

ORIGINAL

Decision No. 77349

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, Cal- )  
ifornia. )

Application No. 49704  
(Filed October 2, 1967;  
Amended October 21, 1968)

Charles H. McCrea and Lawrence W. Robertson,  
Jr., for applicant,  
Kenneth C. Dederick, for Citizens of Tahoe  
City Area and Users of Southwest Gas  
Service, protestant,  
Philip P. Greuner, for South Tahoe Gas  
Company, interested party,  
David R. Larrouy, Counsel, A. L. Gielegem,  
and Robert C. Moeck, for the Commission  
staff.

O P I N I O N

Following is a chronological table showing the course of  
this proceeding:

<u>1967</u>	
October 2	Application filed.
December 6	First day of hearings, Tahoe City, California.
<u>1968</u>	
January 2	Matter initially submitted following filing by applicant of a late-filed exhibit.
June 18	Commission issued Decision No. 74270, setting aside submission and reopen- ing matter for further hearing.
July 5	Applicant filed Motion for Emergency Interim Rate Relief.
August 5	Hearing on applicant's Motion for Emergency Interim Rate Relief, San Francisco, California. Pre-hearing Conference held to determine issues.
September 24	Commission issued Decision No. 74723 denying applicant's Motion for Emer- gency Interim Rate Relief.

October 14	Applicant filed Petition for Rehearing of Motion for Emergency Interim Rate Relief.
October 21	Applicant filed First Amendment to Application.
October 30, 31 and November 1	Additional hearings, San Francisco.
November 15	Applicant filed Petition for Removal of Hearing Examiner.
November 19	Decision No. 74966 denying Applicant's Petition for Removal of Hearing Examiner.
November 19, 20, 21 and 22	Further hearings, San Francisco.
December 19	Further hearings, Auburn.
<u>1969</u>	
January 28	Decision No. 75240 denying Applicant's Petition for Rehearing of Motion for Emergency Interim Rate Relief.
January 29	President Symons' Dissent to Decision No. 75240.
April 15, 16, 17 and 18	Further hearings, Tahoe City.
April 18	Applicant filed Petition for Proposed Report.
May 26, 27 and 28	Further hearings, San Francisco.
June 3	Applicant filed Second Motion for Emergency Interim Rate Relief.
August 21	Further hearing, San Francisco; Matter submitted.
August 26	Decision No. 76103 granting applicant's Second Motion for Emergency Interim Rate Relief.
<u>1970</u>	
March 2	Examiner's Proposed Report filed.
March 23	Exceptions to Proposed Report filed by Southwest and Staff.
April 6	Replies to Staff exceptions filed by Southwest.
April 7	Reply to exceptions filed by Staff.

During the 18 days of hearing, 58 exhibits were introduced, the testimony of 41 witnesses was received and 1,890 pages of transcript were recorded.

In his proposed report, the examiner discussed what he believed to be the material issue and explained how he arrived at his answer<sup>1/</sup> thereto.

Southwest, among its numerous exceptions, recommends that the application as amended (providing for rates higher than the interim rates) be granted. The staff recommended in its exceptions that the interim rates should be found reasonable for the future.

The staff, in its reply to Southwest's exceptions, claims that the proposed report with minor exceptions properly adopted the results of operation as calculated by the staff and that the exceptions filed by Southwest in no way refute the staff's evidence.

Southwest in its reply submits that the staff's arguments that the amended proposed rates exceed the value of service are not correct. Southwest maintains the evidence shows that the proposed rates do not exceed the value of service.

We have before us three rate proposals:

1. The examiner's proposal to set rates at the pre-interim level.
2. The staff's proposal to set rates at the interim rate level.
3. Applicant's proposal to set rates at the requested amended rate level.

We will not adopt the examiner's rate proposal, neither will we adopt the staff's rate proposal.

1/ The examiner recommended no rate increase be authorized and that Southwest be required to refund monies collected under the interim rates.

It is apparent from this record that applicant absent the questions of prudent investment and competition would be entitled to a return of 7 percent or more because of its high leverage and high cost debt. It is also apparent from this record that a 7 percent rate of return would require rates in excess of the value of service. Applicant's amended level of rates does not exceed the value of service. These rates related to the expenses and rate base shown in the proposed report, modified to reflect rate case costs and conversion costs as set forth in Exhibit 48, show an estimated rate of return of 3.1 percent.

The Commission finds that:

1. Cabildo Corporation and Wells Cargo, Inc., were associated with Southwest during construction of the North Tahoe system.
2. Southwest's management was imprudent in authorizing use of Cabildo Corporation and Wells Cargo, Inc., in the construction of the North Tahoe system.
3. The complete record in this proceeding shows that applicant's amended rates are reasonable.
4. The interim rates are not reasonable for the future. The supplemental relief sought is.
5. Four hundred sixty-four thousand dollars (\$464,000) for "conversion" costs was erroneously charged to plant accounts.
6. Sixty-three thousand dollars (\$63,000) of marketing expenses was erroneously charged to plant accounts.

We will adopt the following conclusions of law and make the following order in place of those in the proposed report.

Conclusions of Law

The Commission concludes that:

1. Application No. 49704 should be granted to permit applicant to file tariffs at the amended rates and in all other respects, the application should be denied.

2. The books of Southwest should be adjusted as hereinafter ordered.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Southwest Gas Corporation, a California corporation, is authorized to file the revised rate schedules attached to the order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the schedules shall be four days after the date of filing. The schedules shall apply only to service rendered on and after the effective date thereof.

2. Within ninety days after the effective date of this order Southwest Gas Corporation shall make the following accounting adjustments to its books and file in this proceeding written notice of its compliance with each item:

- a. Remove \$464,000 of "conversion" costs from the plant accounts and charge to Account 186, Miscellaneous Deferred Debits, for subsequent amortization in equal annual installments over a period of 15 years to Account 407.2, Amortization of Conversion Expense.
- b. Remove \$63,000 of marketing expenses from plant accounts and charge to Account 435, Extraordinary Deductions.

3. Monies accrued in the special reserve established pursuant to Decision No. 76103 shall be transferred to Southwest.

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

Dated at San Francisco, California, this 9th day of JUNE, 1970.

William J. Quinn  
President

[Signature]

Vernon L. Sturgeon  
Commissioners

Commissioner A. W. GATOV  
Present but not participating.

Commissioner THOMAS MORAN  
Present but not participating.

Schedule No. G-10

GENERAL NATURAL GAS SERVICE

APPLICABILITY

Applicable to all classes of customers for all firm natural gas service except service to customers qualifying for service under other rate schedules.

TERRITORY

Throughout the company's certificated area in Placer County, except as may hereafter be provided.

RATES

		<u>Per Meter</u> <u>Per Month</u>
<u>Commodity Charge:</u>		
First	2 therms or less	\$3.00
Next	26 therms, per therm	.197
Next	64 therms, per therm	.138
Next	274 therms, per therm	.135
Next	548 therms, per therm	.130
Next	1,828 therms, per therm	.126
Next	6,398 therms, per therm	.123
Over	9,140 therms, per therm	.118

The number of therms shall be determined in accordance with the provisions of Rule No. 2C.

Minimum Charges:

The minimum charges specified below correspond to the maximum consumption in any billing month of the full year ending the preceding September 30.

<u>Maximum Billing Consumption</u>	<u>Minimum Charge</u> <u>Per Meter</u> <u>Per Month</u>
457 therms or less .....	The commodity charge for the first 2 therms or less.
Over 457 therms but not more than 3,656 therms	\$ 50.00*
Over 3,656 therms but not more than 7,312 therms	100.00*
Over 7,312 therms .....	250.00*

(Continued)

Schedule No. G-10

GENERAL NATURAL GAS SERVICE

RATES—Contd.

\* These minimum charges shall be applicable to public schools for bills based on regular meter readings from October through April, inclusive. The monthly minimum for other months will be the commodity charge for the first 2 therms or less.

Whenever premises were not served for the full year ending the preceding June 30 or whenever substantial changes (100% or greater for corresponding months) are made in gas consumption, the utility may estimate the maximum billing month consumption.

SPECIAL CONDITIONS

1. Any customer who uses or who is estimated to use in excess of 457 therms in any one month may be required to sign a contract for one year as a precedent to service under this schedule, and said contract shall continue in force and effect from year to year thereafter until either the utility or the customer shall give the other written notice of a desire to terminate the same at least thirty days prior to the expiration of any such year. If the customer permanently ceases operation, such contract shall not thereafter continue in force.

## Schedule No. G-60

INTERRUPTIBLE NATURAL GAS SERVICEAPPLICABILITY

Applicable, subject to interruptions in supply as provided in special conditions below, to natural gas service to customers located near existing mains having a delivery capacity and supply in excess of the then existing requirements of firm customers.

TERRITORY

Throughout the company's certificated area in Placer County, except as may hereafter be provided.

RATES

Commodity Charge:	Per Meter Per Month
First 525 therms, per therm	\$0.1050
Next 525 therms, per therm	.0840
Next 1,050 therms, per therm	.0740
Next 8,400 therms, per therm	.0630
Over 10,500 therms, per therm	.0545

The number of therms shall be determined in accordance with the provisions of Rule No. 2C.

Minimum Charge:

\$190 per month, accumulative annually.

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.

(Continued)

Schedule No. G-60

INTERRUPTIBLE NATURAL GAS SERVICE

SPECIAL CONDITIONS--Contd.

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 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 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 days' written notice of a desire to terminate the same at least thirty days prior to the expiration of any such year. If the customer permanently ceases operations, such contract shall not thereafter continue in force.