

**ORIGINAL**

Decision No. 20555.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

The City of San Buenaventura,  
a municipal corporation,  
Complainant.

vs.

Case 2481.

Southern Counties Gas Company  
of California, a corporation,  
Defendant.

County of Ventura,  
Complainant.

vs.

Case 2502.

Southern Counties Gas Company  
of California, a corporation,  
Defendant.

Walter J. Fourt, City Attorney, for the  
City of San Buenaventura.

J. J. Deuel and L. S. Wing, California  
Farm Bureau Federation, for  
County of Ventura.

Leroy M. Edwards, for Southern Counties  
Gas Company.

BY THE COMMISSION:

O P I N I O N

These proceedings are an investigation into the gas rates of the Southern Counties Gas Company for natural gas service supplied within the entire County of Ventura, and are

initiated upon complaints of the City of San Buenaventura and the County of Ventura. The city's complaint requests the Commission to investigate the reasonableness of the gas rates applicable within the City of San Buenaventura and to reduce said rates in an amount which the Commission shall find to be just and equitable. The complaint of the county alleges that gas rates applicable within the County of Ventura are unjust and unreasonable, therefore it requests the Commission to establish reasonable rates.

Public hearings were held before Examiner Cannon on May 22nd, and June 13th, 1928, the matters being submitted for decision on the latter date. Stipulation was entered into by all appearances that the proceedings be consolidated and that evidence be taken with respect to both of them at the same time. The two proceedings are so intimately connected as parts of a single unit that they have been combined for decision.

Southern Counties Gas Company acquired the Ventura County gas properties from Southern California Edison Company in March, 1919, at which time manufactured oil gas, having a heat content of approximately 550 B.T.U. per cubic foot, was being distributed. Immediately after the purchase of the property, Southern Counties Gas Company instituted the service of natural gas, which has averaged a heat content of approximately 1,120 B.T.U. per cubic foot to date.

In presenting evidence, representatives of the city, county, and Southern Counties Gas Company have followed the usual procedure in rate cases by showing capital investment, requirements for a fair return on investment during the year 1928, allowance for depreciation and estimates of operating expenses and revenue.

REVENUE.

The estimate of sales during 1928, as presented in the joint exhibit filed by the city and the county, is substantially in agreement with the estimate presented by the company. When consideration is given to the probable average unit price per M.C.F. sold, under existing rates, for each group of consumers, the revenue which can be expected under present rates during 1928 is found to be \$528,000. Merchandising and miscellaneous revenue is estimated at \$3,500., or a total expected gross revenue of \$531,500.

RATE BASE.

Estimates of fixed capital submitted by the various parties are substantially in agreement. The principal difference in estimates of rate base for the year 1928 is to be found in the allowances used for Materials and Supplies, Working Cash Capital and Consumers' Advances in Aid of Construction. The estimates dealing with rate base and the amounts found reasonable are shown in Table I, below. An allowance of \$58,400. for Materials and Supplies has been included, which we believe to be reasonable. An allowance for Working Cash has been calculated on the usual basis employed by the Commission; that is, one month's cost of gas; two month's other expenses, exclusive of depreciation, taxes and uncollectibles, less one-quarter of state taxes. A deduction of \$60,000. has been considered reasonable for Consumers' Advances in Aid of Construction, substantially this amount being available to the company without payment of interest.

TABLE NO. 1  
ESTIMATED RATE BASE

SOUTHERN COUNTIES GAS COMPANY

VENTURA DISTRICT

YEAR 1928

	<u>Company Exhibit No. 4</u>	<u>City &amp; County Exhibit No. 1</u>	<u>Found Reasonable</u>
<u>Average Fixed Capital</u>			
Intangible, \$	3,149.30	\$ -	\$ 3,150.00
Transmission Capital,	324,558.48	-	324,550.00
Distribution Capital,	856,083.34	-	855,000.00
General Capital,	140,767.80	-	140,000.00
Total Average Fixed Capital,	\$1,324,558.92	\$1,317,000.00	\$1,322,700.00
<u>Materials &amp; Supplies,</u>	58,400.00	45,250.00	58,400.00
<u>Working Cash,</u>	35,698.00	24,500.00	29,850.00
Less Consumers' Advances,	-	60,000.00	60,000.00
RATE BASE,	\$1,418,656.92	\$1,326,750.00	\$1,350,950.00

OPERATING EXPENSES

The principal difference in the estimates of operating expenses presented in evidence was in the Production, New Business and General and Miscellaneous Expense items. The main variation in estimates of Production Expense, which is entirely cost of gas delivered to Ventura distribution system, results from the difference in estimates of the unit cost of gas rather than the amount of gas to be purchased. Complainants, in their estimate, used a unit cost of 12.3¢ per M.C.F. while the company advanced a unit cost of 13-1/2¢ per M.C.F. The difference in these estimates is largely accounted for in that the company has included amortization over a period of 6 years of capital invested in suction lines and compressor plants. Inasmuch as the use of suction lines and compressor plant is common to gas delivered to Los Angeles, Santa Barbara, Ventura and other communities served by this company, we feel it proper to provide for amortization of

of these facilities in the cost of gas. While we do not agree with the company's contention that a six year period is the proper one to use in this instance, the amount involved is relatively unimportant and it does not seem necessary to carry this calculation to a great degree of refinement. We will accordingly use 13-1/2¢ per M.C.F. as the unit cost of gas for purposes of this decision.

The company has estimated sales totaling 1,112,949 M.C.F. and unaccounted for gas at 140,000 M.C.F. We will accept the company's estimate of sales but, based upon past operations and the liberal maintenance program advanced by the company, we feel that unaccounted for gas will more reasonably be 127,000 M.C.F. Thus we arrive at a total sendout of 1,240,000 M.C.F. at 13.5¢ per M.C.F., or a total production expense of \$167,320.

Complainants estimate New Business expense at \$11,000. for 1928 against an estimate of \$13,000. by the company. While it appears that New Business expense for 1928 will be substantially \$13,000. as against \$7,000. during 1927, the increased activity in the New Business Department should result in substantial gains in business, which are not wholly reflected in the estimates of sales used in this decision. Accordingly, we feel the complainants' estimate of \$11,000. should more properly be used in this decision.

Complainants estimate General and Miscellaneous expense at \$17,000. for 1928, while the company estimate is \$22,000. for this item. After an examination of the evidence presented we feel that \$20,000. is a reasonable allowance.

The following tabulation sets forth the estimates of Operating Expenses and the amounts found reasonable:

TABLE NO. 2ESTIMATED OPERATING EXPENSES, YEAR 1928SOUTHERN COUNTIES GAS COMPANY - VENTURA DISTRICT

	<u>Company Exhibit #4</u>	<u>Complainants' Exhibit #1</u>	<u>Found Reasonable</u>
Production,	\$169,149.	\$158,000.	\$167,320.
Transmission,	3,075.	2,400.	3,000.
Distribution,	56,440.	57,000.	56,500.
Commercial	35,100.	34,000.	35,000.
New Business,	13,000.	11,000.	11,000.
Genl. & Miscel.,	22,000.	17,500.	20,000.
	<u>\$298,764.</u>	<u>\$279,900.</u>	<u>\$292,820.</u>

DEPRECIATION.

Estimates of Depreciation Annuity submitted by complainants and the company vary, chiefly because of different estimated lives expected for distribution and transmission mains. We do not feel justified in using lives greater than those accepted as reasonable by this Commission in an earlier decision and we will, therefore, use the company estimate of Depreciation Annuity, namely, \$42,350.

TAXES.

Basing state tax on 7-1/2% of 1927 gross revenue and miscellaneous and Federal income tax on current revenues, the total tax payments in 1928 will approximate \$57,000., if present rates continue in effect. In view of the reduced revenue which will result from the rates herein established and the consequent reduction in Federal tax to be paid, an allowance of \$53,000. for the year 1928 is found reasonable.

RATE OF RETURN.

Evidence introduced shows that the rate of return in the Ventura District for 1927 operations was in excess of 12%. The probable revenue under present rates and rate base, operating expenses, etc., found reasonable indicates that rate of

return would, if present rates were left undisturbed, be slightly in excess of 10% for 1928. The continuation of a rate structure which will yield such a return is clearly unwarranted. Rates which will result in a return of 7% upon the capital invested are adequate for the proper functioning of this utility and, in view of the marked decline in cost of money during the past few years, such a return is fair and reasonable.

The necessary gross revenue to yield this return is calculated below and rates established in the order will substantially produce such a gross revenue.

TABLE III

CALCULATION OF NECESSARY GROSS REVENUE - YEAR 1928.

Operating Expenses,	\$292,820.
Depreciation Annuity,	42,350.
Taxes,	53,000.
Uncollectibles,	5,000.
Net for Return,	
7% of \$1,350,950.,	<u>94,567.</u>
Necessary Cross Revenue,	\$487,737.

RATES.

The city, county and company have all urged that the so-called "two-part rate" be adopted for domestic and commercial service instead of the minimum form of rate, which has applied in the past. The city contended for a service charge of \$1.00 per meter per month; the county for a service charge of \$.50, while the company advocated a \$1.50 charge.

Admittedly the two-part rate or a rate embodying its principle has certain advantages over the ordinary minimum form of rate. The lower commodity charge, which accompanies the two-part form of rate, makes available additional quantities of gas at lower cost and thereby stimulates usage, to the ultimate benefit of the entire group of consumers. Further, such a rate, if

properly designed, more equitably allocates the cost of service among the consumers. Under the ordinary minimum form of rate, a certain group of consumers with small usage does not pay its way, and the average consumer pays somewhat more than his share. If this condition is to be corrected, it naturally follows that for certain usages, increased bills will result, which, in general, is the main cause for objection to the two-part form of rate.

There are other considerations which have a bearing upon the advisability of placing the two-part form of rate in effect and to which consideration must be given in any specific instance.

In these proceedings all interested parties have urged its adoption and the order will so provide.

#### O R D E R

The Railroad Commission of the State of California, having, upon complaints of the City of San Buenaventura and the County of Ventura, made investigation into the practices, rates, rules and operations of Southern Counties Gas Company in its Ventura District, public hearings having been held, the matters being submitted and being now ready for decision:

The Railroad Commission hereby finds as a fact that gas rates of Southern Counties Gas Company now in effect for service rendered in its Ventura District are unjust and unreasonable in so far as they differ from the gas rates hereinafter set forth, which rates are hereby declared to be just and reasonable rates, and basing its order upon the foregoing finding of fact and the findings of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED that Southern Counties Gas Company



be and it is hereby authorized to charge and collect for natural gas service supplied in its Ventura District, effective with bills based on regular meter readings taken on and after December 20th, 1928, the schedule of rates set forth in Exhibit "A" attached hereto and made a part hereof, such rates to be filed with this Commission on or before December 20th, 1928.

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

Dated at San Francisco, California, this 5<sup>th</sup> day of December, 1928.

Leon Whitell

C. S. ...

Ernest ...

John ...

M. J. ...

Commissioners.

E X H I B I T " A "

SCHEDULE NO. 4-A

(Superseding Schedules Nos. 4-A, 4-A-F, 4-E and 4-E-F)

General Service

Applicable to domestic and commercial service for lighting, heating and cooking, including restaurants, apartment houses, hotels, hospitals, sanitarium, business buildings of all kinds, schools and churches.

Territory

Applicable to Ventura District, exclusive of areas served under rate 4 AO.

Rate

Service Charges, . . . . . \$.90 per meter per mo.

Consumption Charge (to be added to service charge). . . . . 7 cents per 100 cu.ft.

Minimum Charge

The service charge set forth above constitutes the minimum charge.

Special Conditions

Consumers served under this schedule shall have priority in the use of gas over consumers served under Schedules Nos. 4-B, 4-C, 4-D, 4-G, and 4-EV, at all times when there is insufficient gas to supply the demands of all consumers.

SCHEDULE NO. 4-A-0

(Superseding Schedule No. 4-A-0)

General Service

Applicable to domestic and commercial service for lighting, heating and cooking, including restaurants, apartment houses, hotels, hospitals, sanitaría, business buildings of all kinds, schools and churches.

Territory

Applicable to Camarillo and contiguous territory, also to the City of Ojai and territory between Ventura and Ojai served by the Ojai line.

Rate

Service Charge - \$1.25 per meter per month.

Consumption Charge (to be added to service charge.)

First	2,000	cu.ft.	per	meter	per	month,	13	cents	per	100	cu.ft.
Next	6,000	"	"	"	"	"	10	"	per	100	cu.ft.
All over	8,000	"	"	"	"	"	7	"	per	100	cu.ft.

Special Conditions

Consumers served under this schedule shall have priority in the use of gas over consumers served under Schedules Nos. 4-B, 4-C, 4-D, 4-G, and 4-EV, at all times when there is insufficient gas to supply the demands of all consumers.

SCHEDULE NO. 4-A-AOptional Rate for General Service

Applicable to domestic and commercial service for lighting, heating and cooking, including restaurants, apartment houses, hotels, hospitals, sanitaría, business buildings of all kinds, schools and churches.

Territory

Applicable to entire Ventura District.

Rate

Demand Charge - \$36.00 per year per 100 cu. ft. maximum hourly demand.

Commodity Charge - \$.04 per "C" cu. ft.

Minimum Demand Charge - \$180.00 per year, payable monthly.

Special Conditions

The maximum hourly demand will be the rated hourly capacity of consumer's appliances, unless consumer specifies a greater or lesser demand. The company may mechanically limit the supply of gas in accordance with the demand applicable.

Consumers served under this schedule shall have priority in the use of gas over consumers served under Schedules Nos. 4-B, 4-C, 4-D, 4-G and 4-E-V.

SCHEDULE NO. 4-B

(Superseding Schedules Nos. 4-B and 4-BC)

Gas Engine Service

Applicable to service for internal combustion engines only.

Territory

Applicable to entire Ventura District.

Rate "A"

First	100,000	cu.ft.	per	meter	per	month,	\$.45	per	M.cu.ft.
Next	400,000	"	"	"	"	"	.40	"	"
Next	500,000	"	"	"	"	"	.35	"	"
All over	1,000,000	"	"	"	"	"	.30	"	"

Minimum Charge

\$3.00 per meter per month.

For continuous yearly service, accumulative annual minimum of \$36.00 per meter. This minimum applies only to consumers served under Rate "A".

Rate "B"

EFFECTIVE APRIL 1 TO NOVEMBER 30, INC.

Rate "BA"	35¢	per	M.cu.ft.	with	an	annual	guarantee	of	5,000	M.cu.ft.
Rate "BB"	30¢	"	"	"	"	"	"	"	10,000	"
Rate "BC"	28¢	"	"	"	"	"	"	"	15,000	"
Rate "BD"	25¢	"	"	"	"	"	"	"	20,000	"

EFFECTIVE DECEMBER 1ST TO MARCH 31ST, INC.

Consumers served under Rate "B" will pay rates as quoted under Rate "A". Gas consumed during this period will apply on the annual guarantee shown above.

In applying Rate "B", gas consumed at all meter locations will be aggregated. In addition to the rates quoted above, an annual meter charge of \$25.00 will be made for each meter installation in excess of one.

A contract for a period of two years will be required as a condition precedent to service under Rate "B" of this schedule.

Special Conditions

Measurement will be based upon the unit of 1,000 cu.ft. of gas at 14.73 lbs. absolute. Consumers served under this schedule shall have priority in the use of gas over consumers served under Schedules 4-D, 4-C and 4-EV, at times when there is insufficient gas to supply the demands of all consumers.

SCHEDULE NO. 4-C

(Superseding Schedule No. 4-C)

Commercial and Industrial Service

Applicable to commercial and industrial service such as bakeries, packing houses, metal working plants, preserving and canning establishments, fruit and vegetable dryers and other consumers whose demands for gas are not dependent upon atmospheric temperature or upon the preparation of meals and whose times of maximum demand, if any, do not coincide with that of consumers served under Schedule No. 4-A.

Territory

Applicable to Ventura District, including Ventura, Oxnard, Santa Paula, Fillmore and adjacent territory.

Rate

First	50,000	cu.ft.	per	meter	per	month	\$.60	per	M.	cu.ft.
Next	150,000	"	"	"	"	"	.50	"	"	"
All over	200,000	"	"	"	"	"	.45	"	"	"

Minimum Charge

\$150.00 per meter per year, payable at the rate of \$15.00 per month, cumulative basis.

Special Conditions

Consumers served under this schedule have priority in the use of gas over consumers served under Schedules Nos. 4-D, 4-C and 4-E-V, at times when there is insufficient gas to supply the demands of all consumers.

SCHEDULE NO. 4-D

(Superseding Schedule No. 4-D)

Surplus Industrial Service

Applicable to industrial service on existing mains having a delivery capacity in excess of the present requirements of consumers served under Schedules Nos. 4-A, 4-A-C, 4-A-A, 4-B, and 4-C, for use in steam boilers, incinerators, kilns, or similar equipment, in which the gas is not used to heat buildings or to prepare meals, and which are equipped to use other fuels and can be converted to use other fuels on thirty minutes' notice. Consumers receiving service under this schedule are required to maintain adequate supplies of such other fuels.

Territory

Applicable to entire Ventura District.

Rate

"A" - 35¢ per M. cu.ft. with monthly guarantee of \$40.00  
 "B" - 30¢ " " " " " " " " " " 75.00

Provided, however, that each of the foregoing rates is subject to a change of 1/10 of one cent per thousand cubic feet for each change of 1 cent in the price of fuel oil below \$1.50 per barrel, as quoted by the Standard Oil Company, a California corporation; and provided, further that in every event these rates shall be limited to the maximum and minimum rates, respectively, as hereinbelow set forth, to-wit:

<u>Maximum or Base Rate</u>	<u>Minimum Rate</u>
"A" 35 cents per M. cu.ft.	30 cents per M. cu.ft.
"B" 30 cents per M. cu.ft.	25 cents per M. cu.ft.

Special Conditions

Consumers served under this schedule shall have priority in the use of gas over consumers served under Schedules Nos. 4-C and 4-E-V, at all times when there is insufficient gas to supply the demands of all consumers.

A contract for a period of one year will be required as a condition precedent to service under this schedule.



SCHEDULE NO. 4-G

(Superseding Schedule No. 4-G)

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 to service within Ventura County.

Rate

25¢ per 1,000 cubic feet.

Subject to a change of 1/10 of one cent per thousand cubic feet for each change of 1 cent in the price of fuel oil below \$1.50 per barrel, as quoted by the Standard Oil Company, a California corporation; provided, however, that in every event this rate shall be limited to a minimum of 20 cents per thousand cubic feet and a maximum of 25 cents per thousand 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 will be based upon the unit of 1,000 cubic feet of gas at 14.73 lbs. absolute. 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.

SCHEDULE NO. 4-E-V

(Superseding Schedule No. 4-E-V)

VENTURA DISTRICT

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 to Los Angeles County west of Calabasas.

Rate

30¢ per 1,000 cu. ft.

Subject to a change of 1/10 of one cent per thousand cubic feet for each change of 1 cent in the price of fuel oil below \$1.50 per barrel, as quoted by the Standard Oil Company, a California corporation; provided, however, that in every event this rate shall be limited to a minimum of 25 cents per thousand cubic feet and a maximum of 30 cents per thousand 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.

Measurement will be based upon the unit of 1,000 cu. ft. of gas at 14.73 lbs. absolute. 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.