

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

The City of Los Angeles, a  
municipal corporation,

Complainant,

vs.

Southern California Gas Company,  
Los Angeles Gas and Electric  
Corporation, Southern California  
Edison Company and Economic Gas  
Company,

Defendants.

ORIGINAL

Case No. 594.

Decision No. 1651

Albert Lee Stephens, City Attorney, for City of  
Los Angeles,  
Carl Taylor and O'Melveny, Stevens and Millikin  
for Southern California Gas Company.  
William A. Cheney, Herbert J. Goudge and Paul Overton  
for Los Angeles Gas and Electric Corporation.  
H. H. Trowbridge for Southern California Edison Company.  
L. P. Lowe for Economic Gas Company,

THELEN, Commissioner.

O P I N I O N.

This is an action to compel the defendant gas companies to resume the supply of natural gas to the inhabitants of Los Angeles.

A public hearing was held in the city of Los Angeles on June 23, 1914. Ten days were granted to all parties for the filing of briefs. This time has now expired and the case is ready for decision.

Between July 17, 1913, and February 20, 1914, large amounts of so-called "mixed gas", consisting of varying proportions of artificial gas and natural gas, were sold by Los Angeles Gas and Electric Corporation, Southern California Gas Company and Economic Gas Company to their customers in the city of Los Angeles. Southern California Edison Company also sold smaller amounts of "mixed gas" which it secured from Long Beach Consolidated Gas Company, which company in turn secured it from Southern California Gas Company. The natural gas has all been controlled by Southern California Gas Company. Since February 20, 1914, the condition, in so far as Los Angeles is concerned, has been as follows: Southern California Edison Company has received no natural

gas or "mixed gas" and has sold none; Economic Gas Company has received none, though it has demanded from Southern California Gas Company that delivery be made under the contract between the two companies and has expressed a desire to sell natural gas in Los Angeles; Los Angeles Gas and Electric Corporation has taken from Southern California Gas Company at the terminus of the Midway main at West Glendale 134,218,113 cubic feet of natural gas in March, 196,932,880 cubic feet in April and 222,250,000 cubic feet in May, with an amount not testified to for June, but has used the entire amount in its own gas works and electric works, and has distributed none thereof to its customers; and Southern California Gas Company has used natural gas in its gas works in Los Angeles, but has distributed none to any of its customers in Los Angeles except some two hundred living <sup>in</sup> the "Shoestring District", who have been served with straight natural gas from the main which leads to Redondo. The companies assign different reasons for their failure to continue to supply "mixed gas" to their customers, which reasons will hereinafter be considered in so far as necessary.

At the outset, we are confronted by a question of jurisdiction as between this Commission and the city of Los Angeles. The City, while asking this Commission to order the defendants to supply natural gas in Los Angeles, nevertheless urges that the Commission has no jurisdiction to make such order and asks the Commission to rule on the question. All parties agree that if power in the premises vested in the city of Los Angeles on March 23, 1912, the effective date of the Public Utilities Act, it is still so vested, but that otherwise this Commission has jurisdiction. For principles applicable to questions of this kind, see Pratt vs. Spring Valley Water Company, decided by this Commission on May 21, 1914.

On March 25, 1911, (Statutes 1911, p.2051), Subdivision 30 of Section 2 of Article I of the Charter of Los Angeles was amended so as to read as follows:

"The city of Los Angeles, in addition to any other powers

now held by, or that may hereafter be granted to it under the constitution or laws of the state, shall have the right and power:

(30) To fix and determine the rates or compensation to be collected by any person, firm or corporation, for water, gas, electric current, refrigeration, heat, light, power, telephones, telephone service or connections or the conveyance of passengers or freight, by means of street railway cars, hacks, cabs, or other cars or vehicles for hire, or for the products of, or service by, any other public utility operated or conducted within the city limits; and to prescribe the character and quality of any public utility service."

"To regulate, subject to ~~xxx~~ the provisions of the constitution of ~~xxxx~~ the State of California, the construction and operation of railroads, interurban railroads, street railways, or other means of transportation, conduits, waterworks, and works or plants for the production, transmission or distribution of gas, electricity, heat, refrigeration or power, and the works or plants of any other public service utility."

I desire to draw attention particularly to the fact that the city of Los Angeles was given power "to prescribe the character and quality of any public utility service" and "to regulate the construction and operation of works or plants for the production, transmission or distribution of gas." Whether the defendants shall continue to supply "mixed gas" or whether they shall supply straight natural gas is, in my opinion, clearly a question of service over which the city of Los Angeles, under its charter, has jurisdiction. This Commission accordingly has no jurisdiction to compel any of the defendants to deliver natural gas in Los Angeles. That power vests solely in the city of Los Angeles or in the courts. In so far as the complaint asks this relief, it must be dismissed.

I shall now direct my attention to the remaining portion of the complaint, in which this Commission is asked to order Southern California Gas Company to resume the delivery of natural gas to Los Angeles Gas and Electric Corporation and Economic Gas Company. The contract of Southern California Gas Company with each of these companies specifies that the point of delivery of the natural gas shall be in West Glendale. As this point is in unincorporated territory, this Commission has jurisdiction over the service.

There is no question that Southern California Gas Company is a public utility or that it has held itself out as willing to sell

natural gas to anyone who would buy it at the established rates. The company filed with this Commission its contracts for the sale of natural gas to a number of other gas companies and asked for and received a modification of this Commission's order establishing the rate at which the company might sell its commodity at the West Glendale terminus of the Midway Pipe Line. The company has held itself out as ready and willing to supply natural gas to Los Angeles Gas and Electric Corporation and Economic Gas Company, as well as other gas companies not involved in this case, and it is the company's duty as a public utility to continue that service, unless some compelling reason to the contrary is shown. The only defense stated at the hearing was that the city of Los Angeles had established a rate for natural gas and "mixed gas" so low as to be confiscatory. This defense, while bearing on the service of the company to its customers in Los Angeles, does not in the slightest degree apply to the <sup>company's</sup> service to Los Angeles Gas and Electric Corporation and Economic Gas Company. This service has been rendered at a point outside the limits of Los Angeles and at a rate established by the Commission and not by the city of Los Angeles.

The general manager of the Southern California Gas Company testified that while only 6 to 9,000,000 cubic feet per day of natural gas are now being delivered at the West Glendale terminus, 20,000,000 cubic feet per day are available in the fields. He also testified that Southern California Gas Company has completed its compressor station in the fields and that after July 1, 1914, on which day he expected the present repairs to the Midway Line to be completed, he expected the company would be able to deliver between 16 and 17,000,000 cubic feet of natural gas per day. The company accordingly cannot make the excuse that it does not have any excess natural gas.

The remarkable spectacle is presented here of the Southern California Gas Company - a company heavily involved in the natural gas enterprise - refusing to sell natural gas to a company ready and anxious to buy at the rates established by this Commission, even though the company must be seriously crippled financially unless it sells a very

much larger quantity of natural gas than the restricted amount which it is now delivering. The affiliated Midway Gas Company, the owner of the pipe line from the fields, must inevitably go bankrupt unless more natural gas is sold. This is clearly a case, if ever one has arisen, in which a utility's own financial condition - to say nothing of its contract obligations - should have led it to perform its legal duty as a public utility. This company has had great troubles lately and I do not desire to seem harsh in my judgment. I wish merely to point out that the order which will be made in this case will be distinctly to the company's own advantage in restoring a source of revenue from which the company, in apparent blindness to its own interests, has shut itself off.

The Economic Gas Company is ready, willing and anxious to take natural gas from Southern California Gas Company under the terms of the existing contract, and to pay the rates established by this Commission, concerning which rates there is no question in this proceeding. Southern California Gas Company's duty under its contract and under its obligation as a public utility is to deliver the gas. A like duty is owed to Los Angeles Gas and Electric Corporation, if this corporation asks for the gas. If Los Angeles Gas and Electric Corporation refuses to take the gas for distribution to its customers in Los Angeles, this Commission cannot compel Southern California Gas Company to thrust its gas upon the other company. I desire, however, to point out that if Economic Gas Company supplies natural gas in Los Angeles and Los Angeles Gas and Electric Corporation and Southern California Gas Company do not follow suit, the Economic Gas Company, by reason of the much superior quality of the natural gas, is likely to secure all the business as to which there may be competition between these companies. Thus, while this Commission has no jurisdiction to accord the complete relief asked by the city of Los Angeles, the indirect effect of its order may be to bring about the result desired by the City.

The delivery of natural gas in Los Angeles is a matter of distinct public benefit, due to the superior quality of this gas.

The men who put their brains and their money into this enterprise and who in doing so have taken risks far out of the ordinary, deserve well of Los Angeles. This is clearly a case in which the public interest, the utility's contract duty, the utility's legal duty as a utility, and the utility's own financial welfare concur <sup>all</sup> in the same conclusion.

I submit herewith the following form of order:

O R D E R.

A public hearing having been held in the above entitled proceeding and the time allowed for the filing of briefs having expired, and the case being ready for decision,

IT IS HEREBY ORDERED that Southern California Gas Company be and the same is hereby ordered, within twenty-four hours after demand from Los Angeles Gas and Electric Corporation or Economic Gas Company, or both, to supply natural gas to applicant, under the terms of the existing contracts or such modifications as may, from time to time be agreed upon, at the rates heretofore established by the Railroad Commission.

IT IS FURTHER ORDERED that in other respects the complaint herein be dismissed.

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 6<sup>th</sup> day of July, 1914.

John M. Eshleman  
H. B. Toland  
W. A. Brown  
Max Thelen

Commissioners.