

ORIGINAL

Decision No. 52573

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 SOUTHERN CALIFORNIA GAS COMPANY, a )  
 corporation, and SOUTHERN COUNTIES )  
 GAS COMPANY OF CALIFORNIA, a corp- )  
 oration, for an order of the )  
 Commission under Section 851 of the )  
 Public Utilities Code, authorizing )  
 the latter to sell to the former )  
 certain gas distribution facilities )  
 located in Riverside County, Calif- )  
 ornia, and the application of )  
 SOUTHERN CALIFORNIA GAS COMPANY under )  
 Section 1002 and 1005 of the Code )  
 for a certificate of public conven- )  
 ience and necessity authorizing it )  
 to operate said facilities and provide )  
 service therefrom in the exercise of )  
 franchise rights granted by Riverside )  
 County Ordinance No. 272. )

Application No. 37428

Southern California Gas Company by Harry P. Letton, Jr.; Southern Counties Gas Company of California by Frederick G. Dutton, applicants.  
 California Farm Bureau Federation by J. J. Deuel; Melville A. Jones, in propria persona, interested parties.  
William W. Evers for the Commission's staff.

O P I N I O N

Applicants' Requests

Applicants, Southern California Gas Company (hereinafter referred to as Cal) and Southern Counties Gas Company of California (hereinafter referred to as Counties) filed the above-entitled application on October 24, 1955, requesting the Commission to issue an order:

- (1) Authorizing Counties to sell to Cal certain distribution facilities along the "Moreno" pipeline as described in the letter agreement attached to the application as Exhibit "B", and authorizing applicants to carry out the terms of that agreement;

(2) Granting Cal a certificate of public convenience and necessity authorizing it to operate the distribution facilities being purchased and to serve natural gas to the customers involved in the exercise of franchise rights granted by Ordinance No. 272 of the County of Riverside; and

(3) Amending the certificate of public convenience and necessity previously granted to Counties in Decision No. 43575 so as to relieve it of distributing natural gas within the certificated area, but authorizing it to continue to operate and maintain transmission facilities within said area.

Public Hearing

After due notice, public hearing was held upon this application on December 29, 1955, before Commissioner Ray E. Untereiner and Examiner M. W. Edwards in Romoland, California. Applicants, through two witnesses, presented three exhibits and testimony in support of the application. The representative for the California Farm Bureau Federation was interested in the proceeding and participated through cross-examination of the witnesses. The Commission's staff, represented by a gas engineer, took an active part in the proceeding and by cross-examination of the two witnesses brought out important points for the Commission to consider in making a decision on this matter.

No one offered any objection to the proposed transfer; however, one customer was concerned as to the distance he may have to travel to pay his bills. Applicants' witness indicated that bills could be paid in Perris, Hemet or Riverside at either Cal's office or at convenient collection agencies in merchant's stores. The hearing was concluded on December 29, 1955, and the matter was submitted subject to a late-filed exhibit, Exhibit No. 4, to show the comparative depreciation rates used by the two applicants.

Distribution Facilities

The distribution facilities proposed to be transferred include mains, services, meter set assemblies, meters and regulators serving approximately 145 customers. As of July 31, 1955, these facilities were: 159 services, 147 meters, 151 meter set assemblies, 17 feet of 1/2-inch main, 88 feet of 3/4-inch main, 21,860 feet of 2-inch main, 16,231 feet of 3-inch main, 3 district regulation sets, 413 feet of 1/2-inch service piping, 9,345 feet of 3/4-inch service piping, 431 feet of 3-inch service piping, and 161 gas regulators. Also included in the proposed sale, in so far as they are assignable, are: all permits, licenses, easements, and rights-of-way appertaining to these distribution facilities. The proposed base selling price is \$69,507.32 which is stated to be equal to the original cost of the distribution facilities to Counties less the applicable depreciation reserve as of July 31, 1955. In the event that Counties adds or retires any facilities after July 31, 1955, the book cost of such facilities shall be added to or subtracted from the base price.

Service Area

The "Moreno" pipeline runs south from the so-called Texas line at Moreno to the San Diego County line at a point known as Rainbow, for the purpose of supplying out-of-state gas to San Diego. The route traversed by this line is in an isolated area which normally would be assigned to and served by Cal, but Cal had not extended its mains into all of the area when the line was constructed. The two applicants had an agreement that service to new customers would be rendered by the company from whose lines the new customers most economically may be served. Also, the question of Federal regulatory complications was involved which Counties avoided by serving isolated customers along the line directly rather than delivering the gas to Cal for sale to those customers. Cal's operating base is much closer to the area than Counties', consequently Cal has

been performing all of the work incident to laying mains and services, setting meters, reading meters, and billing the customers for a stipulated fee from Counties. Counties represents that the question of Federal regulatory complications no longer exists as the matter was resolved by the "Hinshaw Bill", Public Law 323, passed in 1954 by Congress and that it can make operating expense savings now by transferring these customers.

Comparative Rate Levels

Cal and Counties have somewhat different forms of rates and one matter of concern to the Commission was that some customers might have their bills increased by the transfer. Counties' Schedule G-6.2M is a seasonal form of rate having generally higher rates in the winter than in the summer. Cal's Schedule G-6M is a uniform year-round type of schedule.

The comparative rates are:

Counties' Schedule No. G-6.2M

	<u>Per Meter Per Month</u>	
	<u>Winter Months</u>	<u>Summer Months</u>
First 200 cu. ft. or less	\$1.4082	\$1.4082
Next 1,800 cu. ft. per 100 cu. ft.	.1113	.1113
Next 28,000 cu. ft. per 100 cu. ft.	.0873	.0733
Over 30,000 cu. ft. per 100 cu. ft.	.0633	.0503

Cal's Schedule No. G-6M

	<u>Per Meter Per Month</u>
First 200 cu. ft. or less	\$1.61014
Next 2,800 cu. ft. per 100 cu. ft.	.0821
Next 7,000 cu. ft. per 100 cu. ft.	.0796
Over 10,000 cu. ft. per 100 cu. ft.	.0748

Applicants' Exhibit No. 3 shows that over a 12-month period the average general service customer should save about 8 per cent on Cal's rates. Such conclusion is exclusive of four large commercial customers. Applicants' witness testified that the greatest saving to

these four customers will occur during the winter months and that computations show that each would enjoy yearly savings. In addition, there is at present one large interruptible consumer who will be eligible for service under Cal's interruptible Schedule No. G-53. Service under this schedule will result in savings on an annual basis to this consumer at the present rate of use.

#### Franchise Revisions

By Decision No. 43575, dated November 29, 1949, in Application No. 29753, Counties was granted a certificate of public convenience and necessity authorizing it to exercise franchise rights under Riverside County Ordinance No. 355. The franchise area authorized therein was generally an area 6 miles wide encompassing the route of the Moreno-San Diego pipeline. Counties included in the application, as Exhibit A, a map showing the area it serves along the pipeline. This franchise area is surrounded on all sides by Cal's serving area and is, in reality, an island within that territory. Counties asks that it be relieved of distributing natural gas within this area and asks that its existing certificate of public convenience and necessity be amended so as to cover only the operation of transmission facilities within the area included in Riverside County Ordinance No. 355.

Cal has been serving gas in Riverside County in accordance with a franchise granted by Ordinance No. 272. By Decision No. 34844, dated December 9, 1941, in Application No. 24484, this Commission authorized Cal to exercise the rights granted by said franchise, but only "within such parts or portions of said County as are now served by it through extensions of its existing system made in the ordinary course of business as contemplated by Section 50(a) of the Public Utilities Act." Cal requests that it be granted a certificate of public convenience and necessity authorizing it to operate the facilities hereinbefore described, after they are purchased from Counties, and to provide service to the customers in question.

Applicants state that they have carefully considered this matter and have determined that Cal can now more logically and economically serve the 145 customers involved.

Conclusions and Findings

After considering the record, testimony and statements, and the lack of opposition to the proposed transfer, the Commission concludes that the proposed transfer of facilities to Cal, and the service of natural gas by that company in the Riverside County area involved are in the public interest. The changes provide a logical division of the service areas between the applicants and avoid the undesirable result of having a small isolated area served by Counties, but with all of the work done by Cal for a fee, in the middle of Cal's territory in Riverside County. Orders will be issued in general granting the authority requested.

With regard to the franchise matters, supplemental orders will be issued under Application No. 29753 for Counties and under Application No. 24484 for Cal.

The action taken herein shall not be construed to be a finding of the value of the property herein authorized to be transferred.

The Commission finds: that the transfer of the distribution facilities as proposed in this application is not adverse to the public interest; that the increases and decreases in rates and charges authorized herein are justified; that present rates in so far as they differ from those herein prescribed after transfer of the properties are unjust and unreasonable; and that an order should be issued herein authorizing the transfer of properties and customers.

O R D E R

The above-entitled application to transfer property and customers and to change rate levels having been filed with this Commission, a public hearing having been held, the matter having been

submitted and now being ready for decision; therefore,

IT IS HEREBY ORDERED that Southern Counties Gas Company of California may, on or after the effective date hereof, and on or before June 30, 1956, sell and transfer the public utility property described in the application to Southern California Gas Company pursuant to the agreement of sale and purchase embodied in said application as Exhibit "B", subject to the following conditions:

1. That Southern California Gas Company shall refile, in accordance with the provisions of General Order No. 96, its present schedules of rates and rate zone map applicable to rate area 352 in Riverside County to include the area authorized to be transferred herein, and, after not less than five days' notice to this Commission and to the public, to make said rates effective for service furnished on and after the date of transfer of properties.
2. That Southern Counties Gas Company of California shall refile, in accordance with the provisions of General Order No. 96, its present schedules of rates and division map to exclude service to the area authorized to be transferred herein, and after not less than five days' notice to this Commission and to the public, to make said tariff filing effective on the date of transfer of properties.
3. That on or before the date of actual transfer Southern Counties Gas Company of California shall refund all deposits which customers are entitled to have refunded; and that any unrefunded deposits shall be transferred to and become the obligation for refund of Southern California Gas Company.
4. That a detailed summary showing the unit and total costs of the property to be transferred, segregated by accounts to which the property will be distributed on the books of the purchaser, shall be submitted to the Commission within thirty days following date of transfer.
5. If the authority herein granted is exercised, the applicants shall, within thirty days thereafter, notify the Commission in writing of the date of such completion of the property transfer herein authorized and of their compliance with the conditions hereof.
6. On or before the date of actual transfer Southern Counties Gas Company of California shall transfer and deliver to Southern California Gas Company and the latter shall receive and preserve all records, memoranda and papers pertaining to the customers and properties in question, as more specifically described in the Commission's General Order No. 28.

IT IS HEREBY FURTHER ORDERED that if the transfer of property and customers is effected that public convenience and necessity require the operation of said distribution facilities by Southern California Gas Company and the serving of natural gas to the customers involved.

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

Dated at San Francisco, California, this 7<sup>th</sup> day of FEBRUARY, 1956.

*John E. Mitchell*  
President  
*Justus D. Casner*  
*Roy E. Ventremer*  
*Maxwell J. Hooley*

Commissioners

Commissioner Rex Hardy; being necessarily absent, did not participate in the disposition of this proceeding.