

ORIGINAL

Decision No. 52251

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of A. A. COOPS, an
 individual doing business as
 KENWOOD GAS COMPANY to operate
 a system for the distribution of
 propane gas in the Kenwood
 Village Subdivision near the
 town of Kenwood in the County of
 Sonoma, State of California; to
 establish rates; and to expand
 existing facilities.

Application No. 37040 .

Roland H. Kruger, for applicant.
Malcomb A. MacKillop, for Pacific Gas and Electric
 Company; J. F. Fidiem, for W. Brown and Kenwood
 Improvement Club, Inc., interested parties.
Walter A. Paul, for the Commission staff.

O P I N I O N

Nature of Proceeding

By the above-entitled application, filed June 5, 1955, A. A Coops (Kenwood Gas Company) seeks a certificate of public convenience and necessity for the construction, operation and maintenance of a gas system in Kenwood Village, Sonoma County, authority to exercise the rights and privileges of a franchise granted by Ordinance No. 359 of the County of Sonoma and authority to maintain and operate a gas vaporizer as required by this Commission's General Order No. 94-A.

Public Hearing

Public hearing in the matter was held before Examiner F. Everett Emerson on September 22, 1955, at Kenwood. No opposition was manifested at the hearing.

Description of Properties

The distribution system, laid within easements and streets in Kenwood Village Subdivision, consists of 2,727 feet of wrapped steel mains and 2,197 feet of 3/4-inch service connections,

together with necessary risers, cocks, pressure regulators and meters. The initial area to be served contains approximately 70 residential lots and unsubdivided areas in which an additional 25 lots may be occupied. At the time of the hearing 16 homes were completed in the tract, 14 of which were occupied and 8 of which were being served by applicant. It is anticipated that an average of 10 customers will be served during 1955, 15 during 1956 and 20 during 1957.

Applicant's gas supply is obtained from liquefied petroleum (propane) which is vaporized by one Model 70 Mitchell Direct Fired Vaporizer located within the tract. The propane is stored in an 1,880-gallon spherical tank installed aboveground at the vaporizer site. The area is enclosed by a 6-foot cyclone fence.

Financing of System

Total costs of the gas system to the date of hearing are stated to be \$9,152.23, such costs not including those of organization or of this proceeding. All costs to date have been fully paid by applicant and applicant is financially able to meet all foreseeable future costs of improvements or expansion of the system without recourse to the issuance of notes or other evidence of indebtedness.

Rates

Applicant will deliver gas of a heating value of 2,500 Btu for which he proposes the following rates and charges:

| | <u>Per Meter per Month</u> |
|--|----------------------------|
| Service Charge | \$1.25 |
| Quantity charge, added to service charge: | |
| First 4,000 cubic feet, per 100 cubic feet ... | 0.426 |
| Over 4,000 cubic feet, per 100 cubic feet ... | 0.40 |

Such rates are intended to be based upon a wholesale delivery price of \$0.0813 per gallon of liquefied petroleum and

to be increased or decreased as such wholesale price may change from time to time.

At the hearing, an engineer of the Commission staff offered testimony and presented an exhibit respecting rates for gas service. He recommended the following rates, the effective rate to vary by 1.0 cent for each 0.32 cents per gallon change in the wholesale delivery price of liquefied propane.

| Commodity Charge: | Per Meter per Month | |
|---------------------------------------|---------------------|----------------|
| | Base Rate | Effective Rate |
| First 100 cubic feet or less | \$1.25 | \$1.25 |
| Next 500 cubic feet, per 100 cu.ft. | .50 | .50 |
| Next 3,400 cubic feet, per 100 cu.ft. | .43 | .43 |
| Over 4,000 cubic feet, per 100 cu.ft. | .40 | .40 |

According to the staff engineer these rates will produce substantially the same revenue as the rates proposed by applicant. They are the same type of rates used by other public utility gas companies in California.

Results of Operations

Estimates of system costs, revenues and expenses were presented in evidence by applicant and by the Commission staff engineer. From such evidence we adopt the following as being a reasonable forecast of the results of operations of this utility operation.

| <u>Item</u> | <u>Year 1956</u> | <u>Year 1957</u> |
|-------------------------------|------------------|------------------|
| Operating Revenues | \$2,239 | \$2,985 |
| Operating Expenses | | |
| Before Taxes and Depreciation | 1,677 | 2,221 |
| Taxes | 211 | 252 |
| Depreciation | 309 | 314 |
| Total Operating Expenses | <u>2,197</u> | <u>2,787</u> |
| Net Revenue | 42 | 198 |
| Rate Base (Depreciated) | 9,657 | 9,568 |
| Rate of Return | 0.4% | 2.1% |

It is apparent that applicant will experience no more than a nominal return on its investment during the initial stages of tract development and its operations.

Conclusions

In view of the evidence we conclude that the certificates requested by applicant should be issued. Such certificates are subject to the following provision of law:

"The Commission shall have no power to authorize the capitalization of any franchise or permit whatsoever or the right to own, operate or enjoy any such franchise or permit, in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or a political subdivision thereof as the consideration for the grant of such franchise, permit or right ..."

O R D E R

The above-entitled application having been considered, public hearing thereon 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 require and will require the construction, operation and maintenance of the gas system discussed in the foregoing opinion and the exercise by applicant of the franchise granted by Ordinance No. 359 of the County of Sonoma; further, that special authorization is required and should be granted for the operation and maintenance of the direct-fired hydrocarbon vaporizer discussed in the foregoing opinion; therefore,

IT IS HEREBY ORDERED as follows:

1. A certificate of public convenience and necessity is hereby granted A. A. Coops to construct, operate and maintain a public utility gas system for the production, storage, distribution and sale of gas within the territory shown on Exhibit No. 3 in this proceeding.

2. A certificate of public convenience and necessity is hereby granted A. A. Coops to exercise the rights and privileges of the franchise granted to said person by Ordinance No. 359 of the County of Sonoma.

3. A. A. Coops is hereby granted special authorization to operate and maintain the specific direct-fired hydrocarbon vaporizer hereinabove discussed.

4. Applicant shall file in quadruplicate with this Commission, after the effective date of this order and in conformity with the provisions of General Order No. 96, the schedule of rates attached to this order as Appendix A, the rules and regulations contained in Exhibit No. 5 in this proceeding and a tariff service area map acceptable to the Commission, to become effective for all gas service rendered on and after the first day of January, 1956.

5. Applicant shall base depreciation accruals upon a spreading of the original cost of plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the plant. Beginning with the year 1956 applicant shall determine depreciation expense by multiplying depreciable fixed capital by a rate of 3.5 per cent. Accruals shall be reviewed when major changes in plant composition occur and for each plant account at intervals of not more than five years. Results of these reviews shall be submitted to the Commission.

6. The certificates and authorizations herein issued or granted will lapse if not exercised within 120 days after the effective date of this order.

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

Dated at San Francisco, California, this 7th day of November, 1955.

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

APPENDIX A

Schedule No. G-80

GENERAL SERVICEAPPLICABILITY

Applicable to propane gas service to all consumers for residential, commercial and other use.

TERRITORY

Kenwood Village Subdivision, Sonoma County.

RATES

| | <u>Per Meter per Month</u> | |
|---------------------------------------|----------------------------|-----------------------|
| | <u>Base Rate</u> | <u>Effective Rate</u> |
| Commodity Charge: | | |
| First 100 cu.ft. or less | \$1.25 | \$1.25 |
| Next 500 cu.ft., per 100 cu.ft..... | .50 | .50 |
| Next 3,400 cu.ft., per 100 cu.ft..... | .43 | .43 |
| Over 4,000 cu.ft., per 100 cu.ft..... | .40 | .40 |

The above effective rates are based on a cost of propane of 8.13 cents per gallon and are determined from the base rates as set forth under Special Conditions.

Minimum Charge:

Per Meter per Month
\$1.25

SPECIAL CONDITIONS

1. For gas used in excess of 100 cubic feet per month, the rates in effect at any time vary with the average cost of propane delivered to all plants generating gas served under this schedule and shall be determined from the above base rates by adding or deducting, respectively, 1.0 cent for each 0.32 cent that such cost of propane is above or below 8.13 cents per gallon. Changes in rates are to be to the nearest 5/10 cent.

2. When a change in the price of propane occurs, the company shall submit to the Public Utilities Commission within a period of 15 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.

3. The phrase "cost of propane" as used in this tariff is applied to propane purchased from the supplier and shall not exceed the f.o.b. refinery price of propane to the supplier plus the charges for trucking and delivery based upon the minimum freight rates established by this Commission.