

sjg /hjh

ORIGINAL

Decision No. 78933

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SOUTHERN CALIFORNIA GAS COMPANY,)
Under Section 851 of the Public)
Utilities Code, for an Order of the)
Commission Authorizing it to Convey)
to the United States of America)
Certain Gas Distribution Facilities)
Located Within the Capehart Housing)
Area at U. S. Naval Air Station,)
Lemoore, California.)

Application No. 52552
(Filed April 12, 1971)

O P I N I O N

Southern California Gas Company (So Cal) requests authority to transfer the gas distribution system facilities located within the Capehart Housing Area at the U. S. Naval Air Station at Lemoore, California, to the United States of America (Government) under Section 851 of the Public Utilities Code.

Both So Cal and Pacific Gas and Electric Company desired to supply gas service to the Naval Air Station at Lemoore, California. Decision No. 57820, dated January 6, 1959, in Application Numbers 39976, 39999 and 40049 and Case No. 6170 granted a certificate of public convenience and necessity to So Cal to exercise the rights and privileges granted by the County of Kings by Ordinance No. 235 adopted February 11, 1958. At the hearings in the above-mentioned proceedings Pacific Gas & Electric Company and So Cal stipulated to a boundary line that would permit So Cal to serve the Air Base.

So Cal contracted with Government to furnish, install, operate and maintain a gas distribution system and to supply natural gas service within the Capehart Housing Area. The contract, dated August 29, 1960, was attached to the application herein as Exhibit A.

A copy of the contract was filed with the Commission by So Cal pursuant to Section X, Paragraph B of General Order No. 96 on October 10, 1960.

The contract provided for construction by So Cal of the gas distribution facilities for approximately 1300 housing units.^{1/} So Cal estimated construction costs for several stages of development. Government agreed to reimburse So Cal for its construction costs with an upper limit which amounted to 110 percent of its cost estimate for each stage of construction.

So Cal proposes to transfer facilities to Government with a book cost and original cost of \$267,945. The reimbursable costs paid by Government for these facilities is \$236,445 because actual construction costs exceeded the 110 percent limit. The application alleges that no hardship will result to So Cal's other customers if these facilities are conveyed to the Government. The application does not set forth So Cal's proposed accounting treatment for the proposed transfer. It would appear that the appropriate accounting treatment for authorizing this transfer should include a charge to So Cal's surplus account for the unreimbursed costs.

The contract provided for modification of the facility charges from time to time based upon revised costs. There have been several revisions of the facility charges to reflect revised costs and numerous other contract modifications. Copies of the contract modifications, some of which were previously filed with the Commission, are not referred to in the application. A copy of the contract modifications furnished by So Cal is incorporated into this record as Exhibit No. 1.

1/

Other buildings located within the housing area are receiving gas service from these facilities at this time.

In addition, the contract provided that after the initial 10-year term of the contract, applicant would apply to the Commission for authority to transfer said facilities to Government without any further charge. Also, after the expiration of the initial 10-year term of the contract a facility charge was to be negotiated covering maintenance costs on these facilities. So Cal is presently negotiating a new maintenance contract with Government for the facilities to be transferred and providing for necessary minor replacements. If the charges for performing such services would result in a burden on So Cal's other customers, the Commission in the exercise of its jurisdiction may determine the reasonableness of this contract.

The contract also provides that So Cal will take such action as may be necessary to obtain a release of these facilities from the bond indenture and supplements thereto under which said gas distribution facilities will be held.

Government is presently receiving gas service through four meters. Consumption through three meters is being billed for at the G-6 rate and consumption through the fourth meter is billed for at the G-50 rate. Gas service to the schools serviced off the distribution system proposed to be transferred is subtracted from the consumption billed to Government. The schools receive separate bills and So Cal proposes to continue billing on this basis after the transfer.

So Cal states that this transfer is in the public interest and that the application authorizing the transfer is being made pursuant to the above-mentioned contract.

Findings and Conclusions

1. So Cal has been and proposes to continue to supply gas service to the Capehart Housing Area at the U. S. Naval Air Station at Lemoore, California, pursuant to its filed tariffs.

2. Government proposes to have So Cal operate, maintain and make necessary minor replacements of the facilities it proposes to acquire and So Cal proposes to and is capable of providing its services relative to the transferred facilities pursuant to a contract.

3. The facility charges heretofore paid by the United States of America for the herein described facilities have not fully reimbursed So Cal for its capital costs relating to the facilities to be transferred.

4. So Cal must obtain releases from bond indentures and supplements thereto to transfer the facilities.

5. The transfer of ownership of the distribution facilities to the Government will not be adverse to the public interest if consummated pursuant to the order which follows.

6. A public hearing is not necessary.

We conclude that the burden of any capital losses incurred by reason of the transfer should be borne by So Cal's shareholders.

We conclude that the application should be granted as provided by the following order.

The action taken herein is not to be construed as a finding of the value of the properties to be transferred.

O R D E R

IT IS ORDERED that:

1. Within one year after the effective date of this order, Southern California Gas Company may transfer its public utility gas distribution facilities described in Exhibits A and B attached to the application located within the Capehart Housing Area of the U. S. Naval Air Station at Lemoore, California, to the United States of America, upon the terms set forth in Exhibit A.

2. Southern California Gas Company is authorized to continue its present practices as to supplying and billing for gas service within the Capehart Housing Area including sales to schools located within the housing area.

3. Within 30 days after the date of actual transfer, Southern California Gas Company shall file with the Commission:

a. Written notice of date of transfer and true copy of the instrument used to effect such transfer.

b. A copy of the executed contract between Southern California Gas Company and the United States of America relating to the operation, maintenance and minor replacement of the facilities authorized to be transferred herein.

c. A copy of the journal entries relating to the transfer which shall include a charge to Southern California Gas Company's surplus account.

d. A copy of the releases from its bond indentures and supplements thereto.

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

Dated at San Francisco, California, this 27th
day of JULY, 1971.

William J. Sturgeon, Jr. Chairman
J. P. Vukasin, Jr.
James L. Sturgeon
Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.