

ORIGINAL

Decision No. 73425

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)

O P I N I O N

By interim Decision No. 69017, dated May 11, 1965, in this matter, South Tahoe Gas Co. was granted a certificate of public convenience and necessity authorizing it to convert from public utility LPG service and to construct, operate, and maintain a natural gas system in the South Lake Tahoe area of El Dorado County. Applicant was authorized to establish interim rates for natural gas service as set forth in Appendix A to that decision.

Results of Operations Reports

Decision No. 69017 also required that applicant submit to the Commission reports on the results of applicant's operation as a natural gas utility for the recorded first 12 months of operation as a natural gas utility, for the calendar year 1966 estimated operation, and for the calendar year 1967 estimated operation. By letter dated October 7, 1966, applicant submitted

the required reports. Subsequently, by letter dated May 22, 1967, applicant submitted recorded results of operation for the year 1966 and revised estimated results of operations for the year 1967.

The following tabulation, Table No. 1, presents the revised results of operation for the estimated year 1967 submitted by applicant. This estimate is based on the interim rates, presently effective for applicant, authorized by Decision No. 69017.

Table No. 1

Results of Operation
Estimated Year 1967

Item	Estimated by Applicant
<u>Sales (Mcf)</u>	
Residential & Commercial (Firm)	\$ 543,300
Interruptible	73,980
Total	<u>617,280</u>
<u>Revenues</u>	
Residential & Commercial	\$ 746,900
Interruptible	44,450
Total Revenues from Gas Sales	<u>791,350</u>
Other Revenues	12,650
Total Revenues	<u>\$ 804,000</u>
<u>Operating Expenses</u>	
Cost of Purchased Gas	\$ 440,000
Distribution Expense	27,000
Customer Accounts	47,000
Sales Promotion	500
Administrative & General	57,000
Depreciation	49,600
Amortization of Conversion Costs	11,700
Other Taxes	39,000
Expenses before Income Taxes	<u>671,800</u>
California Franchise Tax	4,900
Federal Income Tax	26,000
Total Expenses	<u>\$ 702,700</u>
Net Operating Income	\$ 101,300
Rate Base	\$1,758,000
Rate of Return	5.76%
<u>System Growth</u>	

Applicant has been in a period of rapid growth. While applicant had only 1,080 customers in June of 1965, by the end of

1966 this number had increased to 2,902, as reported in quarterly reports submitted in compliance with ordering paragraph 7 of Decision No. 69017. In applicant's revised estimate for 1967, the weighted average number of customers is expected to reach 3,105, as compared to a weighted average of 2,220 recorded for 1966. The applicant projects a continuing rapid growth in total sales, revenues, rate base, and number of customers. Table No. 2 compares selected recorded data for the year 1966 with utility estimates for the year 1967.

Table No. 2
Selected Growth Data

Item	Recorded Year 1966	Estimated Year 1967	Per Cent Increase
<u>Number of Customers*</u>			
Residential and Commercial (Firm)	\$ 2,217	\$ 3,098	40%
Interruptible	3	7	133
Total Number of Customers	<u>2,220</u>	<u>3,105</u>	40
<u>Sales Volumes (Mcf)</u>			
Residential and Commercial	448,518	543,300	21%
Interruptible	33,124	73,980	123
Total Sales	<u>481,642</u>	<u>617,280</u>	28
<u>Revenues</u>			
Residential and Commercial	\$ 609,561	\$ 746,900	23%
Interruptible	23,112	44,450	92
Total Revenues from Gas Sales	<u>632,673</u>	<u>791,350</u>	25
Other Revenues	19,197	12,650	(34)
Total Revenues	<u>\$ 651,870</u>	<u>\$ 804,000</u>	23
Rate Base*	\$1,368,400	\$1,758,000	28%

(Red Figure)

* Weighted average.

Cost of Gas

South Tahoe Gas Co. purchases all of its gas from Southwest Gas Corporation under tariff schedules filed with the Federal Power Commission. The rates in these schedules were reduced in FPC Docket No. RP 67-19. By Resolution No. G-1391, dated October 3, 1967, South Tahoe Gas Co. was authorized to place in effect a refund plan relating to these reductions. By Advice Letter No. 13, filed November 3, 1967, South Tahoe Gas Co. has sought authority to reduce its rates in order to flow through these reductions to its customers. Consequently, although the estimated cost of purchased gas shown in Table No. 1 should now be reduced to reflect reduced rates, estimated revenues should be reduced by the same amount with no resulting change in net revenue nor rate of return.

Franchise Taxes

By Decision No. 72353, dated May 2, 1967, in Application No. 49215, South Tahoe Gas Co. was granted a certificate of public convenience and necessity to exercise the rights and privileges granted under a franchise secured from the City of South Lake Tahoe. The franchise granted is of the standard type between gas utilities and California cities as provided for in the Franchise Act of 1937, Chapter 2, Division 3 of the Public Utilities Code. Said franchise provides for a minimum annual payment by the utility to the city of not less than one per cent (1%) of the gross annual receipts derived from the sale of gas within the limits of the city. Applicant also possesses a certificate of public convenience and necessity granted by Decision No. 69017, permitting applicant to exercise a franchise awarded by the County of El Dorado under the

A. 47460 bem

Broughton Act (Public Utilities Code Section 6001 et seq.).

Applicant's operations are, however, substantially within the city limits of the City of South Lake Tahoe.

Earnings

The applicant estimates net operating income of \$101,300 for 1967, producing a rate of return of 5.76% on a weighted average rate base of \$1,758,000. Applicant is still in a condition of rapid growth both in numbers of customers served and in volumes of gas sold. It is to be anticipated that, as operating conditions stabilize, greater earnings may be expected.

Findings and Conclusions

The Commission finds that:

1. Applicant's revised 1967 estimates of operating revenues, operating expenses, and rate base, previously summarized and discussed herein, are reasonable for the purpose of prescribing rates.
2. The rates authorized by Decision No. 69017 as interim rates, revised to reflect reduced costs of purchased gas, are fair and reasonable for the services to be rendered.
3. The requirement for filing special reports on the applicant's operations on a formal basis need not be continued.

O R D E R

IT IS ORDERED that South Tahoe Gas Co. is relieved of the requirement of filing reports in accordance with ordering paragraph 7 of Decision No. 69017.

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

Dated at San Francisco, California, this 5th day of DECEMBER, 1967.

[Signature]
President

[Signature]

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Commissioners