway 126 located in Ventura County which requires the relocation of the Piru Gathering Line. UNOCAP has stated that the revenue generated for transporting the current demand of 700 barrels per day that are shipped on Line No. 653 does not justify the cost associated with the relocation.
2. A protest was filed on September 25, 1995, and withdrawn on October 5, 1995, by the England, Whitfield, Shroeder and Tredway law firm representing Valle Transportation Corporation, an entity that provides pipeline gathering services to oil producers in the Piru area of Ventura County.
3. UNOCAP' Advice Letter (AL) No. 6 is granted.

BACKGROUND

1. The Piru Gathering Line No. 653 originates at the Newhall-Potrero field in Los Angeles County, then runs northwesterly for approximately 3.6 miles of 4" and 6" pipeline, southerly for approximately 3.5 miles of 4" pipeline, and westerly for approximately 8.4 miles of 4" and 8" pipeline to the connection to the Torrey Trunk (Line 600) at Howe Road located in Ventura County.

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2. About 700 to 750 barrels per day are shipped at a rate of \$0.17/bbl (cents per barrel), on Line No. 653. UNOCAP's parent company, Union Oil Company of California, also known as Unocal, is the sole shipper on this line. Unocal purchases crude oil production from fourteen different leases connected to Line No. 653.

3. UNOCAP's Line No. 653 was constructed and installed in the 1950's and laid within a state highway right-of-way. According to Caltrans, common carriers and/or public utilities are entitled to make use of a public highway right-of-way, under the terms of an encroachment permit, free of charge so long as the common carrier and/or utility does not interfere with the highway's usage. The encroachment permit for Line No. 653 contains a provision that the utility is obligated to relocate for highway improvements at the utility's (owner's) expense. Caltrans may only request a relocation every ten years.

4. On April 28, 1994, Caltrans ordered UNOCAP to relocate its Line No. 653 due to the construction on State Route 126 in which Route 126 will be widened to four lanes. Caltrans is scheduled to award the bid for its construction project in mid October, 1995.

NOTICE

1. UNOCAP served notice of AL No. 6 on July 2, 1995, by mailing copies via first class U.S. postal services to all but three UNOCAP subscribers and interested parties.

2. The England, Whitfield, Shroeder and Tredway law firm representing approximately ten of the fourteen oil producers in the Piru area of Ventura County, stated in its letter dated August 16, 1995, that these ten producers were not aware of UNOCAP's filing. These producers are not customers on UNOCAP's Line No. 653.

3. After investigation, the Commission Advisory and Compliance Division (CACD) concluded that three producers, T.E. Adams Petroleum, McFarland Energy, Inc., and Medallion Company, were not served until September 1, 1995.

PROTESTS

1. The England, Whitfield, Shroeder and Tredway law firm (The Firm) representing the oil producers in the Piru area of Ventura County received notice of CACD's acceptance of its protest on September 14, 1995. The Firm requested that the protest period be extended until September 25, 1995, giving it approximately ten days to file its protest.

2. One protest was filed on September 25, 1995, by The Firm representing Valle Transportation Corporation, an entity that provides pipeline gathering services to oil producers in the

Piru area of Ventura County. The protest was withdrawn on October 5, 1995.

DISCUSSION

1. UNOCAP was ordered by the State of California Department of Transportation (Caltrans) to relocate its Piru Gathering Line No. 653 due to Caltrans' widening project of Highway 126.
2. UNOCAP contracted S.G. Knowles Engineering firm on May 23, 1995, to calculate the cost estimates of relocating and abandoning Line No. 653. S.G. Knowles Engineering estimated that the total cost of relocating the line would be \$1,330,000 whereas the cost of abandoning the line would be \$113,000.
3. UNOCAP estimated that the average throughput of 700 bpd at the current rate of \$0.17/bbl would take thirty years to recover its relocation investment. UNOCAP utilized the Federal Energy Regulatory Commission's 154B reasonable return of 12½ on its investment over the useful life of the relocated line, estimated at twenty years, to calculate the corresponding tariff rate of \$1.86/bbl that would have to be charged to recover its relocation investment. UNOCAP calculated the cost of trucking the crude oil to be \$0.71/bbl.
4. CACD reviewed S.G. Knowles Engineering firm's cost estimates of relocating and abandoning Line No. 653.
5. UNOCAP has only one customer (shipper) on its Line No. 653, namely Unocal. Unocal purchases all the crude oil produced from fourteen different leases owned by different producers, connected to the Piru Gathering Line. Both Unocal and the producers realize that the Piru Gathering Line needs to be shut down for Caltrans' widening project of Highway 126.
6. CACD recommends that the Commission approve the abandonment of Line No. 653 to allow for the Highway 126 project to proceed for the following reasons. First, the magnitude of the cost of relocating Line No. 653 and the likely rate increases are too great to justify in this case. Second, an alternative pipeline is in close proximity to Line No. 653 that the producers are in the process of scheduling access to.
7. UNOCAP's request for authorization to use the tariff format established by the Federal Energy Regulatory Commission (FERC) for liquids pipelines which would exempt it from the tariff format and sheet rules stated in General Order No. 96-A should be denied. The Commission staff is in the process of educating and informing all oil pipeline carriers of the standard format currently used by the Commission in its General Order No. 96-A for the purpose of uniformity and simplicity.

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FINDINGS

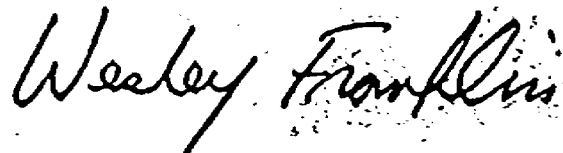
1. UNOCAP filed Advice Letter No. 6 on June 30, 1995, as a result of an order it received by the State of California Department of Transportation (Caltrans) to relocate its Piru Gathering Line No. 653.
2. The protest filed on September 25, 1995, by The Firm representing Valle Transportation Corporation was withdrawn on October 5, 1995.
3. UNOCAP should not be granted the exemption from filing tariff sheets as prescribed by CPUC General Order 96-A in order to allow uniformity and simplicity when the Commission staff reviews advice letter filings by oil pipeline carriers.
4. CACD recommends that UNOCAP's request to cancel service on Line No. 653, as described in this advice letter, be approved.

THEREFORE, IT IS ORDERED that:

1. UNOCAP's request to cancel service on Line No. 653 as described in Advice Letter No. 6 is approved.
2. UNOCAP's request for authorization to use the tariff format established by the Federal Energy Regulatory Commission (FERC) for liquids pipelines which would exempt it from the tariff format and sheet rules stated in General Order No. 96-A is denied.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on October 18, 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
JOSIAH L. NEEPER
Commissioners