

Decision No. 18401

ORIGINAL

Decision No. 18401

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of Southern California Gas Company, a corporation, for authorization to increase rates.

Application No. 11,379.

In the matter of the application of Midway Gas Company, a corporation, for authorization to increase rates.

Application No. 11,380.

In the matter of the investigation, etc., rates charged by So. Cal. Gas Co., for natural gas furnished to L.A. G. & E. Corporation.

Case No. 2186.

OPINION AND ORDER ON REHEARING.

These applications for rehearing were regularly set for argument at Los Angeles on March 3, 1927. At that time certain stipulations were made by the parties and the rehearing was continued to San Francisco on March 12, 1927, at which time a further stipulation was made by all the parties. In order to have the stipulations in more accessible form the portions of the transcript dealing with them are herein set forth:

Portion of Transcript of Proceedings at Los Angeles,  
March 3, 1927.

COMMISSIONER DECOTO: These are applications 11,379, 11,380, and case 2186. Are you ready to proceed at this time, gentlemen?

MR. OVERTON: Yes, if the Commission please, on behalf of the Los Angeles Gas and Electric Corporation.

COMMISSIONER DECOTO: Proceed.

"MR. OVERTON: If the Commission please, there are a number of considerations involved in the relations between the Companies that furnish gas wholesale here and the distributing Companies, other than the mere question or matter of rate. Among these considerations, I might name two that are of considerable importance, particularly to the distributing Companies. One involves the matter of pressures at which gas may be received here directly into the distributing lines. The other involves the more serious problem, the most serious problem, in fact, that confronts the Companies here in their engagement to furnish natural gas, and that is the problem growing out of the fact of the great variation between the demand in the summer time and the demand in peak periods of the winter time. That variation sometimes is as much as five or six to one. And inasmuch as these Companies must provide as near as they can to meet the situation in the winter time, it is obvious there is an enormous amount of gas with which something has to be done in the summer time or in the slack periods.

"In view of this situation, the Los Angeles Gas and Electric Corporation, as being the largest distributor of gas under these conditions, has for some time been desirous of protecting itself with respect to the demands in the summer time, in view of the variation between the summer and the winter loads. And in order to carry that out and get full cooperation of the other Companies in this regard, the Los Angeles Gas and Electric Corporation is willing to stipulate at this time that a modification may be made in the opinion and order of the decision, being Decision 17,830, to the effect that during the period from November 15th to April 15th it will agree to pay to the Companies that furnish gas to it at wholesale a price of 15-1/2 cents per thousand cubic feet for the first 40 million cubic feet, and during the period from April 15th to November 15th 15-1/2 cents for all natural gas furnished to it by these Companies, that modification taking place of the 14-cent rate established in that decision and order, and the opinion, decision and order in all other respects to remain as originally promulgated; this being upon the stipulation and understanding that the Midway Gas Company and Southern California Gas Company will, so far as is reasonable with the equipment now installed, deliver this gas to the Los Angeles Gas and Electric Corporation at pressures which will relieve it, so far as possible, of the necessity of recompression of the gas, and also that these Companies will cooperate to the fullest in an effort to prevent the so-called blow-off of natural gas which would under present conditions obtain with respect to the interests of the Los Angeles Gas and Electric Corporation and the Southern Counties Gas Company.

"MR. WILLIAMS: If the Commission please, it is my understanding that the stipulation suggested of Mr. Overton relates to Exhibit A attached to the order or decision of the Commission, No. 17,830, and that he is willing to stipulate that that portion of the order contained in Exhibit A may be modified so that the rate for the first

40,000 M.C.F. each day from November 15th to April 14th, inclusive, and for all gas each day from April 15th to November 14th, inclusive, shall be 14 cents per M.C.F.; and that for the next 10,000 M.C.F. each day from November 15th to April 14th, inclusive, the rate shall be 20 cents per M.C.F. plus one cent per M.C.F. for each 10 cents that the market price of fuel oil exceeds \$1 per barrel, but not more than 25 cents per M.C.F., and for all over 52,000 M.C.F. each day from November 15th to April 15th, inclusive, the rate will be 25 cents per M.C.F.

"MR. OVERTON: The order to remain in effect in all particulars except with respect to the first 40 million during the period I have referred to.

"MR. WILLIAMS: In other words, where the 14-cent rate is specified it is to be 15-1/2 cents?

"MR. OVERTON: Yes.

"MR. GUILLOU: I think in reading that you quoted 14 cents from the order instead of the 15-1/2, Mr. Williams.

"MR. WILLIAMS: I meant 15-1/2. The understanding is wherever the 14-cents appears in that portion of the order contained in Exhibit A, 15-1/2 cents is to be inserted, according to your stipulation, and the order otherwise to remain as drawn; is that correct?

"MR. OVERTON: I so stated it.

"MR. GUILLOU: How about the minimum daily bill?

"MR. WILLIAMS: That is to remain as it is contained in the order, according to my understanding.

"MR. OVERTON: With the exception I stipulated it was upon condition that the interests controlling these Companies would cooperate to the fullest to prevent loss to the interests of the Los Angeles Gas and Electric Corporation and the Southern Counties Gas Company through the so-called blow-off gas.

"MR. WILLIAMS: The minimum daily bill, of course, as suggested by you, is to be 30,000 M.C.F. multiplied by 15-1/2 rather than 14 cents; that is correct, is it not?

"MR. OVERTON: Mr. Williams, if you will pardon me, my stipulation involved the cooperation of your Companies to avoid waste to us at such times as that minimum would require us to pay for gas we could not use.

"MR. WILLIAMS: That is my understanding. Now, the Midway Gas Company and the Southern California Gas Company, while we doubt very much that rate will be adequate, in order to do away with further proceedings in

this matter we are willing to accept that stipulation and dismiss our applications for rehearing in these proceedings, provided that the order of the Commission be issued conforming to the stipulation.

"MR. GUILLOU: Let me see if I have that agreement on the minimum bill there correct. It is to be for 30 million cubic feet per day at 15-1/2 cents?

"MR. OVERTON: As modified by the express condition I stated, namely, they were to cooperate with us as fully as possible to avoid a situation that would result in blow-off of gas under such a minimum. There are, as I understand, certain operating conditions or certain ways by which they can ameliorate that condition or mitigate it.

"MR. GUILLOU: I am thinking of the modification to be made in the order, just to get it definite.

"MR. WILLIAMS: You understand it now?

"MR. GUILLOU: Yes.

"COMMISSIONER BRUNDIGE: I might say I am not quite clear as to how you are to conserve the gas which otherwise would be wasted, under this particular stipulation which you have entered into here. I would like a statement from you on that.

"MR. OVERTON: Well, I think, if the Commission please, that that is a matter that perhaps could best be stated by the Midway and the Southern California Companies. They have certain operating methods by which that condition could be avoided, as I understand, and I think probably they can elucidate that matter better than we can.

"MR. WILLIAMS: Mr. Macbeth can make a statement on that.

"MR. MACBETH: If the Commission please, we expect to be able to assist the interests owning the Los Angeles Gas and Electric Corporation in the gas which they have contracted to buy and which they expect this summer not to be able to use, in two ways. While the system has not been worked out so as to be able to say to what extent this can be done, we are fully convinced there are certain agreements under which we operate and we buy gas which do not require that we take and have to pay for gas to quite the extent which the other Company has. And we hope to be able to cut back on some of this gas and take gas that the Southern Counties is obligated to take so that they won't have to pay for gas which goes in the air. The other situation is that there are certain dry gas wells on our system which we hope to be able to close up, at least either wholly or partly, and conserve that gas for future use and use the gas which is being produced and which has

to waste if it is not used, use that in place of that. That is what we expect to be able to do.

"COMMISSIONER DECOTO: Are there any other Companies going to enter into this agreement?

"MR. OVERTON: Of course, if the Commission please, that stipulation would necessarily involve a like situation with respect to the Southern Counties Gas Company, on behalf of the Los Angeles Gas and Electric Corporation. That is to say, inasmuch as the decision of this Commission fixing wholesale rates for the Southern Counties Gas Company to the Los Angeles Gas and Electric Corporation was expressly based upon the findings and the situation involving the Los Angeles Gas and Electric with the Midway and Southern California Companies, it would naturally and logically follow that the same rate will apply to the Southern Counties Gas Company, and we will enter into a similar stipulation in that regard with that Company in consideration of dismissal of their application for rehearing. The stipulation, of course, obviously, if the Commission please, involves a change of the 14-cent first block to 15-1/2 cents. Of course, the minimum is different in that case than in the other but it involves merely a change of that first block from 14 to 15-1/2. Otherwise the order remains as originally promulgated.

"MR. GUILLOU: In the Southern Counties rate also the amount of minimum is to be changed to correspond with the change in rate.

"MR. EDWARDS: No, the order is to remain exactly as it is except it is to read 15-1/2 cents where it now says 14.

"MR. OVERTON: The block is different, that is all; period of duration of that rate is the same, but I think the minimum there is 9 million, is it not?

"MR. GUILLOU: Yes, the clause under the minimum bill says so much money for so many feet of gas, and that will only match up if the rate is 14 cents.

"MR. OVERTON: The minimum amount of gas remains the same but the rate is changed from 14 to 15-1/2 for that first block.

"MR. GUILLOU: So that the amount of money under the minimum is also changed.

"MR. OVERTON: Certainly, being 1-1/2 cents per thousand more.

Portion of Transcript of Proceedings at San  
Francisco, March 12, 1927.

"MR. WHEAT: It occurs to me, your Honor, that this document as to which we are discussing is not yet a part of the record, and at some appropriate moment I assume you will order to be read into the record or copied into the record.

"COMMISSIONER DECOTO: Yes, we will ask that it be either read into the record or a copy given to the reporter with the understanding he shall copy it into the record. Now, are we ready to proceed with this stipulation?

"MR. WILLIAMS: I will say on behalf of the other parties to this proceeding, Mr. Commissioner, that is, the other utilities and Mr. Stephens, if they are satisfied with the stipulation, and the Commission also satisfied with it, we are willing. That is, the Midway Gas Company and the Southern California Gas Company are willing to enter into this stipulation, and also the other stipulation entered into at the last hearing, namely, March 3rd, 1927, relative to the raising of the 14-cent rate to the 15-1/2 cent rate, conditional upon that rate being raised to that extent by order of the Commission, whereupon we will forthwith file a dismissal of our application for rehearing.

"COMMISSIONER DECOTO: In other words, this stipulation is to be considered together with all the stipulations made at the hearing in Los Angeles on March 3rd of this year?

"MR. WILLIAMS: Yes sir; and they are to be binding on the two Companies which I represent upon the increase of the rate to 15-1/2 cents, whereupon, as I say, we will file dismissals of our application for rehearing. That is your understanding of it, Mr. Commissioner?

"COMMISSIONER DECOTO: That is correct. How about you, Mr. Overton? How about the Los Angeles Gas and Electric and the Southern Counties?

"MR. OVERTON: Yes, we so stipulate. And I am authorized to represent the Southern Counties Gas Company also, so they will so stipulate.

"COMMISSIONER DECOTO: You will enter into this stipulation we are about to read to the reporter?

"MR. OVERTON: Yes.

"COMMISSIONER DECOTO: Has the City anything to say on the matter?

"MR. STEPHENS: Perhaps for the sake of the re-

cord I might say a few words. We have been mentioned many times in the discussion of this stipulation as being satisfied with this and with that. Bearing in mind that the stipulation, taken as a whole, contemplates an increase of a rate, I take it we have not been asked or expected to stipulate in that connection. The rate, of course, affects only the wholesale rate between the wholesale and retail Companies. This is in connection with an application for a rehearing, and we have nothing further to offer in that connection. We believe, fundamentally, that a rate should always be given, particularly to wholesale Companies, which will put them in a financial position to seek new supplies whenever such supplies are available, and we think that ought to be encouraged. Our view is, of course, that excepting in so far as gas is furnished between the two groups, that is, the Southern California-Midway on the one hand and the Los Angeles-Southern Counties on the other,-- with that exception the whole matter of retail and wholesale rates is more a matter of bookkeeping than anything else, anyway. So far as the stipulation that was being discussed this morning, that feature of the stipulation, I have gone over that very carefully and we have nothing further to suggest in that connection. We think it covers the ground and we favor the appointment of a gas administrator at this time, not with the idea that it is needed because of any shortage of gas but because he is needed for the purpose of enabling these Companies to get together and to facilitate the allocation of the gas from the standpoint of the use by the whole community. For that purpose we think a gas administrator who would act for all the Companies is a very desirable institution. I think perhaps that fully explains our position at this time.

"COMMISSIONER DECOTO: Now, what is your desire, shall I hand this copy of the stipulation that I have to the reporter and let him copy it into the record as the stipulation of all the parties?

"MR. WILLIAMS: The one that has been referred to since the Commission convened a few minutes ago.

"MR. STEPHENS: May I make this further comment? Of course, we understand that this rate, as heretofore stated in the former hearing, is to be absorbed by the retail Companies and that no application would be made for increase in the retail rate based on this increase of a cent and a half; and further, that it would not affect -- of course, legally it would not -- prevent the City of Los Angeles or any of the associated cities from making an application, when they see fit, that looked toward the affecting of the wholesale rate or the retail rate, or both of them.

"COMMISSIONER DECOTO: Now, Mr. Reporter, will you read that statement of Mr. Stephens, and I want everyone to listen to it.

(Statement of Mr. Stephens read by the reporter.)

"MR. OVERTON: Of course, if the Commission please, we take it that it is obvious that the City would not be precluded from making such application, because that is its constitutional right. And with respect to the other matter, our stipulation involved that precise situation; that is to say, that we would absorb that in the present retail selling rate for natural gas. Of course, coupled with that is the understanding that, should it become necessary on our part to file an application for increase in rates, this whole thing is at an end and then the matter of the cost of gas to us would be de novo before the Commission for further investigation and study.

"MR. STEPHENS: At an end upon the rendering of a decision rather than upon the application, of course..

"MR. OVERTON: Oh, yes, of course.

"MR. GORDON: On the first page, Mr. Commissioner, I think perhaps Mr. Guillou had the same point I was going to suggest, and that is it says that the purpose of this stipulation applies to all stipulations made at this hearing this day. Now, it applies also to the stipulations made March 3rd.

"COMMISSIONER DECOTO: That is the understanding, is it not, Mr. Overton?

"MR. OVERTON: Yes.

"COMMISSIONER DECOTO: That is your understanding, Mr. Williams?

"MR. WILLIAMS: Yes.

"COMMISSIONER DECOTO: Yes, I thought that. Now, I would like all of you before we adjourn to take the original stipulation I have just handed to the reporter and compare it with your copy so that you may satisfy yourselves the stipulation you have in your hands is the one into which you have entered. Mr. Williams is pointing out that in line 13 on page 2 of the stipulation there is a comma after the word "Commission" which should be removed. Is that agreeable to all the parties that have stipulated?

"MR. OVERTON: Yes, if the Commission please. I don't think it makes any change one way or the other, myself.

"COMMISSIONER DECOTO: Then the reporter will copy this.

(The stipulation referred to is as follows:)



"The purpose of this stipulation and all stipulations made at this hearing this day by any parties to the proceedings, is hereby declared to be the conserving of natural gas, thereby making it available for domestic and commercial and essential industrial consumption, for all times when it is needed for such purpose, and the securing of the closest cooperation and harmony of operation between any and all of the public utility companies that are parties to these proceedings, in supplying natural gas to their domestic and commercial and essential industrial consumers, and the securing to the consumers of the best possible service and the endeavor to maintain at all times the heat content of the natural gas to be served to the domestic and commercial and essential industrial consumers at not less than 1100 B.T.U. per C.F. except upon peak days when all the natural gas has been made available for domestic and commercial and essential industrial use to the exclusion of industrial use, it being definitely agreed between the public utility companies that they shall at all times furnish straight natural gas to domestic and commercial and essential industrial consumers so long as there is a sufficient quantity thereof for that purpose.

"That whether any consumer is in fact an essential industrial consumer within the meaning of this stipulation shall be a question of fact, the determination upon which by Railroad Commission shall be final.

"It is hereby stipulated that the Railroad Commission may, at its pleasure, appoint a gas administrator who shall have power to allocate to the various public utility companies that are parties to these proceedings, all natural gas of the said public utility companies according to the terms and conditions of Decision No. 17,830, this stipulation and any further order or orders in these proceedings, and should any of the public utility companies that are parties to these proceedings fail and/or neglect to cooperate to the fullest extent with any, and/or all of the public utility companies that are parties to these proceedings, in endeavoring to maintain the heat content of the natural gas to be served to the domestic and commercial and essential industrial consumers at not less than 1100 B.T.U. per cu. ft., and/or in endeavoring to give the best possible service to the domestic and commercial and essential industrial consumers in the territory covered by the present decision in these proceedings, then, upon the filing of a complaint with the Commission by any of the parties to these proceedings, or upon the commencing of a proceeding upon its own motion by the Commission, a hearing on such complaint and/or proceeding by the Commission on its own motion, shall be had by the Commission, and if after such hearing the Commission, upon the evidence presented, shall be of the opinion that any one or more of the public utility companies that are parties to these proceedings had failed and/or neglected to cooperate to the fullest extent with any and/or all of the

public utility companies that are parties to these proceedings in endeavoring to maintain the heat content of the natural gas served to the domestic and commercial and essential industrial consumers at not less than 1100 B.T.U. per cu. ft., and/or in endeavoring to give the best possible service to the domestic and commercial and essential industrial consumers in the territory covered by the present decision in these proceedings, the Commission shall, without further hearing, have the power and authority to change the wholesale rate for natural gas to be paid by any of the public utility companies that are parties to these proceedings to the offending party or parties to the rate now fixed by Exhibit A and Exhibit B in the present decision in these proceedings, and/or to appoint a gas administrator whose power and duties shall be to allocate and designate the use of all natural gas available to said utilities and designate the time or times when and the extent to which gas manufacturing plants of any and/or all such utilities shall be operated, and the orders and decisions of such gas administrator therein shall be final and binding upon the public utilities affected, and the Commission may further impose upon the offending party or parties such other penalty and/or condition as it shall deem meet and proper in the premises.

"Nothing herein contained shall be so construed as to prevent any of the parties hereto from applying to this Commission for a change in the rates provided by Decision No. 17,830 and this stipulation shall terminate for all purposes in the event that the Commission or any tribunal shall render a decision that shall substantially change the rates now fixed by Decision No. 17,830 of any of the utilities that are parties hereto.

"The salary and expenses of the gas administrator shall be borne by the companies in the manner to be directed by the Commission."

"COMMISSIONER DECOTO: Now, is the matter finally submitted? It will stand submitted."

From these stipulations it appears that the proposed change in rates will not in any manner affect the consumer, being designed to effect a better operating agreement among the several companies.

The benefits resulting from the proposed change will be two-fold. In the first place, by the action of the companies receiving natural gas in passing that gas on to the distributing

companies at much higher pressure the distributing companies will be enabled to lessen the cost of distribution. Secondly and of the greatest importance to the people of the City of Los Angeles, under these stipulations, it is the purpose of the gas companies to prevent as much as possible the excessive wastage of natural gas, which in the past has been blown into the air and thus dissipated. The companies propose to close wholly or partially certain dry gas wells, thus preserving that supply for the future use of their consumers and putting to practical use the gas that in the past has been blown in the air. This will enable the City of Los Angeles to preserve and enjoy for a much longer period the advantage that it now has through the low price of gas for domestic and industrial use.

O R D E R.

Good cause appearing therefor,

IT IS HEREBY ORDERED that decision number seventeen thousand eight hundred and thirty (17,830) be and it is hereby changed as follows:

That the portion of Exhibit "A" reading as follows:

RATE.

For the first 40,000 M.c.f. each day from  
November 15th to April 14th, inclusive,  
and for all gas each day from April  
15th to November 14th - 14¢ per M.c.f.

For the next 10,000 M.c.f. each day from  
November 15th to April 14th, inclusive - 20¢ " " "  
plus 1 cent per M.c.f. for each  
10 cents that the market price  
of fuel oil exceeds \$1.00 per  
barrel, but not more than 25¢  
per M.c.f.

For all over 50,000 M.c.f. each day from  
November 15th to April 14th, inclusive - 25¢ " " "

MINIMUM.

Minimum daily bill - \$4,200. for 30,000 M.c.f.

be changed to read as follows:

RATE.

For the first 40,000 M.c.f. each day from  
November 15th to April 14th, inclusive,  
and for all gas each day from April  
15th to November 14th - 15¢ per M.c.f.

For the next 10,000 M.c.f. each day from  
November 15th to April 14th, inclusive- 20¢ " " "  
plus 1 cent per M.c.f. for each  
10 cents that the market price  
of fuel oil exceeds \$1.00 per  
barrel, but not more than 25¢  
per M.c.f.

For all over 50,000 M.c.f. each day from  
November 15th to April 14th, inclusive- 25¢ " " "

MINIMUM.

Minimum daily bill - \$4,650. for 30,000 M.c.f.

That the portion of Exhibit "B" reading as follows:

RATE.

For the first 12,000 M.c.f. each day from  
November 15th to April 14th, inclusive,  
and for all gas from April 15th to  
November 14th, inclusive - 14¢ per M.c.f.

For the next 3,000 M.c.f. each day from  
November 15th to April 14th, inclusive- 20¢ " " "  
plus 1 cent per M.c.f. for each  
10 cents per barrel that the  
market price of fuel oil exceeds  
\$1.00 per barrel but not more  
than 25 cents per M.c.f.

For all over 15,000 M.c.f. each day from  
November 15th to April 14th, inclusive- 25¢ " " "

MINIMUM.

Minimum daily bill \$1,260. for 9,000 M.c.f.

be changed to read as follows:

RATE.

For the first 12,000 M.c.f. each day from  
November 15th to April 14th, inclusive,  
and for all gas from April 15th to  
November 14th, inclusive - 15<sup>1</sup>/<sub>2</sub>¢ per M.c.f.

For the next 3,000 M.c.f. each day from  
November 15th to April 14th, inclusive- 20¢ " " "  
plus 1 cent per M.c.f. for each  
10 cents per barrel that the  
market price of fuel oil exceeds  
\$1.00 per barrel but not more  
than 25 cents per M.c.f.

For all over 15,000 M.c.f. each day from  
November 15th to April 14th, inclusive- 25¢ " " "

MINIMUM.

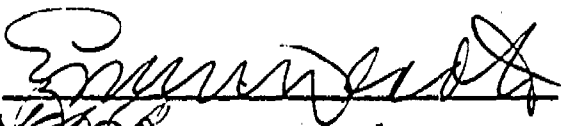
Minimum daily bill \$1,395. for 9,000 M.c.f.

In all other respects the said decision shall remain  
unchanged.

This order shall take effect ten (10) days after the  
filing of dismissals of the applications for rehearing herein,  
by all the parties that have filed a petition for rehearing here-  
in.

Upon this opinion and order becoming effective, the  
Commissioner will appoint a gas administrator in accordance with the  
stipulations on file herein.

Dated at San Francisco, California, this 25<sup>th</sup> day  
of May, 1927.

  
\_\_\_\_\_  
J. H. Boardman  
\_\_\_\_\_  
C. S. Cheney

  
\_\_\_\_\_  
Paul S. Rutter  
Commissioners.