



developed at Signal Hill a large volume of natural gas which is available to applicant for distribution in Long Beach and vicinity; it further states that officials of the City of Long Beach feel that existing rates are excessive and applicant therefore asks that the Railroad Commission investigate the matter and fix just and reasonable rates.

The complaint of the City of Long Beach filed on February 9th, 1923, alleges that the rates last established by Decision No. 9021, of the Railroad Commission dated May 28, 1921, are now unjust and exorbitant because of changes in conditions which have occurred since that time. It is alleged that an adequate supply of natural gas, at lower prices than formerly paid, is now available to the Gas Company from the Signal Hill field, thereby making unnecessary the transmission to Long Beach of high priced gas from remote fields. Complaint is further made in regard to the service connection fee of fifty cents now charged for the turning on of gas service. It is further alleged that a number of other factors have, since the last fixing of rates, contributed to reduce the cost of service.

Because of the fact that San Pedro and Wilmington are parts of the City of Los Angeles and are also served with gas by applicant and defendant herein, the City of Los Angeles joined as a party plaintiff in this proceeding.

From studies of natural gas production in Southern California oil fields made by the Commission's Engineers, it has recently become apparent that a very material change of conditions has occurred in regard to purchase of natural gas by Southern Counties Gas Company for its Southern District. Shortly

after the filing of this complaint and application, work was commenced by the Railroad Commission to prepare a valuation of the gas properties of Southern Counties Gas Company in this district. However, because of the delay which would result if the hearing of these matters should be withheld until the completion of this valuation, the Commission has deemed it advisable to proceed with the investigation at this time and to establish rates upon the evidence before it, by an ad interim order and subject to the reopening of the matter upon completion of the valuation.

Evidence was submitted by Mr. A. F. Bridge, rate engineer for applicant and defendant, covering the operating revenues and expenses of the Southern District of Southern Counties Gas Company, together with estimates of probable future gas requirements and sales, both domestic and industrial. Testimony was given by Mr. R. B. Moran, consulting geologist, in regard to studies made of the probable duration of natural gas production at Signal Hill in sufficient volumes to meet the local needs of the Gas Company. This testimony indicated a very rapid decline of gas production in the local field and predicated that after June 1st, 1927 the average daily gas production would be less than 15,000,000 cubic feet.

An analysis of operating costs and preliminary estimates of the cost of service for the year ending March 31, 1924 were presented by the Commission's gas engineer, H. L. Masser. Further testimony was given by Mr. Masser relative to estimated future gas production of the Signal Hill field which pointed to slightly greater future gas production than anticipated by Mr. Moran.

The Board of Public Utilities of the City of Los Angeles, submitted a report alleging that the present rates of Southern Counties Gas Company in its Southern District are excessive and also questioning the purchase price of natural gas and the methods of financing of Southern Counties Gas Company through sale of securities.

The report of Mr. Masser directed attention to the prices now being paid by Southern Counties Gas Company to Industrial Fuel Supply Company for a large portion of the gas procured from that company at Signal Hill for use in Long Beach and vicinity. These prices of; 25 cents per Mcf. for the first one million cubic feet purchased per day, 24 cents per Mcf. for the next one million cubic feet, 23 cents per Mcf. for the next three million cubic feet and 15 cents per Mcf. for all in excess of five million cubic feet purchased per day, (with the exception of the 15 cent rate), are in accordance with the terms of a contract entered into several years ago at which time all of the gas was transported a considerable distance to Long Beach. There has been developed during the past year at Signal Hill a tremendous volume of natural gas, much of which can now be purchased at low prices. Approximately eighty per cent of the gas which is purchased by Southern Counties Gas Company for the Long Beach district is at these lower prices. At the present time retail rates for the service of industrial gas by distributing companies have generally been reduced expressly for the purpose of meeting the existing situation of over-production of natural gas and the low competitive price of oil fuel. In view of the existing circumstances, it appears reasonable that Industrial Fuel Supply Company should, at least temporarily, reduce materially its prices for natural gas sold at Long Beach to Southern Counties Gas Company. Local consumers should not be required at this time to pay rates based upon these higher charges. Recognition of a lower price for such limited amount of gas as may be required from the Industrial Fuel Supply Company will be taken in the determination of the rates herein.

In order to assure to its consumers an adequate gas supply, applicant has been obliged to enter into contracts requiring the purchase of certain definite minimum quantities of gas per day

from various producers, the largest of which is a minimum obligation of 15,000,000 cubic feet per day provided by the terms of a contract between the Jergins Trust Company, the City of Long Beach and Southern Counties Gas Company. Applicant finds itself confronted with an obligation to purchase more gas than it will be able to sell/ <sup>at the present time.</sup> Testimony indicates that diligent efforts were made by the Gas Company to secure a lower minimum requirement in the above referred to contract. However, such negotiations were unsuccessful, and as it was considered essential to obtain an assured gas supply from this source, it was therefore found necessary to accept the terms of the above mentioned obligation. It appears that under such circumstances as this, that if the utility has exercised sound business judgment, it should be permitted to include as a part of proper operating expenses the cost of a reasonable volume of such excess gas if purchased at a fair price. The average price determined herein for all gas purchased for use in the Long Beach district is less than 10¢ (ten cents) per thousand cubic feet.

As stated above, the Railroad Commission is now engaged in preparing a valuation of the gas properties in Applicant's Southern District; however, it will be several months before this work is completed. It has therefore been considered advisable to proceed with the fixing of rates at this time based upon the values previously found by the Commission in Decision No. 5539, Opinions and Orders of the Railroad Commission Volume No. 15, Page 930, to which book figures of net additions and betterments have been made, thereby arriving at a tentative value of fixed capital in this District as of March 31, 1922, of \$3,061,267.30. From this figure should be deducted the sum of \$37,500 as the amount of consumer's deposits held by the Gas Company, and to the balance must be added an estimated amount to cover the mean value of additions to capital subsequently installed and operative for the

rate year herein considered ending June 30, 1924. For this purpose an estimated figure of \$475,000 is used. Further allowance of \$90,800 for materials and supplies and \$129,000 for working cash capital are to be included, making a total figure for tentative rate base for the year of \$3,756,067.30.

From careful studies made by the Commission's gas department and from evidence and testimony in the proceeding it appears that within a short time there will be a rapid decline in gas production at Signal Hill and further the present great drilling activity in the oil field will have been discontinued as the field becomes more completely developed. This situation will have a very material effect upon applicant's revenues derived from the sale of gas for oil field operations and after a few years this class of business at Signal Hill will have almost completely ceased.

After consideration of the conditions involved in the service of industrial gas in Applicant's Southern District and giving attention to certain modifications of industrial rates hereinafter set forth, it appears that Southern Counties Gas Company should during the year ending June 30, 1924 receive a revenue of \$565,065. from industrial gas sales, merchandising and miscellaneous sources.

The estimated total cost of domestic and industrial gas service in Applicant's Southern District for the year ending June 30, 1924, is shown by the following figures:

Estimated Total Cost of Service	\$1,703,096
Estimated Gross Revenue from Industrial Gas Sales	<u>565,065</u>
Estimated Gross Revenue Required from Domestic Gas Sales	\$1,138,031

The present domestic rates in effect for Applicant's Southern District are as follows:

First	1,000 cubic feet or less per meter per mo.	\$1.00
Next	4,000 " " " " " " " "	.90 per Mcf.
Next	10,000 " " " " " " " "	.80 " "
Next	35,000 " " " " " " " "	.70 " "
All over	50,000 " " " " " " " "	.60 " "

A service connection charge of \$.50 per meter is made for the connection of all new or resuming consumers. Considerable objection has arisen to the collection of the \$.50 service connection charge which was established by the Commission's Decision No. 9021, at Applicant's suggestion as a means toward providing an equitable distribution of service expense occasioned by the relatively large number of transient consumers in Long Beach and San Pedro. No evidence was introduced which would justify the discontinuance of this charge which if discontinued would necessarily be reflected in rates paid by the permanent consumers. The charge will be continued.

A study of industrial gas rates indicated that modification should be made in Applicant's present schedules:

"Class A" Industrial Service - "Limited" which now provides for a charge of 40 cents per thousand cubic feet with an additional readiness-to-serve charge of \$15. per meter per month, and schedule No. 2-E providing for the service of gas for oil field purposes at a present net rate of 25 cents per thousand cubic feet. It is the opinion of this Commission that these rates should be reduced to make them conform more nearly with existing conditions and the cost of the service rendered.

We submit the following form of order:

O R D E R

Southern Counties Gas Company of California having applied to the Railroad Commission for an order revising its rates and

charges for gas in its Southern District, and complaint having been filed with the Railroad Commission by the City of Long Beach and joined in by the City of Los Angeles alleging that present rates charged by Southern Counties Gas Company in the Southern District are exorbitant and unjust, public hearings having been held and the matter having been submitted and being now ready for decision by an ad interim order pending the completion of the valuation of Applicant's properties, at which time the proceeding may be reopened.

The Railroad Commission hereby finds as a fact that the rates now being charged by Southern Counties Gas Company of California in its Southern District insofar as they differ from the rates herein established are not just and reasonable rates for the sale of gas for domestic, commercial and industrial purposes.

Basing its order upon the foregoing findings of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Schedules No. "2 A", "2 E" and "Class A Industrial" of Southern Counties Gas Company of California for sale of gas in its Southern District for domestic, commercial and industrial purposes be cancelled and superseded by following schedules, effective for all regular meter readings taken on and after the first day of September, 1923.

SCHEDULE NO. 2-A

SOUTHERN DISTRICT

GENERAL SERVICE:

Applicable to Domestic and Commercial Service for lighting, heating and cooking, including restaurants, apartment houses, hotels, hospitals, sanitariums, business buildings of all kinds, schools and churches.

TERRITORY:

Applicable to Southern District including Long, Beach, Seal Beach, Wilmington, San Pedro and adjacent territory.

RATE:

First	1,000 cu.ft. or less per meter per mo.	\$.85
Next	4,000 " " per meter per mo.	.75 per M cu.ft.
Next	10,000 " " " " " "	.70 " " " "
Next	35,000 " " " " " "	.65 " " " "
All over	50,000 " " " " " "	.60 " " " "

SPECIAL CONDITIONS:

Consumers served under this schedule have priority in the use of gas over consumers served under schedule No. 2-B, No. 2-C and No. 2-D at times when there is insufficient gas to supply the demands of all consumers.

A service connection charge of \$.50 per meter is made for the connection of all new or-resuming consumers.

SCHEDULE NO. 2-E

OIL FIELD SERVICE

Applicable to service requiring the use of gas for pumping or drilling oil wells, or for other oil field operations.

TERRITORY:

Applicable in the Long Beach District including the Signal Hill Oil Field or extensions thereof.

RATE:

20 cents per 1,000 cubic feet.

MINIMUM CHARGE:

\$50.00 per meter installation per month, or a cumulative minimum of \$600.00 per year. Minimum total use of gas at each meter installation, \$500.00.

SPECIAL CONDITIONS:

Character of Service.

Measurement based upon the unit of 1,000 cubic feet of gas at 4-ounce pressure above atmosphere. Only surplus natural gas is available for consumers under this schedule. Consumers supplied under this schedule are subject to shut-off without notice in the event of a threatened or actual shortage of gas, and the Company will not be liable for

damages occasioned by shutting off the gas supply. Such consumers will be expected to keep a supply of other fuels on hand.

CLASS "A" INDUSTRIAL SERVICE - "LIMITED"

SOUTHERN DISTRICT

INDUSTRIAL GAS SERVICE:

Applicable to industrial service on existing mains having a delivery capacity in excess of the present requirements of consumers served under schedule 2-A. For natural gas used for purposes where gas fuel is essential to continued operation such as metal working processes, glass manufacture, special tile manufacture and the preparation of food products.

TERRITORY:

Applicable to Southern District including Long Beach, Wilmington, San Pedro and adjacent territory.

RATE:

Readiness-to-serve charge: \$10. per meter per month  
Plus consumption charge: 35¢ per 1,000 cu. ft.

SPECIAL CONDITIONS:

(a) Service under this schedule will be granted only subject to approval by the Railroad Commission of the State of California.

(b) Service under this schedule has priority over other industrial service, but is subject to discontinuance in case of necessity in favor of domestic service.

IT IS HEREBY FURTHER ORDERED that Southern Counties file with the Railroad Commission on or before August 23rd, 1923, the schedule of rates and charges herein above set forth.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, this 31st day of July, 1923.

C. Beatty  
H. B. ...

J. Whittney