

ORIGINALDecision No. 49578

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 or certificates of public)
 convenience and necessity under Article)
 1 of Chapter 5 of the Public Utilities)
 Code, to construct, operate and maintain)
 the natural gas project herein described) Application No. 34813 .
 and to exercise franchise rights in)
 connection therewith; and for authorization)
 to supply natural gas service in the City)
 of Folsom and adjacent areas in the County)
 of Sacramento and to make effective rates)
 applicable to such service.)
 (Natural Gas Project - Folsom))

R. W. DuVal and J. C. Morrissey, for applicant.

William W. Evers, for the Commission staff.

O P I N I O N

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 Folsom and adjacent unincorporated areas in the County of Sacramento.

Public hearing was held before Examiner Daly on December 15, 1953, in San Francisco. No appearance was made in protest to the authority sought.

Applicant has been authorized to operate within the unincorporated areas of Sacramento County by virtue of various Commission decisions. ⁽¹⁾ By Decision No. 43043, dated June 28, 1949, in Application No. 30189, applicant was granted a certificate to exercise the rights and privileges granted by the County of

(1) The following are decisions wherein applicant derived its authority to exercise gas franchises by County of Sacramento.

<u>Decision No.</u>	<u>Ordinance Number</u>
23964	212
30383-30426	213
43043	341

Sacramento by Ordinance 341, adopted November 15, 1948, said franchise being of indeterminate duration.

The City of Folsom granted a franchise to applicant on September 16, 1953, by Ordinance 71, a copy of which is attached to the application as Exhibit D. Said franchise is of indeterminate duration and was granted pursuant to the Franchise Act of 1937. A fee is payable annually to the City equivalent to 2 per cent of the gross receipts arising from the use, operation, or possession of the franchise, but not less than 1 per cent of the gross annual receipts from the sale of gas within the limits of the City under said franchise.

The costs incurred by applicant in obtaining the franchise are stated to have been \$54.00, which amount does not include costs incident to this application.

Under existing authority applicant proposes to extend a 12-inch feeder main from its transmission Main No. 119 at a point northeast of the City of Sacramento to an existing main located north of the Town of Fair Oaks. Said feeder main is not part of the natural gas project for which authority herein is sought. From a point on the 12-inch feeder main situated north of the Town of Fair Oaks at Bella Vista Avenue and Fair Oaks Boulevard applicant proposes to lay 35,765 feet of 8, 4 and 2-inch main to the City Limits of the City of Folsom, which installation would include the community of Orangovale. Within a new subdivision southeast of the City of Folsom applicant proposes to lay approximately 5,300 feet of 3 and 2-inch main. Between the city limits of Folsom and the State Prison at Folsom (hereinafter sometimes referred to as the Prison) applicant proposes to lay 10,000 feet of 6-inch main. Within the city limits of Folsom applicant proposes to lay 36,855 feet of 8, 6, 4, 3 and 2-inch main. In addition applicant would

install the necessary regulators, services and motors within the proposed area.

Based upon an estimate (Exhibit 4) that it would be serving 929 customers at the end of the third year, applicant anticipates a total revenue of \$129,420 and expenses amounting to approximately \$120,670 leaving an estimated net revenue of \$8,750. The anticipated cost of the project is \$387,960. Adding thereto the sum of \$13,810 for common utility plant and \$9,680 for working cash the total capital investment would amount to \$411,450. Deducting the amount of \$98,990 which the Prison has agreed to pay (to which further reference will be made) the adjusted net capital would be \$312,460. The estimated rate of return would be 2.8 per cent. One of applicant's witnesses testified that the estimate of 929 customers to be served at the end of the third year is conservative. Of the 1200 homes planned for construction in the new subdivision only 100 were included in the estimate. It was the witnesses opinion that applicant would be serving more customers at the end of the third year and at the end of the fifth year the rate of return would be approximately 4 or 5 per cent.

Applicant proposes to pay its share of 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.

The estimated revenues included in applicant's Exhibit No. 4 are based upon General Natural Gas Schedules G-5 (incorporated territory), G-6 (unincorporated territory), and Interruptible Natural Gas Service Schedule G-50.

Folsom Prison would require both firm and interruptible service. To meet its need for interruptible service would necessitate the use of an 8-inch main rather than a 6-inch main

from Bella Vista and Fair Oaks Boulevard to the City of Folsom. It would further necessitate the use of a 6-inch main rather than a 3-inch main from the City of Folsom to the Prison.

Extensions for interruptible service are made by applicant pursuant to its filed Rules and Regulations No. 15, Section (E), Subsection (b). Said rule provides among other things that one applying for an interruptible service extension must pay to the Pacific Gas and Electric Company an amount of money "equal to the estimated cost of that portion of such extension and/or enlargement of capacity necessary to supply such applicant's load." Applicants for such service are required to enter into a written agreement with the company. The form of said agreement is on file with this Commission and a copy thereof was received in this proceeding as Exhibit 2.

Pursuant to said rule the Prison assertedly agreed to pay an advancement in the amount of \$98,986.50. The Prison would pay one-half the cost of laying an 8-inch main from Bella Vista Avenue and Fair Oaks Boulevard to the City of Folsom. One half of the cost is estimated at \$82,320.50. It would also pay \$16,666 as the estimated difference in cost between laying a 3-inch main and a 6-inch main from the City of Folsom to the Prison proper. The amount of the advancement allegedly agreed upon appears to have been erroneously computed according to the provisions of the above-quoted rule.

Applicant's rule was properly applied by determining a portion of the Prison's share to be the difference in cost between laying a 3-inch main and a 6-inch main. However, the same application of the rule would indicate the Prison's remaining share should be \$31,365. Said amount being the estimated difference in cost between laying a 6-inch main and an 8-inch main. Rather than \$98,986.50 Folsom Prison should advance the amount of \$48,031.

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 in July 1954, the natural gas project will provide service to many individuals. 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 project hereinbefore described. The Commission further finds that public convenience and necessity require the exercise by applicant of the right, privilege and franchise granted to applicant by Ordinances Nos. 212, 213 and 341 of the County of Sacramento to the extent necessary to construct, operate and maintain the above-described gas project in the unincorporated area of Sacramento County. It is further found that public convenience and necessity require the exercise by applicant of the right, privilege and franchise granted to applicant by Ordinance 71 of the City of Folsom.

The certificate of public convenience and necessity issued herein is 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

Application 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 be and it is hereby granted to Pacific Gas and Electric Company to:
 - (a) Construct and operate the natural gas project hereinbefore described.
 - (b) Exercise the rights and privileges granted it by the County of Sacramento by Ordinances 212, 213 and 341 to the extent necessary to construct and maintain the natural gas project hereinbefore described.
 - (c) Exercise the rights and privileges granted by the City of Folsom by Ordinance 71 adopted October 16, 1953.
2. That the advance payment to be made by the State Prison at Folsom, pursuant to agreement, shall be based upon actual costs and shall in no event exceed the estimated amount of \$48,031.
3. That applicant shall refile its General 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 City of Folsom and the 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 maintain its records so that revenues, capital costs, and operating expenses for the natural gas project herein authorized may be readily determined at any time and shall file with the Commission at the end of the first, second and third years' operations, a statement in the form set forth in Exhibit 4 for the preceding year.

5. That applicant shall notify this Commission in writing of the completion of the system for which this certificate is granted, within thirty days thereafter.

The authorization to construct the natural gas project 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 18th day of January, 1954.

[Signature]
PRESIDENT

[Signature]

[Signature]

[Signature]

COMMISSIONERS