

Decision No. 44876

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of SOUTHERN CALIFORNIA GAS COMPANY
for authorization to discontinue
service to 9 consumers in San
Bernardino and Riverside Counties.

Application No. 31635

T. J. Reynolds and Milford Springer, by Milford Springer, for applicant; Bernard Kelber and Philip H. Kelber, by Bernard Kelber, for protestant; Lynn Kloepper, for H. A. Styles; Frank H. Mogle, Chairman of Board of Supervisors of San Bernardino County, and Albert E. Weller, County Counsel of San Bernardino County, by Albert E. Weller, in behalf of protestants.

O P I N I O N

Southern California Gas Company in this proceeding asks authority to discontinue natural gas service to nine consumers on Riverside Drive and Norma Avenue, in San Bernardino and Riverside Counties.

A public hearing was held on this matter in Ontario on September 14, 1950, before Examiner Crenshaw.

Since the importation of Texas gas in large volumes and the construction of the Texas loop line, applicant maintains that it does not need in its present location a portion of its large diameter pipe system on Riverside Drive, in San Bernardino and Riverside Counties, between Cucamonga and Etiwanda Avenues, which is in the vicinity occupied by the nine consumers who are affected in this proceeding.

Applicant stated that Riverside Drive is to be improved by the State Highway Department to a four-lane highway, commencing December 1, 1950. Applicant alleges that to maintain its existing

lines on Riverside Drive would require very large expenditures for their removal from present positions and reinstallation so that they would be outside the paved section of the State Highway, thereby permitting repairs and maintenance. Under the circumstances, it is applicant's claim that the only economical solution is the removal of these lines, as their use for delivery of large volumes of gas is no longer needed since the completion of the Texas loop line. These lines were originally a portion of the transmission system between Santa Fe Springs oil field and Brea and Colton.

When the original 30-inch Texas line was installed, connections were made by applicant from Riverside to Colton, and from Corona via Riverside Drive to Colton; and that portion of the old transmission system west of Cucamonga Avenue, consisting of 37,000 feet of 10-inch pipe and 21,650 feet of 16-inch pipe, was removed and the Brea compressor plant dismantled. Two customers were served from this 10-inch transmission line running from the Brea compressor station to Chino. This line was owned by applicant, and the two customers served were in the territory of applicant's affiliate, the Southern Counties Gas Company. When the line was abandoned, the Southern Counties Gas Company applied to this Commission for discontinuance of service to these consumers, which was granted by Decision No. 41420, in Application No. 29117. The circumstances under which the Commission authorized the abandonment are not comparable with the facts in the instant proceeding.

Applicant is presently laying a 10-inch line on Bain Street from Cloverdale Road to Riverside Drive, connecting to the 30-inch Texas loop line. Such connection, applicant claims, materially increases its deliverability to Colton, and is more economical than the extensive relocation and repairs necessary to the existing lines involved in this proceeding.

Applicant plans to remove 10,870 feet of 16-inch pipe and 2,280 feet of 8-inch pipe on Riverside Drive, between Cucamonga Avenue and Archibald Avenue, and to install approximately 12,010 feet of 4-inch pipe on Riverside Drive, between Cucamonga and Archibald Avenues, to maintain service to the communities of Guasti, Cucamonga, and Alta Loma, comprising 1,100 customers.

Applicant also contemplates removing 27,920 feet of 8-inch pipe and 10,570 feet of 10-inch pipe from Riverside Drive, between Archibald and Etiwanda Avenues. According to applicant, the pipe to be removed from Riverside Drive will be reconditioned and installed, for the most part, in the Downey-Bellflower-Lakewood Village area as a necessary gas pressure reinforcement pipe line, thereby avoiding the purchase of new large diameter pipe which is not readily obtainable at the present time; further, a considerable saving to the customers, generally, would be accomplished by the use of this reconditioned pipe as the cost would be approximately one-half the cost of new pipe of the same diameter.

Five of the nine consumers involved are located 5,363 feet east of Archibald Avenue; one is located 1,450 feet west of Wineville Avenue; and another, 1,850 feet east of Wineville Avenue. The other two customers are located just east of Etiwanda Avenue on Norma Avenue.

To maintain service to these nine customers would, according to applicant, require the installation of 10,104 feet of 2-inch main, the operation of which applicant claims would result in a net annual deficit. In support of this contention, applicant introduced Exhibit No. 2 at the hearing, which set forth a summary of the estimated investment, revenue, expenses, and earnings for a main extension to serve the nine domestic customers involved in this proceeding. This estimate was based upon the installation of 9,900 feet of 2-inch main,

which was referred to in the application, and, at the hearing, corrected to 10,104 feet. This estimate showed a gross annual operating revenue of \$436.93, with corresponding operating expenses of \$876.27, leaving a deficit for return of \$439.34, or a negative rate of return of 4.94% on a rate base of \$8,895.83. It was applicant's contention that the estimated earnings of the extension to supply the nine customers should at least pay the out-of-pocket cost, which was testified to be \$714.30 after deducting general expense and depreciation annuity. This would result in an annual deficit of \$277.37.

Applicant stated at the hearing that the territory consisted principally of vineyards and that there was no possibility of the development of any future business on Riverside Drive between Cucamonga and Etiwanda Avenues.

Bernard Kelber, attorney for protestants, introduced evidence and testimony through their witness, John E. Rieve, County Highway Engineer for Riverside County, who testified that the improvement of Riverside Drive involved the changing of the grade for short distances at three locations by cuts ranging from 1½ feet to 3½ feet, and the resurfacing of the present paved section which consists of a two-lane highway and which is to be retained. The present surface, according to the testimony, varies from 21 to 22 feet in width and the new pavement will be 24 feet in width.

It was also brought out in the record that it was questionable whether or not applicant would have to relocate any of its pipe lines on Riverside Drive, due to the resurfacing and regrading of this street. Therefore, the only reason applicant would have for removing the pipe would be for its relocation in the Downey-Bellflower-Lakewood Village area.

Andy Torta, realtor, testified that the area along Riverside Drive, between Cucamonga and Etiwanda Avenues, is capable of being subdivided and it was his understanding that some of the property has already been subdivided. One of the customers involved in this proceeding testified that his property has been subdivided and that he intends to start constructing residences in the near future on that portion of the subdivision fronting on Riverside Drive, thereby creating additional customers for gas service. Lynn Kloefer brought out that W. D. Meyers, who lives on Riverside Drive, had applied for gas service and purchased a gas range, but to date applicant had not connected the service. M. Audenino testified that he has been living at his present location since 1920, and all during this time has been receiving gas service.

An engineer for the Commission submitted Exhibit No. 4, which listed the dates the service pipes were installed for the nine customers involved in this proceeding. The first service was installed on February 6, 1920, and four additional services were installed between January 22, 1924, and January 3, 1929. Two services were installed in 1934 and 1935, and the other two services were installed in 1948 and 1949.

In applicant's rules and regulations, on file with this Commission, there is a provision that when gas service is to be rendered from a high pressure gas collecting and/or transportation line, or from any gas main located in private property for which the company holds a revocable right of way, the extension of gas service will be made under a service agreement which will provide that if any right of way affecting such service is revoked, or if any main from which such service is rendered is abandoned on account of an insufficient quantity of natural gas or otherwise, then, and in any such

event, the company shall have the right upon 30 days' written notice to discontinue the supply of natural gas without obligation or liability. This provision has been in applicant's rules since 1935. However, in the case of the nine customers involved in this proceeding, no agreement of waiver of service was requested of any of them, even though two were connected as recently as August, 1948, and May, 1949. It therefore appears from the record that as late as 1949, applicant had not contemplated the removal of the lines on Riverside Drive and did not consider the service connections to be of a temporary nature, requiring the signing of waiver agreements.

In Exhibit No. 4, presented by the engineer for the Commission, a comparable earnings summary was submitted similar to that set forth by applicant in its Exhibit No. 2, the rate base and annual gross revenue being identical in both summaries; however, there was a difference in the operating expenses and in the net income for return. The Commission's engineer found the net deficit to be \$87.29, or a negative return of .98%. Adjusting these expenses to the out-of-pocket cost, by deducting the general expense and depreciation annuity, would result in a net earning of \$4.22.

On applicant's assumption that there was no possibility of increasing business in this vicinity, the sales promotion expense should also be deducted, which would leave a net earning of \$31.67. Further, the capital investment would be reduced, in that four of the customers could be supplied through 1-inch instead of 2-inch lines. The record, however, does not bear out applicant's assumption. The Commission engineer's study indicates that the present nine customers would pay the out-of-pocket cost, when adjusted for general expense and depreciation annuity, for the operation of a 2-inch line to replace those lines which applicant contemplates removing. It must be borne

in mind that during the period from February, 1920, to date, applicant has received revenue from the nine customers now receiving gas service; and, generally speaking, only the investment in service pipe, meters and regulators, and in a portion of the mains, was required to supply service to these customers.

Under the circumstances, we can only conclude that the request for removal of the large diameter pipes on Riverside Drive is not attributable to the resurfacing and regrading of the highway, but was primarily for the convenience of applicant in obtaining large diameter pipe for reinforcement of its system in other localities, for the purpose of rendering adequate service. The customers of the company, in general, will benefit by the savings in capital investment.

From the estimates submitted in the proceeding, the out-of-pocket cost varies from a deficit of \$277.37, as presented by applicant, to a plus figure of \$4.22, as derived from Exhibit No. 4 submitted by the Commission engineer, all of which were predicated on average costs.

The record in this proceeding is not conclusive that applicant will not earn the out-of-pocket cost if it is required to install smaller diameter pipe to continue service to the nine customers. Therefore, continuation of service to these customers, and the connecting of service to prospective customers to these lines in the future, will not, in our opinion, be adverse to the public interest; hence, the applicant may remove the large diameter pipes on Riverside Drive provided it installs mains of sufficient capacity to render adequate service to the nine customers involved in this application.

O R D E R

Application as above entitled having been filed, a public hearing thereon having been held, the matter having been submitted, the Commission being fully advised in the premises and hereby finding that the interests of applicant's consumers as a whole will best be served by so doing,

IT IS HEREBY ORDERED that Southern California Gas Company be and hereby is denied authority to cease rendering natural gas service to the nine (9) consumers named in this application, and that such service shall be continued from the existing lines; or, if removed, applicant shall install, concurrently with the removal of the larger diameter pipe, pipe lines of sufficient capacity to render adequate and efficient service to said nine (9) consumers.

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

Dated at San Francisco, California, this 10th day of October, 1950.

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