

ORIGINAL

Decision No. 49130

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 PACIFIC GAS AND ELECTRIC COMPANY for)
 a certificate of public convenience)
 and necessity to construct, operate)
 and maintain a natural gas project)
 herein described; for certificates)
 under Article 1 of Chapter 5 of the)
 Public Utilities Code re the exercise)
 of rights under franchises obtained)
 and to be obtained; for authorization)
 to supply natural gas service to the)
 City of Corning and adjacent areas in)
 the County of Tehama, and to file and)
 make effective the attached gas)
 tariff schedules.)
 (Natural Gas Project - Corning))

Application No. 34459

In the Matter of the Application of)
 PACIFIC GAS AND ELECTRIC COMPANY for)
 a certificate or certificates of)
 public convenience and necessity,)
 under Article 1 of Chapter 5 of the)
 Public Utilities Code, to construct,)
 operate and maintain a natural gas)
 project herein described; and to)
 exercise the rights under franchises)
 obtained and to be obtained; and for)
 authorization to supply natural gas)
 service in the City of Orland and)
 adjacent areas in the County of)
 Glenn, and to file and make effective)
 the attached gas tariff schedules.)
 (Natural Gas Project - Orland))

Application No. 34597

R. W. DuVal and J. C. Morrissey, for
 applicant.
George C. Young and William W. Eyers,
 for the Commission staff.

OPINION AND ORDER

Applicant, Pacific Gas and Electric Company, seeks a certificate of public convenience and necessity to construct, operate and maintain a natural gas project in the City of Orland and adjacent areas in the County of Glenn, as well as in the City of Corning and adjacent areas in the County of Tehama.

Public hearing was held before Examiner Daly on September 1, 1953, in San Francisco. No appearance was made in protest to the authority sought.

By Ordinance No. 145, adopted May 11, 1953 by the Board of Supervisors of the County of Tehama, applicant was granted a franchise of indeterminate duration under the Broughton Act for the purpose of conveying and distributing gas to the public for any and all purposes within said County. According to the terms of the franchise applicant is to pay 2 per cent of its gross annual receipts arising from the use, operation or possession thereof; provided, however, that no percentage shall be paid for the first five years succeeding the date of the grant of said franchise.

The costs incurred by applicant in obtaining the franchise are stated to have been \$495.04, which amount does not include costs incident to this application.

On or about June 10, 1953, applicant filed with the City Council of the City of Corning an application for a gas franchise pursuant to the Franchise Act of 1937, for the purpose of transmitting and distributing gas to the public. On July 7, 1953 the City Council of the City of Corning passed a resolution of intention to grant the requested franchise.

By Decision No. 37189 in First Supplemental Application No. 25864, applicant was granted a certificate of public convenience and necessity to exercise the rights and privileges under the franchise conferred by the Board of Supervisors of the County of Glenn on January 17, 1944 by Ordinance No. 243.

On July 21, 1953 applicant filed with the City Council of the City of Orland an application for a gas franchise. The term of the requested franchise would be indeterminate, as provided by the Franchise Act of 1937. On August 3, 1953 the City Council of the

City of Orland passed a resolution of intention to grant said franchise.

Applicant proposes to install regulating, odorizing and metering facilities at Corning Field located 1 mile east of Corning. From this point 4,800 feet of 4-inch gas main will be laid to a district regulator pit to be installed at the east end of Hoag Road in the City of Corning. Within the City of Corning applicant proposes to lay approximately 1,600 feet of 6-inch, 14,200 feet of 4-inch, 14,200 feet of 3-inch and 84,000 feet of 2-inch distribution main.

Within the unincorporated area of Glenn County and the incorporated City of Orland, applicant proposes to lay approximately 23,500 feet of 6-inch main to connect its Transmission Main No. 177 with the Orland distribution system. Within the City of Orland applicant proposes to lay approximately 6,800 feet of 6-inch, 1,200 feet of 4-inch, 1,300 feet of 3-inch, and 76,000 feet of 2-inch distribution main.

It is anticipated that the Orland natural gas project, with the incidental expenses necessary, will involve an estimated capital expenditure of \$276,884, whereas the necessary capital expenditure for the Corning project is estimated at \$255,643.

Applicant proposes to pay the cost of constructing the project out of its income and from funds in its treasury other than those obtained from the issue of securities.

Based upon an estimate (Exhibit No. 7) that it will be serving approximately 2,179 customers under both projects at the end of the third year, applicant is of the opinion that revenues would equal \$197,930 under its currently effective General Service Schedules G-5 and G-6, and Interruptible Schedule G-50 rates with

expenses totaling \$165,810,^{1/} leaving an estimated net revenue of \$32,120, which, based upon a total capital investment of \$944,740^{2/} would result in a return of 3.4 per cent. Because of the low estimated rate of return applicant proposes to charge higher rates, referred to as Rates G-5.4, G-6.4 and G-50.4. Based upon these rates the estimated revenue would be \$249,550 with total expenses estimated at \$193,630, leaving a net revenue of \$55,920 which would result in an estimated rate of return of 5.9 per cent.

The monthly billing under proposed Schedule No. G-6.4 for a domestic customer using 6,000 cubic feet of 1,100 Btu gas is \$6.39, while the billing under applicant's currently effective Schedule No. G-6 is \$5.04. It will thus be observed that for the usage stated the G-6.4 schedule is approximately 21.1 per cent higher than Schedule No. G-6.

In previous orders^{3/} the Commission has eliminated certain subzone rates except where unusual circumstances prevailed. It is evident that present-day construction costs are responsible for applicant requesting the rate level under Schedule No. G-6.4. Under the circumstances it is believed the estimated net revenues to be received from the proposed project under rate Schedules Nos. G-5, G-6 and G-50 as shown in Exhibit No. 7 are not unreasonable. These schedules will be authorized in the following order.

^{1/} Includes 40 per cent of the expenses of Transmission Main No. 177.

^{2/} Includes 40 per cent of the capital investment of Transmission Main No. 177.

^{3/} Decision No. 43368 (49 CPUC 107), Decision No. 45789 (50 CPUC 686), Decisions Nos. 43010, 43082, and 43766 not printed.

It appears that no other firm is now engaged in the business of furnishing public utility gas service in the proposed area and that applicant is so engaged in the area adjacent thereto.

Upon completion of the Corning project in April 1954 and the Orland project in July 1954, service will be provided to many individuals and industries situated in the territories involved. After full consideration of the evidence the Commission is of the opinion, and so finds, that public convenience and necessity require the construction, operation and maintenance of the natural gas projects hereinbefore discussed. The Commission further finds that public convenience and necessity require the exercise by applicant of the rights, privileges and franchises granted to applicant by the Counties of Tehama and Glenn to the extent necessary to construct, operate and maintain the above-described gas projects in the unincorporated areas of said counties. It is further found that public convenience and necessity require the exercise by applicant of the rights, privileges and franchises to be granted by the Cities of Corning and Orland.

The certificates of public convenience and necessity issued herein are 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

Applications having been filed, the Commission being informed in the premises and it having been found that public convenience and necessity so require,

IT IS HEREBY ORDERED:

1. That a certificate of public convenience and necessity is hereby granted to Pacific Gas and Electric Company to:
 - a. Construct and operate the natural gas projects hereinbefore described,
 - b. Exercise the rights, privileges and franchises granted by the Counties of Tehama and Glenn to the extent necessary to construct and maintain the natural gas projects hereinbefore described.
2. That certificates of public convenience and necessity will be granted to Pacific Gas and Electric Company upon application therefor subject to the terms and conditions as the Commission so designates after applicant has obtained from the Cities of Corning and Orland the franchises which it has applied for.
3. That applicant shall file its General Natural Gas Service Schedules Nos. G-5 and G-6 and Interruptible Natural Gas Service Schedule No. G-50 in accordance with the requirements of General Order No. 96 to include the Cities of Orland and Corning and unincorporated territory to be served from the gas main as more fully described in the opinion. Such schedules are to be effective on or before the date service is initially rendered to the public.
4. That applicant shall notify this Commission in writing of the completion of the systems for which this certificate is granted, within thirty days thereafter.

The authorization to construct the natural gas projects will lapse if not exercised within one year from the date hereof.

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

Dated at San Francisco, California, this 27th day of September, 1953:

R. Z. Anderson
President

Harold Huls

Samuel Potter

Commissioners

Peter E. Mitchell
Commissioner Justus F. Craemer, being
necessarily absent, did not participate
in the disposition of this proceeding.