

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND  
COMPLIANCE DIVISION  
Energy Branch

RESOLUTION G-3068  
September 1, 1993

R E S O L U T I O N

RESOLUTION G-3068. SOUTHERN CALIFORNIA GAS COMPANY REQUESTS APPROVAL OF CALIFORNIA GAS PRODUCER ACCESS AGREEMENTS BETWEEN ITSELF, AND VINTAGE GAS, INC. & DKM OFFSHORE ENERGY, INC. FOR ACCESS TO SOUTHERN CALIFORNIA GAS COMPANY'S INTRASTATE PIPELINE. IN ADDITION, SOUTHERN CALIFORNIA GAS COMPANY IS SEEKING AUTHORIZATION TO RECORD THE OPERATION AND MAINTENANCE FEE, ASSOCIATED WITH THESE AGREEMENTS, IN ITS TRANSMISSION OPERATING AND MAINTENANCE ACCOUNT.

BY ADVICE LETTERS 2175-G, FILED ON MAY 3, 1993, AND 2185-G, FILED ON JUNE 18, 1993.

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SUMMARY

1. The purpose of these advice letters is to submit Southern California Gas Company's (SoCal) California Gas Producer Access Agreements (Agreements) with Vintage Gas, Inc. (Vintage) and DKM Offshore Energy, Inc. (DKM) for approval, and to seek approval for the operations and maintenance fee, generated by these agreements, to be credited to SoCal's transmission operating and maintenance account.
2. These Agreements are for providing access to the SoCal system only. Transportation of this gas to its eventual end user will be under other transportation agreements approved by the Commission.
3. The facilities needed to receive Vintage's and DKM's (the Producers) gas are already in place for the points of receipt described in each Agreement.
4. One advantage offered to the ratepayers by these Agreements is the generation of additional transportation revenues. Additionally, the Producers will reimburse the costs - capital or recurring - that are incurred by SoCal in accepting delivery of this gas. Also, the cost of additional facilities needed in the future to receive this gas or additional gas from the Producers will be borne by the Producers.
5. This resolution grants SoCal's requests.

**BACKGROUND**

1. SoCal submitted the Agreements executed between SoCal and Vintage, dated January 1, 1993, with AL 2175-G, and the Agreement executed with DKM, dated March 1, 1993, with AL 2185-G.
2. The basic terms and conditions of these Agreements are:
  - A. The term of these Agreements is one year, continuing after that on a Contract-year basis until terminated by either party giving a minimum of six (6) months prior notice. Also provided is that upon termination, only the obligations of SoCal to accept and the Producers to deliver gas have terminated. Other terms relating to obligations incurred prior to the termination of the Agreement will survive termination.
  - B. In these Agreements, the Producers are obligated to deliver gas of specified quality and temperature. SoCal is obligated to take supplies at any mutually agreed point of receipt, under the specified conditions and up to the Maximum Daily Average Volume listed in the Contracts and their attachments. SoCal may terminate the use of any receipt point if the Producers can not deliver at least 2,080 decatherms per month in any three month period.
  - C. A two month period is provided for correcting any gas receipt and delivery imbalances. The gas imbalance for any month must not be greater than the lower of the gas imbalance permitted under Rate Schedule G-IMB or 10% of the confirmed nominations for that month.
  - D. The Agreements obligate the Producers to reimburse SoCal for the costs of any facilities that SoCal deems necessary for receiving the Producers' gas under the Agreements and of any facilities that the Producers request SoCal to install. They also provide continuing obligations to complete payment even if the Agreements are terminated. Additionally, any federal and state taxes due on funds paid by the Producers for the investment for facilities under these Agreements are to be collected from the Producers, using the gross-up method approved by the Commission.
  - E. The Agreements obligate the Producers to pay SoCal a monthly operations and maintenance fee based upon their proportionate share of gas being delivered at each receipt point. SoCal's good faith estimate of the total operations and maintenance costs at receipt points with a hydrogen sulfide detection device is \$1,500 per month, and for those receipt points without a hydrogen sulfide detection unit an estimated total operations and maintenance cost of \$1,100 per month. Late payments will incur interest at the rate prescribed for pipeline refunds by the Federal Energy

Regulatory Commission's Regulations. Redetermination of the monthly operations and maintenance fee is provided for in Appendix B of the Agreements. SoCal requests that this revenue be credited to its transmission operating and maintenance account.

F. The Agreements also provide for arbitration, as the remedy for any difference, question or impasse regarding the meaning, interpretation, effect or manner of implementation of these Agreements.

3. Vintage's Agreement was prepared in its final form and signed in February, 1993, even though it became effective on January 1, 1993. Gas was first received under the Agreement on January 1, 1993, and Vintage assumed the obligation to pay the monthly operations and maintenance fee as of that date. The side letter (attached to AL 2175-G) provides acknowledgment of these facts and covers the time period between the date delivery started and the date the final agreement was signed.

4. DKM's Agreement became effective on March 1, 1993. Gas was first received under the Agreement on March 1, 1993, and DKM assumed the obligation to pay the monthly operations and maintenance fee as of that date.

5. These Agreements are for providing access to the SoCal system only. Transportation of this gas to its eventual end user will be under other transportation agreements approved by the Commission.

6. Vintage is an Oklahoma corporation (headquartered in Tulsa) which recently acquired gas-producing properties in Kern and Santa Barbara Counties from ARCO and Shell. The facilities needed to receive Vintage's gas are already in place for the four points of receipt described in Appendix C of the Vintage Agreement.

7. DKM is a Texas corporation. The facilities needed to receive DKM's gas are already in place for the point of receipt described in Appendix C of the DKM Agreement.

8. One advantage offered to the ratepayers by these Agreements is the generation of additional transportation revenues. Additionally, the Producers will reimburse the costs - capital or recurring - that are incurred by SoCal in accepting delivery of this gas. Also, the cost of additional facilities needed in the future to receive this gas or additional gas from the Producers will be borne by the Producers.

#### NOTICE

1. Public notice of these filings has been made by publication in the Commission's calendar, and by mailing copies of the filing to adjacent utilities and other interested parties.

PROTESTS

1. No protests to these advice letters have been received by the Commission Advisory and Compliance Division (CACD).

DISCUSSION

1. CACD has reviewed the advice letter filings, the Agreements, the cost estimates associated with the Agreements, and past Resolutions signed by the Commission.

2. The estimated access costs are consistent with the documentation provided by SoCal in ALs 2175-G and 2185-G and are consistent with estimates that were provided in previously filed advice letters approved by Resolutions G-2985 [AL 2103-G] and G-3057 [AL 2166-G].

3. Verification of the estimated monthly operations and maintenance costs would require an audit of SoCal's operations and maintenance costs. CACD could not independently verify the estimated monthly operations and maintenance costs associated with the Producers' receipt points.

4. CACD compared SoCal's advice letter requests with similar requests made by SoCal. Similar requests were made in ALs 1847-G, 1855-G, 2103-G, and 2166-G, these advice letters were approved by the Commission in Resolutions G-2861, G-2866, G-2985, and G-3057 respectively. CACD believes that the costs are reasonable because the Producers and SoCal have agreed to these costs and these costs are consistent with those of other entities receiving the same service.

5. SoCal's treatment of the revenue associated with the above advice letters has not been consistent. For the first three advice letters, any revenue received was to be recorded in SoCal's miscellaneous operating revenue account and any payment for facilities was to be recorded in SoCal's contributions in aid of construction account. In SoCal's last advice letter and in its present requests, SoCal is seeking authorization to record the revenue it receives in its transportation operating and maintenance account.

6. SoCal should be required to record these costs consistently so that appropriate comparison and evaluation may be made.

7. All operations and maintenance fees collected for SoCal's access agreements should be recorded in SoCal's transportation operating and maintenance account.

8. All installation of measurement and quality control facilities fees should be recorded in SoCal's contributions in aid of construction account.

9. General Order (GO) 96-A, Section X, requires SoCal to file an advice letter for approval of contracts for services at other

than tariff rates that are of minor importance (contracts which are of major importance require an Application).

10. GO 96-A, Section X, requires:

Each contract for which approval is sought shall contain the following provisions:

"This contract shall not become effective until authorization of the Public Utilities Commission of the State of California is first obtained."

Such contract shall also contain substantially the following provision:

"This contract shall at all times be subject to such changes or modifications by the Public Utilities Commission of the State of California as said Commission may, from time to time, direct in the exercise of its jurisdiction."

11. SoCal failed to incorporate the first requirement in its contract, but it did incorporate the second requirement.

12. Because this advice letter is of minor importance, CACD will not take exception with SoCal's Agreements in this Resolution.

13. Public Utility Code Section 785.7 regulates the provision of transportation services provided by a gas corporation as follows:

- (a) No gas corporation shall charge, directly or indirectly, a higher rate for the transportation of gas produced in this state than for the transportation of gas from any other source. No gas corporation shall require a producer of gas or a customer for whom any gas transportation service is performed to utilize the corporation's services or facilities either to deliver gas from the producer's facility to the corporation's gas plant or to process the gas to render it compatible with the corporation's gas plant.
- (b) . . . . . If the gas corporation constructs new facilities at the request of the producer or customer exclusively to receive gas by the gas corporation's gas plant, the gas corporation may impose a charge for the construction, operation, and maintenance of these facilities. The amount of the charge for the processing service or facilities authorized by this subdivision shall be established by the commission and shall be based on the actual expenses for the construction, operation, maintenance, labor, materials, and overhead involved in providing the specific service or facilities.

- (e) The Commission shall allow the gas corporation to fully recover all reasonable and prudent costs associated with ownership and operation of the gas plant used for transportation.

14. CACD believes that SoCal's contracts with the Producers are in compliance with Section 785.7, because the Producers are being served by their own request and because the resulting operation and maintenance charges are to be based on periodically updated estimated costs. CACD, therefore, recommends approval of the proposed contracts.

#### FINDINGS

1. The Producers should pay SoCal to operate and maintain the facilities specified in the contracts, estimated at \$1,500 for receipt points that have a hydrogen sulfide detection device, and \$1,100 for receipt points that do not have a hydrogen sulfide detection device.

2. The Producers should reimburse SoCal for the installation of additional measurement and quality control facilities.

3. SoCal's charges for the operation and maintenance of these facilities should be adjusted as needed to reflect the actual costs.

4. SoCal should record all operations and maintenance fees collected for its access agreements in its transmission operating and maintenance account.

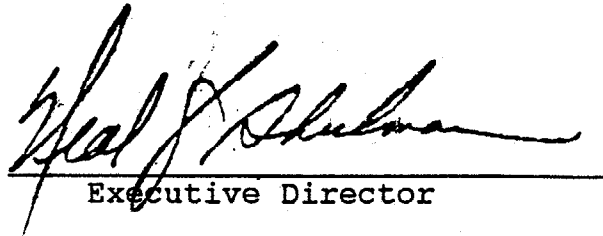
5. SoCal should record the payment of all installation of measurement and quality control facilities fees in its contributions in aid of construction account.

6. SoCal's proposed contracts are in compliance with Public Utility Code Section 785.7.

**THEREFORE, IT IS ORDERED that:**

1. The California Gas Producer Access Agreement between Vintage Gas, Inc., and Southern California Gas Company dated January 1, 1993 is approved.
2. SoCal Advice Letter 2175-G, the agreement, and the side letter shall be marked to show that they were approved by Resolution G-3068.
3. The California Gas Producer Access Agreement between DKM Offshore Energy, Inc., and Southern California Gas Company dated March 1, 1993 is approved.
4. SoCal Advice Letter 2185-G, and the agreement shall be marked to show that they were approved by Resolution G-3068.
5. SoCal shall record all operations and maintenance fees collected for its access agreements in its transmission operating and maintenance account.
6. SoCal shall record the payment of all installation of measurement and quality control facilities fees in its contributions in aid of construction account.
7. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 1, 1993. The following Commissioners approved it:



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Executive Director

DANIEL Wm. FESSLER  
President  
PATRICIA M. ECKERT  
NORMAN D. SHUMWAY  
P. GREGORY CONLON  
Commissioners