

Decision No. 38332

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
N. E. WALTENSPIEL, an individual, doing
business under the firm and style name
of RUSSIAN RIVER GAS CO. for certificate
to install distributing system to serve
liquefied petroleum gas in Guerneville,
Guerneville, and adjacent territory.

Application No. 26964

Charles DeMeo of DeMeo and DeMeo, Attorneys,
for Russian River Gas Company

BY THE COMMISSION:

O P I N I O N

In this application N. E. Waltenspiel, the Applicant, requests an order granting a certificate of public convenience and necessity to exercise the rights and privileges under a franchise granted by the County of Sonoma, and to construct, operate and maintain a liquefied petroleum gas system herein described and to be known as the Russian River Gas Company.

A public hearing was held in Guerneville on October 1, 1945.

For some time past the Applicant has been engaged in selling liquefied petroleum bottle gas and fuel oil in Guerneville, Guerneville Park and adjacent territory in Sonoma County. It is now proposed to construct and install a central plant and distribution system in this area to distribute undiluted propane vapor having a heating value of approximately 2600 Btu per cubic foot. The facilities to be installed include gas-air vaporizer units, a propane storage tank, warehouse building, the appropriate distribution system consisting of approximately 3.3 miles of 4-inch and 2-inch distribution mains and 239 services, and general office furniture and equipment. The estimated cost of the plant and facilities was shown to be:

Land - Plant Site	\$ 4,000
Production Facilities & Building	11,000
Distribution System	39,815
Office Equipment and Supplies	1,200
	<u>\$ 56,015</u>

In new plant installations such as this, it is probable that the estimated capital expenditures may differ somewhat from the recorded costs incurred during the period of construction. For this reason the Commission is desirous of receiving a statement showing the actual capital expenditures made by Applicant in constructing the proposed plant and system. The statement should be made available when the costs of construction are placed upon the Company's books.

Testimony by Applicant indicated that initially it was proposed to render propane gas service to 239 commercial and domestic customers. It was also the future plan to extend the distribution system to serve Rio Nido, Guernewood Heights, Guernewood Terrace and adjacent territory. Ultimately, the extended system would make it possible to serve approximately 1,000 customers.

Data relative to the proposed rates and estimated gross revenue and expenses were not available at the time of the hearing. However, such information was subsequently furnished by the Applicant, and in accordance with the stipulation at the hearing has been made a part of the record.

The proposed rate schedule which has been submitted is applicable to all general service and does not appear to be unreasonable at this time. The average rate per therm, while slightly higher in some instances, compares favorably with the rates of other gas utilities rendering similar service in various sections of California.

It is estimated the minimum consumption by 239 customers during the first year of operation will be 65,000 therms and the gross income from such sales will be \$18,414. Applicant's estimate of operating costs was \$16,770 during this initial period. It is a difficult matter to fully analyze and prognosticate the contemplated revenues and expenses for a utility inaugurating gas service from a central plant and system in a new territory. The Commission is aware of this fact and it would appear desirable to review Applicant's operations at some future time when actual results will be available.

At the time of the hearing it was disclosed that the franchise was not available for presentation. It was stipulated that certified copies would be furnished at a later date. Such a copy of Ordinance No. 229 by the Board of

Supervisors of Sonoma County, granting a franchise to Applicant, has been received and has been incorporated in the record. The franchise is for a term of 50 years. A fee equivalent to 2% of the gross annual receipts arising from the use, operation and possession of said franchise is payable annually to the County. The record shows the direct cost to Applicant in obtaining the franchise was \$133.50 and consisted of the following items:

Publication of Notice of Intention to Grant Franchise	\$ 33.50
Bid on Franchise	<u>100.00</u>
Total	\$ 133.50

From the evidence of record it appears that Applicant's proposal to inaugurate liquefied petroleum gas service in the area heretofore described will accrue to the advantage and benefit of the residents and commercial establishments located in that area, and the Commission is of the opinion that the authorization required in order that Applicant may proceed with the construction and service of liquefied petroleum gas should be granted and finds that public convenience and necessity require the granting of such a certificate. The certificate granted, however, for the exercise of the franchise in the County of Sonoma is limited to the general service area heretofore described.

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

"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."

O R D E R

A public hearing having been held upon the application of the Russian River Gas Company, the matter considered, it appearing to the Commission and it being found as a fact that public convenience and necessity so require, therefore

IT IS ORDERED:

1. That Russian River Gas Company be and is hereby authorized to exercise the rights and privileges granted by the County of Sonoma by Ordinance No. 229.

as to the service area shown in the application and to construct, operate and maintain the gas mains and facilities as set forth in the application and also to charge and collect for such gas service in accordance with the schedule of rates under item (2) of this order.

2. That Russian River Gas Company shall file with this Commission the schedule of liquefied petroleum gas rates which are a part of the record in this proceeding and a set of rules and regulations appropriate for such service.

3. That said rates and rules and regulations shall become effective on regular monthly meter readings taken after the commencement of liquefied petroleum gas service in the area involved.

The effective date of this order shall be the date hereof. Dated at Los Angeles, California, this 30th day of October, 1945.

David C. Quinn
Justice F. Cramer
William D. Carr
W. A. Dennis
Commissioners