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ORIGINAL

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of VENTURA BUTANE CORPORATION, a)
corporation, for an order of the)
Commission under Section 1001 of)
the Public Utilities Code author-)
izing Applicant to construct and)
operate a gas distribution system)
to supply propane and/or natural)
gas service to the unincorporated)
community of Bridgeport, Mono)
County, California, and for an)
order granting to VENTURA BUTANE)
CORPORATION a Certificate that)
the Public Convenience and)
Necessity require the exercise of)
a franchise granted by the County)
of Mono, State of California,)
under the provisions of Section)
1002 of the Public Utilities Code.)

Application No. 45543
(Filed June 19, 1963)
(Amended August 2 and
August 8, 1963)

Robert V. Wills, for applicant;

Walter B. Cain, for Board of Supervisors of
Mono County, interested party;

Arch Main, for the Commission staff.

O P I N I O N

After due notice, public hearing in this matter was held before Examiner Emerson on August 8, 1963, at Bridgeport.

Applicant seeks certificates of public convenience and necessity to construct a gas plant and to exercise the rights and privileges of a county franchise in order to supply public utility gas service to the town of Bridgeport, Mono County, and authority to establish rates for such service. By oral amendment made at the hearing, applicant also seeks authority to operate under the fictitious name of "Petrolane-Sierra Gas Service" and authority to employ a direct-fired vaporizer as part of its gas system.

Applicant is a wholly-owned subsidiary of Petrolane Gas Service, Inc., the latter having been incorporated in 1930 and having since that time been engaged primarily in the marketing of liquefied petroleum gas (LP-gas) in fifteen of the United States, one Canadian province and one Mexican state. Applicant was incorporated in California in 1940 and since that year has been engaged in providing LP-gas service in a number of California communities. For many years it has provided retail LP-gas service to the residents of Bridgeport and adjacent areas in Mono County, individually serving 115 of the total of 123 residential or business structures within Bridgeport. Although growth of the community is practically static, there are increasing requirements for gas in the Bridgeport area and applicant has found it increasingly difficult to provide satisfactory storage capacity on individual customer's premises. In 1962, applicant made an economic and engineering feasibility survey of the community and determined that it could better and more economically meet the gas needs of the public if it were to construct a piped gas system which would serve all customers from a central plant and common distribution system. Among the advantages to be gained are greatly increased storage capabilities, the lesser hazards associated with one gas-generating plant as opposed to 115 or more individual installations, and lesser rates to the customer.

Applicant's proposed gas plant is to be composed of a storage tank of 20,000 gallons capacity and a direct-fired vaporizer, with appurtenances, located on an acre site on the western edge of town, with approximately 700 feet of 4-inch and 7,920 feet of 2-inch distribution mains. The storage capacity is sufficient to supply six days of peak propane gas usage without replenishment. The entire

system has been engineered for distribution of either natural or propane gas, the latter being the type of gas to be served initially. The total cost of the plant is estimated to be approximately \$68,217, with the costs of the county franchise (\$2,800) and costs of organization (\$1,500) being additional thereto. Applicant has stipulated that the change-over from individual to central station service will be without cost to the customer.

Applicant has proposed gas rates which on the average will reduce present costs to the customers by approximately \$5,700 or 11 percent annually, assuming future usage identical to that actually experienced during the year 1962. The basic rates are as follows:

		<u>Per Meter, Per Month</u>
First	400 cu. ft. or less	\$2.50
Next	1,600 cu. ft., per 100 cu. ft.	.450
Next	2,000 cu. ft., per 100 cu. ft.	.425
Next	4,500 cu. ft., per 100 cu. ft.	.400
Next	8,500 cu. ft., per 100 cu. ft.	.330

Applicant's estimates for first-year utility operations are summarized as follows:

ESTIMATED RESULTS OF OPERATIONS

First Year

<u>Item</u>	<u>Amount</u>
Revenues	
Residential	\$21,281
Commercial	26,498
Total	<u>47,779</u>
Expenses	
Cost of gas	25,417
Distribution expense	14,500
Depreciation expense	1,880
Taxes	2,327
Total	<u>\$44,124</u>
Net Revenue	3,665
Rate Base (depreciated)	\$76,777
Rate of Return	4.76%

The testimony respecting the items making up the above-summarized amounts would seem to indicate that applicant's estimates of revenues, being based on usage during the year 1962, rather than on a "normalized" year, may be somewhat low and that expenses should in no case exceed, and most probably should be less than, the amounts estimated. We do not conclude from the evidence, however, that applicant's rate proposal will produce excessive earnings or that the rate of return to be experienced will not lie within a zone of reasonableness.

Applicant's balance sheet as of April 30, 1963, shows current assets of \$117,851 and fixed assets of \$373,150, with a depreciation reserve of \$160,973, or total assets of \$330,028. Applicant's liabilities, as of the same date, are shown as a total of \$72,970 for accounts and taxes payable and \$257,058 for shareholders equity, the latter consisting of \$50,000 of outstanding stock at a par value of \$1.00 per share and of \$207,058 as retained earnings. From such balance sheet, it appears that applicant has sufficient resources to undertake the proposed utility operation in Bridgeport. Applicant proposes to finance its new gas utility plant by means of short-term advances from its parent with later permanent financing upon future authorization to be sought from this Commission.

No person appeared at the hearing to oppose the granting of applicant's requests. The chairman of the Mono County Board of Supervisors stated that the supervisors were unanimously supporting applicant's requests and that the community interest would be greatly enhanced by applicant's proposed operations. Further, the Board of Supervisors urgently requests the earliest possible action so that

the new system may be used by the public during the coming winter season. In this latter respect, applicant's past experience in the area has indicated that construction work must be completed by October 1, 1963, if service is to be available this winter. Severe winter weather and deeply-frozen ground will necessarily postpone construction until the following April or possibly May, if not started at once. Applicant can meet the October target date, by marshalling the construction forces of its parent, if it commences work not later than September 1, 1963.

The franchise granted to applicant's parent by Mono County is and will be assignable to applicant. The franchise is of indeterminate term and is subject to payment to the county of two percent of annual receipts, commencing the sixth year after its granting. The cost of the franchise was \$2,800, exclusive of the costs of publication.

The Commission makes the following findings:

1. Public convenience and necessity require and will require that applicant construct and operate the gas plant, as proposed, for the purpose of rendering public utility gas service to the community of Bridgeport.

2. Public convenience and necessity require and will require that applicant exercise the rights and privileges of the franchise granted by Ordinance No. 334 (dated December 3, 1962) of the Board of Supervisors of Mono County.

3. Applicant should be authorized to install and utilize a direct-fired vaporizer on its system.

4. Applicant should be required to use the straight-line remaining-life method of depreciation accounting for utility plant items and to so maintain its books of account as to provide a ready separation of its accounting for utility and nonutility operations and in accordance with the uniform system of accounts for gas corporations prescribed by this Commission.

5. The public convenience and necessity will best be served if applicant commences construction at the earliest possible date, and that, for such purpose, the order herein should be made effective on the date hereof.

6. Applicant should be authorized to file its proposed rates for the gas service to be rendered and should be required to report to this Commission, in detail, the financial results of its first year's operations thereunder.

The certificates issued herein are subject to the following provision of law:

The Commission shall have no authority to authorize the capitalization of certificates of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or political subdivision thereof as the consideration for the issuance of such certificates of public convenience and necessity or right.

Applicant and its shareholders are placed on notice that this Commission does not regard the number of shares outstanding, the total value of the shares or dividends paid as measuring the return a utility should be allowed to earn on its investment in plant and that the Commission makes no finding herein as to the value of its stock or properties or as to any amounts to be included in a future rate base for the determination of just and reasonable rates. Further, notice is given that its relationship with its parent or any other associated companies will be closely scrutinized from time to time by this Commission.

Applicant is placed on notice that if the certificates and authorizations hereinafter granted are exercised, it becomes a public utility and as such is subject to the Public Utilities Act and to the regulations and general orders of this Commission pertaining to the same, including the provisions thereof concerning the issuance of securities and any evidence of indebtedness, and the requirement to file annual reports with this Commission.

O R D E R

IT IS ORDERED as follows:

1. Certificates of public convenience and necessity are hereby granted to Ventura Butane Corporation, which will operate under the name and style of "Petrolane-Sierra Gas Service" as follows:

(a) To construct and operate a gas plant for the generation, storage, transmission, distribution and sale of gas to the public within the Southeast quarter-section of Section 29; Northeast quarter-section of Section 32; South half-section of Section 28 and North half-section of Section 33; all in Township 5 North, Range 25 East, Mount Diablo Base and Meridian.

(b) To exercise the rights and privileges granted to Petrolane Gas Service, Inc., upon assignment thereof to Ventura Butane Corporation, by Ordinance No. 334 of the Board of Supervisors, County of Mono, dated December 3, 1962.

2. Ventura Butane Corporation is authorized to file in quadruplicate with this Commission; on or after the effective date of this order, in conformity with the provisions of General Order No. 96-A, and under the name and style of "Petrolane-Sierra Gas Service"; the schedule of rates set forth in Exhibit No. 1 in this

proceeding and; together with tariff service area map, rules and forms governing relations with the public, acceptable to this Commission; on not less than five days' notice to the public and to this Commission, to make said rates, map, rules and forms effective as of the date public utility gas service is first rendered to the public.

3. Ventura Butane Corporation is hereby authorized to utilize the "Algas" 400 gallon per hour direct-fired hydrocarbon vaporizer specified in Exhibit No. 1 in this proceeding as contemplated by this Commission's General Order No. 94-A, which order, insofar as applicable, is hereby made a part of this order.

4. Applicant shall determine the accruals for depreciation by dividing the original cost of depreciable utility plant, less estimated future net salvage less depreciation reserve, by the estimated remaining life of the plant. Further, applicant shall review the depreciation rates, using the straight-line remaining-life method, whenever substantial changes in depreciable plant composition occur and for each plant account at intervals of not more than five years and shall revise the depreciation rates in conformance with such reviews. Results of these reviews shall be submitted to the Commission.

5. By not later than March 1, 1965, applicant shall report to this Commission in writing and in detail the financial results of its operations from inception of service to the public to and including December 31, 1964.

6. The certificates and authorizations granted herein will expire if not exercised prior to January 1, 1965.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 21st day of AUGUST, 1963.

William W. Bennett
President

John E. Mitchell

Robert W. Page

Frederick B. Holloff
Commissioners

Commissioner George G. Grover
present but not voting.