

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA

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In the matter of the application of :
LOS ANGELES GAS AND ELECTRIC CORPORATION: Application No. 4009
for increase in rates charged for gas. :

CITY OF SOUTH PASADENA, a municipal :
corporation, :
Complainant :

-vs-

Case No. 1200

LOS ANGELES GAS AND ELECTRIC CORPORATION: :
Defendant :

- Paul Overton and Herbert J. Goudge for Los Angeles Gas and Electric Corporation.
- Jared How for Southern California Gas Company.
- John Bieby for Economic Gas Company.
- Albert Lee Stephens and F. D. Howell for City of Los Angeles.
- Wm. Hazlett for City of South Pasadena.
- Thos. A. Berkebile for City of Monterey Park.
- L. O. Hatch for City of Eagle Rock.
- John Munger for City of Pasadena.

DEVLIN, Commissioner:

O P I N I O N

Los Angeles Gas and Electric Corporation, hereafter designated as applicant, requests an increase in its rates charged for gas served to its consumers in the form of a surcharge to be added to bills based upon the regular

rates heretofore established." In support of its application applicant alleges that an increase should be granted to cover increased cost of oil and other material, increased wages paid to retain skilled and competent employees, and increase in federal taxes and such additional increase as is necessary to return it an 8% return on its capital.

City of South Pasadena alleges in Case 1200 that the rates charged for gas by Los Angeles Gas and Electric Corporation in the City of South Pasadena are excessive and request that the rates in South Pasadena be reduced to the same basis as in effect in the City of Pasadena.

Hearing in this application was held before Commissioner Loveland, who presided in my stead, on October 8th and 9th, 1918, at which time considerable evidence was introduced by applicant. A consolidated hearing was held on this application, and Application No. 4027, Southern California Gas Company for an increase of rates for service of 815 B.T.U. gas within the city limits of Los Angeles; Application No. 4053, Economic Gas Company for increase of rates, and Case 1200, being the case of the City of South Pasadena vs. the Los Angeles Gas and Electric Corporation regarding gas rates. Further hearing was set for October 22, 1918, at Los Angeles but in the meantime the epidemic of influenza became so acute that public gatherings were for a time forbidden and the further hearings were postponed from time to time until December, when agreement was entered into between the attorneys of record in the application providing for presentation by filing of exhibits, statements and briefs by the various interested parties;

and a stipulation to that effect has been duly executed and filed with the Commission. The stipulation provides that owing to the epidemic of influenza in the City of Los Angeles and vicinity having reached such proportion that the health and safety of the people and all parties interested herein would suffer in case any further hearings were held, the parties of record in this proceeding stipulated that the hearing in the applications pending be stricken from the calendar, that further evidence and argument in said matter be submitted to the Commission in writing that all exhibits be introduced by December 18, 1918, that all written argument be introduced by December 24th, that any reply arguments of applicant be filed within 24 hours from receipt of arguments from protestants and that such information as requested by the Railroad Commission should be considered in evidence.

The application has therefore been submitted in accordance with the stipulations. Applicant herein has filed with the Commission since the hearing Exhibits Nos. 7 to 12 inclusive. City of Los Angeles has submitted Exhibits Nos. 1 to 33 inclusive, which, in accordance with the general submission of the case, have been considered in evidence. City of Monterey Park has introduced Exhibits Nos. 1 to 3 inclusive. Statements and briefs have been filed in accordance with the stipulation on behalf of Los Angeles Gas and Electric Corporation, City of Los Angeles and Cities of South Pasadena and Monterey Park.

Application No. 4027, which was heard at the same time with the application herein, was filed by

Southern California Gas Company and requests the Commission to authorize the same increase of rates to the Southern California Gas Company for service of the 815 B.T.U. gas inside the City of Los Angeles as is granted herein to the Los Angeles Gas and Electric Corporation.

Application No. 4053 of Economic Gas Company is, in general, of a similar nature to that of Southern California Gas Company.

These two companies are in direct competition with the Los Angeles Gas and Electric Corporation and they allege that they should be authorized to charge the same rates as the Los Angeles Gas and Electric Corporation is authorized to charge.

The rates now in effect throughout the Los Angeles Gas and Electric Corporation's system were fixed by this Commission in connection with Application No. 1830 and Case No. 854, Decision No. 4558, issued August 1, 1917 (Opinions and Orders of the Railroad Commission of California, Vol. 13, Page 724) as amended by the Commission's decision on rehearing in those proceedings, Decision No. 4852 issued November 19, 1917 (Opinions and Orders of the Railroad Commission of California, Vol. 14 Page 499).

Los Angeles Gas and Electric Corporation in its application does not request a change in the basic rates formerly fixed by this Commission but does request the addition of a surcharge to these rates. The City of South Pasadena, however, urges that at least a re-

classification be made to the extent that consumers in South Pasadena be charged the same rate as in Pasadena. A similar request was made at the hearing by the City of Alhambra, in which there is now charged the same rate as in South Pasadena, and a change of schedule is requested by the City of Monterey Park.

Applicant bases its request in the main upon an increase in the cost of labor, oil, material and increase in taxes.

The main part of applicant's case is set forth in its exhibit No. 1, which includes a summary of operations for the 12 months ending June 30, 1918, with estimates for the year commencing October 1, 1918, together with general details supporting such estimate. Following the hearing in this application and at the time the case was submitted applicant submitted a statement of the operation of the gas department for the year ending November 30, 1918 and also an estimate of the operating expenses for the year commencing January 1, 1919. A summary of the information submitted in these exhibits, together with a similar statement for the years 1916 and 1917 is set forth in Table No. 1.

The capital and depreciation as set forth in the table are based upon the Commission's finding in Decision No. 4558 in Application No. 1830. The revenue and expense is as reported to the Commission in its annual reports and in the exhibits filed in this application.

Table No. 1 prepared partly from applicant's annual reports to the Commission indicates that during 1916 and 1917 it earned a return in excess of 8% upon

its rate base and that for the year ending November 30, 1918 the return received was 6.63%. The average rate of return for the three years was 8.09%.

TABLE NO. 1

LOS ANGELES GAS AND ELECTRIC CORPORATION

GAS DEPARTMENT

	Year 1916	Year 1917	Actual 12 Mo. Ending Nov. 30, 1918	Corpn's Est. 1919 Present Rates
Quality of Gas	820	821	816	815
Total Gas Sendout, M. cu. ft.	4 941 776	5 312 678	5 354 621	
Total Gas Sales, M. cu. ft.	4 331 911	4 676 891	4 704 908	4 900 000
Unaccounted for Gas M. cu. ft.	609 865	635 787	649 713	
Percent.	12.3%	12%	12.1%	
Average Consumers	131 615	136 858	138 155	
Revenue:				
Operative Gas Sales	2 945 699.37	3 184 338.28	3 213 235.56	3 347 680.00
By Products	<u>201 062.97</u>	<u>204 554.37</u>	<u>162 682.09</u>	<u>171 500.00</u>
Total	3 146 762.34	3 388 892.65	3 375 917.65	3 519 180.00
Expense:				
Production	976 936.37	1 096 299.06	1 294 520.51	1 628 027.00
Transmission	15 490.17	1 200.00	1 216.78	2 400.00
Distribution	207 994.95	193 802.78	175 704.49	219 030.00
Commercial	243 396.01	265 677.68	269 816.25	317 030.00
General & Misc.	162 762.24	172 345.11	161 055.54	200 900.00
Carbon Briquet	108 235.99	123 202.63	112 202.70	115 640.00
Taxes	150 822.00	195 733.02	239 990.25	289 926.00
Uncollectible bills	<u>15 900.00</u>	<u>12 000.00</u>	<u>12 205.67</u>	<u>16 377.00</u>
Total	1 781 537.73	2 060 260.28	2 266 712.19	2 789 330.00
Net Revenue for Int- erest & Depreciation	1 365 224.61	1 328 632.37	1 109 205.46	729 850.00
Depreciation	<u>212 103.00</u>	<u>213 753.00</u>	<u>219 892.38</u>	<u>221 861.00</u>
Net Return	1 153 121.61	1 114 879.37	889 313.08	507 989.00
Capital	12 592 434	13 039 710	13 398 711	13 539 040
Rate of Return	9.18%	8.55%	6.63%	3.75%

I desire now to discuss and comment upon the estimates of applicant for the year 1919. Applicant's estimate of capital for 1919 is \$13,539,039.67. This estimate is based upon the Commission's valuation as determined in this Commission's Decision No. 4558, to which has been added net additions and betterments as set forth in the Commission's Exhibit F in this application plus ledger additions to October 31, 1918, and an estimate of additions and betterments to June 30, 1919. Applicant increased this amount by the sum of \$32,000 to cover estimated increase in working cash capital due to the increase in price of fuel oil. From an analysis of the operating expenses with proper correction therefor as hereinafter set forth I see no reason for increasing the item of working cash capital above that set forth in Commission's Exhibit F.

Applicant estimates a greater increase in capital during 1919 than 1918. A greater increase should occur as applicant made very few extensions of mains to serve consumers during 1918 and with the return of peace times it has an obligation to fulfill to the public and should make all reasonable extensions and the Commission will insist that this be done.

The rate base to be used in computing the rates herein established for the year 1919 will be \$13,520,000, being the rate base determined in Decision 4558 plus additions and betterments to June 30, 1919.

The number of consumers which applicant has served has increased steadily during the past years but the rate of increase has been slower during the year 1918 than during previous years. Applicant had an average of 138,155 active meters during the year 1918, and, considering the growth which has occurred and which possibly will occur during the coming year, I am of the opinion that the average number of active meters for 1919 will be 140,000.

Applicant has estimated an increase in sales in 1919 over 1918 of approximately 4½%, the sales for the twelve months ending November 30, 1918 being 4,703,788,000 cu.ft. and that estimated for 1919, 4,900,000,000 cu.ft. of 815 B.T.U. per cu.ft. gas. The testimony of Mr. James E. Barker, a witness for applicant, was to the effect that for a number of causes, primarily due to the war, the sales per consumer had reduced materially in 1918 over preceding years and at the time this evidence was introduced it was expected that war conditions would continue during the coming year, and the sales, according to Mr. Barker, would therefore be less than might occur were normal times to return. Mr. Barker apparently did not give due consideration to the effect of variation of climatic conditions upon the sales of applicant. Evidence introduced through him in Application No. 1830 showed that at that time applicant urged a very careful consideration of this item, and records show that weather conditions have a very marked effect upon the sales.

An analysis of the sales in terms of B.T.U. per consumer compared with the mean minimum monthly temperature for several years, which was presented by L. S.

Ready, Gas and Electrical Engineer of the Railroad Commission, shows clearly that there is^a definite relation existing between the sales and minimum temperature and that a material increase occurs in sales with reduction in temperature, especially during the winter months.

The evidence as set forth in the Commission's Exhibit G shows that the mean minimum monthly temperatures for the twelve months ending June 30, 1918 were, in all instances, in excess of the average mean minimum monthly temperature shown by the Government records for the thirty-four years ending 1911.

It would appear from this evidence that 1918 was an exceptionally warm year and that as a result a material reduction in sales had occurred below what might be expected in a normal year. It is well to point out at this time that, the sales per consumer, based upon the same conditions of temperature, were greater in 1918 than in 1917 or any other previous year, from which it would appear that rather than a reduction in sales per consumer during the year 1918 due to war conditions, there actually was an increase if temperature conditions are taken into consideration. If the conditions referred to by Mr. Barker did tend to reduce the sales, with the return of normal conditions a much greater increase will occur.

It is my opinion that in estimating the sales for 1919 the estimate should be based upon average climatic conditions. It is unfair to the consumers to base the estimate on 1918 conditions and unfair to the applicant to estimate an abnormally cold year.

A determination of the average mean minimum monthly temperature for the past ten years shows that at least for those years the temperature was from 1 to 2 degrees warmer than on the average of thirty or forty years, and, if the last ten years' average is used as against forty years, the estimated sales, based upon the average of ten years would be less than if based upon the average over the longer period.

In view of the difference which exists I am of the opinion that the use of the ten year period would more fairly interpret the probable conditions for the year 1919 than would the use of the longer period. It is more than probable that the location of the recording instrument determining minimum temperature has been changed during this period of forty years, in which case such change could materially affect recorded temperature. From analysis of the applicant's gas sales and on the basis of the average temperature condition for the past ten years, I conclude the sales for the year 1919 should be 5,050,000 M. cu. ft. as compared with the applicant's estimate of 4,900,000 M. cu. ft.

I will allow 12% for unaccounted gas during the year 1919. The average of preceding year shows practically 12 per cent.

Application has estimated a production expense for 1919 of \$1,628,027 as compared with the actual for the 12 months ending November 30, 1918 of \$1,294,520.51. The larger part of this is due to the increase in oil price from \$1.40 to \$1.60 per barrel. Increased use of oil and increase in labor costs also have caused part of the advance.

An analysis of applicant's operations for the year 1917 and the first six months of 1918 shows that applicant used a greater amount of natural gas per 1,000 cu.ft. of gas sendout during that year than estimated for the year 1919 notwithstanding the fact that the price of oil has steadily increased.

The use of oil during the year 1917 was practically 80 barrels per 1,000,000 cu.ft. of gas sendout, the remaining fuel used being natural gas. In applicant's estimate for the year 1919 it is estimated that the use of oil will be increased to 102 barrels per 1,000,000 cu.ft. sendout. Applicant's oil costs \$1.60 per barrel. The natural gas is purchased at a price of 14 cents per thousand cu.ft. which constitutes an equivalent of oil at approximately 80 cents per barrel. Applicant's consumers are entitled to the advantage of the lesser cost of production of gas by use of the less expensive fuel when the latter is available or when with reasonable effort and business prudence/^{the same could} have been made available.

In this connection it is well to point out that since 1916 the supply of natural gas to the Los Angeles district, including the City of Los Angeles and the beach towns has increased materially. In 1916 the supply from the Midway and Fullerton fields was limited to approximately 28,000,000 per day, all of which was not required by the then existing demand except during a part of the winter. This supply of natural gas was divided largely between Los Angeles Gas and Electric Corporation and

Southern California Gas Company. Testimony of Mr. A. B. Macbeth of Southern California Gas Company and Midway Gas Company is to the effect that at the time of the hearing the available supply had increased to 31,000,000 cu.ft. per day and that early in the year 1919 this would be further increased to a possible 42,000,000.

Mr. Macbeth testified that all the gas now available is being used and that the further supply, as soon as it is available, would be taken up by various demands, largely industrial. I do not believe this excuses the Los Angeles Gas and Electric Corporation for having failed to protect its consumers by providing its system with a larger supply of this cheaper fuel. Considering the increase in the supply to the Los Angeles district during the last two years and the marked increase in cost of fuel, and the further fact that ~~it~~^{applicant} is the largest gas utility in the district, I cannot but feel that applicant has failed in this respect to fulfill its duty to its consumers. I am of the opinion that applicant should not be granted a full return based upon its estimated operating expenses which are in turn based upon an unusual and unnecessary use of oil and reduced use of natural gas.

In estimating the operating expenses for 1919 I am using the same ratio of oil purchased to gas manufactured as did occur during 1917 and if applicant has so failed to supply itself with the necessary natural gas to meet these operating conditions

it will necessarily have to absorb this amount by receiving a corresponding decrease in return. On this basis the oil required for the operation of applicant's gas plant will be 468,000 barrels and the natural gas supply required would be 4,360,000,000 cu.ft. The fuel cost of applicant for the ensuing year on this basis will be \$1,358,400 and the total cost of production of gas, \$1,602,420 for a sale of 5,050,000,000 cu.ft. as compared with applicant's estimate of production of \$1,628,027 for a sale of 4,900,000,000 cu.ft.

In this connection I desire to call further attention to a condition which is shown by the evidence in this application. Records submitted at the request of the Commission by Southern California Gas Company show that this company, during the summer of 1918 practically did away with the use of oil in the gas manufacturing plant. The evidence shows that with practically the same efficiency, natural gas costing 14 cents per 1,000 cu.ft. or an equivalent of approximately 80 cents per barrel for oil has been used to replace oil costing \$1.60 per barrel. Applied to the operation of Los Angeles Gas and Electric Corporation the evidence shows that the use of natural gas in place of oil would reduce its production cost below what it would be as above estimated by an amount of at least 5 cents per 1,000 cu.ft. of gas sales during the period in which sufficient natural gas is available.

It is apparent upon an analysis of the supply and demand that if similar steps had been taken by applicant in time it could have followed the practice of Southern California Gas Company for at least seven months in the summer, thus reducing the cost of operating its gas ~~and~~ ~~electric~~ plant by approximately \$100,000 per year. Had this economy been followed out applicant might be entitled to participate in the saving realized from reduced expense resulting therefrom.

The City of Los Angeles has raised the question of the correctness of charging the entire transmission main to gas department as considerable gas is used by applicant's electric plant. This position is sound unless Los Angeles Gas and Electric Corporation considers the gas supplied to the electric plant as secondary to the gas plant and only uses gas in the electric plant when not needed for the production of gas. This does not appear to be the position taken by applicant as regards the supply of gas to the electric plant and it appears that some credit should be made for this item. The amount of this reduction will, however, not exceed \$3,000 or \$4,000 per annum and is practically insignificant in connection with this proceeding.

Applicant in its exhibit has estimated an increase in other expenses as shown in Table No. 1. The main item of increase as estimated by applicant is increase in labor and material. The increase set forth by applicant on Exhibit No. 1 for increases of salaries of employees amounts to 1 cent per 1,000 cu.ft. sold or

a total of \$49,000. Applicant reports to the Commission that it has increased the salaries to its employees commencing January 1919 by an amount equal to approximately \$60,000 per annum in excess of 1918 salaries, and as this has been done I recommend that it be allowed.

Applicant has urged that allowance for operating expenses other than production be increased on a basis of the amount of gas sold after an average increase of 22% is made on the cost of material and supplies used in operation during the year ending June 30, 1918, together with a payroll increase of \$46,135. It is very apparent to me that the basis of gas sales is not a correct basis upon which to estimate transmission, distribution, commercial and general expenses. It is possible that the result obtained is correct but the basis is not logical. The estimate of material and supply increase of 22% over the cost for the year ending June 30, 1918 was based upon war conditions with its attending and continuing increases. Since the application was filed and the first hearing was held the armistice has been signed and there is nothing in the present situation justifying the conclusion that the estimated increase will be realized. Considering, however, the fact that applicant has curtailed its maintenance and operating expenses during the past year to a point where this method of operation cannot continue indefinitely without detriment to the property, I believe in all fairness to the company and its consumers, who must depend upon the company for good service, that the estimates of applicant be in general accepted.

Applicant is engaged in active competition with Economic Gas Company in Los Angeles. Testimony of Mr. J.W. Wrenn of Economic Gas Company was to the effect that the cost of this competition, in additional employees, exchanging of meters, etc., amounts to at least \$15,000 per year on that Company's system. If all similar cost to Los Angeles Gas and Electric Corporation could be eliminated an amount of at least \$20,000 per year could be saved.

Applicant is before the Commission asking for an increase in rates to cover increased operating expenses and wherever possible unnecessary expense should be removed before the public is required to pay an increase in rates. The methods and practices employed by the two companies in their competition for business imposes unnecessary expenses upon their consumers and discontinuance would result in financial benefit to both. Under the circumstances the estimate of applicant for operating expenses should be reduced by \$20,000 to cover this item.

Applicant has included in its estimate of operating expenses the sum of \$289,926 for taxes. This estimate includes both State and Federal taxes. The Commission, in its Decision No. 5889, in Application No. 3962 of Western States Gas and Electric Company, decided that a utility should stand the burden of the war taxes imposed upon its net income, allowing, however, pre-war Federal taxes/as well as all state, county and municipal taxes operating expenses. Of the total taxes estimated for the year 1919 by applicant \$100,279.24 are Federal taxes, consisting of Federal capital stock tax, net income tax, income tax on tax free bonds, war stamp tax and excess pro-

fit tax. From a study of the Act of Congress passed October 3, 1917, entitled, "An Act to Provide Revenue to Defray War Expenses and for Other Purposes", it is apparent to me that both the letter and the spirit of the existing Federal war revenue law (and it is but fair to assume likewise of any new law enacted for the same purpose) clearly contemplates the payment by the owners of utilities of that part of the tax assessed for war purposes provided for therein. Applicant's consumers should not pay the excess profit tax, and as stated above, the consumers should not be required to pay the income tax or capital stock tax in excess of pre-war rates. The taxes other than State gross revenue tax which should be chargeable to the operation of the utility for 1919 are \$14,886 as against \$100,729.24 claimed by applicant. I will allow 5.6 per cent of the estimated gross revenue plus \$14,886 as the taxes chargeable to operation.

Applicant has estimated a gross revenue from carbon briquette sales of \$171,500 and operating expenses of \$115,640. This estimate of sales is based upon 1918 conditions when applicant sold considerably less briquettes than were produced and at the end of the period of record it had in stock considerable surplus of briquettes. With a normal year of temperature ~~xxx~~ conditions, applicant's sale of briquettes should materially increase and rather than estimate the sales upon the minimum year conditions, it appears fair to base the revenue and expense from carbon briquette sales upon the basis of selling practically the amount of briquettes manufactured during the year.

Upon this basis applicant's revenue from briquette sales should be \$220,000 for 1919 and its expenses \$143,000, the net profit from this business being \$77,000 for the year.

Table No. 2 following sets forth the revised estimate of statistics, operating expenses, capital and return of applicant, based upon the corrections heretofore set forth:

TABLE NO. 2

ESTIMATED CAPITAL AND OPERATIONS

LOS ANGELES GAS AND ELECTRIC CORPORATION

1919

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Quality of gas B. T. U. per cu. ft.	815
Total gas sent out M. cu. ft.	5,740,000
Total gas sales " " "	5,050,000
Unaccounted for gas " "	690,000
Per cent unaccounted for	12%
Average number of consumers	140,000
<u>Revenue:</u>	
operating gas sales (present rates)	\$3,450,000
Byproducts	220,000
Total	<u>\$3,670,000</u>
<u>Expense:</u>	
Production	\$1,602,420
Transmission	2,000
Distribution	214,030
Commercial	307,030
General and miscellaneous	195,900
Carbon briquettes	143,000
Taxes	220,410
Uncollectible bills	18,380
Total	<u>\$2,703,170</u>
Net Revenue for Depreciation and Return	966,830
Depreciation	221,860
Net return	744,970
Rate Base	13,520,000
Per cent return	5.5%
Increase of revenue to Net 8%	\$ 336,830
Average increase necessary per 1000 cu. ft. sold	6.66%

The cities of South Pasadena and Alhambra, in which a top rate of 80 cents per 1,000 cu.ft. is now charged as compared with a top rate to the City of Pasadena of 75 cents, urged that due to comparative location and density of population and other causes affecting cost of service, they should be placed on the same schedule as the City of Pasadena. Evidence was introduced by the City of South Pasadena setting forth the comparative density of population, number of consumers, consumers per mile of main, sales per consumer, together with testimony regarding relative location of South Pasadena to the gas works at Los Angeles. Los Angeles Gas and Electric Corporation does not insist upon a continuation of the differential as it now exists provided the same return is obtained in its entirety as would be obtained by the continuation. Conditions of service in the City of South Pasadena are not identical with the City of Pasadena but are, in my opinion, sufficiently so to justify charging on the same schedules of rates in the two cities. Rates in the City of Huntington Park should be the same as in Alhambra. It does not appear that Alhambra rates should at this time be the same as those in Pasadena.

The City of Monterey Park contends that due to the fact that the density of population in the northern part of Monterey Park is approximately equal to that in the southern part of Alhambra, the same rate should apply in both districts, and that, therefore, the City of Monterey Park should be charged the same rates as the City of Alhambra. The evidence does not show any good reason for making the rates the same.

Los Angeles Gas and Electric Corporation requests an increase in rates in the form of a surcharge rather than a permanent change in the rates. The Commission has, in the past, due to the emergency nature of various proceedings, authorized utilities to increase their rates in the form of a surcharge, especially in the case of electric utilities where a readjustment of the general rate structure would involve an unnecessary delay in the proceeding. In the case of a gas utility, and especially in this instance, the expenses for the coming year can be closely estimated. A complete fixing of rates was made in 1917, and the operations of the utility are not subject to the possibility of as great a fluctuation as in the case of hydro-electric companies whose expenses vary considerably with variation in supply of water to their hydro-electric plants.

In this instance an average increase per 1,000 cu.ft. necessary to grant applicant an 8 per cent return in the future would require an increase of approximately 7 cents per 1,000 cu.ft. to cover increased cost, including State taxes thereon.

In the estimates herein, the cost of oil has been figured on the basis of \$1.60 per barrel, although a part of that used in 1919 will have been purchased at \$1.40 due to the amount of oil in storage upon the first of the year. There appears little probability of an early material reduction in the cost of production of present quality of gas. Indications are that a reduction in the price of oil can not be expected and a major part of the remaining cost of operation is labor, a material reduction of which is not apparent at this time. Applicant can possibly reduce the

cost of operation as heretofore stated by the use of more natural gas, and it should be its duty to take steps in that direction.

I recommend in this instance that a readjustment of rate schedules be made rather than an additional surcharge.

City of Los Angeles claims that the heating units contained in gas supplied by Los Angeles Gas and Electric Corporation are less than 815 B.T.U. per cubic foot. There appears to be a discrepancy in the results of tests made by the company and the City. The rates fixed in Decision No. 4852 were for the quality of gas then being served and which had been served during the preceding year, which was reported by the Company as at least 815 B.T.U. per cubic foot. This quality of gas should be served.

The rates set forth in the order herein will result in an increase in the average rate received by applicant from 68.52 cents per 1,000 cubic feet sold to 75 cents per 1,000 cubic feet, or, applied to the sales for the remainder of 1919, in an increase of \$265,000. If applied to the sales for twelve months succeeding the effective date of the order herein, the increase should amount to \$337,000. On basis of 1916, the net return of applicant will be under conditions of operation as set forth, approximately 7.36 per cent and for a complete year 7.87 per cent.

I recommend the following form of order:

O R D E R .

LOS ANGELES GAS AND ELECTRIC CORPORATION

having filed its application for an increase in rates for gas, and the CITY OF SOUTH PASADENA having filed a complaint regarding the rates of Los Angeles Gas and Electric Corporation in that City, a hearing having been held and the matter having been submitted by stipulation as set forth in the opinion preceding this order,

THE RAILROAD COMMISSION HEREBY FINDS AS A FACT that the rates now charged by Los Angeles Gas and Electric Corporation are unjust and unreasonable in so far as they differ from the rates herein established, which rates are found to be just and reasonable;

Based on its order on the foregoing finding of fact and on the findings of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that Los Angeles Gas and Electric Corporation be and the same is hereby authorized to charge and collect the following rates for gas sold, based upon bills rendered on all regular meter readings taken on and after March 1, 1919:

RATE NO. 1.

Applicable within that territory heretofore
known as Rate District No. 1.

First	5,000	cu.ft.	per	meter	per	month	....	75¢	per	M	cu.ft.
Next	5,000	"	"	"	"	"	....	70¢	"	"	"
"	15,000	"	"	"	"	"	....	65¢	"	"	"
"	25,000	"	"	"	"	"	....	60¢	"	"	"
All over	50,000	"	"	"	"	"	....	55¢	"	"	"

Minimum Charge:

Minimum bill, for flats and apartments where four (4)
or more meters are served in one location and on
one service, 35 cents per meter per month.

Minimum bill for domestic and commercial service other
than above, 50 cents per meter per month.

RATE NO. 2.

Applicable within the Cities of Pasadena
and South Pasadena.

First	4,000	cu.ft.	per	meter	per	month	....	80¢	per	M	cu.ft.
Next	6,000	"	"	"	"	"	....	70¢	"	"	"
"	15,000	"	"	"	"	"	....	65¢	"	"	"
"	25,000	"	"	"	"	"	....	60¢	"	"	"
All over	50,000	"	"	"	"	"	....	55¢	"	"	"

Minimum Charge:

Minimum bill, for flats and apartments where four (4)
or more meters are served in one location and on
one service, 35 cents per meter per month.

Minimum bill for domestic and commercial service other
than above, 50 cents per meter per month.

RATE NO. 3.

Applicable to the Cities of Alhambra and
Huntington Park.

First	4,000	cu.ft.	per	meter	per	month	....	85¢	per	M	cu.ft.
Next	6,000	"	"	"	"	"	....	75¢	"	"	"
"	15,000	"	"	"	"	"	....	65¢	"	"	"
"	25,000	"	"	"	"	"	....	60¢	"	"	"
All over	50,000	"	"	"	"	"	....	55¢	"	"	"

Minimum Charge:

Minimum bill, for flats and apartments where four (4)
or more meters are served in one location and on
one service, 35 cents per meter per month.

Minimum bill, for domestic and commercial service
other than above, ... 50 cents per meter per month.

RATE NO. 4.

Applicable within the following territory:
All territory not included under Rates
No. 1, 2 and 3 served by Los Angeles
Gas and Electric Corporation, including
the incorporate territories of San Marino,
San Gabriel, Eagle Rock, Vernon, Watts,
Inglwood and Monterey Park.

First	4,000	cu.ft.	per	meter	per	month	....	90¢	per	M	cu.ft.
Next	6,000	"	"	"	"	"	....	80¢	"	"	"
"	15,000	"	"	"	"	"	....	70¢	"	"	"
"	25,000	"	"	"	"	"	....	60¢	"	"	"
All over	50,000	"	"	"	"	"	....	55¢	"	"	"

Minimum Charge:

Minimum bill, for flats and apartments where four (4)
or more meters are served in one location and on
one service, 35 cents per meter per month.

Minimum bill for domestic and commercial service
other than above, .. 50 cents per meter per month.

IT IS FURTHER ORDERED that Los Angeles Gas and Electric Corporation file with the Railroad Commission said rates herein established within ten (10) days from the date of this order.

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 21st day of February, 1919.

Edwin D. Edgerton

W. A. Howard

Frank D. DeWitt

H. B. Bondage

Irving Martin

Commissioners.