

ORIGINAL

Decision No. 69017

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SOUTH TAHOE GAS CO. (i) for an order)
 authorizing Applicant to furnish)
 natural gas service by means of its)
 public utility gas distribution system)
 in the South Lake Tahoe area, El Dorado)
 County, California, and (ii) for a)
 certificate or certificates of public)
 convenience and necessity authorizing)
 Applicant to construct and operate an)
 extension of its public utility gas)
 distribution system in the South)
 Lake Tahoe area and to exercise rights)
 under a franchise granted to Applicant)
 by the Board of Supervisors of El Dorado)
 County.)

Application No. 47460
 (Filed April 2, 1965,
 Amended April 20, 1965)

INTERIM OPINION

South Tahoe Gas Company, a public utility furnishing liquefied petroleum gas service through its distribution system in the South Lake Tahoe area, seeks to the extent which may be necessary authority to serve natural gas in its present tariff service area as delineated in Exhibit I attached to the application and concomitantly to abandon liquefied petroleum gas service. It further seeks a certificate of public convenience and necessity to construct and operate an extension of its public utility gas distribution system into the Tahoe Sierra and Tahoe Valley areas as shown in Exhibits B and J attached to the application. Also, authority is sought by applicant to deviate from its Rule No. 15, Gas Main Extensions, to the extent necessary to construct the proposed extension and to provide comparable treatment in making extensions to prospective customers throughout the entire proposed natural gas service area. Authority under Section 1002 of the Public Utilities Code is sought to exercise the rights and privileges of the nonexclusive, indeterminate term county-wide franchise granted on June 8, 1964, by Ordinance No. 640 of

El Dorado County, the exercise of which has not heretofore been applied for.

Present System

South Tahoe Gas Company's^{1/} initial LPG distribution system served within the Al Tahoe subdivision pursuant to authority granted in Decision No. 56626, dated May 6, 1958, in Application No. 39556. By Decision No. 59789, dated March 15, 1960, in Application No. 41593, authority was granted to render gas service in an area generally 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 U.S. Highway 50. The western boundary of this area was less than one mile east of the eastern boundary of the certificated area in the Al Tahoe subdivision. In the intervening years, South Tahoe Gas Company has expanded its gas distribution system and was serving 1,051 customers as of the close of the year 1964. A copy of applicant's present tariff area map is attached to the application as Exhibit I.

Conversion

By order dated April 14, 1965, in FPC Docket No. CP65-99, Southwest Gas Corporation was authorized to sell natural gas to applicant under provisions of the service agreements attached as Exhibit A to the application herein.

The service agreement for firm natural gas service to applicant by Southwest provides for a uniform rate of 7 cents per therm and the service agreement for interruptible gas service provides for a uniform rate of 5.238 cents per therm. With respect to the firm

^{1/} The serving utility was initially the Al Tahoe Gas Company, the name of which was changed on or about November 5, 1959, to South Tahoe Gas Company. However, South Tahoe Gas Company in its present corporate form was formerly Gas Unlimited, Inc., the corporate name change being adopted in connection with the merger authorized by Decision No. 66522 dated December 27, 1963, in Application No. 45884.

service rate, applicant has an understanding with Southwest Gas Corporation that at such time as the volume (approximately 75,000 Mcf/mo) of applicant's purchases of natural gas would make Southwest's rate schedule which is applicable to its other wholesale customer, Sierra Pacific Power Company, advantageous to applicant and its customers, that such rate schedule would be made available to applicant.

Applicant's existing gas distribution system was designed and constructed with a view to the ultimate introduction of natural gas. Since natural gas must be introduced into applicant's system at the California state line, and it has not proven to be possible to bring natural gas across the state line at any point other than Highway 50, applicant has made arrangements with the Lake Tahoe Unified School District for temporary use of substantial propane storage tanks maintained by it at its two school sites in order that LPG can be fed into the system from the southerly end while natural gas is introduced into the state-line area.

Applicant states that it is imperative to proceed with its conversion program during the ten business days commencing April 26, 1965. For this, applicant has arranged in advance to borrow trained service personnel from PG&E and from Southwest Gas Corporation. The extra personnel must be transported to the Lake Tahoe area and housing must be provided for them. It is doubtful whether the arrangements already made can be materially revised.

Applicant will pay the cost of the conversion program, including the cost of adjusting customers' appliances. This policy will not be limited to existing customers but will remain applicable after the conversion program is completed as additional customers are added to the system. However, the customers are and will continue to be responsible for any house piping and appliance venting which are required to comply with applicable building codes.

The billing procedure which will be followed during the conversion period will be in accordance with applicant's existing Rule No. 9. The rates for natural gas service are discussed herein under the heading "Proposed Rates".

Proposed Construction and Area Extension

The proposed construction delineated on Exhibit B, supra, is out for bid with a due date of April 22, 1965. Its estimated cost based on applicant's consulting engineer's estimate of April 8, 1965, is set forth in the following tabulation:

<u>Contractor</u>		<u>Unit Pr.</u>	<u>Total</u>
Regulator Stations (2)	Furnish and Install	\$	\$ 6,352
8-inch pipe - 28,615 feet	Install	6.30	180,275
Fittings	Furnish and Install		13,875
6-inch pipe - 18,790 feet	Install and Furnish Fittings	4.75	89,253
4-inch pipe - 6,500 feet	Install and Furnish Fittings	3.35	21,775
3-inch pipe - 1,230 feet	Install and Furnish Fittings	2.50	3,075
2-inch pipe - 34,910 feet	Install and Furnish Fittings	2.00	69,820
Services - (600)	Furnish and Install	100.00	60,000
Pavement Removal and Replacement - 2,000 feet		1.50	3,000
Misc. Items and Contingencies			67,116
<u>South Tahoe Gas Company</u>			
8-inch pipe - 28,615 feet	Furnish	2.20	62,953
6-inch pipe - 18,790 feet	Furnish	1.75	32,883
4-inch pipe - 6,500 feet	Furnish	1.15	7,475
3-inch pipe - 2,340 feet	Furnish	1.00	2,340
2-inch pipe - 34,910 feet	Furnish	.55	19,201
	Project Cost		<u>\$639,393</u>

The above construction, except for the paralleling of the existing six-inch main, will be made primarily in applicant's proposed additional service area as shown on said Exhibit B. The backbone of this system extension is represented by about 17,000 feet of eight-inch main to be installed along U.S. Highway 50 and along Mountain View Parkway. The portion of this main to be constructed along Highway 50 will be installed before Memorial Day if possible. After that time the cost and difficulty of such construction is increased and public relations difficulties arise if traffic on the major highway is disrupted.

According to applicant's projections, over 5,100 customers will be served by the year 1967 within the existing and proposed service areas.

Main Extensions

As previously indicated, authority is requested to deviate from applicant's Rule No. 15, Gas Main Extensions, to the extent necessary to construct the proposed extension of its system as is shown in Exhibit B. Applicant states that it believes a sufficient number of customers will be served by each segment of the proposed extension to justify the construction thereof under Rule No. 15. Applicant further states that it is not feasible at this time to obtain actual applications for service from all of the prospective customers involved.

To insure equal treatment to other potential customers within the existing and proposed service areas where distribution pipeline construction is not specified at this time, applicant proposes to apply the same standards that it applied in the design of the system extension, specified in Exhibit B, on the basis of similar market surveys and studies, and similarly not to require applications for service prior to making main extensions which are justified under its Rule No. 15.

Service Connections

According to the application, many prospective customers are presently receiving bulk liquefied petroleum gas service from tanks located at the rear of their residences and the piping of such residences is so arranged that it will be more convenient to have natural gas introduced near the present house piping outlet. In such instances applicant proposes to bear the cost in extending the service line beyond the point of normal meter location.

Applicant intends to file a revised service extension rule containing this proposal. We hereby inform applicant that any such filing should set forth clearly the extent of the problem, the eventual burden, if any, on other customers, the justification of the proposal and alternatives to the proposal, together with their relative effects.

Financing

By Decision No. 68899, dated April 20, 1965, in Application No. 47432, applicant was authorized to issue and sell for cash not to exceed 30,000 shares of common stock at a price of not less than \$10 per share to its common shareholders. Of the proceeds, \$195,000 was to be used to retire short-term construction loans, and the \$105,000 balance applied to financing anticipated capital expenditures. Applicant reports that the additional funds which will be required to finance its construction program will come from short-term loans pending the filing of an appropriate application to issue and sell long-term debt securities at a later date.

Proposed Rates

In Exhibit F, Schedule GNS, General Natural Gas Service, and Exhibit G, Schedule GIS, Interruptible Natural Gas Service, both attached to the application, applicant proposes the rates set forth as follows:

Schedule GNS

General Natural Gas Service

<u>Commodity Charge</u>		<u>Per Meter Per Month</u>
First	2 therms or less	\$2.50
Next	18 therms per therm	.16
Next	66 therms per therm	.13
Next	774 therms per therm	.12
Over	860 therms per therm	.105
Minimum Charge		\$2.50

Schedule GIS

Interruptible Natural Gas Service

<u>Commodity Charge</u>		<u>Per Meter Per Month</u>
First	525 therms, per therm	\$.095
Next	525 therms, per therm	.076
Next	1,050 therms, per therm	.067
Next	8,400 therms, per therm	.057
Over	10,500 therms, per therm	.054

Minimum Charge - \$190 per month, accumulative annually.

For average customer usage (166 therms/mo), the general natural gas rates proposed are about 28 per cent lower than applicant's existing LPG rates and about 7 per cent higher than Southwest Gas Company's retail rates for the South Tahoe area, Nevada side.

South Tahoe Gas Company's studies (Exhibit D attached to the application) show the following estimated rates of return at its proposed rates: 1965 - 6.96%, 1966 - 7.00%, and 1967 - 7.33%. These studies assume a rapid customer growth of from 1,051 actual customers in 1964 to an estimated 5,158 customers in 1967. However, they do not reflect the effect of investment tax credit and a lower unit cost of purchased gas which can become available if such growth materializes in the future.

Findings and Conclusions

The Commission hereby finds that public convenience and necessity will require the conversion from liquefied petroleum gas service in the existing tariff service area, as delineated on

Exhibit I attached to the application, and the construction and operation of a public utility gas system by South Tahoe Gas Company within the additional proposed service area in El Dorado County, as delineated on Exhibit J attached to the application. Public convenience and necessity also require that a certificate be granted to applicant to exercise the rights and privileges granted by Ordinance No. 640 of El Dorado County within the areas certificated hereinafter.

Applicant's proposals to deviate from its Rule No. 15, Gas Main Extensions, are reasonable as to the intent of providing equal treatment to prospective customers. To accomplish this applicant will be required to file criteria to be effective for a limited term under which free gas main extensions will be installed under conditions differing from its present Rule 15.

The rates proposed by applicant are reasonable as interim rates. After applicant's first full year's operating experience with natural gas service and at appropriate intervals thereafter the rate levels will be reviewed. For this purpose applicant will be required to prepare and file a results of operation report after its first twelve months of natural gas operations. The authorization of interim rates herein should not be construed to be a finding as to the fair rate of return for applicant.

Applicant will be authorized to make necessary tariff filings to provide for natural gas service and to abandon LPG service.

In issuing our order herein, we place applicant on notice that the instant application should have been filed on a more timely basis, i.e., shortly after the service agreements dated October 1, 1964 were reached with Southwest Gas Corporation (Exhibit A attached to application), and that any deficiencies in system planning or design and in the related construction as a result of efforts to meet the Memorial Day deadline for completing the proposed construction along Highway 50 shall not be allowed to be a burden on its existing or potential customers.

The Commission has given consideration to the matter and is of the opinion a public hearing is not necessary.

The certificates herein granted shall be subject to the following provisions of law:

1. That the Commission shall have no power to authorize the capitalization of the franchise involved herein or this certificate of public convenience and necessity or the right to own, operate or enjoy such franchise or certificate 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 grant of such franchise, certificate of public convenience and necessity or right.
2. That the franchise involved herein shall never be given any value before any court or other public authority in any proceeding of any character in excess of the cost to the grantee of the necessary publication and any other sum paid by it to the municipality therefor at the time of the acquisition thereof.

The action taken herein is not to be considered as indicative of the amounts to be included in future proceedings for the purpose of determining just and reasonable rates.

INTERIM ORDER

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to South Tahoe Gas Company authorizing it to convert from LPG and to construct, operate and maintain a natural gas system in the areas delineated on the maps comprising Exhibits I and J attached to the application herein.

2.a. South Tahoe Gas Company is authorized to file after the effective date of this order, the schedules of interim rates set forth in Appendix A to this order, tariff area maps acceptable to the Commission which clearly indicate the boundaries of the certificated areas and appropriate revisions acceptable to the Commission of general rules which are to include their billing procedures. Such filing shall comply with General Order No. 96-A and shall become

effective on the date natural gas service is first rendered to the public in the South Lake Tahoe area.

2.b. South Tahoe Gas Company is authorized to cancel by appropriate filing, its tariff sheets relating to liquefied petroleum gas service which include Rate Schedule No. G-80, General Service, upon completion of the change-over to natural gas service in the existing distribution system.

3.a. South Tahoe Gas Company is authorized to deviate (for the period of one year from the effective date of this order in the natural gas service area certificated herein) from its Rule No. 15, Gas Main Extensions, for the purposes of constructing the transmission and distribution gas pipeline system specified in the instant application and of providing comparable treatment to other potential customers within the certificated area for which specific distribution pipeline construction is not specified at this time, and to file after the effective date of this order, and in accordance with the requirements of General Order No. 96-A, the rule set forth in Appendix B attached to this order.

3.b. With respect to said Appendix B, South Tahoe Gas Company shall make or update by no later than August 1, 1965, any surveys or studies necessary to determine all prospective main extensions which qualify and within 10 days thereafter shall furnish to the Commission the results together with the appropriate supporting studies.

4. A certificate of public convenience and necessity is granted to South Tahoe Gas Company to exercise the rights and privileges granted by Ordinance No. 640 of El Dorado County for the purposes and within the area certificated herein.

5. South Tahoe Gas Company shall notify this Commission, in writing, of the date service is first provided to the public under the rates and rules herein authorized within twenty days thereafter.

6. Within ninety days following the first twelve months of operation at the interim rates authorized herein, South Tahoe Gas Company shall submit to the Commission, a report on the results of operation setting forth operating revenues, operating expenses, taxes, depreciation, utility plant, depreciation reserve, and rate base for (a) said twelve months operations, (b) calendar year 1966 estimated operations, and (c) calendar year 1967 estimated operations.

7. Within thirty days after the end of each calendar quarter, after establishment of natural gas service, and through the period ended December 31, 1967, South Tahoe Gas Company shall submit a report showing by months within each such quarter and where appropriate by categories of service, the number of customers served, gas revenues, gas purchased, utility plant, sales in Mcf and total footage of transmission and distribution mains.

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

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

Dated at San Francisco, California, this 11th day of MAY, 1965.

[Signature]
President

George C. Hoover

Augusta

[Signature]
Commissioners

Commissioner Frederick B. Holoboff, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

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INTERIM RATES

Schedule GNS

GENERAL NATURAL GAS SERVICE

APPLICABILITY:

Applicable to firm general natural gas service to residential, commercial and industrial customers for cooking, water heating, space heating, and other domestic, commercial and industrial uses.

TERRITORY:

Within the service area of the Company in and about the southern shore of Lake Tahoe as described by the Rate Area Map.

RATES:

<u>Commodity Charge</u>	<u>Per Meter Per Month</u>
First 2 therms or less	\$2.50
Next 18 therms per therm	.16
Next 66 therms per therm	.13
Next 774 therms per therm	.12
Over 860 therms per therm	.105
<u>Minimum Charge</u>	\$2.50

A therm is defined as a quantity of heat equivalent to 100,000 British Thermal Units.

APPENDIX A

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INTERIM RATES

Schedule GIS

INTERRUPTIBLE NATURAL GAS SERVICE

APPLICABILITY:

Applicable to natural gas service, which is subject to interruptions in supply, from facilities having a delivery capacity in excess of the then existing requirements of customers served under the General Natural Gas Service rate.

TERRITORY:

Within the service area of the Company in and about the southern shore of Lake Tahoe as described by the Rate Area Map.

RATES:

<u>Commodity Charge</u>		<u>Per Meter</u> <u>Per Month</u>
First	525 therms, per therm	\$.095
Next	525 therms, per therm	.076
Next	1,050 therms, per therm	.067
Next	8,400 therms, per therm	.057
Over	10,500 therms, per therm	.054

Minimum Charge

\$ 190 per month, accumulative annually.

A therm is defined as a quantity of heat equivalent to 100,000 British Thermal Units.

APPENDIX A
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INTERIM RATES

Schedule GIS

INTERRUPTIBLE NATURAL GAS SERVICE
(Continued)

Special Conditions:

1. Service under this schedule is subject to discontinuance without notice in case of an actual or threatened shortage of natural gas, whether due to insufficient supply or to inadequate transmission or delivery capacity of the facilities of either the Utility or its wholesale supplier. The Utility will not be liable for damages occasioned by interruption or discontinuance of service supplied under this schedule.
2. In the event that it is necessary to discontinue service under this schedule, the commodity charge and the minimum charge will be prorated on the basis of the ratio of the number of days on which service was available to the number of days in the billing period. For this purpose service will be considered available if curtailed by the Utility less than eight (8) hours in any particular day.
3. No customer shall be entitled to service hereunder for new or additional equipment unless adequate standby equipment and fuel shall have been first provided therefor, said standby facilities to be ready at all times for immediate operation in the event that the supply of gas hereunder shall be partially or totally curtailed.
4. A contract covering the fuel requirements of the customer during the operation of his plant or establishment, for a period of at least one (1) year, will be required as a condition precedent to service under this schedule, and shall continue in force and effect thereafter from year to year until either the Utility or the customer shall give the other thirty (30) days' written notice of a desire to terminate the same at least thirty (30) days prior to the expiration of any such year. If the customer permanently ceases operations, such contract shall not thereafter continue in force.

APPENDIX B

RULE NO. 15
(Continued)

Gas Main Extensions

F. Special Conditions

For a period of one year from _____:
all gas main installations meeting the criteria set forth
below will be installed free of charge. All other gas main
extensions will be installed as prescribed elsewhere in this
Rule No. 15.

Criteria

Prospective Customer Density
Per Mile of Main _____ or greater

Estimated Free Footage Allowance
Per Mile of Main _____ or greater

Other (Specify)

The intent of this special condition is to provide comparable opportunity and treatment to all prospective customers in view of the deviation, authorized by Decision No. _____, dated _____, in Application No. 47460, to construct the initial distribution system extension. The above criteria represent minimum conditions met for said deviation.

(South Tahoe Gas Company is to insert the minimum values for the several criteria and to provide the supporting studies in the pertinent advice letter filing.)