

**ORIGINAL**

Decision No. 28178

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
GAS FUEL SERVICE COMPANY, a corporation,  
for a Certificate of Public Convenience  
and Necessity authorizing it to construct  
and operate the gas distribution systems  
herein described, and to exercise the  
franchises which it contemplates acquiring  
from the Counties of Kings and Fresno,  
California.

Application No. 18672.

In the Matter of the Application of COAST  
COUNTIES GAS AND ELECTRIC COMPANY, a cor-  
poration, for a Certificate that the public  
convenience and necessity requires the con-  
struction by applicant of an extension of  
its gas system into Fresno County and the  
service of natural gas to the inhabitants  
thereof.

Application No. 18739.

In the Matter of the Application of WEST  
SIDE NATURAL GAS COMPANY, a corporation,  
for a Certificate that the public con-  
venience and necessity requires the exer-  
cise by applicant of franchise privileges  
in certain territory in Kings County and  
the service of natural gas to the inhabi-  
tants therein.

Application No. 18746.

John A. Dundas, G. Everett Miller, and  
H. A. Savage for Applicant Gas Fuel Service  
Company.

Pillsbury, Madison and Sutro, by Hugh Fullerton,  
for Applicants Coast Counties Gas and Electric  
Company and West Side Natural Gas Company.

C. P. Cutten for Pacific Gas and Electric Company  
and San Joaquin Light and Power Corporation.

H. A. Savage, for San Joaquin Valley Agricultural  
Power Users Association.

J. J. Deuel and L. S. Wing, for California Farm  
Bureau Federation and for Kings County Board of  
Supervisors.

T. J. Reynolds and L. T. Rice for Southern  
California Gas Company.

WHITSELL, COMMISSIONER:

O P I N I O N

On January 23, 1933, Gas Fuel Service Company, a California corporation, filed Application No. 18672 asking the Commission for an order certifying that public convenience and necessity require and will require the construction and operation of a natural gas transmission and distribution system for the service of natural gas to the agricultural power users in Fresno and Kings Counties and to exercise franchise rights which it contemplates acquiring from said Counties.

An amended application was filed on May 10, 1933, which, in effect, eliminated the proposed intermediate transporting pipeline company, increased the number of directors from five to seven, changed the proposed service from "Water Lifting Service" to "Gas Engine Service" and reduced the proposed rate therefor.

On March 1, 1933, Coast Counties Gas and Electric Company, a California corporation, filed Application No. 18739 asking the Commission to issue its certificate that public convenience and necessity require applicant to construct and operate an extension of its natural gas system into Fresno County.

On March 7, 1933, West Side Natural Gas Company, a California corporation, filed Application No. 18746, asking the Commission to issue its certificate that public convenience and necessity require the enlargement of certificate rights granted by Decision No. 23612, dated April 20, 1931, and particularly to exercise franchise rights granted by Ordinance 146 of the County of Kings in the areas generally contiguous to the towns of Avenal and Kettleman City and to certain pipe lines of the Standard Oil

Company of California.

Southern California Gas Company, a California corporation, entered an appearance and complaint protesting the granting of a certificate to Gas Fuel Service Company and claimed the right to serve natural gas to consumers of Kings and Fresno Counties under a certificate granted to it by the Commission in its Decision No. 21368 dated July 10, 1929.

Public hearings were held in Los Angeles on March 28, 1933, and in Hanford on April 14 and 15 and May 10 and 11, 1933, at which time the matters herein were submitted and are now ready for decision.

The foregoing applications were consolidated for the purpose of hearing and decision.

GAS FUEL SERVICE COMPANY:

The evidence adduced on the part of Gas Fuel Service Company may be succinctly stated as follows:

About three years ago the individuals who later organized this company owned approximately 1,500 acres of potential oil and gas lands in what is known as the Dudley Ridge Area in Kings County. The owners of this land organized the Kettleman Lakeview Gas and Oil Company for the development of their properties. Up to date they have three wells on these properties producing dry gas at a pressure of 510 pounds per square inch with a B.t.u. content of 1,012, the average cost per well being approximately \$10,000. Witnesses for applicant estimated the daily production of these wells to be approximately 20,000,000 cubic feet over a period of twenty years. The Company sells under contract 1,000,000 cubic feet per day to Pacific Gas and Electric Company and small quantities of gas to others in the vicinity of the wells.

In an effort to find a market for gas over the require-

ments of the contracts already entered into the owners organized the Gas Fuel Service Company and entered into an active survey to determine the probable extent of the sale of gas among the farmers of Kings and Fresno Counties who at the present time use electric power for irrigation purposes. This survey resulted in the filing of this application.

Applicant proposes to construct an 8-inch gas pipe line running from the wells of the Kettleman Lakeview Oil and Gas Company in the Dudley Ridge Area in a northerly direction for a distance of approximately thirteen miles to a point approximately three miles southwest of the town of Stratford and from this point applicant will construct a 6-inch pipe line which will run in a northwesterly direction for approximately seventy miles to a point approximately ten miles south of the community of South Dos Palos. In addition to the above transmission lines applicant intends to construct thirty-one miles of 4-inch gas pipe line in the area known as "Tulare Lake" in Kings County and thirty-eight miles of 3-inch gas pipe line in the Fresno County District. Connections from all of the above gas pipe lines will be made by means of 2-inch laterals.

In addition to the supply of gas obtained from the wells of the Kettleman Lakeview Oil and Gas Company, applicant has verbal assurances of additional gas, when needed, from producers in the Kettleman Hills District.

In the Kings County territory applicant proposes a flat commodity charge of 16 cents per 1,000 cubic feet, with an annual minimum charge to be computed at the rate of \$3.60 per active rated horsepower of connected load per annum, payable in equal monthly installments.

In the Fresno County territory applicant proposes a flat commodity charge of 17 cents per 1,000 cubic feet, with the same minimum charge as in the Kings County territory.

Many witnesses appeared on behalf of the applicant and testified that it is not economically feasible to use electric power for irrigation pumping purposes at the rates now charged by the electric utilities serving the areas involved in this application and that the farmers are insistent in their demand that a cheaper source of power be made available; that natural gas can be supplied for pumping of irrigation waters which will result in an over-all saving to the consumer of from one-third to one-half the present costs paid by said consumers. Several farmer witnesses testified that they could personally finance the necessary gas engine facilities in the event the application is granted and they receive gas service.

It developed that there are approximately eighty-one potential gas users in this entire area with a load approximating 50,000 horsepower. Witnesses for the applicant testified that eighty per cent of the power users in this territory have expressed their willingness and intention to receive gas service in the event the Company receives the necessary authorization.

Engineers and officials for the applicant Company testified that this Company is to be farmer owned, controlled and managed, it being understood and agreed that the stock issued and to be issued shall be pooled under an agreement that at least five of the seven directors shall be farmer-consumers of this Company, said pooling agreement to terminate, if at all, when said Company has been fully reimbursed out of dividends for all capital outlay.

Evidence was also introduced to the effect that the National Supply Company of California has agreed to supply the consumers of this Company with all the necessary gas engine equipment and installation upon a payment of one-fourth down and the balance to be deducted yearly from the "savings effected," said "savings effected" to be figured on the difference in power bills based upon the consumption of gas at the rates proposed by applicant as compared with the present cost of electrical power to the same consumers.

The Gas Fuel Service Company estimates the cost of installing its proposed transmission and distribution lines at approximately \$680,861. Three of the Company's witnesses testified that they personally were in a position to invest in the project amounts aggregating \$200,000 and that if the application is granted they would so invest such sums forthwith to enable construction to commence at once. They testified further that they would accept common stock in payment for such advances and that no common stock would be issued to them for promotion purposes.

As to the financing of the balance of the construction cost, the record shows that negotiations were being had with National Supply Company of California with the end in view of having that Company install the lines upon a deferred payment basis. A letter from the Company dated May 9, 1933, read into the record, indicates that under certain conditions it may proceed with the installation upon the payment of 25 per cent of the cost at once and of 75 per cent within a reasonable period. The record is not clear when such balance is to be paid, final arrangements apparently not having been made, but it seems to be applicant's desire to obtain such an amount over and above the initial \$200,000 from the earnings from operations over a period of years. As an alternative, should no arrangement be

consummated with the National Supply Company of California, it appears from the testimony that those interested in the organization of applicant and of Kettleman Lake View Oil and Gas Company possibly could and would finance the entire estimated cost themselves. No final agreements had been made along either line at the time of hearing.

Gas Fuel Service Company does not in this application ask permission to issue any stock or evidences of indebtedness. The order herein does not authorize the Company to issue any stock nor should it be construed as an approval of any proposed financing. The Company's representatives no doubt are aware of the provisions of the Public Utilities Act in regard to the issuance of stock or evidences of indebtedness. I desire to put the Company on notice that the Commission does not look with favor on the issue of no par stock for less than \$25 per share, nor does it believe that any undue charges in the form of interest or principal payments or contingent charges in the form of preferred stock dividends should be imposed on the Company.

COAST COUNTIES GAS AND ELECTRIC COMPANY:

Mr. Charles Grunsky, Chief Engineer for the applicants Coast Counties Gas and Electric Company and West Side Natural Gas Company, appeared as a witness and his testimony may be summarized as follows:

Applicant, Coast Counties Gas and Electric Company, is at present serving natural gas in the area centering about the communities of Gustine, Los Banos, Dos Palos and South Dos Palos, in Merced County, and proposes to extend its natural gas system to that portion of Fresno County contiguous to the pipe lines of the Standard Pacific Gas Line, Inc., Coast Natural Gas

Company and Standard Oil Company of California, and serve gas from these lines to consumers within Fresno County under rates now on file with the Commission, said gas to be served to supply all fuel requirements, domestic, commercial and industrial, within the proposed area. He testified that applicant has agreements with gas producers guaranteeing a sufficient supply of gas to meet all requirements and that the average rates under which it proposes to serve gas for agricultural pumping purposes in this territory would be 25 cents per 1,000 cubic feet, approximately 8 cents per 1,000 cubic feet higher than the proposed rates of the Gas Fuel Service Company; (1) that the gas proposed to be served by his Company is of that heat content approximating 1,200 B.t.u., while the gas of the Gas Fuel Service Company has a heat content of only 1,012 B.t.u. He testified further that gas can be served by his Company under its rates, which will effect a saving of approximately 50 per cent to the farmers under the electric rates now being paid these consumers. From surveys made on behalf of his Company he testified that public convenience and necessity require the granting of the certificate and that applicant, sometime prior to January 1, 1933, solicited

NOTE (1)

The following is a comparison between the rate for Gas Engine Service now on file by Coast Counties Gas and Electric Company and the rate (5cents lower) that it proposes for Fresno County:

Consumption	Rate per 1,000 Cu.Ft.	
	Schedule No.4	Proposed Rate
First 100,000 cu.ft. per meter per month,	\$ .40	\$ .35
Next 400,000 cu.ft. per meter per month,	.35	.30
Next 500,000 cu.ft. per meter per month,	.30	.25
Over 1,000,000 cu.ft. per meter per month,	.25	.20
<u>Minimum Charge:</u>		
April to October, inclusive,	\$5.00 per meter per month, but not less than 25 cents per month per H.P. of connected load.	
November to March, inclusive,	\$1.00 per meter per month.	



business from at least one consumer in the proposed service area, but without success.

He also testified that applicant, West Side Natural Gas Company, now serves natural gas to consumers in Taft, Maricopa, Fellows, Avenal and Kettleman City and is asking authority to serve that territory on the east and west flanks of Kettleman Hills and along the Standard Oil Company's oil pipe line from a point adjacent to Corcoran north to the Fresno County boundary line; that the proposed rate for this area is 25 cents per 1,000 cubic feet, the same as the proposed Coast Counties Gas and Electric Company rate; that the heating values of the gas used vary from 950 to 1,050 B. t. u. per cubic foot and that no solicitation has been made in this area.

SOUTHERN CALIFORNIA GAS COMPANY:

Mr. T. J. Reynolds, Vice President and General Counsel, and Mr. F. M. Banks, General Superintendent in Charge of Sales, both representing Southern California Gas Company, testified that surveys had been made that indicated that it would not be feasible for said utility to extend its service of natural gas to agricultural power consumers in Kings or Fresno Counties unless a substantial number of prospective consumers (something approaching 80 per cent) could be signed up to take service; that thus far the utility had been unable to secure the signatures of enough of said consumers to guarantee to it what it considered a reasonable return on the investment involved; that its estimates were based upon its presently filed Schedules Nos. E-6 and E-7; (2)

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Note (2): (See following page)

Note (2):

Schedules E-6 and E-7 of Southern California Gas Company are higher rates than the rates proposed by applicant, Gas Fuel Service Company. They cover the service of natural gas for internal combustion engines in Southern California Gas Company's Rate Districts 40, 41, 42, 43 and 45, San Joaquin Valley Division, including the Cities of Hanford, Lemoore, Visalia, Tulare, Exeter, Lindsay, Porterville, Kingsburg, Reedley, Dinuba, Parlier, Corcoran and the communities of Orosi, Armona, Caruthers, Cutler, Riverdale, Strathmore and Sultana and territory adjacent thereto, traversed by natural gas mains, where capacity of mains is sufficient to supply demands without detriment to existing service.

The rates are as follows:

Schedule E-6:

Demand Charge per Active Rated Horsepower per month,.....30¢

Commodity Charge (To be added to Demand Charge):

First 3,000 Cu.Ft.per Active Rated H.P.per Mo. 2.0¢ per 100 Cu.Ft.  
Over 3,000 Cu.Ft.per Active Rated H.P.per Mo. 1.7¢ per 100 Cu.Ft.

Minimum Charge:

From May to October, Inclusive:

For 15 Active Rated H.P. or Less, \$4.50 per Meter per Month  
Over 15 Active Rated H.P. Demand Charge as Above.

From November to April, Inclusive:

\$1.25 per Meter per Month.

Schedule E-7 (Optional with Schedule E-6):

First 50,000 Cu.Ft. per Meter per Month, 4.0¢ per 100 Cu.Ft.  
Next 50,000 Cu.Ft. per Meter per Month, 3.0¢ per 100 Cu.Ft.  
Next 50,000 Cu.Ft. per Meter per Month, 2.5¢ per 100 Cu.Ft.  
Over 150,000 Cu.Ft. per Meter per Month, 2.2¢ per 100 Cu.Ft.

Monthly and Annual Quantity Discounts:

Less Monthly Discount of thirty (30) per cent on the amount billed monthly under the above schedule, in excess of the following, and less Annual Quantity Discount of fifteen (15) per cent on the amount of the aggregated twelve (12) months' consecutive billings, under the above schedule less Monthly Discount, in excess of the following:

<u>Rated Connected Horsepower of Installation</u>	<u>Monthly Discount 30% In Excess of Monthly Billing of Cu.Ft./H.P./Meter</u>	<u>Annual Discount 15% In Excess of Twelve Times Monthly Billing of Cu.Ft./H.P./Meter</u>
Up to 30 H.P.	600	600
31 to 60 H.P.	1,100	1,100
61 to 90 H.P.	1,800	1,800
91 to 120 H.P.	1,900	1,900
121 to 160 H.P.	2,300	2,300
161 to 220 H.P.	2,400	2,400
221 to 300 H.P.	2,900	2,900
Over 300 H.P.	3,000	3,000

Minimum Charge (Not Subject to Discount):

From May to October, Inclusive, \$5.00 per Meter per Month.  
From November to April, Inclusive, \$1.00 per Meter per Month.

that said utility did exercise its certificates in Kings and Fresno Counties in the laying of transmission lines to serve its San Joaquin Valley Division and for the transportation of Pacific Gas and Electric Company gas to Fresno; that Southern California Gas Company does not desire to serve agricultural power consumers in that portion of Fresno County covered in the application of Gas Fuel Service Company for the reason that said area is too far from the lines of said Southern California Gas Company, but that it is desirous of serving in the Tulare Lake Bed area of Kings County.

I feel that a certificate not exercised in any particular territory or to any particular class of consumers is not entitled to protection from the Commission after a newcomer, able and willing to render service, has entered the field. A utility not exercising a certificate should be placed in the same category as a utility without a certificate when competition comes knocking at the door. Certificates are granted to be exercised pursuant to a showing of convenience and necessity and when a utility possesses a certificate which grants it the right to serve a territory it should proceed with due diligence to exercise the same within a reasonable time and the utility which has failed to render service its certificate has no just cause for complaint when the Commission allows a vigilant and persuasive utility to enter the field.

The granting of a certificate to applicant will undoubtedly affect the revenue of electric service in this territory. This, however, is not a new situation, as gas has been invading the electric field for a number of years and the electric utilities have been forewarned. In fact the major electric company in this territory also distributes gas. This Commission will not permit a utility handling two sources of service to stifle the development of the cheaper one. The consumers in this farming district are entitled to any and all financial relief that may accrue to

them through this medium of lower priced power.

It is evident from the record that more than one certificate should not be granted for the service of natural gas to the agricultural power users in the territory involved. The applications of Coast Counties Gas and Electric Company and West Side Natural Gas Company will be denied.

I recommend the following form of Order:

O R D E R

Gas Fuel Service Company, Coast Counties Gas and Electric Company and West Side Natural Gas Company having applied to this Commission for certificates of public convenience and necessity authorizing the exercise of franchise rights and the construction of natural gas transmission and distribution systems, all as set forth in these applications, Southern California Gas Company having entered a complaint protesting the granting of a certificate to Gas Fuel Service Company, said applications and complaint having been consolidated for hearing and decision, public hearings having been held thereon, the matters being 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 Gas Fuel Service Company of the rights and privileges granted to it under the franchises which it contemplates securing from the Counties of Kings and Fresno, the construction and operation of the natural gas transmission and distribution systems and the service of natural gas under rates, all as set forth in its amended Application No. 18672, provided that:

- (1) The Railroad Commission may hereafter, by appropriate proceedings and orders, revoke or limit,

as to territory not then served by Gas Fuel Service Company, or its successors in interest, the authority herein granted.

- (2) Gas Fuel Service Company file with this Commission certified copies of the franchises it secures from the Counties of Kings and Fresno.
- (3) Gas Fuel Service Company file with this Commission a stipulation duly executed on authority of its Board of Directors agreeing that it will never claim for either of these franchises a value in excess of the actual cost thereof.
- (4) Upon the filing of the franchises and stipulation referred to in paragraphs (2) and (3) above, in the proper form, the Commission will issue its supplemental order authorizing the exercise of the rights conferred by such franchises. Said franchises and stipulation shall be filed on or before October 1, 1933.

IT IS HEREBY FURTHER ORDERED that the applications of Coast Counties Gas and Electric Company and West Side Natural Gas Company be and they are hereby denied.

IT IS HEREBY FURTHER ORDERED that the complaint of Southern California Gas Company be and it is hereby dismissed.

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

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 21<sup>st</sup> day of July, 1933.

C. C. Seaver  
Leon Auldred  
W. J. Carr  
M. S. Harris  
W. J. Seaver  
Commissioners.