

ORIGINAL

Decision No. 43082

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of
 PACIFIC GAS AND ELECTRIC COMPANY, a
 corporation, for a certificate of
 public convenience and necessity to
 construct, operate, and maintain the
 natural gas project herein described
 for the purpose of supplying natural
 gas service to the City of Kerman and
 contiguous territory, Fresno County,
 and to exercise franchise rights in
 connection therewith, and to file and
 make effective rates applicable to
 such service, etc.

(Natural Gas Project-Kerman)

Application No. 30131

O P I N I O N

Pacific Gas and Electric Company, in this application, requests a certificate of public convenience and necessity authorizing the extension of its natural gas system to serve the City of Kerman, Fresno County, and to exercise the right, privilege and franchise granted to it by Ordinance No. 37 of the City Council of the City of Kerman. Applicant also requests authority to supply natural gas service to the residents and industries in Kerman and in territory adjacent thereto and along the route of a certain proposed distribution feeder main, in accordance with the proposed rate schedules submitted at the public hearing which was held before Examiner Cooper at Kerman on June 2, 1949.

Three witnesses appeared for applicant at the hearing to describe the gas facilities to be installed, the manner under which the proposed system will be served and operated, the cost of installation, and the estimated annual revenues and operating costs resulting from the operation of the proposed facilities.

Ordinance No. 37 of the City of Kerman grants a franchise to Pacific Gas and Electric Company to lay and use in the streets of said city all pipes and appurtenances for transmitting and distributing gas to the public within the City of Kerman. The franchise was granted in accordance with the Franchise Act of 1937 and contains a provision that it shall be of indeterminate duration, running until its surrender or abandonment or forfeiture for noncompliance or purchase by the state, county, or other public corporation either voluntarily or by condemnation. A fee is payable by the grantee to the city equivalent to two per cent of the gross annual receipts of said grantee, arising from the use, operation or possession of said franchise; provided, however, that such payment shall in no event be less than one per cent of the gross annual receipts of grantee derived from the sale of gas within the limits of said city. The costs incurred by applicant in obtaining the franchise are stated to have been \$74 and the applicant has stipulated that it, its successors or assigns will never claim before the Commission, or before any court or public body, any value for the aforesaid franchise in excess of the actual costs thereof.

Applicant states it is in possession and ownership of certain rights, privileges and franchises granted by the Counties of Madera and Fresno. A listing of the applicant's gas franchises for these counties showing the ordinance numbers, the dates granted, and the expiration dates is appended to the application as Exhibit "B".

Applicant will supply natural gas to Kerman by means of a proposed 4-inch distribution main, 34,500 feet in length, extending north along Madera Avenue from the northern limits of Kerman to its existing 8-inch transmission main No. 134, which delivers gas from the Gill Ranch Oil and Gas Field to the general system transmission network north of Fresno. The major portion of such distribution feeder main will be located in Fresno County while a minor segment will be installed

in Madera County north of the San Joaquin River. In addition, applicant proposes to install a gas distribution system within the city limits of Kerman consisting of 6,500 feet of 4-inch main, 5,900 feet of 3-inch main, and 18,575 feet of 2-inch main, together with the necessary meter and regulator stations and pits, regulators, meters and services. Exhibit "A" attached to the application is a map showing the location of the proposed mains in the City of Kerman and in Fresno and Madera Counties. The estimated cost of the project is \$180,400.

Applicant's witnesses presented testimony at the hearing relating to the number of customers to be served in Kerman and vicinity from the proposed gas project, volume of sales, revenues, and operating expenses contemplated during the first, second and third years of operation of the proposed gas system. By the third year of operation applicant estimates the sale of 63,100 Mcf to 478 customers for an annual revenue of \$36,200 under the rates as proposed. The total operating expenses before federal income taxes are estimated to be \$28,900 during the third year of operation. The capital expenditures at the end of this latter period were indicated to be \$187,100.

The gas service to Kerman and vicinity is proposed under two rate schedules introduced at the hearing, one for general service and one for interruptible service. The general service rate is considerably higher than applicant's presently effective rates for natural gas service in cities of similar size and customer density characteristics and, in addition, is higher than the rates requested in this utility's pending Application No. 29777 for an increase in natural gas rates. The proposed effective rates in this application for interruptible service are at a somewhat lower rate level than the interruptible rates of applicant effective at the time of the hearing. The tariff for interruptible service introduced at that time contains the same base rates and special conditions as set forth in the interruptible tariffs submitted in Application No. 29777 previously noted.

The Commission by Decision No. 43010 dated June 21, 1949, authorized applicant to initiate natural gas service in Winters to general service customers in accordance with this applicant's rates then in effect for general service customers in similar communities. A comparable provision will be included in the following order. It is likewise believed appropriate that the rates for interruptible service in Kerman and adjacent territory be the same as the GI Series currently effective in applicant's system. Under the circumstances it is believed proper that the general service customers in Kerman and in the unincorporated territory, who will be served by the proposed facilities, should be placed on schedules containing the base rates applicable in the effective G-5.2 (incorporated cities) and G-6.2 (unincorporated territory) rate levels. In addition, the following order will authorize applicant to make its presently effective base rates in Schedule GI for interruptible gas service applicable for such service in Kerman and adjacent territory. The effective rates in these schedules, G-5.2C, G-6.2C and GI-C, shall be appropriately calculated in accordance with special conditions of the tariffs of the previously mentioned rate levels to reflect rates for 950 Btu gas and the currently effective price of fuel oil.

No one appeared at the hearing to oppose the granting of this application. It appears that no other person, firm, public or private corporation was rendering natural gas service within the City of Kerman or along the route of the proposed line in Fresno and Madera Counties.

From the evidence of record, the Commission finds that public convenience and necessity require the installation of the proposed natural gas extension and distribution system and the exercise by applicant of the right, privilege, and franchise granted to Pacific Gas and Electric Company by Ordinance No. 37 of the City Council of Kerman.

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

- (a) 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.
- (b) That the franchise involved herein shall never be given any value before any court or other public authority in any proceeding of any character in excess of the cost to the grantee of the necessary publication and any other sum paid by it to the municipality therefor at the time of the acquisition thereof.

O R D E R

The above-entitled application having been considered, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY FOUND AS A FACT that public convenience and necessity will require the construction, operation and maintenance of the natural gas project by Pacific Gas and Electric Company within that portion of Fresno and Madera Counties and the City of Kerman in the area set forth in a map marked Exhibit "A" of the application; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted Pacific Gas and Electric Company to construct, operate and maintain the project for the distribution and sale of natural gas within the territory hereinbefore described.

IT IS HEREBY FURTHER ORDERED that Pacific Gas and Electric Company be and it is granted a certificate that public convenience and necessity require the exercise by it of the right, privilege and franchise granted to it by Ordinance No. 37 adopted December 9, 1948, by the City Council of the City of Kerman.

IT IS HEREBY FURTHER ORDERED that applicant shall:

1. File Rate Schedules G-5.2C, G-6.2C and GI-C in accordance with the requirements of General Order No. 96 to include the City of Kerman and adjacent area within the territory of such schedules. Such schedules to be effective on or before the date service is initially rendered to the public.
2. Notify this Commission in writing of the completion of the system, for which this certificate is granted, within thirty (30) days following such completion.

The authorization herein granted will be void if not exercised within one (1) year of the date hereof.

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

Dated at San Francisco this 28th day of June,

1949.

R. E. [Signature]
Justice J. [Signature]
[Signature]
[Signature]
[Signature]
Commissioners.