

Decision No. 71880**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 KENWOOD GAS CORPORATION and PACIFIC GAS
 AND ELECTRIC COMPANY for an order authoriz-
 ing, among other things, the former to
 sell and convey to the latter the Public
 Utility propane gas system in the
 unincorporated town of Kenwood, in
 accordance with the terms and conditions
 of an agreement dated August 1, 1966
 (Gas)

} Application No. 48873
 (Filed October 17, 1966)

O P I N I O N

Kenwood Gas Corporation, a California corporation, and Pacific Gas and Electric Company, a California corporation, seek an order or orders of the Commission authorizing, among other things, Kenwood Corporation to sell and Pacific Gas and Electric Company to purchase certain public utility propane facilities and business in the unincorporated town of Kenwood, in the County of Sonoma, California, in accordance with the terms and conditions of an agreement entered into by applicants under date of August 1, 1966.

Kenwood Corporation now is, and for a number of years past has been, the owner and in possession of certain propane vapor gas properties and business located in the unincorporated town of Kenwood, which is approximately 11 miles southeast of Santa Rosa on State Highway 12 in the County of Sonoma.

Pacific Gas and Electric Company proposes to purchase the property and business of the Kenwood Gas Corporation and extend natural gas service to the town of Kenwood. Under the terms of the agreement dated August 1, 1966, Kenwood Corporation agrees to sell and PG&E agrees to purchase for \$19,000 the following facilities: 63 services to customers, 5,171 feet of 2-inch main, 3,805 feet of 3/4-inch service (Kenwood will retain title to all meters and regulators)

and all of Kenwood Corporation's franchises, permits, licenses, contracts, easements, rights-of-way and certificate of public convenience and necessity that relate to said facilities to the extent used or useful in connection therewith.

Under the terms of the agreement, the actual cost of additions and betterments less retirements of the facilities involved and made by Kenwood Corporation subsequent to September 22, 1965, and prior to the conveyance of the facilities involved, will be subject to settlement after the transfer is consummated. PG&E proposes to pay Kenwood Corporation for the actual cost of such propane gas as is on hand including the amount of gas in system lines at the time of conveyance.

All customer deposits and refundable advances for extensions together with any accrued interest thereon relating to said system held by Kenwood Corporation at the time of conveyance shall be paid by Kenwood Corporation within 30 days thereof. PG&E shall thereupon and thereafter assume Kenwood Corporation's obligations of settlement of such deposits and advances, provided that the obligations so assumed by PG&E shall be limited to those established by the record.

Upon authorization of the Commission to carry out the terms of the aforementioned agreement, PG&E proposes to extend, in the ordinary course of business, natural gas service approximately 2½ miles from its existing system in the vicinity of the Los Guillicos School in the County of Sonoma southeasterly to and in the town of Kenwood.

PG&E possesses a certificate of public convenience and necessity issued to it by the Commission in Decision No. 42440, dated January 25, 1949 to exercise the general county franchise granted by Ordinance No. 268 by the County of Sonoma. Upon the acquisition of the Kenwood Corporation system, PG&E proposes to exercise the right, privilege and franchise granted by Ordinance No. 268 in said area.

Since the present customers of Kenwood Gas Corporation are being served with propane vapor with a heat content of about 2,500 btu per cubic foot, the conversion to natural gas will require adjustments of gas appliances. PG&E proposes to make these adjustments at an estimated cost of \$15 per customer, and to charge this cost to the first year's operating expenses.

PG&E proposes to make applicable the following natural gas rates in the area involved.

Schedule No.

G-6.3	General Natural Gas Service
G-40.1	Firm Industrial Natural Gas Service
G-50	Interruptible Natural Gas Service
G-53	Interruptible Natural Gas Service

It also proposes to make effective its presently filed and effective rules governing the furnishing of natural gas service.

The application states that the conversion of the area from propane to natural gas service for the year ending July, 1966, would have resulted in net reductions aggregating \$1,894 for 62 customers, and three would have received increases totaling \$20.80. Of these three customers, one is the Kenwood Gas Corporation, one commenced service in May, 1966, and is expected to receive a decrease because of higher use during the heating season, and the remaining account is apparently a part-time occupancy.

Estimated third-year results of operations, as shown in Exhibit D of the application may be summarized as follows:

<u>Results of Operation - Third Year</u>	
<u>Item</u>	<u>Amount</u>
<u>Operating Revenues</u>	
Domestic	\$ 32,100
Commercial	1,400
Total	<u>33,500</u>
Operating Expenses	25,200
Net Revenue	8,300
Rate Base-Depreciated	133,600
Rate of Return	5.39%

The above is predicated on the assumption that the domestic customers will increase to 230 and the commercial customers to 10.

In the last general rate proceeding for PG&E's gas department, the Commission authorized rates which would produce a rate of return of 6.25%. The proposed rate will provide PG&E with a lesser rate of return in the early years of development. When the results of operation show improvement, the higher than average rates requested for application to this area are subject to review. It is expected that the surcharge rates G-6.3 and G-40.1 being authorized herein, will be lowered when the results of operation for this extension attain a rate of return commensurate with the system average.

After consideration the Commission finds that the proposed transfer would not be adverse to the public interest and that the proposed increases in rates are justified. A public hearing is not necessary. The Commission concludes that the application should be granted.

The action taken herein shall not be construed to be a finding of value of the property herein authorized to be transferred.

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

1. The Commission shall have no power to authorize the capitalization of the franchise involved herein or these 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, certificates of public convenience and necessity or right.

2. 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.

O R D E R

IT IS ORDERED that:

1. Kenwood Gas Corporation is authorized to sell and convey to Pacific Gas and Electric Company and the latter is authorized to purchase from the former, the propane gas facilities and business herein described, in accordance with the terms and conditions of an agreement entered into by applicants under date of August 1, 1966.
2. Upon such transfer and conveyance Kenwood Gas Corporation is granted all necessary permission and authority to cease furnishing and supplying service as a public utility and shall thereupon be relieved of the duties and functions of a public utility corporation.
3. Within thirty days after the consummation of transfer herein authorized, Pacific Gas and Electric Company shall notify the Commission, in writing, of the fact and within said period shall file with the Commission a true copy of any bill of sale or other instrument of transfer which may be executed to effect said transfer.
4. Kenwood Gas Corporation shall, within thirty days after the consummation of the sale and transfer, furnish the Commission the total costs of any additions, and betterments to and retirements from the facilities involved made by Kenwood Gas Corporation between September 22, 1965 and the date of transfer of the facilities to Pacific Gas and Electric Company.

5. Pacific Gas and Electric Company shall account for the acquisition of the property described in this application in accordance with the provisions of the uniform system of accounts applicable for Class A gas corporations.

6. Within six months after the consummation of the transfer herein authorized, Kenwood Gas Corporation and Pacific Gas and Electric Company shall file with the Commission a copy of each journal entry used to record the transfer on their books of account.

7. Pacific Gas and Electric Company, upon acquiring the properties and business of Kenwood Gas Corporation, is authorized to withdraw and cancel the tariff schedules and rates of the latter insofar as they relate to the propane gas service in the town of Kenwood, and is directed to file with this Commission, on or after the effective date of this order and in conformity with the provisions of General Order No. 96-A the schedule of rates listed in Exhibit B of Application No. 48873, together with a rate area map appropriate thereto, and on not less than five days' notice to the public and to this Commission to make such rates and map effective as of the date public utility natural gas service is first rendered in the town of Kenwood, and to apply its presently filed rules to this area.

8. On or before the end of the third month after the consummation of the transfer as herein authorized, Pacific Gas and Electric Company shall cause to be filed with the Commission, in such form as the Commission may prescribe, an annual report,

or reports, related to the operation of the seller's Kenwood system for the period commencing with the first day of the current year to and including the effective date of the transfer.

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

Dated at San Francisco, California, this 24th day of JANUARY, 1967.

[Signature]
President
[Signature]
[Signature]
[Signature]

Commissioners

Commissioner WILLIAM SYMONS, JR. did not participate in the disposition of this proceeding.