

Decision No. 18310.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of
Southern Counties Gas Company of
California for authority to increase
its rates for the service of natural
gas to its consumers in its San Pedro
District, which consists of the City
of Seal Beach, Wilmington, San Pedro,
and contiguous territory.

Application No. 12965.

Leroy M. Edwards, for Applicant.
Jess E. Stephens, City Attorney, Milton Bryan,
and J. L. Ronnow, Deputy City Attorneys,
for the City of Los Angeles.

WHITSELL, COMMISSIONER:

O P I N I O N

On June 19, 1926, Southern Counties Gas Company filed its application asking the Railroad Commission of the State of California to make its order authorizing applicant to increase its rates for natural gas supplied to its consumers in the San Pedro District. On January 17, 1927, applicant filed a supplemental application asking the Commission to hold a preliminary hearing and to authorize temporarily increased rates pending final decision in the matter.

Southern Counties Gas Company of California operates extensive gas transmission and distribution facilities in Southern California, the territory involved in the present proceeding being known as the Southern District (also known as San Pedro District) including the cities of San Pedro, Wilmington, Seal Beach and contiguous territory.

A public hearing was held in Los Angeles on March 1, 1927, at which time applicant through statement by counsel amended its application to exclude from consideration industrial rates.

Applicant submitted two exhibits which were explained by testimony and applicant's witnesses testified on past operations of the Company, book investment, intangible capital, rate base, rate of return and related matters. A third exhibit, identified as applicant's Exhibit No. 3 was furnished at a subsequent date. This exhibit deals with natural gas transmission pipe line revenues and charges and method of allocation to the various districts of the system.

Mr. H. M. Kauffman of the City of Los Angeles Board of Public Utilities and Transportation, submitted and explained an exhibit dealing with revenues, expenses and operating matters and the effect of mean annual temperature upon gas send-out. Cross examination of witnesses was deferred until future hearing.

Attorney for the City of Los Angeles argued that if the Commission determines applicant is entitled to an emergency rate in this particular district, such rate should be the minimum absolutely necessary and final determination of rates should be deferred until applicant's entire system and not a portion thereof is under consideration. Counsel for applicant stated that if reasonable temporary relief were granted applicant would not object to having such temporary rates remain in effect for a period of a year.

The matter before the Commission at the present time is therefore limited to a consideration of what relief, if any, should be granted applicant in the nature of increased rates to apply pending final determination of just and reasonable rates. No determination of reasonable rate base and necessary rate of return

is now necessary.

The company's exhibits indicate that net return upon invested capital for the years 1924, 1925, and 1926, was 3.263%, 1.933%, and 2.631%, respectively, this being exclusive of any consideration of intangible values. An investigation by the Engineering Department of the Commission, made subsequent to the hearing, indicates that the company's statement of past operations is substantially correct.

Based on operations during 1926, average domestic and commercial schedules must be increased from approximately 79¢ per 1000 cubic feet to approximately 98¢ per 1000 cubic feet to increase net return upon invested capital to 8 per cent per annum. The rates proposed by applicant in its supplemental application would have yielded slightly less than 8 per cent return during 1926.

If rates necessary to yield a similar return be calculated upon applicant's estimate for 1927, a materially greater increase is necessary.

This being a matter of temporary rates to apply pending final determination of reasonable rate schedules, I am not inclined to look favorably upon future estimates, which, in view of the limited time available, cannot be adequately checked. Similarly, while there may be considerable merit in the arguments advanced by Mr. Kauffman, such matters should be reserved for consideration at a later date.

The evidence before the Commission is sufficient to warrant applicant receiving a temporary increase pending final determination of reasonable rate schedules. The rates now enjoyed by domestic and commercial consumers in the Southern district are the lowest rates in the entire Los Angeles area, and are substantially lower

than rates recently established for similar service by other utilities operating in the same general area.

Pending final decision in this matter the rates proposed by applicant should be placed in effect, and the order will so provide.

The following form of order is recommended:

O R D E R

Southern Counties Gas Company, having applied to the Railroad Commission of the State of California for an increase in its domestic and commercial rates for gas now being supplied by it in its Southern District, and there being sufficient evidence before the Commission to justify an increase pending the final decision in this matter,

IT IS HEREBY ORDERED that--

(1) Southern Counties Gas Company of California be, and it is hereby authorized to charge and collect, effective for all meter readings taken on and after the 31st day of ^{June}~~May~~, 1927, the schedule of rates set forth in Exhibit "A", said exhibit being attached hereto and made a part hereof.

(2) Southern Counties Gas Company of California file with the Commission on or before May 31, 1927, the schedule of rates herein authorized.

For all other purposes the effective date of this order shall be twenty (20) days from and after the date hereof.

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 3rd day of May, 1927.

Ernest

H. B. Brundage

O. S. Seaver

Leon Whitell

Thor S. Rowley

Commissioners.

EXHIBIT "A"

SCHEDULE NO. 2-A

(Superseding Schedules Nos. 2-A-L and 2-A-S)

GENERAL SERVICE:

Applicable to Domestic and Commercial Service for lighting, heating and cooking.

TERRITORY:

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

RATE:

First	4,000	cu.ft.	per meter	per month	\$0.98	per M	cu.ft.
Next	11,000	"	"	"	.85	"	"
Next	25,000	"	"	"	.78	"	"
All over	40,000	"	"	"	.72	"	"

MINIMUM CHARGE:

\$0.85 per meter per month.