

Decision No. 40803

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application
of CRESCENT CITY GAS COMPANY, for
Certificate of Public Convenience
and necessity to operate central
gas system in CRESCENT CITY and
vicinity.

Application No. 28612.

J. W. Jackson for applicant.

O P I N I O N

Crescent City Gas Company, a newly organized corporation, asks for a certificate of public convenience and necessity to exercise franchises granted by the City of Crescent City and the County of Del Norte and to construct, operate and maintain a liquefied petroleum gas system herein described to supply gas within and adjacent to said city.

A public hearing on this application was held by Examiner Daly, at which no opposition to the granting of the requested certificate was manifested.

Applicant proposes to construct and install a central plant with necessary pipe-line facilities and to distribute diluted propane vapor having a heating value of approximately 1,500 Btu per cubic foot. The plant facilities to be installed include gas air vaporizing units with suitable housing, and a propane storage tank having a capacity of 15,000 gallons, both to be located a short distance outside the city limits. The distribution system located within and without the city will consist of approximately 1,850 feet of six-inch mains, 8,300 feet of four-inch mains, 2,400 feet of two-inch mains and 300 services. Appropriate office equipment and supplies are also provided.

The estimated cost of plant and other facilities was shown to be:

Production facilities	\$17,600
Distribution facilities:	
Mains	21,275
Services and Meters	22,120
Truck	1,762
Engineering services	2,400
Total	<u>\$65,157</u>

The foregoing estimated capital expenditures may be expected to differ from the recorded costs incurred during the period of construction and the Commission will require of applicant a statement showing, when known, the actual capital expenditures made in constructing the proposed plant and system. This statement should be furnished at the time when the costs of construction are placed upon the utility's books.

Applicant expects to render service initially to 265 domestic customers and 35 commercial customers. The present rate of growth of the city, brought about by favorable prospects in the lumbering industry, makes estimates on future development very difficult. However, the plant as installed can be expanded to several times its initial capacity to provide for future load requirements.

The schedule of rates proposed for domestic and commercial propane-air gas service was submitted at the hearing as Exhibit 3. These rates compare favorably on a heating value basis with rates for similar service in other locations, when consideration is given to the higher delivered cost of propane in Crescent City. This schedule contains a special provision that for consumptions in excess of 100 cubic feet per month, the rates charged shall vary automatically with changes in the price of propane. The language of this provision is such that the increase or decrease in the rates for gas service will approximate closely the increase or decrease in the price of propane giving rise thereto.

In support of the proposed rates, applicant submitted Exhibit 2 showing estimated revenues and expenses which, when converted to an annual basis, would be as follows:

Revenues	\$34,529
Operating expenses	\$28,590
Taxes	1,200
Depreciation expense	<u>1,800</u>
Total Expenses	<u>31,590</u>
Balance	\$ 2,939

The basis for the revenue and expense estimates was examined at the hearings and the assumptions appear to be reasonable at this time. However, it is difficult to forecast the results to be expected for a utility inaugurating this type of gas service in a new territory and applicant's expectations may or may not be fully realized.

At the hearing, applicant stated that it would adopt and file with its rates a set of rules and regulations substantially the same as those now being used by other utilities for similar operations.

Two franchises are involved in this undertaking. The first, attached to the application as Exhibit A, was granted by the City of Crescent City. It is city-wide in scope and for a term of 50 years. A fee thereunder is payable annually to the city equivalent to 2% of the gross annual receipts arising from the use, operation or possession thereof, no payments being required for the first five years succeeding the date of the franchise. The costs to applicant in obtaining this franchise are stated to have been \$122.78.

The second, introduced in evidence as Exhibit 1 at the hearing, was granted by the County of Del Norte after this application had been filed. It is limited in scope, being restricted to an area described by metes and bounds which extends approximately five miles beyond the city limits on all sides. It, also, is for a term of 50 years. A fee thereunder is payable annually to the county equivalent to 2% of the gross annual receipts arising from the use, operation or possession thereof, no payments being required for the first five years succeeding the date of the franchise. The costs to applicant in obtaining this franchise are stated to have been \$50.

From the evidence of record it appears that applicant's proposal to inaugurate liquefied petroleum gas service in and about Crescent City is based upon reasonable assumptions, that such service will be in the interest of the residents and commercial establishments in that area, and that the requested certificate of public convenience and necessity to exercise the franchises obtained and to construct, maintain and operate the proposed gas system as a public utility should be granted.

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

That the Commission shall have no power to authorize the capitalization of the franchises involved herein or this certificate of public convenience and necessity or the right to own, operate or enjoy such franchises 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 franchises, certificate of public convenience and necessity or right.

O R D E R

Application as above entitled having been filed, a public hearing having been held thereon, the matter having been submitted, the Commission being fully advised in the premises and hereby finding that public convenience and necessity so require,

IT IS HEREBY ORDERED as follows:

1. That a certificate of public convenience and necessity is hereby granted to Crescent City Gas Company to exercise the rights and privileges granted by the City of Crescent City by Ordinance No. 329 adopted April 14, 1947, and by the County of Del Norte by Ordinance No. 163, adopted September 30, 1947, and to install, maintain and operate a propane-air gas system and render service by means thereof as a public utility in Crescent City and vicinity,
2. That Crescent City Gas Company shall charge for the propane-air gas so supplied the schedule of rates set forth in Exhibit A of this Order, and
3. That Crescent City Gas Company shall, not less than thirty (30) days prior to the commencement of service, file with this Commission the schedule of rates set forth in said Exhibit A and an appropriate set of rules and regulations to be hereafter developed through informal conferences with the Commission's staff.

The effective date of this Order shall be the date hereof.

Dated at San Francisco, California, this 10th day of October

1947.

Harold P. Kuls
Justus F. Cravens
John H. Ravee
A. F. Anderson

Commissioners.

EXHIBIT A

SCHEDULE G-1
GENERAL SERVICE
PROPANE AIR GAS

Character of Service:

Propane gas for light, heat, and power service will be supplied, of a heating value as specified and under conditions provided for in Rules and Regulations filed with the Public Utilities Commission of the State of California.

Territory:

Crescent City and County

Rate:

		Per Meter per Month			
		Base Rates		Effective Rates	
First	100 cu. ft.	\$1.15		\$1.15	
Next	500 " "	50¢ per 100 cu. ft.		50¢ per 100 cu. ft.	
Next	1,000 " "	38	" " " "	38	" " " "
Next	2,000 " "	35	" " " "	35	" " " "
Next	4,000 " "	28	" " " "	28	" " " "
All over	7,600 " "	25	" " " "	25	" " " "

Minimum Charge:

The minimum charge shall be \$1.50 per meter per month.

Special Conditions:

For gas used in excess of 100 cu. ft. per month, the rates in effect at any time vary with the average cost of propane delivered to our plant at Crescent City generating gas served under this schedule, and shall be determined from the above base rates by adding or deducting, respectively, 1.0¢ for each 0.55¢ that such cost of propane is above or below 10.29¢ per gallon, change in rate to be to the nearest 0.5¢.

When a change in the price of propane occurs, the Company shall submit to the Public Utilities Commission, within a period of fifteen (15) days, an Advice Letter and appropriate tariff schedules setting forth the new effective rates and accompanied by an affidavit of such change in the price of propane. The new rate shall be effective on all regular meter readings taken on and after the thirtieth (30) day following such change in the price of propane.