

Decision No. 42041**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Suspension and investigation on the Commission's own motion of proposed Rules and Regulations No. 20, Gas Main Extensions, filed by Coast Counties Gas and Electric Company.

Case No. 4958

J. K. Horton, William E. Johns, Bert B. Snyder for Coast Counties Gas and Electric Company;
J. J. Deuel, Edson Abel and Alex Meyers for California Farm Bureau Federation; Henry George Baron for City of Taft.

O P I N I O N

Coast Counties Gas and Electric Company, hereinafter sometimes referred to as the company, filed on June 8, 1948 under Advice Letter No. 119-G a revision of its Rules and Regulations No. 20 covering the terms and conditions under which it will extend its gas mains to serve new customers.

Because of the extent of the changes proposed in Rules and Regulations No. 20, and the concurrent filing of a proposed revision of its electric extension rule involving rather extensive modifications of the latter, it appeared appropriate to set the matter for public hearing in order to afford interested parties an opportunity to present their views. The Commission, therefore, on June 29, 1948 issued its order suspending the effective date of the filing and instituting an investigation into the propriety and reasonableness of said Rules and Regulations No. 20.

A public hearing was held July 26, 1948 in Watsonville before Commissioner Huls and Examiner Knerr after publication of

notice of hearing in 12 newspapers of general circulation in the areas served natural gas by the company. At the hearing evidence was presented by a witness for the company reviewing the historical development of the extension rule and indicating that the provisions of the currently effective rule have been substantially the same since 1937. Testimony by this witness indicated that gas main construction costs have doubled, approximately, in the period 1936 to 1947. It was shown that while the typical domestic consumption for the primary classes of gas usage, other than space heating, had remained somewhat constant, the revenue received had shown marked decreases during the ten-year period because of rate reductions. On the other hand, the cost of gas to the utility has increased during the same period. Applicant indicated that because of changed relationships between capital cost and revenues received for gas service, the present rule no longer reflects an appropriate basis for making gas main extensions without deposits. Accordingly, the revised gas extension rule was designed to restore the proper relationships between the various factors involved.

The presently effective gas main extension rule provides for free extension allowances of certain lengths of main depending upon the use to be made of gas service by domestic customers and the construction of additional lengths of main upon deposit by the customer of the estimated cost of the excess portion of the extension. The following table summarizes a comparison of the present free allowances for domestic customers with the allowances which would be established under the company's proposal:

Free Extension Allowance to the Applicant for Domestic Service

	<u>Present Rule</u>	<u>Proposed Rule</u>
For each standard gas range	100 ft.	
Cooking with standard range		100 ft.
For each gas tank water heater	50	
For each automatic gas water heater	100	
Automatic water heating (entire home requirements)		100
For each gas refrigerator	75	
Refrigeration for food preservation (4 cubic feet or larger)		50
For all other standard gas equipment installed and used, per 10,000 Btu rating	20	
Space heating or summer air conditioning per 10,000 Btu rating of standard equipment		*20

* No free footage allowances are to be made where domestic customer uses gas for space heating only.

Proposed:

Maximum allowance per customer for either space heating or summer air conditioning is 100 feet; maximum allowance per customer for all year air conditioning is 200 feet.

This condition not included in present rule.

It is noted the company proposes to eliminate the allowance of 50 feet for a gas tank water heater, while the 100-foot allowance for a standard range and an automatic gas water heater would remain in effect. The free allowance for a domestic refrigerator has been reduced from 75 feet to 50 feet and the free footage for space heating is limited to a maximum allowance of 100 feet. No free footage allowance will be made to a domestic customer for space heating only.

In further support of these proposed changes, applicant introduced testimony showing the usable free footage computed under the present and proposed rules for a typical month's operation on a portion of its system. On the basis of the statistics shown, the over-all added cost to the customer was relatively small. The free footage allowances specified for domestic service in the proposed rule and as herein ordered are believed to be fair and reasonable.

Another important change proposed in the rule would be to base the allowance for free extensions for non-domestic customers on the relationship between estimated costs of construction and the estimated first year's billing for the contracted service. By the proposal the company would install free extensions for non-domestic customers at a cost equivalent to three times the estimated annual gross revenue. Considerable testimony was presented at the hearing with respect to the application of a rule providing for the use of estimated construction costs and estimated revenues. Although that testimony was directed particularly to the electric extension rule, it is believed that the gas main extension arrangements present a similar situation. The company's witness indicated it was doubtful if the actual allowances under the proposed capital-revenue basis would be greater or less than the present rule. In order that the provisions of the rule may be definite, so that prospective customers may determine the arrangements under which extensions will be constructed, the rule herein ordered will provide for the retention of specified footage allowances based upon equipment to be used on general service schedules for non-domestic service.

The present and proposed gas extension rule provides that extensions beyond the free length will be installed by the company under certain conditions, provided the applicant for service advances to the company an amount equal to the "estimated costs" of such excess portion of the extension. As noted hereinbefore, objections were made at the hearing relative to the use of estimated costs in lieu of a stated unit cost on a footage basis as a means for determining advances for gas main extensions. The company indicated a willingness to correct this situation, by specifying in the rule the average main extension costs actually experienced during the previous calendar year. This appears to be desirable and an appropriate change

will be made in the rule authorized by the following Order. In this connection, unit costs for extensions beyond the free length should be predicated upon the company's actual experience during a single calendar year for only those extensions which required advances beyond the free length. The unit costs applicable are to be stated in the rule, and the rule will be refiled to reflect changes that may occur in such costs in succeeding years. The unit costs should be revised once each year within three months following the end of the previous calendar year. The Rules and Regulations No. 20 filed in accordance with the following Order should show the average unit costs as determined in accordance with the foregoing for gas main extensions made by the company during the calendar year 1947.

The company included in its proposed rule a clause reading as follows:

" . . . and further provided company shall not be obligated to extend when total length of the extension exceeds three (3) times the free footage allowance under section (b)-1 above."

The company's witness indicated that it would propose to build extensions which exceeded the limit under the provisions of the rule when such extensions were along roads or highways where the company anticipated further addition of customers. It desired to hold the option, however, as a matter of management decision. It appears that the last section of the present rule, which the company proposed to retain in the new rule, provides adequate protection to both the company and its applicant customers against impractical or unjust operation of the extension rule. Further protection of the company appears to be unnecessary.

In effecting the transition from the present extension basis to the new rule, it appears appropriate to apply the provisions of the present rule in the arrangements for construction of

extensions to those prospective customers who, in good faith, have signed applications for service prior to the effective date of the new extension rule.

O R D E R

The Commission having on its own motion suspended the effective date of those Tariff Sheets Nos. 798-G to 800-G, inclusive, filed under Advice Letter No. 119-G on June 8, 1948 by Coast Counties Gas and Electric Company which sheets comprised a revision and re-filing of Rules and Regulations No. 20, Gas Main Extensions, and having on its own motion instituted an investigation into the propriety and reasonableness of said Rules and Regulations No. 20, a public hearing having been held, the matter being under submission, and the Commission concluding that Rules and Regulations No. 20 set forth in said tariff sheets are unjust and unreasonable to the extent that the provisions of said rules and regulations differ from those in Exhibit A attached to and made a part of this Order, and finding that the rules and regulations set forth in Exhibit A attached hereto are just and reasonable and that any increases in rates or charges that may result from the application of the rules and regulations contained in Exhibit A hereto are justified,

IT IS HEREBY ORDERED:

1. That the suspension of Tariff Sheets Nos. 798-G, 799-G, and 800-G covering Rules and Regulations No. 20, Gas Main Extensions, be and it is hereby made permanent.
2. That Coast Counties Gas and Electric Company within ten (10) days from and after the effective date of this Order shall file to be effective on not less than five (5) days' notice the Rules and Regulations No. 20, Gas Main Extensions, set forth in Exhibit A attached hereto.

3. Concurrently with the making effective of the Rules and Regulations No. 20 herein ordered and set forth in Exhibit A, Coast Counties Gas and Electric Company shall cancel its presently existing Rules and Regulations No. 20 as shown on Revised Sheets CRC Nos. 288-G and 549-G, but shall complete the processing and arrangements under said presently effective Rules and Regulations No. 20 for those customers who have signed applications for service and for whom the necessary extension conforms to the provisions of said rule and regulation, unless the application of the terms and conditions of the new rule and regulation herein ordered would result in a lesser advance by the applicant customers.

The effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 14th day of September, 1948.

R. E. [Signature]
Justice F. Grauer
Joseph [Signature]
Harold [Signature]
Herbert [Signature]
Commissioners.

EXHIBIT A

COAST COUNTIES GAS AND ELECTRIC COMPANY
San Francisco, California

RULES AND REGULATIONS

NO. 20 - GAS MAIN EXTENSIONS

Extensions of gas distribution mains on public roads or highways necessary to supply bona fide applicants for gas service of a permanent and established character, will be made by the Company, entirely or partially at its own expense, in accordance with the following rules:

GENERAL:

The provisions herein apply only when Company installs gas distribution mains along public streets, roads and highways.

(a) FREE EXTENSIONS:

The Company will install, without cost to such applicants, except as hereinafter provided, the following lengths of gas distribution mains along public streets, roads and highways:

Customers to which General Service Rate Schedules apply:

1. For each domestic customer using gas for:

Cooking with standard range	100 feet
Automatic water heating (entire home requirements)	100 feet
Refrigeration for food preservation (4 cu.ft. or larger)	50 feet
Space heating or summer air conditioning per 10,000 Btu rating of standard equipment	*20 feet

(Maximum allowance per customer for either space heating or summer air conditioning is 100 feet; maximum allowance per customer for all year air conditioning is 200 feet.)

For summer cottages, beach homes, resorts, and any other customers using gas service seasonally or intermittently, one half of the above distance will apply.

2. For non-domestic customers (served on general service rate schedules):

Cooking with standard range	100 feet
Automatic water heating	100 feet
For all other standard gas equipment installed and used, per 10,000 Btu rating	20 feet

* No free footage allowances are to be made where domestic customer uses gas for space heating only.

(Continued)

EXHIBIT A

COAST COUNTIES GAS AND ELECTRIC COMPANY
San Francisco, California

RULES AND REGULATIONS

NO. 20 - GAS MAIN EXTENSIONS (Continued)

(b) EXTENSIONS BEYOND FREE LENGTH:

1. Extensions of mains, along public roads or highways, of a length greater than that provided under Section (a) above, will be installed, owned and maintained by the Company, provided the applicant (or applicants) for service advances to the Company an amount equal to the cost of the portion in excess of the free length. Such cost shall be based upon the average unit cost experienced by the Company for extensions requiring advances beyond the free length for mains of the same character installed during the preceding calendar year, as submitted to the Public Utilities Commission of the State of California, and applicable to all divisions as follows:

Size of Main

Average Cost per Foot

The cost of the excess portion of the main advanced by the applicant shall be based upon a three-inch main if the main installed is three-inch or larger, or upon the main as installed if it be less than three-inch main.

2. The amount advanced hereunder will be subject to refund without interest, as provided for in Section (c); provided, however, that no repayments will be made by the Company in excess of the amount advanced by the applicant (or applicants) and further provided, that no repayments will be made by the Company after a period of ten (10) years from the date the extension on which the advance is made is completed.

3. In cases where more than one applicant is to be served from such an extension the advance payment required shall be computed on the basis of the combined load.

(c) METHODS OF REFUND:

The amount advanced in accordance with Section (b) above will be subject to refund in the following manner:

1(a). For such additional permanent installations as may be supplied by service pipe connection only from the original extension an amount determined as follows:

The free footage allowance for the new installation in accordance with Section (a) multiplied by the cost per foot used in determining the advance on the original extension.

(Continued)

EXHIBIT A

COAST COUNTIES GAS AND ELECTRIC COMPANY
San Francisco, California

RULES AND REGULATIONS

NO. 20 - GAS MAIN EXTENSIONS (Continued)

(c) METHODS OF REFUND (Continued):

1(b). For such additional permanent installations as may be supplied by means of the original extension and from subsequent extensions thereof, an amount determined as follows:

The free footage allowance for the new installation in accordance with Section(a) less footage of additional main required to serve, multiplied by the cost per foot used in determining the advance on the original extension.

Such refunds will be made within thirty (30) days after the date of first service to the new installation (or as soon thereafter as practicable.)

When a domestic customer who has previously installed space heating only (for which no initial extension allowance has been made) adds one or more major uses of gas to that of space heating, he shall thereafter be deemed a new customer for the purposes of applying the refund provisions of this paragraph.

2. In cases where such additional installation (or installations) is supplied through a series of extensions, on any of which an advance still is refundable, the refunds due and payable in accordance with the provisions of Section (c-1) will be applied to repay in turn each of such advances which are refundable, beginning with the first in the series from the point of supply.

3. Amounts advanced under the conditions established by rule previously in effect will be refunded in accordance with the requirements of such rule.

4. When two or more parties make a joint advance on the same extension, such refunds as may accrue under the provisions of Section (c-1) will be distributed in the same proportion as each advance bears to the total advance.

5. No refunds will be made by the Company on advances, or portions thereof, covering extensions which have been in service more than ten (10) years.

(d) REAL ESTATE SUBDIVISIONS:

Gas main extensions to and/or in real estate subdivisions and gas main extensions to and in areas not contiguous to existing gas service area, will, in general, be made only on special contract.

(e) EXTENSIONS FOR TEMPORARY OR SPECULATIVE BUSINESS:

Extensions for temporary service or for business of a speculative character or of questionable permanency will not be made under this rule.

(f) EXCEPTIONAL CASES:

In unusual circumstances when the application of the provisions of this rule appears impracticable or unjust to either party, or in case of the installation of gas mains of a size larger than three inches, the Company or the applicant may refer the matter to the Public Utilities Commission of the State of California for special ruling; or for the approval of special conditions mutually agreed upon.