

1 BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF
2 CALIFORNIA

FILED

JUL - 7 1955

3
4 In the matter of the application of
5 PACIFIC GAS AND ELECTRIC COMPANY, a
6 corporation, for an order of the
7 Commission issuing to applicant a
8 certificate of public convenience
9 and necessity, under Chapter 5,
Article I, of the Public Utilities
Code of the State of California,
for the construction, operation and
maintenance of the natural gas pipe-
line project herein described.

APPLICATION

NO. 29548

10 THIRD SUPPLEMENTAL APPLICATION

11 TO THE HONORABLE, THE PUBLIC UTILITIES COMMISSION

12 OF THE STATE OF CALIFORNIA:

13 In this Third Supplemental Application, PACIFIC
14 GAS AND ELECTRIC COMPANY, a California corporation (sometimes
15 called applicant) seeks a Supplemental Order of the Commis-
16 sion in the above numbered proceeding issuing to applicant a
17 certificate under Chapter 5, Article I, of the Public
18 Utilities Code of the State declaring that the present or
19 future public convenience and necessity require the construc-
20 tion, installation, operation and maintenance by applicant
21 of facilities for enlargement of the capacity of applicant's
22 Topock-Milpitas gas line constructed under authority of the
23 certificates issued by the Commission in the above numbered
24 proceeding by Decision No. 42460 dated January 25, 1949,
25 Decision No. 47492 issued July 22, 1952, and Decision No.
26 49101 issued September 15, 1953 in said above numbered pro-
27 ceeding, and the acquisition and use of all necessary lands,
28 rights of way, easements, franchises and permits in connec-
29 tion therewith, all substantially in accordance with the
30 plans therefor herein or hereafter to be presented to the
Commission.

1 A more detailed statement of the authorization
2 sought herein is contained in the prayer hereof.

3 In support of this within Third Supplemental
4 Petition, applicant avers as follows:

5 I

6 Applicant is an operating public utility engaged,
7 principally, in the business of furnishing electric and gas
8 service throughout a large part of northern and central
9 California. It also distributes and sells water in a number
10 of cities and towns and certain rural areas, and produces
11 and sells steam heat in certain parts of the cities of San
12 Francisco and Oakland.

13 Applicant's principal place of business is in the
14 City and County of San Francisco, State of California. Its
15 Post Office address is No. 245 Market Street, City, County
16 and State aforesaid and its attorneys in this matter are
17 [REDACTED] Richard H. Peterson and John C. Morrissey.

18 Communications in regard to this application should
19 be addressed to [REDACTED] Assistant General Counsel of
20 applicant at the above mentioned address.

21 A certified copy of applicant's Articles of
22 Incorporation, as amended to date of this petition, is of
23 record before the Commission in connection with applicant's
24 Application No. 35541, (Exhibit "A") and said Articles are
25 incorporated herein by reference.

26 II

27 Applicant refers to and incorporates herein its
28 original Application No. 29548, filed with the Commission
29 on July 27, 1948, its First Supplemental Application to
30 Application No. 29548 filed with the Commission on September

1 28, 1951, as amended by its Amendment of First Supplemental
2 Application filed February 14, 1952, and its Second Supple-
3 mental Application filed on July 24, 1953. In response to
4 said applications the Commission issued Decision No. 42460
5 (48 C.P.U.C. 395) on January 25, 1949, Decision No. 47492
6 (51 C.P.U.C. 812) on July 22, 1952, and Decision No. 49101
7 (52 C.P.U.C. 744) on September 15, 1953, which decisions are
8 incorporated herein. The orders in said decisions granted
9 applicant certificates of public convenience and necessity,
10 among other things, for the construction, operation and
11 maintenance of the transmission pipeline projects described
12 in said applications.

13 Pursuant to the authorization contained in the
14 decision of January 25, 1949, applicant constructed a natural
15 gas pipeline from its Milpitas terminal in Santa Clara County,
16 California, to a point on the California-Arizona boundary
17 near Topock, Arizona, where it connects with a pipeline of
18 El Paso Natural Gas Company. Applicant also constructed
19 three compressor plants on said pipeline: at Kettleman
20 Hills with a capacity of 12,320 brake horsepower, at Hinkley
21 with a capacity of 17,500 brake horsepower, and near Topock,
22 with a capacity of 15,000 brake horsepower. The construction
23 of these facilities gave said pipeline a capacity for de-
24 livery of approximately 400,000,000* cubic feet of gas per
25 day.

26 Pursuant to the authorization contained in said
27 decision issued on July 22, 1952, applicant constructed 83.90

28 _____
29 * Wherever volumes of gas are marked with an asterisk, it
30 indicates a pressure base of 14.9 pounds per square inch
absolute. Where not so marked, the pressure base is
14.73 pounds per square inch absolute.

1 miles of 34 inch O.D. pipe looping its Topock to Milpitas
2 pipeline and increased the capacity of its compressor plants
3 by 19,540 brake horsepower: 5,000 brake horsepower at Topock,
4 7,500 brake horsepower at Hinkley, and 7,040 brake horsepower
5 at Kettleman. The completion of these facilities added
6 approximately 150,000,000* cubic feet per day to the capacity
7 of said Topock-Milpitas pipeline bringing its total capacity
8 to approximately 550,000,000* cubic feet per day.

9 Pursuant to authorization contained in said
10 decision issued on September 15, 1953, applicant constructed
11 199.05 miles of 34 inch O.D. pipe looping its Topock to
12 Milpitas pipeline and increased the capacity of its compres-
13 sor plants by 2,500 brake horsepower at Topock. The com-
14 pletion of these facilities added approximately 150,000,000*
15 cubic feet per day to the capacity of said Topock-Milpitas
16 pipeline bringing its total capacity to approximately
17 700,000,000* cubic feet per day.

18 III

19 Applicant now is purchasing gas from El Paso
20 Natural Gas Company (herein sometimes called El Paso) under
21 a service agreement dated October 1, 1953. Said agreement
22 provides for the delivery of 700,000,000* cubic feet of gas
23 at the borderline between California and Arizona near Topock,
24 Arizona. In compliance with Provision 2 of the order of the
25 aforementioned Decision No. 49101, a copy of said service
26 agreement was forwarded to the Commission under date of
27 February 2, 1954, which service agreement is incorporated
28 herein.

29 Applicant has entered into two letter agreements
30 with El Paso for the purchase by the former from the latter

1 of additional quantities of gas. Said letter agreements
2 are dated July 8, 1954 and May 2, 1955, and true copies
3 thereof are annexed hereto, marked Exhibit "A" and Exhibit
4 "B", respectively.

5 Pursuant to the provisions of the letter agreement
6 dated July 8, 1954 El Paso proposes to sell to applicant
7 100,000,000* cubic feet of natural gas per day, with delivery
8 of the first 50,000,000* cubic feet per day to commence
9 November 1, 1956, and the full 100,000,000* cubic feet per
10 day by November 1, 1957. Said letter agreement provides,
11 among other things, (i) the point of delivery of such gas
12 shall be at the California border near Topock or Blythe,
13 as applicant shall designate, (ii) the price of such gas
14 shall be sufficient to afford El Paso a fair rate of return
15 in accordance with the rules and regulations of the Federal
16 Power Commission, and (iii) the term of delivery is for a
17 period of 15 years, and El Paso agrees to use its best
18 efforts to continue delivery of such gas for an additional
19 period of 5 years.

20 Applicant's proposed plans are based on receiving
21 said 100,000,000* cubic feet of gas per day at Topock, which
22 additional quantity will bring applicant's total purchases
23 to 800,000,000* cubic feet per day.

24 Pursuant to the provisions of the second letter
25 agreement dated May 2, 1955 El Paso proposes to sell to
26 applicant 125,000,000* cubic feet of natural gas per day,
27 with delivery of the first 25,000,000* cubic feet per day
28 to commence by November 1, 1957, the second 25,000,000* cubic
29 feet per day to commence by January 1, 1958, and the balance
30 of the 125,000,000* cubic feet per day to commence by January

1, 1959, which quantities of gas shall be in addition to the
1 100,000,000* cubic feet of natural gas per day by November 1,
2 1957, under the terms of the above mentioned letter agreement
3 dated July 8, 1954. Said letter agreement dated May 2, 1955
4 provides, among other things, (i) the point of delivery of
5 such gas shall be at the California border near Topock, (ii)
6 the obligation of applicant is contingent upon El Paso proving
7 and stipulating in the Federal Power Commission certificate
8 proceeding that the cost of such additional gas to applicant
9 will not exceed El Paso's purchase price in the San Juan Basin
10 plus 2-3/4¢ (for transportation), such total not to exceed
11 27-3/4¢ per Mcf (including both demand and commodity charges
12 based on a 91% annual load factor), and (iii) that the term of
13 delivery is for a period of 20 years from first delivery of
14 each block of such gas and El Paso is to use its best efforts
15 to continue delivery of such gas for an additional period of
16 five years.

17 Said additional 125,000,000* cubic feet of gas will
18 bring applicant's total purchases to 925,000,000* cubic feet
19 per day.

20 The aforementioned letter agreements will be super-
21 seded by an amended Service Agreement as soon as such pro-
22 cedure is deemed appropriate.

23 IV.

24 In order to transmit said additional quantities
25 of out-of-state gas, as well as a relatively small amount
26 of California gas from Paloma Field, and in addition provide
27 added security of supply, applicant proposes to construct,
28 install and place in operation additional facilities to
29 increase the capacity of its Topock-Milpitas pipeline by ap-
30 proximately 225,000,000* cubic feet of gas per day. A des-
cription of the presently proposed facilities for which

1 a certificate is sought herein is set forth under two
2 projects as follows:

3 Project No. 1 - Increase to 800,000,000* CFD

4 (A) Parallel sections of 34 inch O.D. pipe
5 totaling 129.1 miles described as follows:

6 1. A 20.8 mile loop of 13/32 inch wall
7 pipe extending in a westerly direction from the
8 Topock Compressor Stations.

9 2. A 20.4 mile loop extending in an
10 easterly direction from a point 10.13 miles west
11 of Pressure Limiting Station No. 1 consisting of
12 10.2 miles of 3/8 inch wall pipe and 10.2 miles
13 of 13/32 inch wall pipe.

14 3. A 23.9 mile loop of 3/8 inch wall
15 pipe extending in an easterly direction from a
16 point 29.72 miles east of Pressure Limiting
17 Station No. 4 to Pressure Limiting Station No. 3.

18 4. A 25.5 mile loop of 13/32 inch wall
19 pipe extending in a southeasterly direction from
20 a point 17.77 miles southeast of Pressure Limiting
21 Station No. 6.

22 5. A 38.5 mile loop extending in a
23 northwesterly direction from a point 27.37 miles
24 northwest of Pressure Limiting Station No. 6 to
25 Milpitas Terminal consisting of 26.7 miles of
26 13/32 inch wall pipe and 11.8 miles of 7/16
27 inch wall pipe.

28 (B) As applicant's portion of a second crossing
29 of the Colorado River, an additional 0.44 miles of 34 inch
30 main is to be installed between the center line of the river
to the Topock Compressor Station.

1 Attached hereto, marked Exhibit "C", and made a
 2 part hereof, is a sketch map showing the location of appli-
 3 cant's Topock-Milpitas pipeline, compressor stations and
 4 pressure limiting stations, existing facilities being shown
 5 in black and the proposed additional facilities described
 6 above, shown in red.

7 Project No. 2 - Increase to 925,000,000* CFD

8 (A) Parallel sections of 34-inch O.D. pipe
 9 totaling 60.7 miles described as follows:

10 1. A 9.7 mile loop of 13/32 inch wall
 11 pipe extending westerly from a point 20.59 west of
 12 Topock Compressor Station.

13 2. A 10.8 mile loop of 13/32 inch wall
 14 pipe extending easterly from Pressure Limiting
 15 Station No. 3.

16 3. A 40.2 mile loop of 13/32 inch wall
 17 pipe extending southeasterly from a point 43.05
 18 miles southwest of Pressure Limiting Station No. 6
 19 to Kettleman Compressor Station.

20 (B) Certain additional facilities are to be in-
 21 stalled at the Topock and Hinkley Compressor Stations to in-
 22 crease their capacities by 7500 and 5000 brake horsepower,
 23 respectively, which upon installation, will bring the total
 24 compressor capacity on applicant's Topock-Milpitas pipeline
 25 to that shown in Column (4):

26	(1)	(2)	(3)	(4)
27	Compressor Station	Installed BHP	Proposed BHP	Total BHP
28	Topock	22,500	7,500	30,000
29	Hinkley	25,000	5,000	30,000
30	Kettleman	<u>19,360</u>	<u>-</u>	<u>19,360</u>
		66,860	12,500	79,360

1 Attached hereto, marked Exhibit "D", and made a
 2 part hereof, is a sketch map showing the location of appli-
 3 cant's Topock-Milpitas pipeline, compressor stations and
 4 pressure limiting stations, existing facilities being shown
 5 in black, the proposed facilities for Project No. 1 shown in
 6 blue, and the proposed facilities for Project No. 2 shown in
 7 red.

8 Applicant plans to commence construction of said
 9 facilities as soon as all governmental authority, permits and
 10 rights are obtained, and to complete said facilities in time
 11 to receive the additional quantities of gas provided for
 12 under the aforementioned letters of intent.

13 V.

14 The total capital cost of the additional facilities
 15 described in this Third Supplemental Application, based on
 16 current labor and material prices, is \$24,504,000, summarized
 17 as follows:

	<u>Project No. 1</u>	<u>Project No. 2</u>
18 Compressor Stations	\$ 720,000	\$3,517,000
19 Land and Land Rights	254,000	120,000
20 Main Pipeline	12,335,000	5,826,000
21 Measuring and Regulating 22 Stations	160,000	30,000
23 Applicant's portion of 24 second crossing of 25 Colorado River, including 26 pipe	<u>155,000</u>	<u>-</u>
27 Total direct costs	\$13,624,000	\$9,493,000
28 Overhead at 6%	<u>817,000</u>	<u>570,000</u>
29	\$14,441,000	\$10,063,000

1 Applicant proposes to finance the cost of the
2 projects involved from treasury funds presently on hand, the
3 cash available from internal sources such as the provisions
4 made for depreciation and amortization and unappropriated
5 earnings, from short term bank loans when, as, and if re-
6 quired, and from the sale of additional securities as the
7 Commission shall hereafter, upon proper application, authorize
8 for that purpose.

9 VI.

10 Applicant estimates that the annual cost of
11 operating said proposed facilities under Project No. 1 is
12 approximately \$2,360,000, and under Project No. 2 is approxi-
13 mately \$1,958,000, including fuel cost, at a 91% load factor.

14 VII.

15 In its original application herein, applicant
16 stated it had previously acquired and possessed general
17 county gas franchises for all of said counties with the
18 exception of San Bernardino. In its second supplemental
19 application herein, applicant made a part thereof (Exhibit
20 "B") a special county franchise granted by the Board of
21 Supervisors of the County of San Bernardino, to install,
22 maintain and use pipes and appurtenances, including tele-
23 phone lines for patrol purposes, in so many and in such parts
24 of the public roads within the area of said county therein
25 particularly described (being a strip of land of the uniform
26 width of 20 miles lying equally on each side of that portion
27 of applicant's Topock-Milpitas pipeline located in said
28 County of San Bernardino) as applicant may from time to time
29 elect to use, for the purpose of conveying and distributing
30 gas to the public for any and all purposes.

1 On or about the 4th day of April 1955, the Board
2 of Supervisors of the County of San Bernardino granted to
3 applicant a general county franchise under Ordinance No.760,
4 to install, maintain and use pipes and appurtenances in so
5 many and in such parts of the public roads in said county as
6 applicant may from time to time elect to use for the purpose
7 of conveying and distributing gas to the public for any and
8 all purposes. A true and correct copy of said Ordinance
9 No. 760 is of record with the Commission in Application No.
10 36889, Exhibit "C" thereof, and is hereby incorporated.
11 Upon authorization of the Commission herein, applicant pro-
12 poses to exercise the rights and privileges under said
13 general county franchise granted by Ordinance No. 760 to
14 the extent necessary to construct, operate and maintain its
15 Topock-Milpitas gas main, and extensions thereof made in the
16 ordinary course of business, in the unincorporated territory
17 in San Bernardino County.

18 VIII.

19 The service proposed to be rendered by applicant
20 upon completion of the additional pipeline facilities for
21 which authorization is sought herein will be served through
22 its existing interconnected transmission and distribution
23 systems, as hereafter expanded to accommodate load growth
24 in applicant's service area. Applicant's service area will
25 require all of the additional gas proposed to be transported
26 by means of the projected pipeline facilities.

27 IX.

28 Applicant's proposed additions to its pipeline
29 facilities are essential to northern and central California
30 in order to provide the additional gas required to offset

1 the decline in quantity of available gas from local fields
2 and to meet the increasing demands of gas customers, for the
3 following principal reasons:

- 4 1. The people and the economy of the State of California
5 are dependent upon natural gas.

6 Almost the entire urban and suburban population of
7 the State of California depends upon natural gas for cooking,
8 water heating, and space heating for domestic and commercial
9 purposes. These consumers could not install equipment to
10 burn fuel oil, except at prohibitive expense.

11 Applicant's interruptible industrial customers are
12 prepared to use fuel oil, as are applicant's steam electric
13 generating plants, and they do so whenever the firm gas
14 load requires. Coal is not produced in California, nor used
15 in significant quantities.

- 16 2. The consumption of natural gas in California is
17 growing even more rapidly than the population.

18 Since 1950 the population in the counties in which
19 applicant serves gas has increased approximately 17%. During
20 the same period the average daily natural gas requirements
21 for northern and central California have increased approxi-
22 mately 37%.

- 23 3. The supply of California gas is decreasing.

24 The total reserves of natural gas in California
25 are declining. New discoveries have not been of sufficient
26 magnitude to offset the draft upon local reserves that has
27 occurred in recent years and is now occurring.

28 The deliverability of gas available to applicant
29 from California fields has been declining for the past
30 several years, and is expected to continue to decline.

1 4. Applicant does not anticipate that it will receive
2 a larger share of California production in the
3 future.

4 Of the total amount of gas produced for use or
5 sale in California in the year ending December 31, 1954,
6 applicant purchased approximately 23% and other California
7 gas utilities, together with the petroleum industry, used
8 the remaining 77%. Applicant does not foresee at the
9 present time the possibility of any material increase in
10 its share of the total available California gas.

11 5. Applicant will be able to market all the gas which
12 it intends to purchase from El Paso.

13 Applicant estimates that the daily average
14 natural gas requirements of customers served by its gas
15 system will increase from 1955 to 1961 at an average rate
16 of about 36 million cubic feet each year. The additional
17 gas to be obtained under said letter agreements will be
18 needed to meet these requirements and conserve the supply
19 of California gas.

20 Applicant also estimates that the abnormal
21 peak day natural gas requirements of its system will
22 increase from the winter of 1955-1956 to the winter of
23 1961-1962 at an average rate of about 62 million cubic
24 feet each year. To meet these requirements, the gas
25 to be obtained under said letter agreements will be
26 needed in addition to the planned operation of an
27 underground storage project with deliverability of
28 80 million cubic feet per day by the winter of 1957-1958.
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X.

The economic feasibility of the proposed projects increasing the capacity of the Topock-Milpitas pipeline is established by the increasing demand together with the decreasing local supply as described above and the fact that the incremental cost of the additional gas delivered from the pipeline is estimated to be substantially similar to the delivered cost of the gas applicant is now authorized to receive.

XI.

The proposed pipelines will be of value to the nation in the event of a war or other emergency as it will supply additional volumes of natural gas to northern and central California and thereby release equivalent quantities of fuel oil for other uses, including the fueling of the U. S. Navy and merchant vessels operating the Pacific Ocean. Failure to construct the proposed pipeline, coupled with the resulting increase in rate of depletion of California gas reserves available to applicant, would constitute a severe limitation on California's contribution to any war or mobilization effort.

XII.

In further support of its request for a certificate of public convenience and necessity under said Chapter 5, Article I of the Public Utilities Code of the State of California, applicant alleges that the construction of the proposed additional gas pipeline facilities is not likely to compete with any person, firm or public or private corporation now engaged in the business of furnishing or supplying public utility gas service to the public.

1 Applicant states that the nearest public utility
2 to applicant's proposed gas main project, now engaged in the
3 business of furnishing, distributing or selling gas for
4 light, heat or other lawful purposes in San Bernardino
5 County, is Southwest Gas Corporation.

6 Applicant further alleges that the present and/or
7 future public convenience and necessity require or will re-
8 quire the construction and carrying to completion of the
9 proposed pipeline facilities and that the same will be in
10 the public interest and for the benefit of the public service.
11 Applicant will follow the most modern methods in the con-
12 struction and completion of said projects.

13 At the hearing of this third supplemental petition,
14 applicant will present oral testimony and documentary
15 evidence supporting and supplementing the statements set
16 forth herein in order that the Commission may be fully
17 advised in the matter.

18 WHEREFORE, PACIFIC GAS AND ELECTRIC COMPANY, re-
19 spectfully prays that the Public Utilities Commission of the
20 State of California duly give and make its decision and
21 third supplemental order, as provided for by the provisions
22 of Chapter 5, Article I, of the Public Utilities Code of the
23 State of California:

24 1. Granting and conferring upon applicant all
25 necessary permission and authority to construct, complete,
26 operate, and maintain and use the additional natural gas
27 transmission lines and related facilities described in the
28 body of this application; and declaring that the present and
29 future public convenience and necessity now require and will
30 require the construction, operation and maintenance by


1 applicant of said proposed projects and the acquisition and
2 use by it of all lands, rights of way, and easements, and
3 the exercise of all rights, permits and franchises which may
4 be used or useful in connection with the construction, opera-
5 tion and maintenance and use of said projects; and issuing
6 to applicant a certificate declaring that the present and
7 future public convenience and necessity require and will re-
8 quire that such work be done and such construction be made
9 by applicant; and

10 2. Issuing to applicant a certificate declaring
11 that the present and future public convenience and necessity
12 require and will require the exercise by applicant of the
13 right, privilege and franchise granted by said Ordinance
14 No. 706 of the Board of Supervisors of the County of San
15 Bernardino, State of California, as set forth herein.

16 Dated at San Francisco, California, this 6th
17 day of July, 1955.

18 PACIFIC GAS AND ELECTRIC COMPANY

19 By N. R. SUTHERLAND
20 Its President and General Manager

21 
22 _____
23
24 RICHARD H. PETERSON
25 _____

26 JOHN C. MORRISSEY
27 _____

28 Attorneys for Applicant
29 Pacific Gas and Electric Company
30 245 Market Street
San Francisco 6, California.

1 STATE OF CALIFORNIA)
2 CITY AND COUNTY OF SAN FRANCISCO) ss

3 N. R. SUTHERLAND, being first duly sworn, deposes
4 and says:

5 That he is an officer of PACIFIC GAS AND ELECTRIC
6 COMPANY, the applicant herein, to wit: its President and
7 General Manager, and makes this affidavit as such on behalf
8 of said applicant; that he has read the foregoing Third
9 Supplemental Application and knows the contents thereof;
10 that the same is true of his own knowledge, except as to
11 those matters which are therein stated on information and
12 belief and as to those matters that he believes it to be
13 true.

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N. R. SUTHERLAND

Subscribed and sworn to before me
this 6th day of July, 1955.



Notary Public in and for the City and
County of San Francisco, State of
California.

My Commission Expires: November 22, 1955.
(SEAL)

CERTIFICATE OF SERVICE

I hereby certify that I have this 6th day of July,
1955, served the foregoing supplemental application on:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]
