

CR.

Decision No. ✓.

ORIGINAL

Decision No. 3104

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

In the matter of the application
of VALLEY NATURAL GAS COMPANY for
a certificate that public conven-
ience and necessity require the
exercise by applicant of the
right and privilege to sell gas
for light, heat and power and all
other lawful purposes under that
certain franchise granted by the
Board of Supervisors of the Coun-
ty of Kern, State of California,
on the 11th day of December, 1915

Application

No. 2018.

Lilienthal, McKinstry & Raymond,
by Joseph Haber, Jr., for appli-
cant.

BY THE COMMISSION.

O P I N I O N

This is an application of C. B. COLBY to
assign a certain franchise granted by the Board of
Supervisors of the County of Kern to C. B. Colby
on the 11th day of December, 1915, to Valley Natur-
al Gas Company, a corporation, and of VALLEY NATUR-
AL GAS COMPANY, of Bakersfield, Kern County, for a
certificate that the present and future public con-

venience and necessity require, or will require, the construction and operation of a gas transmission and distribution system in Kern County, under a franchise granted by the Board of Supervisors of said County on December 11, 1915.

A hearing in this application was held at Bakersfield on January 21, 1916. Mr. C. B. Colby, president of the Valley Natural Gas Company, testified that it was the purpose of the company to construct a four-inch high pressure transmission line from the California Natural Gas Company's high pressure line near Rio Bravo northwesterly through the settlement known as Rosedale to the town of Wasco, and to construct laterals therefrom for the purpose of serving the inhabitants of Rosedale and Wasco and the farmers along the line with natural gas for light, heat and power.

For the first three miles after leaving Rio Bravo applicant states that it will have practically no revenue. The balance of the distance, however, is through agricultural territory and applicant expects to sell a large proportion of its gas to farmers for running gas engines used in irrigation. At the present time most of this territory is divided into private holdings of from 40 to 320 acres and is largely devoted to the raising of grain and alfalfa. Mr. Colby estimates that there are approximately 3,000 horsepower of gas engines located in this district which could be converted from distillate burning to natural gas burning at a cost of from \$3. to \$7. per engine.

The question of supplying this territory with natural gas has been investigated by other concerns and about one year ago a mutual company of farmers near Rio Bravo considered the matter but the project did not assume tangible form.

The present applicant has had the matter of supplying this territory under consideration for nearly a year. It has established a local office at Wasco and a representative has been soliciting business and obtaining applications for service from the farmers and residents in this section.

The company has obtained approximately 200 applications for service, including 2,000 horse-power in gas engines in addition to domestic supply. Gas for heating and cooking in this territory is in demand because of the high cost of wood and coal.

The company desires to commence construction immediately in order to be ready for the irrigation season beginning about April 1st. It is estimated by applicant that the construction of its line will take about thirty-five or forty days after the pipe is on the ground.

For a detailed explanation of applicant's proposed financing reference is hereby made to this Commission's decision in Application Number 2017, being application of Valley Natural Gas Company to issue stock.

~~Applicant has not been authorized to issue stock for the purpose of raising money to purchase gas from California Natural~~

N.M.

~~At last the company has been found~~

Applicant has entered into a twenty-year contract to purchase natural gas from California Natural Gas Company at the rate of ten cents per one thousand cubic feet on a basis of four once pressure above 14.4 pounds per square inch atmospheric pressure. Gas will be supplied at a pressure up to a maximum of 175 pounds per square inch at the point of delivery to the Valley Natural Gas Company and no pumping will be required.

The Company's proposed schedule of rates as filed with the Commission is as follows:-

Schedule "A"

Domestic Use

Character of Service:

The rates named herein apply to all residence lighting, heating and cooking.

Rates:

In any one calendar month

For	1,500 cu.ft. or less	\$1.50	
Next	3,500 cu.ft.	.80	per M. cu.ft.
Next	5,000 cu.ft.	.70	per M. cu.ft.
Next	10,000 cu.ft.	.60	per M. cu.ft.
Next	40,000 cu.ft.	.55	per M. cu.ft.
All over	60,000 cu.ft.	.50	per M. cu.ft.

Schedule "B"

Agricultural Power

Character of Service:

The rates named herein apply to all gas consumed by internal combustion engines in connection with farm operations.

Rates:

Demand Charge, per year \$12.00
Payable during first two months of season.

For 4000 cu.ft. or
less per horse po-
wer in any calendar
month

For all gas in ex-
cess of 4000 cu.
ft. per horse-pow-
er in any calendar
month

During the first two
consecutive months'
use in any calendar
year

\$.55 per M. cu.ft. \$.50 per M. cu.ft.

During the third and
fourth consecutive
months' use in any
calendar year

.50 per M. cu.ft. .45 per M. cu.ft.

During the fifth and
sixth consecutive
months' use in any
calendar year

.45 per M. cu.ft. .40 per M. cu.ft.

During any period in
excess of six consec-
utive months' use in
any calendar year

.40 per M. cu.ft. .35 per M. cu.ft.

The company's proposed rates for agricultural power service approximate those in effect in other territories where natural gas is supplied for gas engine operation.

The franchise under which the company desires to operate was granted to Mr. C. B. Colby on December

11, 1915, by the Board of Supervisors of Kern County and was transferred by Mr. Colby to Valley Natural Gas Company on December 12, 1915. It gives the Company the right to lay pipes for the transmission, distribution, and supplying of gas for light, heat, power and all other lawful purposes along a particularly described section of the county road connection ^{with} Wasco and Bakersfield, and the public roads and highways connecting or intersecting the highway above described or which connect or intersect any such connecting or intersecting highways, not to exceed 10 miles either way.

The franchise is granted for a period of fifty years and requires that after five years the company shall pay to the county two per cent. of its gross earnings. The cost of the franchise was the sum of \$50. and the company is under bond in the sum of \$250. for the faithful performance of its obligations.

There is no other gas company supplying gas in this territory and the only utility that may be considered as in any way competing is the San Joaquin Light & Power Corporation, which serves several pumping plants with electric power. However, the majority of plants in this territory are gas engine driven and it appears that there will be no real duplication of investment.

It further appears that the territory to be served will be benefited by the construction of the

gas distribution system and that public convenience and necessity will be served by the sale of natural gas in this territory. The application was not opposed and we are of the opinion that this application should be granted, subject, however, to the terms of the following order.

O R D E R

C. B. COLBY having applied to this Commission for permission to assign to the VALLEY NATURAL GAS COMPANY, a corporation, a certain franchise granted by the Board of Supervisors of the County of Kern to C. B. Colby on the 11th day of December, 1915, and Valley Natural Gas Company having applied to this Commission for a certificate that the present and future public convenience and necessity require, and will require, the construction of a gas transmission and distribution system in Kern County under a franchise granted by the Board of Supervisors of said county on December 11, 1915;

And a hearing having been held, and it appearing to this Commission that applicant's request is reasonable and should be granted,

IT IS HEREBY ORDERED that permission be, and the same is hereby, granted to C. B. Colby to assign

unto Valley Natural Gas Company, a corporation, that certain franchise granted by the Board of Supervisors of the County of Kern to C. B. Colby on the 11th day of December, 1915.

THE RAILROAD COMMISSION OF CALIFORNIA HEREBY DECLARES that public convenience and necessity require the exercise by Valley Natural Gas Company of the rights and privileges conferred by Ordinance No. 115 of the County of Kern, adopted December 11, 1915; provided that Valley Natural Gas Company shall first have filed with the Railroad Commission a stipulation, duly authorized by its Board of Directors, declaring that Valley Natural Gas Company, its successors and assigns, will never claim before the Railroad Commission or any court or other public body, a value for said rights and privileges in excess of the actual cost to Valley Natural Gas Company of acquiring said rights and privileges, which cost is represented by Valley Natural Gas Company to have been \$50., and shall have received from the Railroad Commission a supplemental order declaring that such stipulation, in form satisfactory to the Railroad Commission, has been filed with the Railroad Commission.

Dated at San Francisco, California, this 16th day of February, 1916.

Max Thelen
H. H. H. H. H.
Edwin A. Edgerton
Stanley R. H. H.
Commissioners.