

Decision No. 45883**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SOUTHWEST GAS CORPORATION, LTD. for)
 a certificate of public convenience)
 and necessity authorizing new con-)
 struction and extension of lines and)
 for authority to exercise franchise)
 rights.)

Application No. 31295

W. J. Cusack, Attorney for applicant;
Frederick Searls and R. H. Peterson,
for Pacific Gas and Electric Company,
 interested party.

O P I N I O N

Southwest Gas Corporation, Ltd. in this proceeding asks for a certificate of public convenience and necessity to exercise the rights and privileges of Franchise Ordinance No. 505 granted by the County of San Bernardino, permitting the installation, maintenance and use of a gas distribution and transmission system in certain public streets and highways of said county and to extend its lines to connect with the natural gas pipe line of the Pacific Gas and Electric Company.

Applicant further requests that the certificates of public convenience and necessity heretofore issued to applicant under the Commission's Decisions Nos. 23181 and 23182, in Applications Nos. 16749 and 16892, respectively, be amended by striking therefrom the word "liquefied" and granting to applicant the right to sell and distribute gas in the area covered by Ordinances Nos. 335 and 336 of the Board of Supervisors of San Bernardino County. At the hearing applicant requested the word "natural" also be deleted from these certificates. ✓

Franchise Ordinance No. 505, introduced in evidence as applicant's Exhibit No. 1, was granted by the County of San Bernardino in accordance with the Broughton Act and is for a term of 40 years and is limited to the following described territory:

That portion of San Bernardino County bounded on the North by the Inyo County Line, otherwise known as the Sixth Standard Line, South of Mt. Diablo Base; on the east, by the Easterly Township Line of townships in Range 9 East, S.B.B. & M.; on the South by the Southerly township line of Townships in Range 4 North, San Bernardino Base Line; on the West by Los Angeles and Kern County Lines, otherwise shown as the Westerly line of Townships in Range 7 West S.B.B. & M.

EXCEPTING, the areas embraced in the towns of Barstow and Victorville, California, now covered by franchises numbered 335 and 336 and being served by the Southwest Gas Corporation, Ltd.

A fee is payable annually to the County, except for the first five years, equivalent to 2% of the gross receipts arising from the use, operation, or possession of the franchise.

The costs incurred by applicant in obtaining the franchise are stated to have been the same as set forth in applicant's annual report. The annual report, which was considered in evidence in this proceeding by reference, shows a cost of \$126 for this franchise.

A public hearing on this application was held by Examiner Crenshaw in Los Angeles on May 23, 1951, at which time no objection to the granting of the requested certificate was manifested.

Applicant has been rendering liquefied petroleum gas service in the city of Barstow and adjacent vicinity, and in the town of Victorville and adjacent territory, for a number of years. The Pacific Gas and Electric Company has constructed a 34-inch natural gas line from Topock, California, to Milpitas, California.

The route of this line is across applicant's franchise areas and is in close proximity to the communities of Barstow and Victorville now being served by applicant.

A proceeding is now pending before the Federal Power Commission requesting that a certificate of public convenience and necessity be granted for the construction and operation of certain facilities to supply natural gas service in the territory covered by applicant's franchises.

Applicant herein proposes to construct a pipe line a distance of approximately one and one-half miles from the Pacific Gas and Electric Company's line near Bear Valley Road to the city of Barstow at a cost of approximately \$15,000. Applicant further proposes to extend its existing lines from its Victorville Air Base plant to the nearest connecting point of the Pacific Gas and Electric Company's pipe line at Hawes Station, California, a distance of approximately 26 miles. The cost of this pipe line will be approximately \$200,000.

The purpose of the construction of these two lines is to make natural gas available to applicant's customers in the Barstow and Victorville areas. In addition, applicant proposes to extend its lines to render gas service to a housing project adjacent to the Victorville Air Base which will cost approximately \$60,000.

Applicant is now engaged in the distribution of metered tank gas to customers at Oro Grande, California, and at the Marine Corps Depot at Nebo, California, half way between Barstow and Daggett, and is also serving metered gas to customers in the community of Daggett, Yermo, and Lenwood, California. The cost of extending natural gas service to these communities will be approximately \$50,000.

The above proposed new construction and odorizing equipment, plus system reinforcement and expansion of distribution facilities, will be financed by means of a long-term loan, with the exception of the use of existing funds of applicant and short-term loans from applicant's stockholders or other short-term bank loans. The details of this long-term financing are set forth in Application No. 32407 of applicant now pending before this Commission.

In order to construct the 26 miles of gas main from Hawes Station to Victorville, applicant has requested a certificate of public convenience and necessity covering a portion of the territory granted by Franchise Ordinance No. 505 of the County of San Bernardino. This territory covers a strip six miles wide, consisting of the East 1/2 of Townships 7, 8, 9, and 10 North, Range 5 West, S.B.B.& M., and the West 1/2 of Townships 7, 8, 9, and 10 North, Range 4 West, S.B.B.& M.

In order to construct the connecting line from the Pacific Gas and Electric Company's gas line to Barstow of approximately one and one-half miles, applicant has requested that the certificate granted under Decision No. 23161 be modified to include all of the territory covered by Franchise Ordinance No. 335 and that the reference to "liquefied natural gas" be changed to the word "gas."

Franchise Ordinance No. 335 covers the following territory:

All of Townships 10 North, Range 2 West; 10 North, Range 1 West; 9 North, Range 1 West; 9 North, Range 2 West; and 9 North, Range 1 East, S.B.B.& M.

A similar request for modification of the certificate for Franchise Ordinance No. 336, applicable in the vicinity of Victorville, was also made by applicant, embodying the same changes

requested for the certificate in connection with Ordinance No. 335. The territory covered by Franchise Ordinance No. 336 is as follows:

Townships 5 North, Range 4 West; 5 North, Range 5 West; 6 North, Range 4 West; 6 North, Range 5 West, S.B.B. & M.

The total estimated cost of the facilities involved in this proceeding are set forth in detail in applicant's Exhibit No. 8, which shows an amount of \$491,189. Of this amount \$334,211 is for the four-inch connecting transmission lines, including extensions and related odorizing station equipment, to provide natural gas service from the Pacific Gas and Electric Company's Topock-Milpitas line. The balance is for reinforcement and expansion of the distribution system.

The rate to be charged applicant by Pacific Gas and Electric Company for natural gas from its transmission lines is now before the Federal Power Commission. Until a rate has been established by the Federal Power Commission the estimates of cost are preliminary and predicated upon the rate proposed to the Federal Power Commission by the Pacific Gas and Electric Company. It appears from the estimates that the customers of applicant will receive a rather substantial reduction in their bills for gas service when natural gas replaces the existing liquefied petroleum gas. Under the circumstances applicant cannot at this time submit a set of rates for natural gas service for its system until its cost of gas is known. However, it did submit tentative rates upon which the above estimates were made.

In its application to the Federal Power Commission, which was submitted in evidence as Exhibit No. 2, applicant submitted a forecast of the customers who are expected to be served for the first five years provided natural gas is made available. According to this forecast it is estimated that for the first year approximately 3,700 customers will be served, and for the fifth year

applicant estimates that approximately 5,700 customers will be receiving gas service. For the first year of operation under natural gas service the annual requirements for firm service are estimated to be 471,217 Mcf, and for the fifth year the firm requirements will have increased to 838,876 Mcf.

During the hearing applicant testified that natural gas service would not be rendered for resale nor was it being contemplated for interruptible uses and that it will file its proposed rates with this Commission prior to the rendering of natural gas service on its system.

We are of the opinion that public interest can best be served by the granting of the certificate and modifications applied for, thereby making possible the supplying of natural gas service to the customers in this area.

The Commission at this time is not passing upon the reasonableness of the cost of construction of the pipe lines and facilities, as they will be given due consideration in future proceedings before this Commission.

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

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.

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,

IT IS HEREBY FOUND AS A FACT that public convenience and necessity require that the existing certificate of public convenience and necessity granted by Decision No. 23181 in Application No. 16749 be and it is hereby amended to exclude the words "liquefied natural", so that the certificate shall include all types of gas supplied by the Southwest Gas Corporation, Ltd. within those portions of San Bernardino County as provided in Ordinance No. 335 of said County and described as follows:

All of Townships 10 North, Range 2, West; 10 North Range 1 West; 9 North, Range 1 West; 9 North, Range 2 West; and 9 North, Range 1 East, S.B.B. & M.

provided, however, that this Commission may hereafter by appropriate proceeding and order limit the authority herein granted to applicant as to any territory within said county not then being served by it.

IT IS HEREBY FURTHER FOUND AS A FACT that public convenience and necessity require that the existing certificate of public convenience and necessity granted by Decision No. 23182 in Application No. 16892 be and it is hereby amended to exclude the words "liquefied natural", so that the certificate shall include all types of gas supplied by the Southwest Gas Corporation, Ltd. within those portions of San Bernardino County as provided in Ordinance No. 336 of said County and described as follows:

Townships 5 North, Range 4 West; 5 North, Range 5 West; 6 North, Range 4 West; 6 North, Range 5 West S.B.B. & M.,

provided, however, that the Commission may hereafter by appropriate proceeding and order limit the authority herein granted to applicant as to any territory within said county not then being served by it.

IT IS HEREBY ORDERED that Decision No. 23181 in Application No. 16749, and Decision No. 23182 in Application No. 16892, except as herein amended, shall remain in full force and effect.

IT IS HEREBY FURTHER ORDERED that a certificate of public convenience and necessity is hereby granted to Southwest Gas Corporation, Ltd. to exercise the rights and privileges granted by Ordinance No. 505, adopted September 22, 1941, by the Board of Supervisors of San Bernardino County, subject, however, to the following condition:

That the authority herein granted shall apply only within those portions of San Bernardino County as provided in Ordinance No. 505 of said County and described as follows:

A strip six miles wide, consisting of the East 1/2 of Townships 7, 8, 9 and 10 North, Range 5 West, S.B.B. & M., and the West 1/2 of Townships 7, 8, 9 and 10 North, Range 4 West, S.B.B. & M.

provided, however, that this Commission may hereafter by appropriate proceeding and order limit the authority herein granted to applicant as to any territory within said county not then being served by it.

Applicant shall file a supplemental application setting forth the proposed rates for natural gas service which it seeks authorization to place in effect.

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

Dated at San Francisco, California, this 26th day of June, 1951.

R. T. Ingraham
Justus J. Calmes
Harold A. Hule
Wessott Patten
Robert E. ...
Commissioners.