

ORIGINALDecision No. 55995

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SOUTHERN CALIFORNIA GAS COMPANY, a)
 corporation, for an order of the)
 Commission authorizing Applicant to)
 deviate from its Rule and Regulation) Application No. 39500
 No. 20, Gas Main Extensions, and to)
 construct and operate an extension)
 of its system to supply natural gas)
 service to the community of Cherry)
 Valley, California.)

OPINION AND ORDER

In this application, Southern California Gas Company requests authority to extend its system to supply natural gas service to the community of Cherry Valley, located approximately one mile north of Beaumont in Riverside County, under conditions at variance with applicant's filed Rule and Regulation No. 20 covering gas main extensions.

Applicant's Rule and Regulation No. 20 provides that, for each bona fide applicant who will use gas service for other than space heating only, the utility will install at its own expense 150 feet of main or a length of main equivalent in cost to three and one-half times the first year's billing as estimated by applicant. In instances where the extension exceeds the free allowance as provided in the rule and regulation, prospective customers are required to advance the cost of the excess footage based on the unit cost of 2-, 3-, and 4-inch main installed during the previous year. The present unit cost is \$1.64 per foot.

The application states that for several years the unincorporated community of Cherry Valley has been desirous of obtaining natural gas service from applicant. However, under applicant's Rule

and Regulation No. 20, a substantial advance for construction would be required in order to permit applicant to supply such service.

Applicant alleges that it would not be feasible to collect the required lump sum advance in the normal way from the Cherry Valley customers prior to their receiving gas service. The application states that conferences have recently been held between representatives of applicant and the community of Cherry Valley to develop a plan whereby the necessary advance would be handled on a deferred basis over a 10-year period. Under this plan the prospective Cherry

Valley customers receiving gas service would pay a so-called "facility charge" in connection with their monthly bills sufficient to amortize, with interest of 6 per cent per annum, that portion of the cost of the necessary main extensions not covered by the applicant's ordinary extension allowance under Rule and Regulation No. 20.

The application states that a customer survey conducted in 1956 by applicant in the community of Cherry Valley and areas adjacent thereto, indicated that there are more than 200 prospective customers within the area in question. Of this number 173 have indicated that they will take gas service. Applicant has obtained signed appliance and equipment agreements from 106 prospective customers, and letters indicating they will take gas service from 49 prospective customers. All of these 155 prospective customers have indicated that they will use gas for cooking, water heating, refrigeration or other continuous use. In addition, there are 18 prospective customers who have indicated they will use gas for heating only. There are 43 possible customers who have indicated that they will not take gas service at this time.

In order to furnish service to these customers, applicant states it is necessary to construct a 4-inch feeder main approximately 1 mile in length and approximately 6½ miles of 4-, 3-, and 2-inch

distribution mains. Exhibit B of the application shows that the estimated cost of the feeder main and distribution mains is \$65,613. The monetary free allowance for the 155 prospective customers is \$38,424. The required advance from prospective customers is \$27,189.

Under the proposed plan, annual installment payments, inclusive of 6 per cent interest, would be collected and accumulated monthly for each year by means of a monthly facility charge of \$1.78 per customer which would be added to the monthly gas bills for each customer served by applicant. The facility charge would be shown separately on each customer's bill and would equal the monthly amount per meter necessary to amortize each customer's pro rata obligation for the excess cost of the main extensions as required under the company's extension rules.

In the event that subsequent extensions are supplied from the mains installed as described in this application, such extensions will be made in accordance with the applicable provisions of Rule and Regulation No. 20. Refunds accruing from such extensions will be made in accordance with that rule. Customers served by subsequent extensions will be required to pay the facility charge the same as customers served under the original application. The facility charge will be reviewed annually and adjustments made based upon the actual number of customers served. The facility charge will be discontinued at the end of the 10-year period.

Because of the use of a facility charge to amortize the cost of the required pipelines, applicant states it will be necessary to establish a separate rate area for customers served from this extension and proposes a new rate area to be identified as Cherry Valley with boundaries as described in Exhibit C. The company proposes to supply domestic and commercial gas service to the Cherry

Valley rate area under its Schedule No. G-6.

A portion of the proposed Cherry Valley rate area is now included in the Banning rate area and applicant states that it will be necessary to modify the Banning rate area since there are 16 prospective customers situated within its boundaries who will be served from the Cherry Valley extension and who will be required to pay the facility charge and receive service under Schedule No. G-6. The portion of the Banning rate area to be transferred to the proposed Cherry Valley rate area is described in the application and there are no existing customers or gas facilities in said area. The 16 prospective customers have indicated their desire to obtain gas service. Should service be provided in the Banning rate area to these 16 customers, they would be required to pay a main extension charge equal to or in excess of that to be paid by customers in the Cherry Valley rate area. It appears, therefore, that it would be to the advantage of these 16 customers to be transferred to the Cherry Valley rate area. The applicant's proposed treatment for these 16 prospective customers appears to be reasonable and the proposed change in the Banning rate area will be authorized.

This extension is within the service area of applicant and no additional franchise or certificate is required.

The plan outlined in this application appears to be reasonable in this instance. However, in our opinion, such special arrangements should be limited to the extension of gas service into new territory where communities have been established beyond normal distribution areas and should not be used in developing real estate subdivisions, housing projects, or other large extensions within or immediately adjacent to distribution service areas. It will be necessary for future extensions of a similar nature to be considered upon their individual merits, subject to review by this Commission

as to whether a deviation from applicant's rules and regulations is warranted.

It appears evident from the application that the requested deviation will not place ^{AN UNDUCE} a burden on applicant's other customers and we find that such increased rates or charges ^{IN THIS PARTICULAR AREA} as may result from the revisions in the tariffs herein authorized are justified. C
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The Commission having considered the request of applicant and being of the opinion that the application should be granted and that a public hearing is not necessary; therefore,

IT IS HEREBY ORDERED as follows:

1. That applicant is authorized to deviate from its filed Rule and Regulation No. 20, Gas Main Extensions, to the extent that it is permitted to amortize the advance required for construction by means of a facility charge (in addition to the regular rates to be charged) for the extension of gas service to and within the community of Cherry Valley and adjacent territory by substantially the same method as set forth in applicant's Exhibits Nos. B and C, which procedure is to be used in lieu of a total advance by prospective customers in Cherry Valley as required by applicant's present extension rule.
2. That applicant is authorized to file in accordance with General Order No. 96 the revised rate schedules as set forth in Exhibit C together with a modification of Rate Area No. 114, Banning, and establishment of a new rate area for Cherry Valley as set forth in the application and in Exhibit C, and to make said

rate schedules effective upon one day's notice to
this Commission and to the public.

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

Dated at San Francisco, California, this 16th
day of December, 1957.

[Signature]
President
[Signature]
[Signature]
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Commissioners