

ORIGINAL

Decision No. 47172

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
THOMAS E. COOPER and PACIFIC GAS AND)
ELECTRIC COMPANY for an order of the)
Commission authorizing the former to)
sell to the latter the gas distribu-)
tion system and business herein)
described; and authorizing Pacific)
to supply natural gas service in the)
Town of Waterford and contiguous)
territory at and in accordance with)
rates and charges hereafter to be)
filed with the Commission.)

Application No. 33247

Appearances for Applicants: R. W. DuVal,
for Pacific Gas and Electric Company;
T. E. Cooper in propria persona.

Interested Parties: Waterford Chamber
of Commerce, by W. L. White, President, and
Hawkins and Hawkins, by J. W. Hawkins.

Other Appearances: L. E. Cooper, Gas
Engineer, for the Commission staff.

O P I N I O N

Thomas E. Cooper, an individual owning and operating a natural gas public utility system serving a portion of the town of Waterford, Stanislaus County, California, by an application filed March 25, 1952, requests authorization of the Commission to sell his gas distribution system to the Pacific Gas and Electric Company for the sum of \$1,000. By the same application, Pacific Gas and Electric Company, operating public utility electric and gas systems and relatively minor water and steam heat systems in northern California, seeks authority to purchase Mr. Cooper's system including all necessary permission and authority to furnish and supply natural gas for light, heat and all lawful purposes in the town of Waterford and

contiguous territory by means of transmission and distribution facilities to be installed therefor, and/or acquired from Mr. Cooper, in accordance with the rates set forth in Exhibit No. 3 in this proceeding.

Public Hearing

After due notice a public hearing on this application was held before Examiner M. W. Edwards on April 21, 1952, at Waterford. A total of four witnesses testified for the applicants to describe the terms of the proposed sale and the improved type of service to be rendered in the future. Considerable interest in the matter was exhibited by the citizens of Waterford and vicinity which resulted in an overflow attendance at the hearing. Four public witnesses took the stand to either ask questions or describe the need for a more adequate and improved type of natural gas service. None present at the hearing offered any objection to the proposed transfer of properties.

Proposed Transfer Date

The sale of the existing system is to be in accordance with an agreement dated October 10, 1951, a copy of which is attached to the application as Exhibit A. Such agreement provides for the transfer of the property thirty (30) days following order of this Commission approving such conveyance. By an agreement between the applicants, dated December 12, 1951, Section 3 of the October 10 agreement was modified to provide for transfer of the properties within thirty (30) days after Commission authorization, as above, or, within thirty (30) days after the date when Pacific Gas and Electric Company shall have secured an allotment of controlled materials and shall have completed installation of a gas transmission line over a distance of approximately 8 miles from Empire to Waterford, together with the necessary distribution mains and services, whichever date

is later. A copy of the December 12 agreement is attached to the application as Exhibit B. The purpose of this modification is to keep the existing system operating substantially in the present manner pending any delay in obtaining 6-inch pipe for the transmission line. The existing local gas supply is not sufficient to handle the entire town of Waterford and adequate supply must await connection with the main system of the Pacific Gas and Electric Company. The company must await government authorization to obtain 6-inch pipe, which is in relatively short supply, and consequently complete gas service may not be available in Waterford before December 31, 1952.

Heat Content of Gas

The gas being served by Mr. Cooper has a heat content of approximately 700 Btu per cubic foot. The gas available on the main system of the company in the vicinity of Empire has a heat content of approximately 1,000 Btu per cubic foot. It is estimated that approximately one-half of the future annual requirements in Waterford will be obtained from the local gas wells. Mixing of the two gases will result in a gas with a heat content of approximately 850 Btu per cubic foot.

Estimated Cost of Service

The company proposes to buy and use the local gas in the manner set forth in the letter agreement dated October 4, 1951, copy of which is attached to the application as Exhibit C. The price to be paid to Mr. Cooper for the local gas is 6 cents per 1,000 cubic feet measured at a pressure of 14.73 pounds per square inch absolute and at a temperature of 60° F. The company estimates that the supplementary 1,000 Btu gas costs approximately 31 cents per Mcf delivered at Empire. In addition to the cost of gas, the company will be faced with fixed charges and operating expenses on a capital

expenditure of approximately \$200,000. The company, by Exhibit No. 4, submitted the following estimate of customers, sales, expenses and return during the first three years of the project:

	<u>1st Year</u>	<u>2nd Year</u>	<u>3rd Year</u>
Domestic Customers	391	440	489
Commercial Customers	22	25	28
Total Customers	<u>413</u>	<u>465</u>	<u>517</u>
Domestic Sales, Mcf	25,400	32,110	39,630
Commercial Sales, Mcf	<u>2,750</u>	<u>3,500</u>	<u>4,480</u>
Total Sales, Mcf	<u>28,150</u>	<u>35,610</u>	<u>44,110</u>
Revenue from Sales, Dollars	\$ 33,090	\$ 40,230	\$ 48,270
Gas Required, Mcf*	29,020	36,710	45,470
Expenses:			
Cost of Gas	\$ 5,730	\$ 7,250	\$ 8,970
Depreciation (5% S.F. Annuity)	2,230	2,270	2,310
Operating Expenses	9,560	10,320	11,110
Property Taxes	4,890	4,890	4,890
Income Taxes	<u>3,130</u>	<u>5,590</u>	<u>8,590</u>
Total Expenses	<u>25,540</u>	<u>30,320</u>	<u>35,870</u>
Net for Return	7,550	9,910	12,400
Total Capital, Rate Base	198,790	202,170	205,560
Rate of Return on Capital	3.8%	4.9%	6.0%

* Distribution loss estimated at 3% in computing requirements.

The revenue figures shown in the above tabulation are predicated upon the rate levels of Schedule G-6, effective December 11, 1951, increased by 60%. The company claims it needs a rate of return of 6% over and above expenses to justify the investment of capital in the project but is willing to forego a full return during the developmental stage for the first two years.

Capital

The estimated capital expenditure by the company on this project is as follows:

	<u>Amount</u>
Purchase cost of Cooper's system	\$ 1,000
Expense of abandoning part of Cooper's system	200
Survey and acquisition expense	3,500
Compressor station site	500
Compressor station building and fence	1,000
Compressor station equipment	8,325
From Empire to Waterford, install:	
39,695 feet of 6 5/8-inch DWHP gas main	89,711
In town of Waterford, install:	
2,665 feet of 4 1/2-inch DWHP gas main	4,051
8,295 feet of 3 1/2-inch DWHP gas main	9,954
32,576 feet of 2 3/8-inch DWHP gas main	26,712
Overhead construction cost	23,352
Meters, regulators, service installed	26,550
Total	<u>194,855</u>

In computing the rate base for the third year at \$205,560 the company rounded the above total to \$194,860 and added thereto an allowance of \$7,950 for common utility plant and \$2,750 for working cash, organization and franchise capital cost.

As of January 1, 1952, Mr. Cooper's assets and liabilities were reported as follows:

<u>Assets</u>	
Gas wells, collecting system and sundries	\$ 22,259.70
Gas mains	3,554.16
Services	329.94
House regulators	288.68
Total	<u>26,432.48</u>
<u>Liabilities</u>	
Account of Thomas E. Cooper	\$ 18,890.82
Depreciation	7,541.66
Total	<u>26,432.48</u>

The portion of Mr. Cooper's system being sold for \$1,000 consists of a portion of the gas mains, services and regulators used for distribution. Mr. Cooper will retain the gas wells, collecting system and such main as is necessary to deliver local gas to the

compressor and mixing station or to some other mutually agreed delivery point. Mr. Cooper now serves 46 customers in Waterford. The pipes presently installed in Waterford are inadequate to stand the proposed new distribution pressure of 20 pounds per square inch and it will be necessary for the company to replace the entire system.

Proposed Rates

The rates proposed by the company for the initial 3-year period are as follows:

Rates for General Natural Gas Service

Commodity Charge:

		<u>Per Customer per Month</u>		
		<u>Base Rates</u>	<u>Effective Rates</u>	
		<u>1,100 Btu</u>	<u>1,000 Btu</u>	<u>850 Btu</u>
First	200 cu.ft. or less	\$ 2.16	\$ 2.16	\$ 2.16
Next	2,300 cu.ft., per 100 cu.ft.	11.34¢	10.66¢	9.64¢
Next	17,500 cu.ft., per 100 cu.ft.	9.41¢	8.85¢	8.00¢
Next	80,000 cu.ft., per 100 cu.ft.	8.08¢	7.60¢	6.87¢
Next	4,900,000 cu.ft., per 100 cu.ft.	7.98¢	7.50¢	6.78¢
Over	5,000,000 cu.ft., per 100 cu.ft.	7.10¢	6.67¢	6.03¢

Minimum Charge:

Maximum Billing Month Consumption:

	400,000 cu.ft. or less	\$ 2.16	\$ 2.16
Over	400,000 cu.ft. to 800,000 cu.ft.	40.00	40.00
Over	800,000 cu.ft.	80.00	80.00

Such schedule will contain standard provisions similar to the company's present G-1 to G-6 series of general natural gas schedules on file with the Commission and will be designated as Schedule G-6.3. Under this schedule a typical average usage of 69 Mcf of 1,000 Btu gas per year will cost an average of \$7.49 per month and 81 Mcf of 850 Btu gas per year will cost \$7.78 per month. The present rate now being charged by Mr. Cooper for 700 Btu gas is \$5 on a flat rate basis but there was no data in the record as to whether or not the existing average fuel requirements in Waterford

will equal or exceed the heat units contained in 69 Mcf of 1,000 Btu. gas or 81 Mcf of 850 Btu gas.

Certificate

The Pacific Gas and Electric Company plans to install gas mains in part on state highways and county roads of the County of Stanislaus and, in part, under, along, across or upon the public streets, ways and places within the unincorporated town of Waterford. The Pacific Gas and Electric Company states that it is in possession and ownership of the right, privilege and franchise to install the gas mains and use the mains for supplying gas to the public in the County of Stanislaus in accordance with a franchise granted by Ordinance No. 266 of the Board of Supervisors of said county.

By Decision No. 43207, Application No. 30280, dated August 16, 1949, this Commission granted a certificate of public convenience and necessity to the company to exercise the franchise rights granted by Ordinance No. 266. One of the conditions in the certificate is that unless a certificate from this Commission is first obtained the company shall not exercise the franchise for the purpose of supplying gas in those parts or portions of the county now being served by Thomas E. Cooper. Upon acquisition of the gas distribution properties and business of Thomas E. Cooper, the company proposes to exercise its franchise rights under Ordinance No. 266 in Waterford and requests the Commission to make an order deleting such prohibition from the order in said Decision No. 43207.

Instead of modifying Decision No. 43207 by deleting said prohibition therefrom, we will, in this decision, grant authority to Pacific Gas and Electric Company to exercise the franchise rights and privileges, pursuant to said Ordinance No. 266, in the territory now being served by Cooper, it being hereby found that public convenience and necessity require the exercise by Pacific Gas and Electric

Company of such rights and privileges. We further find that public convenience and necessity require that Pacific Gas and Electric Company construct and operate a public utility gas plant and distribution system in the territory in and around Waterford in Stanislaus County.

Conclusion

After reviewing the application and record made in this proceeding, including the statements by applicants' witnesses and by representatives of the public and prospective customers, it is our conclusion that an order should be issued granting the authority requested in the application. The action taken herein shall not be construed to be a finding of the value of the properties herein authorized to be transferred.

The certificate of public convenience and necessity issued herein 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

The above-entitled application for the sale and purchase of a public utility property and for extension of a gas system having been filed with this Commission, a public hearing having been held, the matter having been submitted, and now being ready for decision, and it appearing to the Commission that the proposed transfer will not be adverse to the public interest,

IT IS HEREBY FOUND AS A FACT that such increases in rates and charges as may result from the transfer authorized herein and the

substitution of meter rates for flat rates are justified and that after the date of transfer such existing flat rates are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that on or after the effective date hereof and on or before December 31, 1953, Thomas E. Cooper may sell and transfer the herein described public utility property to Pacific Gas and Electric Company pursuant to the agreement of sale and purchase embodied in the said application, subject to the following conditions:

1. The rates, rules and regulations of Thomas E. Cooper shall remain in effect until the date of transfer of property to Pacific Gas and Electric Company and forthwith thereafter such tariffs will be canceled and service shall be rendered under rates to be filed by the Pacific Gas and Electric Company.
2. Concurrent with the transfer of the properties to Pacific Gas and Electric Company, Thomas E. Cooper is relieved of the duties and functions of rendering public utility gas service.
3. The Pacific Gas and Electric Company shall file the rates set forth in Exhibit No. 3 in this proceeding, to be effective on or before the date service is rendered to the public, together with appropriate revised rules, regulations and tariff service area maps consistent therewith, in accordance with the requirements of General Order No. 96, to include this new service area within its rate tariff structure.
4. That on or before the date of actual transfer, Thomas E. Cooper shall refund all deposits which customers are entitled to have refunded and that any unrefunded deposits shall be transferred to and become the obligation for refund by Pacific Gas and Electric Company.
5. That the proposed accounting entries by which the properties will be distributed to accounts on the books of the purchaser shall be submitted to this Commission.
6. If the authority herein granted is exercised, the Pacific Gas and Electric Company shall, within thirty (30) days thereafter, notify this Commission in writing, of the date of completion of the property transfer herein authorized and of its compliance with the conditions hereof.

IT IS HEREBY FURTHER ORDERED that a certificate of public convenience and necessity be and the same is hereby granted to Pacific Gas and Electric Company to construct and operate a public utility gas plant and distribution system in and around Waterford, Stanislaus County, and between Empire and Waterford, and to exercise the rights and privileges under Ordinance No. 266 of the Board of Supervisors of the County of Stanislaus in such areas, provided, however, that this certificate shall not become effective until the transfer of properties herein authorized has been consummated.

The authority granted herein shall lapse unless exercised on or before December 31, 1952.

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

Dated at San Francisco, California, this 16th day of May, 1952.

R. T. [Signature]
President.
Justus F. [Signature]
Harold H. [Signature]
[Signature]
Commissioners.