

Decision No. 80882

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
NATURAL GAS CORPORATION OF CALIFORNIA

and

PACIFIC GAS AND ELECTRIC COMPANY
for an order of the Railroad Commis-
sion authorizing the former to sell,
transfer and convey to the latter the
properties and rights mentioned in a
certain agreement entered into by ap-
plicants under date of October 26,
1937.

ORIGINAL

Application No. 21549

Pillsbury, Madison and Sutro, by Hugh Fullerton,
for Natural Gas Corporation of California.
R. W. DuVal, for Pacific Gas and Electric Company,
W. U. Goodman, City Attorney for the City of Fairfield.
W. M. Hume, for the City of Vacaville.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Railroad Commission is asked to enter its order authorizing Natural Gas Corporation of California to sell its land, buildings, franchises, gas holders, gas mixing plants and gas distribution systems located in the cities or towns of Rio Vista, Fairfield, Suisun, Vacaville and Isleton and adjacent territory, to Pacific Gas and Electric Company pursuant to the terms of the agreement dated October 26, 1937 filed in this proceeding as Exhibit A.

The Commission is also asked to enter its order authorizing Pacific Gas and Electric Company:

1. To make effective in said cities or towns of Rio Vista, Vacaville, Suisun, Fairfield and Isleton and adjacent territory the filed rules and regulations of the Pacific Gas and Electric Company governing gas service;

2. To continue in force and effect and charge and collect from customers in said cities or towns of Isleton, Rio Vista, Fairfield, Suisun and Vacaville for butane-air gas service, the rates of Natural Gas Corporation of California now on file with the Railroad Commission and applicable thereto;

3. To file and make effective for the service of butane-air gas in the Town of Isleton a schedule of rates and charges set forth in Exhibit No. 1 attached to the supplemental petition filed in this proceeding;

4. To make and construct such additions and betterments to its own natural gas transmission system in Solano County and to the systems to be acquired from Natural Gas Corporation of California as will enable Pacific Gas and Electric Company to furnish and supply straight natural gas service to the residents

and inhabitants of, and industries situated in said cities or towns of Rio Vista, Fairfield, Suisun and Vacaville, and territory adjacent thereto; and that the Railroad Commission issue a certificate declaring that the present or future public convenience and necessity require or will require the making by Pacific Gas and Electric Company of said additions and betterments, and the use by it of the lands and the exercise of all permits, easements and franchises which may be used or useful in connection with said natural gas service;

5. When and as the butane-air gas service supplied to customers in said cities or towns of Rio Vista, Fairfield, Suisun and Vacaville shall have been superseded by straight natural gas service, to file or make effective for natural gas service in said cities or towns, the rates (including the special conditions) set forth and contained in the schedules comprising Exhibit No. 2, attached to the supplemental petition filed in this proceeding;

6. Upon the filing and making effective of the rates set forth in said Exhibits No. 1 and No. 2 to withdraw and cancel the filed schedule of rates of Natural Gas Corporation of California presently applicable to the service of butane-air gas in said cities or towns of Isleton, Rio Vista, Fairfield, Suisun and vacaville;

7. To amortize over a five year period commencing with the second year of natural gas service the historical cost (less accrued depreciation and recoverable salvage) of the butane-air mixing equipment and incidental facilities located in the said cities or towns of Rio Vista, Fairfield, Suisun and Vacaville which will be rendered nonoperative by the introduction of natural gas service in said communities.

It is of record that under the authority granted by Decision No. 29873 dated June 21, 1937 in Application No. 21217 the Pacific Gas and Electric Company has carried to completion and has placed in operation the major portion of the natural gas pipe line project described in said decision and in said Application No. 21217 and now has installed and in operation high pressure natural gas mains in territory immediately adjacent to said cities or towns of Rio Vista, Fairfield and Suisun and a high pressure gas main approximately nine miles from the City of Vacaville. These mains are now transporting natural gas obtained from the Rio Vista field for use by Pacific Gas and Electric Company in supplying gas service to its customers in a portion of its North Bay Division and other areas.

The Railroad Commission by Decision No. 22564 dated June 23, 1930 in Application No. 16116, as amended by supplemental orders in that

application authorized Natural Gas Corporation of California to construct and operate plants and systems for the service of mixed liquefied natural hydro-carbon gas of 550 British thermal units, in said cities or towns of Suisun, Fairfield, Vacaville, Rio Vista and Isleton.

The Commission by its order also authorized the company to exercise the rights and privileges granted by the following franchises:-

| <u>Grantor</u> | <u>Ordinance Number</u> | <u>Date Passed</u> |
|----------------|-------------------------|--------------------|
| Fairfield | 96 | Feb. 4, 1930 |
| Rio Vista | 102 | July 17, 1930 |
| Suisun | 190 | Aug. 5, 1930 |
| Vacaville | 239 | Jan. 7, 1930 |
| Isleton | 62 | July 7, 1930 |

The testimony shows that the Natural Gas Corporation of California also holds a franchise from Solano County passed by the Board of Supervisors on March 2, 1931 and a franchise granted by the Board of Supervisors of Sacramento County granted by Ordinance No. 213, passed February 16, 1931. It does not appear that the Commission has granted the company a certificate of public convenience and necessity to exercise the rights and privileges granted by the two county franchises in territory adjacent to Isleton, Rio Vista, Suisun, Fairfield and Vacaville. As indicated, the Pacific Gas and Electric Company asks that it be granted a certificate of public convenience and necessity to exercise the rights and privileges granted to Natural Gas Corporation of California by the said franchises.

The following tabulation shows the reported cost of the plants of Natural Gas Corporation of California which are the subject matter of this application as of October 31, 1937, the date when they were placed in operation, the number of services and the number of active meters on October 31, 1937:-

| Name of Plant | :Cost of Plants: | Date when | :No. of Ser- | :No. of active |
|-------------------|------------------|------------------|--------------|----------------|
| | :Exhibit No. 1 | :plant was put: | vices(Ex- | meters(Ex- |
| | : | :in operation | :hibit 6) | :hibit 6) |
| Isleton | :\$ 58,497.26 | : Dec. 8, 1930 | : 208 | : 155 |
| Rio Vista | : 70,472.81 | : Dec. 2, 1930 | : 278 | : 199 |
| Suisun-Fairfield: | 102,890.91 | : Nov. 17, 1930: | 423 | : 219 |
| Vacaville | : 81,688.90 | : Oct. 18, 1930: | 358 | : 232 |
| Total | :\$313,549.88 | : | : 1267 | : 805 |

The reserve for depreciation applicable to the several plants is in Exhibit No. 1 reported at \$43,912.58. The aggregate cost of \$313,549.88 includes \$52,213.28 reported as development costs and \$10,228.34 of Standard Management and Operating Company fees paid on the original construction. The amount reported under development costs in our opinion represents operating losses, and should not be included as a charge to fixed capital accounts. In Decision No. 30304 dated November 8, 1937 in Application No. 21507 the Commission in authorizing the merger of Natural Gas Corporation of California and Coast Counties Gas and Electric Company did not authorize the survivor corporation to issue stock against the development cost. The fees paid the Standard Management and Operating Company were in Application No. 21507 deducted by the applicants in that application and should not now be reinstated.

A review of the record leads us to conclude that the charges to fixed capital accounts on the records of the Pacific Gas and Electric Company, if it acquires the aforesaid properties, should not exceed \$264,920., and that the reserve for accrued depreciation applicable to such properties aggregates \$43,237.00. The two amounts are segregated in Table No. 1 following:-

Table No. 1

| Fixed Capital Account | Isleton | | Sys. less Isleton | | System | |
|--|-------------|------------|-------------------|-------------|--------------|-------------|
| | Fix.Cap. | Reserve | Fix.Cap. | Reserve | Fix.Cap. | Reserve |
| <u>INTANGIBLE</u> | \$ | \$ | \$ | \$ | \$ | \$ |
| 301-Organization | : 2,500. | : - | : 11,250. | : | : 13,750. | : |
| 302-Franchises | : 105. | : | : 420. | : | : 525. | : |
| 303-Misc.Intangible | : 361. | : | : 713. | : | : 1,074. | : |
| Total Intangible | : 2,966. | : | : 12,383. | : | : 15,349. | : |
| <u>TANGIBLE</u> | | | | | | |
| 311-Land | : 1,771. | : | : 7,490. | : | : 9,261. | : |
| 312-Production Structures | : 4,885. | : 747. | : 14,543. | : 2,225. | : 19,428. | : 2,972. |
| 314-Gas Production Equipt. | : 15,527. | : 3,542. | : 46,298. | : 10,560. | : 61,825. | : 14,102. |
| 315-Gas Storage Equipment | : 4,338. | : 327. | : 11,248. | : 847. | : 15,586. | : 1,174. |
| 316-Misc.Production Equipt | : 24. | : 5. | : 362. | : 83. | : 386. | : 88. |
| 355-Distribution Mains | : 12,096. | : 1,851. | : 71,990. | : 11,014. | : 84,086. | : 12,865. |
| 357-Services | : 4,758. | : 1,085. | : 32,772. | : 7,476. | : 37,530. | : 8,561. |
| 358-Consumers' Meters | : 2,286. | : 350. | : 15,907. | : 2,434. | : 18,193. | : 2,784. |
| 361-Misc.Distrib.Equipt | : 177. | : 64. | : 1,003. | : 362. | : 1,180. | : 426. |
| 377-General Office Equipt. | : | : | : 734. | : 265. | : 734. | : 265. |
| 383-Gen'l Transport.Equipt | : | : | : 1,237. | : | : 1,237. | : |
| 399-Donations | : | : | : (12.) | : | : (12.) | : |
| Total Tangible | : 45,862. | : 7,971. | : 203,572. | : 35,266. | : 249,434. | : 43,237. |
| Total Fixed Capital | : 48,828. | : 7,971. | : 215,955. | : 35,266. | : 264,783. | : 43,237. |
| Constr.work in progress | : 5. | : | : 132. | : | : 137. | : |
| Fix.Cap.plus Const.Work in Progress..... | : \$48,833. | : \$7,971. | : \$216,087. | : \$35,266. | : \$264,920. | : \$43,237. |

(Red Figures)

Organization expense in the amount of \$13,750. should by Natural Gas Corporation of California be allocated to the Isleton, Rio Vista, Suisun, Fairfield and Vacaville properties and credited to organization when the properties are sold.

Under the agreement of sale filed in this proceeding as Exhibit A dated October 26, 1937 the Pacific Gas and Electric Company agrees to pay the Natural Gas Corporation of California for the properties and business referred to herein, \$220,000. plus the net cost of any and all additions and betterments made to said plants between August 31, 1937 and the date of delivery of all deeds and documents, less the amount of depreciation in respect to said plants for the same period at the rates currently set up on the books of the Natural Gas Corporation of California.

The agreement further provides that in addition thereto the Pacific Gas and Electric Company will pay Natural Gas Corporation of California for all butane then in storage in said plants in excess of 60,000 gallons, and also for such materials and supplies as it shall desire to take over at invoice prices delivered. The purchase price does not cover accounts receivable. We will therefore look to Natural Gas Corporation of California to refund consumers' deposits.

Pacific Gas and Electric Company estimates that it will have to incur the following capital expenditures to supply natural gas in Vacaville, Suisun, Fairfield and Rio Vista and adjacent territory:-

| | |
|---|------------------|
| Rio Vista extension of main | \$10,000. |
| Rio Vista District meters and regulators | 3,000. |
| Suisun and Fairfield mains | 500. |
| Suisun and Fairfield District meters and regulators | 3,000. |
| Vacaville rights of way and mains | 38,470. |
| Vacaville meters and regulators | 4,500. |
| Total..... | <u>\$59,470.</u> |

The record shows that natural gas can be served in Rio Vista, Suisun and Fairfield within 30 days after the Pacific Gas and Electric Company acquires the properties, and in Vacaville within 60 days after the acquisition of the properties. The delay in serving natural gas in Vacaville is caused by the fact that the company has to construct approximately nine miles of transmission lines.

Butane-air gas which is now served by the Natural Gas Corporation of California has a thermal heat content of about 550 b.t.u. per cubic foot of gas. The natural gas which the Pacific Gas and Electric Company will sell is said to have a thermal heat content of about 1040 b.t.u. per cubic foot. The Pacific Gas and Electric Company will adjust the consumers' appliances and pay the cost thereof. Such cost is estimated at \$3,085. There is no doubt but that the substitution of natural gas for the butane-air gas will be beneficial to the consumers. The rates which it will charge for natural gas at Rio Vista, Suisun, Fairfield and Vacaville will be the same as it is now charging in Dixon and other communities and areas which are similar to the cities of Rio Vista, Fairfield, Suisun and Vacaville. The specific rates are set forth in Exhibit No. 2 attached to the supplemental petition filed in this proceeding. In the Town of Isleton the Pacific

Gas and Electric Company intends to continue to serve butane-air gas at rates which are the same as those now being charged by the Natural Gas Corporation of California.

Counsel for Pacific Gas and Electric Company stated that the company in acquiring said properties will acquire the service obligations of the system as well as the obligations of the franchises it acquires from Natural Gas Corporation of California.

O R D E R

A public hearing having been held before Examiner Fankhauser, and the Commission having considered the evidence submitted at such hearing and it being of the opinion that this application should be granted subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED as follows:-

1. Natural Gas Corporation of California may sell, transfer and convey, on or before February 1, 1938, to Pacific Gas and Electric Company all the properties which the former has agreed to sell, transfer and convey to the latter pursuant to the provisions of the agreement dated October 26, 1937 and filed in this proceeding as Exhibit A. Pacific Gas and Electric Company may acquire said properties and do whatever may be necessary or proper to perform the covenants and promises contained in said agreement of October 26, 1937.

2. Upon the acquisition of said properties by Pacific Gas and Electric Company, Natural Gas Corporation of California may cease to furnish and supply gas service in the territory in which said properties are situated, and is hereby relieved of any and all public utility obligations with respect to the furnishing or supplying of gas in said territory.

3. Pacific Gas and Electric Company may, upon the acquisition of said properties, make effective in Rio Vista, Vacaville, Suisun,

Fairfield, Isleton and adjacent territory its filed rules and regulations governing gas service.

4. Pacific Gas and Electric Company may, upon the acquisition of said properties, continue in force and effect and charge and collect from customers in the cities and towns of Isleton, Rio Vista, Fairfield, Suisun and Vacaville for butane-air^{gas}/service, the rates of Natural Gas Corporation of California now on file with the Railroad Commission and applicable thereto.

5. Pacific Gas and Electric Company may, upon the acquisition of said properties, file and make effective for the service of butane-air gas in the Town of Isleton, a schedule of rates and charges set forth in Exhibit No. 1 attached to the supplemental petition filed in this proceeding.

6. When and as the butane-air gas service supplied to customers in the cities of Rio Vista, Fairfield, Suisun and Vacaville shall have been superseded by straight natural gas service, Pacific Gas and Electric Company may file or make effective for natural gas service in said cities, the rates (including the special conditions) set forth and contained in the schedules comprising Exhibit No. 2, attached to the supplemental petition filed in this proceeding.

7. Upon the filing and making effective of the rates set forth in said Exhibits No. 1 and No. 2 Pacific Gas and Electric Company may withdraw and cancel the filed schedule of rates of Natural Gas Corporation of California presently applicable to the service of butane-air gas in the cities or towns of Isleton, Rio Vista, Fairfield, Suisun and Vacaville.

8. If Pacific Gas and Electric Company acquires said properties, it may amortize over a five year period commencing with the second year of natural gas service the historical cost (less accrued depreciation and recoverable salvage) of the butane-air mixing equipment

and incidental facilities located in the cities of Rio Vista, Fairfield, Suisun, Vacaville and adjacent territory which will be rendered nonoperative by the undertaking of natural gas service in said cities and territory.

9. Pacific Gas and Electric Company shall, until otherwise directed by the Commission, file with the Commission an annual operating report covering its butane-air gas operations in the Town of Isleton and adjacent territory.

10. The consideration being paid for said properties by Pacific Gas and Electric Company shall not be construed as fixing the value of said properties for any purpose except the transfer herein authorized.

11. Pacific Gas and Electric Company shall within sixty(60) days after the acquisition of said properties, file with the Commission a copy of each deed or other document by means of which it acquires and holds title to said properties, and a copy of each book entry recording the purchase of said properties and the distribution of the investment in fixed capital to primary accounts.

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA HEREBY ORDERS AND DECLARES that, if Pacific Gas and Electric Company acquires said properties, public convenience and necessity require Pacific Gas and Electric Company, (a) to make and construct such additions and betterments to its own natural gas transmission system in Solano County and to the system to be acquired from Natural Gas Corporation of California as will enable Pacific Gas and Electric Company to furnish and supply straight natural gas service to the residents and inhabitants of, and industries situated in, the cities of Rio Vista, Fairfield, Suisun, Vacaville and territory adjacent thereto, (b) to furnish and supply straight natural gas service to the residents and inhabitants of and industries situated in the cities of Rio Vista, Fairfield, Suisun, Vacaville and territory adjacent thereto, and for that purpose maintain

and operate said properties and those acquired from Natural Gas Corporation of California, subject to the provisions of paragraph eight of this order, and (c) to exercise the rights and privileges granted to Natural Gas Corporation of California by the ordinances referred to in the foregoing Opinion, in connection with butane-air gas or natural gas service in the cities or towns of Isleton, Rio Vista, Suisun, Fairfield and Vacaville.

DATED at San Francisco, California, this 6th day of December, 1937.

William H. Hays
John A. Whitley
Donald R. Hays

Commissioners.