

ORIGINAL

Decision No. 47621

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHERN CALIFORNIA GAS COMPANY, a)
corporation, for an order of the)
Commission authorizing Applicant to)
deviate from its Rule and Regulation)
No. 20, Gas Main Extensions, and to)
construct and operate an extension)
of its system to supply natural gas)
service to the community of Laton,)
California.)

Application No. 33298

Harry P. Letton, Jr., for Southern California
Gas Company, applicant
Leland R. Abel, for citizens of Laton community,
interested party.

O P I N I O N

In this application, Southern California Gas Company requests authority to extend its system to supply natural gas service to the community of Laton, located in Fresno County, under conditions somewhat at variance with applicant's filed Rule and Regulation No. 20 covering gas main extensions.

A public hearing on this application was held by Examiner Crenshaw in Laton on July 8, 1952, at which no objection to the granting of the deviation was manifested.

Applicant's Rule and Regulation No. 20, covering gas main extensions, provides that, for each bona fide applicant who will use gas service for other than space heating only, it will install at its own expense 150 feet of main or a length of main equivalent in cost to three and one-half times the first year's billing as estimated by applicant. In instances where the extension exceeds the free allowance as provided in the rule and

regulation, prospective customers would be required to advance the cost of the excess footage at a rate set forth in the rule and regulation, which is the combined cost of 2- and 3-inch main based upon applicant's previous year's experience. In this instance the rate is \$1.26 a foot.

For several years the unincorporated community of Laton has been desirous of obtaining natural gas service from applicant. However, under applicant's Rule and Regulation No. 20, Gas Main Extensions, a substantial advance in aid of construction would be required in order to permit applicant to supply such service.

From time to time residents of the community of Laton have endeavored to collect the required lump sum advance in a normal way from the Laton prospective customers prior to receiving gas service but such method was found not feasible. Eventually the matter was brought informally to the attention of this Commission and during an investigation a number of conferences were held between representatives of applicant, the community of Laton, and of this Commission which culminated in the development of a plan whereby the necessary advance would be received on a deferred basis over a 10-year period. Under this plan the prospective Laton customers receiving gas service would pay a so-called "facility charge" in connection with their monthly bills sufficient to amortize, with interest, that portion of the cost of the necessary main extensions in excess of that covered by applicant's ordinary extension allowance under Rule and Regulation No. 20.

A customer survey recently conducted by applicant in the community of Laton and areas adjacent thereto, indicated that there are more than 300 prospective customers within the area in question. Of this number, 256 signed applications for service; 245 have signed for general service, 8 for general service to

supply gas space heating only, and 3 for commercial or industrial gas service. There are 81 possible customers who have not applied for gas service.

In order to render service to these customers it is necessary to construct a 3-inch feeder main approximately 6 miles in length, to reach the community of Laton, plus approximately 5 miles of 2- and 3-inch distribution mains within the community of Laton.

The estimated cost of the feeder main set forth in applicant's Exhibit No. 3 is \$39,917.00 and for the distribution mains within the community of Laton \$25,641.00, making a total cost of \$65,558.00. The monetary free allowance for the 256 customers who have signed applications for service amounts to \$48,388.00, leaving a required advance of \$17,170.00.

It appears from the record that it is not feasible to obtain the required advance of \$17,170.00 in a lump sum from the prospective customers in the community of Laton. Accordingly, it was proposed that this amount be paid on an installment basis over a period of 10 years, which arrangement was agreeable to applicant and satisfactory to the prospective customers for service in Laton.

Under the plan, annual installment payments, inclusive of 6% interest, would be collected and accumulated monthly for each year by means of a facility charge which would be added to the monthly gas bills for each customer served by applicant. The facility charge would be shown separately on each customer's bill and would equal the monthly amount per meter necessary to amortize each customer's pro rata obligation for the excess cost of the main extensions as required under the company's extension rules. The rates applicable for gas service would be the same as those for other communities in the adjacent area.

In the event that subsequent extensions are supplied from the mains installed in the original instance, such extensions will be made in accordance with the applicable provisions of Rule and Regulation No. 20. Refunds accruing from such extensions will be made in accordance with that rule.

Customers served by such subsequent extensions will be required to pay the facility charge the same as customers served under the original application. The facility charge is to be reviewed annually and adjustments made based upon the actual number of customers served, thereby making allowances for the growth in load. The facility charge would amortize the advance within a 10-year period and after that time it would be discontinued, or in the case of a rather substantial growth in business, the advance probably would be paid off prior to the 10-year period.

The possibility of a special rate for gas service in this area to compensate for the cost of the excess footage, as previously referred to in this opinion, was discussed with representatives of the community of Laton and their preference was for the amortization through a facility charge of the advance required for the excess footage as determined from the extension rule.

The rates proposed for this service are set forth in applicant's Exhibit No. 4. It is proposed that the rates now applicable for gas service within the unincorporated portion of the San Joaquin Valley Division, including the cities of Dinuba, Hanford, Parlier, Visalia and Tulare areas as described under Special Rate Area No. 451, be modified to include the community of Laton, which is to be described as Special Rate Area 438.

The domestic and commercial service is to be supplied under the company's general Natural Gas Service Schedule No. G-6.

The existing schedules for the same areas, Nos. G-20 and G-23 for Commercial Service, G-40 for Firm Industrial Service, G-46 for Gas Engine Service, and G-51 for Interruptible Service, also will be modified to include the community of Laton. As this extension is within the service area of applicant no additional franchise or certificate is required.

The above rates and applicant's rules and regulations would have applied had applicant been able to advance the cost of the extension in this instance. Therefore this application deals primarily with the deviation from Rule and Regulation No. 20, Gas Main Extensions, to the extent that the advance is to be paid monthly with interest through a facility charge so that applicant will be reimbursed for the full amount of the advance within a period of 10 years.

The plan outlined in this application appears to be reasonable but in our opinion should be limited to the extension of gas service into new territory where communities have been established beyond normal distribution areas and should not be used in developing real estate subdivisions, housing projects, or other large extensions within or immediately adjacent to distribution service areas.

In this particular instance, based upon the assumption that all of the 256 new applicants for service will actually take gas service and install the gas appliances which they have indicated they will use, the facility charge per customer is estimated to be approximately 76 cents per month. In our opinion, in the application of this plan some limit as to the amount of the facility charge should be considered; however, from the information presented in this proceeding, it appears that the facility charge involved is not unreasonable. As this is an experimental plan and

no maximum limit has been determined for the facility charge, it will be necessary for future extensions of a similar nature to be considered upon their individual merits, subject to review by this Commission as to whether a deviation from applicant's rules and regulations is warranted.

It is evident from the record that this deviation will not place a burden on applicant's other customers; therefore the request appears reasonable and should be granted.

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 ORDERED that Southern California Gas Company is hereby authorized to deviate from its filed Rule and Regulation No. 20, Gas Main Extensions, to the extent only that it be permitted to amortize the advance required in aid of construction by means of a facility charge (in addition to the regular rates to be charged) for the extension of gas service to and within the community of Laton and adjacent territory, in substantially the same method as set forth in applicant's Exhibits Nos. 3 and 4 in this proceeding, which procedure is to be used in lieu

of a total advance by prospective customers in Laton as required by applicant's present extension rule.

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

Dated at San Francisco California, this 26 day of August, 1952.

 Presidents
James J. Casper
Harold Kull

Samuel L. Potter
John E. De Lee
 Commissioners.

Commissioner R. E. WITTELSTADT, being necessarily absent, did not participate in the disposition of this proceeding.