

**ORIGINAL**Decision No. 74723

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 SOUTHWEST GAS CORPORATION for )  
 authority to increase natural gas )  
 rates in Placer County, California. )

Application No. 49704  
 (Filed October 2, 1967)

Charles H. McCrea and Lawrence W. Robertson, Jr.,  
 for applicant.  
Philip P. Greuner, for South Tahoe Gas Company,  
 interested party.  
Leonard L. Snaider, Counsel, A. L. Gielegem, and  
Robert C. Moeck, for the Commission staff.

INTERIM OPINION

Applicant seeks authority to place in effect in its Placer County service area rates which are identical to those which it was permitted to make effective in its adjacent service area in northern Nevada by an order of the Public Service Commission of Nevada dated July 6, 1967.

After due notice, public hearing in this matter was held before Examiner Gillanders on December 6, 1967, at Tahoe City. The matter was submitted on January 2, 1968, after receipt of applicant's late-filed exhibit.

On June 18, 1968, the Commission issued Decision No. 74270 setting aside submission and reopening the matter for further hearing.

On July 5, 1968 applicant filed a "Motion For Emergency Interim Rate Relief".

After due notice, public hearing on the motion was held on August 5, 1968 at San Francisco, before Examiner Gillanders. After oral argument by counsel for applicant and for the Commission staff, the motion was submitted.

Applicant presented no new evidence as its counsel wanted his motion to be submitted on the record made at the December 6, 1967 hearing.

Counsel for applicant, while admitting that no financial emergency exists in its overall multistate operations and that no financial emergency exists in its total California operations, maintains that a financial emergency exists in its Placer County service area on the basis that this service area is independent for ratemaking purposes of applicant's Southern California rate area. He stated that the nature of the emergency is such that if relief is not granted, the company would not go into receivership or bankruptcy. Counsel's contention that applicant is entitled to emergency relief is based on language contained in Decision No. 59429 dated December 21, 1959 in the matter of Application No. 41277 (57 CPUC 460) wherein Pacific Lighting Gas Supply Company was granted authority to increase rates for resale natural gas service on an emergency interim basis.

In that matter, the Commission had before it conclusive evidence that an emergency financial condition did exist. We have no such conclusive evidence before us in this proceeding.

Staff counsel stated that the staff position is that the request for interim rate relief must be denied. Staff relies upon the standard articulated by this Commission in Greyhound Lines, Inc., 64 Cal. P.U.C. 641, 664, wherein the Commission stated:

"In the absence of a showing of financial emergency, an interim increase is appropriate only if it is so clearly justified at the time of the interim request as to make it unlikely that the increase will be denied at the conclusion of the case."

Staff counsel maintained that without a thorough analysis of applicant's affiliated transactions and possible adjustment for the saturation factor the question of rate relief is purely speculative.

The record so far developed in this matter reveals that the Commission, by letters sent in 1960, and again in 1966 advised applicant that in future proceedings before this Commission it must bear the burden of proof that the amounts claimed for rate base purposes are just and reasonable in all respects.

The record also reveals that at the hearing held on December 6, 1967 applicant made no attempt to justify its construction expenditures and that applicant's attorney declined an opportunity to present evidence on this subject.

Further, the record reveals that applicant has approximately \$2,800 of plant per customer.

It must be pointed out that the cost and amount of plant on the books of applicant not only affect its rate base but have a significant effect on expenses. Until this Commission has before it competent and sufficient evidence upon which to determine the prudent cost of plant as well as the reasonable amount of plant used and useful in the rendering of utility service, and evidence on efficacy of operation and maintenance, it cannot determine whether or not a financial emergency exists or whether a rate increase is justified. Applicant has not yet provided such evidence.

#### Findings of Fact

The Commission finds that:

1. Plant has been constructed by Cabildo Corporation.
2. John L. Holleran, E. H. Sallee and H. L. Wynn, all employees of applicant, each owns 25 percent of Cabildo's stock.
3. Counsel for applicant declined an opportunity to justify Cabildo's expenses.
4. Applicant did not justify the dollar amounts recorded on its books for plant.

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5. Applicant did not justify the footage of plant recorded on its books.

6. Applicant did not justify the amount of administrative and general expenses transferred to service area.

Conclusions of Law

1. Applicant has failed to sustain its burden of proving by competent evidence that its requested interim increase in rates is justified.

2. The motion herein should be denied.

INTERIM ORDER

IT IS ORDERED that applicant's "Motion For Emergency Interim Rate Relief" is denied.

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

Dated at San Francisco, California, this 24<sup>th</sup> day of SEPTEMBER, 1968.

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President

*William W. Bernard*

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Commissioner

*Frank P. Morrissey*  
Commissioners

*I dissent.  
Peter E. [unclear]*

Commissioner William Symons, Jr.

Present but not participating.