

ORIGINAL

Decision No. 54442

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 or certificates of)
 public convenience and necessity)
 under Article 1 of Chapter 5 of the)
 Public Utilities Code, to construct,)
 operate and maintain the natural)
 gas project herein described and to)
 exercise franchise rights in con-)
 nection therewith, and for authori-)
 zation to supply natural gas service)
 in the City of Huron and adjacent)
 areas in the County of Fresno under)
 the rates herein set forth.)
 (Gas))

Application No. 38602

F. T. Searls and Malcolm A. MacKillop for applicant.
H. F. Allardt for Housing Authority of Fresno
 County; L. T. Rice for Southern California Gas
 Company; Linn F. Clark, Mayor, and R. T. Hall, Jr.,
 City Clerk for City of Huron; David E. Cook,
 Business Manager for Huron Elementary Schools;
 interested parties.
William W. Evers for the Commission staff.

O P I N I O N

Applicant's Request

Pacific Gas and Electric Company, a California corporation, engaged principally in the business of furnishing public utility electric and gas service in northern and central California, filed the above-entitled application on November 21, 1956 requesting an order of the Commission:

1. Finding as a fact that public convenience and necessity require the construction, operation and maintenance of gas transmission and distribution mains for the purpose of furnishing natural gas service in the City of Huron and adjacent areas in the County of Fresno, 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 this project.

2. Granting and issuing a certificate of public convenience and necessity to construct, operate and maintain the natural gas project described in the application and to exercise the rights and privileges under the gas franchise granted by Ordinance No. 65 of the City Council of the City of Huron.
3. Granting and conferring all necessary permission and authority, upon completing and placing in operation the proposed natural gas project, to furnish and supply natural gas service to residents of and industries situate in the City of Huron and territory adjacent thereto, and persons located along or adjacent to the natural gas transmission mains to be installed as part of said project, at rates contained in filed and effective gas rate schedules as follows:

Schedule G-6.3 - General Natural Gas Service
Schedule G-50 - Interruptible Natural Gas Service

Public Hearing

After due notice public hearing on this application was held before Examiner M. W. Edwards on December 11, 1956 in Huron. Applicant presented three exhibits and testimony by three witnesses in support of its request. Officials and representative citizens of the City of Huron testified as to the need for the gas service from an economic point of view and also as a safety measure to remove the fire hazard of butane tanks being located too close to buildings. The Commission staff, represented by a gas engineer, cross-examined the witnesses for the purpose of developing the facts to aid the Commission in deciding this matter. The Southern California Gas Company, while not opposing the serving of natural gas in the City of Huron by the applicant, desired a limitation of the extent of service to adjacent areas in Fresno County by the applicant and introduced one exhibit, a map with a proposed service area boundary line drawn on it.

Proposed Construction

Applicant proposes to lay, install, and thereafter operate and maintain in the City of Huron and adjacent parts of the

unincorporated areas of the County of Fresno the following gas transmission and distribution mains and related facilities:

- (a) From existing transmission Mains No. 100 and No. 300 in Fresno County, approximately 21,940 feet of 3-inch high pressure gas main in a general easterly direction to the City of Huron.
- (b) Within the City of Huron approximately 4,390 feet of 4-inch, 3,855 feet of 3-inch, and 13,295 feet of 2-inch high pressure gas main for distribution purposes.
- (c) Within the areas involved, the necessary meter and regulator stations, services and meters.

The locations of the proposed gas mains are shown by Exhibits Nos. 2 and 3 in this proceeding. Applicant estimates it could complete the project in three months after authorization is received.

Estimated Cost of Project

Applicant estimates that the cost of the project, including the incidental expenses necessary to carry the same to completion, will be approximately \$142,635, made up of the following items:

Land and Fencing of Meter Station Site	\$ 1,000.00
Tap Mains Nos. 100 and 300	200.00
Install Meter and Regulator Station	2,500.00
Land Rights	300.00
Install 4,390 feet 4-inch, 25,795 feet 3-inch, and 13,295 feet 2-inch Mains	80,965.00
Install Distribution Regulator Pit	1,500.00
Subtotal	<u>86,465.00</u>
Overhead Construction Cost	12,970.00
Meters, Regulators, Services Installed (288 Customers)	<u>43,200.00</u>
Total	142,635.00

Applicant intends to pay the cost of constructing and completing the project out of its income and other funds in its treasury not obtained from the issue of securities and, if those

funds are not sufficient, from such funds as it may obtain by means of the issue of such stock, bonds, notes or other evidence of indebtedness as the Commission shall hereafter, upon proper application, authorize for that purpose.

Proposed Rate for Service

An investigation and canvass has been made in the City of Huron and adjacent areas for the purpose of obtaining signed applications of prospective customers for gas to be furnished and supplied to them by means of the proposed gas mains, distribution system and facilities. As of October 19, 1956 applicant represents that it has obtained 238 signed applications for gas service, one of which is for interruptible service. At the end of three years it anticipates that 288 customers, including two interruptible customers, will be connected and that the revenue will be \$35,875 annually on the basis of the rates set forth in Schedules Nos. G-6.3 and G-50.

The rates under Schedule G-6.3A currently effective are:

First	200 cu. ft. or less	\$ 2.30712 per mo.
Next	2,300 cu.ft. per 100 cu.ft.	12.42¢
Next	17,500 cu.ft. per 100 cu.ft.	10.36
Next	80,000 cu.ft. per 100 cu.ft.	8.95
Next	4,900,000 cu.ft. per 100 cu.ft.	8.84
Over	5,000,000 cu.ft. per 100 cu.ft.	7.91

Applicant estimates that there will be 202 domestic customers under the above rate consuming 16,990,000 cubic feet at an average rate of 14 cents per 100 cubic feet for an annual revenue of \$23,713. Also that there will be 84 commercial customers consuming 7,340,000 cubic feet at an average rate of 13.5 cents per 100 cubic feet for an annual revenue of \$9,948.

With regard to the two interruptible customers on Schedule G-50, applicant estimates that they will consume 5,000,000 cubic feet at an average rate of 44.3 cents per 1,000 cubic feet, for annual revenue of \$2,214.

Economics of Proposed Extension

For the third year of operations applicant estimates that the operating expenses will be \$27,183 and the net for return will be \$8,692 or 5.8 per cent on the capital devoted to the property. Its detailed earnings estimate follows:

Revenue	\$ 35,875
Expenses	
Purchased Gas	
Cost of Gas	7,663
Transmission	3,418
Customer Acctg. and Collecting, and Sales Promotion	1,728
Maintenance and Operation	1,868
Depreciation (2% S.F. Basis)	2,692
Administrative and General, Social Security and Pensions	970
Insurance, Injuries and Damages	304
Property Taxes	2,918
Income Tax	5,622
Total Expenses	<u>27,183</u>
Net Revenue for Return	8,692
Plant	
Direct Capital Investment	142,635
Allocation of Common Utility Plant	4,855
Working Cash Capital	1,238
Total Plant	<u>148,728</u>
Rate of Return	5.8%

The applicant also showed an alternate method of developing the rate of return using as the average transmission cost per Mcf of purchased gas delivered for firm service the total cost of transmission divided by total firm and interruptible sales. This method, which is the one advocated by the staff, showed a rate of return of 6.3 percent for the third year of operation.

Competitive Situation

Applicant represents that this proposed extension will not compete with any person, firm, or public or private corporation now engaged in the business of furnishing or supplying gas service to the public. The Southern California Gas Company introduced

testimony to show that it has franchises in Fresno and Kings Counties, that it is now serving gas in both of those counties and that it is serving customers about 7 miles east of the City of Huron. It was concerned over the applicant's proposal to make extensions from the proposed new mains in the normal course of business.

The Southern California Gas Company suggested that the Commission provide a north-south boundary line between the two utilities to be located some 3 miles east of Huron in the method shown on Exhibit No. 4. Counsel for the applicant objected to the suggestion of the Southern California Gas Company and took the position that this project does not invade the territory now served by the Southern California Gas Company, and that the solution of this boundary question would delay this proceeding as he was not prepared to go into the boundary problem at this time. He made a motion that the testimony by the Southern California Gas Company be stricken from the record and suggested a separate proceeding for the boundary matter.

Applicant's witness stated that additional extensions, after this project is completed, would be made in the ordinary course of business as the load develops in accordance with its regular extension rule and intimated that the Southern California Gas Company should have no fear as it would not be harmed by this project. However, applicant was not willing to state any specific limits for the service area sought in this application.

City Franchise

The franchise granted to applicant by Ordinance No. 65 of the City of Huron, adopted September 19, 1956, is under the Franchise Act of 1937 and provides for a payment to the city of two percent of the gross annual receipts arising from the use,

operation or possession of the franchise, but not less than one percent of the gross annual receipts of the applicant derived from the sale of gas within the city. It grants to applicant the right to install, maintain and use in the streets of the city all pipe and appurtenances for transmitting and distributing gas to the public for any and all purposes within the city. The term of the franchise is indeterminate and shall endure in full force and effect until surrendered, abandoned, purchased, condemned or forfeited in the manner provided in the franchise. The franchise cost the applicant \$20.30 to obtain, which fee covered the cost of publication of notice of intention to grant the franchise. Such fee is exclusive of the \$50.00 fee paid to the Commission for authority to exercise the franchise.

County Franchises

Applicant represents that it now is, and for some time last past has been, in possession and ownership of certain rights, privileges and franchises for laying, maintaining and using gas pipes, mains and conduits in so many and in such parts of the public highways, streets, ways and places as it may elect to use for the purpose of conveying, distributing, and supplying gas to the public and particularly to the inhabitants and industries situated in the County of Fresno, including the indeterminate franchise granted by the Board of Supervisors of the County of Fresno by Ordinance No. 455 adopted June 7, 1955. Also, that the Commission in Decision No. 53037, dated May 8, 1956, issued to applicant a certificate of public convenience and necessity to exercise the rights and privileges granted by said Ordinance No. 455.

The Commission in authorizing applicant to exercise the Fresno County franchise under Decision No. 53037, Application No. 37740, provided that it shall not exercise the franchise for

the purpose of competitively supplying gas in the areas served by the Southern California Gas Company and/or the City of Coalinga. In that decision the Commission also provided that it may hereafter by appropriate proceeding and order limit the authority granted to applicant as to any territory within said county not then being served by it.

Rights of Way and Easements

Applicant proposes to install the mains in part on private rights of way as well as on public highways, streets, roads and places in Fresno County and in the City of Huron, and intends to acquire such private rights of way and easements as shall be necessary or useful in connection with the installation and maintenance of the project.

Miscellaneous Items

Applicant states that the source of the natural gas will be from the lower San Joaquin Valley fields or from out-of-state sources. The gas is transported northerly from the Kettleman compressor station through mains Nos. 100 and 300, and will have an average monthly heating value of approximately 1100 Btu per cubic foot.

During the course of the hearing it developed that applicant had used a form for signing up the prospective applicants that was not part of its regularly filed tariffs. Applicant's witness stated on cross-examination that it considered this form to constitute a contract between it and the prospective customer to take and use gas, after service had been commenced, for a period of three years. He stated that the company would attempt to enforce the contract if it suffered a loss in revenue as a result of the customer moving off the lines or changing appliances. Applicant did not introduce the form it used in evidence. We cannot,

therefore, fully analyze this form to determine whether there are conflicts between it and the rules on file with this Commission, nor is this a proper proceeding to determine whether or not applicant should be authorized to use the form. The order will provide that applicant shall construe the provisions of the application form to be no more restrictive than the rules now on file with the Commission.

Applicant, if it desires to use special forms in the future, should file them in accordance with the provisions of General Order No. 96.

Applicant requested that this project be considered on its own merits without regard to the provisions of its extension rule on file with this Commission. It proposed that no advances be required from any of the prospective consumers that have now requested gas service and stated that this was one of the reasons for requesting the Schedule G-6.3 level of rates for this area; however, it stated that it proposed to apply the extension rules for future business and the Schedule G-6.3 level of rates. This proposal does not appear reasonable to us. Applicant should furnish service to all customers in this area, during the development period, insofar as possible, on the same basis, and the fact that some prospective customers may not now be in a position to require gas service should not be a reason for possibly requiring advances at a future date.

The Schedule G-6.3 level of rates is reasonably compensatory to applicant based on the estimated investment in this project and should continue to be if the investment made for new customers does not exceed that proposed to be made herein. Additional incremental revenues will accrue to applicant from any new customers connected to this system who do not require extensions.

It appears reasonable that applicant provide to additional customers, within the service area granted herein, a free allowance equal in length to the average investment per customer in distribution mains as proposed for this project, divided by the cost per foot of 2- and 3-inch main filed annually with its Commission in connection with its extension rules, for a period of three years after the date of the completion of the system.

Findings and Conclusions

The Commission finds merit in the applicant's proposal and concludes that the applicant should be authorized to extend its gas service to the City of Huron. Likewise, the Commission sees reason for the concern of the Southern California Gas Company, because the applicant will not now agree to a boundary line and limitation of service areas in Fresno County. To solve this boundary problem in this proceeding would unduly delay the extension of service to Huron. Accordingly, applicant's motion to strike the testimony by the witness for the Southern California Gas Company is denied and the applicant will be required to negotiate with the Southern California Gas Company to arrive at a reasonable solution to the boundary question within a reasonable time. Pending such negotiation applicant's service area under the certificate granted herein will be limited to an area six miles in width, with the center line following the gas main from its Mains 100 and 300 to the City of Huron, and to an area within a radius of three miles from the city limits of Huron. We will not hold this proceeding open pending the negotiation, but when the parties are ready to establish an appropriate boundary line, the companies should concurrently file suitable maps delineating the boundary line.

The Commission finds that public convenience and necessity require the construction, operation and maintenance of 21,940 feet of 3-inch high pressure gas main in Fresno County; and 4,390 feet of 4-inch, 3,855 feet of 3-inch, and 13,295 feet of 2-inch high pressure gas main within the City of Huron, generally as described in the application, to serve natural gas in the City of Huron and adjacent areas located within three miles of the proposed facilities; and the acquisition and use of all lands, rights of way and easements, and the exercise of all rights, permits and franchises, including Ordinance No. 65 of the City Council of the City of Huron, and Ordinance No. 455 of the County of Fresno, to such extent as is necessary to install and operate the proposed pipeline project.

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

- (a) 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 charge) 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.
- (b) That the franchise involved herein shall never be given any value before any court or other public authority in any proceeding of any character in excess of the cost to the grantee of the necessary publication and any other sum paid by it to the municipality therefor at the time of acquisition thereof.

O R D E R

The above-entitled application having been considered, a public hearing having been held, the matter having been submitted

and it having been found that public convenience and necessity so require,

IT IS HEREBY ORDERED:

1. That a certificate of public convenience and necessity be and it is granted to Pacific Gas and Electric Company to:

- a. Construct, operate and maintain the natural gas project hereinbefore described.
- b. Exercise the rights and privileges granted it by Ordinance No. 65 of the City Council of the City of Huron adopted September 19, 1956.
- c. Exercise the rights and privileges granted it by the County of Fresno by Ordinance No. 455, to the extent necessary to construct, operate and maintain the natural gas project hereinbefore described and make extensions therefrom in the normal course of business to an area six miles in width, the center line of which follows the gas main from Mains 100 and 300 to the City of Huron, and within a radius of three miles from the city limits of Huron as set forth on Exhibit B attached to the application, all in Fresno County.

2. That upon completing and placing in operation the proposed natural gas project to furnish and supply natural gas service to residents of and industries situated in the City of Huron and territory adjacent thereto and persons located along or adjacent to the natural gas transmission mains to be installed as part of said project, applicant shall do so at rates contained in filed and effective gas rate Schedules G-6.3 and G-50.

3. That applicant shall maintain its records so that revenues, capital costs, and operating expenses for the natural gas project herein authorized may be readily determined at any time and until such time as Schedule G-6.3 is replaced by a lower rate schedule, applicant shall file with the Commission at the end of each year's operations, a statement for the preceding year in the form set forth in Exhibit D attached to the application.

4. That applicant shall not construe the provisions of the application form which it used for signing up prospective customers so as to give it any greater or additional rights or to be more restrictive than the rules on file with this Commission as of the effective date of this order.

5. That applicant shall provide to customers, in addition to the present prospective customers, in the area certificated herein, within three years after the date of completion of the system, a free main extension allowance equal in length to the average investment per customer in distribution mains as proposed for this system, divided by the cost per foot of 2- and 3-inch main filed annually with this Commission in connection with applicant's extension rules. Insofar as the foregoing requirement may result in deviations from the presently filed main extension rule, authority for such deviations is authorized herewith.

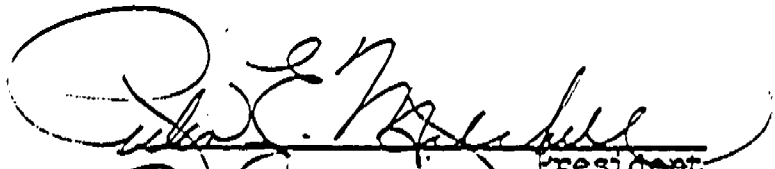
6. That applicant shall file on or before August 1, 1958, in accordance with the requirements of General Order No. 96, a map acceptable to the Commission delineating the common boundary between the territory of applicant and the territory of Southern California Gas Company in Fresno County.

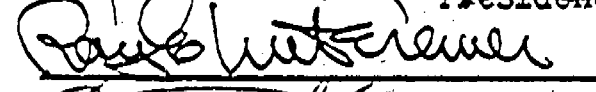
7. That applicant shall notify this Commission in writing of the completion of the system for which this certificate is granted, within sixty days thereafter.


The authorization to construct this natural gas project will expire if not exercised within one year from the date hereof.


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

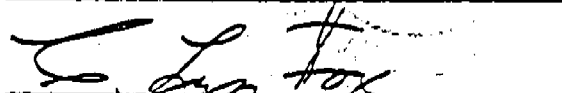
Dated at Los Angeles, California, this 29th day of JANUARY, 1957.



President








Commissioners