

CR. Decision No. ✓.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

ORIGINAL

Decision No. 3093-

Mrs. Elizabeth Basler, et al.

Complainant.

vs.

Case No. 699.

Southern California Edison
Company,

Defendant.

J. C. Steel, for Complainants.

H. H. Trowbridge and H. J. Bauer, for
Defendant.

BY THE COMMISSION.

O P I N I O N

This is the complaint of Mrs. Elizabeth A. Basler and thirty-five other residents of the City of Santa Monica against the Southern California Edison Company, alleging in effect that the rates for gas charged by defendant in the City of Santa Monica are unreasonable and unjust; that the minimum charge of \$1.00 per meter per month is excessive; that defendant has refused to make extensions at request of applicants and that the requirement of the deposit by defendant is unjust and unreasonable.

In its answer defendant denies that the rates which it charges for gas in Santa Monica are excessive or unreasonable and alleges that they do not offer defendant a reasonable return; denies that the minimum is excessive and that it refuses to make all reasonable extensions. Defendant admits that it requires a deposit but denies that the deposit is unjust and requests that the complaint be dismissed.

At the hearing in this case, held at Santa Monica, on August 27th, 1915, the complainants withdrew their complaint against the defendant insofar as it was directed towards the question of extensions and deposits, these points having been covered by the Commission's order in Case No. 683, and further as the company had reduced the minimum to 50 cents per meter per month, the complaint against that charge was also withdrawn, leaving the only question, that of the reasonableness of the rates charged, to be determined.

The present rate charged by defendant in Santa Monica is \$1.00 per 1,000 cubic feet for all consumption, with a monthly minimum charge of fifty cents per month.

The Southern California Edison Company, which operates an extensive electric transmission and distribution system in Southern California, also operates a gas production and distribution system in a territory known as the Santa Monica Bay District, which includes the cities of Santa Monica, Venice and

Sawtelle and the unincorporated territory adjacent thereto. The system consists of a gas generating plant located in Venice, which is at present operated as a stand-by plant, a transmission line connecting the gas plant with the terminals of the Southern California Gas Company's transmission line at Sawtelle, where gas is purchased from that company, and a medium high pressure distribution system serving the territory mentioned. The three towns and adjacent territory are supplied with both gas and electricity by the Southern California Edison Company, which entire territory has been divided into two operating districts, called the Venice and Santa Monica Districts.

Prior to the hearing both the company and the Commission's engineering department made a careful investigation of the properties used by the defendant in the gas business in the Santa Monica Bay District, and reports on their findings as to the estimated historical reproduction cost of the physical property and rate of depreciation to be allowed were submitted at the hearing, as was evidence showing the operating expenses and statistics for the district in question during the past three years, as well as an estimate of revenue and expense for 1915.

From an analysis of the testimony it appears that there is only a slight difference in the two valuations submitted, the company's being slightly over three per cent. in excess of that determined by the Commission's experts.

At the present time the defendant is purchasing a mixed natural and artificial gas from the Southern California Gas Company and is only operating its generating plant at Venice as a stand-by to insure service. The gas purchased is approximately 740 B. T. U. per cubic foot heat content. The price which the company is charged for this gas is 37-1/2 cents per thousand delivered at Sawtelle. The defendant is not, however, paying this amount, contending that the price should not exceed 35 cents per thousand. The amount paid has been approximately 31 cents.

Prior to the time that the defendant commenced purchasing gas, it operated its Venice gas plant and supplied artificial gas of approximately 615 B. T. U. per cubic foot heat content.

The complainants raised the point that the gas generating plant of defendant should be considered as abandoned property and not included in determining the rate to be charged for gas. It appears, however, that interruptions of gas supply have resulted in the past and may occur in the future as the supply is largely dependent upon the natural gas delivered from the Midway gas field through a long transmission line. As it also appears that the holders, boilers and compressors located at Venice are necessary even if the generators are not, and there would therefore be a reduction in the cost of gas of only about 2.4 cents per thousand cubic feet

sold or a change in the net return computed of .4 per cent., if these unnecessary items were excluded. Considering this fact, as well as the possibility of failure of natural gas supply, it appears only reasonable to include the generating plant as part of the operative property.

From the evidence submitted, both as regards cost of property and the revenue and expense, it appears that the rates of the defendant company for gas in Santa Monica City do not result in an excessive return upon the investment as shown by the following summary of revenue from the City of Santa Monica and the expense chargeable to that city.

ESTIMATE OF SALES, REVENUE AND EXPENSE
CITY OF SANTA MONICA
YEAR 1916.

Estimated Sales	96,505,900 cu.ft.
Estimated Revenue	\$97,506.97
Production Expense.....	\$41,774.47
Distribution Expense....	13,406.87
Commercial Expense.....	6,894.00
General Expense pro rata	7,730.00
Taxes	4,447.00
Uncollectible Accounts..	<u>488.00</u>
Total Expense	\$74,740.34
Net Revenue for Depreciation and Interest	\$22,766.63
Investment Pro rata Chargeable to Santa Monica, including Material and Supplies.....	341,519.00
Average Return for Interest and Depreciation	6.66 per cent.

In the above estimate the cost of gas to the defendant company has been estimated as 35 cents per thousand purchased. If the company obtains a rate of 31 cents as now paid the return will be increased approximately one per cent. However, if the company has to pay 37-1/2 cents for gas, the return estimated above will be reduced.

It appears from the above, therefore, that the rates charged do not yield the company a return which can be considered excessive. This is partially due, no doubt, to the fact that Santa Monica, as well as Venice and the adjacent territory, is largely a summer resort town and the result of this is that the company has a large number of short period consumers, and during a large part of the year a considerable number of inactive meters and services, which has resulted in a relatively larger investment per active consumer than would result where a more stable population exists, also a larger expense for operation due to the fact that more labor is required to care for the continuously changing consumers. This condition is strikingly shown by the records of the company, where it appears that in July 1915 there were 4,551 active meters in the district, of which 179 were used by two consumers during the month, and six by three consumers, at the same time there were 680 inactive meters. In November, there were only 3,588 active meters, 107

of which were used by two consumers and one by three consumers during the month, and at the same time there were 1,202 inactive meters. It therefore appears that during the year not only are there a large number of meters continually changing, but also the number of active meters varies from about 3,600 to 4,550.

Considering all the facts in this case, it appears that the complainants have no just complaint, and that the case should, therefore, be dismissed.

O R D E R

A public hearing having been held in the above entitled proceeding, and said proceeding having been submitted and the case now being ready for decision, and it appearing that the rates charged by the Southern California Edison Company for gas supplied to the city and residents of Santa Monica are not excessive,

IT IS HEREBY ORDERED that the said complaint be, and the same is hereby, dismissed.

Dated at San Francisco, California, this 14th day of February, 1916.

Max Thelen
H. S. Kinsland
Alvin Gordon
Edwin C. Edgerton
Frank R. Dever
Commissioners.