

Decision No. 37982

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 the purpose of supplying gas
 service in the TOWN OF FORTUNA; to
 exercise rights and privileges under
 a franchise granted to applicant by
 the Town of Fortuna; and to make
 effective in the area involved the
 natural gas rates herein referred to.

ORIGINAL

Application No. 26559

R. W. DuVal, for Pacific Gas
 and Electric Company

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. Issuing to applicant a certificate of public convenience and necessity to exercise the rights and privileges under a franchise granted to it by the Town of Fortuna; and
3. Authorizing applicant to furnish natural gas service to the residents and inhabitants of and industries situated in the Town of Fortuna and the territory immediately adjacent thereto, and to file and make effective for such gas service the rates herein mentioned.

A public hearing was held in San Francisco on March 6, 1945, at which time evidence was taken and the matter submitted for decision.

The applicant is not now rendering gas service in the Town of Fortuna. However, it is of record that applicant has been supplying gas service in Eureka and contiguous suburbs for some time, and more recently has acquired the

necessary facilities to render gas service in Arcata. The record also indicates that applicant now possesses and owns the necessary franchise in the County of Humboldt to lay, maintain and use the required gas facilities in the public highways, streets, ways and places for the purpose of conveying, distributing and supplying gas to the public in Humboldt County. Said franchise was granted by the County of Humboldt under Ordinance No. 204 adopted November 16, 1940 and the necessary certificate to exercise the rights and privileges of this franchise was granted by this Commission's Decision No. 33691 under Application No. 23773, and dated December 3, 1940.

The City Council of Fortuna, under date of October 2, 1944, by Ordinance No. 175, granted a franchise to applicant to install and maintain gas facilities on and in the streets of said city. This franchise, a copy of which is attached to the application as Exhibit "B," was granted by the city in accordance with the Franchise Act of 1937 and contains a provision that it shall be of indeterminate duration. It is provided therein that a fee is payable annually to the city equivalent to two per cent of the gross receipts arising from the use of the franchise but not less than one per cent of all sales of gas by applicant within the city. The record shows the direct cost to applicant in obtaining the franchise was \$80 and was composed of the following items:

| | |
|--------------------------------------------------------------------|--------------|
| Publication of Notice of Intention to Grant Franchise | \$13.00 |
| Cost of Franchise | 17.00 |
| Filing Fee with the Railroad Commission | <u>50.00</u> |
| Total | \$80.00 |

Natural gas for the proposed service to Fortuna will be obtained from Tompkins Hills gas field located approximately 14 miles southeast of the City of Eureka. To do this it will be necessary to lay approximately 13,290 feet of 2-3/8 inch high pressure gas main from the terminus of an existing 2-inch high pressure main in Fernbridge. Applicant also proposes to install approximately 26,000 feet of gas distribution main, together with the necessary

services, meters and regulators and other gas facilities required for the furnishing and supplying of gas service in the Town of Fortuna and to other persons desiring gas service located immediately adjacent to the proposed main between Fortuna and Fernbridge. Testimony by one of the applicant's witnesses indicated that the estimated cost to install the mains and gas facilities enumerated would be approximately \$54,665. An itemized listing of cost follows:

| | |
|-------------------------------------------------------------|---------------|
| 23,000' of 2-3/8" distribution main - Fortuna | \$22,678 |
| 3,000' of 3-1/2" distribution main - Fortuna | 4,118 |
| 13,290' of 2-3/8" main - Fernbridge to Fortuna | 12,449 |
| Distribution regulating equipment | 1,392 |
| Telometering equipment | 580 |
| District metering equipment | 1,160 |
| Meters, regulators and services installed | <u>12,288</u> |
| Total | \$54,665 |

It was developed through testimony by applicant's witnesses that there was some doubt as to the time construction of the project would be completed and the inauguration of gas service commenced. The record does indicate, however, that applicant intends to proceed with the project as soon as manpower, material and gas appliances become available, and probably not later than nine months after the close of the European and Pacific wars.

Applicant, through witness, introduced an exhibit indicating the estimated number of customers, Mcf sales and revenue to be obtained at the end of the first, second, and third year of service. Estimates were also included showing the ultimate totals that could be anticipated in future years for these items. The testimony indicates that approximately 280 customers will use 13,176 Mcf of gas for a cost of \$13,840 by the end of the first year of natural gas service. After three years it is anticipated there will be about 360 customers and that the applicant will receive \$21,240 in revenue from the sale of 20,586 Mcf of gas.

In reference to the rates to be charged for the natural gas served,

applicant proposes to make effective two tariff schedules in Fortuna and adjacent areas at the same rates that are presently being charged in the City of Eureka. An appropriate general service schedule having the same rate as the presently filed tariff G-60 for service in Eureka and contiguous suburbs will be made available to customers in Fortuna. In addition, the applicant now has on file a tariff for interruptible gas service (GI-60) covering such service in applicant's Humboldt division. No modification of this latter schedule will be necessary to make it applicable in Fortuna and adjacent areas.

In view of the fact that applicant's proposal to inaugurate natural gas service in an area in close proximity to a source of natural gas would accrue to the advantage and benefit of the residents and industries located in that area, the Commission is of the opinion that the authorization required in order that applicant may proceed with the construction and service of natural gas should be granted and finds that public convenience and necessity require the granting of the same. It also appears that applicant's request for a certificate to exercise the rights and privileges under its franchise in Fortuna should be granted, and the Commission finds that public convenience and necessity require that the same be granted.

The certificate of public convenience and necessity granted herein is subject to the following provisions of law:

- (a) That the Commission shall have no power to authorize the capitalization of the franchise involved herein or this certificate of public convenience and necessity, or the right to own, operate or enjoy such franchise or certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the state or to a political subdivision thereof as the consideration for the grant of such franchise, certificate of public convenience and necessity or right.
- (b) That the franchise involved herein shall never be given any value before any court or other public authority in any proceeding of any character in excess of the cost to the grantee of the necessary publication and any other sum paid by it to the municipality therefor at the time of the acquisition thereof.

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 those certain natural gas facilities as heretofore set forth in the opinion, and for a certificate of public convenience and necessity to exercise the rights and privileges under a franchise granted to it by the Town of Fortuna, and the Commission being fully apprised of the facts, hereby finds that the proposal to proceed with the project and to serve natural gas in Fortuna and the territory immediately adjacent thereto is justified.

IT IS HEREBY ORDERED:

1. That Pacific Gas and Electric Company be and is hereby authorized to exercise the rights and privileges granted by the Town of Fortuna by Ordinance No. 175, adopted October 2, 1944, and to construct, operate and maintain the gas mains and facilities as set forth in the application.

2. That Pacific Gas and Electric Company shall file with this Commission a schedule of natural gas rates and charges in accordance with those presently set forth in its filed tariff for general service, G-60, except that the proposed schedule shall be changed in whatever respects may be necessary to make it applicable for the Town of Fortuna and the territory immediately adjacent thereto.

3. That said schedule of rates shall become effective on regular monthly meter readings taken after the commencement of natural gas service in the area involved.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 12th day
of June, 1945.

Howard Rudman
Justus J. C. [unclear]
Richard [unclear]
Edward [unclear]
W. S. [unclear]
Commissioners