

**ORIGINAL**Decision No. 52445

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 SOUTHERN COUNTIES GAS COMPANY OF )  
 CALIFORNIA for an Order Permitting ) Application No. 37354  
 a Deviation from its Filed Rule and )  
 Regulation No. 20. )

OPINION AND ORDER

In this application, filed September 28, 1955, Southern Counties Gas Company of California requests permission to deviate from its Rule and Regulation No. 20, Gas Main Extensions, in order to extend gas mains to the Point Dume subdivision shown on the map in Exhibit A, attached to the application. Since the filing of the original application, applicant has surveyed the area beyond Point Dume and has concluded that the provision of gas service to additional territory is warranted at this time. Applicant filed an amendment to the original application on December 1, 1955 to include this additional area shown on the map in Exhibit AA, attached to the amendment to the application.

Applicant is authorized to distribute gas in all of the proposed area by Los Angeles County Franchise Ordinance No. 6766, which became effective October 21, 1955. That franchise ordinance replaces Los Angeles County Franchise No. 1797, under which applicant heretofore has been authorized to distribute gas to all of the territory in question. Applicant now has pending before this Commission Application No. 37478 for a certificate of public convenience and necessity to exercise the rights granted by Franchise Ordinance No. 6766, but already holds a certificate of public convenience and necessity for the indicated territory under Los Angeles

County Franchise Ordinance No. 1797.

The application states that the territory to which applicant proposes to extend gas service at its own expense is one of the last available coastal properties in the Malibu area of Los Angeles County. In the total area which the proposed extension would serve, there are 465 houses built or under construction. Of these, 403 are occupied, 26 are completed but unoccupied, and 36 are under construction. There are, in addition, 800 vacant lots, most of them one-quarter acre in size. The houses already built average six rooms, with a value of \$17,500 to \$20,000, excluding land costs. A visual survey of the total area by applicant indicates that 137 of the houses are or will be served by butane, 266 are presumed to be all electric, and the fuel used in 62 is undetermined. Applicant will convert all butane appliances in the total area to natural gas at its own expense and the cost of such conversion is expected to be less than \$700.

Based on the field survey of the total area to be served by the proposed extension, applicant estimates 157 customers will be connected to the Company's system immediately upon completion of the extension, 181 more within the first year thereafter, and a total of 984 within five years. These estimates include only residential customers using gas for two or more major appliances. Applicant alleges that its experience indicates that it is probable that nearly 100% of the houses now under construction could be attached to the proposed system, as well as those scheduled for construction and those presently using butane and, that, in addition, many customers presently using other fuels could be converted to gas.

The total length of the main extension which applicant proposes to provide at its own expense is 140,355 feet. The total estimated cost is \$483,600, of which approximately \$105,600 is

attributable to provision for future growth outside of the area immediately to be served. The cost of the extension assignable to serve the proposed area is thus estimated by applicant at \$378,000.

Under the applicant's filed Rule and Regulation No. 20, the total free gas main extension allowance available to provide gas service to the 157 immediate prospective customers is 44,425 feet. With additional customers, the free main extension is estimated to become 92,886 feet within a year after the extension is made, and 140,916 feet by the end of the second year. Since the total footage required for the extension is 140,355 feet, the extension would be justified, according to applicant's estimates, under Rule and Regulation No. 20 by the end of the second year of operation, when the deficiency in free footage allowance would be eliminated.

In Exhibit II, attached to the amendment to the application, applicant presents a summary of earnings covering the first five years of operation which indicates that the estimated rate of return based on the level of operations existing at the end of each year would be as follows:

First Year	1.81%
Second Year	2.60%
Third Year	3.32%
Fourth Year	3.81%
Fifth Year	4.38%

The estimates indicate that applicant would more than cover its out-of-pocket expenses in serving the customers along the proposed extension. Applicant proposes to make General Service Schedule No. G-6.2 applicable in the area, and the foregoing estimates of earnings are based on the application of that schedule.

Applicant states that while it has already received many inquiries about gas service in the area the area is too extensive to make it practicable to bring the present residents together and

have them advance moneys subject to refund to help finance the extension. Therefore, authorization to deviate from Rule and Regulation No. 20 and make the necessary extension as a free allowance is requested by applicant for the following reasons:

- (1) The territory to be served provides a desirable and, in the long run, potentially highly profitable service area for applicant's operations. Making gas service available will be a substantial stimulus to development of the locality.
- (2) The extension will help maintain applicant's competitive position in the area proposed to be served. As applicant already serves immediately to the south and farther to the north of the territory in question, it seeks not to be unduly held back compared to its competitors in the development of a sector that will logically become a part of the Company's service area.
- (3) Installation of gas pipelines will cost less now than later when there will be more extensive building and applicant would be forced to cut more pavement.
- (4) Applicant would be required by the terms of its Rule and Regulation No. 20, at the present pace of development in the locality, to provide free extension of service there within a very few years even if the present application were not made. The Company is thus seeking to do now only what it will be required to do in the immediate future. But doing it now will help develop the area more quickly, protect applicant's competitive position with respect to other fuels, and make the most economical use of funds going into the extension.

In the amendment to the application, applicant states:

"If the Commission should conclude that Applicant would be making its present customers bear an undue burden by providing a return on the main allowance deficiency during the early period of the proposed operation, Applicant will stipulate that if it is required or requested to furnish to the Commission a system rate of return study at any time within the period in which a deficiency in main allowance, as computed under our presently

filed Rule 20, may exist ; an appropriate adjustment will be made to the rate base calculation to eliminate the possibility of other customers being required to bear the cost of return on this proposed main extension."

In view of the rates of return estimated by applicant for the early years of operation of this project, the Commission will accept the stipulation as offered.

Based on the foregoing statements, and taking into account the stipulation offered by applicant, the Commission is of the opinion that a deviation should be granted to applicant, permitting it to install, at its own expense, the mains necessary to serve the areas as set forth in Exhibits A and AA.

The Commission having considered the request of applicant and being of the opinion that the application should be granted, that a public hearing in the matter is not necessary, and sufficient cause appearing, therefore,

IT IS HEREBY ORDERED that Southern Counties Gas Company of California is hereby authorized to deviate from its filed Rule and Regulation No. 20, Gas Main Extensions, to the extent that it be permitted to install at its own expense, without an advance from applicants for gas service, gas mains in the Point Dume area, as set forth on the maps in Exhibits A and AA, attached to and made a part of the application.

IT IS HEREBY FURTHER ORDERED that applicant shall maintain its records in connection with the main extension authorized herein in such a manner as to permit compliance with the stipulation stated in paragraph V of the amendment to the application and ready verification thereof by the Commission.

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

Dated at San Francisco, California, this 4<sup>th</sup> day of January, 1950.

[Signature]  
President  
[Signature]  
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Commissioners