

ORIGINALDecision No. 49861

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of GARNET W. McBRIDE, doing business)
as RIPLEY GAS COMPANY, for a certifi-)
cate of public convenience and)
necessity authorizing construction)
of a gas plant, and operation of)
same in public utility service, with-)
in a portion of Riverside County.)

Application No. 33599

Gordon, Knapp & Gill, Attorneys, by
Adrian Adams and Volney V. Brown, Jr.,
for applicant.
California Electric Power Company, by
Gilbert Delvaille, interested party.
Howard J. Lindenmeyer and Robert O.
Randall, for Commission staff.

O P I N I O N

Garnet W. McBride has in the above-entitled application requested this Commission to grant a certificate of public convenience and necessity to construct a public utility gas plant and distribution system for the purpose of furnishing liquefied petroleum gas in the community of Ripley and immediate vicinity.

Public hearings on this application were held by Examiner C. E. Crenshaw on October 8 and 29, 1952, at which time the matter was submitted.

Subsequent to the submission the attorneys for applicant, by letter to this Commission, asked that a decision on this application be held in abeyance until an amendment could be filed requesting that the proceeding be reopened and the submission set aside to permit introduction of further testimony and evidence.

In the original application it was proposed that the system to be constructed in Ripley would be operated by Garnet W. McBride, doing business as the Ripley Gas Company. In the amendment to this

proceeding filed on December 2, 1953, applicant discarded the plan to organize a separate utility and proposed instead to operate the Ripley system as a part of the Palo Verde Gas Company, a public utility now operated by applicant, which provides liquefied petroleum gas service in the neighboring community of Palo Verde. Through the operation of both the Ripley and Palo Verde gas plants as the same company, probable savings in administration cost would accrue to the customers in both communities. However, due to differences in operating costs between the communities of Ripley and Palo Verde, applicant submitted proposed separate tariff schedules for Ripley.

The amendment also stated that since the franchise granted by Ordinance No. 387 of the County of Riverside had expired, applicant was applying for an extension of time and, if granted by the county, a copy of the resolution granting extension of time would be submitted at the hearing. It was further requested that the proceedings be reopened and the submission set aside for further hearing, which request was granted by the Commission on January 5, 1954.

In accordance with the order of the Commission further hearing upon the reopening was held by Examiner Crenshaw on March 1, 1954, at which time no objection to the granting of the certificate was entered.

The territory for which a certificate is requested is located within the portion of Riverside County, California, described as the South 1/2 of Sections 26 and 27, and all of Sections 34 and 35, Township 7 South, Range 22 East, of the Ripley Townsite, S.B.B. & M.

At the hearing applicant presented, as Exhibit 6-A, a waiver of the right to protest the granting of this application by the Southern California Gas Company, the only other public utility supplying gas near the community of Ripley.

Applicant has for some time operated a liquefied petroleum gas business in the City of Blythe, as well as operating the

Palo Verde Gas Company, a public utility. In order to make gas service available in the community of Ripley, applicant proposes to construct a liquefied petroleum gas plant and system in this community, which will be consolidated with the operations of the Palo Verde Gas Company.

The proposed Ripley gas facilities will include a liquefied petroleum gas storage vessel having a capacity of either 10,500 or 12,500 gallons; a distribution system consisting of 8,000 feet of 2-inch copper pipe and 5,000 feet of 1½-inch copper pipe; and service pipe, meters, and regulators necessary to serve approximately 60 customers in the community of Ripley. The estimated number of customers was based on the number now being served with so-called bottled gas supplied by the Blythe Butane-Propane Gas Service. Since there will be some rather large gas loads occasioned by service to several cotton gins, applicant proposes to install a stand-by vaporizer in order to insure satisfactory service during peak-load periods in cold weather. Applicant testified that he does not anticipate any difficulty in obtaining the above-mentioned facilities.

It is estimated that the capital investment in plant and distribution facilities in Ripley will amount to slightly over \$23,500 when the entire system is completed. Applicant also estimates that there will be about 60 customers connected during the first year, yielding an annual gross revenue of approximately \$10,418.

The operating expenses applicable to the Ripley system, including taxes and depreciation, but excluding income taxes, are estimated by applicant to be approximately \$8,766, leaving a net profit to the sole owner, before payment of his personal income taxes, of approximately \$1,653.

The following is a tabulation, compiled from applicant's Exhibits 3-A and 4-A, showing estimates of the capital investment, revenue and expenses, and rate of return for the proposed system

to be installed in Ripley; the existing system at Palo Verde; and the consolidated system, as corrected at the hearing, to include depreciation expense computed at 3 per cent of depreciable capital:

Garnet W. McBride dba Palo Verde Gas Company
Estimated Rate Base & Profit & Loss Statement
Upon Completion of Both Palo Verde and Ripley Systems

	<u>Ripley</u> <u>Area</u>	<u>Palo Verde</u> <u>Area</u>	<u>Total</u> <u>System</u>
Plant			
Intangible	\$ 2,252.01	\$ 1,050.00	\$ 3,302.01
Tangible			
Production and Storage	5,200.00	11,100.00	16,600.00
Distribution	15,056.10	10,250.00	25,306.10
Materials and Supplies	-	-	-
Working Cash	<u>1,000.00</u>	<u>1,500.00</u>	<u>2,500.00</u>
Total Estimated Rate Base	23,508.11	24,200.00	47,708.11
Estimated Gross Revenue (Fiscal 1953-54)	10,418.80	4,553.02	14,971.82
Estimated Expenses (Fiscal 1953-54)			
Cost of Gas (@ 2.1¢/lb.)	6,035.04	2,067.69	8,102.73
Administrative & Oper. Salaries & Exp.	2,060.00	210.00	2,270.00
Ad Valorem Taxes	90.00	75.00	165.00
Depreciation (3% of Depreciable Plant)	<u>580.68</u>	<u>559.50</u>	<u>1,140.18</u>
Total Estimated Expenses	8,765.72	2,912.19	11,677.91
Net Return before Income Taxes	1,653.08	1,640.83	3,293.91
Rate of Return before Income Taxes	7.0%	6.8%	6.9%
Comparative Data			
Number of Customers			
Domestic	54	18	72
Commercial	<u>8</u>	<u>10</u>	<u>18</u>
Total	62	28	90
Unit Investment, Revenue & Expense			
Gross Revenue per Customer	\$168	\$163	\$166
Operating Expense per Customer	<u>141</u>	<u>104</u>	<u>130</u>
Net Revenue before Income Tax per Customer	27	59	36
Capital Investment per Customer	379	864	530

From the above table it will be noted that the estimated rate of return before income tax is approximately 7.0 per cent for the community of Ripley; 6.8 per cent for the community of Palo Verde; and 6.9 per cent for the consolidated system.

Applicant has obtained a franchise from the Board of Supervisors of Riverside County, granted by Ordinance No. 387, covering a portion of the unincorporated territory of Riverside County, described as the South 1/2 of Sections 26 and 27, and all of Sections 34 and 35, Township 7 South, Range 22 East, of the Ripley Townsite, S.B.B.&M. A copy of this franchise was introduced in evidence as applicant's Exhibit No. 1. This is a Broughton Act type of franchise which was adopted March 10, 1952. Since Section 4 thereof provides that construction shall commence within four months from the effective date of the franchise, applicant obtained extensions of time in order to comply with this provision.

A resolution of the Board of Supervisors of Riverside County extending the time to comply with certain terms of the franchise granted by Ordinance No. 387 was introduced at the original hearing as applicant's Exhibit No. 2. This resolution extended the time for six months from July 10, 1952. Since the extension of time granted by the resolution set forth in Exhibit 2 lapsed last year, it was necessary for applicant to obtain a further extension of time. A resolution by the Board of Supervisors of Riverside County extending the time from December 7, 1953 to April 15, 1954, was introduced at the hearing as applicant's Exhibit No. 5-A. In view of the limited time provided for compliance with the extension of time of the franchise, applicant has requested that a decision in this proceeding be expedited.

According to the franchise, applicant is required to pay to the County of Riverside 2 per cent of the gross annual receipts arising from the use, operation, and possession of the franchise, such payments to begin five years after the effective date of the franchise.

The costs incurred by applicant in obtaining the franchise are stated to have been \$383.62, which does not include costs incident to the application amounting to \$55.33. The total cost of the franchise is \$438.95.

Applicant proposes to provide service in the community of Ripley under the rates set forth as Exhibit "A" in the amendment to the application and under the rules and regulations of the Palo Verde Gas Company currently in effect, which rules and regulations were made a part of the record herein by reference. The proposed rates will include an escalation clause identical with that used in the existing schedules of the Palo Verde Gas Company as the cost of gas will be the same at both locations.

Applicant should file new tariff schedules covering service for the Ripley area substantially in accord with Appendix "A", which schedules, except for minor changes for clarification, are the same as those submitted by applicant. Applicant should, at an early date, file a revised preliminary statement including a description of the new territory to be served, as well as any changes made necessary in the rules and regulations. Also, applicant's existing tariff schedules should be refiled, making such changes as are necessary to clarify applicability and territory served under each upon addition of the new 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 the community of Ripley and is of the opinion that it should be granted.

The certificate of public convenience and necessity herein is 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

The above-entitled application having been considered, 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 by Garnet W. McBride, doing business as Palo Verde Gas Company, in and adjacent to the community of Ripley, within the area prescribed in the County franchise, a copy of which is set forth in Exhibit No. 1 in this proceeding, and the exercise by applicant of the right, privilege and franchise granted to applicant by Ordinance No. 387 of the Board of Supervisors of Riverside County.

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is hereby granted to Garnet W. McBride, doing business as Palo Verde Gas Company, to construct and operate a public utility gas system for the distribution and sale of liquefied petroleum gas in and about the community of Ripley, more particularly described as that portion of the unincorporated territory of the County of Riverside included within the South 1/2 of Sections 26 and 27, and all of Sections 34 and 35, Township 7 South, Range 22 East, of the Ripley Townsite, 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 Garnet W. McBride, doing business as Palo Verde Gas Company, to exercise the rights and privileges granted by

the Board of Supervisors of the County of Riverside by Ordinance No. 387 adopted March 10, 1952.

IT IS HEREBY FURTHER ORDERED that Garnet W. McBride, doing business as Palo Verde Gas Company, shall:

1. File in quadruplicate with this Commission, after the effective date of this order and in conformity with General Order No. 96, the schedule of rates shown in Appendix "A" attached to this order, to be effective on or before the date service is first rendered to the public, together with an area map acceptable to this Commission and in accordance with the requirements of General Order No. 96.
2. File in quadruplicate with this Commission, within thirty days after the effective date of this order and in conformity with General Order No. 96, such revised tariff sheets acceptable to this Commission as are necessary to modify the Preliminary Statement and Rules and Regulations to cover service to the community of Ripley.
3. 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.

IT IS HEREBY FURTHER ORDERED that:

1. The Commission may hereafter, by appropriate proceeding and order, limit the authority herein granted to applicant as to territory within the limits of the franchise area not then being served by it.
2. The authorization herein granted will expire if not exercised within one year from the date hereof.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 30th day of March, 1954.

[Signature]
President

Justin J. Adams

[Signature]

[Signature]

[Signature]
Commissioners

APPENDIX A
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Schedule No. G-2

GENERAL SERVICE

APPLICABILITY

Applicable to propane gas service to domestic commercial and industrial consumers not electing to take service under any other schedule.

TERRITORY

Within the service area of the company in and adjacent to the community of Ripley.

RATES

		<u>Per Meter per Month</u>	
		<u>Base Rates</u>	<u>Effective Rates*</u>
First	10 pounds or less	\$1.75	\$1.75
Next	40 pounds, per pound	5.65¢	5.75¢
Next	200 pounds, per pound	5.0¢	5.1¢
Next	250 pounds, per pound	4.5¢	4.6¢
All over	500 pounds, per pound	4.2¢	4.3¢

* Above effective rates are based on the present cost of propane gas of 2.1¢ per pound.

Minimum Charge:

The minimum charge shall be \$1.75 per meter per month.

SPECIAL CONDITIONS

The special conditions of Schedule No. G-2 shall be identical to those set forth on applicant's currently effective revised C.P.U.C. Sheets Nos. 60-G and 61-G.

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Schedule No. G-21

COMMERCIAL AND INDUSTRIAL SERVICEAPPLICABILITY

This schedule shall apply to all commercial and industrial gas consumers who agree in advance to use a minimum of 250 pounds of gas per month.

TERRITORY

Within the service area of the company in and adjacent to the community of Ripley.

RATES

		<u>Per Meter per Month</u>	
		<u>Base Rates</u>	<u>Effective Rates*</u>
First	250 pounds or less	\$14.00	\$14.00
Next	250 pounds, per pound	4.3¢	4.4¢
Next	1,500 pounds, per pound	4.0¢	4.1¢
All over	2,000 pounds, per pound	3.9¢	4.0¢

* Above effective rates are based on the present cost of propane gas of 2.1¢ per pound.

Minimum Charge:

The minimum charge shall be \$14.00 per meter per month.

SPECIAL CONDITIONS

The special conditions of Schedule No. G-21 shall be identical to those set forth in applicant's currently effective revised C.P.U.C. Sheets Nos. 62-G and 63-G.

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Schedule No. G-41

LARGE VOLUME COMMERCIAL AND INDUSTRIAL SERVICEAPPLICABILITY

The schedule shall apply to all commercial and industrial gas consumers who agree in advance to use a minimum of 1,000 pounds of gas per month.

TERRITORY

Within the service area of the company in and adjacent to the community of Ripley.

RATES

		<u>Per Meter per Month</u>	
		<u>Base Rates</u>	<u>Effective Rates*</u>
First	1,000 pounds or less	\$40.00	\$40.00
All over	1,000 pounds, per pound	3.5¢	3.6¢

* Above effective rates are based on the present cost of propane gas of 2.1¢ per pound.

Minimum Charge:

The minimum charge shall be \$40.00 per meter per month.

SPECIAL CONDITIONS

The special conditions of Schedule No. G-41 shall be identical to those set forth on applicant's currently effective revised C.P.U.C. Sheets Nos. 62-G and 63-G.