

Decision No. 51837**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SOUTHWEST GAS CORPORATION for a)
 certificate of public convenience and)
 necessity authorizing new construction)
 and authority to exercise franchise)
 rights.)

Application No. 36457

W. M. Laub and Wm. J. Cusack, attorneys, for
 applicant;
F. C. Searls and John C. Morrissey, for
 Pacific Gas and Electric Company; Martin
 Schwartz, for California Electric Power
 Company, interested parties;
Robert O. Randall, for the Commission staff.

O P I N I O N

Southwest Gas Corporation in this proceeding asks for a certificate of public convenience and necessity to exercise the rights and privileges of Franchise Ordinance No. 505 granted by the County of San Bernardino, in order that it may install, maintain and use a gas distribution and transmission system in certain public streets and highways of the said County in the communities of Apple Valley and Lockhart. Public hearings on this application were held by Commissioner Ray E. Untereiner and Examiner Carl E. Crenshaw on April 13, 1955, and July 7, 1955, in Los Angeles.

The franchise referred to, a copy of which is attached to the application and designated as Exhibit A, was granted by the County of San Bernardino in accordance with the Broughton Act and is for a term of forty years and limited to the following described territory:

That portion of San Bernardino County bounded on the North by the Inyo County Line, otherwise known as the Sixth Standard Line, South of Mt. Diablo Base; on the East, by the Easterly Township Line

of townships in Range 9 East, S.B.B. & M.; on the South by the Southerly township line of Townships in Range 4 North, San Bernardino Base Line; on the West by Los Angeles and Kern County Lines, otherwise shown as the westerly line of Townships in Range 7 West, S.B.B. & M. EXCEPTING, the areas embraced in the towns of Barstow and Victorville, California, now covered by franchises numbered 335 and 336 and being served by the Southwest Gas Corporation, Ltd.

A fee is payable annually to the County, except for the first five years, equivalent to 2 per cent of the gross receipts arising from the use, operation or possession of the franchise. The costs incurred by applicant in obtaining the franchise were set forth in the record in Decision No. 45883, dated June 26, 1951, Application No. 31295, wherein applicant was granted a certificate covering that portion of Ordinance No. 505 of said County consisting of

A strip 6 miles wide, consisting of the East half of Townships 7, 8, 9 and 10 North, Range 5 West, S.B.B. & M., and the West half of Townships 7, 8, 9 and 10 North, Range 4 West, S.B.B. & M.

Applicant is, at the present time, rendering natural gas service in the City of Barstow and adjacent territory under a certificate granted under Decision No. 23181, dated December 15, 1930, Application No. 16749, as modified by Decision No. 45883, dated June 26, 1951, Application No. 31295, to include all the territory covered by Franchise Ordinance No. 335 of the County of San Bernardino applicable to the following territory:

All Townships 10 North, Range 2 West; 10 North, Range 1 West; 9 North, Range 1 West; 9 North, Range 2 West and 9 North, Range 1 East, S.B.B. & M.

In addition, the exercise of Franchise Ordinance No. 336 of the County of San Bernardino, applicable in the vicinity of Victorville, was authorized by Decision No. 23182, dated December 15, 1930, Application No. 16892, as modified by Decision No. 45883, and covers the following territory:

Townships 5 North, Range 4 West; 5 North, Range 5 West; 6 North, Range 4 West; and 6 North, Range 5 West, S.B.B. & M.

Apple Valley Area

Applicant states that it has received many inquiries from residents of the community of Apple Valley, which is adjacent to the Victorville area covered by Franchise Ordinance No. 336, requesting the extension of natural gas service to that community. The community of Apple Valley is approximately 6 miles east of Victorville and, according to applicant, has developed steadily and consistently during the past five years. In response to this demand for service, applicant now desires to expand its certificated area to include that community or, more particularly, Township 5 North, Range 3 West, S.B.E. & M. (a portion of the area covered by Franchise Ordinance No. 505).

If a certificate is granted, applicant proposes to extend its existing distribution system from the Victorville area to render gas service within the community of Apple Valley. Applicant stated that this gas extension could be made without deviation from its filed Rule and Regulation No. 15 covering extension of gas service.

It is estimated by applicant that an extension of its distribution system to Apple Valley would require approximately 24,300 feet of 4-inch main and 29,900 feet of 2-inch main, which main, plus services and meter set assemblies and overheads, is estimated to require an investment of \$95,602. This distribution system would serve approximately 234 residential consumers and 12 commercial establishments, including, among other establishments, one school, three motels, and a large resort hotel, the Apple Valley Inn. Applicant would finance the cost of this extension from working capital and bank loans if necessary. Applicant stated that, if permission were granted in time by this Commission, it expected to have gas service available in Apple Valley by the end of October, 1955.

In Exhibit No. 4 applicant set forth the following estimate of the revenue and expenses expected to be associated with the Apple Valley extension during the first full year of its operation:

APPLE VALLEY AREA

	<u>No. of Customers</u>	<u>M.C.F.</u>	<u>Amount</u>
<u>REVENUE:</u>			
Domestic & Small Commercial ...	234	28,543	\$27,876
Commercial	12	22,308	15,148
Total	<u>246</u>	<u>50,851</u>	<u>43,024</u>
<u>EXPENSES:</u>			
Cost of Gas Purchased (Including 5% Unaccounted for)			\$20,642
Transmission			315
Distribution			2,643
Customers' Acctg. & Collecting			1,203
Sales Promotion Expense			347
Administrative & General Exp.			692
Depreciation			2,868
Taxes, Other than Federal Income			2,871
Federal and State Income Taxes			<u>6,198</u>
NET UTILITY REVENUE			<u>37,779</u> <u>5,245</u>

The above estimates of revenues and expenses were based on applicant's present experience in its service area. When applied to a depreciated rate base typical of the first year's investment, applicant estimated that it might realize a return of approximately 5.57 per cent, which it felt would be acceptable for the initial year in such an area.

As the above-mentioned capital and operating costs are estimated costs, the Commission is not at this time passing upon the reasonableness of these charges as the actual costs will be of record when the construction work is completed and subject to review for rate-fixing purposes.

Lockhart Area

Applicant has applied for a certificate to extend its service area to the community now known as Lockhart, which is located in an area described as the East half of Township 11 North, Range 5 West; and the West half of Township 11 North, Range 4 West, S.B.B. & M.

In the year 1952, applicant extended its lines to the Lockhart Ranch property and has since been rendering gas service to this customer for domestic and commercial uses. Applicant contends that at the time this extension was constructed it believed it was within its certificated area even though the ranch is approximately 6,900 feet outside the boundaries of the area authorized by Decision No. 45883, dated June 26, 1951, in Application No. 31295.

The so-called Lockhart extension reaches into an area comprising several hundred residences, which area is a commercial center for the surrounding desert land and which includes several small ranches whose estimated daily gas requirements, with the exception of the Lockhart Ranch, will be less than 25,000 cubic feet per day and can be supplied in accordance with applicant's existing Rule and Regulation No. 31.

There is now pending before this Commission Application No. 35377, in which applicant has requested a finding that L. M. Lockhart is entitled to natural gas service on an interruptible basis not to exceed 300,000 cubic feet per day for gas to be used as fuel in a dehydrator, and has further requested an order that applicant be allowed to sell and deliver to L. M. Lockhart natural gas on an interruptible basis not to exceed 300,000 cubic feet per day to be used as fuel in the dehydrator, all as contemplated in applicant's Rule and Regulation No. 31.

In a decision in Application No. 35377, being rendered concurrently herewith, applicant is granted the right to serve said interruptible load. The record in that application, which was considered herein by reference, shows that a need for gas service exists in the Lockhart area.

At the hearing in the instant application there was no objection to the granting of the requested certificate; in fact,

witness for Pacific Gas and Electric Company, protestant in Application No. 35377, stated that due to increased supplies of gas now, or soon to be, available to it, it was willing to have applicant increase its gas sales and would therefore have no objection to the extension of gas service to this area.

Certification to Pacific Gas and Electric Company

By Decision No. 42460, dated January 25, 1949, in Application No. 29548, Pacific Gas and Electric Company was authorized to construct a pipeline from Topock to Milpitas with one of the provisions being that Pacific Gas and Electric Company would secure further authority of this Commission to exercise such franchises as might be obtained for the construction and operation of the pipeline in accordance with the provisions of the Public Utilities Code.

By Decision No. 49101, dated September 15, 1953, this Commission authorized Pacific Gas and Electric Company to exercise the right, privilege and franchise granted to it by Ordinance No. 714 of the Board of Supervisors of San Bernardino County within the area in San Bernardino County as set forth in the franchise. This franchise, according to the opinion in the above decision, was for the purpose of conveying and distributing gas to the public for any and all purposes within an area lying within a strip of land of the uniform width of 20 miles lying equally on each side of applicant's Topock-Milpitas pipeline. The Lockhart Ranch lies within this strip. It was further ordered in that decision that Pacific Gas and Electric Company should not exercise said franchise for the purpose of supplying gas to consumers lying within the service area of the Southwest Gas Corporation and the California-Pacific Utilities Company. While this limitation is deemed to include areas then or subsequently certificated to Southwest, there was a further limitation in that order that the Commission could, by further order, limit the authority granted as to

any territory not then being served by Pacific Gas and Electric Company. Since Pacific Gas and Electric Company is not now rendering service within the Lockhart area, no conflict is deemed to exist.

Conclusions

From the evidence presented it appears that there is a need for natural gas service in both the communities of Apple Valley and Lockhart. We are of the opinion that public interest can best be served by the granting of the certificate as applied for, thereby making possible the supplying by applicant of natural gas service to consumers in these areas, described as follows:

Lockhart Area

The East half of Township 11 North, Range 5 West, and the West half of Township 11 North, Range 4 West, S.B.B. & M.

Apple Valley Area

All of Township 5 North, Range 3 West, S.B.B. & M.

According to the record, applicant intends to apply the same rates for gas service in the Apple Valley and Lockhart territories as those now in effect in the adjacent areas.

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 franchises involved herein or this certificate of public convenience and necessity for any amount of money 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 granting of such franchises, 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; therefore,

IT IS HEREBY FOUND AS A FACT that public convenience and necessity require the exercise by applicant of the right, privilege and franchise granted to applicant by Ordinance No. 505 of the County of San Bernardino in and about the communities of Lockhart and Apple Valley and construction and operation of facilities in these areas, which areas are more particularly described below, subject to appropriate restriction concerning the territory not now being served.

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be, and it is granted to Southwest Gas Corporation to exercise the right, privilege and franchise granted by Ordinance No. 505 of the County of San Bernardino and the construction and operation of facilities within the following territory:

Lockhart Area

The East half of Township 11 North, Range 5 West,
and the West half of Township 11 North, Range 4 West,
S.B.B. & M.

Apple Valley Area

All of Township 5 North, Range 3 West, S.B.B. & M.

IT IS HEREBY FURTHER ORDERED:

1. That Southwest Gas Corporation shall not exercise said franchise in those parts or portions of San Bernardino County not now certificated to it, except through extensions of its existing system made in the ordinary course of business as contemplated by Section 1001 of the Public Utilities Code; and
2. That the Commission may hereafter, by appropriate proceeding and order, limit the authority herein

granted to applicant as to any territory within
said County not then being served by it.

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

Dated at San Francisco, California, this 16th day
of August, 1955.

John E. Mitchell
President

Justin J. Carroll

Paul C. Winter

Walter D. ...

W. Hardy

Commissioners