

Decision No. 75404**ORIGINAL**

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 SAN DIEGO GAS & ELECTRIC COMPANY, a  
 Corporation, for a Certificate of  
 Public Convenience and Necessity  
 Authorizing It to Exercise Its Gas  
 Franchise Rights in a Portion of the  
 County of San Diego; and for a  
 Certificate of Public Convenience  
 and Necessity Authorizing the  
 Extension of Its Natural Gas Service  
 to and Within Such Area, Authorizing  
 the Construction, Operation and  
 Maintenance of Certain Liquefied  
 Natural Gas Facilities; and for  
 Authorization to Place New and  
 Revised Gas Tariffs into Effect; and  
 for Authorization of Agreements  
 Between San Diego Gas & Electric  
 Company and Viejas Company, Inc. and  
 Norman J. Dahn Concerning the  
 Construction, Operation and Mainte-  
 nance of Certain Liquefied Natural  
 Gas Facilities.

Application No. 50763  
 (Filed December 20, 1968)

O P I N I O N

By this application San Diego Gas & Electric Company seeks authority to initially provide public utility natural gas service to and within a planned apartment development to be known as Alpine Village No. 1, which is to be located near the community of Alpine in San Diego County approximately 23 miles east of the City of San Diego. Applicant proposes to supply the natural gas service by means of liquefied natural gas storage and vaporization facilities.

San Diego Gas & Electric Company, requests certificates of public convenience and necessity to construct, operate and maintain a liquified natural gas system for natural gas service to Alpine Village and vicinity, and to exercise therein the rights and privileges of a franchise granted by the County of San Diego. It further seeks authorization to make effective two agreements

with the developer of Alpine Village and to place new and revised gas tariffs into effect.

It is uneconomical to furnish natural gas to Alpine Village from applicant's nearest existing distribution mains some eight miles to the west. The proposed Alpine Rate Area set forth in Exhibit "B", attached to the application, comprises approximately 30 acres to be initially developed for 77 apartments with related laundry and recreational facilities, together with a manager's office - apartment as shown by Appendix B in Exhibit "E" of the application.

The franchise referred to, a copy of which is attached to the application and designated as Exhibit "A", was granted by the County of San Diego (Ordinance No. 347 effective January 9, 1930) authorizing applicant to construct and operate gas system pipes in the streets and roads of San Diego County for a term of 50 years. This franchise provides for the annual payment by the applicant to the County of San Diego of two percent (2%) of the gross annual receipts arising from the use, operation or possession of said franchise during the remaining life thereof. Existing authorization for, and limitations placed upon, the exercise of franchise rights granted by said ordinance are set forth in Decision No. 23033, dated November 30, 1930, and Decision No. 42496, dated February 8, 1949, in Application No. 16789.

Applicant proposes to install a gas system on the south side of Arnold Way, 1,000 feet west of the community of Alpine, consisting, initially, of 1,360 feet of 3-inch mains, 1,020 feet of 1½-inch mains together with service connections, meters and regulators. Bulk storage of liquified natural gas will be provided by a vacuum-insulated cryogenic vessel of 4,000-gallon capacity (equivalent to 330 Mcf of natural gas) installed in Alpine Village. The liquified natural gas will be supplied from applicant's LNG production plant in Chula Vista by 3,000-gallon deliveries in a

cryogenic tank trailer. An ambient air vaporizer, sized to deliver 7,000 cubic feet per hour, will produce natural gas which in turn will be odorized, then supplied to the distribution system at a pressure of 15 psig for service to be individually regulated and metered to each connection. The on-site storage tank will be fitted with the necessary valves and pressure building coil for taking LNG from the trailer and for delivering LNG to the vaporizer from storage as demand requires. The entire storage site will be fenced and dyked.

As to the design, construction, operation and maintenance of the LNG and natural gas facilities installed in Alpine Village, applicant indicates that all applicable parts of General Orders Nos. 94-A and 112-B and of NFPA Bulletin No. 59-A (Liquefied Natural Gas at Utility Gas Plants) will be met. In addition, the necessary clearances for deliveries by the tank trailer have been obtained from the California Highway Patrol. Applicant proposes to obtain all necessary permits and/or authorizations which are required from public authorities and which may be needed for the construction and operation of these facilities. This includes badging the liquefied natural gas storage vessel in accordance with Section 8 of the ASME Code for Unfired Pressure Vessels, thereby meeting the requirements of the California Division of Industrial Safety. The introductory character of this use of LNG to render natural gas service makes it advisable that applicant report promptly to the Commission any malfunctions of the LNG facilities at Alpine Village.

The estimated construction cost of \$38,369 for the liquefied natural gas facilities and distribution system will be financed from internal sources. The resultant estimated annual fixed charges, operating, and maintenance costs based on the first full year of operations are \$12,822, as shown in Exhibit "C" attached to the application and detailed below.

Estimated Costs for 5,609 Mcf Per Year

Item	: Construc- : tion : Cost	Annual Expenses			: Unit : Costs : ¢/Mcf
		: Fixed	: O&M	: Total	
A. Central LNG Plant	\$ 956	\$1,774	\$ 2,730	48.7¢	
B. Transportation	707	1,648	2,355	42.0	
C. Alpine Storage	25,854	3,369	4,101	73.1	
D. Distribution	12,515	1,687	2,919	52.0	
E. Admin. & Gen. Expenses		717	717	12.8	
Totals	38,369	6,719	6,103	12,822	228.6

Applicant intends to render service at Alpine Village under Schedule G-4 supplemented by proposed Schedule GL-2 (Exhibit "F" attached to the application). The latter schedule sets forth a facility charge which is applied as follows:

Domestic Use .....\$4.56 per family accommodation per month.  
Nondomestic Use .... 4.28¢ per month per cfh of connected load.

The development of this facility charge is set forth in Exhibit "C" attached to the application. In essence, the charge is designed to recover the difference between the total cost of service and the revenues generated under Schedule G-4 and does so in relation to connected loads.

The following summary of annual revenues for service in Alpine Village indicates that the proposed rates would result in an average unit revenue that will recover overall average unit costs. The rates are also designed to give cost recognition to the different load characteristics of customers.

Annual Revenues

	<u>Apartments</u>	<u>Other Use</u>	<u>Total Use</u>
Revenue From Schedule G-4	\$ 6,881.49	\$1,045.65	\$ 7,927.14
Revenue From Schedule GL-2	4,213.44	682.44	4,895.88
Total	11,094.93	1,728.09	12,823.02
Annual Sales - Mcf	4,635.4	973.5	5,608.9
Unit Revenue - Cents Per Mcf	239.4	177.5	228.6

The first group of 77 apartments of Alpine Village is scheduled for completion and occupancy early in 1969. However, costs, rates and revenues will have to be reevaluated for new conditions. This utility's proposed rates are reasonable for this initial service. In order to be advised fully of changes resulting from future extensions under Public Utilities Code, Section 1001, the utility will be required to keep separate cost records and furnish periodic reports.

Exhibit "D" attached to the application is an agreement entered into by applicant and Viejas Company, Inc., a corporation, as to an undivided one-half interest and Norman J. Dahn, a single individual, as to an undivided one-half interest, doing business as Alpine Village. This is a master agreement concerning the site for the gas facilities, access roads, appropriate easements, assumption of facility and minimum charges, and other special arrangements for this installation. Similarly, Exhibit "E" is the related gas main extension agreement.

Applicant would not be supplying natural gas service in the Alpine Village area in competition with any other public utility. However, applicant's proposed natural gas service could be considered competition for the distributors of propane or butane gas. Six such competitors in this section of San Diego County were served copies of this application. No objections or protests to the granting of the requested certificates have been received.

#### Findings and Conclusions

The Commission finds that:

1. A public hearing is not necessary.
2. A need has been shown to exist for public utility gas service at Alpine Village in the proposed service area set forth in Exhibit "C" attached to the application.

3. Applicant has the ability to finance, install, operate and maintain liquefied natural gas storage and vaporization facilities together with a natural gas distribution system at Alpine Village.

4. Applicant should be required to maintain separate records covering liquefied natural gas conversion to natural gas service at Alpine Village and to submit annual cost studies until this distribution system is served directly from this utility's natural gas distribution system.

5. The relatively new use of liquefied natural gas to render natural gas service makes it advisable that applicant report promptly to the Commission any malfunctions of the liquefied natural gas facilities at Alpine Village.

6. Public convenience and necessity require and will require that applicant construct and operate the gas plant, as proposed, for the purpose of rendering public utility gas service to the community of Alpine Village, San Diego County, California.

7. Public convenience and necessity require and will require that applicant exercise the rights and privileges of the franchise granted by the County of San Diego by Ordinance No. 347, adopted December 9, 1929 and effective January 9, 1930 within the area initially occupied by Alpine Village and in areas hereafter to be served through extensions to its existing system made in the ordinary course of business as contemplated by Section 1001 of the Public Utilities Code.

8. The public convenience and necessity will best be served if applicant commences construction at the earliest possible date. For such purpose, the order herein should be made effective on the date hereof.

The certificates hereinafter granted shall be subject to the following provision of law:

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 a political subdivision thereof as the consideration for the grant of such franchise, certificates of public convenience and necessity, or right.

The action taken herein is for the issuance of a certificate of public convenience and necessity only and is not to be considered as indicative of amounts to be included in future proceedings for the purpose of determining just and reasonable rates.

The Commission concludes that the application should be granted to the extent set forth in the order which follows:

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company is granted a certificate of public convenience and necessity to construct, operate and maintain liquefied natural gas facilities and a natural gas distribution system in the area occupied by Alpine Village located immediately south of Arnold Way near the Community of Alpine as depicted on Exhibit "B", Alpine Rate Area, attached to the application herein.

2. San Diego Gas & Electric Company is granted a certificate of public convenience and necessity to exercise the franchise rights and privileges of Ordinance No. 347 of San Diego County to supply gas in the area certificated in Ordering Paragraph 1 herein and in areas hereafter to be served through extensions to its existing system made in the ordinary course of business as contemplated by Section 1001 of the Public Utilities Code.

3. San Diego Gas & Electric Company is authorized to carry out the terms of the "Agreement for Natural Gas Service Supplied by Liquefied Natural Gas Facilities to Alpine Village", Exhibit "D" attached to the application; and the related "Agreement for Gas Main Extension in Advance of Application for Service", Exhibit "E" attached to the application.

4.(a) San Diego Gas & Electric Company is authorized to file after the effective date of this order its proposed Schedule No. GL-2, Service From Liquefied Natural Gas Facilities - Alpine; revised Schedule No. G-4, General Natural Gas Service, which has been amended to include the Alpine Rate Area; and related sample form "Contract for Natural Gas Service Supplied by a Liquefied Natural Gas Installation" as respectively attached in Exhibits "F", "G" and "H". Such filing is to be effective on or before the date service is first rendered to the public and shall comply with the requirements of General Order No. 96-A.

(b) San Diego Gas & Electric Company 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 its gas tariff schedule to the area certified herein. Such filing shall comply 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.



5. San Diego Gas & Electric Company shall report promptly to the Commission any malfunctions of the liquefied natural gas facilities serving the area certificated herein during the operation of said facilities.

6. San Diego Gas & Electric Company shall maintain separate records covering natural gas service within the area certificated herein and shall submit to the Commission annual cost studies for such service for the period.

7. Prior to placing this system in operation, San Diego Gas & Electric Company shall advise the Commission in writing that in the design, construction, operation, and maintenance of its liquefied natural gas and natural gas facilities installed in Alpine Village all applicable parts of General Orders Nos. 94-A and 112-B and NFPA Bulletin No. 59-A (Liquefied Natural Gas at Utility Gas Plants) have been met.

The authorizations herein granted shall expire unless exercised within one year after the effective date of this order.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 11<sup>th</sup> day of MARCH, 1969.

[Signature]  
President

[Signature]

[Signature]

[Signature]  
Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.