

ORIGINALDecision No. 42044

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHERN CALIFORNIA GAS COMPANY and
BLYTHE GAS CO. LTD., for an order
authorizing them (1) to carry out the
terms of a lease of the gas distribu-
tion system in the City of Blythe and
vicinity, pursuant to Section 51(a) of
the Public Utilities Act, and (2) to
extend service free from limitations
of gas main extension rules.

Application No. 29539

T. J. Reynolds, L. T. Rice and Milford Springer
by L. T. Rice for Southern California Gas
Company.
L. T. Rice for Blythe Gas Co. Ltd.
Walton Gateley, City Attorney of Blythe, for the
City of Blythe, interested party.

O P I N I O N

Applicants request: (1) authorization, under Section 51(a) of the Public Utilities Act, to carry out the terms of a lease of the gas distribution system of the Blythe Gas Co. Ltd.; (2) a certificate of public convenience and necessity, under Section 50(a) of the Public Utilities Act, authorizing the conversion of the butane piping distribution system in the City of Blythe and vicinity to the service of natural gas; (3) authorization to deviate from the presently filed extension rule of both applicants in this territory for at least three years wherever it is deemed economically feasible in the opinion of management.

A public hearing was held at Blythe on August 19, 1948 before Commissioner Huls and Examiner Thompson, at which time evidence was received and the matters submitted.

In Decision No. 41823, dated July 7, 1948, Application No. 29452, Southern California Gas Company was authorized to purchase all the outstanding capital stock of Blythe Gas Co. Ltd. The latter company at present distributes butane gas within the City of Blythe and vicinity.

On July 20, 1948 the Southern California Gas Company entered into an agreement with the Blythe Gas Co. Ltd. for the lease of all the properties, franchises and assets used or useful in the furnishing of gas service within the lessor's service area. It is provided in this agreement that Southern California Gas Company will operate the distribution properties in the rendering of gas service, make all additions and betterments, adequately maintain the facilities, and retain all revenues from the sale of gas. The consideration for the lease of said properties is \$500 per month, payable to the Blythe Gas Co. Ltd. by the Southern California Gas Company. The term of the agreement is to January 1, 1949, and from month to month thereafter until terminated by either party upon thirty (30) days' written notice from one to the other.

Evidence was presented at the hearing, in which it was estimated that the fixed capital investment at the end of the first year of natural gas operation would amount to \$182,769. This represents an increase in capital investment, subsequent to conversion to natural gas, of \$113,707, of which \$74,339 is accounted for as investment for new consumers, \$31,256 being the capital investment for conversion to natural gas and \$8,112 being general capital investment required in the operation of the system. It was testified by applicants' witness that conversion of the existing system to natural gas can be accomplished within approximately three weeks following authorization by the Commission.

Southern California Gas Company proposes to file the rates introduced in evidence in Exhibit No. 2 in this proceeding. Considerable testimony was introduced at the hearing to show the effect of the proposed rates. Revenues from the sale of butane gas in 1947 were \$51,351. Applying the rate Schedule D-5EA (domestic and commercial service) of Southern California Gas Company, applicable in its Palm Springs area, to the natural gas equivalent of the butane sales, a revenue of \$28,600 would be realized or a reduction of \$22,751, resulting in an average reduction per customer for the year of approximately \$40. Since this is not a rate proceeding, the receipt of evidence relative to rates is not to be taken as binding on any future inquiry on the part of the Commission.

On the basis of the evidence presented by applicant in this proceeding, it was estimated that the rate of return on the capital base required in rendering natural gas service during the first year of operation would be approximately 4.25%.

It was testified at the hearing that Blythe Gas Co. Ltd. held a franchise to distribute gas in the City of Blythe, which was granted by that city under Ordinance No. 118, dated December 7, 1936, and further, that Blythe Gas Co. Ltd. had been granted a franchise to serve gas in the County of Riverside by Ordinance No. 324. It was stated by applicant that these franchises were not limited to butane gas and would include the distribution and sale of natural gas.

By the Commission's Decision No. 29448, dated January 11, 1937, Application No. 20824, Blythe Gas Co. Ltd. was given a certificate of public convenience and necessity to exercise the franchise right granted by the City of Blythe, Ordinance No. 118, to distribute gas in that city. In Decision No. 35595, dated July 14, 1942, Application No. 24701, Blythe Gas Co. Ltd. was given a certificate of

public convenience and necessity to supply gas within the unincorporated area adjacent to the City of Blythe, County of Riverside, not exceeding a distance of twenty miles from said city. At that time all facilities outside of Blythe were located on private property.

By the terms of the lease agreement Southern California Gas Company obtained the use of the franchise and certificate rights held by the Blythe Gas Co. Ltd.

Southern California Gas Company requests authority to deviate from its filed extension Rule and Regulation No. 20 when providing natural gas service in the service area of Blythe Gas Co. Ltd. Testimony concerning this matter was presented and indicated that, due to the fact that this is a new natural gas service in the area and that certain of the fringe portions are sparsely settled, it would not be practicable to comply with Rule No. 20. The testimony further indicated that deviation from Rule No. 20 would provide a more economical installation of mains in most instances. A survey made by applicant of the potential new business showed a sufficient number of customers would probably be added by the end of the first three years to provide the allowances normally required under Rule No. 20.

Applicants request in their application that the Order in this proceeding be made effective upon the date hereof. From the evidence presented at the hearing, Southern California Gas Company has accomplished much of the preparatory work prior to the actual conversion to natural gas. A desire was also expressed by applicant to convert to natural gas before ordering additional supplies of butane.

Since no opposition was manifested at the hearing to applicants' application, and since the introduction of natural gas will result in savings to the consumer, the requests will be granted.

Upon this record and after consideration of all the evidence presented herein, we are of the opinion and hereby find that Southern California Gas Company is in a position to establish and operate the proposed natural gas service, and that the proposed deviation from Rule and Regulation No. 20 is desirable and in the public interest.

The action taken herein shall not be construed to be a finding of the value of the public utility property herein authorized to be transferred pursuant to said lease nor a finding of the reasonableness of the consideration to be paid by applicant, Southern California Gas Company, for the lease of said property for purposes of rate fixing or issuance of securities.

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, and that the public interest will be served,

IT IS HEREBY ORDERED:

1. That Southern California Gas Company and Blythe Gas Co. Ltd. be and they are hereby authorized to carry out the terms of the lease agreement dated July 20, 1948, and attached as Exhibit "A" to the application.
2. That a certificate of public convenience and necessity be and it is hereby granted to Southern California Gas Company to convert the distribution system of the Blythe Gas Co. Ltd. to the service of natural gas.
3. That authority is hereby granted to Southern California Gas Company to deviate from its Rule and Regulation No. 20, Gas Main Extensions, for a period of three (3) years from the effective date of this Order, in the providing of service under the terms of this Order.

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The effective date of this Order shall be the date hereof,
Dated at San Francisco, California, this 2nd day of September
1948.

R. F. Zimmerman
Justin J. Casper
Walter L. Powell
Harold F. Kula
Herbert F. Totten
Commissioners