

ORIGINAL

Decision No. 86968

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
THE SEA RANCH GAS AND WATER COMPANY, )  
for authorization to discontinue the )  
operations of and abandon its gas )  
system. )  
  
(Gas)

Application No. 55707  
(Filed August 23, 1976)

INTERIM OPINION

Applicant's Request

By this application, The Sea Ranch Gas and Water Company (Company) seeks an order of the California Public Utilities Commission (Commission) authorizing the Company to discontinue the operations of and abandon its gas system. The application was made pursuant to Section 451 of the Public Utilities Code and in conformity with the Commission's revised Rules of Practice and Procedure.

Description of the Company

The Company is an operating public utility corporation organized under California law. It is engaged in the business of furnishing gas service, authorized by Decision No. 69070 dated May 18, 1965, and water service authorized by Decision No. 68190 dated April 20, 1965, in all or portions of The Sea Ranch, Sonoma County, California. The Company intends to continue to furnish water service.

Description of Gas System

The Company owns and operates a gas system which provides liquefied petroleum gas (LPG), primarily for space and water heating, to 26 residential and 2 nonresidential customers in a portion of The

Sea Ranch, a development located in the northwestern corner of Sonoma County, California. Attached to the Company's application as Exhibit A is a map showing the location of the customers served. The gas system which the Company seeks authority to abandon consists of 15,254 lineal feet of distribution mains ranging from 1-1/4 inch to 2-1/2 inch in diameter, six 1,000-gallon capacity welded steel storage tanks with appurtenances, thirty-one meters and associated valves, and valve boxes and appurtenances.

Basis for Seeking Relief

The demand for the Company's gas service has not met expectations. The owners of newer residences have not utilized the service. Rather, they have selected from alternate sources: electricity, fuel oil, or bottled propane. As a result the Company has experienced losses in every year of its operation. Attached to the Company's application as Exhibit B is a table of results of operations for the recorded years 1970-1975. Annual losses range from \$1,542 to \$5,276 based on annual gross operating revenues ranging from \$10,041 to \$19,540.

It is estimated that a rate increase of 48 percent will be needed to eliminate loss and to provide an 8 percent return. This approach is not considered practical, however, since it is anticipated that some of the present customers would undoubtedly opt for other sources of energy thus resulting in the contraction feeding on itself.

Conversion Proposal

The Company has ascertained that several fuel suppliers are available in the area. It is stated that an alternate supplier (Pargas) will provide individual storage tanks and supply propane to each customer that is now served by the Company. The monthly cost of gas, with Pargas as the supplier, was estimated to be not significantly greater than the current cost to the subscriber. A comparison of these costs is attached to the Company's application as Exhibit D.

The Company will defray the necessary fencing, trenching, hookup, installation, and clean-up charges incurred in converting to propane. In cooperation with a local contractor, the Company has estimated that the cost to it for the foregoing work will average \$375 per service. Furthermore, any customer who elects to convert on his own to electricity or fuel oil will be paid \$375 by the Company in lieu of the planned conversion work by the Company. This cost and these arrangements appear reasonable to the Commission staff.

The Company notified all of its customers of the proposed abandonment and conversion plan by a form letter dated August 10, 1976. Customers were requested to indicate their approval by signing and returning page two of the letter. Twenty-two responses were received. These are received as Exhibit 1.

#### Customers' Views

The staff caused notices to be mailed to all customers of a meeting it planned for October 22, 1976 at The Sea Ranch for the purpose of obtaining customers' views and problems with respect to the abandonment of gas service. This notice was followed by a telephone call to most of the customers inviting them to attend the meeting.

Results of this conference are outlined in a staff memorandum dated October 29, 1976 which is received as Exhibit 2. No protests to the abandonment were registered.

Some concerns were expressed at the conference, such as: What procedure would be used by the Company for handling preferences by the customers on the location of the individual tanks on their lots; contract options that are available from commercial fuel suppliers; current cost comparisons for the alternate installation and operation of electrical or of fuel oil heating; and any possible effect of conversion to individual tanks on the cost of homeowners' insurance.

A plot plan for each customer's lot has been prepared by the Company. These plans show the proposed location of the individual tank and the necessary trenching and fencing. Modifications of these plans have been made by the Company in accordance with individual customer's wishes.

Staff's Position and Recommendations

The staff does not oppose the abandonment of gas service by the Company. In view of the near unanimous approval of the Company's proposed plan of abandonment by its customers, the staff recommends ex parte handling of this matter.

It is further recommended that the Company be required, for safety reasons, to comply with Section 4.a.8 of the General Order No. 94-B, and Section 192.727 of the General Order No. 112-C, and that a final order relieving the Company of its utility obligations not be issued until the conversion is completed and all final inspections accomplished.

Findings of Fact

1. The Company provides gas service to 26 residential and two nonresidential customers.

2. Residents who have moved into the development within the last several years have chosen, without exception, not to connect to the Company's gas system, but rather, have optioned for alternate sources of energy.

3. The Company's results of operation for the last five years shows a financial loss in each of these years of operation ranging from \$1,542 to \$5,276.

4. An increase in rates of 48 percent would be needed to offset current operating loss and provide an 8 percent rate of return.

5. A 48 percent increase in rates would be self-defeating.

6. The Company has prepared and submitted an abandonment proposal.

7. The costs of conversion to individual tank service will be borne by the Company.

8. Based on the available data, the monthly cost of gas to the customers under the proposed conversion arrangement will not be significantly higher than their current monthly cost.

9. The Commission staff has obtained the views of both of the nonresidential users and 24 of the 26 residential subscribers on the proposed abandonment.

10. There is no opposition to the abandonment of gas service.

11. Twenty-two signed approvals of the Company's proposal were returned by the customers.

12. The proposed plan for conversion to alternate fuel sources is reasonable.

13. The concerns expressed by the customers have been, or will be, resolved by the Company.

14. Public convenience and necessity no longer require the operation and maintenance by the Company of its gas system.

15. The safety provisions of the Commission's General Order No. 94-B, Section 4.a.8 (Gas Holders) and General Order No. 112-C, Section 192.727 (Gas Piping), regarding abandonment procedures should be observed by the Company.

16. A public hearing is not necessary.

#### Conclusions

1. The Company's request should be granted ex parte.

2. This proceeding should be kept open until the plan of conversion has been accomplished and final inspections completed.

#### INTERIM ORDER

IT IS ORDERED that:

1. The Sea Ranch Gas and Water Company is authorized to make the necessary tariff filings to close its Schedule No. G-80 to new customers as of the effective date of this order.

2. On or before June 30, 1977, The Sea Ranch Gas and Water Company is authorized, at its own expense, to provide its existing gas system customers with mutually acceptable substitute gas supply facilities, or alternate equivalent-cost options if the customer so desires, and to provide those mutually acceptable alterations to customers' premises directly related to and necessitated by the proposed conversion.

3. On or before June 30, 1977 and upon the completion of the conversion of all its gas system customers to other equipment, as provided in Ordering Paragraph 2 above, The Sea Ranch Gas and Water Company shall promptly notify this Commission in writing, and the Company is authorized thereafter and on or before December 31, 1977:

- (a) By appropriate tariff filing to withdraw its gas sales Schedule No. G-30, and
- (b) To abandon its gas system as set forth in this proceeding and in conformity with applicable laws and regulations including but not limited to the latest revision of the Commission's General Order No. 94-B, Section 4.a.8 and General Order No. 112-C, Section 192.727. The Commission's Gas Safety Unit shall be notified not less than fifteen days prior to initiating this work.

4. For each of its gas customers that accepts the conversion service, as provided in Ordering Paragraph 2 above, The Sea Ranch Gas and Water Company is directed to verify, not less than one year nor more than eighteen months after the date of shutting down its gas supply facilities, whether the installed substitute equipment is operating satisfactorily and to make mutually acceptable arrangements for the necessary changes or modifications if such equipment is not operating satisfactorily. Within thirty days after the completion of such verification and the completion of all such changes and modifications, the Company shall make a detailed written report to the Commission of the results of such verification and the changes and modifications which were requested and which were made.

5. The Sea Ranch Gas and Water Company is authorized to charge the undepreciated gas plant first to the gas account remaining contributions in aid of construction and the balance, together with the costs of abandonment and net of the income tax effect, to nonutility expenses.

6. When The Sea Ranch Gas and Water Company has complied with this order, the Commission shall issue a final order granting authorization to discontinue the operations of the gas system and relieving the Company of any and all its public utility obligations for providing gas service in The Sea Ranch.

7. These proceedings may be reopened upon the filing of a formal complaint to the Commission by a customer alleging failure of the Company to carry out the provisions of this order.

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

Dated at San Francisco, California, this 15<sup>th</sup> day of FEBRUARY, 1977.

Robert Bateman  
President  
William J. Quinn  
Richard D. Givelle  
Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.