

Decision 98-07-078 July 23, 1998

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Mather Field Utilities, Inc., for a Certificate of Public Convenience and Necessity for Its Gas Utility Distribution System at Mather Field, California.

Application 96-03-045
(Petition for Modification
Filed May 15, 1998)

ORIGINAL

O P I N I O N

1. Summary

This decision grants applicant's petition for modification of Decision (D.) 97-04-084 to change the requirement that applicant file for general rate case review this year, and instead requires that applicant file for general rate case review in the year 2000. The utility is directed within 60 days to submit a report on its correction of safety deficiencies to the Utilities Safety Branch of the Consumer Services Division.

2. Discussion

In D. 97-04-084, issued on April 23, 1997, Mather Field Utilities, Inc., having acquired the gas distribution system at the former Mather Air Force Base in Sacramento County, was granted a certificate of public convenience and necessity to become the exclusive gas distribution utility serving Mather Field as it converts to civilian use. On September 17, 1997, Mather Field Utilities changed its corporate name to West Coast Gas Company, Inc. (WCG, or applicant).¹

¹ By letter dated September 26, 1997, WCG provided Commission staff with a copy of the certificate of amendment of articles of incorporation approving the corporate name change.

As part of D.97-04-084, the Commission ordered applicant to initially charge rates no higher than the rates charged by the Air Force Base Conversion Agency (AFBCA) for customers located in the industrial area at Mather Field and rates no higher than those charged by Pacific Gas and Electric Company (PG&E) for customers in the Wherry housing area. (D.97-04-084, Ordering Paragraph 6.) The decision also ordered applicant to provide the Commission's Energy Division, by March 30, 1998, and March 30, 1999, with an updated balance sheet, a statement detailing actual expenditures for the previous year, and a statement detailing expected expenditures for the coming year. (Id., Ordering Paragraph 10.) Applicant also was required to file for general rate case review of its utility operation within one year of commencing service. (Id., Ordering Paragraph 10.)

Applicant took title to the gas distribution system at Mather Field and began providing service in August 1997. At the time applicant began service, it maintained the rates charged by the AFBCA and PG&E that were in effect at the time D.97-04-084 was issued. WCG's current tariff, effective March 1, 1998, reflects a 5% reduction in rates for customers in the industrial area. Rates for customers in the Wherry housing area remain unchanged.

3. Justification for Proposed Relief

WCG states that it would be an inefficient use of its own and the Commission's resources to require a general rate case now, given the short time that the company has operated the gas service, and given the reports that WCG already is required to furnish to the Energy Division. WCG states that the rate case review was ordered in D.97-04-084 because costs of repair of the Mather system were unknown, and the Commission sought to ensure that neither rates, nor the company's continued viability, would be impacted by initial costs.

In a declaration attached to the application, WCG's chief financial officer states that the company has made all necessary repairs to the system, and the cost of these repairs has not affected rates. Financial statements attached to the application show that WCG is incurring a loss in its operations, but the loss is consistent with estimates made by the Commission in D.97-04-084. WCG states that its projections show that by the year 2000, revenues generated from increased gas sales at Mather will allow both a return on equity and an additional reduction in rates.

4. Discussion

We agree with applicant that general rate case review is not required this early in the company's operations at Mather. Applicant reports that necessary repairs to the gas system have been accomplished. Rates have been reduced. WCG shareholders appear content to wait until the year 2000 for a return on their equity. The financial and operating reports submitted to staff on March 30, 1998, and due again on March 30, 1999, provide a means of monitoring this new gas utility.

However, because the utility is new to gas distribution service, we believe that further safety review is necessary before the general rate case takes place. Accordingly, while granting the request in this application, our order today requires WCG to submit, within 60 days, a detailed report on safety deficiencies that WCG has corrected, and any deficiencies for which work is contemplated within the next year. The report should be delivered to the Utilities Safety Branch, Consumer Services Division. Following its review of the report, the Utilities Safety Branch is directed to conduct an inspection of the WCG system, if it deems such inspection appropriate, and to require correction of any deficiencies within time limits imposed by the Utilities Safety Branch.

Findings of Fact

1. In D.97-04-084, applicant was granted authority to provide gas distribution service to Mather Field in Sacramento County.

2. WCG was required to provide the Energy Division, by March 30, 1998, and March 30, 1999, with an updated balance sheet, a statement detailing actual expenditures for the previous year, and a statement detailing expected expenditures for the coming year.

3. Because costs of repairs to the gas system were unknown at the time operating authority was granted, WCG was directed to file a general rate case within one year of commencing service.

4. WCG has conducted repairs and made corrections to deficiencies in the gas system at Mather.

5. WCG has maintained prior rate levels at Mather and, effective in March 1998, has reduced rates 5% for customers in the Mather industrial area.

Conclusions of Law

1. There is no longer a compelling need for general rate case review in 1998 of WCG's operations at Mather.

2. Applicant's request for modification of D.97-04-084 to change the date for general rate case review to the year 2000 should be granted.

3. Applicant should be required to report its corrections of safety deficiencies to the Commission's Utilities Safety Branch, and to take such further safety actions as the Utilities Safety Branch may require.

4. This order should be effective immediately.

O R D E R

IT IS ORDERED that:

1. The petition of West Coast Gas Company, Inc. (WCG), for modification of Decision (D.) 97-04-084 is granted.

2. Ordering Paragraph 10 of D.97-04-084 is modified to read as follows:

The utility shall file for general rate case review of its utility operation by March 30, 2000.

3. Within 60 days of the effective date of this order, WCG shall submit to the Utilities Safety Branch, Consumer Services Division, a report on safety deficiencies and their corrections at the WCG system, along with a report on safety deficiency corrections planned in the next 12 months. Following its review of the WCG report, the Utilities Safety Branch is directed to take such further action, including on-site inspection, as it deems appropriate.

4. Application 96-03-045 is closed.

This order is effective today.

Dated July 23, 1998, at San Francisco, California.

RICHARD A. BILAS
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners