

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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RESOLUTION: G-2645

EVALUATION & COMPLIANCE DIVISION

BRANCH: Energy

DATE: August 7, 1985

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RESOLUTION

SOUTHERN CALIFORNIA GAS COMPANY (SoCAL) AND PACIFIC LIGHTING GAS SUPPLY COMPANY (PLGS). ORDER AUTHORIZING REGULATION OVER OFF-SHORE GAS EXCHANGE PROVISIONS FOR A GAS SALE AND PURCHASE AGREEMENT (Agreement) WITH TEXACO, INC. (TEXACO) WITH HINSHAW EXEMPTION

By Advice Letters 1524 & 69, filed June 18, 1985, SoCal and PLGS, respectively, submit for Commission approval the terms of a gas exchange service and the exchange fee attendant to a Gas Sale and Purchase Agreement dated June 6, 1985 between PLGS and Texaco, Inc. The facts are as follows:

1. The exchange provisions of these agreements require Commission approval in order to preserve PLGS' Hinshaw exemption under the Federal Natural Gas Act (15 U.S.C. § 717 (c)).
2. Section 1.(c) of that Act states that its provisions do not apply to any person or persons who receive natural gas in interstate commerce within or at the boundary of a State if all of the gas is consumed within the State, provided that the applicable rate and service are subject to regulation by a State commission (the Hinshaw exemption).
3. The natural gas which is subject to these agreements will be delivered off-shore from the outer Continental Shelf (OCS) in Federal waters and from there will be moved into California where it will be received by PLGS.
4. PLGS will deliver the gas to (SoCal), its sole customer, for distribution or exchange within SoCal's service territory. Therefore, the gas will be received in interstate commerce and will be consumed wholly within the boundaries of California.
5. The exchange delivery points will be within SoCal Gas' service territory. The exchange of gas for Texaco will require the use of facilities of SoCal, authorization for which is requested in SoCal's Advice Letter No. 1524. PLGS and SoCal have previously sought and obtained Commission approval of exchange arrangements which involve OCS gas, in order to preserve their respective Hinshaw exemptions under the Federal Natural Gas Act.
6. Pursuant to the Agreement, Texaco will deliver 100% of the gas purchased from SoCal Gas to PLGS. By a separate agreement between SoCal Gas and Texaco, SoCal Gas will sell gas to Texaco. PLGS

will have the right, but not the obligation, to purchase up to twenty-five percent of the gas purchased by Texaco from SoCal Gas. PLGS seeks authorization for inclusion and review of the purchase of such optional gas in the Consolidated Adjustment Mechanism (CAM).

7. In order to assure that the Hinshaw exemption applies to this transaction, it is necessary that the exchange service and fee be subject to regulation by the Commission.

8. Title to all exchange gas received to Texaco shall pass to and be vested in Texaco at the time and place of delivery and risk of loss shall follow title.

9. The exchange fee to be charged by PLGS for exchange services provided Texaco pursuant to the Agreement in any month shall be a base exchange fee of thirty-five cents (35¢) per decatherm. The base exchange fee shall be adjusted as applicable, each month by the "Escalation Factor" determined in accordance with the following formula:

$$\text{Escalation Factor} = \frac{A}{B}$$

A = The current month's border price being paid by PLGS to Getty Oil Company ("Getty") a Texaco subsidiary, under that certain long-term agreement between PLGS and Getty dated January 1, 1966, as amended.

B = \$3.4905. This represents the border price referenced in A for the month of March, 1985.

10. The adjusted exchange fee shall be computed to the nearest one-hundredth of a cent (.01¢). The fee for such exchange gas will be credited to SoCal's exchange revenue.

11. PLGS shall have the right to curtail (in whole or in part and without penalty of any kind) delivery of exchange gas at any time when, in PLGS' sole judgment, PLGS will require such gas or any portion thereof or the use of its facilities to meet the gas service requirements of SoCal's higher priority customers. PLGS will purchase such exchange gas or any portion for delivery to SoCal's higher priority customers at a price for each Decatherm equal to the price in effect at the time of curtailment and paid by Texaco to SoCal.

12. All exchange deliveries to Texaco by PLGS' non-affiliated nominee or nominees shall at all times be subject to PLGS' continuing ability to arrange to make such deliveries on terms acceptable to PLGS. PLGS does not undertake to deliver to Texaco any of the identical gas accepted by PLGS for exchange delivery. All exchange delivery will be accomplished by substitution on a decatherm basis at the pressure, temperature and quality existing in the pipeline from which and at the time such delivery is made.

13. In the event that any new facilities are needed to effectuate the exchange delivery, Texaco will reimburse PLGS for one-hundred percent (100%) of the cost of labor, materials and overhead required for the installation of such facilities.

14. Both PLGS and Texaco understand that the exchange service and fee are subject to the Commission's taking continuing jurisdiction over and giving approval of such exchange service and fee.

15. These filings are in accordance with Section X.A. of General Order No. 96-A and Section 532 of the Public Utilities Code. PLGS requests that these filings and SoCal Advice Nos. 1525, 1526 & 1527 as well as PLGS No. 70, all be effective concurrently on 40 days statutory notice.

16. Public notification of these filings have been made by supplying copies of such filings to other utilities, governmental agencies, and to all interested parties who requested such notification. The staff of the Evaluation and Compliance Division have received no protests in these matters.

17. The position of PLGS and SoCal relative to its exchange program, was set forth on pages 42 - 46 of SoCal's opening brief dated October 1, 1984 in the Commission's gas transportation proceeding, O.I.I. 84-04-079.

18. These filings have been reviewed by the Evaluation and Compliance staff and approval as submitted is recommended.

19. We find that these filings are just and reasonable and will result in the exchange of gas with Texaco under terms mutually acceptable to both parties and will ensure the dismissal, with prejudice, of the lawsuit commenced by Texaco against SoCal and PLGS and other affiliated companies in the United States District Court for the Central District of California.

20. We further find that the continuation of such lawsuit and possible loss of such suit by SoCal would be detrimental to all SoCal ratepayers.

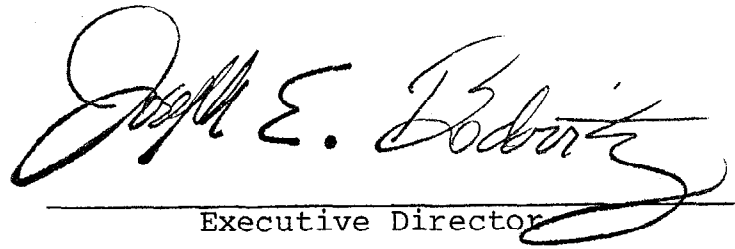
THEREFORE:

1. SoCal and PLGS are authorized by Section X.A. of General Order No. 96-A and by Section 532 of the Public Utilities Code to place the provisions of the gas exchange service and exchange fee attendant to a Gas Sale and Purchase Agreement dated June 6, 1985 between PLGS and Texaco. These provisions may be placed into effect on July 28, 1985 which constitutes regular 40-day statutory notice, as directed by the Commission in its April 17, 1985 order approving certain changes to the tariff filing procedures.

2. These advice letters shall both be marked to show that they were approved for filing by Commission Resolution No. G-2645. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on August 7, 1985. The following Commissioners approved it:

DONALD VIAL
President
VICTOR CALVO
WILLIAM T. BAGLEY
FREDERICK R. DUDA
Commissioners


Executive Director