

ORIGINAL

Decision No. 80701

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
PETROLANE-SIERRA GAS SERVICE, INC.,
a California corporation, for
authority to increase its rates for
gas service.

Application No. 53071
(Filed December 28, 1971)

Investigation on the Commission's
own motion into the rates, rules,
regulations and practices of
Petrolane-Sierra Gas Service, Inc.,
a California corporation.

Case No. 9381
(Filed May 18, 1972)

R. V. Wills, Attorney at Law, and Larry N. Summers,
for Petrolane-Sierra Gas, applicant in
Application No. 53071 and respondent in
Case No. 9381.

N. Edward Denton and David Kennedy, Attorneys at
Law, for County of Mono, interested party.
William C. Bricca, Attorney at Law, Jerry Levander,
and Robert C. Moock, for the Commission staff.

O P I N I O N

By this application, Petrolane-Sierra Gas Service, Inc.,
a California corporation, requests authority to establish rates
in its Bridgeport and Sierra-Highlands service areas which are
designed to increase annual revenues in the year 1972 estimated,
by \$10,200 or 11.3 percent over the rates now in effect.

As it appeared that a results of operation study prepared
by the staff indicated that Petrolane's present rates might be
producing a return which exceeds those that are generally considered
fair and reasonable by the Commission, the above-captioned case
was instituted by Commission order and consolidated with the
application for hearing.

Public hearing was held before Examiner Gillanders in
Bridgeport on June 20, 1972, and in San Francisco on July 25, 1972,
and the matter was submitted on the latter date. Copies of the

application had been served and notice of hearing had been published, posted, and mailed in accordance with this Commission's rules of procedure.

Oral and written testimony on behalf of applicant was presented by one of its vice-presidents and its controller. The Commission staff presentation was made by an engineer. The County of Mono was represented by its District Attorney.

Ownership and Affiliated Interests

As of December 31, 1971, the sole stockholder of applicant was Petrolane Incorporated. Applicant purchases its propane gas supply from Petrolane Transport, Incorporated, another wholly owned subsidiary of Petrolane Incorporated. Transactions between applicant and Petrolane Transport are recorded as intercompany transfers. Personnel who operate applicant's gas system also perform other duties for the nonutility operations of applicant's affiliated companies, such as propane deliveries and plant operation. These employees also deal in appliance sales, installation and service, collections, etc., which could involve a customer of either the utility or its parent.

Applicant's Operations

As of December 31, 1971 applicant furnished propane gas to approximately 121 customers in Bridgeport and 99 customers in Sierra-Highlands, near Bishop. The Sierra-Highlands service area is all residential. Applicant serves residential customers, motels, commercial customers and public buildings in Bridgeport.

Description of Gas System

The gas systems supplying propane gas contain approximately 14,150 feet of pipe ranging in size from 1 to 4 inches in diameter. Applicant's storage facilities consist of one 20,000-gallon propane storage tank at Bridgeport and three 1,150-gallon tanks and a 1,000-gallon tank at Sierra-Highlands. Both systems contain adequately sized direct fired vaporizers to meet propane gas demands in excess of normal vaporization.

Present and Proposed Rates

Rates presently in effect for gas service are set forth in Exhibit C attached to the application. Applicant's proposed rates for gas service set forth in Exhibit D, attached to the application, are designed to produce additional gross revenues on an annual basis of approximately \$10,200.

As shown in Exhibit C, present rates in effect at Bridgeport, California, are based on cubic feet consumption. The proposed rate schedule will be uniformly used for both Bridgeport and Sierra-Highlands with consumption measured in therms. With both areas using the same rate schedule, accounting and billing will be uniform.

Measurement of gas will be by temperature compensated meters. Applicant purchases gas on a compensated basis. By compensating to 60° and selling therms, customers will be receiving and paying for true heat value. The amount of additional gross revenue from using compensated meters is unknown; however, applicant does anticipate that compensated meters will provide additional revenue. According to applicant, if the use of compensated meters is not allowed, then it would have to increase its proposed rate schedule.

Results of Operation

Witnesses for applicant and the Commission staff analyzed and estimated applicant's operational results. Shown below are summary of earnings tables taken from staff Exhibit 3.

Summary of Earnings
Bridgeport and Sierra-Highlands

	: 1971 Staff Adjusted	: 1972 Staff Estimated	:
	: : Sierra-	: : Sierra-	:
Item	: Bridgeport: Highlands	: Bridgeport: Highlands	:

	<u>Present Rates</u>			
Operating Revenues	\$50,530	\$27,110	\$50,990	\$29,010
<u>Deductions:</u>				
Operating Expenses	41,450	17,490	41,840	18,570
Depreciation Expenses	1,960	700	1,960	700
Taxes Other Than Income	2,580	510	2,600	510
Income Taxes	1,480	2,780	1,500	3,050
Total Revenue Deductions	47,470	21,480	47,900	22,830
Net Operating Income	3,060	5,630	3,090	6,180
Avg. Depreciated Rate Base	77,580	30,410	75,660	29,810
Rate of Return	3.9%	18.5%	4.1%	20.7%

	<u>Proposed Rates</u>			
Operating Revenues	\$57,220	\$27,140	\$57,750	\$29,020
<u>Deductions:</u>				
Operating Expenses	41,450	17,490	41,840	18,570
Depreciation Expenses	1,960	700	1,960	700
Taxes Other Than Income	2,720	510	2,730	510
Income Taxes	3,670	2,780	3,720	3,050
Total Revenue Deductions	49,800	21,480	50,250	22,830
Net Operating Income	7,420	5,660	7,500	6,190
Avg. Depreciated Rate Base	77,580	30,410	75,660	29,810
Rate of Return	9.6%	18.6%	9.9%	20.8%

Total Company Summary of Earnings

:	:	Applicant:	Staff	:	Applicant Exceeds:	Staff	:
:	:	1971	:	1971	:	Staff	:
:	:	Estimated:	Estimated:	:	Amount	:	Percent
:	:	Estimated:	Estimated:	:	Amount	:	Percent

	<u>Present Rates</u>				
Operating Revenues	\$ 77,000	\$ 77,640	\$ (640)	(0.8)	\$ 80,000
<u>Deductions:</u>					
Operating Expense	71,000	58,940	12,060	20.5	60,410
Depreciation Expense	4,600	2,660	1,940	72.9	2,660
Taxes Other Than Income	4,150 ^{1/}	3,090	1,060	34.3	3,110
Income Taxes	200	4,260	(4,060)	(95.3)	4,550
Total Revenue Deductions	\$ 79,950	\$ 68,950	\$ 11,000	16.0	\$ 70,730
Net Operating Income	-	8,690	(8,690)	-	9,270
Avg. Depreciated Rate Base	104,900	107,990	(3,090)	(2.9)	105,470
Rate of Return	-	8.0%	-	2.8%	8.8%

Proposed RatesWith and Without Temperature Compensating Meters

:	:	Applicant 1971	:	Staff	:	Applicant Exceeds:	Staff	:
:	:	Estimated	:	1971-With:	:	Staff-With	:	1972
:	:	With	:	Without	:	Estimated:	Amount	:
:	:	With	:	Without	:	Estimated:	Amount	:

Operating Revenues	\$ 90,200	\$ 87,200	\$ 84,360	\$ 5,840	6.9	\$ 86,770
<u>Deductions:</u>						
Operating Expense	74,000	71,000	58,940	15,060	25.6	60,410
Depreciation Expense	1,750	4,600	2,660	2,090	78.6	2,660
Taxes Other Than Income	3,650	4,300	3,230	420	13.0	3,240
Income Taxes	2,180	1,800	6,450	(4,270)	(66.2)	6,770
Total Revenue Deductions	\$ 84,580	\$ 81,700	\$ 71,280	\$ 13,300	18.7	\$ 73,080
Net Operating Income	5,620	5,500	13,080	(7,460)	(57.0)	13,690
Avg. Depreciated Rate Base	107,104 ^{2/}	104,900	107,990	(886)	(0.8)	105,470
Rate of Return	5.25%	5.24%	12.1%	-	-	13.0%

(Negative)

^{1/} Applicant included \$3,150 for delinquent Mono County Franchise Taxes.^{2/} Include net plant addition of \$2,204 for temperature compensating meters.

Applicant's Exhibit 2 entitled "Report on the Results of Operations of Petrolane-Sierra Gas Service, Inc. is based on a 1971 estimated year. The staff's estimates of operating revenues and operating expenses, Exhibit 3, are based on a 1971 adjusted year and a 1972 estimated year.

Explanation of Differences

Operating Revenues

- a. As of December 31, 1971, applicant served 220 customers, the average number of customers served in 1971. For the test year 1972, the staff has estimated an average of 225 metered services.
- b. The staff estimates for 1971 adjusted and 1972 estimated are based upon a 1971 gas use analysis of metered consumption for each service area adjusted for long-term degree day conditions plus a 3 percent allowance for compensating meters. Applicant's 1971 gas sale estimates are based on the 12-month period ending September 30, 1971 at present rates. Applicant calculated a bill of \$31.76 at proposed rates for 140 therms and a corresponding unit revenue of 22.68 cents per therm. Applicant's revenue estimate for each area at proposed rates is equal to the product of 22.68 cents per therm times the number of therms sold in that area in the year ending September 30, 1971. Applicant's estimated company-wide consumption was 140 therms per customer per month. Applicant's average estimated usage is low because of its use of 229 customers for 1971 instead of 220. Applicant did not consider consumption blocking patterns.

- c. The staff has estimated usage of 103.83 Mcf (2,093 therms) and 52.23 Mcf (1,176 therms) per customer per year for the estimated year 1972 for the Bridgeport and Sierra-Highlands service areas, respectively. For the adjusted year 1971 the staff has estimated usage of 2,072 therms and 1,153 therms per customer per year for the Bridgeport and Sierra-Highlands service areas, respectively.
- d. Applicant and its affiliates provide appliance service to utility customers. During 1971, applicant collected approximately \$126 and \$292 for this service from the Bridgeport and Sierra-Highlands service areas, respectively. Based on the last five years recorded average, the staff has estimated other operating revenues of \$130 for Bridgeport service area. In the Bridgeport area the salary and benefits for applicant's resident employee cover the time spent in performing these services. However, in the Sierra-Highlands area the payroll allocation to the utility operating expenses do not include any estimate for other revenue in the Sierra-Highlands area.

Operating Expenses

The following tabulation shows comparison of operating expenses as estimated by applicant and staff for the year 1971 and the staff's estimates for the test year 1972:

Operating Expenses
Bridgeport

Classification	Applicant: 1971 Estimated	Staff: 1971 Adjusted	Applicant Exceeds Staff Amount	Percent	Staff 1972 Estimated
Purchased Gas	\$ 38,970	\$ 33,210	\$ 5,760	17.3	\$ 33,550
Salaries	6,800 ^{1/}	3,510	3,290	93.7	3,560
Oper. Supplies & Exp.	150	150	-	-	150
Rent	1,800	850	950	111.8	850
Insurance	780	610	170	27.9	610
Gen. Admin.	1,230 ^{2/}	1,230	-	-	1,230
Gen.—Other Exp.	1,250	1,890	(640)	(33.9)	1,890
Total Oper. Exp.	\$ 50,980	\$ 41,450	\$ 9,530	23.0	\$ 41,840

(Negative)

1/ Based on recorded payroll for year ending 9-30-71.

2/ Proration based on number of customers.

Operating Expenses
Sierra-Highlands

Classification	Applicant: 1971 Estimated	Staff: 1971 Adjusted	Applicant Exceeds Staff Amount	Percent	Staff 1972 Estimated
Purchased Gas	\$ 15,830	\$ 13,850	\$ 1,980	14.3	\$ 14,850
Salaries	1,200 ^{1/}	1,090	110	9.2	1,140
Oper. Supplies & Exp.	150	150	-	-	150
Rent	-	-	-	-	-
Insurance	320	230	90	39.1	250
Gen. Admin.	1,470 ^{2/}	1,470	-	-	1,470
Gen.—Other Exp.	1,050	700	350	50.0	710
Total Oper. Exp.	\$ 20,020	\$ 17,490	\$ 2,530	14.5	\$ 18,570

1/ Based on recorded payroll for year ending 9-30-71. Recorded payroll for calendar year 1971 was \$833.60.

2/ Proration based on number of customers.

Total Company Operating Expenses

Classification	Applicant: 1971 Estimated	Staff: 1971 Adjusted	Applicant Exceeds Staff Amount	Percent	Staff: 1972 Estimated
Purchased Gas	\$ 54,800	\$ 47,060	\$ 7,740	16.4	\$ 48,400
Salaries	8,000	4,600	3,400	73.9	4,700
Oper. Supplies & Exp.	300	300	-	-	300
Rent	1,800	850	950	100.0	850
Insurance	1,100	840	260	31.0	860
Gen. Admin.	2,700	2,700	-	-	2,700
Gen.—Other Exp.	2,300	2,590	(290)	11.2	2,600
Total Oper. Exp.	\$ 71,000	\$ 58,940	\$12,060	20.5	\$ 60,410
			(Negative)		

Operating expenses for the adjusted year 1971 and estimated year 1972 were developed by the staff after a detailed study of reasonable requirements for the operations of Petrolane-Sierra Gas Service, Inc. The estimated expenses for the adjusted year 1971 and estimated year 1972 are based on the following factors:

- a. After reviewing applicant's work papers, the staff has adopted applicant's estimates on individual items of operating expenses with the exception of allocation of employee labor and items otherwise stated herein.
- b. In computing the quantity of gas purchased, applicant did not use the correct conversion factors for altitude correction.^{1/} After making this correction, the applicant's revised calculations show that unaccounted for gas equals 23.5 percent of sales. In 1971 applicant hired an independent firm to perform a survey to locate pipe leaks in the Bridgeport distribution system. No leaks were discovered. Applicant has stated that in "extreme emergencies", applicant's affiliates withdrew propane from the 20,000-gallon storage tank located in Bridgeport and proper entries were recorded on the books for these transactions. Applicant's estimates of gas purchases are excessive. Applicant should investigate the cause of these losses and meter its liquid and gas withdraw from storage.

^{1/} The elevation for the Sierra-Highlands area should be revised to 4,270 feet in Rule No. 2.

- c. The staff's estimates of quantity of propane purchased are based on unaccounted for gas of three percent to cover system losses and fuel for the gas fired vaporizers. The staff's estimates gave consideration to a three percent gain in gas sales which would be recorded through temperature compensating meters.
- d. Applicant's affiliated company transports propane in its own tank trucks from oil refineries near Bakersfield and from its own storage tanks located in Sparks, Nevada. Applicant proposes to purchase propane from its affiliate at a price of 11.4 cents per gallon for both service areas, which includes the refinery cost plus long distance and local transportation charges. No local charges are involved in the Bridgeport area because the 20,000 gallon storage tank is capable of taking a large tank truck load of propane. For Sierra-Highlands, propane is stored in a 30,000 gallon bulk storage tank (owned by applicant's affiliate) located in Bishop. From here, propane is transported in small tank trucks to the applicant's tanks and to Petrolane Inc.'s nonutility customers. The small storage tanks located in the service area are too small to take full large tank truck loads. After reviewing applicant's invoices, work papers, and comparing bulk rate prices of propane, in the vicinity of Bishop and Bridgeport, the staff has estimated charges of 11.15 cents per gallon of propane in Bridgeport and 10.64 cents per gallon in Sierra-Highlands. The Sierra-Highlands price includes an allocation of 7.1 percent rate of return related to the operation of Petrolane Inc.'s bulk plant operation.
- e. Subsequent to filing this application, applicant's Bridgeport employee left and applicant hired a replacement. This employee's duties up to the time of the staff's field investigation on March 7 and 8, 1972 were primarily assigned to training, operating and maintaining the utility plant at Bridgeport. The staff estimates an allocation of \$3,300 and \$3,400 of this employee's compensation for services performed for the utility for adjusted year 1971 and estimated year 1972, respectively. This 50 percent payroll allowance is greater than necessary to perform the necessary operations, maintenance and servicing of applicant's system. It gives consideration to the location of the community and the desire of

the community to have a serviceman available on reasonable notice. This employee's predecessor handled liquid propane deliveries and services for approximately 200 nonutility customers of Petrolane Inc. The distance traveled to these customers ranged up to 40 miles. The staff assumed that the new employee will service all of these Petrolane Inc. customers. In addition, the staff estimated temporary help amounting to \$210 for Bridgeport. For the year 1971, applicant has estimated payroll of \$6,800 for the Bridgeport service area as compared to the staff's estimate of \$3,510.

- f. Recorded employee costs, which includes benefits and payroll taxes of \$833.60 were charged to the Sierra-Highlands service area during the year 1971. The staff has estimated employee costs of \$1,090 to include the present \$80 per month for operation and maintenance charges plus an allowance for repairs in the Sierra-Highlands service area for the year 1971 and 1972 as compared to applicant's \$1,200 estimate for 1971.
- g. Applicant was charged \$648, which is one-half the rental of Petrolane Inc.'s Mammoth service office. This office handles approximately 120 Bridgeport customer accounts for applicant and 480 nonutility customer accounts in the Bridgeport and Mammoth Lakes area. The staff has estimated the Mammoth office rent at \$200 for services performed for applicant's Bridgeport customers.
- h. Applicant estimated \$1,300 for house rental expenses for its Bridgeport employee. In conformity with the Payroll adjustment described in subparagraph f above, the staff has estimated \$650 for the Bridgeport house rental expense.
- i. Liability insurance expenses are based on premiums of \$17.06 per 10,000 gallons of propane sold. Applicant's estimates do not include rebates received.
- j. The staff has adopted applicant's general administration expense. Administration, billing, accounting, and legal services are provided by applicant's parent company from Long Beach.
- k. Applicant's letter dated February 2, 1972 to the Commission indicated that a recently purchased pickup costing \$3,850.29 will be charged to the utility because it has been placed in service in Bridgeport. This pickup is primarily used by applicant's Bridgeport employee to travel long-distances to serve nonutility customers. For the estimated year 1972, the staff has estimated \$850 for transportation expense for applicant's Bridgeport service area. This is based on expenses of 12 cents per mile.

Taxes

Applicant does not use liberalized depreciation for income tax purposes.

Applicant files its federal income tax return as one of an affiliated group of companies. It uses a multiple surtax exemption which provides for a six percent penalty on the first \$25,000 of taxable income (a 28 percent rate). The staff followed this procedure in computing income taxes.

Applicant's 1971 property taxes were based on a 31 percent assessment ratio. For the year 1972-1973 the State Board of Equalization has dropped the assessment ratio to 29 percent. The staff's estimates of proper taxes for the adjusted year 1971 and estimated year 1972 are based on 29 percent assessment ratio and latest tax rates of Inyo and Mono Counties. Applicant's property tax estimates are based on recorded accruals for the 12-month period ending September 30, 1971.

Utility Plant

The staff has rolled back 1972 plant additions for temperature compensating meters to January 1, 1971 to eliminate trending effects of these installations. Applicant proposes to purchase 230 compensating meters at a cost of approximately \$8,500 and transfer the net book cost of its existing meters to its affiliated company. Applicant has estimated net rate base additions of \$2,204 for the meters. The staff has adjusted plant and the reserve for depreciation for the retirements, new installations and credits to the reserve for 1971 adjusted and 1972 estimated.

Depreciation Expense

The staff's lower estimated depreciation accruals are based primarily on longer estimated lives than used by the company for storage and other equipment. Applicant misclassified the installation cost of services in Unit No. 3 of Sierra-Highlands as Other Equipment.

Rate Base

An allowance for working cash is included in rate base in order that investors may be compensated for monies which they have supplied over and above the investment in properties. This allowance takes into consideration average operating expenses and the manner in which income taxes are accrued. The staff's total company working cash allowance is \$5,900 and \$6,040 for the adjusted year 1971 and the estimated year 1972, respectively. The company's estimated working cash is \$4,200 for 1971.

The following tabulation summarizes the staff's development of average depreciated rate bases by district and total for 1971 adjusted and 1972 estimated. Applicant did not prepare rate bases by district.

Average Depreciated Rate Base
Bridgeport and Sierra-Highlands

Item	1971 Staff Adjusted		1972 Staff Estimated	
	Bridgeport	Sierra-Highlands	Bridgeport	Sierra-Highlands
Average Utility Plant	\$ 93,420	\$ 32,750	\$ 93,420	\$ 32,750
Materials and Supplies	250	250	250	250
Working Cash	4,140	1,760	4,180	1,860
Sub Total	97,810	34,760	97,850	34,860
<u>Deductions</u>				
Average Depreciation Reserve	20,230	4,350	22,190	5,050
Average Depreciated Rate Base	77,580	30,410	75,660	29,810

Average Depreciated Rate Base
Total Company Basis

Item	Applicant		Staff		Applicant Exceeds		Staff	
	1971		1971		Staff		1972	
	Estimated	Adjusted	Amount	Percent	Estimated		Estimated	
Average Utility Plant	\$ 125,600	\$ 126,170	\$ (570)	(0.5)	\$ 126,170			
Materials and Supplies	500	500	-	-	500			
Working Cash	4,200	5,900	(1,700)	(28.8)	6,040			
Sub Total	130,300	132,570	(2,270)	(1.7)	132,710			
<u>Deductions</u>								
Average Depreciation Reserve	25,400	24,580	820	3.3	27,240			
Average Depreciated Rate Base	104,900	107,990	(3,090)	(2.9)	105,470			
			(Negative)					

Rate of Return

According to applicant, it has not earned an adequate rate of return during any year since it began operations in 1963; therefore, the need for rate relief is clear. Applicant claims it cannot continue to support its investment under present rates that only allow a profit in years of abnormally cold weather. Applicant, therefore, is requesting rates which will produce a rate of return of 5.2 percent.

Applicant feels that the figures and facts contained within its Exhibit 2 clearly support its need for a rate increase. The proposed rates should allow it to have some return on its investment; however, this will be less than should be realized. Instead of proposing higher rates at the time which would allow an adequate return on investment, the use of compensated meters is proposed. With compensated meters, the customers would be receiving and paying for true heat value. The amount of additional revenue from using compensated meters is unknown; however, additional revenue would be anticipated. Applicant hopes that this would

result in its receiving an adequate return on its investment while at the same time being more desirable for its customers than an additional rate increase.

Applicant anticipates that by using compensated meters, sales volume will increase approximately 3 percent. If this does occur as anticipated, it would produce additional profit of \$2,010 and result in a rate of return of 7.1 percent. According to the staff, a rate of return of 7.1 percent does not appear unreasonable. The rate schedules the staff proposes would yield a 7.1 percent rate of return in each service area for estimated year 1972. If these rates are adopted, applicant's present revenues would be reduced by \$6,310 or 21.7 percent in the Sierra-Highlands area and increased by \$3,730 or 7.3 percent in Bridgeport.

The rates proposed by the staff and contained in Appendix A of Exhibit 3 will be modified to make the minimum charge conform with the rate for gas in the first rate block, eight therms or less in this instance. The minimum charge would then be \$2.95 per meter per month for Schedule No. G-80 and \$2.50 per meter per month for Schedule No. G-81. These minimum charge modifications will not effect the estimated revenue decrease in the Sierra-Highlands area and increase in Bridgeport as noted above.

Service and Practices

Field investigations of applicant's service area were made by the staff on March 7 and 8, 1972. Plant and facilities were inspected, records examined, and customers in both service areas were interviewed. At the time of the field investigation, the gas service in the two service areas was satisfactory. However, customers in Bridgeport complained that in the past during periods of peak consumption their pilot lights would go out. During this period, applicant lost two large commercial customers to a competing bottle gas company. This problem was caused by poor maintenance of the gas plant. Subsequently, applicant has improved its maintenance procedures.

No informal complaint relating to applicant was filed with the Commission in 1971. Two informal complaints filed in 1972 concerning billing problems have been resolved.

Applicant charged interest on overdue bills in its Sierra-Highlands service area in the years 1967 to 1971. The staff advised the company to refund these unauthorized interest charges. Applicant has not indicated that it has made the refunds.

Adopted Results

The differences per customer in usage, cost of gas, other operating expenses and rate base between the two areas justify retention of separate rate schedules based on therms measured by compensated meters. The lack of understanding of rate-making principles shown by applicant compels us to disregard its showing. The staff showing, while not as complete in some respects (i.e., cost of gas and tax depreciation) as we would like, reasonably reflects applicant's operations in the test year and will be adopted.

Findings and Conclusion

The Commission finds that:

1. Applicant is in need of additional revenues in its Bridgeport area, amounting to \$3,730.
2. Applicant is not in need of additional revenue in its Sierra-Highlands area. On the contrary, rates should be reduced for service in this area by \$6,310.
3. Staff's estimates previously discussed herein reasonably indicate the results of applicant's operations for the future and are adopted.
4. The rates proposed by the staff in Attachment A of Exhibit 3 should be adopted with the following changes: the minimum charge for Schedule No. G-80 shall be \$2.95 per meter per month; the minimum charge for Schedule No. G-81 shall be \$2.50 per meter per month. These rates will increase applicant's revenues in its Bridgeport area by \$3,730 and will decrease applicant's revenues by \$6,310 in its Sierra-Highlands area.

5. The increases and decreases in rates and charges authorized herein are justified; the rates and charges authorized herein are reasonable; and the present rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.

6. Pursuant to subparagraph (A) of Rule 23.1 of the Commission's Rules of Procedure the rate increases are exempt from the requirements of that rule, applicant being a utility which qualifies for the small business exemption set forth in Title 6, Economic Stabilization, Section 101.51 subparagraph (E).

7. The investigation in Case No. 9381 should be discontinued.

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. After the effective date of this order, Petrolane-Sierra Gas Service, Inc. shall file the revised rate schedules attached to this order as Appendix A, and concurrently withdraw and cancel presently effective schedules. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

2. Beginning with the year 1972, applicant shall determine the accruals for depreciation by multiplying beginning of year plant balance plus average net additions, for each account, by the accrual rates set forth in Column E of Table I-A of Exhibit

3. Applicant shall review the accruals, using the straight-line remaining life method, when major changes in depreciable plant composition occur, and for each plant account at intervals of not more than five years, beginning with the next review as of January 1, 1977. Results of these reviews shall be submitted promptly to the Commission.

3. The base price for the cost of gas shall be modified to 11.15 cents per gallon in Bridgeport and 10.64 cents per gallon in Sierra-Highlands.

4. Applicant shall, within ninety days of the effective date of this order, refund all unauthorized interest charges.

5. Applicant shall, within ninety days of the effective date of this order, file a revised Sierra-Highlands' tariff service area map.

6. Applicant shall file a revised Rule No. 2 concurrently with its revised rate schedules changing the Sierra-Highlands elevation to 4,270 feet and the related heating value. ✓

7. The investigation in Case No. 9381 is discontinued.

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

Dated at San Francisco, California, this 24th day of NOVEMBER, 1972.

William L. Sturgeon
President

William L. Sturgeon

[Signature]
Commissioners

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

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
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Schedule No. G-80

GENERAL SERVICE

APPLICABILITY

Applicable to general service of propane gas for cooking, water heating, space heating and other domestic and commercial uses.

TERRITORY

Within the service area of the Company within the unincorporated community of Bridgeport, Mono County, California.

RATES

	<u>Compensating Meters</u>	
	<u>Per Meter Base Rate</u>	<u>Per Month Effective Rate</u>
First 8 therms * or less	\$ 2.95	\$ 2.95
Next 32 therms - per therm	0.23	0.23
Next 40 therms - per therm	0.22	0.22
Over 80 therms - per therm	0.192	0.192

*"THERM"

1. The term "Therm" means one hundred thousand British Thermal Units (100,000 BTU).
2. The number of therms for billing purposes is computed from meter readings:

$$\text{Therms} = \frac{\text{usage (cubic feet)} \times \text{BTU per cubic foot}}{100,000 \text{ BTU}}$$

EFFECTIVE RATES

The above effective rates are based on a cost of propane of \$0.1115 (11.15 cents) per gallon and are determined from the base rates as set forth under Special Conditions:

	<u>Per Meter Per Month</u>
Minimum Charge	\$ 2.95

(Continued)

APPENDIX A
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Schedule No. G-80

GENERAL SERVICE
(Continued)

Special Conditions

1. For gas used in excess of 8 therms per month, the rates in effect at any time vary with the average cost of propane delivered at all plants generating gas served under this schedule and shall be determined from the above base rates by adding or deducting, respectively, \$.01 (1¢) per therm for each eight-tenths cent (0.8¢) that such cost of propane is above or below \$0.1115 (11.15¢) per gallon.

2. When a change in the cost of propane of more than eight-tenths cent (0.8¢) per gallon occurs, the Company shall submit to the Public Utilities Commission, within a period of 15 days, an Advice Letter and appropriate tariff schedules setting forth the new effective rates and accompanied by an affidavit of such change in the cost of propane. The new rate shall be effective on all regular meter readings taken on and after the thirtieth day following such change in the cost of propane.

3. The phrase "cost of propane" as used in this schedule is applied to propane purchased from the supplier and shall not exceed the posted price per gallon at the refinery exclusive of State and Federal Taxes, plus the charges for trucking and delivery based on the minimum freight rates established by this Commission.

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Schedule No. G-81

GENERAL SERVICE

APPLICABILITY

Applicable to general service of propane gas for cooking, water heating, and other domestic and commercial uses.

TERRITORY

Within the service area of the Company within the unincorporated portions of Inyo County, California.

RATES

		<u>Compensating Meters</u>	
		<u>Per Meter Base Rate</u>	<u>Per Month Effective Rate</u>
First	8 therms * or less	\$ 2.50	\$ 2.50
Ne t	32 therms - per therm	0.18	0.18
Next	40 therms - per therm	0.17	0.17
O er	80 therms - per therm	0.165	0.165

*"THERM"

1. The term "Therm" means one hundred thousand British Thermal Units (100,000 BTU).
2. The number of therms for billing purposes is computed from meter readings:

$$\text{Therms} = \frac{\text{usage (cubic feet)} \times \text{BTU per cubic foot}}{100,000 \text{ BTU}}$$

EFFECTIVE RATES

The above effective rates are based on a cost of propane of \$0.1064 (10.64¢) per gallon and are determined from the base rates as set forth under Special Conditions:

	<u>Per Meter Per Month</u>
Minimum Charge	\$ 2.50

(Continued)

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Schedule No. G-81

GENERAL SERVICE
(Continued)

Special Conditions

1. For gas used in excess of 8 therms per month, the rates in effect at any time vary with the average cost of propane delivered at all plants generating gas served under this schedule and shall be determined from the above base rates by adding or deducting, respectively, \$.01 (1¢) per therm for each eight-tenths cent (0.8¢) that such cost of propane is above or below \$0.1064 (10.64¢) per gallon.

2. When a change in the cost of propane of more than eight-tenths cent (0.8¢) per gallon occurs, the Company shall submit to the Public Utilities Commission, within a period of 15 days, an Advice Letter and appropriate tariff schedules setting forth the new effective rates and accompanied by an affidavit of such change in the cost of propane. The new rate shall be effective on all regular meter readings taken on and after the thirtieth day following such change in the cost of propane.

3. The phrase "cost of propane" as used in this schedule is applied to propane purchased from the supplier and shall not exceed the posted price per gallon at the refinery exclusive of State and Federal Taxes, plus the charges for trucking and delivery based on the minimum freight rates established by this Commission.