

Decision No. 7748

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE  
STATE OF CALIFORNIA

In the Matter of the Application )  
of the SANTA MARIA GAS COMPANY, )  
a corporation, for an Order )  
authorizing the abandonment of )  
certain gas service. )

Application No. 5675

Chickering and Gregory by  
Evan Williams for Appli-  
cant,

Chas. P. Kaetzel, for City  
of San Luis Obispo,

Albert Nelson, for certain  
consumers and protestants,

A. E. Campbell, for certain  
consumers.

BRUNDIGE, Commissioner:

O P I N I O N

This is an application by Santa Maria Gas Com-  
pany, a corporation organized to purchase and acquire the  
gas properties of the Midland Counties Public Service Cor-  
poration and the Santa Maria Gas and Power Company, seek-  
ing authority to abandon gas service on a certain portion  
of the eight inch natural gas transmission line to be pur-  
chased from the Midland Counties Public Service Corpora-

tion. It is proposed to remove that portion of said line between Betteravia Junction, Santa Barbara County, and the Avila Refinery of the Union Oil Company in San Luis Obispo County. A public hearing was held in San Luis Obispo on May 28, 1920, and the matter thereupon submitted.

The eight inch natural gas line of the Midland Counties Public Service Corporation runs in a northwesterly direction from the Santa Maria Oil Fields to a point about a mile east of the railroad station in the town of Oceano, thence westerly and northerly to the town of El Pizmo, where it furnishes the gas supply for local use. In passing Oceano a branch line is taken off to provide gas to the Halcyon Sanatorium, east of that town, and also other connections are made to serve the residence of T. O. Thompson and the residences of Soulier and Schafer. South of Oceano, the ranch house of Wm. H. Brintnall is served by this line. Between El Pizmo and a point on the State Highway in the vicinity of the site of the old Graciosa Oil Refinery known as Oil Port, there are eleven consumers receiving gas service directly from this line. These consumers are located in a very sparsely settled farming district along the highway, and are quite uniformly separated over a distance of four miles.

In the event of the removal of the Midland Counties gas line, arrangements have been made for supplying gas to the towns of Pizmo and Avila, now served by this line, from connecting lines to be laid from the Union Oil

Company's six inch gas line which runs through these towns. Ultimately it would be the intention of Santa Maria Gas Company to lay a line to Pismo from its gas transmission line, which supplies San Luis Obispo.

Just east of the town of Oceano is a settlement known as Halcyon, now supplied from the Midland Counties line. To supply the Halcyon Sanatorium from the lines of the Santa Maria Gas and Power Company would require laying 8720 feet of pipe along county roads. This sanatorium, established by Dr. W. H. Dower, is conducted in connection with a religious organization known as The Temple of the People. Members of this organization from various parts of the country frequently visit here for medical treatment. Gas is used in the building for domestic purposes for heating and cooking. It has been urged by a number of parties interested in the success of this institution that the discontinuance of gas service would inflict a serious hardship upon the welfare of the organization. At the hearing in the proceeding, a plan was submitted for the laying of a branch pipe from the line of the Santa Maria Gas and Power to Oceano and thence to Pismo. This contemplated the crossing of private property and following straight courses in order that a minimum amount of pipe be required, the total distance being 26,840 feet. Inspection of the territory by the Commission's engineer was made, and it was found that in the event of laying such a line it should be placed along public roads in order to provide a proper location and to provide for possible future additional consumers. The

distance in this case would be 28,360 feet, or 1,520 feet more than by the first route. It was the purpose of the suggested plan of laying the line that service could be continued to the sanatorium and adjacent consumers, and also rendered to residents of Oceano, in addition to supplying the town of Pismo. Surveys made by the Santa Maria Gas Company along a route direct from its meter station in Arroyo Grande to Pismo for supplying the latter show that only 21,000 feet of pipe would be required, or a saving of 7,360 feet compared with the above route along public roads for serving Pismo via Oceano. A petition was presented in this matter bearing fifty-five signatures, protesting against the abandonment of the gas line, and requesting service to residents of Halcyon and Oceano, and indicating a willingness upon the part of the petitioners to advance the sum of \$1,675.00 in prepayment of gas.

Further investigation shows that, in order to serve these petitioners, it would be necessary to lay, in addition to the above-mentioned main lines, more than 19,000 feet of distributing mains. The total cost of a system to serve Oceano and Halcyon and deliver gas to Pismo, as proposed by the engineer representing the first two communities, would be approximately \$15,700.00 more than that required to install a direct connection from the present Santa Maria Gas Line at Arroyo Grande to Pismo.

The revenue to be derived from these consumers would probably amount to a gross figure of less than \$1,300.00 per annum, with actual operating costs of about \$1,125.00, leaving a net return of \$175.00, far from suf-

ficient to pay any appreciable return.

That portion of the Midland Counties Public Service Corporation's eight inch line, for which permission is being asked to abandon, is providing service to a total of fifteen consumers. During the year 1919 these patrons used 435,300 cubic feet of gas for which they paid \$225.70, and during the first four months of 1920 they used 292,500 cubic feet at a cost of \$146.84, at the rate of 50¢ per M. cubic foot. The length of line which it is proposed to remove is 120,000 feet, or nearly twenty-three miles. The salvage value of this pipe is \$108,000.00 and may be considered as a minimum basis of investment when determining the cost of service. The sales to consumers along this line, based upon the experience of the first four months of 1920, indicate a total for the year of 877,500 cubic feet. Operating expenses, including an allowance for depreciation and return upon the investment, would amount to \$16,040.00.

If this amount were to be paid in rates by consumers along the line, the average rate would be \$18.30 per thousand cubic feet. On the other hand, if a rate of \$1.50 per thousand feet was established, there would remain a deficit of \$14,725.00 to be absorbed by the remainder of the Santa Maria Gas Company's consumers. It is, therefore, apparent that the continued operation of this eight inch line, which has no useful purpose except to supply these fifteen consumers, cannot, in itself, provide any return upon the investment, and, if maintained, would place an unfair burden upon the balance of the system, to whose service it is entirely unnecessary,

If maintained in service, this line constitutes a duplication of facilities not required by the consolidated company.

The serving of domestic consumers from a high pressure gas transmission line has never been recognized as good practice, and such service was assumed in this case largely to obtain right-of-way grants. Inasmuch as the consumers receiving gas service from this line are located in an extremely sparsely settled farming community, which does not enjoy other benefits which can be expected only in more closely populated localities, and because the continuance of operation of this line would either require the charging of exorbitant rates, or put an unjust burden upon other consumers of the company, it is believed this incidental domestic gas service is unwarranted.

The fifteen consumers now receiving gas from this eight inch line have incurred considerable expense in installing piping and gas appliances. As the discontinuance of gas service to them would render all of their gas equipment valueless, they should, therefore, be reimbursed to the extent of the reasonable value of their gas equipment upon the discontinuance of this service.

I submit the following form of Order:

#### O R D E R

Santa Maria Gas Company having applied to the Railroad Commission for authority to abandon and discontinue service upon a certain eight inch natural gas transmission line between Betteravia Junction and Avila, a hearing hav-

ing been held and the matter submitted and being now ready for decision, the Railroad Commission of the State of California hereby finds as a fact that the continuance of operation of this natural gas line would place upon Santa Maria Gas Company an unjust and unfair burden, and, further, that the maintenance of this line is not required in the proper operation of applicant's system for providing gas service to its consumers other than the fifteen supplied from the portion of this line between Betteravia Junction and Avila above referred to.

Based upon the foregoing findings of fact, and other findings of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED, That Santa Maria Gas Company be, and it is hereby authorized to abandon gas service to the fifteen consumers hereinbefore referred to, along the aforementioned natural gas line between Betteravia Junction and Oil Port, upon the acquisition by Santa Maria Gas Company of the gas properties of Midland Counties Public Service Corporation and Santa Maria Gas and Power Company;

PROVIDED, Santa Maria Gas Company shall serve notices of discontinuance of service at least thirty days prior to abandonment of gas service to such consumers as are thereby affected, and, further

PROVIDED, Santa Maria Gas Company shall reimburse all such consumers, whose service is discontinued,

to the extent of the reasonable value of their gas appliances and fixtures, and further,

PROVIDED, Santa Maria Gas Company shall, by appropriate method, reinvest in the original owners or their successors in interest, all of its titles, rights and interests in the rights-of-way and easements now occupied by the natural gas line to be abandoned.

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  
19<sup>th</sup> day of June, 1920.

Edwin C. Edgerton  
H. D. Loveland  
Wm. R. Henry  
H. H. Bourdige  
Deering Martin  
Commissioners.