

Decision No. 31252.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of PACIFIC GAS AND ELECTRIC COMPANY, a corporation, for an order of the Railroad Commission of the State of California, issuing to applicant a certificate declaring that the present and future public convenience and necessity require or will require the construction of the high pressure natural gas transmission lines and facilities herein described; to substitute natural gas service for the artificial gas service now supplied in the areas herein mentioned; to abandon the Colusa and Marysville gas production plants and amortize the remaining investment in said plants in the manner herein stated; and to file and make effective the revised Rules and Regulations No. 2 and the new and/or revised schedules of gas rates and charges set forth herein; etc.

ORIGINAL

Application No. 22277.

R. W. Du Val, for the Applicant.
Leo J. Smith, Mayor, for City of Marysville.
H. H. Hume, City Manager, for City of Chico.
A. R. Hohe, Mayor, and J. F. Good, City Attorney, for the City of Oroville.
E. E. Benham, Mayor, for City of Yuba City.
S. S. Bloom and Arthur B. Allyne, Engineers, Gas and Electric Division, Public Utilities Department, of the Commission's Staff.

WAKEFIELD, COMMISSIONER:

O P I N I O N

In this application Pacific Gas and Electric Company asks the Railroad Commission of the State of California for an order certifying that public convenience and necessity require the substitution of natural gas for manufactured or artificial gas in territories described in the application and authorizing in connection therewith: (1) the construction of gas lines and facilities; (2) the abandonment of gas production equipment; (3) the filing of new and revised rates, rules and regulations;

and, (4) the enlargement of certificates heretofore granted in the exercising of certain county permits and franchises.

It appears from evidence presented at a public hearing held in Marysville, California, on November 3, 1938, that natural gas exists in sufficient quantities in the Marysville-Buttes Gas Field to justify its utilization by the applicant and its consumers. To utilize this gas supply applicant proposes to displace the service of 550 B.t.u. manufactured gas now produced in its Marysville and Colusa Plants by substituting straight natural gas therefor.

There are at present two developed wells in the Marysville-Buttes Gas Field which, according to the testimony, are presently capable of producing not less than 5,500,000 cubic feet per day of gas averaging 1015 B.t.u. at a minimum of 950 and a maximum of 1050 B.t.u. The daily maximum capacity of Marysville and Colusa Plants is 3,800,000 cubic feet and 236,000 cubic feet, respectively, of 550 B.t.u. gas. The portions of applicant's present gas distribution system, which would be affected by installation of this project, are those situated in the Colgate and De Sabla Divisions, excepting the distributing system in and about the Town of Willows.

The plan as outlined by applicant and described in Exhibit A of the application calls for the immediate construction of a transmission line between Yuba City and Colusa, extending generally easterly and westerly, into which a short transmission line would deliver gas from the Marysville-Buttes Field. Furthermore, according to the proposal, applicant requests permission to construct a second transmission line, which may be laid in the future, from the vicinity of Woodland to connect with the aforesaid line, provided the regular supply of gas from the Marysville-Buttes Field proves to be inadequate to meet demands of the system to be cut over to the service of natural gas. This latter supply would be

available from the Rio Vista Field by way of the proposed Woodland connection. The applicant's petition proposes, as a part of the project, the abandonment of its Marysville and Colusa gas production plants. Testimony of its witnesses appears to show that the Colusa Plant, excepting gas holders and compressors, would be dismantled immediately after the introduction of natural gas while the Marysville Plant would be retained temporarily for standby purposes, until such time as the Woodland-Yuba City transmission line is constructed or other gas production is developed and conditions warrant its abandonment.

While the application requests authority to write off the historical cost less salvage of both plants and permission to amortize the historical cost less accrued depreciation and recoverable salvage, evidence introduced by applicant with reference to the Colusa Plant shows that depreciation accruals over the service life of this property have been adequate and accordingly no additional amortization is asked for or is necessary. The situation is different in reference to the Marysville Plant. In lieu of the immediate construction of the transmission line north from Woodland, it is requested that the Marysville Plant be maintained as standby capable of supplying high B.t.u. gas for short periods of time in conjunction with natural gas held in storage. It is our belief that this plant should be thus held available for use until additional gas is secured or until more experience is had as to the adequacy of the present natural gas supply.

The record further shows that the applicant has entered into a natural gas purchase agreement with Buttes Oilfields, Inc., owners and operators of the two developed gas wells, covering the purchase and sale of gas produced from said wells for a period of ten years. Witness for applicant testified that if the gas available from this

source is sufficient to fill the utility's entire requirements in the territory proposed to be cut over to natural gas service in this application, the applicant is obligated to take or pay for such requirements in accordance with rates prescribed in this contract. The Commission is of the opinion that this feature of the contract in reference to taking all gas requirements for the project may not be to the best interests of the applicant or its consumers. Under this condition, among others, the Commission further believes that the applicant's plan to defer construction of the proposed Woodland-Yuba City transmission line is justified at the present time inasmuch as the present known gas supply from the two wells in the Marysville-Buttes Field appears to provide considerably more gas than is needed to fulfil present demands and future demands for several years. Further, certain drillings may develop added gas supply in this field if not in other localities in the general vicinity. For these reasons the Commission is of the opinion that it is unnecessary at this time to authorize the construction of the proposed line from Woodland to connect with the projected Yuba City transmission line and is of the opinion that this portion of the project if later required should be left for future determination. A similar situation exists in reference to the write-off and amortization of the Marysville plant, and this may likewise be deferred to a future date when said plant is no longer required.

Requests which are not contained in the application were made at the above mentioned hearing by applicant for territorial enlargement of several certificates of public convenience heretofore issued authorizing exercise of permits and franchise rights, namely:

Certificate of Public Convenience and Necessity

<u>Application Number</u>	<u>Decision Number</u>	<u>Ordinance</u>	
		<u>Locality</u>	<u>Number</u>
20971	29566	Colusa County	117
9241	12575	Sutter "	None
		Yolo "	39
		Yolo "	103
		Yolo "	108
21200	29873-30459	Yolo "	148

With regard to certificates of public convenience and necessity to exercise franchise rights in Yolo County, it appears that no enlargement would be necessary at this time in view of the decision of the utility to defer construction of the Woodland-Yuba City transmission line and the plan of future procedure outlined in this Opinion. With reference to the certificates heretofore granted to exercise franchise rights secured in Colusa and Sutter Counties, it appears that no enlargement of these certificates is in order in view of the fact that the decisions mentioned above afford certificates covering all territories in which franchise rights were granted.

By means of testimony introduced through its witnesses, applicant stated that it proposes to bear so-called "cutover" expense. The expense thus to be borne will be similar to that incurred by the company in other areas in which the service of straight natural gas has been substituted for artificial gas, wherein the adjustment of appliances, minor service repairs of utilization equipment, and the furnishing of small inexpensive parts are afforded in enabling the adaptation of the consumers' equipment to the use of the new commodity. By its testimony the applicant requests authorization to amortize this expense over a period of five years following the introduction

of natural gas service. The Commission is of the opinion that for accounting purposes, the applicant may proceed in accordance with its request, but insofar as such cut-over expenses may affect applicant's rates and earning position in the future the Commission deems it desirable that it shall be free to handle said expenses as circumstances then warrant.

In Exhibit B, attached to the application, there is submitted a proposed revision of a portion of Rule and Regulation No. 2, Character of Gas Service, to provide for the new service. Inasmuch as said revisions are necessary and in accordance with the changes in the gas to be supplied, the Order will provide for its authorization with slight changes in wording as to territory to be served in accordance with permission herein granted.

In Exhibits C and D, attached to the application, there are submitted proposed Schedules C-12, CD-12, CE-12 and GS-12 for the service of natural gas and revised schedule G-59 for the service of manufactured gas. The placing in effect of said proposed new schedules will not result in any increase in the actual rates or charges to its customers for gas service. On the contrary, said proposed rates and charges will result in very substantial reductions, resulting both from the increased heating value of the new gas and lower rates per unit quantity of gas. The proposed rates, though they may be subject to question in some respects, can hardly be viewed other than very attractive and especially to those customers who will use larger quantities of gas than heretofore. Although the Commission may have looked with favor upon a slightly different rate blocking, with respect to the domestic rate, and a more uniform spread between certain blocks; nevertheless, the Commission is of the opinion that because of the low earning position of the applicant in this area,

the proposed promotional type of rate for domestic use is not unwarranted. While the proposed rates applicable to commercial uses offer substantial reductions, it is believed desirable when the earning position permits that they be adjusted so said rates will be more closely in accord with charges made for similar services rendered over other parts of the system.

At the public hearing on this matter, heretofore mentioned, no one appeared to oppose or protest the granting of the application.

O R D E R

Pacific Gas and Electric Company having applied to the Railroad Commission of the State of California for an order certifying that present and future public convenience and necessity require and will require the granting to applicant of authority to construct and operate a natural gas project, as outlined in its application and to exercise all permits, easements and franchises used or useful in connection with said project,

Public hearing having been held, the matter being submitted and now ready for decision,

THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA hereby certifies and declares that public convenience and necessity require and will require,

The construction, maintenance and use by Pacific Gas and Electric Company of natural gas transmission lines and appurtenances from Yuba City to Marysville-Buttes Gas Field, including a connection at Yuba City to its present transmission line (extending northerly to Oroville and Chico), and from said Gas Field to the City of Colusa for the transmission of natural gas and also the exercise of all permits, easements and franchises used or useful in connection therewith.

The Railroad Commission of the State of California hereby authorizes the substitution of straight natural gas service for artificial gas service now furnished in the Cities of Colusa and Marysville and in cities and areas supplied from the present Yuba City-Oroville-Chico transmission system.

The authorization herein granted is subject to the following conditions and not otherwise:

- (1) That Pacific Gas and Electric Company shall withdraw Page One of its Rule and Regulation No. 2 (C.R.C. Sheet No. 628-G) and shall file in substitution therefor that portion of its proposed Rule and Regulation No. 2, as set forth in Exhibit B, provided that portion of said proposed rule and regulation reading:

"All territory served from the gas transmission line extending from the Spreckels Sugar Company Refinery near woodland northerly to Yuba City, Marysville, Chico, Oroville and Colusa -- 950-1050,"

shall be amended to read:

"All territory served from the transmission lines extending from the Marysville Buttes Gas Field near Marysville in a westerly direction to Colusa and in an easterly direction to Yuba City and Marysville and in a northerly direction from Yuba City to Gridley, Oroville and Chico -- 950-1050,"

said amended and revised Page One of Rule and Regulation No. 2 to become effective upon the completion and placing in operation of the natural gas project prescribed in this Order.

- (2) That Pacific Gas and Electric Company shall withdraw and cancel rate schedules G-57 (Revised Sheet C.R.C. No. 639-G), GH-57 (Revised Sheet C.R.C. No. 640-G) and G-57 (Revised Sheet C.R.C. No. 642-G), and shall file the rates set forth in Exhibits C and D of the application, which shall be made effective upon the completion and placing in operation of the natural gas project prescribed in this Order.
- (3) That Pacific Gas and Electric Company shall, within ninety (90) days after the substitution of natural gas for artificial gas, credit its fixed capital accounts with its investment in such parts and equipment of the manufactured gas plant at Colusa as will become non-operative by such substitution.

Except as otherwise provided herein, this Order shall become effective upon 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 10th day of November, 1938.

Paul Swartz
Leon Whittell
Frank R. Wilson
Ray H. Rice

Commissioners.