

ORIGINAL

Decision No. 4640

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

In the Matter of the Application of
CENTRAL CALIFORNIA GAS COMPANY, a
corporation, for an order that here-
after a certificate will issue find-
ing that public convenience and nec-
essity will be subserved by the
exercise by Central California Gas
Company of franchises in the counties
of Kern, Tulare and Kings, for the
construction of a natural gas trans-
mission system extending from Hillman
Compressor Station of the Standard
Oil Company, located on section 36,
Township 31 South, Range 23 East, in
Kern County, north to Corcoran in
Kings County to Hanford in Kings
County and to Tulare in Tulare County,
said franchises having heretofore
been applied for.

Application

No. 2812

COMMISSIONERS LOVELAND AND DEVLIN:

SUPPLEMENTAL OPINION

On July 21st, 1917, the Commission issued its
opinion in the above entitled proceeding and pointed out
that, while the evidence heretofore introduced did not

warrant an order granting the application herein, the welfare of the communities served by petitioner was of such concern to the Commission that it was deemed proper to permit the filing of additional information. Thirty days were allowed within which time petitioner was to file certain specific data relative to the availability and cost of natural gas to petitioner, the cost of installing a natural gas line from Kern County, an estimate of probably cost of operation, an estimate of the amount of natural gas which could be sold, and a definite statement of the price at which petitioner proposes to sell natural gas. A portion of this information has been filed by petitioner in a fairly satisfactory form, and indicates several marked differences from the facts as alleged in the application. These differences may be summarized as follows:

TABLE I

Comparison between Prices and Figures
Set Forth in Application No. 2812
And Those Established in Compliance With
The Commission's Opinion Herein

<u>Item</u>	<u>Set Forth In</u> <u>Application</u>	<u>Result of</u> <u>Verification</u>
Availability and Cost of Natural Gas at Receiv- ing Plant in Kern County	8¢ per M. Cu. Ft.	No definite infor- mation. Possibly was available in May 1917, at an ap- proximate cost of 15¢ per M. Cu. Ft.
Length of Proposed Gas Transmission Line	48 Miles	40.6 Miles
Cost of Second hand 4" O.D. Casing, F.O.B. Porterville	18¢ per Ft.	40¢ per Ft.
200,000 Cu. Ft. Second hand Holder for Porterville	\$13,000.00	Not Obtainable
750,000 Cu. Ft. Second hand Holder for Visalia	\$35,000.00	Not Obtainable

Petitioner has failed entirely to show
that natural gas is available in the quantity required,
and has apparently been unable to obtain a price quotation
for natural gas to be supplied by Valley Natural Gas

company or by any other producer of that commodity.

While it is true that in May 1917, petitioner received a letter from Valley Natural Gas Company in which a tentative rate of 15 cents per thousand cubic feet was quoted, this letter clearly indicated that, in order to supply petitioner from its present transmission line, it would be necessary for Valley Natural Gas Company to discontinue the supply of natural gas to certain of its consumers in order to supply petitioner's needs.

There is nothing before the Commission at this time which would warrant the conclusion that natural gas is available to petitioner at any price, and this fact alone is sufficient justification for dismissing the application herein. In this connection it may be well to point out that the Commission could not reasonably be expected to grant the present application under conditions which would require in effect, the prejudging by the Commission of what its action would be in the event that petitioner should, at some future time, initiate proceedings to obtain a supply of natural gas.

Petitioner's estimate of the probable cost of installing the high pressure gas pipe line from a point in Kern County to the point of connection with petitioner's high pressure transmission system, was based upon the assumption that second hand pipe would be available for this work at a cost of 18 cents per foot, f.o.b. Porterville. The

actual quotations which petitioner secured in compliance with the Commission's Opinion herein, specified a price of 40 cents per foot, F.O.B. Porterville, for second-hand 4 inch O.D. casing. At least one of these quotations is subject to a satisfactory showing on the part of the petitioner, as to its ability to pay drafts against bills of lading as presented.

The two second-hand holders which petitioner claimed to be able to purchase and install for \$13,000.00 and \$35,000.00 respectively, were found, upon further investigation by petitioner, to be unobtainable. Petitioner suggested that a certain 200,000 cubic foot, second-hand holder might be obtainable, but that without a certificate of public convenience and necessity it would be useless to try to secure the same.

Petitioner has submitted a detailed estimate which sets forth that 323,032,200 cubic feet of gas can be sold by petitioner at an average rate of 91 cents per thousand cubic feet, and alleges that there is a demand and market for that quantity of gas within the territory tributary to petitioner's present system. Petitioner's estimates as to the probable demand for natural gas in the territory adjacent to its present system are apparently based upon the use of natural gas at Bakersfield. It should be unnecessary to point out that the amount of

gas which could be sold in any territory is dependent upon the heating value of the gas and upon the price at which it is available to the consumers. The top rate in Bakersfield is 70 cents per thousand cubic feet, and the average revenue during 1916 was somewhat less than 49 cents per thousand cubic feet. The rates which petitioner proposes to establish for natural gas in Tulare County varies from a top rate of \$1.50 per thousand cubic feet to 50 cents per thousand cubic feet where the monthly consumption exceeds 60,000 cubic feet. These rates, it is assumed by petitioner, will yield an average revenue of 91 cents per thousand cubic feet. In view of the facts herein stated, it must be at once obvious that the demand for natural gas in petitioner's territory, at the rates which petitioner proposes to establish, will be very much less than the average demand in Bakersfield where the established rates are approximately 50 per cent of those which petitioner proposes to establish.

If there were no other reason than that found in petitioner's own showing in this proceeding, the Commission could not do otherwise than dismiss the present application. However, since the Commission issued its Opinion herein, a receiver has been appointed by the Superior Court of Tulare County, which receiver

is directed to take possession of and operate the properties of Central California Gas Company.

On August 4, 1917 the Commission communicated with Mr. S. Mitchell, receiver, relative to the application herein, and under date of August 6, 1917 the Commission was advised by said receiver, through his attorneys, that he did not feel called upon to undertake to inaugurate such a radical change in the business of the company as contemplated in this application, that no funds are available to the receiver for such purpose, and that, even if the funds were available, he would not feel justified in taking the action contemplated in the application unless it clearly appeared that the immediate needs of the company required such action, and the people who have their money invested in the company request such action after obtaining the approval of the Commission.

In view of all the facts as hereinbefore set forth, we are of the opinion that the application herein should be dismissed, and we recommend the following form of order:

O R D E R

A public hearing having been held in the above entitled matter, and the same having been submitted and being now ready for decision,

IT IS HEREBY ORDERED that the above entitled action be and the same is hereby dismissed.

The foregoing opinion and order is hereby approved and ordered filed as the opinion and order of the Railroad Commission, State of California.

Dated at San Francisco, California, this 13th day of September, 1917.

Max Thelen

H. H. Loveland

Edwin O. Edgerton

Frank R. Devlin

Commissioners.