

**ORIGINAL**Decision No. 49642

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of ELBERT O. KING,	)	
dba DESERT GAS CO., INC., a	)	
California Corporation, for a	)	
Certificate of Public Convenience	)	
and Necessity to Operate a Gas	)	Application No. 34558
(Propane) Service to the Residents	)	
of TWENTYNINE PALMS.	)	
	)	
Section 1001 P.U.C.	)	

Eugene J. Potter, for applicant.  
Theo. Stein and Robert O. Randall,  
for the Commission staff.

O P I N I O N

On July 16, 1953, applicant filed its application for a certificate of public convenience and necessity to construct and operate a public utility gas system in the community of Twentynine Palms.

A public hearing was held before Examiner C. E. Crenshaw at Twentynine Palms on October 8, 1953. At the hearing applicant submitted the following amendments to the original application:

1. That the application be amended to read: "the application of Desert Gas Co., Inc., in the place and instead of Elbert O. King, dba Desert Gas Co., Inc.," and that all further orders and the authorization sought in said application be directed to Desert Gas Co., Inc.
2. That paragraph 2 of said application be amended to read: "That applicant requests permission to establish service as a public utility for the furnishing of gas for domestic, commercial, industrial and other purposes to the public in the township of Twentynine Palms, County of San Bernardino, State of California, and to begin construction of its plant and distribution system."

3. That the names of the officers of Desert Gas Co., Inc. who are also the members of the board of directors are:

Elbert O. King, President  
Evelyn S. King, Vice President  
Chester W. King, Secretary-Treasurer.

4. That applicant seeks the permission of the Commission to issue 162 shares of stock at a par value of \$100 per share to reimburse such parties as have advanced property and cash to the company in accordance with the evidence heretofore submitted to the Commission at the time of hearing, and that lines 18, 19 and 20 of page 5 of the application as filed be deleted.

Since there was no objection to the amendments as submitted by applicant, they were considered a part of the record, with the understanding that applicant, after hearing, would make the formal filing in accordance with the Rules of Procedure prescribed by this Commission. The amendment to the application was filed October 16, 1953.

Elbert O. King, President of the Desert Gas Co., Inc. has operated the Bert King Butane Company for the past 14 years in the Twentynine Palms area. The Desert Gas Co., Inc. is to be operated as a separate entity and will purchase liquefied petroleum gas from the Bert King Butane Company. The Bert King Butane Company has a contract with the Andrews Butane Company of Long Beach and this company has agreed to furnish to the Bert King Butane Company at Twentynine Palms sufficient liquefied petroleum gas to provide for the needs of the Bert King Butane Company and such additional amount as shall be necessary to be furnished to the Desert Gas Co., Inc.

The Bert King Butane Company has served this area with so-called bottled gas for a period of fourteen years by delivery to the individual consumer. Increased congestion, particularly in the business district, makes pipeline distribution more desirable.

In addition, the Sun Gold Hills Subdivision now has under construction 50 homes and anticipates the construction of additional homes. These homes are being built on 75-foot frontage lots, are FHA financed, and are piped for gas service. In order to serve these homes with gas it was deemed more economical and practicable to install a distribution system with a central tank instead of individual tanks. Completion of a U. S. Marine Corps Base now under construction will create a demand for other similar subdivisions in the area requiring gas service. Further, the testimony of a number of witnesses indicates that there has been a steady growth in Twentynine Palms, which has increased materially during the past few years.

In order to render gas service to the Sun Gold Hills Subdivision and other areas in Twentynine Palms, applicant, Desert Gas Co., Inc., was organized to operate a public utility gas system.

It is the intention of applicant to first start serving gas in the Sun Gold Hills Subdivision and subsequently extend its system to supply adjacent subdivisions and commercial areas in the main section of Twentynine Palms. At present, due to congestion and limited space in the main commercial section, it has been necessary, in some instances, for the Bert King Butane Company to serve a number of customers from one single tank as there is not sufficient space for individual tanks for each customer. According to the record, applicant intends to clear up this condition in the near future by extending its gas mains into this area in order to supply these customers from the public utility distribution system.

The installation to serve the Sun Gold Hills Subdivision at the present time will consist of a storage tank with a capacity of approximately 5,000 gallons for storage of liquefied petroleum gas. In addition, applicant proposes to install a distribution

system consisting of 4,328 feet of 2-inch mains, with 3/4-inch pipe for service connections, for approximately 52 homes in the Sun Gold Hills Tract. As commercial propane, with a heating value of approximately 2,520 Btu per cubic foot, is to be served, it is applicant's contention that, due to the inherent characteristics of this product, a vaporizer will not be necessary at this time.

Applicant submitted two estimates of system costs, one for the original installation which is to be installed immediately to serve 52 customers in the Sun Gold Hills area, and the other to serve 100 customers as the system is extended to other areas. The estimate of cost of the original system, as set forth in applicant's Exhibit No. 3, for gas service to 52 customers is \$15,986.96, and for gas service to 100 customers \$26,117.17, which is exclusive of materials and supplies and working cash capital, as included in the following table:

	Based on	
	<u>52 Customers</u>	<u>100 Customers</u>
<u>DESERT GAS CO., INC.</u>		
<u>Estimated Rate Base</u>		
<u>Plant</u>		
Intangible	\$ 1,483.29	\$ 1,483.29
Tangible		
Production and Storage	5,003.69	6,573.69
Distribution	9,499.98	18,060.19
Material and Supplies	300.00	300.00
Working Cash	<u>420.00</u>	<u>840.00</u>
Total Estimated Rate Base	\$16,706.96	\$27,257.17

Minor arithmetical errors existing in the exhibit, as introduced at the hearing, have been corrected in preparing the above table.

Applicant submitted a rate for domestic and commercial service which carries a minimum charge of \$2 for the first 250 cubic feet of gas or less. The charges for the next 4,000 cubic feet of gas are 51 cents per 100 cubic feet, and for all over 4,250 cubic

feet 47 cents per 100 cubic feet. The above rates are predicated upon a cost of propane of 6.9 cents per gallon, delivered to the tanks of the Bert King Butane Company in Twentynine Palms, and are subject to an escalation clause as set forth in the special conditions.

Estimates were also made of the revenue and operating expenses, one estimate based upon service to 52 customers and another based upon service to 100 customers. Included in operating expenses is depreciation expense, which witness for applicant stated was computed on a straight-line basis, using a 25-year composite life for all depreciable capital. The estimated revenue was based on the rates set forth above, applied to the estimated consumption computed as shown in Exhibit No. 5. These estimates were set forth in applicant's Exhibit No. 6 and are shown in the following tabulation:

DESERT GAS CO., INC.  
Estimated Revenues, Expenses, and Rate of Return

	Based on	
	<u>52 Customers</u>	<u>100 Customers</u>
Gross Revenue	\$ 7,818.72	\$15,036.00
Operating Expenses	<u>6,501.54</u>	<u>12,643.81</u>
Net Revenue before Federal and State Income Taxes	\$ 1,317.18	\$ 2,392.19
State and Federal Income Taxes	<u>432.03</u>	<u>784.64</u>
Net Revenue after Taxes	\$ 885.15	\$ 1,607.55
Rate Base	16,706.96	27,257.17
Rate of Return	5.3%	5.9%

It will also be noted that in addition to the revenues and expenses there is shown the rate base and rate of return. In reviewing the exhibit introduced in the hearing it was found that a few minor arithmetical errors existed which have been corrected for the above table. This results in a minor change in the rate of return over that shown in applicant's Exhibit No. 6.

Applicant also requests a certificate of public convenience and necessity to exercise the rights of a franchise granted by the

County of San Bernardino, permitting the installation, maintenance and use of a gas distribution and transmission system in the streets of the community of Twentynine Palms.

A copy of the franchise granted by Ordinance No. 715 of the County of San Bernardino is attached to and made a part of the application and is applicable to a limited portion of the county. The area of the county to which the franchise applies is more particularly described as the area within the county of San Bernardino bounded on the south by Sullivan Road, on the east by Utah Trail, on the north by Three-Mile Road, and on the West by Morongo Road, Township 1 North, Range 9 East, S. B. B. & M.

The term of the franchise is indeterminate. A fee is payable annually to the County of San Bernardino equivalent to 2 per cent of the gross annual receipts arising from the use, operation or possession of the franchise; provided, however, that no percentage shall be paid for the first five years succeeding the date of the grant of said franchise, but thereafter such percentage shall be payable annually.

The costs incurred by applicant in obtaining the franchise are stated to have been \$250, which does not include the \$50 filing fee with this Commission and the expense of publication of notice of hearing of \$13.50. The total cost of the franchise and certificate, according to the record, is \$313.50.

Applicant proposes to finance the project through the issuance of stock and has requested permission to issue 162 shares of stock at a par value of \$100 per share, amounting to a total of \$16,200 to compensate the parties who have advanced property and cash to the Company for the construction of the facilities.

In Exhibit No. 4 applicant presented a pro forma balance sheet as it will appear when, as, and if the requested certificates and stock issue are granted. Following is the pro forma balance sheet set forth in Exhibit No. 4:

DESERT GAS CO., INC.  
Pro Forma Balance Sheet

ASSETS

Utility Plant	\$15,986.96
Current and Accrued Assets	213.04
Total Assets	\$16,200.00

LIABILITIES

Capital Stock (Common)	16,200.00
Total Liabilities	\$16,200.00

Applicant presented at the hearing proposed rules and regulations governing only the extension of gas mains and the installation of service pipes. As to other rules and regulations, applicant stated that it would cooperate with the Commission staff in their formulation and that they would be submitted at a later date.

It seemed advisable before applicant started operations as a public utility gas company that a full set of rules and regulations should be filed with this Commission. Therefore, representatives of applicant and the Commission staff have worked out a set of rules and regulations similar to those now filed for other gas utilities supplying liquefied petroleum gas. Under the rules for establishment of credit by a customer a deposit of \$12 is required. This amount was requested by applicant and does not appear to be unreasonable when compared with the estimated average monthly bill of slightly over \$12 which applicant presented in Exhibit No. 5 as the basis of its estimates of revenue for gas service. The estimate for the usage of the average customer was based on the experience of the Bert King Butane Company which supplies bottled gas in this area.

In further justification of the requested deposit, it is noted that service to be rendered initially would be primarily to military personnel from the U. S. Marine Base in Twentynine Palms who are subject to sudden transfer at any time to another location. Applicant has stated that it has been the experience of the Bert King Butane Company that such parties, when they are transferred, will telephone, giving notice of their departure, requesting discontinuance of bottled gas service, and giving a forwarding address for the return of the balance of their deposit. Since the deposit procedure which applicant intends to follow as a public utility would be practically the same as that now being applied to bottled gas service, it does not appear that it would place an undue hardship upon the applicants for gas service.

Applicant submitted a map as Exhibit "A", attached to the application, which showed the boundaries of the area included within the franchise which they had obtained from San Bernardino County. This area is approximately 2½ miles wide and 3 miles long. On this map is shown the location of the Bert King Butane Company's tanks and also the tank installed for the Desert Gas Co., Inc. distribution system. In addition, there are other locations shown on the map which are now supplied with bottle gas by the Bert King Butane Company and which could be supplied from the public utility distribution system as it expands in the future. It therefore appears reasonable that the area to be certificated should coincide with that of the franchise as there is no other gas public utility serving this area.

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 in Twentynine Palms and is of the opinion that it should be granted.



The certificate of public convenience and necessity herein granted is subject to the following provisions 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

The above-entitled application having been filed, a public hearing having been held, the matter having been submitted and now being ready for decision,

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 territorial limits of the community of Twentynine Palms as prescribed in the County franchise, a copy of which is attached to the application, and the exercise by applicant of the right, privilege and franchise granted to applicant by Ordinance No. 715 of the Board of Supervisors of San Bernardino County.

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Desert Gas Co., Inc. to construct and operate a public utility gas system for the distribution and sale of liquefied petroleum gas in and about the community of Twentynine Palms, more particularly described as the area within the County of San Bernardino bounded on the south by Sullivan Road, on the east by Utah Trail, on the north by Three-Mile Road, and on the west by Morongo Road, Township 1 North, Range 9 East, S. B. B. & M.

IT IS HEREBY FURTHER ORDERED that a certificate of public convenience and necessity, as limited by the County franchise, be and it is hereby granted to Desert Gas Co., Inc. to exercise the rights and privileges granted by the Board of Supervisors of the County of San Bernardino by Ordinance No. 715 adopted June 6, 1953.

IT IS HEREBY FURTHER ORDERED that Desert Gas Co., Inc. shall:

- a. File in quadruplicate with this Commission, after the effective date of this order and in conformity with G. O. No. 96, the schedule of rates shown in Appendix A attached hereto and, after not less than five days' notice to the Commission and the public, make such rates effective for service rendered on and after the eighth day of March, 1954. ✓
- b. File with this Commission within thirty days after the effective date of this order four sets of up-to-date rules and regulations and forms governing customer relations, together with four copies of a tariff service area map acceptable to the Commission and in accordance with the requirements of G. O. No. 96.
- c. 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.
- d. That the Commission may hereafter, by appropriate proceeding and order, limit the authority herein granted to applicant as to any territory within the limits of the franchise area not then being served by it.

IT IS HEREBY FURTHER ORDERED that:

- a. Desert Gas Co., Inc., may issue and sell 162 shares of stock at not less than \$100 a share and use the proceeds for the purpose set forth in this proceeding, it being the opinion of the Commission that the money, property or labor to be procured or paid for through such issue is reasonably required for the purpose indicated and that the expenditures for said purpose are not, in whole or in part, reasonably chargeable to operating expenses or to income.
- b. Desert Gas Co., Inc. shall file with this Commission monthly reports as required by General Order No. 24-A, which order, in so far as applicable, is made a part of this order.
- c. The authority herein granted will become effective on and after the effective date of this order.

The authorization herein granted will expire if not exercised within one year after the date hereof.

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

Dated at San Francisco, California, this 9<sup>th</sup> day of February, 1954.

P. E. Anderson  
 President

Matthew J. Cresswell

Samuel H. Pottel

John E. Whitehill

Gene Higgins  
 Commissioners

## APPENDIX A

## Schedule No. G-1

GENERAL SERVICEAPPLICABILITY

Applicable to general service of propane gas for cooking, water heating, space heating and other domestic and commercial uses.

TERRITORY

Within the service area of the Company in and adjacent to the unincorporated community of Twentynine Palms, California.

RATES

		<u>Per Meter Per Month</u>	
		<u>Base Rates</u>	<u>Effective Rates</u>
First	250 cu.ft. or less .....	\$2.00	\$2.00
Next	4,000 cu.ft., per 100 cu.ft. ....	.51	.51
All over	4,250 cu.ft., per 100 cu.ft. ....	.47	.47

Minimum Charge \$2.00 per meter per month.

The above effective rates, presently based upon a cost of propane of 6.9¢ per gallon, delivered to the tanks of the Bert King Butane Company in Twentynine Palms, California, are subject to change as provided in Special Condition No. 1.

SPECIAL CONDITIONS

1. The effective rates provided herein, with the exception of the rate for the first 250 cubic feet, shall vary with the cost of liquid propane delivered to the tanks of the Bert King Butane Company in Twentynine Palms, California, and shall be determined from the above base rates by adding or deducting respectively 1.0¢ per 100 cubic feet for each 0.36¢ per gallon that such cost of propane is above or below 6.9¢ per gallon. Such changes in rate shall be rounded to the nearest 0.5¢ per 100 cubic feet.

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 rates shall be effective beginning with the bill based on the first regular monthly meter reading, for billing purposes, which is taken on and after the thirtieth day following such change in the price of propane, upon authorization by the Public Utilities Commission.