

Decision No. 22584.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of
 NATURAL GAS CORPORATION OF CALIFORNIA,
 a corporation, for a certificate of
 public convenience and necessity author-
 izing it to exercise rights and privileges
 under franchises which it contemplates
 securing from the Cities and Towns and
 Counties herein named, and also authoriz-
 ing it to construct plants and systems
 in such Cities, Towns and Counties for
 the purpose of serving gas to the public
 for light, heat, power and other purposes
 for which gas is now or may hereafter
 be used.

ORIGINAL

Application No. 16116.

Original & Amended

W. F. Williamson, Wallace and Vaughan, by
 R. L. Vaughan for Applicant.

C. P. Cutten for Pacific Gas and Electric Company.

L. T. Rice for Southern California Gas Company.

WHEATSELL, COMMISSIONER:

O P I N I O N

In this application, Natural Gas Corporation of California, a California corporation, incorporated under the laws of the State of California on November 15, 1929, asks that the Railroad Commission of the State of California make its order and decision declaring that public convenience and necessity require and will require the exercise by applicant of the rights and privileges under the franchises which it contemplates securing from the following communities, and the construction by applicant of plants and systems in such communities; and authorizing applicant to construct such plants and systems. The communities involved are Ione in Amador County; Ar-

buckle, Maxwell and Williams in Colusa County; Crescent City in Del Norte County; Clovis and Pinedale in Fresno County; Orland in Glenn County; Arcata, Ferndale and Fortuna in Humboldt County; Lancaster in Los Angeles County; Fort Bragg and Willits in Mendocino County; Gonzales in Monterey County; Truckee in Nevada County; Colfax in Placer County; Blythe, Coachella and Indio in Riverside County; Folsom and Islleton in Sacramento County; Barstow in San Bernardino County; Halfmoon Bay and Pescadero in San Mateo County; Mt. Shasta in Shasta County; Dunsmuir and Yreka in Siskiyou County; Fairfield, Rio Vista, Suisun and Vacaville in Solano County; Corning and Gerber in Tehama County; Winters in Yolo County.

The application sets forth that applicant, which is a subsidiary of Pacific Public Service Company, which is in turn a subsidiary of Standard Oil Company of California, desires to construct and operate gas plants and gas distributing systems for the purpose of supplying gas to the inhabitants of the above communities for domestic, commercial and industrial purposes, none of such communities being now supplied with gas service of any kind; and that the gas so served would consist of vaporized, carburetted, liquefied, natural petroleum gas, a by-product of the extraction of natural gasoline from natural gas or from oil refinery operations.

The application further sets forth that surveys have been made by applicant, which indicate that the potential supply of the liquefied natural petroleum gas is, and will be, many times more than applicant's estimated future demands therefor, and that applicant is now negotiating with one of the major oil companies for a supply thereof, adequate for all of the future needs of applicant.

Applicant alleges that it has made surveys of all of the above mentioned communities and that such surveys indicate an insistent desire on the part of the inhabitants thereof for gas service, and the existence of a sufficient number of potential gas consumers to justify the construction of gas plants and distribution systems to serve them; that the rendition of the proposed gas service to the aforementioned communities would be of great benefit to such communities and the inhabitants thereof, and would conform with the policy of the State of California in the further utilization and conservation of the natural gas resources of the State.

Applicant finally alleges that it is financially able to construct such gas plants and gas distribution systems, and proposes to finance such construction by the issuance and sale of first mortgage bonds and capital stock in accordance with and under the conditions of the orders of the Railroad Commission of the State of California; and further, that it will be able to take advantage of the extensive credit resources of its parent company, Standard Oil Company of California.

Public hearings on this application have been held in part as follows:

Entire application,	Feb. 25, 1910, at San Francisco, Cal.
Suisun and Fairfield,	March 20, 1930, at Fairfield, Cal.
Vacaville,	March 21, 1930, at Vacaville, Cal.
Winters,	March 21, 1930, at Winters, Cal.
Isleton and Rio Vista,	March 22, 1930, at Rio Vista, Cal.
Corning,	April 10, 1930, at Corning, Cal.
Orland,	April 10, 1930, at Orland, Cal.
Maxwell,	April 11, 1930, at Maxwell, Cal.
Williams,	April 11, 1930, at Williams, Cal.
Arbuckle,	April 11, 1930, at Arbuckle, Cal.

Testimony and evidence introduced at these hearings indicate that applicant desires to distribute through gas mains, services, regulators and meters, to consumers' premises, a mixed gas consisting essentially of butane, propane and air in such proportions as to result in a non-explosive mixture of a uniform heating value of five hundred fifty (550) British thermal units per cubic foot; that all adequate and necessary features would be incorporated in the design of the mixing apparatus, to insure the uniformity of such mixture; that a central mixing plant with adequate storage facilities for both the liquid gas and the vaporized mixture would be located in each community or group of communities, from which the mixed gas would be distributed at adequate pressure by means of standard underground distribution systems of mains, services, regulators and meters; that the mixing, distribution and utilization for general purposes of this same product has been and is being successfully accomplished in a number of communities in the East; that the estimated cost to applicant of the liquefied gas would be six cents (6¢) per gallon at the source plus the freight cost from the source to the location of mixture; that estimates of the cost of operation in rendering this service indicate that the total operating costs during the third year of operation in each of the above mentioned communities, including an annual return of eight per cent (8%) upon the estimated rate base, would necessitate an average selling rate of two dollars (\$2.00) per thousand cubic feet of five hundred fifty (550) B. t. u. mixed gas.

Applicant, during the public hearings, suggested the following rate for this service:

<u>Service Charge</u> , per meter per month,.....	\$1.25
<u>Commodity Charge</u> , to be added to service charge	
For all gas sold, per M.C.F. per meter per month,...	1.50

For an average monthly consumption of twenty-five hundred (2500) cubic feet of gas, the above rate would yield an average gross revenue of two dollars (\$2.00) per thousand cubic feet of gas.

Witnesses for applicant testified that the operation by applicant of plants in the thirty-five (35) communities involved, under one management, would substantially reduce the overhead and incident operating expenses of the service and that the rate proposed by applicant compares favorably with the rates charged for oil gas service in the smaller communities of California, wherein oil gas service is being rendered.

It appears from the testimony and evidence introduced at the above mentioned public hearings that public convenience and necessity require, and will require, the exercise by applicant of the rights and privileges under franchises which it contemplates securing from the communities of Suisun, Fairfield, Vacaville, Winters, Isleton, Rio Vista, Corning, Orland, Maxwell, Williams and Arbuckle, and the construction by applicant of mixing plants and distribution systems to serve said communities.

However, from a study of the evidence submitted, this Commission is of the opinion that the rate as suggested by applicant for these communities is too high, and will, accordingly, order the institution of an initial rate substantially lower than the above suggested rate, with the idea in mind that if and when future conditions warrant, due to increased use of the commodity, or the development of economies of operation or other causes, the rate will be further reduced.

I recommend the following form of order:

O R D E R

Natural Gas Corporation of California having asked the Railroad Commission of the State of California for an order declaring that public convenience and necessity require, and will require, the exercise by applicant of the rights and privileges under the franchises which it contemplates securing from the cities and towns of Suisun, Fairfield, Vacaville and Rio Vista in the County of Solano, Isleton in the County of Sacramento, Winters in the County of Yolo, Corning in the County of Tehama, Orland in the County of Glenn, Maxwell, Williams and Arbuckle in the County of Colusa, and the construction by applicant of plants and systems in such communities, and its further order authorizing applicant to construct such plants and systems, public hearings having been held, the matter, insofar as these communities are concerned, having been submitted and now ready for decision,

The Railroad Commission of the State of California hereby orders and declares that public convenience and necessity require and will require the exercise by Natural Gas Corporation of California of the rights and privileges under the franchises which it contemplates securing from the Cities and Towns of Suisun, Fairfield, Vacaville and Rio Vista in the County of Solano, Isleton in the County of Sacramento, Winters in the County of Yolo, Corning in the County of Tehama, Orland in the County of Glenn, Maxwell, Williams and Arbuckle in the County of Colusa, and the construction by applicant of plants and systems in such communities for the mixture, distribution and sale of a mixture of vaporized butane, pro-

pane and air having a uniform heat content of five hundred fifty (550) British thermal units per cubic foot.

The Railroad Commission of the State of California hereby further orders and declares that Natural Gas Corporation of California be and the same is hereby authorized to construct such plants and systems in the communities last above named.

The above certification and authorization are subject to the following conditions, and not otherwise:

(1) That Natural Gas Corporation of California shall file with this Commission on or before July 31, 1930, copies of all contract-agreements under which applicant will receive or purchase the liquid gas that it proposes to use in this service.

(2) That Natural Gas Corporation of California shall file with this Commission, on or before July 31, 1930, certified copies of the franchises necessary for the rendering of the proposed gas service in the communities of Suisun, Fairfield, Vacaville, Rio Vista, Isleton, Winters, Corning, Orland, Maxwell, Williams and Arbuckle.

(3) That Natural Gas Corporation of California shall file with this Commission, on or before July 31, 1930, a stipulation, duly executed upon authority of its Board of Directors, that applicant, its successors or assigns, will never claim before the Railroad Commission or any other body or court, a value for such franchises in excess of the actual cost thereof.

(4) That Natural Gas Corporation of California shall file with this Commission, on or before July 31, 1930, a stipulation, duly executed upon authority of its Board of Directors, agreeing that if and when, at any time, this Commission desires to investigate any of the costs or revenues incident to this service, including the cost of liquid gas, applicant will produce and

present to the Commission, at the latter's request, all of the details that make up such costs or revenue, including a breakdown of the production costs which make up the contract price for the purchase of such liquid gas.

(5) That Natural Gas Corporation of California shall file with this Commission, and apply to all billing for gas in the communities covered by this order, the following initial rate for domestic, commercial and general gas service:

<u>Service Charge</u> , per meter per month	\$1.00
<u>Commodity Charge</u> , to be added to Service Charge:	
First 2000 cubic feet per meter per month.....	\$1.50 per MCF
Next 3000 cubic feet per meter per month.....	1.25 " "
All over 5000 cubic feet per meter per month.....	1.00 " "

(6) Upon the filing of the contract-agreements, franchises and stipulations referred to in Conditions (1), (2), (3) and (4) above, this Commission will issue its supplemental decision authorizing the exercise by applicant of the rights and privileges granted to it under such franchises.

The effective date of this order, except as otherwise specifically provided, shall be from and after the date hereof.

For all other purposes, the effective date of this order shall be twenty (20) days from and after the date hereof.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 7th day of June, 1930.

Cl. Sauer
Spencer
Leon O'Connell
John B. Lewis
M. A. Linn
 Commissioners.