

ORIGINALDecision No. 59751

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
SOUTHERN COUNTIES GAS COMPANY OF)	
CALIFORNIA for an order permitting)	Application No. 41856
a deviation from its filed Rule and)	
Regulation No. 20.)	

OPINION AND ORDER

In this application, filed January 14, 1960, Southern Counties Gas Company of California requests permission to deviate from its Rule No. 20, Gas Main Extensions, in order to extend gas mains at its own expense adjacent to the State Highway easterly of the Town of Solvang and toward the community of Santa Ynez, both in Santa Barbara County. Applicant is authorized to serve gas in that area by Santa Barbara County Franchise No. 432. A certificate of public convenience and necessity to exercise the rights granted by the franchise was issued by this Commission to applicant in Decision No. 23124, dated November 28, 1930.

The proposed extension comprises 12,690 feet of 3-inch pipe and 11,350 feet of 2-inch pipe, a total of 24,040 feet. The extension traverses land capable of subdivision into residential building sites. Electric and telephone utility service is now provided and a local water supply is available. Applicant represents that the existing houses appear to use butane, a higher cost gas than natural gas and that many inquiries for service have been received.

Applicant submits the following estimates:

Number of natural gas customers by 12-31-60	67
Cost of mains	\$44,450

Portion of extension not covered by free allowances under Rule 20:

Initial operation	12,731 ft.
End first year	7,536 ft.
End second year	1,936 ft.

Rate return first year operation	2.60%
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Applicant also estimates that there will be a population growth in the area and that installation of facilities before further building takes place will avoid expenses of cutting pavement to lay mains.

In view of the anticipated population growth in this area it is likely that applicant would be required to extend its mains easterly on a free allowance basis in the near future even if the present application were not made. Thus, the company suggests it is proposing to do now only that which it may be required to do in the near future. Doing so now will help develop the area more quickly, protect applicant's position with respect to other fuels, and make the most economical use of company funds going into the extension.

Applicant proposes that General Service Schedule G-6.2 be made applicable to the area proposed to be served and that Rate Area 21 be enlarged to encompass the territory sufficiently to provide for future growth.

The application states as follows:

"If the Commission should conclude that applicant would be making its present customers bear an undue burden by providing a return on the main allowance deficiency during the early period of the proposed operation, applicant stipulates that if it is required or requested to furnish to the Commission a system rate of return study at any time within the period in which a deficiency in main allowance, as computed under our presently filed Rule No. 20, may exist; an appropriate adjustment will be made to the rate base calculation to eliminate the possibility of other customers being required to bear the cost of return on this proposed main extension."

Applicant will adjust gas appliances presently using butane, install burner orifices at no cost to the customer and install required major parts free of any labor charge but will charge the customer only for the cost of the parts. Applicant proposes to charge the costs of converting the appliances to operating expenses when they are incurred. Applicant is placed on notice that only such expenses as are reasonable will be allowed for rate-fixing purposes.

Based on the foregoing statements, the Commission is of the opinion that a deviation should be granted to applicant, permitting it to install, at its own expense, the mains necessary to serve the areas as set forth in Exhibit A. However, the Commission is of the opinion that any nonremunerative burden caused by this investment of the company should be absorbed by the stockholders. Accordingly, applicant will be required to maintain separate records for this project until such time as the area is fully developed.

The Commission having considered the request of applicant and being of the opinion that the application should be granted, that a public hearing in the matter is not necessary, and sufficient cause appearing; therefore,

IT IS ORDERED as follows:

1. Applicant is authorized to deviate from its filed Rule No. 20, Gas Main Extensions, to the extent necessary to provide the proposed gas main extension as set forth in Exhibit A as a free allowance.
2. Applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order in conformity with General Order No. 96, tariff schedules with enlarged Rate Area 21 as proposed in Exhibit D with Schedule No. G-6.2 applicable thereto and to become effective before service is furnished to customers served from the proposed extension.

3. Applicant shall maintain its records in connection with the main extension authorized herein in such a manner as to permit compliance with the stipulation stated in Paragraph VIII of the application and ready verification thereof by the Commission, and shall advise the Commission when the area to be served is fully developed.

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

Dated at San Francisco, California, this 8th day of March, 1960.

Ernest W. Perry
President
Ed Mitchell
Mark J. ...
Ed Fox
Theodore Jensen
Commissioners