

Decision No. 46219

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
CALIFORNIA-PACIFIC UTILITIES COMPANY, )  
a corporation, for a Certificate to )  
Furnish Natural Gas Service to the )  
City of Needles, California, and Ad- )  
jacent Territory, and to Adopt and Make )  
Effective Rates, Rules and Regulations )  
Applicable Thereto. )

Application No. 32496

Warren A. Palmer and E. K. Albert,  
for applicant.

O P I N I O N

California-Pacific Utilities Company in this proceeding asks for a certificate of public convenience and necessity to construct, maintain, and operate a gas transmission system to connect its present gas distribution system with the Topock-Milpitas natural gas pipe line of the Pacific Gas and Electric Company and to adopt and make effective rates, rules and regulations applicable for natural gas service to the City of Needles.

Applicant subsequently filed an amendment to the application withdrawing its request for the establishment of rates, rules and regulations for natural gas service.

Applicant asserted in the amendment filed July 25, 1951, and at the hearing August 3, 1951, that it had not reached an agreement with the Pacific Gas and Electric Company governing the rates, terms, and conditions of service for natural gas to be purchased from the Pacific Gas and Electric Company, that the cost of gas could not be determined until the actual cost of construction of the pipe line to the City of Needles had been ascertained, and

that there may be a further increase in the Federal corporation income tax rate which would have a bearing upon the fixing of rates for natural gas service.

A public hearing on this application and the amendment thereto was held by Commissioner Huls and Examiner Crenshaw in Los Angeles on August 3, 1951, at which time no objection to the granting of the requested certificate was manifested.

Applicant has been rendering gas service in the City of Needles and adjacent territory for a number of years. The type of gas being rendered is a mixture of liquefied petroleum gas and air, with a heating value of approximately 900 Btu per cubic foot.

The Pacific Gas and Electric Company has constructed a 34-inch natural gas pipe line from Topock, Arizona, to Milpitas, California. The route of this line is in close proximity to the City of Needles, now being served by applicant. A proceeding is now pending before the Federal Power Commission in which applicant has requested that a certificate of public convenience and necessity be granted for the construction and operation of facilities to supply natural gas service in its territory.

Applicant herein proposes to construct a pipe line a distance of approximately 14½ miles from the Pacific Gas and Electric Company's transmission line to the City of Needles at an estimated cost of \$120,000. As the construction of this line will be primarily across private property and government lands, with special permits to cross state highways, applicant stated that in its opinion a county franchise would not be required. According to applicant most of the rights of way have been obtained, and where the line would cross public lands a preliminary permit has been obtained from the Federal government.

A map submitted by applicant as Exhibit No. 1 in this proceeding shows the proposed route of the 14½-mile natural gas

line connecting the distribution system of applicant with the Pacific Gas and Electric Company's transmission line for the service of natural gas and also the requested certificated area shown by purple color. A more detailed description of the service area to correspond with that shown on Exhibit No. 1 was subsequently submitted by applicant as Exhibit No. 3, which description is as follows:

Commencing at the common corner of Sections 13 and 24 of Range 22 East, Township 9 North and section 19 of Range 23 East, Township 9 North; thence South 3 miles along the section line between Range 22 East and 23 East; thence East one mile; thence South 5 miles to the common corner of sections 29, 30, 31 and 32 of Range 23 East, Township 8 North; thence Southeast approximately four and four tenths miles to the common corner of sections 1, 2, 11 and 12 of Range 23 East, Township 7 North; thence South one mile; thence East approximately 2-1/2 miles to the North and South quarter section line of section 9, Range 23 East, Township 7 North, thence North approximately 1/2 mile to the West bank of the Colorado River; thence Northwesterly along the West bank of the Colorado River approximately 8 miles to the common corner of sections 3, 4, 9 and 10 of Range 23 East, Township 8 North; thence North 2 miles to the common corner of sections 28, 33 and 34 of Township 23 East, Range 9 North; thence Northwesterly approximately 4 miles along the West bank of the Colorado River to the point of beginning.

The rate to be charged applicant by Pacific Gas and Electric Company for natural gas service from its transmission lines, as set forth in Exhibit No. 5, is now before the Federal Power Commission. Until a rate has been established by the Federal Power Commission applicant's 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 applicant's customers will receive a reduction in their bills for gas service when natural gas replaces the existing mixed gas now supplied. Under the circumstances applicant cannot submit a set of rates for

natural gas service for its system until more definite costs of gas are known. These involve the possibility of an increase in the Federal Income Tax and the actual cost of construction of the 14½-mile transmission line, which costs should be considered in the fixing of rates. It is for this reason that applicant withdrew its request for the establishment of rates for natural gas service at this time. It was brought out at the hearing that when the above-mentioned costs were determined, applicant would then apply to the Commission for establishment of rates for natural gas service.

In its application to the Federal Power Commission, designated as Exhibit G-6, applicant submitted a forecast of its estimated operating revenues and expenses for the first five years of operation. According to this forecast applicant estimates that its gross revenue will increase from \$91,200 the first year to \$108,040 the fifth year, and that the expenses will increase from \$74,400 the first year to \$80,040 the fifth year.

The estimated growth of customers and sales forecast for the first five years are shown in applicant's Exhibit No. 7. The number of customers is estimated to increase from 820 in the first year to 925 the fifth year. The corresponding sales are estimated to be 48,000 Mcf the first year and 70,400 Mcf the fifth year.

At the hearing applicant stated that orders were placed last year for the four-inch pipe for the transmission line and that one-half had been fabricated and the balance was to be ready during the month of August, 1951.

Applicant has filed with the Gas Division of the Petroleum Administration for Defense a request for authority to construct the proposed transmission line referred to herein. This request was filed on April 3, 1951, and it is expected that it will receive favorable action on this request.

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 would file its proposed rates with this Commission prior to the rendering of natural gas service.

We are of the opinion that public interest best can be served by the granting of the certificate applied for, thereby making possible the supplying of natural gas service to customers in this area. The Commission at this time is not passing upon the reasonableness of cost of construction of pipe lines and facilities as that matter 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 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 or to a political subdivision thereof as the consideration for the grant of such certificate of public convenience and necessity or right.

#### O R D E R

Application and amendment 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 ORDERED that a certificate of public convenience and necessity is hereby granted to the California-Pacific

*Present*  
Utilities Company, a corporation, [to construct, maintain and operate a gas transmission system extending from the connection with the Topock-Milpitas natural gas pipe line of Pacific Gas and Electric Company to its gas distribution system serving within the City of Needles and adjacent territory and to convert from manufactured gas to natural gas service,] subject, however, to the following condition:

That the authority herein granted shall apply only within those portions of San Bernardino County described as follows:

Commencing at the common corner of Sections 13 and 24 of Range 22 East, Township 9 North and section 19 of Range 23 East, Township 9 North; thence South 3 miles along the section line between Range 22 East and 23 East; thence East one mile; thence South 5 miles to the common corner of sections 29, 30, 31 and 32 of Range 23 East, Township 8 North; thence Southeast approximately four and four tenths miles to the common corner of sections 1, 2, 11 and 12 of Range 23 East, Township 7 North; thence South one mile; thence East approximately 2-1/2 miles to the North and South quarter section line of section 9, Range 23 East, Township 7 North, thence North approximately 1/2 mile to the West bank of the Colorado River; thence Northwesterly along the West bank of the Colorado River approximately 8 miles to the common corner of sections 3, 4, 9 and 10 of Range 23 East, Township 8 North; thence North 2 miles to the common corner of sections 28, 33 and 34 of Township 23 East, Range 9 North; thence Northwesterly approximately 4 miles along the West bank of the Colorado River to the point of beginning;

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

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

Dated at San Francisco, California, this 25<sup>th</sup> day of September, 1951.

*R. Z. [Signature]*  
President.  
*Justus Z. Calver*  
*Harold P. Kula*  
*Robert E. [Signature]*  
Commissioners.