

ORIGINALDecision No. 68008

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHWEST GAS CORPORATION

for a Certificate of Public Convenience
and Necessity under Article 1 of
Chapter 5, Public Utilities Code of the
State of California, to construct,
operate and maintain a natural gas
distribution system, to exercise fran-
chise rights, and to deviate from filed
Main Extension Rules in the vicinity of
Big Bear Lake, California

Application No. 46780

(Filed July 7, 1964)

Charles H. McCrea and Earle W. White, Jr.,
for applicant.
Arch E. Main, for the Commission staff.

O P I N I O N

Southwest Gas Corporation seeks a certificate of public convenience and necessity to construct 16.8 miles of 6-inch transmission main from Apple Valley, southerly and easterly, to Lucerne Valley, and 17.42 miles of 6-inch transmission main from Lucerne Valley, southerly, to Big Bear Lake, costing \$764,698, including \$5,000 of equipment. It further seeks a certificate to extend its present liquified petroleum gas (LPG) distribution pipeline system and to construct and operate natural gas distribution systems at Big Bear Lake, costing \$1,212,701, including \$771,595 of mains, \$5,598 of equipment, and \$435,508 of services and meters, plus general plant transportation equipment of \$5,000 for a total cost

of the projects for the first year, after plant acquisition adjustment of \$6,715, of \$1,975,684 (Exhibit D). Said total includes the cost of a natural gas distribution system in Marianas Ranchos subdivision, which is in T4NR3W, S.B.B.&M., certificated to applicant by Decision No. 53752, dated September 11, 1956, in Application No. 37760 (Amended). Applicant also seeks authority to deviate from its main extension rule for the first year in order to extend service to approximately 3,528 residential and 422 commercial customers, for an anticipated total of 3,950 natural gas customers in the Big Bear service area, together with some 100 anticipated natural gas customers in the Marianas Ranchos subdivision, heretofore referred to, in Apple Valley in applicant's Victorville District at the southeast corner of Kiowa Road and Ocotillo Way, where the proposed 16.8 mile 6-inch pipeline turns east, without charge to them for such extensions (Exhibit No. 10); authority to deviate from General Order No. 58-A and, thereby, to adjust bills to customers served at high pressure because of variations in btu content due to differences in elevation (Exhibit No. 5-A); and authority to establish a seasonal rate as Special Conditions 2. and 3., a. and b. of pages 3 through 5 of proposed Schedule No. G-1, General Natural Gas Service, to provide that a general metered service customer may elect to be billed under an annual minimum charge providing such charge is paid in advance on or before June 1st of each year, which said charge shall be equal to 12 times the monthly minimum charge for the service desired, and under such election the customer will not be required to make further payment of bills until such advance payment has been absorbed by natural gas usage (Exhibit No. 3). The existing and proposed

principal transmission lines and the existing and proposed distribution system facilities in Marianas Ranchos and at Big Bear Lake are shown on the maps, Exhibit B, attached to the application. The Big Bear Lake service area sought to be certificated is shown in dark blue on the map, Exhibit No. 7, and is particularly described in Exhibit No. 8-A. Natural gas service is proposed in Big Bear Lake, Metcalf Point, Big Bear City, North Bay, Moonridge, and Fawnskin in Big Bear Valley, which is about 20 miles long (east and west) and five to six miles wide (north and south) at elevations at or above 6,000 feet, and in the Marianas Ranchos subdivision as heretofore noted. Authority under Section 1002 of the Public Utilities Code is also sought to exercise the rights and privileges of the indeterminate-term countywide franchise granted on August 6, 1956, by Ordinance No. 794 of San Bernardino County in the area herein sought to be certificated under Section 1001 of the Code, the exercise of which was restricted by Decision No. 54842, dated April 16, 1957, in Application No. 38678 (Amended). Also, authority is sought to withdraw and cancel applicant's presently effective Big Bear Lake LPG service tariffs.

Public hearing was held before Examiner Warner on August 26 and 27, 1964, at Big Bear Lake. No protests were entered and several witnesses supporting the application were called by applicant. The Commission staff entered no objection.

Exhibit No. 1 is a letter dated August 24, 1964, from Pacific Gas and Electric Company, which, by Decision No. 53754, dated September 11, 1956, in Application No. 37635, was certificated

to serve natural gas to all of T3NR1W, S.B.B.M., and also to Sections 6, 7, 18, 19, 29, 30, 31 and 32, T3NR1E, S.B.B.M., which said township and sections are included herein. Said letter states that said company has no objection to the instant application, subject to the understandings in a resale gas contract, dated July 8, 1957, between it and applicant, which reserves to Pacific Gas and Electric Company the right to serve any customers with monthly usage, for industrial purposes on an interruptible basis, in excess of 3,000,000 mcf. The matter was submitted on the last day of hearing, subject to the receipt of late-filed exhibits, which have been received.

By Decision No. 58797, dated July 28, 1959, in Application No. 41094, applicant was authorized to acquire the liquified petroleum gas distribution system of Big Bear Lake Gas Company, which had theretofore been certificated by Decision No. 33839, dated January 28, 1941, in Application No. 23619. Applicant presently distributes LPG to approximately 429 customers at Big Bear Lake in a portion of the area sought herein to be certificated, and as of April 30, 1964, total gas plant in service amounted to \$250,291 (Exhibit D).

Although in the application only authorization of Schedule No. G-1, General Natural Gas Service (Exhibit G), was sought, at the hearing applicant proposed that all of its presently filed tariffs be applied to the Big Bear Lake area sought to be certificated, and to Marianas Ranchos. The effect of said proposal is that applicant will then offer natural gas engine service for the operation of ski lifts at Big Bear Lake pursuant to its presently effective natural gas engine service tariff. Exhibit No. 3, supra, as Special

Condition 1 of page 3 of Schedule No. G-1, supra, would require the payment in advance by a customer applying for service which requires the installation of a new service line, as a minimum guarantee of the continuous use of service, an amount equal to the minimum charge applicable to such service for a period of twelve months. Customers would not be required to make further payments of bills until such advance payment had been absorbed. In no case, with the exception of opening and closing bills, would a bill be rendered for an amount less than the monthly minimum charge, unless the customer elects the annual minimum provision heretofore outlined.

The record shows that applicant's rates for natural gas service will be about 40 per cent lower than the costs of other types of fuel at Big Bear Lake.

Exhibit C is a schedule of the estimated revenue and expenses, using applicant's present general natural gas service rate schedule, for the first, second and third 12-month periods of such service at Big Bear Lake. Said Exhibit shows that applicant anticipates the addition of 355 natural gas customers at Big Bear Lake during the second 12-month period, and 405 customers during the third 12-month period. It shows estimated rates of return of 5.9 per cent, 6.1 per cent and 6.4 per cent for the respective periods. Exhibit No. 6 was submitted to support the economic feasibility of the application as summarized in Exhibit C.

Sources of natural gas supply for the Big Bear Lake service area will be three connections to Pacific Gas and Electric Company's transmission mains, viz: (1) Lucerne Tap to Pacific Gas and Electric Company's Permanente Line at the southwest corner of Section 2,

T4NR1E, S.B.B.&M.; (2) Victorville "B" Tap in Section 31, T6NR4W, S.B.B.&M.; and (3) Proposed Victorville "C" Tap in Section 30, T6NR4W, S.B.B.&M. Lucerne and Victorville "B" taps exist, and Victorville "C" tap will be effected as needed. Locations of the present and proposed connections are shown on Exhibit B, supra. Peak hour flows to Big Bear will be 100 mcf for the first year; 150 mcf for the second year; and 200 mcf for the third year, all as shown on Exhibit E.

Applicant uses and proposes to use polyvinyl chloride (PVC) plastic pipe for 2-inch and smaller diameter distribution mains and service lines. Risers from service lines are and will be steel pipe. The record shows that the existing LPG distribution system at Big Bear Lake contains between three to four miles of such pipe, which has been installed for from one to three years and of which approximately one-third is estimated to have been in use at least three years with no failures due to such use. The record also shows that applicant, universally, uses such pipe in small diameters in its natural gas distribution systems in Arizona and Nevada and that it has experienced no failures attributable to such use; also, that it is in use by several major public utility natural gas companies throughout the United States. The instant application, however, covers the proposed use in a low-temperature area and is the first application of such type to be considered by us. Supplemental late-filed Exhibit No. 2 is a copy of a letter to applicant, dated September 2, 1964, from Kraloy/Chemtrol Co., the PVC pipe manufacturer, certifying to applicant the pipe's satisfactory performance in underground installations in areas of extreme temperature

conditions, such as those of applicant. Such certification is required by General Order No. 112-A.

Exhibit No. 9 is a map showing the expansion of applicant's distribution system at Big Bear Lake between September 30, 1959, and August 25, 1964. Said Exhibit also shows the proposed additions thereto to complete the distribution system by the end of the first year of natural gas distribution system operations.

Exhibit No. 11 is a schedule of examples of the effects of annual minimum billing proposed in Exhibit No. 3, supra. Exhibit No. 11 shows that a customer's saving, by the election of the minimum provision contained in Exhibit No. 3, based on an extreme seasonal use, would be \$1.83 per year for either an existing or new service.

The record shows that if construction of the transmission pipeline were commenced by November 1, 1964, weather permitting, it would be completed within 45 days; applicant would convert customers' appliances; and natural gas service would be available at Big Bear Lake for the 1964-65 winter season.

The Commission finds that:

1. Southwest Gas Corporation is a public utility natural gas corporation under the jurisdiction of this Commission holding a certificate of public convenience and necessity to distribute liquid petroleum gas (LPG) at Big Bear Lake.

2. Southwest is furnishing LPG service to approximately 429 customers at Big Bear Lake in a portion of the area covered by the instant application.

3. A potential of approximately 4,050 customers of a comprehensive natural gas distribution system at Big Bear Lake and in

the Marianas Ranchos subdivision in Apple Valley, within the first year of proposed operation, exists and approximately 355 customers may be added during the second 12-month period, and 405 customers may be added during the third 12-month period of natural gas system operations.

4. There is a public demand for the natural gas service sought by the application to be authorized.

5. Public convenience and necessity require that the certificate of public convenience and necessity be granted to Southwest Gas Corporation as applied for.

6. Applicant's proposals to deviate from its Main Extension Rule No. 15 in the Marianas Ranchos subdivision and at Big Bear Lake and from General Order No. 58-A at Big Bear Lake are reasonable.

7. Applicant's request for authority to apply its presently filed tariffs to the areas sought to be certificated, including the special conditions of the proposed Schedule No. G-1, Natural Gas Service, is reasonable.

8. Public convenience and necessity require that a certificate of public convenience and necessity also be granted to applicant to exercise the rights and privileges granted by Ordinance No. 794 of San Bernardino County within the areas certificated hereinafter.

9. The certificates herein granted shall be subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of the franchise involved herein or the certificates of public convenience and necessity, or the right to own, operate or enjoy such franchise or certificates of public convenience and

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

We conclude that the application should be granted.

10. The authority granted herein shall not be construed hereafter to be a finding of the value of the property or a determination of applicant's results of operations for rate-making purposes.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Southwest Gas Corporation to extend its natural gas transmission lines, as proposed and as shown on the map, Exhibit No. 7, and to construct and operate natural gas distribution systems in the area shown in dark blue on the map, Exhibit No. 7, as the Big Bear Lake service area is more particularly described in Appendix A hereto, subject to the understandings in the resale gas contract between Pacific Gas and Electric Company and applicant, dated July 8, 1957.

2.(a) Southwest Gas Corporation is authorized to file after the effective date of this order Schedule No. G-1, General Natural Gas Service, revised as necessary to provide for the application to the Big Bear Service Area, certificated herein, of the special conditions to said schedule set forth in Exhibit 3 to be effective on or before the date natural gas service is first rendered to the public in the Big Bear area in accordance with the requirements of General Order No. 96-A.

(b) Southwest Gas Corporation shall file coincident with the filing authorized hereinabove revised tariff sheets including tariff service area map as are necessary to provide for the application of said tariff sheets to natural gas service in the area certificated herein, in a manner acceptable to this Commission and in accordance with the requirements of General Order No. 96-A.

(c) Such rate schedules and revised tariff sheets shall become effective upon five days' notice to this Commission and to the public after filing as hereinabove provided.

(d) Southwest Gas Corporation is authorized to cancel its tariff sheets relating to LPG which include rate schedules Nos. G-80, General Liquefied Petroleum Gas Service, and G-81, Commercial Liquefied Petroleum Gas Service, upon completion of the changeover to natural gas service in the Big Bear area certificated herein.

3. Southwest Gas Corporation is authorized to deviate (for the period of one year from the effective date of this order in the Big Bear service area and in the Marianas Ranchos subdivision) from its Rule No. 15, Gas Main Extensions, for the purpose of constructing the transmission and distribution gas pipeline system specified in the

instant application, and to file after the effective date of this order the rule set forth in Appendix B attached to this order, to be effective on or before natural gas service is first offered to the public in accordance with the requirements of General Order No. 96-A. Such rule shall become effective upon five days' notice to this Commission and to the public.

4. Southwest Gas Corporation is authorized to deviate from General Order No. 58-A in the Big Bear service area for the purpose of converting the meter readings for high pressure gas service for billing purposes and to file after the effective date of this order Rule 2E set forth in Appendix C attached to this order, to be effective on or before the date natural gas service is first offered to the public in the Big Bear service area in accordance with General Order No. 96-A. Such addition to Rule 2 shall become effective upon five days' notice to this Commission and to the public.

5. Southwest Gas Corporation shall maintain its records in such form as may be required so that the investment in and operating results of the natural gas system serving the Big Bear service area may be separately and readily determined.

6. Southwest Gas Corporation shall file with this Commission by September 30, 1965 and each September 30th thereafter for three years a written report summarizing the condition of plastic pipe installed in the Big Bear service area as determined by the utility's regular procedure and practices, including leakage surveys and observations while installing service lines, during the preceding July/June fiscal period.

7. A certificate of public convenience and necessity is granted to Southwest Gas Corporation to exercise the rights and privileges granted by Ordinance No. 794 of San Bernardino County for the purposes and within the area certificated herein.

The authority herein granted shall expire if not exercised within one year.

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

Dated at San Francisco, California, this 13th day of October, 1964.

Fredrick B. Hollohoff
President
George G. Grover
William B. ...
William B. ...

Commissioners

Commissioner George G. Grover, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

DESCRIPTION OF BIG BEAR SERVICE AREA

1. All Township 2 North, Range 1 West, S.B.B.&M., San Bernardino County, California.
2. All Township 2 North, Range 1 East, S.B.B.&M., San Bernardino County, California.
3. All Township 3 North, Range 1 West, S.B.B.&M., San Bernardino County, California.
4. Sections 6, 7, 18, 19, 29, 30, 31 and 32, Township 3 North, Range 1 East, S.B.B.&M., San Bernardino County, California.

The proposed Big Bear Service Area may be more particularly described as follows:

Beginning at the NW corner of T-3-N, R-1-W, S.B.B.&M., San Bernardino County, California, thence easterly along the north boundaries of T-3-N, R-1-W and T-3-N, R-1-E to the NE corner of Section 6, T-3-N, R-1-E, thence southerly along the east boundaries of Sections 6, 7, 18 and 19, said township and range, to the SE corner of said Section 19; thence easterly along north boundary of Section 29, said township and range, to the NE corner of said Section 29; thence southerly along the east boundaries of Sections 29 and 32, said township and range, to the SE corner of said Section 32; thence easterly to the NE corner of T-2-N, R-1-E; thence southerly to the SE corner of said T-2-N, R-1-E; thence westerly along the south boundaries of T-2-N, R-1-E and T-2-N, R-1-W to the SE corner of said T-2-N, R-1-W; thence northerly along the west boundaries of T-2-N, R-1-W and T-3-N, R-1-W, to the point of beginning of the NW corner of said T-3-N, R-1-W.

APPENDIX B

RULE No. 15
(Continued)

GAS MAIN EXTENSIONS
(Natural Gas)

F. Special Conditions - Big Bear Service Area and
Marianas Ranchos Subdivision.

For a period of one year from OCT 13 1964 :

1. All gas main installations as prescribed in
Application No. 46780, Decision No. 6800S,
will be installed free of charge. 2. All gas
main extensions not included in Application
No. 46780, Decision No. 6800S, will
be installed as prescribed elsewhere in this
Rule No. 15.

APPENDIX C

RULE No. 2

CHARACTER OF SERVICE

D. DELIVERIES AT PRESSURES OTHER THAN STANDARD DELIVERY PRESSURE IN THE BIG BEAR SERVICE AREA.

When a customer is served Natural Gas at a pressure other than the standard delivery pressure the following correction factor will be applied to meter readings:

Atmospheric pressure plus delivery pressure divided by atmospheric pressure plus standard delivery pressure.