

ORIGINAL

Decision No. 24478

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

THE CITY OF SAN DIEGO, a municipal corporation,

Complainant,

vs.

SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY, a corporation,

Defendant.

Case No. 3152.

In the Matter of the Investigation on the Commission's own motion into the rates, rules, regulations, charges, classifications, contracts, practices, operations and service, or any of them, etc., of SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY, engaged in furnishing gas, electric and steam heating service in the City of San Diego and/or other points within the State of California.

Case No. 3153.

C. L. Byers, City Attorney, for the City of San Diego.
Stearns, Luce & Forward, by Edgar A. Luce and Chickering & Gregory, by Evan Williams and Walter C. Fox, Jr., for San Diego Consolidated Gas and Electric Company.
O. C. Ludwig, City Attorney, for the City of Chula Vista.
A. B. Fry, Mayor pro tem of the City of Coronado, for the City of Coronado.
J. C. Hizar, City Attorney, for the City of Oceanside.
J. A. Isaacson, City Attorney, for the City of La Jolla.
J. J. Deuel, for California Farm Bureau Federation.
Edgar B. Hervey, for M. W. Wright.
John D. Reavis, for City Tax Payers Auditing Assn.
J. A. Isaacson, City Attorney, for National City.

SEAVEY and CARR, Commissioners:

O P I N I O N

The City of San Diego, on December 7, 1931, filed its complaint against the San Diego Consolidated Gas and Electric Company alleging unreasonableness of the utility's electric, gas and steam rates in the City of San Diego and that it was feasible

for the utility to substitute natural gas for its existing manufactured gas service. The relief sought was a general refixation of rates, and particularly an order requiring the introduction of natural gas.

On December 15, 1931, the Commission, on its own motion, ordered an investigation into the rates and practices of the utility so as to broaden the issues raised by the City's complaint to embrace the operations of the utility outside of the City of San Diego as well as within the City.

Public hearings were had at San Diego on December 29th and 30th, at which time the City of San Diego presented evidence tending to show that the operations of the Company had resulted in earnings in its electric department and over all earnings somewhat higher than generally deemed reasonable and also tending to show that it was feasible for the utility to replace its manufactured gas service with a natural gas service. Suggested rates for natural gas service were tendered which rates were promotional in character.

The utility in a formal statement of its position urged that it was beyond the power of the Commission to order it to introduce natural gas. The Company, however, expressed its willingness to introduce natural gas if, in effect, its rates for natural gas, electricity and steam were constructed on a basis to yield a reasonable overall return on its property devoted to utility service. Alternately it indicated its willingness to reduce somewhat its electric rates if natural gas were not to be substituted for manufactured gas.

The City of San Diego sharply questioned certain service charges paid by utility, as well as the reasonableness of certain of its capital costs and operating expenses and urged a full and

detailed investigation into all of the Company's operations, an investigation which would require considerable time and extended hearings before a final conclusion is reached.

In view of the foregoing the Commission on December 31st issued its order to the Company to show cause, if any it had, why, pending the final conclusion and disposition of the cases, "it should not be required to charge lesser rates with a lesser gross revenue than exists at the present time either (a) upon its several existing gas, electric or steam services, or (b) upon its combined gas, electric and steam services in the event that natural gas is substituted for artificial gas service, said rates to give in either case a reasonable overall return upon the Company's property." Both the Company and the City of San Diego were requested and the engineering staff of the Commission directed "to present two proposed interim rate schedules * * * *as follows, to-wit: (a) Reasonable rates for existing services; and (b) Reasonable rates upon the assumption that natural gas is introduced prior to September 1, 1932."⁽¹⁾

Public hearings were had on the order on February 9, 10 and 11, 1932, at which evidence pertinent to the issues raised thereby was presented by the utility, the City of San Diego and the Commission's staff and the matter was submitted for decision. The earnest and able presentations thus made and, considering differences in viewpoint, the surprisingly small variations between the several estimates of operating results make possible the prompt decision desired by all.

1. This procedure was followed in Re Pacific Gas & Elect. Co., 34 212 and in Re San Joaquin Light & Power Corp. & Midland Counties Public Service Corp., Dec. No. 23589 of April 3, 1931. A somewhat similar procedure was followed in Re Southern Calif. Edison Co., 21 C.R.C. 597, which latter procedure was referred to with approval in Saundby v. Railroad Commission, 191 Cal. 226.

Scope of Order:

The Commission does not here pass upon

- (a) Its power to order the utility to substitute natural gas for manufactured gas.
- (b) The reasonableness or propriety of service charges paid by the utility.
- (c) The reasonableness of the capital investments.
- (d) The general reasonableness of the Company's depreciation charges.

These are matters which should be passed upon when the cases are finally determined and after a full record has been developed. The order here made and directed against the utility is premised upon its own records, facts substantially undisputed and a conclusion on what may be expected in the future based upon the estimates in evidence. In form the order requires certain reduction in charges on existing services pending the final determination of the cases. All who appeared recognized that if the utility goes to natural gas different types of rates should prevail. Such rates are prescribed in the event the Company elects to proceed at once to a natural gas basis. Each set of rates is carefully calculated to yield to the Company an overall return on its entire operative property which under the circumstances here present is deemed fair and reasonable. While the Company, under the order, is given full power to elect the course it will take and which of the two sets of schedules it will accept, it may not be amiss to direct its attention to the importance of having the form of its rates and the character of its service as nearly as may be in attune with the desires and aspirations of the territory it serves.

This leads to the consideration of interim rates appropriate if the Company continues on a manufactured gas basis and those appro-

private if it elects to go to natural gas. These will be treated separately.

PART I.

Interim Rates for Existing Services, Including Manufactured Gas.

Table I herein shows graphically the earning position of this utility from 1916 to 1961, inclusive, as well as its own and the Commission's engineers' forecasts of its earnings in 1932 under rates now in effect. The table, except for 1932 estimates, is constructed from the Company's own records of performance. None of the usual claims respecting values, both tangible and intangible, built around hypothetical reconstruction programs are here advanced, the Company apparently preferring and accepting the basis of testing the reasonableness of rates long employed by the Commission.²

2. Re Los Angeles Gas & Electric Co., 35 C.R.C. 443, illustrates the character of claims as to value frequently advanced and also discusses the basis of testing the reasonableness of rates usually followed by the California Commission.

TABLE NO. I.

Original

SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY
COMBINED PROPERTY RATE BASE
REVENUE EXPENSES AND RATE OF RETURN FOR YEARS 1916 TO 1931 INCLUSIVE, AND 1932 ESTIMATED

	1916	1917	1918	1919	1920	1921	1922	1923	1924
1. Rate Base									
Electric	\$3,328,000	\$3,876,000	\$4,409,000	\$4,645,000	\$4,956,000	\$6,242,000	\$8,123,000	\$9,860,000	\$11,422,000
Gas	2,774,000	3,000,000	3,251,000	3,420,000	3,647,000	4,132,000	4,787,000	5,975,000	7,383,000
Steam	-	-	-	-	-	109,000	114,000	123,000	134,000
Combined	\$6,102,000	\$6,876,000	\$7,660,000	\$8,065,000	\$8,603,000	\$10,482,000	\$13,024,000	\$15,958,000	\$18,939,000
2. Gross Revenue									
Electric	\$ 931,000	\$ 927,000	\$1,116,000	\$1,220,000	\$1,518,000	\$2,233,000	\$2,169,000	\$2,269,000	\$2,922,000
Gas	620,000	703,000	1,086,000	1,055,000	1,159,000	1,550,000	1,566,000	1,479,000	1,724,000
Steam	-	-	-	-	-	50,000	55,000	53,000	69,000
Combined	\$1,551,000	\$1,630,000	\$2,202,000	\$2,275,000	\$2,677,000	\$3,833,000	\$3,790,000	\$3,821,000	\$4,715,000
3. Total Operating Costs									
Electric	\$ 486,000	\$ 520,000	\$ 727,000	\$ 807,000	\$ 984,000	\$1,613,000	\$1,535,000	\$1,416,000	\$1,815,000
Gas	454,000	517,000	915,000	863,000	978,000	1,261,000	1,197,000	1,179,000	1,329,000
Steam	-	-	-	-	-	49,000	50,000	41,000	43,000
Combined	\$ 940,000	\$1,037,000	\$1,642,000	\$1,670,000	\$1,962,000	\$2,923,000	\$2,782,000	\$2,636,000	\$3,187,000
4. Net Revenue									
Electric	\$ 444,000	\$ 407,000	\$ 390,000	\$ 413,000	\$ 534,000	\$ 619,000	\$ 634,000	\$ 873,000	\$1,107,000
Gas	166,000	186,000	172,000	192,000	181,000	289,000	370,000	300,000	395,000
Steam	-	-	-	-	-	1,000	5,000	10,000	26,000
Combined	\$ 610,000	\$ 593,000	\$ 562,000	\$ 605,000	\$ 715,000	\$ 909,000	\$1,009,000	\$1,183,000	\$1,528,000
5. Rate of Return									
Electric	13.3%	10.5%	8.8%	8.9%	10.8%	9.9%	7.8%	8.9%	9.7%
Gas	6.0	6.2	5.3	5.6	5.0	7.0	7.7	5.0	5.4
Steam	-	-	-	-	-	0.9	4.4	8.1	19.4
Combined	10.0%	8.6%	7.3%	7.5%	8.3%	8.7%	7.7%	7.4%	8.1%

TABLE NO. I (Cont'd)

	1925	1926	1927	1928	1929	1930	1931	1932 Estimated	
								Company	O.R.O.
1. Rate Base									
Electric,	\$12,553,000	\$13,421,000	\$15,227,000	\$18,418,000	\$20,975,000	\$22,377,000	\$23,516,000	\$24,257,000	\$24,081,000
Gas,	8,259,000	8,898,000	9,674,000	10,433,000	11,174,000	11,754,000	12,328,000	12,579,000	12,540,000
Steam,	148,000	166,000	184,000	197,000	210,000	226,000	232,000	235,000	235,000
Combined,	20,960,000	22,485,000	25,085,000	29,048,000	32,359,000	34,357,000	36,074,000(a)	37,071,000	36,859,000
2. Gross Revenue									
Electric,	\$ 3,291,000	\$ 3,652,000	\$ 4,000,000	\$ 4,173,000	\$ 4,511,000	\$ 4,627,000	\$ 4,740,000	\$ 4,630,000	\$ 4,720,000
Gas,	2,034,000	2,059,000	2,512,000	2,600,000	2,752,000	2,710,000	2,702,000	2,823,000	2,825,000
Steam,	68,000	56,000	78,000	82,000	83,000	87,000	82,000	82,000	83,000
Combined,	5,393,000	5,767,000	6,590,000	6,860,000	7,349,000	7,424,000	7,524,000	7,535,000	7,628,000
3. Total Operating Costs									
Electric,	\$ 2,012,000	\$ 2,091,000	\$ 2,295,000	\$ 2,443,000	\$ 2,603,000	\$ 2,577,000	\$ 2,585,000	\$ 2,626,000	\$ 2,610,000
Gas,	1,544,000	1,549,000	1,740,000	1,816,000	1,899,000	1,866,000	1,850,000	1,914,000	1,862,000
Steam,	44,000	44,000	55,000	55,000	59,000	50,000	43,000	44,000	43,000
Combined,	3,600,000	3,674,000	4,090,000	4,314,000	4,561,000	4,493,000	4,478,000(b)	4,584,000	4,515,000
4. Net Revenue									
Electric,	\$ 1,279,000	\$ 1,570,000	\$ 1,705,000	\$ 1,735,000	\$ 1,909,000	\$ 2,051,000	\$ 2,155,000	\$ 2,004,000	\$ 2,110,000
Gas,	491,000	510,000	773,000	784,000	854,000	845,000	851,000	909,000	933,000
Steam,	24,000	13,000	23,000	27,000	23,000	37,000	39,000	38,000	40,000
Combined,	1,794,000	2,093,000	2,501,000	2,546,000	2,791,000	2,933,000	3,045,000	2,951,000	3,083,000
5. Rate of Return									
Electric,	10.2%	11.7%	11.2%	9.4%	9.1%	9.2%	9.16%	8.25%	8.78%
Gas,	5.9	5.7	8.0	7.5	7.6	7.2	6.91	7.22	7.44
Steam,	16.2	7.8	12.5	13.7	13.3	16.4	16.57	16.16	16.92
Combined,	8.6%	9.3%	10.0%	8.0%	8.6%	8.5%	8.45%	7.96%	8.36%

(a) Company Rate Base includes \$189,613.05 for donations in aid of construction.

(b) Includes \$60,000 for 1932 proportion of its estimated cost of valuation amortized over 3 year period.

The table shows the Company to have enjoyed an extraordinarily fine earning position for many years. In 1928 its electric rates were reduced between 9 and 10% (Re San Diego Consolidated Gas & Elec. Co., 31 C.R.C. 525) and the Company has since made several voluntary reductions. It is a reasonable, if not unescapable deduction from the Company's history in recent years that it possesses unusual power to recover from loss of gross revenue attendant upon rate reductions.

Of the money invested in the property derived from bonds, preferred stock, notes and reserves the cost to the Company is 6.43% or 6.57%, depending upon whether bond discount and expense is calculated on the straight line or sinking fund basis.³

Having in mind present economic conditions, the history of the Company, its recovery powers, the relation of its rates to those charged by other utilities, and the cost of its money, it is clear that pending the conclusion of these proceedings the Company will have no just cause for complaint if its charges for its several services are subject to such discounts as would in effect for the entire year 1932 work a reduction in its gross revenue of approximately \$600,000. and a corresponding reduction in net, because of lessened tax expense, of approximately \$475,000. On this basis the Company in the current year could pay its fixed charges, including preferred stock dividends and have a balance sufficient to yield approximately 8½% on its common stock.

3. This cost is higher than that of other comparable utilities which refinanced in 1927 and 1928 when bonds were in demand and could be floated at a low interest rate. This Company did not refinance at this time. However, it did seek to refinance in the first part of 1931, when the bond market was unusually favorable, but its effort proved unsuccessful due to certain franchise controversies with the City of San Diego.

It now has a surplus which compares most favorably with that maintained by other major gas and electric utilities. It would be earning its bond interest about four times.⁴

In prescribing interim rates it is undesirable to attempt to revamp existing schedules and particularly to disturb existing minimum and demand charges. Rather, energy charges on bills should be discounted stated percentages until on final determination complete schedules may be established.⁵

In determining upon the spread of the reduction careful consideration has been given to the relationship between existing schedules, the history of reductions as ordered by the Commission and as voluntarily made by the Company as well as the revenue possibilities of the various schedules.

The following table gives the various schedules subject to discount and the percentage discount applicable to billings thereunder except for the portions of the billings ascribable to minimum or demand charges:

4. Existing rates will apply to meter readings for the first three months of the year 1932, so that with the reduced rates here ordered in effect only for three-fourths of the year the calendar year's actual net will be substantially above what it would be with the reduced rates in during the entire year. There was some discussion at the hearings as to whether the Company should not be required to apply a part of its first quarter's earnings to an estimated valuation and rate proceeding expense. The matter of this expense is somewhat problematical and the disposition of whatever cost is incurred, whether to be allowed in whole or in part and whether to be charged against the current year operations or amortized over a period of years, may well be left to the final order.

5. The consumer spread employed in making the various estimates was stipulated into the record, thus making it possible to estimate the revenue effects of the prescribed discounts.

<u>Electric Schedules:</u>	<u>Percentage Discount.</u>
D-1. General Residence Service	10%
L-1. Commercial Lighting	17%
L-3. Street and Highway Lighting	10%
L-4. Series Mun. Lighting	10%
P-1. General Power Service	10%
P-3. Agricultural Power Service	12%

Manufactured Gas Schedules:

No. 1 and No. 4 - General Gas Service	5%
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Steam Schedule:

No. 1 - General Service	11%
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These discounts should apply on bills rendered on all meter readings taken on and after April 1, 1952. If the Company desires to give special additional consideration to street lighting charges in closely built up districts it is within its power to do this.

PART II.

Interim Rates for Various Services Including Natural Gas.

With the decline in natural gas production in the Los Angeles basin it will be necessary to secure gas from Kettleman Hills for the supply of San Diego. This means it must be transported more than 350 miles. All proposals for natural gas contemplate its purchase wholesale from one of the major Southern California distributing companies, with delivery at La Jolla, at a rate of not to exceed 30 cents per 1000 cubic feet.⁶

As natural gas per cubic foot has double the heat content of manufactured gas its introduction means a greatly lessened footage use at first, usually followed by a gradual increase in the amount of use. Rates appropriate for manufactured gas are not appropriate, as a rule, for natural gas.

6. There was presented in evidence a letter from the Southern Counties Gas Company indicating its willingness to deliver natural gas at La Jolla to the San Diego Company on a parity with deliveries in the Los Angeles region at a rate of 30 cents per 1000 cubic feet. Lesser rates for preferred and surplus industrial uses would be a matter of negotiation.

The City of San Diego, the Company and the engineers of the Commission were in accord as to the propriety and necessity of establishing promotional rates for natural gas rates which would not for a time at least yield a full return on the gas property and would require the company's electric operations to yield a return somewhat higher than might be deemed reasonable if considered alone in order that the Company secure a reasonable overall return on its utility operations.

This is well illustrated by the following Table II presented by Mr. Lester S. Ready on behalf of the City of San Diego at the hearing on December 29, 1931 and which expressed his estimate of the future earnings of the Company under existing electric and steam rates and with a proper promotional rate for natural gas.

TABLE NO. II

ESTIMATED FUTURE EARNINGS OF ALL DEPARTMENTS OF THE SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY ON BASIS OF NATURAL GAS SERVICE

Item	1932-33	1932-33	1933-34	1934-35	1935-36	1936-37
	Manufactured:		N A T U R A L			
RATE BASE - HISTORICAL:						
Electric Department	\$23,765,000	\$23,765,000	\$24,145,000	\$24,525,000	\$24,905,000	\$25,285,000
Gas	12,605,000	13,170,000	13,395,000	13,620,000	13,845,000	14,070,000
Steam	250,000	250,000	250,000	250,000	250,000	250,000
Total	\$36,620,000	\$37,185,000	\$37,790,000	\$39,395,000	\$39,000,000	\$39,605,000
GROSS REVENUE FROM OPERATION:						
Electric Department	\$ 4,787,200	\$ 4,787,200	\$ 4,908,800	\$ 5,030,400	\$ 5,152,000	\$ 5,273,600
Gas	2,801,408	2,302,610	2,667,174	2,888,062	2,919,526	3,137,458
Steam	90,000	90,000	90,000	90,000	90,000	90,000
Total	\$ 7,678,608	\$ 7,179,810	\$ 7,665,974	\$ 8,008,462	\$ 8,161,526	\$ 8,501,058
OPERATING EXPENSES:						
Electric Department	\$ 2,842,400	\$ 2,842,400	\$ 2,914,600	\$ 2,986,800	\$ 3,059,000	\$ 3,131,200
Gas	1,869,071	1,955,909	2,010,126	2,105,025	2,099,765	2,197,316
Steam	60,000	60,000	60,000	60,000	60,000	60,000
Total	\$ 4,771,471	\$ 4,858,309	\$ 4,984,726	\$ 5,151,825	\$ 5,218,765	\$ 5,388,516
NET REVENUE:						
Electric Department	\$ 1,944,800	\$ 1,944,800	\$ 1,994,200	\$ 2,043,600	\$ 2,093,000	\$ 2,142,400
Gas	932,337	346,701	657,048	783,037	819,761	940,143
Steam	30,000	30,000	30,000	30,000	30,000	30,000
Total	\$ 2,907,137	\$ 2,321,501	\$ 2,681,248	\$ 2,856,637	\$ 2,942,761	\$ 3,112,543
RATE OF RETURN - HISTORICAL BASIS:						
Electric Department	8.2%	8.2%	8.3%	8.3%	8.4%	8.5%
Gas	7.4	2.6	4.9	5.8	5.9	6.7
Steam	12.0	12.0	12.0	12.0	12.0	12.0
Total: Combined Departments	7.94%	6.24%	7.09%	7.44%	7.55%	7.86%

(Original)

In response to the requests and directions contained in the order to show cause, suggested schedules of interim rates on the basis of natural gas were presented by the City of San Diego, the utility and the engineering staff of the Commission.

The City presented schedules for electric and steam service which would effect reductions in gross revenue on an annual basis of some \$160,000., and for natural gas applicable to San Diego, Coronado and National City urged 75 cents net for the first 200 cubic feet and 15 cents per hundred for the next 800 cubic feet, $12\frac{1}{2}$ cents for the next 2000 cubic feet, $11\frac{1}{2}$ cents for the next 7000 cubic feet, 10 cents for the next 15,000 cubic feet, and 9 cents per hundred for all over 25,000 cubic feet per month. For territory served with natural gas outside of the cities of San Diego, Coronado and National City the same schedule was proposed except for a net charge of \$1.00 for the first 200 cubic feet.

The Company did not propose a reduction in its electric or steam rates but offered a natural gas schedule providing a \$1.00 net charge for the first 200 feet and 15 cents per hundred cubic feet for the first block. The next block was 14 cents, as contrasted with the City's proposal of $12\frac{1}{2}$ cents, the remaining blocks being the same as suggested by the City.

The Commission engineers recommended reductions in electric and steam rates aggregating on an annual basis approximately \$41,000.00 and presented natural gas schedules providing a net for the first 200 cubic feet of 90 cents in San Diego, Coronado and National City and outside of \$1.15. For the next block of 800 cubic feet $14\frac{1}{2}$ cents per hundred was recommended, the next two blocks being 12 and 10 cents, respectively, and all over 10,000 cubic feet

9 cents per hundred.

Each of the proposed natural gas schedules would slightly increase bills of the so-called convenience users⁷ but would work varying reductions in cost to consumers who use gas to any considerable extent. For a family using natural gas for cooking and heating the reduction in cost over the present cost of manufactured gas would be substantial.

In connection with its proposed natural gas schedule the Company presented its estimate of its overall earning position for the first year of natural gas (electric and steam rates unchanged) as follows:

7. Under natural gas schedules proposed by the City 22½ per cent of the consumers would have their bills increased, under the Company's schedules 38 per cent and under the Commission engineers' 28½ per cent. These increases would not be large, the maximum increase being 45 cents under the Company's schedules, while the maximum under the City's schedule would be 20 cents and under the Commission engineers' 32½ cents.

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TABLE NO. III

SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY ESTIMATECOMBINED DEPARTMENTS - RATE BASE, REVENUE, EXPENSES AND RATE OF RETURNNATURAL GAS BASIS

	Actual for Year 1931	Adjusted 1931 (For existing rate reduction)	Estimated 1932	Estimated Year Ending August 31, 1933
<u>Rate Base:</u>	\$36,073,671.	\$36,073,671.	\$36,880,995.	\$37,732,890.
<u>Gross Revenue:</u>				
Electric	4,731,014.	4,669,614.	4,630,000.	4,690,000.
Gas	2,699,794.	2,699,794.	2,823,000.	2,585,400.
Steam	81,592.	81,592.	82,000.	83,000.
Combined	\$7,512,400.	\$7,450,000.	\$7,535,000.	\$7,358,400.
<u>Operating Expenses:</u>				
Electric	2,582,382.	2,573,882.	2,625,900.	2,659,500.
Gas	1,851,980.	1,851,980.	1,913,600.	2,003,400.
Steam	43,082.	43,082.	44,600.	45,600.
Combined	\$4,477,444.	\$4,468,944.	\$4,584,100.	\$4,708,500.
<u>Net Revenue:</u>				
Electric	2,148,632.	2,094,732.	2,004,100.	2,030,500.
Gas	847,814.	847,814.	909,400.	582,000.
Steam	38,510.	38,510.	37,400.	37,400.
Combined	\$3,034,956.	\$2,981,056.	\$2,950,900.	\$2,649,900.
<u>Rate of Return:</u>	8.41%	8.26%	8.00%	7.02%

The City estimated earnings of the gas department of the Company under the City's proposed rates for a five year period as follows:

TABLE IV
(Ready's Estimates)

ESTIMATED REVENUE, EXPENSES AND RETURN BASED ON NATURAL GAS SERVICE
SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY

Year Ending -	N A T U R A L G A S					5-Yr. Average:
	6-30-33	6-30-34	6-30-35	6-30-36	6-30-37	
Number of Consumers	59,000	60,500	62,000	63,500	65,000	62,000
Gas Produced or Purchased MCF	1,983,300	2,247,575	2,383,560	2,552,600	2,758,300	2,385,067
Gas Sales, Domestic & Commercial MCF	1,675,300	1,884,575	2,069,560	2,260,600	2,458,300	2,049,667
Rate Base	\$13,170,000	\$13,395,000	\$13,620,000	\$13,845,000	\$14,070,000	\$13,620,000
Average Rate per 1000 Cu. Ft.	\$1.50	\$1.455	\$1.423	\$1.334	\$1.256	\$1.381
Revenue from Domestic & Commercial Sales at Proposed Rates	\$ 2,362,950	\$ 2,742,057	\$ 2,945,000	\$ 3,016,250	\$ 3,087,500	\$ 2,830,751
Operating Expenses, etc.:						
Production	\$ 672,640	\$ 752,272	\$ 793,168	\$ 844,020	\$ 905,900	\$ 793,600
Distribution & Transmission	303,000	296,000	290,000	289,000	293,000	294,200
Commercial	124,200	126,700	129,200	131,600	134,200	129,180
New Business	40,500	36,500	34,500	32,500	28,000	34,400
General (Excl. of "Byllesby")	130,000	132,600	135,200	137,900	140,600	135,260
Customer Changeover Cost	84,000**	-	-	-	-	16,800
Subtotal	\$ 1,354,340	\$ 1,344,072	\$ 1,382,068	\$ 1,435,020	\$ 1,501,700	\$ 1,403,440
Depreciation	277,887	282,634	287,382	292,130	296,877	287,392
State and Franchise Taxes	255,440	226,578	258,664	275,167	281,794	259,528
1/2 Byllesby Supervision, 1930	35,700	36,600	37,500	38,400	39,300	37,500
Uncollectible Bills	14,246	16,632	17,755	18,185	18,615	17,067
Total	\$ 1,937,613	\$ 1,906,416	\$ 1,983,369	\$ 2,058,902	\$ 2,138,286	\$ 2,004,917
Net Revenue:						
From Domestic & Commercial Service	425,337	\$ 835,641	\$ 961,631	957,348	\$ 949,214	\$ 825,834
From Industrial Service	20,000	25,000	30,000	35,000	40,000	30,000
Total	\$ 445,337	\$ 860,641	\$ 991,631	\$ 992,348	\$ 989,214	\$ 855,834
Federal Tax	-	30,944	45,448	44,319	42,728	32,688
Net for Return	445,337	829,697	946,183	948,029	946,486	823,146
Rate of Return	3.381%	6.194%	6.947%	6.847%	6.727%	6.044%

** 2/3 charged to earnings resulting from delay of service of Natural Gas.

The Commission engineers estimated overall earnings under their recommended reduced electric and steam rates and natural gas rates for a three year period as follows:

HL

August

TABLE NO. V
(California Railroad Commission Estimate)

SAN DIEGO CONSOLIDATED GAS AND ELECTRIC COMPANY
COMBINED PROPERTY RATE BASE, REVENUE, EXPENSES AND RATE OF RETURN
ESTIMATED FOR YEARS 1933 to 1935 ON BASIS OF NATURAL GAS

Item	Combined Property	Natural Gas Yr. Ending Aug. 31, 1933	Natural Gas Yr. Ending Aug. 31, 1934	Natural Gas Yr. Ending Aug. 31, 1935	Natural Gas 3-Year Average*
1	<u>RATE BASE:</u>				
	Electric	\$24,426,000.	\$24,926,000.	\$25,426,000.	\$24,866,000.
	Gas	12,913,000.	13,163,000.	13,413,000.	13,291,000.
	Steam	236,700.	239,400.	241,800.	239,400.
	Total	\$37,575,700.	\$38,328,400.	\$39,080,900.	\$38,396,400.
2	<u>GROSS REVENUE:</u>				
	Electric	4,748,000.	4,891,000.	5,039,000.	4,892,700.
	Gas	2,344,300.	2,538,100.	2,721,500.	2,559,500.
	Steam	84,000.	85,500.	87,000.	85,500.
	Total	\$7,176,300.	\$7,514,600.	\$7,847,500.	\$7,537,700.
3	<u>TOTAL OPERATING COSTS:</u>				
	Electric	2,634,900.	2,681,500.	2,735,300.	2,693,900.
	Gas	1,922,506.	1,958,766.	2,043,036.	1,995,240.
	Steam	43,900.	44,500.	45,100.	44,500.
	Total	\$4,601,306.	\$4,684,766.	\$4,823,436.	\$4,723,640.
4	<u>NET REVENUE:</u>				
	Electric	2,113,100.	2,209,500.	2,303,700.	2,208,800.
	Gas	421,794.	579,334.	678,414.	564,293.
	Steam	40,100.	41,000.	41,900.	41,000.
	Total	\$2,574,994.	\$2,829,834.	\$3,024,014.	\$2,814,173.
5	<u>RATE OF RETURN:</u>				
	Electric	8.64%	8.89%	9.05%	8.88%
	Gas	3.26%	4.40%	5.06%	4.24%
	Steam	16.93%	17.13%	17.33%	17.13%
	Total	6.85%	7.38%	7.74%	7.33%

*-Escóndido Included in fourth column only.

These forecasts based upon slightly differing rates, varying gradations of conservatism and optimism and covering different periods are not readily comparable, but upon analysis are found to be surprisingly close together.

Because of the wide experience of Mr. Brown, the Commission's Gas and Electric Engineer, in constructing rates for natural gas in the balance of the State, it is believed the schedule proposed by him should be accepted as the basis of the order. His recommended reductions in steam rates and in certain electric schedules appear to be reasonable. These should apply on all bills based on meter readings taken on and after April 1, 1932 if the Company elects to go to natural gas. In the event of such election the natural gas rates should apply on all bills based upon meter readings taken on and after September 15, 1932.

The Company should make its election on or before March 1, 1932 and advise the Commission by that time of its decision.

Further Proceedings:

If the Company elects not to introduce natural gas these cases may on the application of any party be restored to the calendar for further hearings at any time after August.

If, on the other hand, the Company decides to introduce natural gas the promotional rates therefor should be given a reasonable trial and further hearings should be deferred for at least a year or longer.

The following form of order is recommended:

O R D E R

The Railroad Commission having instituted proceedings on its own motion into the rates, rules, regulations, charges, classifications, rentals, practices, contracts and service of San Diego Consolidated Gas & Electric Company, and the City of San Diego having entered its complaint against said Company alleging the unreasonableness of its rates and asking that the Company be required to substitute natural for manufactured gas (which said cases were consolidated for hearing), the Commission having ordered San Diego Consolidated Gas & Electric Company to show cause why interim rates should not be made, public hearings having been had and the matter of interim rates being submitted and now ready for decision,

THE RAILROAD COMMISSION NOW FINDS AS A FACT that the rates charged by San Diego Gas & Electric Company now in effect are, under the circumstances here present, unjust and unreasonable so far as they differ from the several rates as modified herein, which modified rates as applicable to the conditions to which they are severally made to apply, are found to be under said circumstances to be just and reasonable for the services rendered, based on regular meter readings taken on and after the dates hereafter specified.

Based upon the foregoing findings of facts and the findings of facts set forth in the opinion preceding this order,

IT IS HEREBY ORDERED, that

1. San Diego Consolidated Gas & Electric Company, unless on or before March 1, 1932 it makes its election to substitute in the territory served by it (except Escondido) natural gas for manufactured gas and agrees to introduce natural gas into said territory by September 1, 1932, and which election and agreement shall

be evidence by writing filed with this Commission on or before said March 1, 1932, apply to bills for electric, manufactured gas and steam service based upon regular meter readings taken on and after April 1, 1932 the discounts specified in Exhibit "A" hereto attached until further order herein, which said discounts shall be endorsed upon all bills rendered with a notation substantially as follows:

"Discount ordered by Railroad Commission
effective until further order."

2. If San Diego Consolidated Gas & Electric Company on or before March 1, 1932 elects as aforesaid to substitute natural for manufactured gas in the territory served by it, then it shall apply to bills for electric and steam service based upon regular meter readings taken on and after April 1, 1932 the discounts specified in Exhibit "B" hereto attached, and apply to bills for natural gas service based upon regular meter readings taken on and after September 15, 1932 the rates for natural gas service set forth in said Exhibit "B", all until further order herein, and on bills required to be discounted such discounts to be endorsed in said bills with a notation substantially as follows:

"Discount ordered by Railroad Commission
effective until further order."

3. The foregoing rates are to remain in effect only during the pendency of these proceedings and until further order herein.

4. Except as otherwise ordered the effective date of this order shall be twenty (20) days from 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 15th day of February, 1932.

C. C. Scavely
M. J. Carr
John A. Whitely
M. B. Quinn
Frederic C. Stewart
Commissioners.

EXHIBIT "A"

MANUFACTURED GAS BASIS.

If the service of manufactured gas is continued the following percentage discounts shall be applied to all billing for electricity, gas and steam, except that such discounts shall not be applied to the minimum or demand portion of such billing, and the amount of discount shall be shown on the face of each bill:

<u>Electric Schedules:</u>	<u>Percentage Discount</u>
D-1 - General Residence Service	10%
L-1 - Commercial Lighting	17%
L-3 - Street and Highway Lighting	10%
L-4 - Series Municipal Street Lighting ...	10%
P-1 - General Power Service	10%
P-3 - Agricultural Power Service	12%
<u>Manufactured Gas Schedules:</u>	
No. 1 and No. 4 - General Gas Service	5%
<u>Steam Schedule:</u>	
No. 1 - General Service	11%

EXHIBIT "B"

NATURAL GAS BASIS.

If the service of manufactured gas is replaced by the service of natural gas the following percentage discounts shall be applied to all billing for electricity and steam, except that such discounts shall not be applied to the minimum or demand portion of such billing, and the amount of discount shall be shown on the face of each bill:

<u>Electric Schedules:</u>	<u>Percentage Discount</u>
L-3 - Street and Highway Lighting	5%
L-4 - Series Municipal Street Lighting	5%
P-1 - General Power Service	1%
P-3 - Agricultural Power Service	7%
 <u>Steam Schedule:</u>	
No. 1 - General Services	11%

SCHEDULE NO. N-1.

GENERAL SERVICE

Natural gas will be supplied under this schedule for domestic and commercial service of gas for lighting, heating and cooking.

TERRITORY

Applicable to the Cities of San Diego, Coronado and National City.

RATE

	<u>Gross</u>	<u>Net</u>
First 200 Cu.Ft. or less per meter per month	\$1.00	\$.90
		<u>per 100 Cu.Ft.</u>
Next 800 Cu.Ft. per meter per month	.155	.145
Next 2000 " " " " "	.130	.120
Next 7000 " " " " "	.110	.100
All over 10,000 Cu.Ft. per meter per month		.090

PROMPT PAYMENT DISCOUNT

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate as shown is made for prompt payment in case bills are paid on or before the date due as shown on the bill rendered.

SPECIAL CONDITIONS

In case of prepayment meters the rate charged shall be \$2.00 per 1000 cubic feet for all gas consumed subject to a minimum of 90¢ per meter per month.

SCHEDULE NO. N-2.

GENERAL SERVICE

Natural gas will be supplied under this schedule for domestic and commercial service of gas for lighting, heating and cooking.

TERRITORY

Applicable to entire territory served with natural gas outside of the cities of San Diego, Coronado and National City.

RATE

	<u>Gross</u>	<u>Net</u>
First 200 cu.ft. or less per meter per month	\$1.25	\$1.15
	<u>Per 100 cu.ft.</u>	
Next 800 cu.ft. per meter per month,	\$.155	\$.145
Next 2000 cu.ft. per meter per month,	.130	.120
Next 7000 cu.ft. per meter per month,	.110	.100
All over 10000 cu.ft. per meter per month,		.090

PROMPT PAYMENT DISCOUNT

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate as shown is made for prompt payment in case bills are paid on or before the date due as shown on the bill rendered.

SPECIAL CONDITIONS.

In case of prepayment meters the rate charged shall be \$2.00 per 1000 cubic feet for all gas consumed, subject to a minimum of \$1.15 per meter per month.