

ORIGINALDecision No. 48595

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SOUTHWEST GAS CORPORATION, LTD.)
for authorization to clarify,)
consolidate and amend its filed) Application No. 34061
Rules and Regulations to reflect)
the conversion from liquefied)
petroleum to natural gas service.)

Appearances for applicant: William J. Cusack
and William M. Laub, by William J. Cusack.

Protestants: Pacific Gas and Electric Company,
by Ralph W. DuVal and Richard H. Peterson;
City of Oakland, by John W. Collier and
Loren W. East; City of Berkeley, by Fred C.
Hutchinson and Loren W. East.

Interested party: Oakland Chamber of Commerce,
by Eugene A. Read.

Other appearances: Lloyd E. Cooper and
R. O. Randall, for the Commission staff.

O P I N I O N

Southwest Gas Corporation, Ltd., a California corporation operating a public utility gas system in San Bernardino County in the vicinity of Barstow and Victorville, by the above-entitled application filed January 29, 1953 requests authorization to revise its rules and regulations following the conversion from liquefied petroleum gas service to natural gas service. Applicant's proposed rules and revised preliminary statement are set forth in Exhibits A to U attached to the application. A public hearing was held on this application in Los Angeles on March 13, 1953 before Commissioner Harold P. Huls and Examiner M. W. Edwards.

Applicant's Position

Applicant desires to simplify and clarify its rules, reducing the number of rules from 31 to 19, and to adopt rules comparable with several of the larger gas utilities in the state. In drafting the proposed rules applicant states that it was guided largely by the Suggested Revision of Rules and Regulations Applicable to Gas Service, promulgated by the Commission staff under Special Study No. S-125 and by recently filed rules and regulations of the larger gas utilities in the State of California. The following tabulated rules, as proposed by applicant, effect no material change but contain minor corrections or rewording for the purpose of consolidating existing rules, the subject matter of which may be judged from the titles:

<u>Proposed Rule and Regulation Number</u>	<u>Title</u>
1	Notice of Filing of Rules and Regulations
2	Character of Service
3	Application for Service
4	Contracts
5	Special Information Required on Forms
6	Establishment and Re-establishment of Credit
8	Notices
9	Rendering and Payment of Bills
10	Disputed Bills
12	Rates and Optional Rates
13	Temporary Service
14	Shortage of Gas Supply
16	Service Connection and Facilities on Customers' Premises
17	Meter Tests and Adjustment of Bills for Meter Error
18	Supply to Separate Premises and Resale of Gas.

The changes contemplated by Rules and Regulations Nos. 7, 11, 15 and 19 are material and warrant more detailed consideration.

Proposed Rule and Regulation No. 7 - Deposits.

This rule raises the minimum deposit from \$2.50 to \$5 for domestic service. The principal reason for suggesting this increase

is to reduce losses on uncollectible accounts. Applicant contends that \$5 is not an unreasonable amount in view of the average monthly bill in its service area. There are many transient customers in the area because the economy of Barstow and Victorville is based, to a large extent, upon military installations.

In Paragraph E of the proposed rule the rate of interest on deposits is set at 4 per cent rather than the customary level of 6 per cent. Applicant claims that it can borrow money for less than 6 per cent and that it should not be required to pay a premium for having the use of such funds.

Proposed Rule and Regulation No. 11 -
Discontinuance and Restoration of Service

The principal item under this rule is applicant's proposal to raise the service reconnection charge from \$1 to \$2. From the facts of record this increase appears to be reasonable and will be authorized.

Proposed Rule and Regulation No. 15 -
Gas Main Extensions

Applicant has expanded the gas main extension rule but retains the principal provision of the present rule, whereby extension of 100 feet of main will be allowed for each bona fide applicant for service, except where gas is to be used for space heating only. Extensions in excess thereof will be made only upon receipt by the applicant of an advance equal to the estimated cost of the excess main, such advances being subject to refund within a period not to exceed 10 years.

The proposed rule deviates from the suggested form of minimum extension rule and also from filed rules of other utilities, particularly in the handling of a series of extensions. Two or more applicants may pool their free allowances and where each extension is dependent for its supply of gas upon a previous extension or extensions, for which advances were made which have not been

fully refunded, then applicants will be required to advance an additional sum equal to their equitable share of said previous unrefunded extension or extensions.

The proposed rule further provides that such equitable share is according to the ratio that the number of free allowances of the applicants bears to the amount of the free allowances granted for said previous extension or extensions plus the free allowances granted for applicants. Should applicants' supply of gas depend upon only a portion of the previous unrefunded extension or extensions, then their equitable share shall be based on that percentage portion thereof. Additional advances shall accrue to the benefit of those applicants having made previous advances and will be refunded by the company to those applicants having the oldest outstanding advance of the series. Refunds which may accrue will be distributed to applicants in the proportion that the advance of each applicant bears to the total advance for the extension.

Proposed Rule and Regulation No. 19 -
Limitation Upon Firm Natural Gas Service

The proposal in this rule is to remove the limitation of 25,000 cubic feet of gas per day of 24 hours with regard to interruptible or non-firm sales now contained in Rule and Regulation No. 31, to change the number of the rule to 19, and to eliminate the need to obtain the approval of its wholesale supplier, Pacific Gas and Electric Company, to sell in excess of 25,000 cubic feet per day to any customer.

Applicant had attempted to obtain the consent of its supplier, Pacific Gas and Electric Company, under the undue hardship provision of the present Rule No. 31 to supply the Lockhart Ranch. The principal load would have been for a dehydrator using gas from May to October each year, essentially an interruptible load, in an amount of about 300,000 cubic feet per day. The Pacific Gas and

Electric Company, by letter dated September 11, 1952 (Exhibit No.1), did not class this load as applicable under the undue hardship provision of the rule. It stated that the only basis for such a claim of undue hardship would be the possibility that butane, propane or some other substitute fuel is somewhat more costly than gas.

The present Rule No. 31 contains a provision that, if the consent of the wholesale supplier should be refused, the Commission upon written request will decide the matter. This refusal was not submitted to the Commission for ruling but instead was used as one reason for proposing a change in the existing rule.

Protests

No objection to applicant's proposed Rules Nos. 1 to 18, inclusive, was entered in the record but four parties objected to the proposed Rule No. 19 submitted to replace existing Rule No. 31. The Pacific Gas and Electric Company, hereinafter referred to as Pacific, objects to the proposal because the applicant has undertaken to make a radical revision of the rule, i. e., to exempt interruptible service to industry from the rule and exclude Pacific from participation in the administration of the rule. Both of these actions Pacific claims are contrary to certain agreements between it and the applicant.

Pacific's Position

Pacific states that the applicant is obtaining a supply of natural gas from its Topock-Milpitas transmission line as the result of intervention in 1950 in Pacific's proceeding before the Federal Power Commission for authorization to increase its receipts of out-of-state gas from 250 to 400 million cubic feet per day (Docket No. G-1195). Pacific's position is that the Topock-Milpitas line was built for the primary purpose of maintaining service to its customers in central and northern California and

that its ability to maintain satisfactory service to those customers would be impaired if it were to attempt to serve from its then available and prospective gas supplies the aggregate demand of an estimated 100,000,000 cubic feet per day of the industries located in the broad expanse of desert between the Colorado River and the Tehachapi Mountains.

Pacific maintains that it was not then in a position to serve all industries in this desert area and had concluded that it would be unfair to attempt to serve a few such industries, either directly or indirectly, through the applicant or other utility companies and that if the applicant would limit its request to a supply of gas for service to domestic and commercial customers only, with each such customer to receive no more than 25,000 cubic feet per day, except those who could not use a substitute fuel without undue hardship, it would not oppose the applicant's request. The applicant so limited its request and the Federal Power Commission directed Pacific to supply the service.

Pacific claims that it then incorporated the 25,000 cubic feet per day limitation in its Federal Power Commission tariff applying to this service but that the applicant was dissatisfied with the inclusion of this limitation in the tariff. After discussions with the staff of this Commission and with the staff of the Federal Power Commission, in which the question of state versus federal jurisdiction was paramount, Pacific consented to the elimination of this limitation in the tariff filed with Federal Power Commission upon the express agreement of the applicant to adopt Rule and Regulation No. 31 as it now reads. The net result of this agreement was to transfer the administration of the limitation rule from the Federal Power Commission to this Commission, without changing the substance of the rule, except for the

concession that subject to the 25,000 cubic feet per day limitation the applicant might sell gas to industrial customers.

In its brief filed March 27, 1953 Pacific states that at the hearing in Los Angeles on March 13, 1953 counsel for the applicant appeared to be questioning the existence of this second understanding with Pacific and the applicant. Pacific contends that the existence of this agreement is proved, not only by correspondence (Page 30 of Exhibit No. 6 herein) but also by the fact that the applicant carried out the agreement by amending its limitation rule to read as it now does.

Protest by Cities of Oakland and Berkeley

The basic position of the Cities of Oakland and Berkeley, in this proceeding, is that revision of the limitation rule as proposed by Rule and Regulation No. 19 removes the wholesaler of this natural gas from having any control over the future demands for gas on the applicant's system, which consequently leaves without protection the interest of Pacific's own retail customers in northern and central California, including the customer interest in the gas service areas in the Cities of Oakland and Berkeley.

In their joint memorandum filed March 27, 1953 these cities state that in their opinion cancellation of Rule and Regulation No. 31 has not been justified and that the proposed rule will permit an unrestrained solicitation of customers with large gas demands on or adjacent to the applicant's system, thereby creating large peak day requirements and placing an undue burden upon Pacific's obligation to maintain its gas service in Oakland and Berkeley. These cities contend that the wholesale of gas from the Topock-Milpitas gas pipeline must be controlled with respect to the maximum peak loads by Pacific as the wholesaler of such gas to the same extent that gas demands are limited in the Cities of Oakland and Berkeley and elsewhere on Pacific's system.

They ask that the Commission reject the proposed Rule and Regulation No. 19 and if it is the intention of the Commission to permit or make available interruptible gas to industry from physical connections with the Topock-Milpitas gas pipeline between the Tehachapi Mountains and Topock, then the cites request the Commission to hold additional public hearings in San Francisco and obtain further evidence and testimony with respect to the condition, circumstances, volumes of gas and rates for such interruptible service along the Topock-Milpitas pipeline.

Position of Oakland Chamber of Commerce

The Oakland Chamber of Commerce is opposed to applicant's proposal to substitute its Rule No. 19 for the present Rule No. 31 and asks that authority to make such substitution be denied. The Chamber is concerned over the effect that such a rule change may have upon the volume and cost of natural gas which Pacific has for distribution to its customers in Alameda County and states that consideration to determine such results should not be limited to applicant's immediate plans in regard to the sale by it of natural gas but should include the potential demands of prospective customers in the area served by the applicant. The Chamber further points out that the consumption and requirements in central and northern California, of which Alameda County is an important part, have increased steadily and that Pacific's primary purpose in going outside of California for a source of natural gas was to supply central and northern California.

Applicant's Plan

Applicant's plan is not to take on loads that will exceed its present maximum allotments of wholesale gas, as follows:

<u>During Calendar Year</u>	<u>Maximum Daily Contract Quan- tity in Cu.Ft.</u>
1952	3,500,000
1953	5,000,000
1954 and thereafter	7,000,000

During 1952 applicant purchased 366,900 Mcf of gas from Pacific but according to the contract maximum of 3,500,000 cubic feet per day was entitled to 1,281,000 Mcf (3,500 MCF x 366 days).

In its statement of position filed March 28, 1953 the applicant points out that these total contract allotments of natural gas, both present and prospective, amount to less than 1 per cent of the gas which Pacific is authorized to receive and transport through its Topock-Milpitas line. Applicant claims that the gas allocated for distribution by this line was based upon the requirements of customers of applicant as well as the requirements of Pacific's customers.

In concluding its statement applicant stated it "feels that the acceptance of Rule No. 19 is imperative to prevent further unreasonable discrimination. It is necessary to applicant's economic welfare. Applicant is competent to administer the rule within its own service area. The management of the affairs of one utility by another is improper and discriminatory. The general public welfare will be served by a more equitable distribution of gas supplies in the State of California."

Conclusion

Based upon a review of the record in this proceeding, as well as the briefs and statements filed by the parties, it is concluded that applicant's proposed Rules and Regulations Nos. 1 to 18

are reasonable and should be authorized. It does not appear to the Commission to be reasonable to substitute Rule and Regulation No. 19 for present Rule and Regulation No. 31.

The applicant did not incur the risk that Pacific took to obtain a supply of gas but is now enjoying the advantage of being able to supply natural gas through agreement with Pacific, its supplier. The record definitely shows that the applicant had certain understandings with Pacific before it obtained any natural gas through intervention proceedings before the Federal Power Commission.

While applicant's present load does not exceed its allotment of gas, there is no assurance that if the limitation rule is revised, applicant's load will not be detrimental to the interests of the central and northern California customers, who in turn carry the primary cost burden of the Topock-Milpitas pipeline.

Since Pacific has maintained that it was not in a position in 1950 to serve all industries in the desert area, either directly or indirectly and because of unusually large prospective gas loads in the area, it follows that any utility seeking to serve such loads in the future should make appropriate application to this Commission. This will also serve to prevent discrimination between the prospective customers of Pacific and other utilities and also to protect the service in northern and central California, which was the primary purpose of constructing the pipeline.

The applicant did not apply to the Commission for a ruling in the case of the Lockhart Ranch after Pacific refused to allow the dehydrator load. In other words, the applicant has not exhausted its opportunities under the present rule. Upon this record we cannot hold that the present Rule and Regulation No. 31 is improper or discriminatory.

O R D E R

Southwest Gas Corporation, Ltd., having applied to this Commission for an order authorizing revisions in its rules and regulations, public hearing having been held, objections to a change in the limitation rule having been made, the matter having been submitted and being ready for decision; and the Commission having considered the viewpoints involved and the objections raised and having concluded as recited in the foregoing opinion that the request should be authorized in part and denied in part, and good cause appearing,

IT IS HEREBY FOUND AS A FACT that the increases in charges, conditions, rules and regulations authorized herein are justified and that present charges, conditions and rules and regulations, in so far as they differ from those herein prescribed for the future, are unjust and unreasonable; therefore,

IT IS ORDERED as follows:

1. That applicant may refile its rules and regulations in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, to condense present Rules and Regulations Nos. 1 to 30, inclusive, into proposed Rules and Regulations Nos. 1 to 18, inclusive, and file a revised preliminary statement and service area map as set forth in Exhibits A to R, inclusive, and Exhibits T and U attached to the application, and after not less than five days' notice to the Commission and to the public to make said rules and regulations effective for service rendered on and after June 15, 1953.
2. That proposed Rule and Regulation No. 19 is not authorized and that applicant shall retain in its filed rules and regulations existing Rule and Regulation No. 31 without change.

- 3. That applicant, Southwest Gas Corporation, Ltd., hereafter curtail its interruptible load concurrently and prorata with the curtailment by Pacific Gas and Electric Company of its interruptible load.

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

Dated at San Francisco California, this 12th day of May, 1953.

R. J. [Signature]
President

Julius J. [Signature]

Harold P. [Signature]

[Signature]

[Signature]
Commissioners