

ORIGINAL

Decision No. 34470

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of  
PACIFIC GAS AND ELECTRIC COMPANY for  
an Order of the Railroad Commission  
authorizing Applicant to supply its  
customers in all territory furnished  
natural gas service by means of the  
Sacramento-Vernalis Transmission Line  
(#108), including, among other  
communities, the cities of Sacramento,  
Lodi, Stockton, Modesto and Turlock,  
natural gas to be obtained from the  
Rio Vista gas field in lieu of the  
gas now supplied in said areas; also  
to file and make effective a revised  
Rule and Regulation No. 2, and revised  
and modified and new gas rate schedules.

Application No. 24437.

R. W. DuVal, Attorney, for Applicant Pacific  
Gas and Electric Company.  
W. G. Stone, Sacramento, for Sacramento  
Chamber of Commerce.  
Joseph C. Tope, City Attorney, and W. B. Hogan,  
City Manager, for the City of Stockton.  
M. W. Slankard, Turlock for the City of Turlock.  
John F. Blakely, City Clerk, for the City of Lodi.  
Robert B. Fowler, City Attorney, and Frank Rossi,  
City Engineer, for the City of Modesto.  
J. B. Smith, for the Calaveras Cement Company.

RILEY, COMMISSIONER:

O P I N I O N

In this application Pacific Gas and Electric Company, hereinafter  
sometimes referred to as Applicant, requests permission to supply its  
customers, in all territory furnished natural gas by means of the Sacramento-  
Vernalis Transmission Line, with natural gas from the Rio Vista gas field in  
lieu of the gas now supplied in that area; also to file and make effective  
a revised Rule and Regulation No. 2 and to file and make effective certain  
modified gas rate schedules, and certain new gas rate schedules in the

territory referred to above; also, after effecting the cut-over of the areas involved to the service of Rio Vista gas to thereafter, from time to time, in one or more, or all, of said areas revert to the service of gas obtained from Kettleman Hills and other gas fields, and vice versa, dependent upon future developments, and at such times as it reverts in one or more, or all, of the areas involved from the service of Rio Vista gas to gas obtained from Kettleman Hills and other gas fields, to file and make effective in such areas the applicable rates and charges presently set forth in its filed schedules, or such revised or modified rates as may hereafter be lawfully established.

Public hearings were held in the City of Sacramento, on September 24, 1941, and in the City of Stockton, on September 25, 1941, where evidence was presented and the matter submitted for decision.

The territory served with natural gas by means of said Sacramento-Vernalis Transmission Line (Line No. 108) may be divided into three areas: namely, (1) all territory served by means of that portion of Line No. 108 north of Applicant's Las Vinas Metering Station, situated due west of Woodbridge, including the communities of Sacramento, Elk Grove, Clarksburg, Galt and Thornton; (2) all territory served by means of that portion of Line No. 108 extending south from Las Vinas Metering Station to Valve No. 20.791 at French Camp, including the communities of Woodbridge, Lodi and Stockton, and the Calaveras Cement Company's plant near San Andreas; and, (3) all territory served by means of that portion of Line No. 108 extending south from said Valve No. 20.791 to Applicant's Metering Station at Vernalis, including the communities of Manteca, Escalon, Oakdale, Riverbank, Modesto, Keys and Turlock.

At the hearing witnesses for Applicant testified that they believed the supply of natural gas available from the Rio Vista gas field at present and for a considerable period of time in the future is greatly in excess of the present and prospective demands of customers to whom Applicant is now supplying said gas, and those customers to whom it now proposes to convert to said gas, and that because of the substantial load growth on its natural gas system during the past few years its transmission system from the Southern fields is becoming inadequate to meet the growing demands of its customers and that it is particularly advantageous to its customers in the Sacramento-Vernalis area to receive their gas from a nearby gas field, thereby insuring greater continuity of service and with practically no increased investment being required for additional pipe line facilities. It was further testified that the carrying out of such a program, involving the reversion to the use of the Kettleman Hills gas in the three areas involved at certain periods of the year, will enable Applicant to make the most effective and economical use of the available gas supply and its own natural gas facilities.

The record indicates that the proposed change-over would involve approximately 71,200 customers and that the capital expenditure required is negligible as compared to any other means of augmenting the gas delivery and is estimated to amount to approximately \$7,500 for the rebuilding of the Vernalis metering station. It is further of record that the gas from the Rio Vista field has a heating value of between 1025 and 1045 B.t.u.'s per cubic foot, with an average of approximately 1040, though gas may be supplied with a heating value as low as 1000 in accordance with the requirements of revised Rule and Regulation No. 2, Exhibit "B" attached to the application. The gas obtained from the Kettleman Hills and other gas fields in the south has a range of heating value between 1100 and 1200.

B.t.u. per cubic foot, which has been averaging about 1130 during the past year. It was also Applicant's testimony that the future in all probability would not bring about an increase in the present average heating value of the gas available from the Southern fields but, to the contrary, a further decline.

A cut-over to a lower heat value gas, such as herein contemplated, raises two questions from the customers' viewpoint: first, will the new gas burn satisfactorily in existing appliances and with essentially the same efficiency and, second, will customers' bills be adversely affected. In answer to the first question, Applicant presented evidence showing that its experience in similar situations in the past indicated that it was unnecessary, in changing over, to make adjustments to customers' appliances to take care of the relatively slight change in the heating value of the gas such as will result in the instant case. Such conclusions were further verified in the laboratory by tests conducted by Applicant. However, Applicant appreciated that, for some appliances and especially those that may not now be properly adjusted, some customers might experience dissatisfaction and, accordingly, it was ready, upon request, to make immediate adjustments so as to bring about a proper utilization of the new gas.

As to the second question, in reference to billing, as will be hereinafter further discussed, all existing rate tariffs, now effective in the area in question, will be reduced downward in approximately the same ratio that the heating value of the gas is reduced so that customer billings for a given quantity of service will remain unchanged.

Applicant indicated that it desired to proceed with the cut-over during the current month, in order to be ready to have sufficient gas supplies for the coming heating season and, further, it is its desire

to revert to the service of the gas presently supplied and vice versa at such times as further development in the several gas fields involved and the demands of the natural gas system dictate.

The Commission has, in many instances, expressed the opinion that a public utility should so operate as to take the greatest possible advantage of its existing facilities, in order to render the best possible service at the lowest cost and, because the plan herein proposed approaches that objective, it appears to be in the best interest both of Applicant and its customers. I am accordingly of the opinion that the request of Applicant should be authorized. In addition, Applicant, in my opinion, should take full advantage of the flexibility offered by this plan and make every effort to conserve the dry gas available in the Río Vista and similar fields and to make the fullest possible use of the casing head gas from the Southern fields when such a procedure will work to the conservation of this State's natural resources.

At the hearing Applicant presented exhibits and testimony on the necessary changes in its Rule and Regulation No. 2 to afford the so-called Río Vista gas service to the area hereinbefore discussed along its Transmission Line No. 108. Applicant also presented exhibits and testimony on the present effective rates in this area, as well as the proposed reduced rates to be charged.

In reference to the actual change from one gas to another at various future periods, the Order following will grant the necessary permission to make the cut-overs in the future without further authorization but will require Applicant to make the necessary rate filings so there may always be proper tariffs on file with this Commission for the character of gas service to be rendered.

It is of record that, in general, all effective gas rate tariffs in the areas under consideration will be reduced approximately 10 per cent, in order that customers' billings will not be increased for similar gas service after the cut-over to the lower heating value gas. In this respect, however, the record clearly shows that it was impracticable to make the adjustments in the tariffs to result exactly in identical billings for a given heat utilization. The rates have been adjusted so that some 75 per cent of all the customers actually will receive some slight reduction, in addition to those required to equalize the difference in the heating value of the gas served.

It is also true that a few customers, especially those using large quantities of gas, may have some slight increases. In this respect, the representatives for the City of Modesto, while not objecting to the proposed cut-over, did point out that they questioned the wisdom of establishing new tariffs that would provide a few cents increase to any customer. The record does show that every effort was made to work out rate tariffs that would bring about neither increases nor decreases; however, where over 70,000 customers are involved and with usage ranging from a few cubic feet a month to over 100,000 cubic feet, practical difficulties arise in working out the tariffs. In this respect, it is a fact that the over-all effect of the application of the proposed tariffs is not an increase in Applicant's revenue but an actual slight decrease. While it is also true that some customers using large quantities of gas may have a few cents increase in their billing during one or more months, yet in other months of the year decreases will result, so that actually on an annual basis their billings will be unaffected. While this is true, nevertheless a few customers may have very slight increases and to the extent that the authorization hereinafter granted results in such increased rates, such increases are hereby found to be justified.

Other than heretofore mentioned, no one appeared to oppose or protest the granting of the authorization herein sought and the following form of Order is recommended.

O R D E R

The above entitled matter having been submitted after the taking of evidence at public hearings and based upon the record and upon the factual findings contained in the above Opinion;

IT IS ORDERED that Pacific Gas and Electric Company be authorized to substitute, in that portion of its territory served by the Sacramento-Vernalis Transmission Line, gas from the Rio Vista and/or other fields of a heating content at no time less than 1000 B.t.u. per cubic foot, for the Kettleman Hills gas and other gases emanating from the Southern California fields presently served and to thereafter revert back to the higher heat content gas and vice versa as system requirements and available gas supply dictate. The authorization herein granted is subject to the following conditions and not otherwise:

1. Pacific Gas and Electric Company shall file and make effective, on not less than fifteen (15) days' notice, appropriate changes in its tariffs and in its rules and regulations respecting the heating value of the gas to be served. The rates covering the service of gas of heating value of 1000 to 1100 B.t.u. to be those set forth in the exhibits attached to this application.
2. Pacific Gas and Electric Company shall apply the rates applicable to service of gas of a given heating value to all meter readings taken in the Sacramento-Vernalis area fifteen (15) days after the date on which it cuts over to gas of such heating value.

Except as herein otherwise provided, the effective date of this Order is the date hereof.

The foregoing Opinion and Order are hereby approved and filed as  
the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, October 14<sup>th</sup>, 1941.

[Signature]  
[Signature]  
Justice J. Cullen  
Francis L. Havens  
[Signature]  
Commissioners,