

Decision No. _____

ORIGINAL

Decision No. 4559

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

In the Matter of the Application of :
SOUTHERN CALIFORNIA GAS COMPANY :
for an increase in and general adjust- :
ment of its rates and charges for : Application
natural and artificial gas to be sold : 1853
and distributed by it within portions :
of the Counties of Los Angeles, San :
Bernardino and Riverside, in the State :
of California. :

The CITY OF LOS ANGELES, a municipal :
corporation, :
Complainant :
vs. : Case 854
SOUTHERN CALIFORNIA GAS COMPANY, a cor- :
poration and LOS ANGELES GAS & ELECTRIC :
CORPORATION, a corporation :
Defendants :

APPEARANCES

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

EDGERTON, COMMISSIONER

O P I N I O N

In this application we are asked to fix the rates for the service of gas to all of the consumers of Southern California Gas Company. The allegation is that the rates are now unreasonably low.

In case 854 the city complains against the rates charged by this company for the service of gas in the City of Los Angeles and alleges that such rates are unreasonably high and asks that just and reasonable rates be fixed for service in that city.

As explained, in the opinion in application 1830, this application was heard in connection with application 1830 and case 854 but evidence so far has been taken only as relating to the rates charged by Southern California Gas Company to consumers in the City of Los Angeles and consumers in territory adjacent to the City of Los Angeles, who are served from what may be called the Los Angeles plant.

This company has consumers in San Bernardino, Riverside and adjacent communities but they are served by an entirely separate plant and as to the rates of these latter consumers, no hearings have as yet been had. Therefore this opinion and order will deal only with rates for the service of gas to consumers in the City of Los Angeles and vicinity, leaving for later consideration other consumers of applicant.

For the reasons set out in the opinion in application 1830 I recommend that notwithstanding the fact that applicant has requested that rates be fixed on higher heat unit gas than it is now serving to its domestic consumers, that the Commission at this time fix rates only upon the service now being rendered.

Applicant serves in the City of Los Angeles in
Gas
competition with Los Angeles and Electric Corporation a

mixed gas of about equal proportions of artificial and natural which is of about 816 B.T.U. heating value at the rate of 68 cents per thousand cubic feet. Also it serves a few industrial consumers in the City of Los Angeles and the distributing companies in the cities of Long Beach and Redondo and certain industrial consumers outside the city limits of Los Angeles together with domestic service in the cities of San Fernando, Burbank and small communities south of the main portion of Los Angeles which are adjacent to its natural gas transmission mains, with pure natural gas.

Because of the competitive conditions it would be impossible for this applicant to conduct its business with success if higher rates were fixed for its service of mixed gas in the City of Los Angeles than have been fixed for the service of gas by Los Angeles Gas and Electric Corporation in an order this day made in Application No. 1830.

Therefore I recommend that the rates of applicant for its service of mixed gas in the City of Los Angeles and vicinity be made the same as have this day been fixed for the competing company, Los Angeles Gas & Electric Corporation.

It is true that these rates will not yield applicant the same rate of return upon its investment as identical rates will yield on the investment of Los Angeles Gas and Electric Corporation. This is true because applicant has not on its system as great a number of consumers as its larger rival nor is its entire service over as congested a territory as the other. The result is that per dollar of its investment its gross

income is considerably less than that of the other company.

In view of this situation it would serve no useful purpose to consider at length the investment of applicant. However, in order to determine the result of these rates upon applicant it may be pointed out, if we proceed in the same way in this application as in Application 1830 to arrive at a rate base the investment here would be approximately \$3,150,000.00. However this figure should not be taken as final. The history of this company has been very different from Los Angeles Gas & Electric Corporation. It has never made an adequate return on investment and when it becomes necessary to establish a rate base careful consideration should be given to the able presentation by counsel Jared How on behalf of the company for an allowance representing development cost or investment.

Allowing operating expenses as presented by the company and setting up a depreciation annuity on a 4% basis will result in an estimated ^{net} earning under the rates set out in the order following of slightly in excess of 6% on the investment.

Four per cent is used in setting up the depreciation annuity in this proceeding because applicant has not made and probably will not soon make an earning which would make it possible to produce more than 4% on its depreciation reserve.

Applicant serves pure natural gas to certain consumers, and it becomes necessary to fix the rates for this service.

I recommend that the rates established by contract whereby applicant serves the Southern Counties Gas Company

for distribution in Long Beach, San Pedro and vicinity, and for distribution in Santa Monica, Sawtelle and Venice, and the Western Fuel, Gas and Power Company for distribution in Redondo and vicinity be left undisturbed. Careful consideration of the terms of these contracts shows that the rates therein established are not unreasonable under all the circumstances, and in view of the further fact that a change of these rates at this time would disturb the rates to consumers in these various communities, I see no purpose to be served in changing them.

The rate fixed in the contract with Southern Counties Gas Company for natural gas delivered wholesale at Long Beach by applicant is 19¢ per thousand cubic feet but the conditions attached to the delivery of gas are such that the consumer can call only on the supply from the Fullerton fields for gas and there is a certain amount of insecurity in this supply which renders the service less valuable than that which is supplied from the Midway field.

Applicant is serving the Southern Counties Gas Company with a mixed gas of the same quality as is being served in the City of Los Angeles, for distribution in the town of Santa Monica and adjacent communities, including Venice and Sawtelle at the rate of 27½¢ per thousand cubic feet for natural gas in the mixture and 35¢ per thousand cubic feet for the artificial gas in the mixture. This averages approximately 31¢ per thousand cubic feet for the gas delivered.

Applicant delivers pure natural gas to Western Fuel, Gas and Power Company for distribution in the City of Redondo and vicinity at the rate of 27 $\frac{1}{2}$ ¢ per thousand cubic feet.

Applicant is serving domestic consumers in the town of San Fernando with pure natural gas at the present rate of 68 cents, this being the same rate as ^{now} is charged ~~now~~ consumers in the City of Los Angeles for gas which has only eighty per cent of the heating value of natural gas.

It is obvious that applicant cannot serve natural gas in the City of San Fernando at 68 cents per thousand cubic feet and realize the cost of the service. Therefore rates are proposed for this community which are on a block schedule with a top rate ~~of \$1.00~~ which contemplates a more equitable division of the cost of service.

Domestic consumers in the town of Burbank are now receiving natural gas from applicant at the rate of 68 cents. What has been said with relation to San Fernando applies here and rates are proposed for this community upon a similar block schedule.

The same condition exists and the same rates are proposed for domestic consumers receiving from applicant natural gas in that territory south and west of the City of Los Angeles.

The community of Van Nuys is receiving natural gas from applicant under a block schedule with a top rate of \$1.50 and a minimum of \$1.00 per month.

The conditions here are quite similar to those in the communities just above discussed and therefore a

similar rate is proposed.

This leaves for consideration those consumers in Los Angeles and vicinity who use natural gas in considerable quantities for industrial purposes.

In determining the rates for this class of service consideration has been given to the possibility of obtaining business in competition with other forms of fuel such as oil, and consideration has also been given to the cost to the company of gas supplied to this class of service, and to the fact that this service is subject and secondary to domestic service and so that in the event of a shortage of natural gas supply the service of these industrial consumers may be decreased or entirely shut off.

It is impossible to make any exact segregation of investment in plant for this particular service.

At present applicant serves two consumers in the City of Los Angeles and several consumers outside of the City of Los Angeles at the rate of 15¢ per thousand cubic feet; this rate is accorded under a contract which provides for a minimum payment of \$150 per month and also provides that the service may be shut off at any time when there is a shortage of natural gas.

As applicant pays 14¢ per cubic feet for this natural gas at Glendale, and must transport it several miles to these consumers it is obvious at a glance that the one cent difference between the cost of this gas at Glendale and the payment by the consumer, is grossly inadequate to pay the cost of this service to the company;

taxes or losses alone would equal this one cent, leaving nothing for operating expense or depreciation, to say nothing of return on property.

After considering the situation very carefully I have recommended rates for this natural gas industrial service dependent upon the minimum monthly guarantee.

Much evidence was introduced in the proceeding in an effort to determine the present and probable future supply of natural gas available to applicant.

The evidence clearly shows that from the principal supply of natural gas in the Midway fields which is brought to Glendale by the Midway Gas Company, and from the so-called Fullerton fields which gas is brought to Los Angeles by applicant there is sufficient to supply the requirements of the Los Angeles Gas and Electric Corporation under present conditions, to supply the amount now mixed with artificial gas and served to domestic consumers by applicant, and except for possibly two or three months in the year, to supply pure natural gas to all of the distributing companies served by applicant and also its industrial consumers.

In fact applicant will have available enough natural gas under present conditions so that it will be able to largely increase its industrial business except for the three possible colder months in the year.

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

TABLE NO. I

SOUTHERN CALIFORNIA GAS COMPANY

LOS ANGELES DIVISION

SUMMARY OF

BASE RATE AND DEPRECIATION ANNUITY, 1917

	Rate Base	Depr. Annuity 4% S.F. Basis
Lands and Franchises	\$ 122,608.00	\$
Production	454,853.00	7,705.00
Transmission	602,880.00	14,636.00
Distribution	1,718,674.00	48,057.00
General	84,185.00	6,385.00
Working Cash Capital and Material and Supplies	161,000.00	
	<hr/>	<hr/>
Total Rate Base	\$ 3,144,200.00	\$ 76,783.00

Estimated Accrued Depreciation
Fund January 1, 1917,
4% S. F. Basis \$ 393,730

TABLE NO. II

RATE DISTRICTS

SOUTHERN CALIFORNIA GAS COMPANY

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 Slanson Avenue.

DISTRICT NO. II:

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 Slanson Avenue.
- h. Bairdstown Addition north of Huntington Drive.

Incorporate territory of,

- i. City of Glendale.
- j. City of Tropic.

DISTRICT NO. III:

That part of the City of Los Angeles not included in District No. I and No. II served by Southern California Gas Company.

TABLE NO. II (Cont'd)

DISTRICT NO. III: (Cont'd)

Incorporated territory of,

- a. Eagle Rock.
- b. Vernon.
- c. San Fernando.
- d. Burbank.
- e. Compton.

All incorporated and unincorporated territory which is served by Southern California Gas Company and not included or listed in District No. I and No. II.

O R D E R

Southern California Gas Company 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 Southern California Gas Company for gas served in the City of 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 rates of the Southern California Gas Company for gas service are unjust and unreasonable and that the rates herein established are just and reasonable.

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

IT IS HEREBY ORDERED that the Southern California Gas Company 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. 1, 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 1,000 cu. ft.
Next	5,000 cu. ft. per Meter per Mo.	60¢ per 1,000 cu. ft.
Next	15,000 cu. ft. per Meter per Mo.	55¢ per 1,000 cu. ft.
Next	25,000 cu. ft. per Meter per Mo.	50¢ per 1,000 cu. ft.
All Over	30,000 cu. ft. per Meter per Mo.	45¢ per 1,000 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. 2

TERRITORY:

This schedule applies to Rate District No. II, 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 Ave. and south of Slauson Ave.
- h. Bairdstown Addition north of Huntington Drive.

Incorporate Territory of:

- i. City of Glendale.
- j. City of Tropic

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 -- 55¢

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:

1. That part of the City of Los Angeles not included in Districts I and II served by Southern California Gas Company.
2. Incorporated Territory of
 - a. Eagle Rock.
 - b. Vernon.
3. All incorporated and unincorporated territory which is served by Southern California Gas Company, and not included or listed in Districts Nos. I and II

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	"	"	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¢

GAS RATE SCHEDULE

No. 4.

Natural Gas

TERRITORY:

This Schedule applies to all territory not included in Districts Nos. I and II served with natural gas including:

Incorporated Territory of

San Fernando.
Burbank.
Compton.

CHARACTER OF SERVICE:

This schedule applies to the sale of "Natural Gas" for domestic and commercial service for lighting, cooking, heating, etc.

RATE:

First	5,000	Cu. Ft.	per	Meter	per	Mo.	.85	per	1000	Cu. Ft.
Next	5,000	"	"	"	"	"	.75	"	"	"
Next	15,000	"	"	"	"	"	.65	"	"	"
Next	25,000	"	"	"	"	"	.55	"	"	"
Next	50,000	"	"	"	"	"	.45	"	"	"
All Over	100,000	"	"	"	"	"	.40	"	"	"

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

S - 1

SURPLUS NATURAL GAS

TERRITORY:

This schedule applies to entire territory traversed by Natural Gas mains where capacity of mains is sufficient to supply demands without detriment to existing service.

CHARACTER OF SERVICE:

This schedule applies only to the sale of excess natural gas for industrial use in internal combustion engines, and for industrial use in packing houses, canneries, ice plants, laundries, machine shops, foundries, etc. whose hours or period of heavy demand, if any, are not coincident with the heavy demand of the domestic consumers. This is not applicable to heating of hotels, apartments, flats or residences. Service is subject to discontinuance without notice in case of shortage of gas, in which case service to domestic and commercial consumers and service to other utilities for domestic and commercial consumers shall have precedence over this service.

-15-

RATE:

Where the consumer guarantees a monthly minimum of \$75.00 the rate will be - - - - -30¢ per 1000 cu.ft.

Where the consumer guarantees a monthly minimum of \$150.00 the rate will be- - - - -25¢ per 1000 cu.ft.

Where the consumer guarantees a monthly minimum of \$200.00 the rate will be- - - - -20¢ per 1000 cu.ft.

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. H. Howard
W. G. ...
Edwin C. Edgerton
Frank R. ...
Commissioners.