

Decision No. 45057

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 SOUTHERN CALIFORNIA GAS COMPANY (1)
 for a certificate under Section 50(a)
 of the Public Utilities Act that
 public convenience and necessity
 require gas service to New Cuyama,
 and (2) for an order preliminary to
 a certificate under Section 50(c) of
 the Act authorizing the exercise of
 franchise rights to be obtained.

ORIGINAL

Application No. 31838

T. J. Reynolds and Milford Springer, attorneys
 for applicant.

O P I N I O N

Southern California Gas Company, a corporation, by the above-entitled application filed October 13, 1950, requests (1) a certificate of public convenience and necessity under Section 50(a) of the Public Utilities Act authorizing it to construct and operate a gas system in and about the unincorporated community of New Cuyama, Santa Barbara County, California, and (2) an order preliminary to a certificate under Section 50(c) of the Act authorizing it to exercise franchise rights to be obtained from Santa Barbara County. At the hearing, applicant amended its application to request authorization to deviate from certain portions of its filed Rules and Regulations Nos. 20 and 21. A map attached to the application as Exhibit "A" more particularly delineates the proposed service area.

A public hearing on this application was held before Examiner Warner on November 14, 1950, at Santa Barbara, California.

Southern California Gas Company is a California corporation serving more than a million customers throughout a major portion of Southern California. It is an affiliate and subsidiary of Pacific Lighting Corporation which, in addition to owning all of applicant's common stock, owns the common stock of Southern Counties Gas Company of California, a public utility also serving gas throughout Southern California.

Applicant proposes to render natural gas service to the new community of New Cuyama, Santa Barbara County, California, which is about 15 miles southwesterly from the nearest existing service area of applicant at Maricopa, Kern County, California. The new community is located in Cuyama Valley which is the location of a relatively new oil development. It is adjacent to the South Cuyama and Russell Ranch oil and gas producing fields. The nearest gas facilities are those of Southern California Gas Company at the Sunset Oil Field, approximately 24 miles southwest of Maricopa and about 5 miles southeast of Cuyama Valley.

The record shows that there are no existing public utility gas distribution facilities adjacent to New Cuyama, those of Southern Counties Gas Company of California being most nearly located, in the City of Santa Barbara to the south with a mountain range in between, and at Santa Maria farther to the west, also with mountains intervening. Although notified, Southern Counties Gas Company entered no appearance at the hearing. The record shows that notices of the hearing in this proceeding were sent to Pacific Gas and Electric Company and Coast Counties Gas and Electric Company, each of which furnishes electric utility service in the somewhat general vicinity and gas utility service elsewhere in Northern California, and that neither made an appearance at the hearing.

The principal inhabitants of New Cuyama are and will be employees of Richfield Oil Company and other oil companies operating in the area. Richfield Oil Company has formed Cuyama Valley Community, Inc., a California corporation, said latter corporation having constructed a new gas distribution system in the community of New Cuyama. The territory which has been subdivided by Cuyama Valley Community, Inc. consists of approximately 203 residential lots and 59 business lots. Additional property is available for subdivision into 116 lots, and Richfield Oil Company is said to consider it as part of the community's future development. As of the date of the hearing, 50 houses were under construction and eight prefabricated houses were to be erected and were expected to be ready for occupancy within 30 days. All houses are to be equipped with gas heating facilities. Gas water heaters and piping connections for gas ranges and refrigerators are to be installed by the occupants. No facilities for water heating, cooking, and house heating by other fuels are to be provided in the homes. A 24-unit motel, coffee shop, and 20 additional residences are included in the immediate future construction plans of Cuyama Valley Community, Inc. It is anticipated that other commercial buildings and houses will be constructed by individual purchasers. It is evident, therefore, that the community will be reasonably permanent and of a stable character.

The source of gas supply will be from a natural gas transmission line, owned by the Richfield Oil Company, which runs along the west boundary of the community of New Cuyama. Gas will be supplied by Richfield Oil Company to Pacific Lighting Gas Supply Company, which latter company has a purchasing agreement with Richfield Oil Company for delivery, by Richfield, from its New Cuyama Coles Levee

pipe line to the 26-inch Pacific Lighting Gas Supply Company pipe line at a point east of Maricopa. The agreement also provides for delivery of gas by Richfield to Pacific Lighting to supply New Cuyama. Pacific Lighting Gas Supply Company will deliver this gas to applicant, for distribution in New Cuyama. Wholesale cost of this gas will be on an exchange basis between applicant and Pacific Lighting. Applicant's vice president in charge of sales testified that the natural gas reserves in the Cuyama Valley are estimated to be 300 billion cubic feet, and that the life of the gas supply is estimated to be 30 years or more.

The gas distribution system requested to be acquired by applicant has not been operated. It contains, among other things, 5,681 feet of 3-inch diameter gas mains, 5,936 feet of 2-inch diameter gas mains, and 3,342 feet of 1-inch diameter service pipes connecting with the gas mains. All mains are coated and wrapped steel pipes. The gas distribution system is shown in detail on the map attached to the application as Exhibit "A."

The record shows that the system has been inspected by applicant's engineers and found to meet applicant's gas distribution construction specifications in every respect. Gas will be delivered to the system from the transmission main at 100-pound pressure and will be reduced 15 pounds' operating pressure through a two-stage regulator. The gas will be odorized at the master valve. The content of the gas to be served will be 1,153 Btu.

The record shows the original cost of the distribution system to have been \$21,893. Applicant proposes to treat the transfer to it of the title to the gas distribution system as the equivalent of a monetary advance of \$21,893 from Cuyama Valley Community, Inc. in the same manner that it would treat a customer's advance for construction. As shown in Exhibit No. 10, Pacific Lighting Gas Supply Company has

agreed to pay Cuyama Valley Community, Inc. \$21,893 when the title to the gas distribution system is transferred to applicant, and Cuyama Valley Community, Inc. has assigned the rights to refunds under applicant's Rules Nos. 20 and 21 to Pacific Lighting Gas Supply Company. Of the total amount of \$21,893, \$18,485 will be subject to refund under applicant's Gas Main Extension Rule No. 20, and the remaining \$3,408 will be subject to refund in accordance with applicant's Gas Service Extension Rule No. 21. Applicant's witness estimated that it would require 78 customers to refund the costs of the gas main extensions, and 68 customers to refund the cost of the gas service extensions, and that with the immediately foreseeable 58 customers, \$13,900 would be refunded for the gas mains and \$2,900 would be refunded for the curb and stub services.

The record shows the unit cost of construction of the system proposed to be acquired by applicant to be reasonable considering costs of comparable installations throughout applicant's Eastern, Midway, San Joaquin Valley, and Imperial Divisions. Such latter costs for 2-inch and 3-inch main installations are an average of \$1.36 per foot, whereas the New Cuyama system cost is \$1.59 per foot. A cost attributable to the remoteness of the installation accounts, primarily, for the unit cost differential. By utilizing the aforementioned Division cost of \$1.36 per foot, average, applicant's witness estimated the total cost would have been \$15,799 instead of the \$18,485 which is the actual cost to Cuyama Valley Community, Inc. and to applicant.

Applicant, on October 17, 1950, applied to the County of Santa Barbara for a franchise granting rights to maintain and operate a gas distribution system in the dedicated public streets of the unincorporated community of New Cuyama. Pending the granting of said

franchise by the Board of Supervisors of Santa Barbara County, applicant intends to operate the gas distribution system under private rights of way and easements to be transferred by Cuyama Valley Community, Inc. with the proposed transfer of title to the distribution system to applicant. It is estimated that about 90 days will elapse before determination of the county franchise question is effected. It is anticipated that the franchise will be a Broughton Act franchise containing a stated life, and that payments to the county will be computed according to the Dinuba formula.

Applicant proposes to establish its filed rate schedule No. G-6 for general service. This schedule is now effective in the somewhat remote and sparsely settled communities of Maricopa, Arvin, Tehachapi, Shafter, and Wasco, all in its Midway Division. Factors considered by applicant in determining this rate included low population density, small size of the community, and the relative proximity of a transmission line to reach the proposed service area. Applicant's filed rate schedules G-20 for commercial service, G-46 for gas engine service, G-40 for firm industrial service, and G-50 for interruptible industrial service are proposed for this area. Application of these rates appears to be justified and their establishment will be authorized by the order herein.

With respect to service matters, applicant's witness stated that the proposed service area will be supervised from its Taft operating base and service connections, and maintenance will be performed by crews from Taft. Customers' service work and billing will be performed from applicant's Oildale base.

In order to effect immediate service, the master meter installation must be completed; the gas distribution system must be

purged and meter and service connections completed. The record shows that it is estimated that the 50 homes under construction and the eight additional prefabricated homes will be ready for occupancy between December 1 and December 15, 1950.

No estimate of earnings resulting from the operation of the new distribution system was submitted at the hearing, but applicant's witness testified that upon reaching its anticipated full development, the system would pay its way, and that, therefore, it would not be a burden on other customers of applicant.

No objections to the granting of this application were entered at the hearing.

The Commission has considered the request for a certificate of public convenience and necessity and is of the opinion that it should be granted, subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of this certificate of public convenience and necessity or the right to own, operate, or enjoy such certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as the consideration for the issuance of such certificate of public convenience and necessity or right.

The action taken herein shall not be construed to be a finding of the value of the property herein described.

With respect to applicant's request that it be granted an order preliminary to a certificate under Section 50(c) of the Public Utilities Act pending the granting to applicant of a franchise by the County of Santa Barbara, this request appears to be in the public interest in order to effect immediate gas delivery to homes now under construction and about to be occupied prior to December 15, and the order herein will so provide.

With respect to applicant's request that it be authorized to deviate from its filed Rules Nos. 20 and 21 in accordance with the provisions of paragraphs 7(f) and (r) thereof, respectively, and to base refunds on original cost rather than on system average costs, this also appears to be a reasonable request and the order herein will so provide.

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 operation of a public utility natural gas distribution system by Southern California Gas Company in and about the unincorporated community known as New Cuyama, Santa Barbara County, in the area more particularly delineated on the map filed as Exhibit "A" attached to the application; therefore,

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is granted to Southern California Gas Company to operate a public utility gas system for the distribution and sale of gas within the territory hereinbefore described, provided that applicant shall within ninety (90) days file a certified copy of franchise to be obtained from the County of Santa Barbara granting to applicant the right to maintain and operate a gas distribution system in the dedicated public streets of the unincorporated community of New Cuyama, such authorization being in accordance with Section 50(c) of the Public Utilities Act.

IT IS HEREBY FURTHER ORDERED that applicant shall file the following rates for natural gas service in the unincorporated community of New Cuyama:

- (a) Filed Midway Division Rate Schedule G-6 for General Service.
- (b) Filed Midway Division Rate Schedule G-20 for Commercial Service.
- (c) Filed Midway Division Rate Schedule G-46 for Gas Engine Service.
- (d) Filed Midway Division Rate Schedule G-40 for Firm Industrial Service.
- (e) Filed Midway Division Rate Schedule G-50 for Interruptible Industrial Service,

to be effective on and after December 15, 1950, together with rules and regulations and tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96.

IT IS HEREBY FURTHER ORDERED that applicant is authorized to deviate from its presently filed Rules Nos. 20 and 21 in accordance with the provisions of paragraphs 7(f) and (r) thereof, respectively, and to base refunds to customers on original cost rather than on system average costs.

The effective date of this order shall be ten (10) days after the date hereof.

Dated at San Francisco, California, this 28th day of November, 1950.

R. E. Zimmerman
Justin J. Casner
W. M. Kull
Harold H. Hule
Robert P. Potter
 Commissioners.