Decision No._____

ORIGINAL

Decision No. 4558

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA

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| In the Matter of the Application of the LOS ANGELES GAS & ELECTRIC CORPORATION for the fixing and classification of gas rates and for authority to put the same into effect. | Application 1830 |
| CITY OF LOS ANGELES, a municipal corporation, Complainant vs. SOUTHERN CALIFORNIA GAS COMPANY, a corporation, and LOS ANGELES GAS & ELECTRIC CORPORATION, a corporation Defendants. | Case 854 |

APPEARANCES

William A. Cheney, Paul Overton and Herbert J. Goudge, for Los Angeles Gas & Electric Corporation.
Albert Lee Stephens, City Attorney and Charles D. Houghton, Deputy City Attorney, for the City of Los Angeles.
Jared How, for Southern California Gas Company.
Paul Eliel for Municipal League of Los Angeles.

EDGERTON, Commissioner

O P I N I O N

In this application Los Angeles Gas & Electric Corporation alleges that the rates now charged by it for the service of gas over its entire system are unreasonably low and prays that the Commission fix just and reasonable rates for such service.

A few days after the filing of this application the City of Los Angeles filed a complaint (Case No. 854) alleging that the rates charged for the service of gas in the City of Los Angeles by Los Angeles Gas & Electric Corporation were unreasonably high and prayed that the Commission fix just and legal rates for the service of gas by said company in said city.

Shortly before the filing of said complaint Southern California Gas Company filed an application with this Commission (Application No. 1853) in which it was alleged that said Southern California Gas Company was supplying gas in the City of Los Angeles and in other communities in Southern California at rates which were unreasonably low and prayed that the Commission fix just and reasonable rates for the service of gas over its entire system.

The complaint of the City of Los Angeles (Case No. 854) also contained allegations to the effect that the rates charged by Southern California Gas Company for the service of gas in the City of Los Angeles were unreasonably high and prayed that just and reasonable rates be fixed for the service of gas by said company in said city.

Both of the above mentioned applications and the complaint were heard at the same time, under a stipulation, made by all parties, that all evidence introduced under either of said applications or under said complaint could be used by the Commission in its decision in each of said matters, in so far as such evidence was applicable or relevant.

It will be the design of this opinion to take up the matters of particular importance for the purpose of clearly indicating the methods used, and the reasoning indulged in by which the basis is arrived at on which the rates hereinafter found to be reasonable have been fixed.

The Commission in this proceeding is limited to the fixing of rates for gas of a quality now being served in the City of Los Angeles. The representatives of the city have not asked the Commission to compel the company to serve natural gas or better gas than is now being served; on the contrary, the representatives of the city would not concede that the Railroad Commission had jurisdiction to fix the quality of gas to be served in the City of Los Angeles, and we are led to believe that active opposition would be made by the city if we attempted to exercise this jurisdiction. Hence, by the action of the city itself, the Commission is deprived, in this proceeding of any opportunity to bring about service of better gas.

Of course we must assume that the unwillingness of the representatives of the city to call upon the Railroad Commission to compel the service of better gas is based upon a determination of these same officials to themselves compel this better service, and no doubt the people of the city will expect prompt action in this direction.

The company asks the Commission to fix rates on gas of higher heating quality than is now being served but it refused to agree to serve this better gas and contends that it could not be compelled to furnish consumers with gas of a quality different from that which it is now serving.

This request should be denied. It means, if complied with, that the company would be in a position to select the kind of service it would afford its consumers under the rate which would best serve the company's interest.

In my opinion, public authority should determine the quality of gas to be served and no private corporation should be allowed to prevent the people obtaining the best gas available.

Unfortunately, for the reasons heretofore stated, this Commission is in no position, as a result of these proceedings, to compel the service of higher heat unit gas.

Property in Use

In order to determine what property will be used and useful in the service of gas consumers of this company, it becomes necessary to determine whether the artificial gas generating plant of this company should be retained in whole or in part and whether consumers

should be called upon to contribute in rates an amount which will represent operating expenses, depreciation and a fair return on the value of this part of applicant's plant.

The city asks the Commission to consider whether this artificial gas generating plant is necessary for the service of consumers and if found unnecessary, urges that no allowance be made the company in rates, either for the investment in said plant or for its maintenance. The company vigorously contends that its consumers could not be served adequately, if at all, with gas without the retention and use of the generating plant.

Prior to July 17, 1913 the company generated and distributed artificial gas of a quality of approximately 600 B.T.U. per cubic foot. On that date natural gas became available, as a result of the completion of the Midway transmission line, and the company began serving a mixed gas with about ten per cent of natural gas and ninety per cent of artificial. This percentage was gradually increased until August 1914, when the percentage of natural gas in the mixture was brought up to fifty per cent, since which time this percentage has been maintained, excepting during short periods, when due to the failure of the natural gas supply, the quality varied; this mixture produces gas of approximately 815 B.T.U. heat content.

The city contends that there is available to this company sufficient natural gas with which it could

supply all of its consumers and that therefore there is no necessity for the retention of the artificial gas generators. The company insists that it cannot be compelled to serve pure natural gas and that it has the right to continue to serve the fifty per cent mixture and therefore, the production of artificial gas must continue.

It is useless to consider the city's contention that the doctrine of supersession should apply to this artificial gas generating plant, because the evidence clearly shows that this plant has not been and will not be superseded. If mixed gas is served, the plant must remain in use all the time. If pure natural gas is served the plant should be maintained ready for service on short notice. The principal supply of natural gas is dependant upon the integrity of a single pipe line, approximately one hundred miles in length, and if consumers were wholly dependent upon this line for the service of this very essential commodity, the danger of an interruption of service or the diminution of service would be constantly imminent. There has been some experience indicating the danger of relying upon an uninterrupted supply of natural gas. The service of natural gas through the pipe line of the Midway Company has been interrupted and serious results would have followed if the artificial plant had been out of commission.

Instead of urging or ordering that this company do away with its artificial gas generating plant, public authority should insist upon its retention, not



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only as a matter of insurance against unusual interruption of service, but as insurance against a possible and considerable diminution in constant supply.

It follows of course that if this plant is to be retained for the service of the public, the value thereof must be included in the sum upon which a fair return is estimated. Also that reasonable depreciation and operating expense be allowed for its maintenance.

I have therefore treated the artificial gas generating plant of this company as occupying the same status, for rate fixing purposes, as any other part of its operative gas system.

Rate Base

In arriving at the sum upon which to calculate the fair return to the company, I have used an estimate of original cost of the entire plant which is now found in use and have not depreciated this cost. In other words I have concluded that the just and reasonable thing to do in this proceeding is to allow the company a return upon its actual investment in this property. This includes money invested regardless of the source from which such money came. For instance, no deduction has been made because a part of the depreciation reserve has been invested in plant nor has any deduction been made because a part of the earnings of the company in times past have been invested in plant.

Reinvested earnings are legally as much a part of the stockholders' equity in the property as is the property represented by a direct investment by the stockholders. No deduction should be made for rein-

vested depreciation reserve because, in setting up annual depreciation, which must come from the rate-payer from now on, a method has been used which assumes that from the beginning of this plant a sinking fund was set aside for depreciation and such sums were put into this sinking fund out of earnings which, if they at all times earned net 6%, would result in an annual depreciation at this time equal to that which has been adopted in this decision. Therefore it follows that if we exclude from investment, reinvested depreciation and allow no earning thereon and at the same time charge against the company 6% on its depreciation fund, the company would suffer undue loss.

It may appear that to charge the company with 6% on its depreciation fund when it has earned in the past at least 8% on the money reinvested in plant from this fund, would allow the company a profit of 2%. But, when it is considered that it would be impossible to instantly reinvest every dollar obtained from the rate-payer for depreciation and that undoubtedly a part of this fund remained idle and non-earning for a considerable period, it is altogether probable that the average earning on the reinvested depreciation money was not greatly to exceed 6%.

Early in the proceedings counsel for the gas company, Mr. Herbert J. Goudge, announced a formula which he strongly urged be used by the Commission in determining the sum upon which a fair earning would be allowed. His formula was "compensation for the sacrifice".

# CORRECTION

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TO ASSURE LEGIBILITY

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Early in the proceedings counsel for the gas company, Mr. Herbert J. Goudge, announced a formula which he strongly urged be used by the Commission in determining the sum upon which a fair earning would be allowed. His formula was "compensation for the sacrifice".

Mr. Goudge after criticising various methods of arriving at so-called value in rate fixing proceedings such as reproduction cost new less depreciation, etc. urges that the true measure of the sum upon which the rate of return should be based is the amount of money, or the equivalent of money, which the investor in the public utility property has sacrificed for the purpose of serving consumers.

Mr. Goudge does not use the word "sacrifice" in the ordinary acceptation of that term; for instance he obviously does not mean to imply that investors have, through a sense of obligation or duty to the public, contributed, never to be regained, a part of their resources. This is clearly indicated in one part of his application of his so-called sacrifice theory where he urges that the full present market value of lands be considered the sacrifice made by investors and of course if investors are allowed the highest price which now could be obtained by anybody for the sale of lands, no contribution whatever has been made by the investor for the benefit of consumers. Rather, Mr. Goudge's use of the word "sacrifice" is more accurately expressed as meaning a devotion or dedication of money or property to the use of consumers.

He applies this formula quite consistently in considering investment in all of the property of this company except lands. As to all structures, pipes, generating plant, etc. he takes as the sacrifice of the investors the money actually invested. He argues logically that this would of course exclude paving over mains which the company did not pay for; but when he considers land and going concern, he makes his formula mean something

entirely different than investment. He then construes it to mean the present market value of property which is devoted to the public use, apparently on the theory that it is not the original sacrifice made by the investor which is to be considered but is a sacrifice which he is continuously and momentarily making, not of the money which he invested, but of the highest market value of the land which he owns.

Also when it comes to going concern value he doesn't contend that going concern value represents an investment but on the contrary he clearly shows that his conception of going concern value is that it is an intangible property right created by the initiative and ability of the managers of the company. True he argues that this in essence is a sacrifice because these same managers could have used their initiative and ability in other enterprises with a consequent reward; but he entirely overlooks a very obvious answer to this latter contention in that they have been compensated for their activities in salaries, etc. If he means that each investor in the stock of this company should be considered as having created a going concern value by the mere act of his investment, he of course refutes his first contention that it was the activity of individuals, aside from their actual money investment, which created the going concern value.

I am in agreement with Mr. Goudge's formula and I am in further agreement with the very cogent and persuasive elaboration of that formula which appears in

that part of his brief relating to the structural part of this plant but I insist that the formula should be logically applied to all classes of property belonging to this company, land included, and that no distinction be made between a dollar invested in structural property and a dollar invested in land. Furthermore I insist that this formula, logically applied, excludes consideration of the company's conception of going concern value. There are other serious objections to the adoption of applicant's claims as to going concern value which will be discussed later.

We are particularly fortunate in this proceeding in that we have before us complete and accurate cost data, which in connection with the very careful inventories prepared and introduced in evidence, together with a conclusion as to proper overheads to be allowed, and which are not clearly indicated in the cost data, enable us to arrive at a very accurate conclusion as to what sum was actually invested in the plant we now find in use for consumers.

Therefore it is my conclusion that in this proceeding it is entirely fair to both the consumers and the utility to allow a return upon the investment in property now in use for service of consumers.

Going Concern Value

The company asks that there be considered as a part of the rate base upon which reasonable return is estimated, the sum of $1,000,000 representing an alleged

separate value over and above the value of the physical plant used in the service of consumers.

This claim of value is not only in conflict with applicant's sacrifice theory, as it represents no investment or contribution made by officers or stockholders which has not been compensated for, but it rests entirely upon the opinion of one witness that such value exists and is worth $1,000,000.

It is impossible from the evidence to test the soudness of this opinion because this value was not measured by any standard. The witness arrived at this sum, so he stated, by considering the decisions of courts, public utility commissions and his own experiences. The sum of $1,000,000 was not arrived at by taking a percentage of the value of the physical plant nor was it arrived at by determining the expenditure for developing business; in fact it was arrived at, not by following any method which could be checked step by step, but by a mere generalization. This presentation of going concern value amounts in brief to this: That the witness had read certain commission and court decisions and had had certain experiences of his own; that all of this had an effect on his mind, which resulted in a conclusion that $1,000,000 was the proper sum to set down as the value of the going concern element of this company's property.

This evidence leaves us in a position where we must either accept the conclusion of the witness in its entirety, or reject it entirely. There is no possibility of identifying the factors which had a determining

influence on his judgment nor can it be ascertained what weight was given to any of the elements used. The increase or decrease of this sum of $1,000,000 could not be made by adding to or eliminating factors used by the witness nor by modifying the weight given these factors. An increase or decrease of this sum would have to be made on a purely arbitrary basis.

The rate base used in fixing the rates herein does not include this $1,000,000 going concern value claimed by applicant nor does it include any other definite sum for this element. Consideration has been given to the history and present condition of this company's plant and business as a going and prosperous concern.

Depreciation Annuity

As above indicated the depreciation annuity allowance has been designed to produce from consumers a fund which will in the future maintain the company's plant in at least as good service condition as we now find it. No attempt has been made in setting up this depreciation annuity to provide for any difference that may now exist between the original cost of this property and its present depreciated value. It should be remembered that we are now fixing rates and if these rates result in the company continuously receiving from consumers all of its costs of doing business including annual depreciation, plus a fair return upon its entire investment undepreciated, it cannot be said that we are depriving the company of anything to which it is justly entitled. It should be remembered in this

connection that there has been invested in plant from depreciation reserve an amount in excess of the estimated accrued depreciation.

The depreciation allowance made in this case has been determined upon what generally is known as the 6% sinking fund basis. On this basis, in addition to operating expenses, including a depreciation annuity allowance, interest is allowed on the full investment in, or original cost of the property as distinguished from depreciated value, or cost new, less depreciation. On this basis there are two sources from which funds accrue to the reserve to meet replacements or retirements, (1) annual allowance out of operating expenses designated as annuity based on the life of the property, and (2) interest at 6% on the accrued depreciation reserve. The accrued depreciation reserve represents the fund accrued from the above designated sources less retirements from the construction of the plant to date.

In this case the fund has been estimated from the evidence showing the total historical cost of property, average age of different equipment, and estimated average lives.

The annuity which has been allowed as a part of the operating expense in determining the total cost of service represents the aggregate of the individual annual amounts which, if set aside each year and invested so as to earn 6% compounded annually, will in each case equal the original cost of the individual items at the end of their estimated lives.



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It appears from the evidence in this case that the company has earned and set aside as depreciation reserve an amount in excess of the estimated accrued depreciation based upon the sinking fund basis herein used. It further appears that this amount has been invested in property upon which a return is to be allowed. The company should therefore contribute to the depreciation reserve out of its net return 6% upon the estimated accrued depreciation.

Rates

Having determined the total sum which must be taken yearly from consumers as gross revenue it becomes necessary to spread this burden, in rates, over the various classes of consumers and it is necessary to determine into how many classes the consumers shall be grouped and also to determine the degree of difference in rate there shall be between the various classes.

The company urges that the Commission do not spread the burden of this gross income over the service to each group exactly in accordance with the cost of producing such service to such group.

That on the contrary the Commission give serious consideration to the needs and condition of the small consumers with a view to lightening their burden by the assessment against larger consumers of a somewhat disproportionate share of the cost of service.

Applicant has never charged what is commonly called a minimum rate; gas has been sold upon a basis of a fixed sum (at present 68 cents) per thousand cubic feet, regardless of the amount consumed, so that the smallest consumer paid exactly the same rate for the gas

which he used (and he could use as little as he saw fit) as the larger consumer.

Counsel for the company recognizes that what he calls scientific rate fixing requires that a minimum charge be made for all services; that is to say that if a consumer uses any gas at all he must pay a certain fixed minimum amount, whether he uses gas at established rates to the amount of this minimum or not.

The minimum charge has become so well recognized and established and the arguments and reasons for it have so frequently been set out by this Commission that I will not take space here to repeat them. But counsel for the company urges that inasmuch as this company for many years has encouraged the small consumer to use gas and has made no minimum charge, with the result that there are many thousands such small consumers who would be compelled to pay an increased amount if a minimum is imposed, that the sociological feature of the situation should be given consideration and that in any event the Commission do not apportion to these small consumers the full burden of the cost of the service to them.

I believe the contention of counsel is sound, that in rate fixing the so-called sociological feature should be recognized. It would be absurd, merely for the purpose of scientific exactness, to place upon small consumers a burden which they could not bear. This of course would result in their abandoning the service and unless their rates had been causing the company a positive

loss their departure from the system would result in increased cost to the remaining consumers.

However, these same sociological conditions exist wherever we find a public utility service, and it has been found not only just, but wise, to impose on every service, however small, some contribution to the upkeep and maintenance of the system.

The evidence in this case discloses some remarkable situations with relation to apartment house gas service which indicate that under the present system of no minimum, gross injustice and inequality has resulted. There are approximately 2,400 meters in apartment houses from which no revenue is obtained. On fifty per cent of the services in apartment houses the monthly gas bills have been less than thirty cents per meter. The average monthly bills from all apartment house meters is less than sixty cents.

As to these apartment houses, the company must stand ready at all times to serve gas to whatever extent is demanded, yet with no assurance that an amount of gas will be used, charges for which will even measurably pay for the cost of service. Of course the inevitable result of this is, unjustly to burden the other consumers who take gas regularly in sufficient quantities to provide adequate compensation for the service.

I cannot see why service in an apartment house should not be burdened with a reasonable minimum charge precisely as the service to small cottages should be so burdened. It is not true to say that the apartment is vacant and rented intermittently and that it would be inequitable to apply a minimum; the cottage is subject to vacancy in tenancy the same as the apartment.

The minimum charge for gas service is now almost universally applied; and careful investigation and long consideration has convinced this Commission that in a condition such as we find in Los Angeles, a sound schedule of rates must include a minimum charge.

Throughout the hearing and in its brief applicant, by its counsel, objected strenuously to the Commission fixing rates based in any degree on the conclusion that lower rates than were now being charged would increase business to such an extent as to offset or more than offset the loss of revenue per thousand cubic feet of gas.

This objection must be disregarded; to agree with counsel would mean that present rates could only be changed by the purely mathematical process of testing the new rates against past income. Experience has shown that this would in most cases lead to utterly false results. For instance would it be contended that to double rates would of necessity double income or to cut rates one half would halve the income?

Obviously the Commission must give careful consideration to the effect of changed rates on income and to characterize this consideration as speculation in no wise damns it.

The Municipal League of Los Angeles, by agreement of the parties, and permission of the Commission, filed a brief in this proceeding in which it is strongly contended that not only the Commission legally could, but should, make a substantial cut in the gas rates of applicant with a view to largely broadening and increasing the use of gas. The argument is that if a substantial reduction in rates is made, several important results will follow, among them being a large increase in the use of gas, especially for industrial purposes which, it is urged, is a progressive and economically sound condition to be brought about.

It is stated that unless the Railroad Commission compels progress in the use of a public utility service stagnation will occur and it will be impossible, except by voluntary act of the companies, to give the citizens the advantage of improvements in the art, or discovery and use of natural resources. We are assured that the company will not suffer any, except a temporary loss of revenue, by reason of the reduction of the price of gas and the service of higher heat units, and that if the Commission will recognize any such temporary loss by permitting the addition of such loss to capital account the company will be financially intact and no confiscation will result.

I am in hearty sympathy with the contention that the citizens of a community are entitled to the service of the best gas available. But, as has heretofore been shown, the Commission has power in this proceeding to fix rates only on existing quality of service.

There are some relatively large consumers of this company using its gas for commercial purposes and it

will be necessary to fix rates with these customers in view.

I have recognized the wholesale principle in fixing the rates for this company to the extent of fixing rates based on blocks or quantities of use, fixing the smallest or lowest block to cover the smallest consumers and graduating the blocks as nearly as possible to accord with the characteristics of the gas business of this company. I have not attempted to apportion against the smallest consumers any exact proportion of the cost of giving them service but rather the burden of the gross income has been spread over all of the consumers with a view to a consideration of all the elements involved, including cost of the service, ability of consumers to bear the burden, and also the possibility of increased use by reason of encouraging rates.

This company serves communities outside and separate from the City of Los Angeles through mains connected with the plant which serves the city, but the cost of service to these smaller communities is obviously greater than the cost of service to the consumers in the compact district of the City of Los Angeles. It has been found by the Commission that in all parts of the State of California rates for the service of gas, based on cost, must of necessity be higher in the small communities where consumers are more scattered than in the larger communities where consumers are close together. Hence the rate fixed for these consumers of applicant in the outside territory are higher than those fixed for the

consumers in the city.

It will not be necessary in this matter to discuss the evidence with relation to the amount of natural gas available because it is conceded that at least enough natural gas is available to this company to permit the service of the present mixture.

I have disregarded the presentation by the city of an estimate of the cost to build a high pressure distributing system, without artificial gas generating plant, designed to distribute natural gas in the City of Los Angeles. The alleged purpose of the introduction of this estimate was to lay before the Commission a basis upon which to estimate the value of the service now being rendered to consumers. The city argued that the company is now entitled in rates to no more than operating expenses, depreciation and fair return on a plant which would render equally good or better service than that which the company is now rendering. This substitutional plant proposed by the city was shown at the hearing to be approximately as costly as the existing plant of applicant.

Furthermore, the design and estimates of the engineers of the Board of Public Utilities were shown to be so full of errors as to make valueless the whole presentation of this substitutional system.

The company asks for a return of 9% net on its so-called sacrifice; that is to say on the undepreciated actual investment in existing structural property, on the full market price of its lands and on

a going concern value of a million dollars. This 9% is made up of what is claimed to be the usual allowance of 8% plus 1% for efficiencies and economies in the service of gas to its consumers. In other words, the company claims that it is entitled not only to the usual return but to an additional return as a reward for exceptional activity on behalf of its consumers.

I am frank to say that the evidence does not disclose any facts upon which this company can claim that its attitude toward its consumers and the public has been of such unusual benefit to them that a reward should be allowed.

I take it that the Public Utilities Act wherein it provides that the Commission may allow a company to participate in the benefits arising from economies and efficiencies contemplated a situation, where a company by its own acts, with boldness and initiative and perhaps with some risk to itself, or at least by unusual devotion to the interests of its consumers and to the promotion of progress in its particular business, brought about increased earnings or decreased operating expenses or betterments of service. The history of this company as disclosed by the evidence makes no such showing. The company has proceeded with great caution both in adopting new methods and extending its service.

Its attitude in the present situation clearly shows that it stands firmly on its claimed right to use its own judgment as to whether it will serve gas different in quality than it has been serving, and that it has

resisted and will resist any attempt to force or persuade it to change its position in this regard.

With natural gas, which is admittedly of very much higher quality than artificial gas, available for several years, this company has refused and now refuses to make any move in the direction of the use of this better gas, except to mix it half and half with artificial gas. When asked in the hearing if it would undertake to serve natural gas representatives of the company refused to agree to serve higher heat unit gas unless it was first assured of rates which would give it a reasonable return.

This of course meant that the company would be the judge of whether the rates fixed were reasonable, and if for any reason in its judgment the rates were not satisfactory it would refuse to serve the better gas. Surely this unprogressive attitude cannot be stamped with the approval of the Commission, and a reward be accorded the company on the theory that its attitude toward the consumers and the public has been such as to earn it commendation and unusual compensation.

The whole history of this company, which is clearly set out in the evidence, shows that its earnings have been comfortable and adequate at all times and that, to an unusual degree, it has not been subjected to hazard or risk.

Had this company boldly faced the situation which was presented when natural gas became available to it, and entered upon the service of this gas, thus

giving its consumers the best service within its power I should recommend that serious consideration be given to a plea for comparatively high compensation. But under the circumstances surrounding this case, where the community of Los Angeles largely served by this company has been deprived of the use of a better gas, the Commission should not entertain any request for more than the usual compensation.

In fairness it should be said that this company while very conservative, has kept its plant in excellent condition and has conducted its business with care and reasonable economy. I have therefore fixed rates which from the evidence will return to this company approximately 8% upon the sum arrived at, as heretofore indicated.

There follows a tabulated summary of the sums used in accordance with the foregoing opinion. Thereafter follows a form of order.

TABLE NO. I

LOS ANGELES GAS AND ELECTRIC CORPORATION

GAS DEPARTMENT

SUMMARY OF
RATE BASE AND DEPRECIATION ANNUITY
1917

| | Rate Base | Depr. Annuity 6% S.F. Basis |
|---|---|---|
| Lands and Franchises | $ 446,969.00 | |
| Production | 3,226,936.00 | $ 40,237.00 |
| Distribution | 8,451,389.00 | 149,265.00 |
| General | 391,344.00 | 24,251.00 |
| Working Cash Capital and Material and Supplies | 430,000.00 | |
| Total Rate Base | $12,946,638.00 | $213,753.00 |
| Estimated Accrued Depreciation Fund January 1, 1917 6% S. F. Basis | $1,890,000 | |

TABLE NO. II

LOS ANGELES GAS AND ELECTRIC CORPORATION

ESTIMATED OPERATING EXPENSES
and
TOTAL RETURN INCLUDING PROFIT
1917

Service of Present Quality
815 B.T.U. Gas

| | |
|---|---|
| Total Gas Production | 4,827,164 M Cu.ft. |
| Total Gas Sales | 4,296,176 " " |
| Rate Base | $12,946,638.00 |
| Operating Expenses | |
| Production and Transmission | $ 1,007,505.00 |
| Distribution | 242,718.00 |
| Commercial | 243,850.00 |
| General other than Taxes | 157,325.00 |
| Total | $ 1,651,398.00 |
| Fixed Charges | |
| Interest at 8% | 1,035,731.00 |
| Depreciation Annuity | 213,753.00 |
| Total | 1,249,484.00 |
| Uncollectible Bills .5% | 15,447.00 |
| Taxes 5.6% | 173,003.00 |
| Total Return | 3,089,332.00 |
| Less Briquett Net Revenue | 65,710.00 |
| | $ 3,023,622.00 |

Average Rate per 1000 Cu.ft.Sold $0.7038

TABLE NO. III

RATE DISTRICTS

LOS ANGELES GAS AND ELECTRIC CORPORATION

DISTRICT NO. I:

That portion of the City of Los Angeles designated as follows:

a. Original City as Incorporated in 1850.
b. Extension of June 1, 1869.
c. City of Hollywood Addition south of the southern boundary extended of Sec. 4, Twp. 1 S., R. 14 W., S.B.B.& M.

d. Colegrove Addition.
e. Western Addition.
f. University Addition.
g. Southern Addition.
h. Shoestring Addition north of the center line of Slauson Avenue.

DISTRICT NO. II:

City of Pasadena east of the center line of the Arroyo Seco Wash and south of the center line of Washington Avenue.

DISTRICT NO. III:

That part of the City of Los Angeles designated as follows:

a. Highland Park Addition.
b. Arroyo Seco Addition.
c. Garvanza Addition.
d. East Hollywood Addition south of San Bernardino Base Line.
e. City of Hollywood Addition not included in District No. I.
f. Palms Addition east of N. and S. section line extended between Sec. No. 4 and Sec. No. 5, Twp. 2 S., R. 14 W., S.B.B.& M.
g. Shoestring Addition north of Manchester Avenue and south of Slauson Avenue.
h. Bairdstown Addition north of Huntington Drive.

Incorporate territory of,

i. City of South Pasadena.
j. City of Alhambra.

DISTRICT NO. IV:

1. That part of the City of Los Angeles and City of Pasadena not included in Districts No. I, No. II and No. III, served by Los Angeles Gas and Electric Corporation.

2. Incorporated territory of,
   a. San Marino.
   b. San Gabriel.
   c. Eagle Rock.
   d. Huntington Park.
   e. Vernon.
   f. Watts.
   g. Inglewood.

3. All incorporated and unincorporated territory which is served by Los Angeles Gas and Electric Corporation and not included or listed above in Districts Nos. I, II and III.

## TABLE NO. IV

## GAS RATE SCHEDULES

TERRITORY:

These schedules Nos. 1, 2, 3 and 4 apply to territory as set forth in Districts Nos. I, II, III and IV, respectively.

CHARACTER OF SERVICE:

These schedules apply to domestic and commercial service for lighting, cooking and heating, etc.

SCHEDULE #1:

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| First | 5,000 | Cu.ft. | per | meter | per | month | ...68¢ | per | 1000 | Cu.ft. |
| Next | 5,000 | " | " | " | " | " | ...60¢ | " | " | " |
| Next | 15,000 | " | " | " | " | " | ...55¢ | " | " | " |
| Next | 25,000 | " | " | " | " | " | ...50¢ | " | " | " |
| All over | 50,000 | " | " | " | " | " | ...45¢ | " | " | " |

SCHEDULE #2:

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| First | 3,000 | Cu.ft. | per | meter | per | month | ...75¢ | per | 1000 | Cu.ft. |
| Next | 7,000 | " | " | " | " | " | ...65¢ | " | " | " |
| Next | 15,000 | " | " | " | " | " | ...55¢ | " | " | " |
| Next | 25,000 | " | " | " | " | " | ...50¢ | " | " | " |
| All over | 50,000 | " | " | " | " | " | ...45¢ | " | " | " |

SCHEDULE #3:

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| First | 3,000 | Cu.ft. | per | meter | per | month | ...80¢ | per | 1000 | Cu.ft. |
| Next | 7,000 | " | " | " | " | " | ...70¢ | " | " | " |
| Next | 15,000 | " | " | " | " | " | ...60¢ | " | " | " |
| Next | 25,000 | " | " | " | " | " | ...50¢ | " | " | " |
| All over | 50,000 | " | " | " | " | " | ...45¢ | " | " | " |

SCHEDULE #4:

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| First | 3,000 | Cu.ft. | per | meter | per | month | ...85¢ | per | 1000 | Cu.ft. |
| Next | 7,000 | " | " | " | " | " | ...70¢ | " | " | " |
| Next | 15,000 | " | " | " | " | " | ...60¢ | " | " | " |
| Next | 25,000 | " | " | " | " | " | ...50¢ | " | " | " |
| All over | 50,000 | " | " | " | " | " | ...45¢ | " | " | " |

MINIMUM BILL:

Minimum Monthly Bill per meter for domestic service for flats and apartments where four (4) or more meters are continuously served in one location and on one service - - - - - - - - - - - - - - - 35¢

Minimum Monthly Bill per meter for domestic and commercial service other than above - - - - - - - - 50¢

## O R D E R

Los Angeles Gas & Electric Corporation having applied to the Railroad Commission for an order establishing the rates to be charged by said company for the service of gas to its customers in Los Angeles and adjacent cities and unincorporated territory, and the City of Los Angeles having filed its complaint against the rates and charges of Los Angeles Gas & Electric Corporation for gas served in Los Angeles, and said proceedings having been consolidated for hearing and decision, briefs having been filed and these proceedings being now ready for decision, the Railroad Commission hereby finds as a fact that the existing rate of Los Angeles Gas & Electric Corporation for the service of gas of approximately 815 B.T.U. per cubic foot heat content at 68 cents per thousand cubic feet, is unjust and unreasonable and that the rates herein established are just and reasonable.

Basing its order on the foregoing findings of fact, and on the other findings of fact which are contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that Los Angeles Gas & Electric Corporation file with the Railroad Commission within twenty days after the date of this order, and make effective for meter readings made on and after September 15, 1917, the following schedule of rates for gas:

## GAS RATE SCHEDULE

## No. 1

TERRITORY:

This schedule applies to Rate District No. I, which includes the following territory:

That portion of the City of Los Angeles designated as follows:

a. Original City as Incorporated in 1850.
b. Extension of June 1, 1869.
c. City of Hollywood Addition south of the southern boundary extended of Sec. 4, Twp. 1 S., R. 14 W., S.B.B.&M.
d. Colegrove Addition.
e. Western Addition.
f. University Addition.
g. Southern Addition.
h. Shoestring addition North of the Center Line of Slauson Avenue.

CHARACTER OF SERVICE:

This schedule applies to sale of "815 B.t.u." gas for domestic and commercial service for lighting, cooking, heating, etc.

RATE:

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| First | 5,000 | Cu. Ft. | per | Meter | Per | Mo. | 68¢ | per | 1000 | Cu. Ft. |
| Next | 5,000 | " | " | " | " | " | 60¢ | " | " | " |
| Next | 15,000 | " | " | " | " | " | 55¢ | " | " | " |
| Next | 25,000 | " | " | " | " | " | 50¢ | " | " | " |
| All Over | 50,000 | " | " | " | " | " | 45¢ | " | " | " |

MINIMUM BILL:

Minimum Monthly Bill per meter for domestic service for flats and apartments where four (4) or more meters are continuously served in one location and on one service --- 35¢

Minimum Monthly Bill per meter for domestic and commercial service other than above --- 50¢

## GAS RATE SCHEDULE

## No. 2

TERRITORY:

This schedule applies to Rate District No. IX, which includes the following territory:

City of Pasadena east of the center line of the Arroyo Seco Wash and south of the center line of Washington Avenue.

CHARACTER OF SERVICE:

This schedule applies to sale of "815 B.t.u." gas for domestic and commercial service for lighting, cooking, heating, etc.

RATE

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| First | 3,000 | Cu. | ft. | per | meter | per | Mo. | 75¢ | per | 1,000 | cu. | ft. |
| Next | 7,000 | " | " | " | " | " | " | 65¢ | " | " | " | " |
| Next | 15,000 | " | " | " | " | " | " | 55¢ | " | " | " | " |
| Next | 25,000 | " | " | " | " | " | " | 50¢ | " | " | " | " |
| All Over | 50,000 | " | " | " | " | " | " | 45¢ | " | " | " | " |

MINIMUM BILL

Minimum Monthly Bill per meter for domestic service for flats and apartments where four (4) or more meters are continuously served in one location and on one service --
35¢

Minimum Monthly Bill per meter for domestic and commercial service other than above --
50¢

GAS RATE SCHEDULE

No. 3

TERRITORY:

This schedule applies to Rate District No. III, which includes the following territory:

That part of the City of Los Angeles designated as follows:

a. Highland Park Addition.
b. Arroyo Seco Addition.
c. Garvanza Addition.
d. East Hollywood Addition south of San Bernardino Base Line.
e. City of Hollywood Addition not included in District No. I.
f. Palms Addition east of N. and S. section line extended between Sec. No. 4 and Sec. No. 5, Twp. 2 S., R. 14 W., S.B.B.& M.
g. Shoestring Addition north of Manchester Avenue and south of Slauson Avenue.
h. Bairdstown Addition north of Huntington Drive.

Incorporate territory of,

i. City of South Pasadena.
j. City of Alhambra.

CHARACTER OF SERVICE:

This schedule applies to sale of "815 B.t.u." gas for domestic and commercial service for lighting, cooking, heating, etc.

RATE:

| | | | |
|---|---|---|---|
| First | 3,000 cu.ft. per Meter per Mo. | 80¢ | per 1000 cu.ft. |
| Next | 7,000 cu.ft. per Meter per Mo. | 70¢ | per 1000 cu.ft. |
| Next | 15,000 cu.ft. per Meter per Mo. | 60¢ | per 1000 cu.ft. |
| Next | 25,000 cu.ft. per Meter per Mo. | 50¢ | per 1000 cu.ft. |
| All over | 50,000 cu.ft. per Meter per Mo. | 45¢ | per 1000 cu.ft. |

MINIMUM BILL:

Minimum Monthly Bill per meter for domestic service for flats and apartments where four (4) or more meters are continuously served in one location and on one service - 35¢

Minimum Monthly Bill per meter for domestic and commercial service other than above - 50¢

## GAS RATE SCHEDULE

## NO. 4

TERRITORY:

This schedule applies to Rate District No. IV which includes the following territory:

1. That part of the City of Los Angeles and City of Pasadena not included im Districts No. 1, No. II and No. III, served by Los Angeles Gas and Electric Corporation.

2. Incorporated territory of:

a. San Marino
b. San Gabriel
c. Eagle Rock
d. Huntington Park
e. Vernon
f. Watts
g. Inglewood

3. All incorporated and unincorporated territory which is served by Los Angeles Gas and Electric Corporation and not included or listed above in Districts Nos. I, II and III.

CHARACTER OF SERVICE:

This schedule applies to sale of "815 B.T.U." gas for domestic and commercial service for lighting, cooking, heating, etc.

RATE:

| | | |
|---|---|---|
| First | 3,000 cu. ft. per meter per Mo. | 85¢ |
| | per 1000 cu. ft. | |
| Next | 7,000 cu. ft. per meter per Mo. | 70¢ |
| | per 1000 cu. ft. | |
| Next | 15,000 cu. ft. per meter per Mo. | 60¢ |
| | per 1000 cu. ft. | |
| Next | 25,000 cu. ft. per meter per Mo. | 50¢ |
| | per 1000 cu. ft. | |
| All Over | 50,000 cu. ft. per meter per Mo. | 45¢ |
| | per 1000 cu. ft. | |

MINIMUM BILL"

Minimum Monthly Bill per meter for domestic service for flats and apartments where four (4) or more meters are continuously served in one location and on one service - - - - - - - - 35¢

Minimum Monthly Bill per meter for domestic and commercial service other than above - -50¢

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission.

Dated at San Francisco, California this 21st day of August, 1917.

Max Thelen

H. Loveland

Alex Gordon

Edwin O. Edgerton

Frank R. Devlin

Commissioners.