

Decision No. 36763

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of
PACIFIC GAS AND ELECTRIC COMPANY, a
corporation, for a certificate of
public convenience and necessity to
construct, operate and maintain the
natural gas project herein described;
for a preliminary order under Section
50 (c) of the Public Utilities Act
re the exercise of a gas franchise
hereafter to be obtained from the
County of Glenn; for authorization
to supply natural gas service in the
TOWN OF WILLOWS and to file and make
effective rates applicable to such
service, etc.

ORIGINAL

Application No. 25864

R. W. DuVal, for the Applicant
H. C. Bell, City Attorney, for the City
of Willows.

BY THE COMMISSION:

O P I N I O N

In this application Pacific Gas and Electric Company seeks an
order:

1. Granting to Applicant a certificate of public convenience and necessity to construct, operate and maintain the natural gas project herein described.
2. Authorizing Applicant to exercise rights granted by a permit of the Board of Supervisors of the County of Glenn to install, replace, repair and use pipes and appurtenances under, across and upon certain roads in the County of Glenn.
3. Declaring that the Commission will hereafter, upon petition therefor, issue to Applicant a certificate of public convenience and necessity to exercise a general county franchise which Applicant contemplates obtaining from the County of Glenn; and,
4. Authorizing Applicant to furnish to its customers in the Town of Willows, and territory contiguous thereto, natural gas in lieu of the manufactured gas now supplied to said customers and to file and make effective rates applicable to such natural gas service, all as therein more particularly stated.

A public hearing was held in the Town of Willows on November 22, 1943, at which time evidence was taken and the matter submitted for decision.

It is of record that Applicant has been supplying the Town of Willows with manufactured gas since about the year 1911. In so doing it is now operating under a franchise issued under Ordinance No. 190⁽¹⁾ and a certificate granted by this Commission by Decision No. 20378 in Application No. 15041, and further, that the artificial gas is made from oil and has a heat content of approximately 540 British thermal units (Btu) per cubic foot.

It is further of record that in 1938 natural gas was discovered in Glenn County, in an area approximately six miles northeast of the Town of Willows and that two wells have been developed capable of producing a dry gas having between 900 and 970 Btu per cubic foot. According to the testimony, it is Applicant's plan to lay and install immediately and thereafter to operate a high pressure transmission gas main and other necessary appurtenances extending from the aforesaid gas field to the Town of Willows, where said main will be connected to Applicant's existing distribution system, so that natural gas may be supplied to its present and future customers in the Willows area. The existing manufacturing gas plant would be closed down and used as stand-by. The transmission line proper will be approximately six miles long and of pipe 3½ inches in diameter. Its cost, along with the other necessary gathering, metering and regulating facilities including right of way, is estimated at approximately \$39,500. Testimony is further to the effect that the necessary authority from the federal authorities has been secured to use the pipe materials. In this respect the closing down of the present manufacturing plant will save some 6,000 barrels of fuel oil annually.

Applicant proposes to lay said transmission main, in part, on private rights of way and, in part, on the public highways, streets, roads, or places in the Town of Willows and in the County of Glenn. In this respect Applicant states that no further franchise for the Town of Willows is required and that it has under preparation and will file with the Board of Supervisors of the County of Glenn an application for a general county franchise for the purpose of conveying upon Applicant the right and privilege of laying, maintaining and

(1) Counsel for Applicant advises that an error was originally made in filing Applications Nos. 15040 and 15041, both dated September 14, 1928, in which the ordinance numbers were reversed and that the correct ordinance was No. 189 for electricity and No. 190 for gas.

using gas pipe mains on the public highways, streets, roads, or places; that pending the acquisition of said franchise, Applicant has obtained from the Board of Supervisors a permit to utilize certain county roads for the purpose of laying and using such gas lines and appurtenances as may be necessary to carry out this program. A copy of the permit, granted October 18, 1943, is made a part of the application as Exhibit "B."

As the present manufactured gas is to be replaced with a natural gas having a heat content of nearly twice the former, and further, because of the differences in the specific gravities of the two gases, it is necessary that customer appliances be adjusted and adapted to the new conditions. In this respect, Mr. Ray Fuller, engineer in charge of gas operation for Applicant, testified that it was his company's plan to adjust existing customers' appliances and that, based upon extensive experience in cut-overs under similar conditions, he estimated it would cost approximately \$4,200 to do the job, and that all this cost would be charged to operating expenses the first year after cut-over.

Applicant, through witness Rudolph Jenny, presented two exhibits at the hearing which were received and identified as Exhibits No. 1 and No. 2. Exhibit No. 1 presents the present gas tariff (Schedule G-59) applicable to the Town of Willows, the proposed tariff, and a summary sheet showing billing comparisons under the two schedules of rates.

The proposed rates to be applicable to the new natural gas service are identical to the existing rates for all uses except the first 500 cubic feet. In this instance the current rates provide for a payment of 90 cents for the first 500 cubic feet or less per meter per month. In the proposed rates the volume of gas for a minimum charge of 90 cents is reduced to 300 cubic feet or less per meter per month, which is applicable in the incorporated territory, and for the unincorporated area the charge is raised to \$1.10 for the same volume of gas.

The heating value range upon which the rates are predicated is set at 900 to 1,000 Btu per cubic foot. The tariff likewise carries a fuel oil clause similar to other general service tariffs, whereby the base rates increase or decrease in accordance with the quoted or posted price of fuel oil at the Richmond refinery of the Standard Oil Company of California. The rates proposed for a usage in excess of 20,000 cubic feet are predicated upon 90-cent oil in the same manner that all other presently effective rates on other sections of Applicant's territory are set, even though the actual present price of fuel oil is \$1.15 per barrel. The deferment in an increase in the effective rates, because of the higher oil price, is in accordance with this Commission's Decision No. 36323.

The 20-cent differential between the minimum charges for incorporated and unincorporated areas conforms to the general practice in other tariffs of the utility and is in recognition of the higher costs of service involved in rendering service to less populated areas. In the instant case it is of record that the change from 90 cents to \$1.10 will constitute a minor increase in billing to any consumer in the unincorporated area whose use is limited to 500 cubic feet or less per month. It is also of record that actually there are but a very few customers now taking service outside of the incorporated area of Willows, and since their use is considerably in excess of the minimum, there will result no actual increase to any user of gas service by the application of the proposed new rates. As a matter of fact, due to the very material increase in the heating value of the gas to be served, namely, from 540 Btu to approximately 970 Btu, customers generally will enjoy a very material reduction in their billing for actual heat units received. For service in excess of the minimum those possible reductions range from 14% to approximately 39%, with an average of some 30%.

In Exhibit No. 2 referred to, Applicant presented certain financial statistics for the year 1942, showing the estimated net income available before taxes, depreciation, general expenses and return. Under the manufactured gas

operations such net was set forth as less than \$150 while under natural gas operations it is estimated that it will be in excess of \$8,000. It will thus be seen that present operations have been conducted at less than cost and while the immediate return with natural gas service would still fail to provide any return on the investment in the present distribution system, the increase in earnings due to the saving in production expenses will more than carry the increased fixed charges on the new investment to bring the natural gas to the community of Willows. It has been the experience that, with lower rates, customers will use greater quantities of gas and so earnings may be expected to increase in the future, thus benefiting both the users of the service and the utility supplying the service.

Applicant contemplates obtaining a franchise from the County of Glenn and the application requests the issuance of an order preliminary to the issuance of a certificate authorizing the exercise of such franchise as contemplated by Section 50(c) of the Public Utilities Act. However, pending acquisition of the franchise, Applicant has obtained a permit from the County covering the use of specified County roads. Applicant requests authority to exercise the rights granted by that permit and at the hearing counsel indicated that when the franchise had been obtained a supplemental application would be filed requesting authority to exercise the rights granted by such franchise. Applicant will be authorized to exercise the rights granted by the permit.

The Commission is of the opinion that Applicant's proposal to utilize a newly discovered natural gas supply and replace the present manufactured gas service with natural gas service is a forward step and distinctly to the benefit of the consuming public and not without some benefit to Applicant company. The conservation in the use of oil, while small, is highly

desirable at this time. In view of these facts, it is our opinion that the authorization required in order that Applicant may proceed with the construction and the service of natural gas should be granted.

O R D E R

Pacific Gas and Electric Company having made application for an order granting and conferring upon it the necessary authority to construct and use a natural gas transmission system as heretofore set forth in the opinion, and the Commission being fully apprised of the facts hereby finds that the proposal to proceed with the project and to substitute natural gas for the present manufactured gas in the Willows area is justified.

IT IS HEREBY ORDERED:

1. That Pacific Gas and Electric Company is hereby granted a certificate of public convenience and necessity and all necessary permission, including the authority to exercise the rights granted by the special permit (Exhibit "B" of the application), to construct, operate and maintain the gas transmission line project, as set forth in the application, subject to the condition, however, that no claim of value for such certificate herein granted shall be made in excess of the actual cost thereof.
2. That Pacific Gas and Electric Company is hereby authorized to furnish and supply its customers in the Town of Willows and territory contiguous thereto with natural gas of a heat content falling in the range of 900 to 1,000 Btu in lieu of the manufactured gas now supplied its customers.
3. That Pacific Gas and Electric Company shall file with this Commission a schedule of natural gas rates and charges in accordance with those set forth in Exhibit "C," attached to the application, and such schedule of rates shall become effective on regular monthly meter readings taken on and after the fifteenth (15) day following the commencement of natural gas service in the area involved, and further, following the commencement of natural gas service as provided in this order and concurrently with the making

effective of the natural gas rates herein authorized, the presently effective gas rates of Applicant designated as Schedule G-59 (Revised C.R.C. Sheet No. 1012-G) shall be withdrawn and cancelled.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 9th day of December, 1943.

Francis K. Hawes
J. J. Bark
Arthur J. Casper
Richard K. Chase
Francis C. Clark

Commissioners