

ORIGINAL

Decision No. 55882

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 the)
 natural gas project herein described)
 and to exercise all permits, easements,)
 and franchises which may be used or)
 useful in connection therewith; and for)
 authorization to supply natural gas)
 service in the northwestern portion of)
 the unincorporated area of the County)
 of San Bernardino, and to file and make)
 effective natural gas tariff schedules)
 applicable thereto.)
 (Gas))

Application No. 36889

First Supplemental

F. T. Searls, John C. Morrissey and Malcolm A. MacKillop,
by Malcolm A. MacKillop, for applicant.

Robert B. Smith, for Ridgecrest Chamber of Commerce,
and J. J. Deuel for California Farm Bureau Federation,
interested parties.

Robert O. Randall, for the Commission staff.

O P I N I O N

Pacific Gas and Electric Company, a California corporation,
by the above-entitled First Supplemental Application filed on
August 6, 1957, seeks an order either:

Finding as a fact that the construction, operation, main-
tenance and use by applicant of gas mains and facilities extending
a distance of 8.35 miles from its Trona Main No. 311 in San
Bernardino County to Ridgecrest and China Lake in Kern County is an

extension in the normal course of business as contemplated by Section 1001 of the Public Utilities Code and granting applicant authority to proceed therewith, or, in the alternative

1. Finding as a fact that the present and future public convenience and necessity require the construction, operation, maintenance and use by applicant of the said natural gas project, and the acquisition and use by it 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 said project;

2. Granting and issuing to applicant under Section 1001 of the Public Utilities Code of the State of California a certificate of public convenience and necessity to construct, operate, maintain and use the said natural gas project;

3. Granting and conferring upon applicant all necessary permission and authority, upon completing and placing in operation said natural gas project, to furnish and supply natural gas service to residents and inhabitants of and commercial and industrial establishments situated in and in the vicinity of the unincorporated communities of Ridgecrest and China Lake, in Kern County, and to customers located along the route of said above-described gas main extension and future extensions thereof when such service may be supplied in the normal course of business.

A public hearing on the application was held in Los Angeles on October 2, 1957, before Examiner Kent C. Rogers. Prior to the hearing notice thereof was published as required by this Commission.

By Decision No. 51666, dated July 12, 1955, in Application No. 36889, applicant was given a certificate of public convenience and necessity to exercise the rights and privileges granted by the County of San Bernardino by Franchise Ordinance No. 760 adopted April 4, 1955, subject to the following restriction:

"1. That Pacific Gas and Electric Company shall not exercise said franchise for the purpose of supplying gas in any parts or portions of San Bernardino County not now being served by it outside of the territory lying 10 miles east of the proposed pipe line (Trona Main No. 311), starting at a point 10 miles north of applicant's Topock-Milpitas pipe line and continuing northerly to the point where a prolongation of this boundary would intersect with the boundary line between San Bernardino and Inyo Counties; thence westerly along the north boundary line of San Bernardino County to its intersection with the easterly line of Kern County; thence south along said Kern County line to a point 10 miles north of applicant's Topock-Milpitas line, except through extensions of its system made in the ordinary course of business as contemplated by Section 1001 of the Public Utilities Code, ..."

By the same decision applicant was given a certificate of public convenience and necessity "to construct and operate the transmission and distribution facilities" in the said franchise area.

By Decision No. 34492, dated August 12, 1941, in Application No. 23155, applicant was granted a certificate of public convenience and necessity to exercise the rights, privileges and franchise granted by the County of Kern by Ordinance No. 242 to lay and use gas distribution lines throughout said county except in

portions thereof being served by Southern California Gas Company, Coast Counties Gas and Electric Company, and Commercial Land Company. The authority herein sought is not in the portions of the county excepted from said franchise certificate.

By Decision No. 42460, dated January 25, 1949, in Application No. 29548, applicant was given a certificate of public convenience and necessity for "the construction, operation, and maintenance" of a gas transmission line from Milpitas, California, to a point on the California-Arizona border near Topock, Arizona; "procurement of requisite permission and franchises, lands or rights necessary for the construction or operation of the project; the acquisition of natural gas supplies by means of the project; and the transmission, distribution, delivery and sale of such natural gas supplies to its present and prospective customers in accordance with its certificates of public convenience and necessity and with its rates, rules, and regulations duly filed with this Commission."

From the foregoing decisions granting authority to the applicant to exercise franchises granted by the counties of Kern and San Bernardino, the certificate of public convenience and necessity to construct and operate gas transmission and distribution lines in San Bernardino County, the provisions of Section 1001 of the Public Utilities Code, and the evidence presented at the hearing herein, it appears that applicant may have the requisite authority to construct, operate, maintain and use gas mains and facilities extending from its Trona Main No. 311 in San Bernardino County to Ridgecrest and China Lake in Kern County. There are no companies with which the proposed service would compete.

Applicant has a 34-inch natural gas main extending from the California-Arizona border near Topock, Arizona, to Milpitas, California, and extending through San Bernardino and Kern Counties (Decision No. 42460, supra). It also has a 10-inch main extending from said Topock-Milpitas line to Trona and Pioneer Point in San Bernardino County and authority to serve gas to all customers in a portion of San Bernardino County to the Kern County border which includes the route of the China Lake-Ridgecrest line hereinafter referred to (Decision No. 51666, supra), and authority to exercise franchises granted by each of said counties (Decisions Nos. 51666 and 34492, supra). The San Bernardino County certificated and franchised area includes the U. S. Naval Ordinance Test Station which extends into Kern County and contains 1,000 square miles and in which the community of China Lake is situated. Ridgecrest is outside the U. S. Naval Ordinance Test Station but contiguous thereto and contiguous to China Lake. Applicant proposes to construct a 6-inch feeder main from its Main No. 311 (to Trona) at Tap No. 43.7 through China Lake to Ridgecrest, a distance of 8.35 miles. Approximately 6.25 miles of this proposed main are in applicant's certificated and franchised portion of San Bernardino County and slightly over 2 miles of the proposed extension are in Kern County.

The record herein shows the following facts which we find to be true:

Ridgecrest and China Lake are unincorporated communities approximately $\frac{1}{2}$ mile apart. Ridgecrest is south of the boundary of the U. S. Naval Ordinance Test Station, and China Lake is north of Ridgecrest and within the naval station boundary. Ridgecrest has a

population of more than 5000 and is the main shopping center for families that live at the naval station and elsewhere in the area. In addition to the homes therein there are several hundred commercial establishments, a hospital, churches and schools. China Lake is a navy-owned community with a present population of over 11,000 in which, in addition to family-living quarters and dormitory rooms for single personnel, there are schools, commercial establishments and other institutions. In addition to the China Lake community referred to, there are housing installations on the base in Kern and San Bernardino Counties. When applicant first announced its plans to build the Topock-Milpitas main there were requests from individuals and organizations in Ridgecrest for gas service. These requests were recognized by the Commission in Decision No. 51666 wherein the Commission, in authorizing the line to Trona, advised the applicant to determine the requirements for natural gas service along Trona Main No. 311, including Ridgecrest. Sufficient capacity has been provided in Main No. 311 to permit service to the Ridgecrest-China Lake area and territory en route from the Trona main. Since 1955 there have been negotiations with the navy which have resulted in an easement being granted to Pacific Gas and Electric to extend the proposed main across the Naval Station property.

In Exhibit F attached to the First Supplemental Application the navy representative states, among other things:

"For the past several years, the Station has included in its construction budget a project which would permit the maximum utilization of a natural gas supply. Due to the higher priority of those projects more vital to the research and development program, funds for this project have not been authorized. In view of the very important savings which would accrue to the Station as a result of using natural gas, this project will continue to receive high priority in our budget requests.

"It is presently planned to utilize an interruptible natural gas service for the several boiler plants which we are operating. It is understood that in utilizing the interruptible gas service it will be necessary to reimburse your Company for a portion of the gas main construction costs. Negotiations with regard to this reimbursement will, at the appropriate time, be arranged by the District Public works Officer of the Eleventh Naval District.

"The Station proposes to use a firm supply to serve the housing areas on the Station. In all probability, the conversion of these areas to natural gas would be accomplished on a progressive basis as funds become available. As an initial increment, we would plan to convert approximately 200 dwelling units to natural gas just as soon as the service is available. The remaining 1400 units of housing would be converted on a progressive basis as funds become available under our operating budget."

The applicant has extended its filed tariffs to include both firm and interruptible service to the two communities.

The applicant estimates that at the end of the third year of operations it will have in Ridgecrest a total of about 1,278 customers of which 1,060 will be domestic customers and 218 will be commercial. The applicant estimates that in the third year of operations it will derive from Ridgecrest \$83,320 in revenues from domestic consumers and \$29,030 in revenues from commercial consumers (Exhibit No. 2). On the basis of applicant's estimates for firm service during the first year of operation in the town of Ridgecrest, a total free length of 178,295 feet would be justified under applicant's Rule and Regulation No. 15. The total length of the main extension and the Ridgecrest distribution system is estimated to be 141,308 feet (see Exhibit No. 3). The estimate was based on a field survey in which a count was made of homes and commercial establishments. Prospective customers were not contacted.

The applicant estimates that in addition to the gas requirements of the town of Ridgecrest, the navy, at points on the transmission

line, principally China Lake, will require a maximum ultimate supply of 315 M.C.F. per hour of gas of which approximately 115 M.C.F. will be for firm service.

The total estimated direct cost of the extension is \$310,276 including \$5,731 for land rights, \$285,057 for transmission and distribution mains and appurtenances, and \$19,488 for measuring and regulating devices (Exhibit No. 4). In addition, the applicant estimates that at the end of the third year of operations, maintenance and operating charges required to convert customers' appliances to natural gas service will total \$15,194, meters, regulators and services installed will total \$150,283, and company overhead construction costs will total \$46,542. These items will bring the total cost of the project to \$522,295. Applicant will finance the cost of the project from treasury funds on hand, the cash available from internal sources such as the provisions made for depreciation and amortization, and unappropriated earnings, from short term bank loans when, as and if required, and from the sale of such additional securities as the Commission shall hereafter, upon proper application, authorize for that purpose.

The rates applicant proposes to charge are the rates applicable in its Trona service area (Exhibit C in the First Supplemental Application).

Upon the evidence of record herein the Commission finds as a fact that present and future public convenience and necessity require the construction, operation, maintenance and use by applicant of the natural gas project described in the application.

O R D E R

Application having been filed, the Commission being informed in the premises, and having 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 hereby granted to Pacific Gas and Electric Company to construct and operate the natural gas project hereinbefore described.

(2) 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. Applicant shall file rate of return studies with the Commission for each year beginning with the third year of operation and yearly thereafter until the project is placed on rate levels generally applicable throughout applicant's system.

(3) That applicant shall notify the Commission in writing of the completion of the system for which this certificate is granted within thirty days thereafter.

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

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

Dated at San Francisco, California, this 3rd day of December, 1957.

[Signature]
 President

[Signature]

[Signature]

[Signature]
 Commissioners