

Decision No. 51841**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SOUTHWEST GAS CORPORATION to)
sell and deliver to a consumer)
natural gas in excess of 25,000)
cubic feet per day on an inter-)
ruptible basis.)

Application No. 35377

Harold G. Laub and William M. Laub, for applicant;
Frederick T. Searls and John Carroll Morrissey,
by John Carroll Morrissey, for Pacific Gas and
Electric Company, protestant; George C. Young, for
the Commission staff.

O P I N I O N

Southwest Gas Corporation in this proceeding requests a finding that L. M. Lockhart is entitled to interruptible natural gas service under its Rule and Regulation No. 31, and further requests an order that applicant be allowed to sell and deliver to L. M. Lockhart natural gas on an interruptible basis in excess of 25,000 cubic feet per day to be used for dehydration purposes on his ranch near Hinkley, California. Public hearings were held before Commissioner Kenneth Potter and Examiner Carl E. Crenshaw on July 8, and 9, 1954, in Los Angeles.

According to the record, L. M. Lockhart requested interruptible gas service from applicant for use in his dehydrator in an amount of not to exceed 300,000 cubic feet per day, which usage would be in excess of 25,000 cubic feet per day and, therefore, subject to the provisions of applicant's Rule and Regulation No. 31 on file with this Commission.

The first paragraph of applicant's Rule and Regulation No. 31, Limitation upon Natural Gas Service, as submitted in applicant's Exhibit "A" attached to the application, is as follows:

"In order that this utility may be enabled to make the most effective and economic use of the natural gas available and to be available, each of the gas rate schedules and contracts of, and the rules and regulations governing the sale of natural gas by, this utility on file with the Public Utilities Commission of the State of California shall be deemed amended and is hereby declared amended or reformed to the extent that any such schedule, contract, rule or regulation is or may be inconsistent, or in conflict, with the following condition and regulation:"

It will be noted from the above quotation that the limitation rule is to enable the utility to make the most effective and economical use of natural gas available and to be available.

The second paragraph of the rule provides that the utility will not deliver in excess of 25,000 cubic feet per day to any customer unless such customer cannot readily use another type of fuel without undue hardship, and specifies applicant's procedure in determining whether or not the consumer is entitled to service in excess of 25,000 cubic feet per day and consumer's right to appeal to this Commission if service is refused.

In the event applicant should approve the customer's request for gas service in excess of 25,000 cubic feet per day, applicant is obligated to submit the customer's request to the wholesale supplier in accordance with that portion of the rule which states:

"In the event this utility should in the first instance approve an application for such service, the application will be submitted to said wholesale supplier for its consent, and a copy of the application will be forwarded to the Public Utilities Commission of the State of California; if the consent of the wholesale supplier should be refused, or withheld for more than 60 days after receipt of the application, the Commission, upon written request by this utility, will decide the matter. This utility will not, in any case, commence service to any consumer in excess of 25,000 cubic feet per day until it shall have first obtained the consent of either the wholesale supplier or the Commission in accordance with the procedure outlined in this Rule."

Upon investigation in accordance with its filed Rule and Regulation No. 31, it was determined by applicant that L. M. Lockhart was entitled to interruptible natural gas service. After making this determination, applicant then made application by letter dated July 14, 1952, to its wholesale supplier, Pacific Gas and Electric Company, requesting its consent to the service of natural gas for domestic purposes for L. M. Lockhart's ranch home, neighboring homes of ranch workers, commercial service to his general store on the ranch, and for interruptible use in a dehydration mill which processes alfalfa grown on the ranch. It was estimated that natural gas service to be rendered on an interruptible basis for the dehydrator would not exceed 300,000 cubic feet per day. The dehydrator is expected to be operated 12 hours a day, six days a week, during the months of May through October, which would be through the summer or the off-peak season. Therefore, it is alleged that it would be an extremely desirable load for applicant from an operations point of view.

At the time this request was first presented to Pacific Gas and Electric Company, applicant's filed tariffs provided only for firm service.

The Pacific Gas and Electric Company, by letter dated August 12, 1952, advised applicant, in part, as follows:

"I note that your Rule 31 provides that your company will not deliver in excess of 25,000 cu.ft. of gas per day of 24 hours to any consumer unless such consumer can not readily use another fuel without undue hardship. If this applicant were to be served directly from Pacific Gas and Electric Company's system, we would consider that an alfalfa dehydrator could use another fuel without undue hardship and we would refuse firm gas service on that account. . . .

"As I think you know, we have an interruptible rate which would be offered to a customer of this type for his alfalfa mill. I am enclosing herewith a copy of our standard form interruptible

service contract, from which you can see the restrictions that are therein specified.

"As far as the ranch house, the other ranch workers' homes and the general store are concerned we would, of course, deliver firm gas service to any of them which would not require more than 25,000 cu. ft. per day."

On July 25, 1952, applicant filed with this Commission a tariff providing for interruptible service, which tariff was suspended by the Commission for investigation in Case No. 5399. After public hearing a tariff for interruptible service was authorized by this Commission in its Decision No. 47780, dated October 1, 1952. This Interruptible Schedule, G-30, was filed with the Commission on October 21, 1952, and became effective October 26, 1952. Pacific Gas and Electric Company made no appearance in Case No. 5399 and there was no objection to applicant rendering interruptible natural gas service. Subsequent, however, to the hearing in Case No. 5399, but prior to the issuance of the Commission's decision, Pacific Gas and Electric Company, by letter dated September 11, 1952, advised applicant in part as follows:

"You are, of course, aware that our contract with your company taken in conjunction with your Rule 31 places no restriction on your selling either firm or interruptible gas up to 25,000 cubic feet per day to any one customer. However, your Rule No. 31 provides that you will not sell in excess of 25,000 cubic feet per day to any customer, unless such customer cannot use another fuel without undue hardship.

"There has been no showing made that Mr. Lockhart's case can be classed as one of undue hardship. The only basis for such a claim of undue hardship would be the possibility that butane, propane or some other substitute fuel is somewhat more costly than gas.

"We do not consider this to be 'undue hardship' within the meaning of Rule No. 31, for if it were, the restriction would be meaningless and of no effect as long as natural gas is the cheapest fuel available. Consequently, I regret that it is necessary for me to advise you that this Company cannot and does not consent to the service as proposed in this case under the provisions of said Rule No. 31."

The application of L. M. Lockhart for natural gas service on an interruptible basis was approved by applicant. However, the wholesale supplier, Pacific Gas and Electric Company, did not give its consent. More than 60 days having elapsed between the date of applicant's letter requesting applicant's supplier's consent, without such consent having been granted, applicant makes this application to the Commission, in accordance with its Rule and Regulation No. 31, for authorization to supply natural gas service on an interruptible basis to the dehydrator at Lockhart's Ranch.

According to the record, Mr. L. M. Lockhart is now receiving gas service on a firm schedule for domestic and commercial uses on his ranch, which usage is within the limits of the 25,000 cubic feet under applicant's Rule and Regulation No. 31.

Witness for applicant stated that at present the dehydrator is being operated on oil on an experimental basis. Some difficulty has been experienced with the operation of the dehydrator on oil and it has been necessary to employ an operator experienced in the operation of dehydrators on both natural gas and fuel oil. The alfalfa meal produced is being sold to firms which in turn process the alfalfa meal for its chlorophyll content. A witness for applicant also testified that the heat control for the dehydration of the alfalfa meal is critical, and the use of natural gas makes it easier to control. While the dehydrator can be operated on oil during curtailment periods, it requires considerably closer observation by the operator. Unless close observation of the operation of the dehydrator is maintained, there is a possibility that the alfalfa meal will be discolored by oil stains, which would reduce its marketability.

He testified, further, that fuel oil produces a soot and there is an oil odor that sometimes gets into the meal. It was further brought out that it is necessary to clean the oil burners and filters every 24 hours, and that the maintenance of the equipment is considerably more expensive than it would be if natural gas were used as the fuel. Applicant's witnesses stated that close competitive margins in the marketing of the dehydrated products require the most economical operation feasible.

The granting of this application was protested by Pacific Gas and Electric Company, which maintained that there were numerous alfalfa dehydrators operating in the State of California using oil as a fuel and that no undue hardship, sufficient to warrant the use of natural gas, would be caused by the operation of the dehydrator on fuel oil. Further, it alleged that there is no differential in the market quotations for alfalfa meal as between that dehydrated by using natural gas and that dehydrated by using oil as a fuel.

It was brought out that the dehydrators which are using oil are not close to natural gas supplies; and, further, that Pacific Gas and Electric Company is supplying natural gas service on an interruptible basis to alfalfa dehydrators adjacent to their lines. According to the record, it is the policy of Pacific Gas and Electric Company not to render firm gas service to dehydrators; but it would not refuse to render interruptible service to alfalfa dehydrators where line capacity was available.

The Oakland Chamber of Commerce, by letter, protested the granting of this application, alleging that such action would cause the impairment of natural gas supply to the East Bay cities.

It appears from the record that the operation of this dehydrator is in somewhat of an experimental stage, and that it did not operate satisfactorily until the services of a highly experienced operator were obtained. This operator testified that more efficient operation of a dehydrator could be obtained with natural gas than with fuel oil; however, that in case of curtailment, fuel oil could be used until natural gas was again available. He also pointed out that it is easier to maintain a more uniform and higher grade of product with the use of natural gas.

Witness for applicant testified that under its service agreement with Pacific Gas and Electric Company it is entitled to a maximum daily contract supply of natural gas of 7 million cubic feet per day. At the present time the maximum daily use is considerably below this maximum limitation. Therefore, it is applicant's contention that the granting of service on an interruptible basis to the Lockhart Ranch dehydrator in this instance would increase its load factor and would not result in a hardship on its existing firm customers since such customers would take service priority over the interruptible customers.

It appears from the evidence presented in this proceeding that if interruptible gas service is granted in this instance it will not impair the service to be rendered in the future by Pacific Gas and Electric Company to its interruptible customers or by applicant to its firm customers as such firm service would, under the present rules and regulations, take precedence over interruptible gas service at times when there is an insufficient amount of gas available for all other classes of service. Further, the record indicates that the sale of the volume of gas, requested in this application, on an interruptible basis would not cause

applicant's requirements to exceed the daily limitation provided under its service agreement with Pacific Gas and Electric Company, and in addition, since the natural gas requirements of the dehydrator at the Lockhart Ranch are of summertime duration, the supplying of the load in this instance would tend to increase the yearly load factor of applicant.

Testimony was introduced to the effect that the method of curtailment to be followed in respect to customers such as this (as referred to in the Commission's Decision No. 48595 in Application No. 34061, in which the curtailment of interruptible customers on applicant's system would be concurrent and pro rata with the curtailment of like customers of Pacific Gas and Electric Company), posed some difficulty in its application.

From this testimony it appears that a more practical system of curtailment should be contrived. We take notice that in Application No. 37101, filed July 6, 1955, applicant and Pacific have proposed a different system of curtailment, which will be reviewed in the proceedings to be had on that application. The action taken therein will govern curtailment of this customer.

It was alleged by protestant, Pacific Gas and Electric Company, that the Lockhart Ranch was outside the certificated area of applicant and within the certificated area of protestant. This is not a question pertinent to this proceeding and, furthermore, said allegation has been rendered moot by the decision in Application No. 36475, rendered concurrently herewith, enlarging applicant's certificate of public convenience and necessity to include this area.

In view of the evidence submitted in this proceeding, it is the opinion of the Commission that the Lockhart Ranch is entitled to interruptible service in an amount of not to exceed 300,000 cubic feet of gas per day for use in its dehydrator,

to be supplied by applicant, provided adequate standby facilities, as required in applicant's interruptible tariffs, are installed and maintained ready for use.

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 L. M. Lockhart is entitled to natural gas service on an interruptible basis for an amount not to exceed 300,000 cubic feet of gas per day for use in the dehydrator on Lockhart Ranch, near Hinkley, California, provided that its facilities qualify and meet the requirements of applicant's interruptible tariff.

IT IS HEREBY ORDERED that Southwest Gas Corporation be authorized to supply natural gas service to L. M. Lockhart on an interruptible basis of not to exceed 300,000 cubic feet per day for use in the dehydrator on the Lockhart Ranch, near Hinkley, California, in accordance with its interruptible tariffs as filed with this Commission.

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

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

[Signature] President
[Signature]
[Signature]
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[Signature] Commissioners