

**ORIGINAL**

Decision No. 53754

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 PACIFIC GAS AND ELECTRIC COMPANY for )  
 a certificate of public convenience )  
 and necessity under Article 1 of )  
 Chapter 5 of the Public Utilities )  
 Code to construct, operate and )  
 maintain a certain natural gas project )  
 and to exercise all permits, easements )  
 and franchises which may be used or )  
 useful in connection therewith; for )  
 authorization to supply natural gas )  
 service to Permanente Cement Company )  
 (Cushenbury) cement plant in )  
 accordance with a contract dated )  
 December 28, 1955; and for authoriza- )  
 tion to supply natural gas service in )  
 the vicinity of Lucerne Valley in the )  
 County of San Bernardino, and to file )  
 and make effective natural gas )  
 schedules applicable thereto. )  
 (Gas) )

Application No. 37635

(Appearances and witnesses are set forth in Appendix A)

O P I N I O N

Applicant's Request

Pacific Gas and Electric Company filed the above-entitled application on December 30, 1955, requesting an order of this Commission for the following purposes:

1. Finding as a fact that the present and future public convenience and necessity require the construction, operation and maintenance of a gas transmission main extending 3 1/4 miles from the present Topock-Milpitas gas main in the vicinity of Daggett southward to Permanente Cement Company's Cushenbury cement plant located approximately eight miles southeast of the town of Lucerne Valley, San Bernardino County; and the acquisition and use of all lands,

rights-of-way and easements, and the exercise of all rights, permits and franchises which may be used or useful in connection with the construction, operation, maintenance and use of this project.

2. Granting and issuing a certificate of public convenience and necessity to construct, operate and maintain this natural gas project and to exercise the franchise rights and privileges granted by Ordinance No. 760 of the Board of Supervisors of the County of San Bernardino to the extent necessary to construct, operate and maintain this project and extensions thereof made in the ordinary course of business, in unincorporated territory in San Bernardino County.

3. Granting authority to furnish and supply natural gas service to residents and inhabitants of, and commercial and industrial establishments situated in Townships 3, 4, 5, 6, 7 and 8 North, Ranges 1 West, 1 East, 2 East and the westerly half of 3 East, S.B.B. & M. in San Bernardino County under filed tariff schedules G-6.4, G-41 and G-54.

4. Granting authority to provide interruptible gas service to the Cushenbury plant in accordance with the terms and conditions of an agreement dated December 28, 1955, a copy of which is attached to the application as Exhibit "C"; to file and make effective the interruptible gas rates in the agreement; and to deviate from filed Rule and Regulation No. 15 - Gas Main Extensions, in accordance with Section F, "Exceptional Cases", thereof.

#### Public Hearing

After due notice, three days of public hearing were held on this application. The first day of hearing was held on February 16, 1956 before Commissioner Justus F. Craemer and Examiner M. W. Edwards at Victorville. At this hearing the Southwest Gas Corporation, now rendering natural gas service in Victorville and vicinity, appeared as a protestant to applicant's request to

serve the domestic and commercial load in the town of Lucerne Valley and adjacent territory. When it was apparent that additional hearing would be necessary to resolve the Lucerne Valley service matter, the applicant submitted for decision that portion of the application concerned with service to the Permanente cement plant.

After considering the limited evidence presented on the first day of hearing, the Commission, on March 13, 1956, set aside the submission and reopened the matter for further hearing.

A second day of hearing was held before Commissioner Ray E. Untereiner and Examiner M. W. Edwards at Victorville on March 29, 1956. Following the second day of hearing an interim order, Decision No. 53049, was issued on May 8, 1956. The third day of hearing was held in Los Angeles on June 13, 1956, on the basis of a consolidated record with Application No. 37760 by the Southwest Gas Corporation.

#### Interim Order

The interim order contained authorization for the interruptible gas service and extension to serve the Cushenbury cement plant. The highlights of this interim order were:

1. It authorized building of 22.7 miles of 10-inch and 11.3 miles of 8-inch high pressure pipeline at an estimated total cost of \$838,589, of which \$788,755 is assignable to interruptible service to Permanente.

2. It provided for repayment of the \$788,755 advance on the basis of a 1.35 cent per Mcf surcharge on interruptible sales, plus interest at 4 per cent, until paid in full.

3. It provided interruptible service at the approximate average rate of 32 cents per Mcf, which roughly is equivalent to fuel oil at a price of \$1.90 per barrel. Currently, the posted price of fuel oil in the Los Angeles Basin is over \$2.00 per barrel and when transportation cost is added Permanente should realize a comparatively attractive cost for its fuel in the future.

The interim order disposed of item 1, part of item 2 and item 4 as listed in the first paragraph of this decision. The remaining items to be decided are concerned primarily with the service to the several townships listed in item 3 and the exercise of franchise rights in these townships. We will not here duplicate the text and findings in the interim order, in as much as that order remains in full force and effect.

Service to Lucerne Valley

Southwest Gas Corporation's request to serve the town of Lucerne Valley was presented in Application No. 37760. During the process of hearing on that application, and two other applications by the applicant herein, Applications Nos. 38170 and 38171, to serve two cement plants in the Victorville service area of Southwest, the applicant and Southwest came to an understanding with regard to service to the town of Lucerne Valley. The applicant in effect withdrew its request to serve firm loads within the franchised service area of the Southwest Gas Corporation. Southwest will obtain resale gas from the applicant from a tap on the Cushenbury extension to serve the Lucerne Valley division of its system. The pro rata cost of the Cushenbury line to be paid by Southwest is about \$45,000. It will pay for the gas at the same rate that it now pays for supply to its Victorville division.

Service Area for Applicant

The remaining service area requested by the applicant outside of Southwest's service area consists of Townships 3 North, Ranges 1 West, 1 East, 2 East and the westerly half of 3 East, S.B.B. & M. These townships will be certified to the applicant under Ordinance No. 760 of San Bernardino County. The cement plant is located in this area and it is expected that some of the plant's employees will build homes in this area and desire firm gas service from the applicant.

Findings and Conclusions

After considering the record herein and the understanding reached between the applicant and Southwest Gas Corporation under Applications Nos. 37760, 38170 and 38171, the Commission finds and concludes that within that area for which Southwest Gas Corporation has a franchise granted by Ordinance No. 505 of the County of San Bernardino, and for which certificates of public convenience and necessity have been granted by this Commission, Southwest should provide service. However, under the existing contract between Southwest and applicant herein, applicant may, with the Commission's approval first obtained, serve those interruptible customers whose load is in excess of 2,000,000 cubic feet per day.

In addition to the findings in the interim order, the Commission finds that public convenience and necessity require the construction, use, operation and maintenance of gas pipelines and the exercise of franchise rights by the applicant as applied to loads which may be reached under existing extension rules in the following townships:

Township 3 North, Range 1 West,

Township 3 North, Range 1 East,

Township 3 North, Range 2 East, and  
the westerly half of

Township 3 North, Range 3 East, S.B.B. & M.

The certificate of public convenience and necessity issued herein is subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of the franchise involved herein or this certificate of public convenience and necessity or the right to own, operate or enjoy such franchise or certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charges) actually paid to the state or to a political subdivision thereof as the consideration for the grant of such franchise, certificate of public convenience and necessity or right.

O R D E R

The above-entitled application having been considered, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED that, in addition to the certificate of public convenience and necessity granted by the interim order herein, Decision No. 53049, Pacific Gas and Electric Company be and it is granted a certificate that public convenience and necessity require the construction, use, operation and maintenance of gas mains, and require the exercise by it of the right, privilege and franchise granted to it by Ordinance No. 760 of the County of San Bernardino to provide service to customers which may be reached under existing extension rules in the following townships:

Township 3 North, Range 1 West,

Township 3 North, Range 1 East,

Township 3 North, Range 2 East,  
and the westerly half of

Township 3 North, Range 3 East, S.B.B. & M.

IT IS HEREBY FURTHER ORDERED that:

1. Applicant's request to furnish and supply natural gas service to residents and inhabitants of, and commercial and industrial establishments situated in Townships 4, 5, 6, 7 and 8 North, Ranges 1 West, 1 East, 2 East, and the westerly half of 3 East, S.B.B. & M. in San Bernardino County is denied.
2. Applicant is authorized to revise Schedules G-6.4, G-41 and G-54 to include therein the territory being certified by this order and serve gas to residential, commercial and industrial customers therein in accordance with these filed rate schedules.
3. The authorization herein granted will expire if not exercised within two years after the date hereof.

- 4. The interim order, except as it may be specifically modified by the effect of this order, remains in full force and effect.

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

Dated at San Francisco, California, this 11<sup>th</sup> day of SEPTEMBER, 1956.

*E. J. Mitchell*  
 President  
*Justus F. Casanova*  
*Roy L. Winterman*  
*Frank Doyle*

Commissioners

Deeming himself disqualified,  
 Commissioner Rox Hardy  
 abstains from participating  
 in this decision.

APPENDIX A

LIST OF APPEARANCES

For Applicant: F. T. Searls and John C. Morrissey.

Protestant: Southwest Gas Corporation by W. M. Laub and C. H. McCrea.

Interested Parties: Permanente Cement Company by Kenneth M. Robinson and Peter S. Hass; Monolith Portland Cement Company by Waldo A. Gillette, Joseph T. Enright and Norman Elliott; Southwestern Portland Cement Company by Donald H. Ford; Riverside Cement Company by Lauren M. Wright of O'Melveny & Myers; Big Bear Lake Gas Company by William A. Betterley; California Electric Power Company by Walter H. Bailey, Jr. and Arthur D. Baldwin; Bu-Pane Gas Service and Western Liquid Gas Association by William K. Merrill; California Farm Bureau Federation by J. J. Deuel and Bert Buzzini; City of Los Angeles, Department of Public Utilities and Transportation by R. W. Russell; Southern California Gas Company by T. J. Reynolds and L. T. Rice.

Commission Staff: William W. Evers.

LIST OF WITNESSES

Evidence was presented on behalf of the applicant by Peter S. Hass, John Smith, Rudolph Jenny, R. W. Joyce and James S. Moulton.

Evidence was presented on behalf of Southern California Gas Company by P. R. Shea.

Evidence was presented on behalf of Southwest Gas Corporation by James L. Sanders, John Holleran and Harold G. Laub.