

**ORIGINAL**Decision No. 49259

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of CLOVERDALE GAS COMPANY )  
 to supply the City of Cloverdale with )  
 metered gas and to establish rates )  
 therefor. )

Application No. 34300  
 (Amended)

N. E. Waltenspiel, for applicant  
E. J. Thronson, for Empire Gas Service, Inc.,  
 interested party.  
William W. Evers, for the Commission staff.

O P I N I O N

On April 28, 1953, applicant filed its application for a certificate of public convenience and necessity to construct and operate a public utility gas system in the City of Cloverdale.

A public hearing was held before Examiner W. E. Cline at Cloverdale on June 11, 1953. At the hearing the application was amended to comply with the requirements of the Commission's rules of procedure and to request authority to exercise the franchise rights granted by the City of Cloverdale in its Ordinance No. 134. The matter was taken under submission upon receipt of late-filed exhibits on August 28, 1953.

The service area is shown on the map introduced into evidence as Exhibit No. 1.

Description of System

Applicant is renting a building approximately 25 by 60 feet situated on approximately 2 acres of ground in the City of Cloverdale from N. E. Waltenspiel and C. A. Waltenspiel who are also the owners of applicant.

At the present time applicant is selling liquefied petroleum gas in individual containers to consumers. It has installed

a 12,000-gallon tank for the storage of liquefied petroleum gas. In addition it proposes to install a distribution system to serve liquefied petroleum gas with a heating value of approximately 2,500 Btu per cubic foot. The distribution system is to consist of 22,455 feet of 2-inch pipe, 8,025 feet of 4-inch pipe, 3,000 feet of 3-inch pipe, and 10,000 feet of 3/4-inch pipe for service connections. All the pipe is to be coated and wrapped with two wrappings of felt material. In addition to the distribution main the applicant has the necessary regulators and meters and the equipment required for vaporizing and measuring the gas prior to distribution.

Applicant's president, N. E. Waltenspiel, testified that approximately \$15,000 has been spent on the system to date and that an additional \$50,000 will be spent in completing the system as proposed. The system will be installed over a period of two or three years.

Applicant will purchase the liquefied petroleum gas for distribution in the system from the Windsor Fuel Company.

#### Demand for Service

Mr. Phillip Greuner employed by Windsor Fuel Company as an assistant to Mr. Waltenspiel, testified that he made a survey to determine the number of customers who would desire utility service from the Cloverdale Gas Company. According to this survey about 130 customers will desire service within the first year of operation. As there are between 500 and 600 units of dwellings and commercial and industrial buildings in the City of Cloverdale, the system will have opportunity for further development.

No other public utility gas company is serving gas to consumers in the City of Cloverdale. There was no opposition to the granting of the certificate of public convenience and necessity.

Financial Ability

The balance sheet of Cloverdale Gas Company as of May 31, 1953, shows current assets of \$23,335, utility plant of \$5,086, and other physical assets of \$12,797, making total assets of \$41,218. As of May 31, 1953, applicant had current and accrued liabilities of \$11,801, reserve for depreciation of \$5,239, reserve for uncollected accounts of \$874, and capital stock and surplus totaling \$23,304. Witness, N. E. Waltenspiel, stated that he and his brother, C. A. Waltenspiel, will provide the necessary additional funds for the construction of the public utility plant as required.

Franchise

Applicant also requests a certificate of public convenience and necessity to exercise the rights and privileges of a franchise granted by the City of Cloverdale, permitting the installation, maintenance, and use of a gas distribution and transmission system in the streets of said city.

A copy of the franchise granted by the City of Cloverdale, Ordinance No. 134, is attached to the amendment to the application herein and is designated as Exhibit "A". It is of indeterminate duration. No fee is payable for the first five years succeeding December 2, 1952, the date of the granting of said franchise, but thereafter a fee of 2 per cent of applicant's gross annual receipts arising from the use, operation, or possession of the franchise is payable to the City of Cloverdale.

No objection to the granting of the certificate has been entered.

Rates

Applicant proposes to establish two schedules of rates, one of which is applicable to permanent consumers and the other to seasonal consumers. A seasonal consumer is one who is regularly

supplied with service during a portion of the year and whose service is disconnected for the balance of the year.

Applicant proposes a minimum charge of \$1.25 per month for both types of service. The quantity charges per 100 cubic feet for permanent service range from \$1.25 for the first 100 cubic feet through four blocks to \$0.40 for all over 150,600 cubic feet. The quantity charges per 100 cubic feet for seasonal service range from \$1.25 for the first 100 cubic feet through five blocks to \$0.43 for all over 4,000 cubic feet.

The base rates are based on the cost of propane being 9 cents per gallon and the effective rates are to be adjusted as the average cost varies from this base price. Applicant proposes to purchase its propane from Windsor Fuel Company, an affiliate of applicant, which is also owned by N. E. Waltenspiel and C. A. Waltenspiel. Witness N. E. Waltenspiel testified that the price to be charged by Windsor Fuel Company will reflect the cost of propane at the Tide Water Associated Oil Company and Shell Oil Company Martinez plants which supply propane to Windsor Fuel Company and the minimum freight rates which are established by this Commission for the trucking of liquefied petroleum gas from Martinez to Cloverdale. The special conditions in the rate schedules will be modified to reflect these charges rather than the actual amount paid by Cloverdale Gas Company to Windsor Fuel Company.

The only estimate of revenues, expenses, rate base and rate of return is that submitted by applicant. Exhibit No. 10 shows that, based on 130 consumers, applicant will have annual revenue of \$16,130, operating expenses exclusive of any salary to officers of the company of \$13,108, income taxes of \$982 and net revenue of \$2,040. On an estimated rate base of \$23,600 this would produce a rate of return of 8.64 per cent.

Inasmuch as applicant has no actual operating experience at Cloverdale these estimates must, of necessity, be highly speculative. The rates set forth in Appendix A attached hereto are slightly different from those proposed by applicant, but they will produce substantially the same amount of revenue. They compare favorably with the rates which this Commission has authorized other gas utilities, in similar situations, to charge. These rates are hereby found to be reasonable and will be authorized.

Rules and Regulations

Exhibit No. 3, which is applicant's proposed rules and regulations, has been reviewed.

Tariff Sheet 37-G listed in the Table of Contents on Sheet 33-G should not be included when the rules and regulations are filed.

The phrase "Three miles in all directions using Cloverdale as center of area" appearing on proposed Sheet 4-G, Section A, should be deleted and "Within the incorporated limits of the City of Cloverdale" substituted therefor.

The average month under rates on Sheet 7-G should be "30.4" days instead of "30" days.

A table of Standard Average Barometric Pressures, together with the zone applicable to Cloverdale, should be added to Sheet 9-G.

An appropriate map should be attached to Sheet 5-G.

The word "average" should be inserted before the word "monthly" in Paragraph A, Section 2, Sheet 14-G.

On Sheet 25-G the following sentence should be inserted at the beginning of Section A: "The company will install without cost to applicants the following lengths of gas distribution mains based upon the equipment to be used: ..."

Lines 6 and 7, Section A, Sheet 25-G should be revised to read as follows: "For each floor furnace or circulating gas air heater per 20,000 Btu or major fraction thereof ... 20 feet."

After the word "portion" on line 5, Section B, Sheet 25-G, add the phrase "required to render service."

Lines 9 and 10, Paragraph 2, Section C, Sheet 25-G, should be revised to read as follows: "For each floor furnace or circulating gas air heater per 20,000 Btu or major fraction thereof ... \$5."

The first paragraph of Section F, Sheet 26-G should be deleted.

#### Conclusion

The Commission has considered the request of applicant for a certificate of public convenience and necessity to construct and operate a public utility liquefied petroleum gas system and is of the opinion that it should be granted.

The certificate issued herein 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 as the consideration for the issuance of such certificate of public convenience and necessity or right.

The Commission is also of the opinion that applicant should be granted a certificate of public convenience and necessity to exercise the right, privilege and franchise granted to applicant by Ordinance No. 134 of the City of Cloverdale. Such certificate is granted subject to the following provisions of law:

1. 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.

2. That the franchise involved herein shall never be given any value before any court or other public authority in any proceeding of any character in excess of the cost to the grantee of the necessary publication and any other sum paid by it to the municipality therefor at the time of the acquisition thereof.

O R D E R

IT IS HEREBY FOUND AS A FACT that public convenience and necessity will require the construction and operation of a public utility liquefied petroleum gas system within the incorporated limits of the City of Cloverdale and the exercise by applicant of the right, privilege and franchise granted to applicant by Ordinance No. 134 of the City of Cloverdale.

1. IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Cloverdale Gas Company to construct and operate a public utility gas system for the distribution and sale of liquefied petroleum gas within the incorporated limits of the City of Cloverdale.

2. IT IS HEREBY FURTHER ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Cloverdale Gas Company to exercise the rights and privileges granted by the City of Cloverdale by Ordinance No. 134 adopted December 2, 1952.

3. IT IS HEREBY FURTHER ORDERED that Cloverdale Gas Company shall:

- a. File with this Commission, within thirty days after the effective date of this order, in conformance with the provisions of General Order No. 96, four copies of the schedule of rates attached hereto as Appendix A, together with four copies of rules and regulations and all forms pertaining to rates and service used by applicant in the conduct of business with

its public utility consumers, acceptable to this Commission, and tariff service area map, and, on not less than five days' notice to the public and this Commission, make said rates, rules and regulations effective for all liquefied petroleum gas service rendered on or after the effective date of this order.

- b. Notify this Commission in writing of the date on which public utility service is commenced in the system for which this certificate is granted, within thirty days after the commencement of such service.

The authorization herein granted 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 Los Angeles, California, this 27<sup>th</sup> day of October, 1953.

*R. F. Zimmerman* President  
*Justin J. Cassin*  
*Benjamin Patten*  
*John M. Hill*  
*Carne Rogers* Commissioners



APPENDIX A  
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Schedule No. G-1

GENERAL SERVICE - PERMANENT

APPLICABILITY

Applicable to propane gas service to all consumers for residential, commercial, industrial and other uses.

TERRITORY

The City of Cloverdale.

RATES

Commodity Charge:	<u>Per Meter per Month</u>	
	<u>Base Rate</u>	<u>Effective Rate</u>
First 100 cu.ft. or less .....	\$1.35	\$1.35
Next 500 cu.ft., per 100 cu.ft. ...	.70	.70
Next 149,400 cu.ft., per 100 cu.ft. ...	.43	.43
Over 150,000 cu.ft., per 100 cu.ft. ...	.40	.40

The above effective rates are based on the following fuel clause and a cost of propane of 9 cents per gallon.

Minimum Charge:

Per meter per month ..... \$1.35

SPECIAL CONDITIONS

1. For gas used in excess of 100 cu.ft. per month, the rates in effect at any time vary with the average cost of propane delivered to all plants generating gas served under this schedule and shall be determined from the above base rates by adding or deducting respectively 1 cent for each 0.32 cent that such cost of propane is above or below 9 cents per gallon. Change in rate to be to the nearest 5/10 cent.

2. When a change in the price of propane occurs, the Company shall submit to the Public Utilities Commission, within a period of fifteen days, an Advice Letter and appropriate tariff schedules setting forth the new effective rates and accompanied by an affidavit of such change in the price of propane. The new rate shall be effective on all regular meter readings taken on and after the thirtieth day following such change in the price of propane.

3. The phrase "cost of propane" as used in this tariff when applied to propane purchased from Windsor Fuel Company shall not exceed the f.o.b. refinery price of propane to Windsor Fuel Company plus the charges for trucking and delivery based upon the minimum freight rates established by this Commission.

APPENDIX A  
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Schedule No. G-2

GENERAL SERVICE - SEASONAL

APPLICABILITY

Applicable to propane gas service to all seasonal consumers for residential, commercial, industrial and other uses.

TERRITORY

The City of Cloverdale.

RATES

Commodity Charge:		Per Meter per Month	
		Base Rate	Effective Rate
First	100 cu.ft. or less .....	\$1.35	\$1.35
Next	300 cu.ft., per 100 cu.ft. ....	.93	.93
Next	600 cu.ft., per 100 cu.ft. ....	.78	.78
Next	1,000 cu.ft., per 100 cu.ft. ....	.58	.58
Next	2,000 cu.ft., per 100 cu.ft. ....	.52	.52
Over	4,000 cu.ft., per 100 cu.ft. ....	.43	.43

The above effective rates are based on the following fuel clause and a cost of propane of 9 cents per gallon.

Minimum Charge:

Per meter per month ..... \$1.35

SPECIAL CONDITIONS

1. For gas used in excess of 100 cu.ft. per month, the rates in effect at any time vary with the average cost of propane delivered to all plants generating gas served under this schedule and shall be determined from the above base rates by adding or deducting respectively 1 cent for each 0.32 cent that such cost of propane is above or below 9 cents per gallon. Change in rate to be to the nearest 5/10 cent.
2. When a change in the price of propane occurs, the Company shall submit to the Public Utilities Commission, within a period of fifteen days, an Advice Letter and appropriate tariff schedules setting forth the new effective rates and accompanied by an affidavit of such change in the price of propane. The new rate shall be effective on all regular meter readings taken on and after the thirtieth day following such change in the price of propane.
3. The phrase "cost of propane" as used in this tariff when applied to propane purchased from Windsor Fuel Company shall not exceed the f.o.b. refinery price of propane to Windsor Fuel Company plus the charges for trucking and delivery based upon the minimum freight rates established by this Commission.
4. A seasonal consumer is one who is regularly supplied with service for a portion of the year and whose service is discontinued for the balance of the year.