

Decision No. 39565

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the application of PACIFIC GAS AND ELECTRIC COMPANY for an order granting and conferring upon applicant all necessary permission and authority to furnish and supply propane gas service (in lieu of manufactured gas service) in Grass Valley, Nevada City, and suburbs of each, and intervening territory, and in Redding and Red Bluff, and the suburbs of each, and to file and make effective rates applicable to said propane gas service, etc.

ORIGINAL

Application No. 27848

R. W. DuVal for Applicant.

O P I N I O N

In this application Pacific Gas and Electric Company seeks an order granting the necessary authority to furnish and supply propane-air service to its customers in Grass Valley, Nevada City, Red Bluff and Redding, and the suburbs of each, in lieu of the artificial gas service presently rendered in these areas.

Public hearings were held in Grass Valley on October 16, 1946 and in Red Bluff and Redding on October 17, 1946, at which no opposition to the granting of the requested authority was manifested.

Artificial gas service has been supplied in the communities noted by Applicant and its predecessors since prior to 1912, as evidenced by cancelled tariff sheets in the Commission's files. At this time oil gas having a heating value of approximately 540 B.t.u. is manufactured at the plants located in Grass Valley, Red Bluff and Redding. In Grass Valley distribution of the gas is accomplished by utilizing a high-pressure system, and in Red Bluff and Redding gas is distributed through low-pressure systems. The major equipment in each manufactured gas plant includes gas generators, boilers, relief holders, storage holders, scrubbers, purifiers, oil storage tanks, piping, buildings, and

other auxiliary and miscellaneous equipment. The Red Bluff plant, in addition, is equipped with a butane-air standby plant.

A witness for Applicant testified as to the necessity of changing from oil gas service to propane-air service. Applicant is experiencing difficulty in obtaining satisfactory fuel oil to be utilized in the gas manufacturing process. The load requirements in Grass Valley and Nevada City are such as to require the installation of new oil gas manufacturing facilities as well as making major repairs on the present equipment. Further, the condition of all plants would require additional investment in the near future to render service to the present load. It is also difficult to secure experienced employees for work in connection with the manufacture of oil gas. This latter difficulty would be eliminated to a large extent when propane-air gas service is rendered because such service is largely automatic and will require a reduced number of personnel for the operation of the production facilities.

Applicant proposes to install propane-air gas equipment to distribute gas having a heating value of about 1050 B.t.u. Two gas-air mixers having a capacity of 25,000 cubic feet per hour each have been installed at the Grass Valley plant. In addition, this installation includes a propane storage tank, surge tank, piping, automatic control mechanisms, and all other necessary equipment required for propane-air service. The propane installation will also include the presently installed low-pressure and high-pressure storage holders. Due to the high-pressure system in Grass Valley and Nevada City, it will also be necessary to maintain in operation the necessary compression equipment and steam boiler, together with the required oil storage tank, piping, and auxiliary equipment. At the Red Bluff plant the propane-air plant will include two 10,000 cubic feet per hour gas-air mixers, and the plant at Redding will have two 20,000 cubic foot units. The low-pressure holders at each of these latter two plants will be retained in service. Applicant will use direct fired vaporizers at each of the proposed plants and has requested authority in this application to do so, as required by this Commission's General Order No. 94.\*

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\* Section 4(e)(6) of General Order No. 94.

The record enumerates the equipment in the presently operated oil gas plants that will no longer be required for the rendition of gas service and which the utility will abandon or remove. Pertinent historical costs relating thereto, as well as the costs of installing the propane plants, is set forth in the following summary:

<u>Location</u>	<u>Historical Cost of Plant to be Abandoned or Removed</u>	<u>Cost of Installing Propane Plants</u>
Grass Valley	\$ 112,665	\$ 37,649
Red Bluff	101,925	32,970
Redding	124,967	39,500
Total	\$ 339,557	\$ 110,119

It was indicated by Applicant's witness that the costs shown were estimated figures and would vary somewhat when the final costs are determined.

Applicant presented as an exhibit a copy of its contract with Tide Water Associated Oil Company covering the purchase of liquefied propane. The term of this contract is for two years, to June 30, 1948, and continuing thereafter on six months' written notice of cancellation by either party given at any time after expiration. Under the provisions of the contract, the costs of propane to the utility will be 3-1/2 cents per gallon (exclusive of taxes) f.o.b. the refinery at Avon in tank cars and trucks or trailers, for minimum delivery of 50,000 gallons per calendar month. If the purchases exceed 60,000 gallons in any calendar month, the cost will decrease on a blocked sliding scale basis in accordance with the quantity purchased. The average composite delivered cost to the three proposed propane-air plants is estimated to be 4.507 cents per gallon.

Witness for Applicant reviewed the proposed plan of cutover from 540 B.t.u. gas service to about 1050 B.t.u. gas service. The cutover at Grass Valley is estimated to extend through a period of about one week. It will be necessary to initially mix oil gas and propane gas in order to bring about a gradual change and to ascertain the most appropriate heating value of the propane-air gas that should be adapted for utilization in the customers' appliances. The utility will perform the necessary cutover work, and the cost involved will be charged to operating expenses.

Applicant introduced evidence in support of appropriate changes in its Rule and Regulation No. 2 - "Description of Service" and a new rate schedule for propane gas service. Inasmuch as propane-air service will not be made available simultaneously in the three service areas in question, but at different periods, it will be necessary to file revisions of this rule and of filed rate Schedule G-58 applicable to artificial gas service, as propane-air service is instituted successively in the communities. The new rate schedule will accord customers in these localities a reduction of approximately 10 per cent from the rates that would have been charged for artificial gas service, had the recent 5 cent increase in price of fuel oil been incorporated into the existing artificial gas rates. The proposed rate schedule contains an escalator clause providing for a change of one cent per 100 cubic feet in the base rates for gas used in excess of 300 cubic feet per month for each .62 cents that the cost of propane shall change above or below 4.507 cents per gallon. Applicant made available in the record an exhibit setting forth the computations in support of the fuel oil clause.

In refiling Rule and Regulation No. 2 in its revised form, the description of propane gas produced should specify an average heating value of 1050 B.t.u. per cubic foot and/or the actual heating value finally determined as most appropriate.

The record in this proceeding relative to Applicant's operations in the Grass Valley area, Red Bluff and Redding also includes exhibits and testimony showing certain pertinent data relating to customers, Mcf sales, revenues, and a portion of operating expenses. This testimony covering the manufactured gas operations on a 1945 adjusted basis in Red Bluff and Redding indicated a net loss before general and administrative expenses and fixed charges. On the other hand, the first year's service of propane-air gas will bring about a net return in excess of the local costs in these two localities. For the operations in Grass Valley and Nevada City the net return above local costs for the propane-air service will be larger than the return on the 1945 adjusted basis for artificial gas service.

After consideration of the record in this application, we find that the rendition of propane-air gas service in lieu of oil gas service in the areas heretofore described will be in the best interests of the utility's customers. Further, we find that the appropriate authority necessary for the installation of the necessary propane-air gas equipment and facilities to render this service in these areas should be granted.

O R D E R

A public hearing having been held upon the application of Pacific Gas and Electric 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 HEREBY ORDERED that Pacific Gas and Electric Company is hereby authorized:

1. To furnish and supply propane-air gas service in lieu of artificial gas service to its customers in Grass Valley, Nevada City, and suburbs of each and in intervening territory, and Redding and Red Bluff and the suburbs of each.
2. To install and operate direct fired hydrocarbon vaporizers and heaters in each of its propane-air gas plants.
3. To refile Schedule G-58, General Service, Artificial Gas Service, Revised C.R.C. Sheet No. 1501-G; and to file a General Service Schedule for Propane Gas Service as contained in Exhibit "B" of the application, each to be appropriately modified only as respects "Territory", to be effective on regular monthly meter readings taken on and after the 15th day following completion of the cutover from manufactured gas service to propane-air gas service in each of the areas, namely, Grass Valley, Nevada City and suburbs of each and intervening territory; Redding and suburbs; and Red Bluff and suburbs.
4. To refile sheet one of Rule and Regulation No. 2 - Description of Service, indicating the kind of gas served by the Company and the territory in which each kind is served, to be effective as authorized in the preceding section of this order.
5. To withdraw and cancel its General Service schedule applicable to Artificial Gas Service 15 days after the inauguration of propane-air gas service in the last of the communities to be so supplied.

The effective date of this order shall be the date hereof:

Dated at San Francisco, California; this 29<sup>th</sup> day  
of October, 1946:

Harold Kula  
Justin J. Calves  
Francis D. ...  
Frank Powell

Commissioners