

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

City of Redlands, a Municipal Corporation of the Sixth Class
Complainant.

vs.

Southern California Gas Company
Defendant.

CASE 1821.

ORIGINAL

F. A. Leonard, City Attorney for Redlands.
Geo. Hinckley, City Engineer, Redlands.

Jared How
and
T. J. Reynolds

For defendant.

BEUNDIGE, COMMISSIONER.

O P I N I O N.

This complaint of the City of Redlands against Southern California Gas Company filed with the Railroad Commission on October 4th, 1922, alleges that the rates now being charged by defendant for the service of gas in the City of Redlands are unreasonable, excessive and unjust and not in harmony with the gas rates charged in other localities in that vicinity, and prays that the Railroad Commission fix just and reasonable rates for gas service in the City of Redlands.

A hearing was held in this matter in Redlands before former Commissioner Benedict, and adjourned hearings were later held in Los Angeles, at which times this proceeding was consolidated with that of Case 1776, being the complaint of San Bernardino against the rates charged by Southern California Gas

Company for service in that city. Both of these cases involved to a large extent consideration of the same matters inasmuch as Redlands and San Bernardino are both portions of a larger operating district, all of which is supplied from a single transmission line and a central gas generating plant located at Colton. This plant renders standby service for the production of artificial gas during the winter, and also pumps the natural gas into the distributing system.

Evidence in the form of testimony and exhibits was presented by the Company and by the Commission's Gas Engineer, and valuation H. L. Masser. An inventory of the gas property of Southern California Gas Company in its entire San Bernardino Valley division was submitted by the Commission's Valuation Engineer, R. M. Vaughan and Assistant Engineer, C. C. Brown. The figures derived by this valuation have been used in determining the rate base for this proceeding. However, it has been necessary to make certain arbitrary apportionments of a number of elements of capital, such as transmission mains which are used jointly for the benefit of several districts. Further, the City of Redlands is intimately inter-connected with the immediately adjacent unincorporated district and it has therefore been necessary to apportion most capital accounts upon the basis of the number of consumers served. The Colton gas plant and the Chino-Colton transmission line both render material service to the City of Redlands, and a part of the investment in each of these is properly chargeable in determining the cost of service to the City of Redlands. Interest and depreciation charges on these items has been considered in the determination of the cost of gas delivered to the Redlands District.

The following is the schedule of domestic rates now in

effect for gas service in the City of Redlands: -

SOUTHERN CALIFORNIA GAS COMPANY.

SCHEDULE C-8.

The first 3000	cu. ft.	per meter	per month	\$2.00	per Mcf.
Next 7000	"	"	"	1.50	"
" 10000	"	"	"	1.25	"
" 30000	"	"	"	1.00	"
All over 50000	"	"	"	.90	"

Minimum Charge \$1.00 per meter per month.

The rates being charged in the cities of Riverside and San Bernardino are \$1.25 per Mcf. and \$1.30 per Mcf. for the first three thousand cubic feet respectively; and it is partly because of this wide differential that complaint has been made herein.

Southern California Gas Company on August 25th, 1921, purchased the properties of Citrus Belt Gas Company, which included the gas plant and system in the City of Redlands. Previously, artificial gas made from oil and of relatively poor quality, has been distributed in this district. The service rendered by Citrus Belt Gas Company was most unsatisfactory and many interruptions occurred with prolonged periods of complete failure of the gas supply. Further, due to the low quality of the gas many unreasonably high bills were experienced prior to the purchase by Southern California Gas Company. Shortly after acquiring these properties Southern California Gas Company constructed a transmission main to Colton, and on September 25th, 1921, commenced the service of natural gas in Redlands. This promptly resulted in a vast improvement of the service, and was practically equivalent to a 50% reduction of rates.

Because of the neglected condition of the Citrus Belt properties, defendant has been obliged to do a large amount of deferred maintenance work upon the gas distribution system. The generating plant equipment other than holders and boosters has

now been abandoned, as it is no longer required with the service of natural gas and with the standby facilities which are available from the Colton plant.

In view of the great improvement in the service now being rendered since the acquisition of these properties by Southern California Gas Company, and with the change from artificial to natural gas and resulting benefit to consumers, it is proper that defendant should be permitted in this case to amortize the depreciated value, less salvage, of the artificial gas generating plants which have been used by Citrus Belt Gas Company. Investigation has shown, however, that in the City of Redlands there was a considerable amount of gas plant equipment abandoned by predecessor companies to the Citrus Belt Gas Company. Further, a large number of gas service lines and certain mains were duplicated by the earlier companies, with the result that a great number of these services were not useful for the purpose of supplying gas. Consideration is not given herein for the amortization of any of the gas plant equipment which was not used by Citrus Belt Gas Company, nor of the duplicated service lines which cannot properly be used in rendering service at this time. Inventories of non-operative property found by the Commission's Engineers show a remaining value of \$19,144. excluding duplicated service lines. The amortization of this over a ten year period based upon the 6% sinking fund method would require an annuity of \$2,613.

The following figures set forth the local fixed capital directly chargeable to the City of Redlands as determined from a study of the total capital invested in the entire Redlands district from which the proportionate part has been prorated to the City upon a consumer basis: -

TABLE NO. I.
SOUTHERN CALIFORNIA GAS COMPANY.
HISTORICAL COST OF GAS PROPERTIES.
AS OF DECEMBER 31 - 1922.

	Redlands City Estimated	Redlands District.
C-1 Organization	\$ 475.00	\$ 484.00
C-2 Franchises	568.00	568.00
C-4 Intangibles	33.00	34.00
C-5 Lands and Rights-of-Way	4 383.00	4 463.00
C-6 Gas Holders	25 193.00	25 193.00
C-18 Transmission Mains	80 000.00	81 450.00
C-20 Boosting Apparatus	1 692.00	1 723.00
C-22 Distribution Mains	187 723.00	191 711.00
C-23 Gas Service	46 846.00	49 632.00
C-24 Gas Meters	40 696.00	45 871.00
C-25 Gas Regulators	1 755.00	1 786.00
C-31 General Structures	7 810.00	7 955.00
C-32 General Equipment (a) Office	4 730.00	4 815.00
(b) Tools	748.00	7 520.00
(c) Autos	2 840.00	2 890.00
T O T A L	\$405 492.00	\$419 327.00

A brief summary of the operations of Southern California Gas Company in the City of Redlands for the year 1922, which was the first entire calendar year for the service of natural gas in this district, is shown by the following figures: -

TABLE NO. II.

SOUTHERN CALIFORNIA GAS COMPANY.

SUMMARY OF GAS OPERATIONS.

CITY OF REDLANDS - 1922.

Number of Domestic Consumers, Average	2 545
Domestic Gas Sales	49 934.3 Mcf
Industrial Gas Sales	10 047.2 "

REVENUE

Domestic Gas Sales	\$91 855.95	
Industrial " "	3 199.41	
Miscellaneous	31.00	
<u>TOTAL REVENUE</u>		\$95 086.36

OPERATING EXPENSES.

Estimated Proportion Production Costs	\$15 110.43	
" " Distribution	19 796.80	
" " Com'l.	9 472.00	
" " General	2 100.00	
" " System General	1 525.00	
Uncollectible Bills	261.71	
Taxes	9 135.11	
Depreciation	9 323.13	
<u>TOTAL OPERATING CHARGES</u>		66 884.18
<u>NET AVAILABLE FOR RETURN</u>		28 362.18

INVESTMENT Local Distributing System and Proportion of Colton Plant and Transmission Line \$ 460 617.00

RETURN PER CENT (FIXED CAPITAL) 6.16%

Because of the fact that gas is distributed from the Colton plant to all the surrounding districts in the San Bernardino Valley Division, a determination has been made of the unit cost of gas per thousand cubic feet at the outlet of the Colton plant, and an appropriate charge made for the volume supplied to each district. Under the inter-related conditions

of operation it is extremely difficult to arrive at an exact figure of actual operating expense properly chargeable to any individual district of the entire San Bernardino Valley division of Southern California Gas Company. However, reasonably accurate estimates can be made, as herein, for the determination of rates.

The evidence in this case, as shown by operating figures of the Gas Company, indicates that a return of but little over 6% was realized for the calendar year 1922. A study of operations in Redlands shows that gas sales per consumer have been low, partly because of the recent changes from artificial to natural gas, and partly because of climatic and other local conditions which existed in Redlands with the service of artificial gas. Further, a relatively high rate has possibly tended to minimize the use of gas. A materially lesser rate should, on the other hand, tend to increase gas sales, and the Commission therefore desires to put into effect, with the consent of Southern California Gas Company, a low experimental rate. While such a rate cannot be justified at this time from the standpoint of actual cost of the service, it is believed that it will stimulate appreciably the sale of gas under the conditions that now exist in the City of Redlands, and also overcome the wide differential between charges in adjacent communities. The rates hereinafter set forth are based on an increase in gas sales, which is indicated by the trend of experience during the past twelve months and should within a short time provide a reasonable return upon the investment.

I submit the following form of order :

O R D E R.

Complaint having been filed with the Railroad Commission by the City of Redlands against the rates and charges made by Southern California Gas Company for the service of gas in the City of Redlands, public hearings having been held, and the matter having been submitted and being now ready for decision, the Railroad Commission hereby finds as a fact that the rates now being charged by Southern California Gas Company in the City of Redlands insofar as they differ from the rates herein established are not just and reasonable rates for the sale of gas for domestic and commercial purposes.

Basing its order upon the foregoing findings of fact and other findings of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED THAT Schedule No. C-8 of Southern California Gas Company for the sale of gas in the City of Redlands for domestic and commercial purposes be revised in accordance with the following schedule, effective for all regular meter readings taken on and after the 20th day of November, 1923:

SCHEDULE NO. C-8.
SAN BERNARDINO VALLEY DIVISION.

LIGHTING, HEATING AND COOKING SERVICE.

Applicable to all domestic and commercial lighting,
heating and cooking service.

TERRITORY.

Applicable within the incorporated limits of the
City of Redlands and territory east of Loma Linda sup-
plied from Redlands transmission line or distributing
system.

RATE.

First	5 000	cu. ft.	per meter	per mo.	\$1.60	per M cu. ft.
Next	5 000	" "	" "	" "	1.50	" "
"	10 000	" "	" "	" "	1.25	" "
"	30 000	" "	" "	" "	1.00	" "
All over	50 000	" "	" "	" "	.90	" "

MINIMUM CHARGE.

\$1.00 per meter per month.

SPECIAL CONDITIONS.

Consumers served under this schedule have priority to
the use of gas over consumers served under Schedules Nos.
C-4, C-5, C-6, C-10, and C-11, at times when there may be
an insufficiency of gas to supply the demands of all con-
sumers.

IT IS HEREBY FURTHER ORDERED that Southern California
Gas Company file with the Railroad Commission on or before Novem-
ber 15th, 1923, the foregoing schedule of rates for the service
of domestic gas in the City of Redlands.

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, California, this 23rd
day of October 1923.

C. S. Shaver

H. B. Brundage

Waring Mather

J. T. Whittier