

BEFORE THE WASHINGTON PUBLIC SERVICE COMMISSION

In the Matter of the Application of)
EASTERN OREGON NATURAL GAS)
COMPANY for a Certificate of Public)
Convenience and Necessity to Operate)
a Gas Plant for Hire in the General)
Areas of Burbank, Attalia and Wallula)
in Walla Walla County, Washington.)
-----)

CAUSE NO. U-9055 (?)

ORDER

In the Matter of the Application of)
CASCADE NATURAL GAS CORPORA-)
TION to Amend Its Certificate of Public)
Convenience and Necessity to Operate a)
Gas Plant for Hire to Encompass)
Additional Area North of Pasco,)
Franklin County, Washington.)
.....)

CAUSE NO. U-9047

ORDER

Hearing in the above-entitled matters was held upon due and proper notice to all interested parties commencing at the hour of 10:00 o'clock AM, August 14th, 1958, in the Commission's Hearing Room, Insurance Building, Olympia, Washington, before Chairman FRANCIS PEARSON, Commissioners GEORGE PARKS and JOSEPH STARIN; Chief Examiner WILLIAM E. WALL, presiding. It appearing the above applications contained common questions of fact and law, the causes were consolidated for hearing.

The parties were represented as follows:

APPLICANTS:

EASTERN OREGON NATURAL GAS COMPANY, per ANTHONY YTURRI, Director and Attorney, Yturri-Caldwell Building, Ontario, Oregon, and JOHN S. EVANS, Secretary, 329 South Oregon Street, Ontario, Oregon.

CASCADE NATURAL GAS CORPORATION, per R. B. HOOPER and H. A. HARRISON, Attorneys, 610 Colman Building, Seattle 4, Washington.

THE COMMISSION:

WASHINGTON PUBLIC SERVICE COMMISSION, per FRANK P. HAYES, Assistant Attorney General, Temple of Justice, Olympia, Washington.

OTHER APPEARANCES:

CASCADE KRAFT CORPORATION, per W. D. EBERLE, Attorney and Director, Box 1368, (711 1/2 Bannock Street), Boise, Idaho, and WILLIAM W. MONTGOMERY, Attorney, 512 Hoge Building, Seattle 4, Washington.

PORT OF WALLA WALLA, WASHINGTON, per WILLIAM D. RAY, President, 33 North Clinton, Walla Walla, Washington and HOWARD D. BESSIRE, Director of Development and Operations, Colville and Sumach Streets, Walla Walla, Washington.

On May 28, 1958, the Cascade Natural Gas Corporation (hereinafter referred to as Cascade) filed an application to amend its presently outstanding Certificate of Public Convenience and Necessity to Operate a Gas Plant for Hire to include additional area north of Pasco within Franklin County, Washington. Cascade is already certificated within certain areas of Walla Walla and Franklin Counties, serving the cities of College Place and Walla Walla in Walla Walla County and Pasco and vicinity in Franklin County.

The instant application is designed to certificate Cascade for additional area north of Pasco in order that it may construct a city gas station and a 17.5 mile gas transmission line from the Pacific Northwest Pipe Line Corporation's Spokane lateral and supply gas service to a paper and pulp manufacturing plant presently being constructed in the Attalia area of Walla Walla County. The plant will be operated by the Cascade Kraft Corporation and gas service is said to be required by no later than October 15, 1958. Cascade is presently certificated to serve the area in and around the communities of Attalia, Burbank, Burbank Heights and Wallula in Walla Walla County, Washington, but lacks certification for part of the transmission pipeline route and the city gate site in Franklin County, Washington.

The Eastern Oregon Natural Gas Company (hereinafter referred to as Eastern Oregon) is a natural gas distributing company operating within the State of Oregon and presently serving the following municipalities in that state: Milton-Freewater, Ontario and Nyssa. In effect, Eastern Oregon's application largely duplicates Cascade's application in that Eastern Oregon here applies for a Certificate of Public Convenience and Necessity to supply natural gas to the community of Attalia within Walla Walla County from a point of intersection with the Pacific Northwest Pipe Line Corporation's Spokane lateral pipeline in Franklin County, approximately 17.5 miles to the north and west of Attalia.

Economic and engineering feasibility studies of record reveal that the area for which certification is sought is very lightly populated. The single motive for either company in pursuing the instant applications is the expectation of securing the Cascade Kraft pulp plant as a gas customer. To this end Cascade Natural commenced negotiations with Cascade Kraft in 1957. At that time it was ascertained that uncertainties contemplated in the operation of the pulp plant would not support negotiations based on the large minimum take or pay figure advanced by Cascade Natural. Subsequently, an agreement was reached under which an 8 inch pipeline would be financed and owned by an affiliated corporation of the Cascade Kraft company. Under the terms of the agreement Cascade Natural would undertake the design and supervise construction of the line and thereafter operate the line and sell gas to Cascade Kraft Corporation at cost. Under the contract Cascade Natural will have the option to acquire the line in five years at actual cost, less depreciation of 2.5 per cent per year. In addition, Cascade would have the right to sell gas at established tariff rates to any other industrial, commercial or residential gas consumers who might wish from time to time to obtain gas anywhere along the length of the line.

While no additional industrial customers may presently be expected, Cascade Natural, under the terms of service agreements with the Pacific Northwest Pipe Line Corporation, proposes developing and serving residential gas customers in both Burbank and Burbank Heights, municipalities within Walla Walla County. The record shows that the 8 inch pipeline to be constructed will be capable of providing about 2.6 times the amount of gas necessary to serve the pulp plant under construction at Attalia.

In support of its application, Cascade Natural has conducted a thorough engineering survey of the entire length of the proposed pipeline and has already secured portions of the right of way. The results of this study indicate that Cascade Natural may reasonably anticipate delivering natural gas to the Cascade Kraft plant by October 15, 1958--the scheduled date for firing the boilers.

The evidence of record further indicates that the application of Cascade Natural is entirely feasible from an economic standpoint in that the proposed contractual arrangements minimize the financial burden upon Cascade Natural in developing the Walla Walla port district area in Walla Walla County, an area for which significant economic development may reasonably be anticipated and for which Cascade Natural is presently certificated. While this Commission in the normal course of regulation would not be disposed to encourage the extension of gas service under the conditions herein disclosed, the facts of the instant case justify a departure.

The application of Eastern Oregon is in contrast fatally defective in at least two essentials. First, it is readily apparent that without the Cascade Kraft pulp plant for a customer, any application for a Certificate of Public Convenience and Necessity to Operate a Gas Plant for Hire from this Commission within the applied for area is not economically feasible. While the record does disclose some preliminary efforts regarding negotiations between Eastern Oregon and Cascade Kraft relative to securing the latter company's plant at Attalia as a customer of Eastern Oregon Natural, such negotiations have subsequently broken down. In view of the contemplated contract between Cascade Natural and Cascade Kraft testified to by a director of the latter corporation, it is extremely unlikely that Eastern Oregon will secure the pulp plant of Cascade Kraft at Attalia as an industrial consumer of gas.

Secondly, even if Eastern Oregon had substantial expectations of securing Cascade Kraft for an industrial customer, there is no feasible study of any substance in this record indicating that Eastern Oregon could extend service to the plant within the indicated time limit. The interest of the consumer is always of paramount consideration to this Commission. Because of the special facts surrounding these causes, the interests of the Cascade Kraft Corporation bulk unusually large. This plant must be provided with natural gas, if at all possible, by not later than October 15, 1958. There is nothing in this record save the hopeful comment that "whatever one company can do, another can do" that would indicate Eastern Oregon Natural is capable of providing such service within the time fixed.

FINDINGS OF FACT

Being duly informed of all the matters of record the Commission makes and enters the following findings of fact:

1. Cascade Natural Gas Corporation, a Washington corporation, operates a gas plant for hire within this state and is subject to the jurisdiction of this Commission.
2. Eastern Oregon Natural Gas Company, an Oregon corporation, operates a gas plant for hire within the State of Oregon and is not presently qualified to do business within the State of Washington.
3. Cascade Natural Gas Corporation made application to amend its

present Certificate of Public Convenience and Necessity to Operate a Gas Plant for Hire to include an additional area north of Pasco in Franklin County, Washington, to a point of intersection with the Pacific Northwest Pipe Line Corporation's Spokane lateral pipeline, which area is necessary for a city gate station and pipeline transmission right of way.

4. The Eastern Oregon Natural Gas Company on April 7, 1958 submitted an application for a Certificate of Public Convenience and Necessity to Operate a Gas Plant for Hire in and around the communities of Burbank, Attalia and Wallula in Walla Walla County, Washington.

5. Cascade Natural Gas Corporation presently is certificated within the areas applied for by Eastern Oregon Natural as noted in Finding of Fact number 4.

6. The application of Eastern Oregon Natural was amended at the hearing to duplicate Cascade Natural Gas Corporation's application within Franklin County as noted in Finding of Fact number 3.

7. The Cascade Kraft Corporation is building and will complete a pulp plant at Attalia, Washington, and has need for natural gas on or around October 15, 1958.

8. The Cascade Natural Gas Corporation has negotiated to build an 8 inch pipeline from the Cascade pulp plant at Attalia to a point of intersection with the Pacific Northwest Pipe Line pipeline 17.5 miles to the northwest and to that end has secured a portion of the necessary right of way.

9. Cascade Natural Gas Corporation's negotiations provide in part that Cascade Natural will not initially own the line but will provide gas at or slightly above cost to Cascade Kraft for five years, at which time Cascade Natural has an option to purchase at cost, less depreciation. Cascade has the additional right to serve firm or interruptible customers along the proposed line to the extent it is economically feasible.

10. The 8 inch pipeline will have approximately 2.6 times the capacity necessary to meet the gas needs of the Cascade Kraft Company's plant at Attalia.

11. Additional gas may be secured by Cascade Natural from the Pacific Northwest Pipe Line Corporation to the extent it is needed under existing service agreements.

12. Cascade Natural has the present intention of selling firm gas to customers in Burbank and Burbank Heights upon completion of the line.

13. Cascade Natural can provide service to Cascade Kraft on or about October 15, 1958.

14. The present applications depend upon the patronage of Cascade Kraft Corporation's plant at Attalia for industrial gas consumption to support a showing of economic feasibility.

15. Eastern Oregon Natural has no prospects of securing Cascade Kraft as a customer of industrial gas.

16. Eastern Oregon shows no ability to deliver natural gas to the Cascade Kraft Plant at Attalia by October 15, 1958.

17. The Certificate of Public Convenience and Necessity to Operate a Gas Plant for Hire presently held by Cascade Natural Gas Corporation should be amended to include those areas applied for within Franklin County.

18. The application of Eastern Oregon Natural for a Certificate of Public Convenience and Necessity is not justified and should be denied.

ORDER

1. IT IS HEREBY ORDERED That the application of the Cascade Natural Gas Corporation to amend its present Certificate of Public Convenience and Necessity to Operate a Gas Plant for Hire to encompass additional area in Franklin County, Washington, is approved as follows:

All of the incorporated area comprising the City of Pasco and additional portions of Franklin County adjacent thereto, lying within the area described as follows:

Beginning at a point in the northeast corner of section 13, T. 9 N., R. 30 E. W. M., thence south along the east line of sections 13, 24 and 25 to a point where said line intersects the Snake River immediately south of Strawberry Island, thence southwesterly along the center line of the Snake River, to a point where the line intersects the center line of the Columbia River, thence northwest along the Center line of the Columbia River to a point where the north line of section 13, T. 9 N., R. 28 E. W. M. intersects said line, thence east along the north line of Section 13, and of sections 18, 17, 16, 15, 14 and 13 of T. 9 N., R. 29 E. W. M. and section 18 of T. 9 N. R. 30 E. W. M., thence north along the West Line of Section 8 T. 9 N., R. 30 E. W. M. to the northwest corner of said section, then west along the south line of Section 6, T. 9 N., R. 30 E. W. M. to the southwest corner of said section 6 and then north along the west line of said section 6 and the west line of section 31 T. 10 N., R. 30 E. W. M. to the northwest corner of said section 31, then east along the north line of said section 31, then south along the east line of said section 31 to the northwest corner of section 5 T. 9 N., R. 30 E. W. M. and then east along the north line of said section 5, then south along the east line of said section 5 to the northwest corner of section 9 T. 9 N., R. 30 E. W. M. and east along the north line of said section 9, then south on the east line of said section 9 to the northwest corner of section 15 T. 9 N., R. 30 E. W. M. and then east along the north lines of sections 15, 14 and 13, T. 9 N., R. 30 E. W. M. to the point of beginning.

As further shown on Appendix A-11 (amended) attached hereto and by this reference made a part hereof.

2. IT IS FURTHER ORDERED That the Certificate of Public Convenience and Necessity to Operate a Gas Plant for Hire issued pursuant to Order Paragraph No. 1 above, supersedes and cancels Certificate of Public Convenience and Necessity to Operate a Gas Plant for Hire No. 5, as amended and issued

to Cascade Natural Gas Corporation on April 26, 1956, in Cause No. U-8843. Said Certificate of April 26, 1956, should be forthwith returned to this Commission.

3. IT IS FURTHER ORDERED That the Certificate issued pursuant to Order Paragraph No. 1 above, is subject to the terms, conditions and provisions of the orders in Cause No. U-8843, pursuant to which the Cascade Natural Gas Corporation was granted its original certificate, subsequently amended by a supplementary order in said cause.

4. IT IS FURTHER ORDERED That the application of the Eastern Oregon Natural Gas Company for a Certificate of Public Convenience and Necessity to Operate a Gas Plant for Hire in the areas of Burbank, Attalia and Wallula in Walla Walla County and an area in Franklin County, Washington is denied.

5. IT IS FURTHER ORDERED That jurisdiction over this cause is retained to effectuate the provisions of this order.

DATED at Olympia, Washington, and effective this 8th day of September, 1958.

WASHINGTON PUBLIC SERVICE COMMISSION

Francis Pearson
FRANCIS PEARSON, Chairman

Joseph Starin
JOSEPH STARIN, Commissioner

George F. Parks
GEORGE F. PARKS, Commissioner