

Decision No. 8688

ORIGINAL

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA

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In the Matter of the Application of)
SOUTHERN COUNTIES GAS COMPANY OF CALI-))
FORNIA for authority to increase its)
industrial rates for natural gas sup-) Application No. 5948
plied to its Classes "B", "C", "D",)
and oil field consumers within its)
Eastern District.)

LeRoy M. Edwards, for Applicant.
G. E. Scott, for City of Santa Ana.
Jesse E. Stephens and E. Z. Osborne, Jr.,
for City of Los Angeles.
Wm. Bowring, for San Dimas Water Company.

BRUNDIGE, Commissioner:

O P I N I O N

This is an application by Southern Counties Gas Company for authority to increase the rates charged under its several schedules for natural gas sold for industrial purposes throughout its Eastern District consisting of Orange County and that part of Los Angeles County located in and adjacent to Pomona, Whittier and Monrovia. A hearing has been held and the matter is now submitted and ready for decision.

Applicant has available for sale varying amounts of surplus natural gas over and above the requirements of its domestic and commercial consumers. In order to utilize this gas and also to provide additional revenue and make possible a lower

rate for its domestic and commercial service this surplus has been sold for industrial purposes subject to the limitation in supply. The rates now in effect for this service were established by this Commission's Decision No. 5539, dated July 3rd, 1918, (Opinions and Orders of the Railroad Commission of the State of California Vol. 15, Page 928). At that time the cost of gas purchased and all other operating expenses of applicant were much less than at present and other fuels which the gas supplanted were likewise cheaper. The gas sold for industrial purposes was used primarily to supplant other forms of fuel and the rates necessarily were fixed in view of this competition, which was an influencing factor in the determination of the price for which the gas for industrial purposes could be sold. Since 1918, when the rates were fixed, the cost of gas has materially increased and applicant now requests that the rates be revised to reflect the existing level of operating costs and to provide applicant a fair and reasonable return.

Applicant finds itself confronted with the necessity of constructing many additions and betterments to its system in order to render satisfactory and continued service to its consumers and to provide for the growth of its business. Applicant urges that it be granted increased industrial gas rates and states that such additional revenues as it may receive from its industrial gas will be devoted to enlarging the capacity of its existing system and in the promotion of service betterments. Investigations which have been carried on by this Commission have indicated fully the absolute need for material improvement in applicant's system, such as increased compression and trans-

mission facilities and increased holder capacity occasioned by the extremely rapid growth in the gas requirements of the several communities supplied.

If rate increase is justified in this case it must be justified upon the question of reasonableness and upon the necessity for return upon applicant's property and not on the need of applicant for capital to make improvements of property. Applicant cannot expect to finance its large improvements out of earnings. An analysis of applicant's operations for the year ending September 30th, 1920 shows the following as regards the revenue from the various classes of service rendered in its Eastern District:

Table No. I

SOUTHERN COUNTRIES GAS COMPANY

EASTERN DISTRICT

GAS SALES, REVENUE AND CONSUMERS

Year Ending Sept. 30, 1920

		Sales M Cu.ft.	Revenue	Consumers
Domestic & Commercial	Sched. "A"	943,166	\$ 721,073	24,941
Gas Engines	" "B"	140,926	52,539	125
Industrial	" "C"	94,433	36,588	120
Boiler and Oil	" "D"	2,336,434	502,849	140
Field Use	and "E"			
Total		3,514,959	\$1,313,049	25,326

The operating expenses chargeable to the Eastern District for the same period show a total of \$956,140 and a depreciation annuity allowance based upon the Commission's previous

decision amounting to \$67,817, making a total of \$1,023,957: The larger part of the operating expenses consist of the cost of gas purchased, amounting to \$615,908 during the period in question. The capital invested by applicant in its Eastern District exclusive of intangibles, based upon this Commission's Decision No. 5539 in which the present rates were established, including additions and betterments to October 1st, 1920, is the sum of \$2,922,291.

It is practically impossible to definitely determine, upon the basis of cost of service, the gas rates for industrial service in view of the fact that this service is subject to shut-off in order that the domestic and commercial service may be continued. Rates for this service depend to a considerable extent on the value of service as determined by competitive fuels. However, it is apparent that if possible the industrial service must pay the total cost of gas purchased after accounting for a portion of the losses, and, in addition, pay a part of the operating costs chargeable to the transmission and distribution of the gas, taxes and a part of the return on the investment necessary to serve such gas.

Applicant at the present time has a schedule designated as Schedule "E" upon which the larger portion of the gas served is distributed, which is applicable to gas sold in the oil fields. Applicant has been required to pay a higher rate for gas purchased than was in effect at the time of the establishment of this schedule, and, as a result, at the present time the gas sold under this schedule is actually sold at less than the cost of the gas to applicant. An analysis shows that

the purchase price of gas has increased approximately 2 cents per thousand, and, if consideration is given to other charges, an increase of approximately 5 cents per thousand cubic feet has resulted. The rates herein set forth will result in an increase in the charges for industrial gas of approximately 5 cents per thousand cubic feet and are found to be just and reasonable.

I recommend the following form of Order:

O R D E R

Southern Counties Gas Company having applied to the Railroad Commission for an order granting authority to increase its rates and charges for natural gas sold for industrial purposes to its Class "B", "C", "D" and "E" consumers in its Eastern District, public hearing having been held and the matter having been submitted and being now ready for decision,

The Railroad Commission hereby finds as a fact that the industrial gas rates now charged by Southern Counties Gas Company in its Eastern District under Schedules 1-B, 1-C, 1-D and 1-E are not just and reasonable rates, and that the rates herein established are just and reasonable rates for industrial gas service.

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

IT IS HEREBY ORDERED that Southern Counties Gas Company be, and the same is, hereby authorized to charge and collect the following rates for gas for industrial purposes in

ite Eastern District, said rates to be effective for all regular meter readings taken on and after the 20th day of March, 1921.

SCHEDULE 1-B

TERRITORY:

Applicable to Southern Counties Gas Company's Eastern District comprising the Orange County, Whittier, Pomona and Monrovia divisions.

CLASS OF SERVICE:

This schedule applies to gas used in internal combustion engines only.

RATE:

First	100,000	cu.ft.	per	meter	per	month...	\$.45	per	M	cu.ft.
Next	400,000	"	"	"	"	"40	"	"	"
"	500,000	"	"	"	"	"35	"	"	"
All over	1,000,000	"	"	"	"	"30	"	"	"

MINIMUM CHARGE:

Minimum bill \$5.00 per meter per month from May to October inclusive; \$1.00 per meter per month from November to April inclusive.

SPECIAL CONDITIONS:

Measurement based upon the unit of 1000 cubic feet of gas at 4-ounce pressure above atmosphere. Consumers of this class will have priority in the use of gas over consumers of Class "C" and Class "D" at times when there is insufficient gas to supply the demands of all consumers.

SCHEDULE 1-C

TERRITORY:

Applicable to Southern Counties Gas Company's Eastern District, comprising the Orange County, Whittier, Pomona and Monrovia divisions.

CLASS OF SERVICE:

This schedule applies to gas used by commercial and industrial consumers whose demand for gas is not dependent upon atmospheric temperature or upon the preparation of meals and whose time of maximum demand, if any, does not coincide with the maximum demand hours of Class "A" consumers. It will not be required that consumers of this class be equipped with facilities for using other fuel. This class will include bakeries, packing houses, metal working plants, preserving and canning establishments, fruit and vegetable dryers and other consumers whose load has the characteristics named above.

RATE:

First	50,000	cu.ft.	per	meter	per	month	..	\$.45	per	M	cu.ft.
Next	150,000	"	"	"	"	"	..	.40	"	"	"
"	400,000	"	"	"	"	"	..	.35	"	"	"
All over	600,000	"	"	"	"	"	..	.30	"	"	"

MINIMUM CHARGE:

Minimum bill \$15.00 per meter per month from May to October inclusive; \$1.00 per meter per month from November to April inclusive.

SPECIAL CONDITIONS:

Measurement based upon the unit of 1000 cubic feet of gas at 4-ounce pressure above atmosphere. Consumers of this class will have priority in the use of gas over consumers of Class "D" at times when there is insufficient gas to supply the demands of all classes.

SCHEDULE 1-D

TERRITORY:

Applicable to Southern Counties Gas Company's Eastern District, comprising the Orange County, Whittier, Pomona and Monrovia divisions.

CLASS OF SERVICE:

This schedule applies to gas used by those industrial consumers located on existing high pressure mains having a capacity in excess of the present demands of Class "A", "B" and "C" consumers, for the use of steam boilers, incinerators, kilns or similar appliances which are not used to heat buildings or to prepare meals, and which are equipped to use other fuels and can be changed over to use other fuels on 30 minutes notice.

RATE:

First	100,000	cu.ft.	per	meter	per	month	..	\$.35	per	M	cu.ft.
All over	100,000	"	"	"	"	"	..	.30	"	"	"

MINIMUM CHARGE:

Minimum bill \$50.00 per meter per month from May to October inclusive; \$5.00 per meter per month from November to April inclusive.

SPECIAL CONDITIONS:

Measurement based upon the unit of 1000 cubic feet of gas at 4-ounce pressure above atmosphere. At times of gas shortage consumers of this class will be shut off in favor of Classes "A", "B" and "C". No obligation is undertaken to serve consumers of this class for any period of time.

SCHEDULE 1-E

TERRITORY:

Applicable in the Whittier-Fullerton District, including the Montebello, Whittier, Brea and Richfield Oil Field Districts or extensions thereof.

CLASS OF SERVICE:

This schedule applies only to consumers who desire to use gas for pumping or drilling oil wells by steam power, and is for the sale of strictly surplus gas.

RATE:

\$.25 per thousand cubic feet.

MINIMUM CHARGE:

Minimum charge \$50.00 per meter per month.

Minimum guaranteed use of gas at each meter installation, \$500 per annum.

SPECIAL CONDITIONS:

Measurement based upon the unit of 1000 cubic feet of gas at 4-ounce pressure above atmosphere. Consumers supplied under this schedule will be subject to shut-off without notice in the event of a threatened or actual shortage of gas, and the Company will not be liable for any damages occasioned by discontinuance of gas supply. Such consumers will be expected to keep a supply of other fuels on hand.

IT IS HEREBY FURTHER ORDERED that Southern Counties Gas Company shall, within twenty days from the date of this order, file with the Railroad Commission the schedules of rates herein established.

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 3rd
day of March, 1921.

Frank P. DeWitt
A. H. Boardman
J. P. Bruns
Chas. H. Rowan

Commissioners.