

Decision No. 41773**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of  
SOUTHERN COUNTIES GAS COMPANY OF  
CALIFORNIA for authorization, under  
Section 63(a) of the Public Utilities  
Act, to increase its rates for the  
sale of butane (liquid hydrocarbon gas)  
in certain sections of its system.

Application No. 29160

LeRoy M. Edwards, Milford Springer and  
O. C. Sattinger, for applicant; J. J. Deuel,  
Edson Abel and Alex F. Meyer, for California  
Farm Bureau Federation; K. Charles Bean and  
Melvin E. Gainder, for Board of Public  
Utilities and Transportation of the City of  
Los Angeles, for the City of Los Angeles.

O P I N I O N

In this application Southern Counties Gas Company of California requests an order authorizing it to increase the rates for butane gas (liquid hydrocarbon gas) supplied by it in the communities of Moorpark, Buellton, Solvang, Las Flores and Malibu, and also to remove from the automatic rate adjustment plan the discount applying to butane gas service.

Public hearings were held in this matter on May 12, 20 and 26, 1948, at Moorpark, Solvang and Los Angeles, respectively, before Examiner Crenshaw.

Applicant has for many years maintained separate butane plants and distribution systems in the communities of Moorpark, Buellton, Solvang, Las Flores and Malibu, thereby making possible gas service to approximately 254 customers.

The Moorpark plant is in applicant's Ventura Division and is located in the southwest portion of Ventura County. The Buellton and Solvang plants are in the Northern Division and are located in the

south central part of Santa Barbara County. The Las Flores and Malibu plants are in the Santa Monica Division and are about ten to 14 miles in a northerly direction along the coast from Santa Monica.

According to applicant, the principal reason for requesting an increase in rates for butane gas service is that in recent months the prices which it has had to pay for butane delivered to its storage vessels located at its respective distribution systems have increased approximately 29% at Las Flores, Malibu and Moorpark, and approximately 52% at Buellton and Solvang; further, since the present base rates were established, the costs of butane to applicant have increased approximately 63% at Las Flores, Malibu and Moorpark, and 100% at Solvang and Buellton. Therefore, the effect of this over-all increase in butane fuel costs is a material factor since the cost of gas represents a major portion of the operating expenses.

The present base rates for butane service were established a number of years ago and the current effective rates are the base rates discounted 10½%. These rates are set forth in Exhibit A, attached to and made a part of the application. Rate Schedule No. 3-A - L.H., Revised C.R.C. Sheet No. 1236-G, is for butane gas service in the Las Flores and Malibu area; Rate Schedule No. 4-A- M.P., Revised C.R.C. Sheet No. 1244-G, is for butane gas service in Moorpark; and Schedule No. 6-A - L.H., Revised C.R.C. Sheet No. 1260-G, is for butane gas service in Solvang and Buellton.

Applicant also submitted proposed schedules of rates and special conditions, as set forth in Exhibit B, attached to and made a part of the application. During the hearing on May 26, 1948, applicant submitted as Exhibit 4 a schedule consolidating the proposed three base rate schedules into one schedule and the three supplements into one supplement, thereby reducing the number of tariff sheets. These proposed rates are designed so that the estimated increased revenue will reflect only the increased cost of butane. In order automatically to

maintain the new rates in balance with changes in the cost of butane in the future, an escalator clause has been included as part of the rate. This escalator clause is designed to pass on to the consumer only such direct increases or decreases in the cost of butane as are experienced by applicant.

The following is a tabulation and summary of the rate bases of the butane plants as introduced by applicant in Exhibits 1, 2, and 3, setting forth the rate base determined from recorded operations and for adjusted operations to reflect the increased cost of butane and the estimated revenues that would be obtained from the proposed rates:

Year Ended December 31, 1947					
	: Fixed	: Materials & Supplies	: Cash	: Working	: Total
	: Capital	: Butane	: Other	: Capital	: Mean
					: Rate
					: Base
<u>Recorded Operations</u>					
Moorpark	\$20,219	\$173	\$ 505	\$ 492	\$21,389
Buellton & Solvang	14,677	127	367	674	15,845
Las Flores & Malibu	30,869	343	772	735	32,719
Total	65,765	643	1,644	1,901	69,953
<u>Adjusted Operations</u>					
Moorpark	20,219	173	505	546	21,443
Buellton & Solvang	14,677	127	367	789	15,960
Las Flores & Malibu	30,869	343	772	869	32,853
Total	65,765	643	1,644	2,204	70,256

The earning position of each of applicant's plants and the consolidated earnings of all plants are set forth in the following tabulations for recorded operations and adjusted operations, to include the increased cost of butane and the estimated revenues that would be received from the application of the proposed rates as introduced in applicant's Exhibits 1, 2 and 3.

	:Recorded Operations-Year Ended 12-31-47:			
	:Buellton:	Las Flores:	Summary:	
	: and :	and :	all :	
	:Moorpark:	Solvang :	Malibu :	Plants :
Gas Revenues	\$ 5,059	\$ 5,403	\$ 9,546	\$20,008
Operating Expenses	4,759	6,069	8,179	18,897
Depreciation Annuity	341	245	557	1,143
Total Expenses	5,100	6,314	8,736	20,040
Net Income for Return	(41)	(911)	810	(32)
Mean Rate Base	21,389	15,845	32,719	69,953
Rate of Return - Per Cent	(0.19)	(5.88)	2.46	(0.05)

(Red Figure)

	:Adjusted Operations-Year Ended 12-31-47:			
	:Buellton:	Las Flores:	Summary:	
	: and :	and :	all :	
	:Moorpark:	Solvang :	Malibu :	Plants :
Gas Revenues	\$ 5,583	\$ 6,872	\$11,350	\$23,805
Operating Expenses	5,413	7,469	9,881	22,585
Depreciation Annuity	341	245	557	1,143
Total Expenses	5,754	7,714	10,438	23,728
Net Income for Return	(171)	(842)	912	77
Mean Rate Base	21,443	15,960	32,853	70,256
Rate of Return - Per Cent	(0.80)	(5.27)	2.78	0.11

(Red Figure)

Applicant brought out during the hearings that if the current price of butane had been in effect during the year 1947, all of its butane systems would have operated at a loss; further, that the current rates charged for butane service for consumptions over one hundred pounds were, in some instances, less than the cost of butane to applicant at its plants.

In order to correct this condition and to standardize the form of butane gas service schedules with those for natural gas service, applicant submitted proposed schedules. In these schedules the base rate for butane gas is the same for the entire system. However, the effective rate will vary with the delivered cost of butane in

accordance with the escalator clause, which provides that when the price paid for butane delivered to the respective plants is greater or less than 1.3 cents per pound, the rates will be adjusted accordingly.

In this proceeding applicant is not seeking to be compensated for more than the increased cost in the purchase of butane. From the evidence submitted it appears that with the increased revenues estimated by applying the proposed rates, and the increased operating expenses reflecting the additional cost of butane, applicant will earn from all plants slightly more than the out-of-pocket cost.

From the evidence presented it appears that very little change can be expected in the earnings of the butane systems for some time and since they represent only a very small portion of applicant's total operations and are not necessarily tied in with the natural gas system, it seems reasonable to exclude the butane rates from the discount provision of the Automatic Rate Adjustment Plan.

From the facts recited herein, the Commission is of the opinion and finds that the applicant is in need of the relief sought. Accordingly, it follows that such relief should be made effective as soon as possible. Therefore, we find that the public interest requires that this decision become effective ten days from the date hereof.

#### O R D E R

Southern Counties Gas Company of California having filed its application requesting authority to place into effect increased rates for the sale of butane (liquid hydrocarbon gas) in certain sections of its system, public hearings having been held, evidence presented, the matter having been submitted for decision, and the Commission hereby finding that the increases requested are justified and should be authorized, therefore

IT IS ORDERED that Southern Counties Gas Company of  
California:

1. Be authorized to file for publication on and after ten (10) days after the date of this Order in accordance with General Order No. 96, the schedules of rates and special conditions set forth in Exhibit A, attached hereto, for butane (liquid hydrocarbon gas) service, and to make said rates effective with all regular meter readings taken on or after July 20, 1948.
2. Concurrently therewith to withdraw and cancel superseded butane gas service tariffs Revised C.R.C. Sheets Nos. 1236-G, 1244-G and 1260-G.
3. Be authorized to discontinue the application of the discount only to butane (liquid hydrocarbon gas) service as now provided in the existing Automatic Rate Adjustment Plan.

The effective date of this Order is ten (10) days from and after the date hereof.

Dated at San Francisco, California, this 29th day of June, 1948.

A. J. Duntzman  
Justice J. Calver  
Frank Russell  
Harold A. Hill  
Samuel Potter  
Commissioners.

EXHIBIT A  
Sheet 1 of 2

Schedule No. S-A - L.H.

GENERAL SERVICE

APPLICABILITY

Applicable to domestic and commercial service for lighting, cooking, refrigeration, water heating and space heating, including restaurants, apartment houses, hotels, hospitals, sanitariums, business buildings of all kinds, schools and churches.

DESCRIPTION OF SERVICE

Butane (liquid hydrocarbon gas) containing approximately 21,000 B.t.u.'s per pound.

TERRITORY

Within entire system.

RATES

Per Meter Per Month

First 10 pounds or less .....	\$1.25
Next 90 pounds, per pound .....	3.3¢
Over 100 Pounds, per pound .....	2.3¢

Provided, however, that each of the above rates, after the first ten pounds, is subject to increase or decrease, respectively, of one-tenth cent (.1¢) per pound for each one-tenth cent (.1¢) per pound that the cost to the Company for butane (liquid hydrocarbon gas), delivered to all production plants located in the territory served under this schedule, is greater or less than one and three-tenths cents (1.3¢) per pound. The rates for service of butane (hydrocarbon gas) under this schedule will be computed to the nearest one-tenth cent (.1¢) per pound.

When a change in the price of butane gas (liquid hydrocarbon gas) occurs, the Company shall submit to the Public Utilities Commission of the State of California, within a period of fifteen (15) days, an Advice Letter and appropriate supplemental tariff schedules, setting forth the new effective rates, and accompanied by an affidavit of such change in the price of butane (liquid hydrocarbon gas). The new rates shall be effective beginning with the bill based on the first regular monthly meter reading, for billing purposes, which is taken on and after the thirtieth (30) day following such change in the price of butane (liquid hydrocarbon gas), upon authorization by the Public Utilities Commission of the State of California.

Minimum Charge: \$1.25 per consumer per month.

SPECIAL CONDITIONS

1. In the application of this schedule, gas delivered to the various premises of a consumer cannot be aggregated.
2. Standby service will not be rendered under this schedule.

EXHIBIT A  
Sheet 2 of 2

Schedule No. S-A - L.H.

GENERAL SERVICE

Supplement No. 1

Beginning with the bill based on the first regular monthly meter reading, for billing purposes, which is taken on and after the effective date hereof, and until changed by the Company with the approval of the Public Utilities Commission of the State of California, the rates to be charged and collected for butane (liquid hydrocarbon gas) service supplied under this schedule shall be:

Effective Rates per Pound with Butane (Liquid Hydrocarbon) Gas

<u>At -</u>	<u>1.8¢/Lb.</u>	<u>1.8¢/Lb.</u>	<u>2.2¢/Lb.</u>
<u>Territory -</u>	<u>Las Flores</u> <u>&amp; Malibu</u>	<u>Moorpark</u>	<u>Buellton</u> <u>&amp; Solvang</u>
<u>Rate -</u>	<u>Per Consumer per Month</u>		
First 10 Pounds or less	\$1.25	\$1.25	\$1.25
Next 90 Pounds, per pound	3.8¢	3.8¢	4.2¢
Over 100 Pounds, per pound	2.8¢	2.8¢	3.2¢
<u>From -</u>	1.4¢	1.4¢	1.4¢
<u>To -</u>	1.8¢	1.8¢	2.2¢
<u>Effective -</u>	2/17/48	2/17/48	2/1/48

The rates herein set forth are established in conformity with the butane (liquid hydrocarbon) gas clause contained in Schedule S-A - L.H. by reason of an increase in the price per pound of butane (liquid hydrocarbon) gas.