

Decision No. 59789

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
AL TAHOE GAS COMPANY, a California
corporation, for:

1. A certificate of convenience and
necessity under the provisions of
Article 1 of Chapter 5 of the Public
Utilities Code of the State of Cali-
fornia to construct, maintain and
operate a liquefied petroleum gas
project (herein described) and to
exercise all permits and easements
which may be used or useful in con-
nection therewith;

Application No. 41593

2. For authorization to supply
liquefied petroleum gas in the area
herein described at South Lake Tahoe,
El Dorado County California;

3. To file and make effective
liquefied petroleum gas schedules
applicable thereto;

4. For authority to sell and issue
its shares of common capital stock
under the provisions of Article 5
of Chapter 4 of the Public Utilities
Code of the State of California.

J. A. Montgomery, Jr., for applicant.
California Liquid Gas Corporation and Cal-Vada
Propane Co. by W. A. Halliday; Robert E. Dunn,
for Cedar Grove Gas Co.; and Aram Harootunian,
interested parties.
Sidney J. Webb and Charles R. Currier, for the
Commission staff.

O P I N I O N

Applicant's Request

Al Tahoe Gas Company, a California corporation, now known
as South Tahoe Gas Co.,^{1/} filed the above-entitled application on
October 20, 1959 requesting a certificate of public convenience and

1/ By amendment to its Articles of Incorporation, the name of Al Tahoe
Gas Company was changed on or about November 5, 1959 to South Tahoe
Gas Co.

necessity to construct and operate a gas utility within the service area adjacent to the south shore of Lake Tahoe in El Dorado County as delineated on Exhibit A, as amended, attached to the application. Applicant proposes to charge the rates set forth in its Exhibit No. 5 within the proposed service area. Applicant also is requesting permission to issue and sell 109,295 shares of its common capital stock of the par value of \$1.00 per share aggregating \$109,295 to pay the cost of acquiring and installing the gas project proposed in this application.

Public Hearing

After due notice, public hearing was held upon this application before Examiner William W. Dunlop on December 10 and 11, 1959, at Tahoe Valley, California. Applicant presented exhibits and testimony in support of the application.

The Commission staff cross-examined applicant's witnesses for the purpose of developing a complete record. No party expressed any opposition to the granting of the application.

At the conclusion of the second day of hearing, the matter was taken under submission subject to the receipt of five late-filed exhibits. Such exhibits have been filed and the matter now is ready for decision.

Present System

Applicant is an operating public utility engaged in the business of furnishing liquefied petroleum gas service through mains, transmission lines and a distribution system to Al Tahoe Subdivision, Al Tahoe, California. Certificate of public convenience and necessity for such gas system was granted by Decision No. 56626, dated May 6, 1958, in Application No. 39556. Applicant first started serving as a public utility gas corporation in the Al Tahoe Subdivision on September 22, 1959.

The present system includes two 1,100-gallon propane tanks, a 120-gallon per hour vaporizer and associated regulators and valves, gas mains, services and meters. Applicant does not plan at this time to connect its present system with the system proposed in this application.

Proposed Service Area

The area applicant proposes to serve and for which a certificate is requested is shown on Exhibit A, as amended, attached to the application. This area generally is bounded on the north by the south shore of Lake Tahoe, on the east by the California-Nevada state boundary line, on the west by Herbert Avenue and the extension thereof, and on the south by Tamarack Avenue and other streets and roads south of Highway U. S. 50. The western boundary of the proposed area is less than one mile east of the eastern boundary of applicant's present certificated area.

Based upon a survey of customer use, applicant estimates that it will serve approximately 150 customers in this area at the end of the first year of operation and that during the fiscal year July 1960-June 1961, a total of 1,000,000 gallons of propane will be required to meet anticipated customer demands in the area.

Proposed System

The gas system applicant proposes to install includes a six-inch gas transmission main along the south side of Highway U. S. 50 from the California-Nevada state line, approximately 6,600 feet westerly to Herbert Avenue. It is proposed that this six-inch main connect at the state line with an existing six-inch liquefied petroleum gas transmission main of Al Tahoe Gas Co., Inc., an affiliated Nevada corporation. The Nevada company has a 16,000 gallon LPG storage tank and vaporizer located in Nevada

approximately 3/4 of a mile from the state line on leased land from which point it has a pipeline extending to the state line. Applicant will receive its LP gas at the state line through this pipeline with metering done at the state line.

Within the proposed service area, applicant plans to lay a distribution system connecting to the six-inch main as required to serve customers. Pressure in the mains is proposed at 12 pounds per square inch maximum with pressure at the customer's meter equivalent to 11 inches of water column. The heating value proposed for the gas is 2,050 BTU per cubic foot.

Applicant anticipates that the construction of its proposed system can be completed by the end of 1961, and that the furnishing of gas service through its piped system will be safer than the present individual tank systems.

Estimated Cost of System

A cost breakdown of applicant's proposed system to serve 150 customers follows:

	<u>Installed Prices</u>	
	<u>Unit Price</u>	<u>Total</u>
6,600 ft. of 6-inch pipe @	\$5.00	\$ 33,000
1,150 ft. of 3-inch pipe @	2.30	2,645
3,700 ft. of 2-inch pipe @	1.90	7,030
11,950 ft. of 1-inch pipe @	1.30	15,535
4,500 ft. of 3/4-inch pipe @	1.10	4,950
2,500 ft. of 1/2-inch pipe @	1.00	2,500
150 meters and regulators	-	19,400
Valves, measuring and regulating eq.	-	4,600
Overhead and incidental costs	-	13,449
Office, billing and servicing equipment	-	6,186
 Total Estimated Capital Cost of Project		 <u>\$109,295</u>

Financing of System

Applicant proposes to issue to Gas Unlimited, Inc., a California holding corporation, 109,295 shares of its capital stock, having a par value of \$1.00 per share for cash in the amount of

\$109,295 to finance the cost of the proposed construction. Gas Unlimited, Inc., according to the testimony, plans to own all the capital stock of applicant (South Tahoe Gas Co.) as well as all the capital stock of Placer Gas Co. of Tahoe, an LPG distributor of "bottled gas" at the south end of Lake Tahoe, and of Al Tahoe Gas Co., Inc., the affiliated Nevada corporation from which applicant proposes to secure its gas for the new system. Furthermore, it appears that Gas Unlimited, Inc., plans to own an interest in Sierra Fuel Service, Inc., a long-haul trucking firm that supplies gas to Placer Gas Co. of Tahoe and to Al Tahoe Gas Co., Inc. The evidence reveals that Sierra Fuel Service, Inc., obtains one-third of its gas direct from Shell Oil Company and the other two-thirds through Pacific Delta Distributors, Inc.

Heretofore applicant has been authorized to issue and sell 100,000 shares of its capital stock having a par value of \$1.00 per share for cash in the amount of \$100,000 to construct a gas plant at Al Tahoe Subdivision.^{2/} As of the date of hearing, applicant had issued and sold only \$1,000 of its capital stock (10 certificates for 100 shares each). The testimony shows that applicant plans, through a supplemental application, to ask for a further extension of time within which to issue and sell the \$100,000 of capital stock and for authority to use the proceeds for purposes differing to some extent from those previously authorized.

Proposed Rates

While applicant originally proposed to make its existing Schedule G-80 rates applicable in the proposed new service area, at the hearing applicant requested that the terminal block rate be

^{2/} Decision No. 56626 dated May 6, 1958 in Application No. 39556.

reduced from 48 cents per 100 cubic feet to 32 cents. The proposed general service rates as set forth in Exhibit No. 5 follow:

		<u>Per Meter per Month</u>
First	100 cubic feet or less	\$2.00
Next	400 cubic feet, per 100 cu. ft....	.60
Next	500 cubic feet, per 100 cu. ft....	.54
Over	1,000 cubic feet, per 100 cu. ft....	.32

The above rate would be subject to a \$2.00 monthly minimum charge and to a fuel escalator clause in event the cost of gas changes markedly. Applicant proposed that the above rates apply to its new system as well as to its existing system at Al Tahoe Sub-division. These rates, according to the testimony, are competitive with rates for other fuels in the area.

Estimated Operating Results

Applicant's estimated results of operation assuming service to 150 customers on an annual basis in the proposed service area is set forth in Exhibit No. 4 and may be summarized as follows:

		<u>150 Customers</u>
Operating Revenues		\$156,733
Operating Expenses:		
Cost of Gas Delivered to California System ..		119,216
Operation and Maintenance		1,479
Customer Service, Billing and Collecting		2,250
Office Rental		1,000
Depreciation		5,465
Ad Valorem Taxes		2,841
Income Taxes		11,367
Total Expenses		<u>\$143,618</u>
Net Revenue		13,115
Rate Base		109,295
Rate of Return		12.0%

Applicant indicated that the rate of return may be reduced somewhat by the Al Tahoe Subdivision operations.

Franchises, Permits, Competition

Applicant represents that no franchise is required from any public authority for the type of liquefied petroleum gas project proposed in this application. It proposes, however, to obtain necessary permits to lay its gas pipelines in public streets and highways and to obtain such private rights of way and easements as may be necessary to install and operate the proposed gas project.

While there is no public utility presently serving gas in the territory in question, the evidence reveals there are four LPG distributors now selling "bottled gas" in the area.^{3/}

Findings and Conclusions

Based upon the evidence of record, the Commission hereby finds that public convenience and necessity will require the construction and operation of a public utility gas system by South Tahoe Gas Co., formerly known as Al Tahoe Gas Company, within the proposed service area in El Dorado County as delineated on Exhibit A, as amended, attached to the application.

The Commission is of the opinion that the money, property or labor to be procured or paid for by the issuance of 109,295 shares of its capital stock, having a par value of \$1.00 per share for cash in the amount of \$109,295 is reasonably required by applicant for the purposes set forth herein, which purposes are not in whole or in part reasonably chargeable to operating expenses or to income, and that this application should be granted as hereinafter provided.

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 this certificate of public convenience and necessity or the right to own, operate, or enjoy such certificate of public convenience and

^{3/} Cedar Grove Gas Company, J. D. Gay Gas Company, Placer Gas Company, Gebbe & Kleibe Gas Company.

necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as the consideration for the issuance of such certificate of public convenience and necessity or right.

Applicant will be required to file necessary rules governing customer relations acceptable to the Commission.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return applicant should be allowed to earn on its investment in plant and that the approval herein given is not to be construed to be a finding of the value of applicant's stock or properties nor as indicative of amounts to be included in a future rate base for the determination of just and reasonable rates.

Applicant is placed on notice that its relationship with Gas Unlimited, Inc., and any other associated companies will be closely scrutinized by this Commission. Moreover, the authorization of the rates herein should not be construed to be a finding as to the fair rate of return for applicant. The applicant will be required to prepare and file a results of operation report after its first twelve months of operation.

O R D E R

The above-entitled application having been considered, public hearing having been held, the Commission being fully informed and having found that public convenience and necessity require the proposed gas system; therefore,

IT IS ORDERED that:

1. A certificate of public convenience and necessity be and it is hereby granted to South Tahoe Gas Co., formerly known as Al Tahoe Gas Company, to construct and operate a public utility gas

system within the proposed service area in El Dorado County as delineated on Exhibit A, as amended, attached to the application.

2. After the effective date hereof, and on or before December 31, 1961, applicant may issue and sell 109,295 shares of its capital stock having a par value of \$1.00 per share for cash in the amount of \$109,295 and use the proceeds for the purposes set forth in the foregoing opinion and as described in the application.

3. Applicant shall file with this Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is hereby made a part of this order.

4. Applicant is authorized to file in quadruplicate the rates set forth in Appendix A attached to this order, to be effective after five days' notice to this Commission and to the public on or before the date service is first rendered to the public, together with rules governing customer relations and tariff service area map acceptable to this Commission in accordance with the requirements of General Order No. 96.

5. Applicant shall file, within sixty days after the system is placed in operation, four copies of a comprehensive map drawn to an indicated scale not smaller than 200 feet to the inch, delineating by appropriate markings the various tracts of land and area served; the mains and distribution facilities; and the location of the various properties of applicant.

6. Applicant shall notify this Commission, in writing, of the date service is first provided to the public under the rates and rules herein authorized, within ten days thereafter.

7. Applicant shall file, within sixty days after completion of its first twelve months of operation at the rates authorized herein, a report on the results of operation setting forth operating

revenues, operating expenses, taxes, depreciation, utility plant, depreciation reserve, and rate base for said years operations.

8. Applicant shall not exercise the authority granted herein for the purpose of supplying gas in those parts or portions of El Dorado County outside its certificated area except through extensions of its system into contiguous territory in the ordinary course of business, as contemplated by Section 1001 of the Public Utilities Code.

9. The authority herein granted will expire if not exercised on or before December 31, 1961.

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

Dated at San Francisco, California, this 15th day of March, 1960.

Eugene A. Page
 President

William J. Fisher

S. J. Fox

Theodore Jenner

Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
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Schedule No. G-80

GENERAL SERVICE

APPLICABILITY

Applicable to propane gas service to all consumers for residential, commercial and other use.

TERRITORY

All Tahoe Subdivision and Bijou to State Line and adjacent territory, South Shore Lake Tahoe, El Dorado County.

RATES

<u>Commodity Charge</u>	<u>Per Meter Per Month</u>	
	<u>Base Rate</u>	<u>Effective Rate</u>
First 100 cu.ft. or less	\$2.00	\$2.00
Next 400 cu.ft., per 100 cu.ft.60	.60
Next 500 cu.ft., per 100 cu.ft.54	.54
Over 1,000 cu.ft., per 100 cu.ft.32	.32

The above effective rates are based on cost of propane of 9.23 cents per gallon and are determined from the base rates as set forth under Special Conditions.

	<u>Per Meter Per Month</u>
Minimum Charge	\$2.00

(Continued)

Schedule No. G-80

GENERAL SERVICE
(Continued)

SPECIAL CONDITIONS

1. For gas used in excess of 100 cubic feet per month, the rates in effect at any time vary with the average cost of propane delivered at all plants generating gas served under this schedule and shall be determined from the above base rates by adding or deducting respectively 1.0¢ per hundred cubic feet for each 0.42¢ that such cost of propane is above or below 9.23¢ per gallon. Changes in rates are to be to the nearest 0.5¢.
2. When a change in the cost of propane occurs, the Company shall submit to the Public Utilities Commission, within a period of fifteen days, an Advice Letter and appropriate tariff schedules setting forth the new effective rates and accompanied by an affidavit of such change in the cost of propane. The new rate shall be effective on all regular meter readings taken on and after the thirtieth day following such change in the cost of propane.
3. The phrase "cost of propane" as used in this schedule is applied to propane purchased from the supplier and shall not exceed the posted price per gallon at the refinery exclusive of State and Federal Taxes, plus the charges for trucking and delivery based on the minimum freight rates established by this Commission.