

AEF

ORIGINAL

Decision No. 6140

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.

---oOo---

In the Matter of the Application of)
ECONOMIC GAS COMPANY, a corporation,) Application No. 4053.
for an order increasing its rates.)

John E. Biby for Economic Gas Company.
Albert Lee Stephens and F. D. Howell
for the City of Los Angeles.

DEVLIN, Commissioner.

O P I N I O N .

Economic Gas Company, applicant herein, in its original application alleged that due to increased expenses caused by increase in cost of procuring gas and increased cost of distribution, including labor and material and supplies, it was not now earning a reasonable return upon its investment and requested that it be granted an increase in all its rates equal to the increase which the Commission might allow Los Angeles Gas and Electric Corporation in its decision in Application No. 4009.

A hearing in this application was held in conjunction with Application No. 4009 and later submitted by stipulation and brief without a final hearing due to the epidemic of influenza which had continued for some time in Los Angeles. Prior to the final submission of the appli-

cation, Economic Gas Company amended its original pleadings and requested that its rates for residence, domestic and general commercial service be made equal to those which the Commission might fix for Los Angeles Gas and Electric Corporation. The applicant requests that this Commission allow such increases as it may see fit in its other rates.

Economic Gas Company operates a gas distribution system in the central part of the City of Los Angeles in direct competition with Los Angeles Gas and Electric Corporation. Applicant's supply of gas is obtained from what is generally termed the "Sherman Oil Fields". Some artificial gas is manufactured to supply consumers during times when the natural gas supply is not sufficient. The evidence introduced in Application No. 4009 by the City of Los Angeles shows that the B.T.U. content of the gas supplied by Economic Gas Company and Los Angeles Gas and Electric Corporation is practically equal.

Economic Gas Company supplies natural gas to large commercial consumers and industrial consumers at rates below the general domestic and commercial service rate. The rate schedule for domestic and commercial service of the Economic Gas Company is as follows:

CLASS "A" SERVICE

First 3,000	cu.ft.	per month	.....	64 ¹ / ₂ ¢	per M cu.ft.
Next 7,000	"	"	.....	60¢	" " "
" 15,000	"	"	.....	55¢	" " "
" 25,000	"	"	.....	50¢	" " "
All over 50,000	"	"	.....	45¢	" " "

No minimum monthly charge.

This schedule compares with the domestic and commercial schedule of Los Angeles Gas and Electric Corporation, which has a top rate of 68¢ per 1,000 cubic feet for the first 5,000 cubic feet per month. In addition to this rate, Economic Gas Company has in effect five industrial or semi-industrial rates which are in effect as follows:

CLASS "B" SERVICE

House Heating, Water Heating

Steam and Power Generation

40¢ per 1,000 cubic feet.

Minimum Monthly Bill - \$5.00.

CLASS "C" SERVICE

Industrial, including Steam

and Power Generation

30¢ per 1,000 cubic feet.

Minimum Monthly Bill - \$25.00.

CLASS "D" and "E" SERVICE

Commercial and Industrial

Consisting of bona fide manufacturers of wholesale products including Steam and Power generation.

25¢ per 1,000 cubic feet.

Minimum Monthly Bill - \$125.00.

CLASS "F" SERVICE

Industrial

Consumers to provide own storage and draw gas from mains between hours of 10:00 P.M. and 5:00 A.M. only.

Any quantity - 20¢ per 1,000 cubic feet.

Minimum bill - \$100.00.

Applicant has no consumers on Class "F", but has several consumers on the other industrial classes of service.

It appears from the evidence in this application that Economic Gas Company's operations for the year 1917 and the first six months of 1918 were as follows:

	Six Months Ending <u>June 30, 1917</u>	Six Months Ending <u>Dec. 31, 1917</u>	Six Months Ending <u>June 30, 1918.</u>
Gas sold, Cu. Ft.	240,974.700	253,044.030	267,157,000
Gross Revenue	\$119,165.06	\$117,093.75	\$122,515.19
Operating Expenses	<u>103,539.89</u>	<u>96,000.38</u>	<u>106,502.44</u>
Net operations for depreciation and return	15,625.17	21,093.37	16,012.75
Interest Charges	<u>11,047.20</u>	<u>12,768.65</u>	<u>16,119.41</u>
Net Balance	\$ 4,577.97	\$ 8,324.72	\$ 106.66

It appears from the evidence that the demand of applicant's consumers has equalled its supply of natural gas and that there is no apparent expansion of business.

Mr. J. W. Wrenn, Applicant's Manager, testified that as a result of applicant's competition with Los Angeles Gas and Electric Corporation the company was expending at least \$15,000 per year in order to hold its own against that corporation's competition; and that if the necessity for this active competition could be eliminated at least that much saving would result.

As set forth in this Commission's decision in Application No. 4009, Decision No. 6139, this day issued, it is the duty of Los Angeles Gas and Electric Corporation and Economic Gas Company to call a halt to this unnecessary expense before the public is asked to pay increased rates, and I recommend that this be done.

No valuation has been definitely determined for the Economic Gas Company's properties. However, it is apparent from information before the Commission that the Company is earning a very low return and I am of the opinion therefore that an adjustment of rates should be made; and that the rates of Economic Gas Company for residence, domestic and commercial service should be the same as those charged by Los Angeles Gas and Electric Corporation.

Applicant has increased its amount of sales materially by its industrial rates but it appears from the records of the Company that with the material increase in sale of gas its gross revenue has practically not changed and its net revenue has, during the latter part of 1918, decreased.

Applicant paid 14 cents per 1,000 cubic feet less 5 per cent for leakage for the gas which it purchased and distributed in 1917. The same price was paid for most of the gas in 1918, part of the gas being purchased at 21 cents per 1,000 cubic feet. The average cost of gas purchased and produced by the Company for the first six months of 1918 equalled 20.8 cents.

Applicant has operated its artificial gas plant considerably during 1918 owing to the lack of natural gas to supply all its consumers. The service under the lower rates is subject to discontinuance in case of shortage and it would appear false economy to manufacture gas at a cost in excess of the revenue from the industrial consumers rather than to temporarily discontinue certain of them in case of shortage.

The natural gas available to applicant in excess of that used by Class "A" consumers should be used and not wasted. It must, however, be subject to shut off in case of shortage of supply and consumers should maintain other fuel supply to take care of such condition. Rates for such service must meet the competition with other fuels. In the order herein industrial rates will be fixed for the utilization of natural gas with the understanding that service is subject to discontinuance in case of shortage.

I recommend the following form of order:

O R D E R .

ECONOMIC GAS COMPANY having applied to the Railroad Commission for authority to increase its rates, and a public hearing having been held and the matter being submitted and now ready for decision,

THE RAILROAD COMMISSION FINDS AS A FACT that the rates now charged by Economic Gas Company are unjust and unreasonable in so far as they differ from the rates herein established, and that said rates herein established are just and reasonable.

Basing its order on the foregoing finding of fact and on the further findings of facts set forth in the opinion preceding this order,

IT IS HEREBY ORDERED that Economic Gas Company be and is hereby authorized to charge the following rates for natural gas having an average heat content of approximately 815 B.T.U. per cubic foot, said rates to be applicable to all bills based on meter readings taken on and after ~~March 1,~~ March 1, 1919:

SCHEDULE #1

Class A Service.

General Service

Applicable to the supply of natural gas for an average heat content of approximately 815 B.T.U. per cubic foot for domestic and commercial service for lighting, heating and cooking.

Rate

First	5,000	cu.ft.	per	meter	per	month	75¢	per	1000	cu.ft.
Next	5,000	"	"	"	"	"	70¢	"	1000	"
"	15,000	"	"	"	"	"	65¢	"	1000	"
"	25,000	"	"	"	"	"	60¢	"	1000	"
All over	50,000	"	"	"	"	"	55¢	"	1000	"

Minimum Charge

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

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

Special Condition

Consumers served under this schedule have priority in the use of gas over consumers served under Schedules No. 2 and 3.

SCHEDULE #2.

Class B Service.

Character of Service.

Applicable to the supply of natural gas of an average heat content of approximately 815 B.T.U. per cu.ft. for service to restaurants, bakeries and hotels for cooking, baking and water heating other than for air heating:

Rate

First 100,000 cu.ft. per month	50¢ per 1000 cu.ft.
Next 100,000 " " "	45¢ " 1000 "
All over 200,000 " " "	40¢ " 1000 "

Minimum charge - \$50.00 per month.

Special Condition

Service of gas under this rate is limited to the available supply of natural gas. Consumers under this schedule have priority in the use of gas over consumers served under schedule No. 3. Service is, however, subject to discontinuance on 30 minutes notice in case of shortage of supply.

SCHEDULE #3

Class C Service
Industrial

Character of Service

Applicable to service of natural gas of approximately 815 B.T.U. for industrial use such

bakeries, packing houses, metal working plants, preserving and canning establishments and other industrial establishments whose demand for gas is not dependent upon atmospheric temperature or upon the preparation of meals and whose time of maximum demand does not coincide with the maximum demand of consumers receiving service under schedules Nos. 1 and 2.

Rate

(A) Where consumer guarantees monthly minimum of \$70.00

First 200,000 cu.ft. per month 35¢ per 1000 cu.ft.
All over 200,000 " " " 30¢ " 1000 "

(B) Where consumer guarantees monthly minimum of \$120.00

First 400,000 cu.ft. per month 30¢ per 1000 cu.ft.
All over 400,000 " " " 25¢ " 1000 "

(C) Where consumer guarantees monthly minimum of \$200.00

First 800,000 cu.ft. per month 25¢ per 1000 cu.ft.
All over 800,000 " " " 20¢ " 1000 "

Special Conditions

- (1) In consideration of the reduced rates, service hereunder is subject to discontinuance upon 20 minutes notice under rate (A), 10 minutes notice under rate (B) and upon notice under rate (C) in case of shortage of supply of natural gas.
- (2) The Company will not be liable for loss or damage due to any failure to supply and consumers should maintain other supply of fuel.
- (3) In case of shortage of gas to consumers operating under schedule No. 3, those receiving gas under rate (C) will be first to be discontinued, then those under (B) and lastly those under rate (A).

IT IS HEREBY FURTHER ORDERED that Economic Gas Company file with the Commission within ten days from date of this order, revised schedule of rates to conform with order herein.

IT IS HEREBY FURTHER ORDERED that Economic Gas Company, on or before the 30th day of each month, shall file with this Commission a report setting forth such information as the Commission shall direct, covering the operation of the Economic Gas Company for the preceding month.

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 A. Edgerton

H. H. ...

Frank R. ...

H. H. ...

Irving Martin

Commissioners.