

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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The City of Santa Monica,  
a municipal corporation,  
complainant

vs.

Southern Counties Gas Company  
of California, a corporation  
respondent

Case 1867.

The City of Venice,  
a municipal corporation  
complainant

vs.

Southern Counties Gas Company  
of California, a corporation  
respondent

Case 1932.

Chester L. Coffin, for City of Santa Monica.

Chas. W. Lyon, for City of Venice.

Milton Bryon, and John J. Dillon, for City  
of Los Angeles.

J. B. Griffin, City Manager of Venice.

LeRoy M. Edwards, for Southern Counties  
Gas Company.

Brandige, Commissioner.

O P I N I O N.

This complaint of the City of Santa Monica, filed with  
the Railroad Commission on January 15, 1923, alleges that the  
rates previously fixed for the service of gas in that city by

Southern Counties Gas Company were based upon costs which have subsequently been reduced and therefore that said rates are now excessive. It is further alleged that rates charged for gas within the City of Santa Monica are discriminatory in comparison with corresponding rates in other Los Angeles County communities. The complaint of the City of Venice is entirely similar to that of Santa Monica and was filed with the Commission on June 30, 1925, praying for a reduction of gas rates.

On June 19, 1925, the City of Los Angeles filed a petition as a party plaintiff to this proceeding, alleging that Southern Counties Gas Company also serves under the same rate schedules as Santa Monica, certain nearby portions of the City of Los Angeles known as Sawtelle and Palms. It is alleged that these rates are adverse to the interests of citizens of these districts.

A hearing was held in this matter in Santa Monica on September 20, 1923, at which time evidence in the form of engineering reports was presented by the Cities of Santa Monica and Los Angeles and by the gas company's Rate Engineer, A. F. Bridge. An analysis of operating revenues and expenses and rate of return of Southern Counties Gas Company in its Western District during the past several years was presented by the Commission's Gas Engineer, H. L. Masser, and Assistant Engineer, R. M. Bauer.

The Western District of Southern Counties Gas Company comprises the towns of Santa Monica, Venice, Playa del Rey, <sup>Sawtelle</sup> Palms and Culver City. This territory is served with mixed gas of 850 BTU, being the same quality as is distributed in Los Angeles. Gas is purchased at wholesale from Southern California Gas Com-

pany, which has large transmission mains supplying Beverly Hills and other adjacent districts to the east and south of the Santa Monica Bay area. Because of the large production of natural gas at this time, it is more economical to use this gas for the production of mixed gas at the large plants in Los Angeles and pipe the high quality mixed gas to Santa Monica, than to operate a relatively small local artificial gas manufacturing plant. The terms of the purchase contract provide for a price of 31-1/4¢ per thousand cubic feet for mixed gas produced entirely from natural gas and slightly higher prices if artificial oil gas is required. Attention has been directed to this purchase price with the view to obtaining a lower rate. An investigation has been made, by the Commission's engineers, of the operating costs of Southern California Gas Company in producing and supplying this mixed gas delivered to the Santa Monica Bay district. This investigation has shown that based on operating costs the contract price is not an unreasonable or unjust charge for the gas supplied. A material portion of the cost results from pumping expense in addition to the fixed charges on the generating plant and storage facilities involved.

The City of Santa Monica introduced certain evidence for the purpose of showing that natural gas could be transported from Signal Hill or Santa Fe Springs fields at costs materially less than the cost of mixed gas. A study of the city's exhibit shows that the estimates assumed the annual delivery of much more gas than the district would be able to consume, and further the computations provided for insufficient amortization allowances upon the hypothetical pipe lines considered. Investigation indicates that the existing pipe-lines of Southern California Gas

Company from Signal Hill have not sufficient surplus capacity throughout the year to meet the requirements of the Santa Monica Bay district, so a new and independent system would therefore be required. Revised computations indicate that the reasonable cost of natural gas delivered from Signal Hill to Santa Monica would vary from 25 cents to 30 cents per thousand cubic feet dependent upon the field purchase cost of compressed gas. The substitution, even at 25 cents per thousand cubic feet, of natural gas of somewhat higher heating value, for the present mixed gas would result in a reduction of volumetric gas sales and necessitate a higher price per thousand cubic feet than for mixed gas sold under similar operating conditions. Considering the evidence in this case, it does not appear that there is justification at this time for the introduction of natural gas into the Santa Monica Bay district.

During the past three years, respondent has earned in its Western District, an average rate of return somewhat in excess of a rate which would normally be fixed by the Commission. However, the earnings have recently declined rapidly, due to heavy investments made for new consumers, as is found by reference to capital accounts which showed an investment of \$63.60 per consumer in 1920, whereas for the year ending June 30, 1924, the unit investment amounts to approximately \$100. per consumer. The following figures summarize operations for the year ending June 30, 1923, and show an earning of \$125,114. upon a rate base of approximately \$1,675,000. or a net return of about 7-1/2 per cent.

SOUTHERN COUNTIES GAS COMPANY.  
WESTERN DISTRICT.  
SUMMARY OF GAS OPERATIONS.  
YEAR ENDING JUNE 30 - 1923.

Average Number of Domestic Consumers	17 908
Domestic Gas Sales	624 665 Mcf.
Industrial Gas Sales	10 291 "

REVENUES.

Domestic & Industrial Gas Sales and Misc. Profits	\$ 647 888.33
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EXPENSES.

Direct Operating Charges	\$418 439.59
Taxes & Uncollectible Bills	63 364.82
Depreciation & Amortization	<u>40 969.83</u>

TOTAL OPERATING EXPENSES	\$ 552 774.24
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<u>NET FOR RETURN.</u>	\$ 125 114.09
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In the determination of the rate base for the year ending June 30, 1924, as used in this proceeding, it has been found that the reasonable investment based upon the Commission's previous decision No. 5539, plus net operative additions and betterments is \$2,048,500.14

This complaint is due in a large measure to the wide disparity between the rates charged for gas in Santa Monica and those in adjacent communities. The present Santa Monica and Western District domestic rates are as follows:

SOUTHERN COUNTIES GAS COMPANY.  
Schedule 3 A - Western District.

First	2 000	cubic feet per meter per month	\$1.15	per M cu.ft	
Next	8 000	" " " " " "	.95	" " " "	" "
"	15 000	" " " " " "	.80	" " " "	" "
"	25 000	" " " " " "	.70	" " " "	" "
All over	50 000	" " " " " "	.60	" " " "	" "

In Beverly Hills and other outlying districts around Los Angeles corresponding rates are materially lower. However, the dis-

tricts receiving such favorable rates are in reality portions of the Los Angeles City District, as they are directly connected with the systems supplying the city, and the service is rendered by the same companies which serve Los Angeles, using their facilities jointly for the benefit of both communities.

From an analysis of past operations and evidence presented in this case, an estimate of the cost of service has been prepared for the year ending June 30, 1924. This evidence indicates that a reduction to the smaller domestic consumer is justifiable. However, the present form of the domestic schedule does not appear to advantageously meet the present conditions of the Western District. The following schedule of domestic rates is designed to so apportion the burden of expense that the smaller domestic consumers will realize an appreciable saving while the reduction is relatively less for the larger consumers.

I submit the following form of Order:

O R D E R.

Complaint having been duly filed with the Railroad Commission by the Cities of Santa Monica and Venice and joined in by the City of Los Angeles alleging that the rates charged by Southern Counties Gas Company of California in its Western District are unjust and discriminatory, a public hearing having been held and the matter having been submitted and being now ready for decision based upon the evidence of the tentative valuation used herein, in lieu of a new valuation now being prepared by the Commission, the Railroad Commission hereby finds as a fact that the rates now being charged by Southern Counties Gas Company in its Western District in so far as they differ from the rates herein established are not just and reasonable rates for the

sale of gas for domestic and commercial purposes.

Based on its order upon the foregoing findings of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that Schedule No. 3 A of Southern Counties Gas Company for the sale of gas in its Western District for domestic and commercial purposes be revised as set forth below, and be made effective for all regular meter readings taken on and after the 31st day of December, 1923.

SCHEDULE NO. 3-A.  
WESTERN 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 Western District including Santa Monica, Palms, Venice, Ocean Park, Culver City, Sawtelle and adjacent territory.

RATE.

First	5 000	cu.ft.	per	meter	per	month	\$1.00	per	M	cu.ft.
Next	5 000	"	"	"	"	"	.95	"	"	"
Next	15 000	"	"	"	"	"	.80	"	"	"
Next	25 000	"	"	"	"	"	.70	"	"	"
All over	50 000	"	"	"	"	"	.60	"	"	"

MINIMUM CHARGE.

\$1.00 per meter per month.

SPECIAL CONDITIONS.

Consumers served under this schedule have priority in the use of gas over consumers served under Schedules No. 3-B, No. 3-C, No. 3-D and No. 3-E, at times when there is insufficient gas to supply the demands of all consumers.

IT IS HEREBY FURTHER ORDERED that Southern Counties Gas Company file with the Railroad Commission on or before the schedule of rates 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, California, this 30<sup>th</sup> day of November 1923.

Chas. E. ...  
H. B. ...  
J. ...  
E. ...