ORIGINAL

Decision No. 47990

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY for a general increase in gas rates under Section 63 (a) of the Public Utilities Act.)	Application No. 32675

Appearances and list of witnesses are set forth in Appendix I.

OPINION AND ORDER

Southern California Gas Company, operating a public utility gas system in portions of southern California, on August 17, 1951, filed the above-entitled application for authority to increase natural gas rates so as to produce approximately $16,967,000 additional annual gross revenues based on 1951 operations or approximately $17,214,000 additional annual gross revenues in the test year described in the application. After due notice public hearings on this application were started on December 12, 1951 and on December 17, 1951 the applicant made a motion seeking an interim rate increase pending the establishment of final rates. Before submission of the case on August 20, 1952 the applicant in effect abandoned its test year and in general adopted the Commission staff's study, revising downward its requested increase to $12,979,000.

Interim Order

The motion for interim relief was not taken under submission until the completion of cross-examination upon the applicant's affirmative presentation on February 15, 1952. On March 17, 1952 the Commission rendered its interim opinion and order which authorized applicant to increase base rates in all natural gas tariffs by 2.0 cents per Mcf, except in the initial charge for the general service customers which was increased by 10 cents per meter per month. The effect of the interim order was to yield applicant an increase of $4,890,000 in gross annual revenue predicated on the basis of the 1951 actual sales.

This opinion and order will make final disposition of the application. It is not deemed necessary to review all of the matters covered in the interim order. Copies thereof were served on all parties of record in this proceeding.

Public Hearings

A total of 21 days of public hearings were held on this application at Los Angeles before Commissioner Harold P. Huls and Examiner M. W. Edwards during the period December 12, 1951 to August 20, 1952. During the first part of this period the Commission's staff and other parties, after analysis of the application and the record, cross-examined the applicant's witnesses. Statements by public witnesses and the positions of interested parties and protestants were introduced into the record prior to the interim increase. Since the order granting that increase was issued, the staff's study and analysis of applicant's operations was received in evidence as Exhibit No. 49. Studies by interested parties and protestants likewise were received in evidence. The record encompasses 62 exhibits and nearly 2,400 pages of transcript.

Applicant's Operations

Southern California Gas Company is engaged principally in the business of acquiring, gathering, compressing, exchanging, distributing and selling natural gas at retail to domestic, commercial, gas engine and industrial customers located in parts of the Counties of Los Angeles, San Bernardino, Riverside, Imperial, Kern, Tulare, Kings, Fresno, Ventura and Santa Barbara. A minor amount of gas also is sold at wholesale. As of December 31, 1951 the company served 1,252,252 active meters, of which 1,248,211 were on general service schedules. The service area comprised approximately 1,800 square miles and contained an estimated population of 4,400,000 as of January 1, 1952, representing a gain of approximately 54% in 10 years. The company's general office is located at 810 South Flower Street, Los Angeles. Applicant is a subsidiary of Pacific Lighting Corporation, which company owns all of applicant's outstanding common stock.

In addition to applicant, Pacific Lighting Corporation has two other subsidiaries: (1) Southern Counties Gas Company of California, which serves approximately 392,000 retail gas customers in various parts of southern California and supplies at wholesale all of the natural gas requirements of San Diego Gas and Electric Company and (2) Pacific Lighting Gas Supply Company, a gas transmission and storage company which purchases natural gas from California producers, transports and sells it to applicant and Southern Counties Gas Company. Pacific Lighting Gas Supply Company also owns and operates the La Goleta underground storage field, just west of Santa Barbara, in which gas is stored to assist in meeting the heavy winter peak requirements of applicant and Southern Counties Gas Company.

Brief History

The history of gas operations of the applicant and its predecessor companies covers four major periods. The first period from 1867 to 1913 involved the sale of manufactured gas. In the second period, from 1913 to 1927, a mixture of natural and manufactured gas was served. During the third period, from 1927 to 1947, natural gas from California fields was distributed exclusively, except for short periods when, due to exceptionally cold weather or an emergency, some gas was manufactured in the standby plants to relieve a shortage. The fourth period began when, with the rapid growth of gas loads during and following World War II and with the outlook for continued population growth, it became apparent that the amounts of gas available from California sources would soon be inadequate to supply the demand and therefore arrangements were made to purchase from El Paso Natural Gas Company large amounts of gas from fields located in western Texas and eastern New Mexico.

The El Paso Company constructed pipe-line facilities to deliver this gas at the California boundary near Blythe, and applicant and Southern Counties constructed a 30-inch pipe line to transmit it to the Los Angeles area. These facilities were completed in October, 1947. In 1948 a subtransmission line was constructed southward from the "Texas line" to serve natural gas to the Coachella and Imperial Valleys. During December, 1951 the three isolated communities of Mojave, Lancaster and Palmdale, in which applicant had been serving butane since 1930, were converted to natural gas service by the construction of a short subtransmission line connecting with Pacific Gas and Electric Company's 34-inch Texas line.

At the end of 1951 the applicant had in operation 109,519,760 cubic feet of aboveground storage holder capacity to help meet the daily swing in load. Of this amount, 4,149,760 cubic feet were in high-pressure holders. It also uses the depleted Playa Del Rey gas field west of Los Angeles and the larger Goleta underground reservoir of Pacific Lighting Gas Supply Company for underground storage of gas to help meet seasonal swings in load. To transmit and distribute the gas, applicant has provided 1,313 miles of transmission mains (including mains held in joint ownership with Southern Counties) and 11,614 miles of distribution mains.

Postwar Increases

During the postwar period of inflation in prices, wages and taxes since 1946, applicant has sought one prior increase in gas rates. On May 29, 1949 it filed Application No. 30299 requesting rates to produce additional annual gross revenues of about $9,700,000. On January 5, 1950 by an interim order, Decision No. 43675, applicant was granted an approximate 7.5% average over-all rate increase estimated to produce about $5,700,000 at the 1949 level of business. On August 29, 1950 the final order under Application No. 30299, Decision No. 44741, established permanent rates to yield substantially the same amount of revenue as the interim rates.

Applicant's Position

Applicant maintains that the trends of increased costs of operation and increased capital costs per customer, plus a forecast for the near future, all demonstrate the necessity for an immediate general rate increase to enable the applicant to earn a fair return. Applicant states that to maintain adequate service to connected customers and to meet the demands of new customers, it must borrow money to finance plant additions. Applicant's position is that its gross revenue should be augmented substantially to avoid impairment of its credit position and to enable it to attract money for plant expansion on favorable terms.

Authority is requested to withdraw and cancel all filed and effective retail rate schedules applicable to natural gas service, to file and make effective revised natural gas rate schedules, the basic charge provisions of which are set forth and contained in Exhibit "C" attached to the application, and to revise the special contract with the Southern California Edison Company.

Nature of Evidence

Evidence was offered by applicant, by members of the Commission's staff, and by representatives of certain of the protestants and interested parties set forth in the list of appearances. The exhibits covered such subjects as increased costs, balance sheets, operating statements, sales, meter growth, rate base, depreciation, taxes, fair rate of return, proposed rates, gas purchase contracts, cost to serve, results of operations, financial matters, and customer density data.

The protests made by customers or their representatives were given consideration in our interim order. These protests were augmented on August 20, 1952 by others from four persons. In reaching the final conclusion in this order all protests and statements have been fully considered. Some of the representatives, as well as the Commission's staff and the applicant, made factual studies from economic, engineering, and financial standpoints that have aided the Commission in determining the over-all cost of rendering applicant's public utility service.

For the purpose of determining whether or not the applicant is entitled to a permanent increase in rates, the Commission considers, among other things, the relationship of the revenues over some reasonable test period, to the probable over-all cost of rendering the utility service. The costs considered include production, transmission, distribution, customer accounting and collecting, sales promotion, administrative and general and depreciation expenses, city, county, state and federal taxes, and a reasonable return paid for the use of capital necessary to provide plant facilities reasonably necessary in furnishing the public service.

The company's original showing as to need for increased revenue in the future was predicated on a so-called "test year", which for all practical purposes contained the year 1951 results, with customers, revenues, and expenses adjusted to levels as of the year-end and investment adjusted to the level which would be required to serve such customers for the subsequent 12 months. The staff's study, Exhibit No. 49, did not use the test year basis adopted by the company but instead showed the pro forma results of four recent 12-month periods of operation, all adjusted to current levels of tax and wage rates and for other items. The four periods were the 12-month periods ending December 31, 1950, March 31, 1951, December 31, 1951 and March 31, 1952. By such method the basic trend of rate of return is determined and, when projected into the immediate future, provides a reasonable basis for earnings and rate level determination.

Earnings Results

In order to expedite the completion of the public hearings and the rendition of a final order by the Commission, the applicant adopted the earnings study prepared by the Commission staff with regard torevenues and expenses but stated that the staff's rate base was low by $5,873,000 for the year ended March 31, 1952. The staff's analysis may be summarized as follows:

Trend of Pro Forma Adjusted Earnings - Staff Exhibit No. 49

Item	Year 1950	12 Months Ended Mar. 31, 1951	Year 1951	12 Months Ended Mar. 31, 1952
REVENUES				
Residential & Comm'l.	$ 61,883,364	$ 63,315,818	$ 65,980,216	$ 67,418,350
Gas Engine	676,636	748,962	970,518	962,060
Firm Ind'l.	4,668,643	4,949,233	5,481,673	5,693,479
Firm Whlse.	4,184	3,617	3,219	3,300
Interrupt. Ind'l.	15,380,267	14,844,755	14,734,888	14,602,019
Interrupt. Whlse.	5,330,648	5,152,592	3,939,382	3,452,314
Other Gas Revenues	1,050,527	1,181,636	1,334,631	1,306,743
Total Revenues	88,994,269	90,196,613	92,444,527	93,438,265
OPERATING EXPENSES				
Production	36,077,982	36,051,575	36,028,810	36,041,206
Transmission	2,938,189	3,070,817	3,238,602	3,267,641
Distribution	11,300,129	11,415,748	11,910,795	12,243,683
Cust. Acct'g. & Coll.	4,875,796	4,990,200	5,596,752	5,748,824
Sales Promotion	2,336,453	2,428,273	2,725,506	2,778,535
Admin. & Gen.	4,998,374	5,093,770	5,608,184	5,744,636
Adj. to 3-31-52 Wage Levels	1,951,000	1,696,000	463,000	210,000
Subtotal	64,477,923	64,746,383	65,571,649	66,034,525
Taxes	11,524,000	11,948,000	12,588,000	12,887,000
Depreciation	3,984,000	4,099,000	4,433,000	4,507,000
Total Expenses	79,985,923	80,793,383	82,592,649	83,428,525
NET REVENUE	9,008,346	9,403,230	9,851,878	10,009,740
RATE BASE (Deprec.)	176,155,000	181,438,000	199,750,000	205,013,000
RATE OF RETURN	5.11%	5.18%	4.93%	4.88%

The above figures are all on a pro forma basis and differ from the recorded figures only to the extent adjusted by the staff. The use of pro forma figures minimizes error inherent in estimating operating results for a future year or years for rate making purposes. The foregoing figures do not include the effect of a 2.7% wage increase granted April 1, 1952, estimated to increase annual operating expenses by $525,000.

Revenues

In preparing the above estimates of revenues, adjustments were made to reflect rate levels in effect on March 31, 1952 and average temperature conditions. Sales fluctuate so widely with temperature variations that adjustment to average temperature conditions is required in determining earnings trend. The company had used an average unit sales volume of 76.5 Mcf for residential and small commercial sales in its study. The participating parties held conferences and agreed on the following level of sales per active and supplemental meter:

Year 1950	77.4 Mcf
12 Months Ended March 31, 1951 . . .	77.5 Mcf
Year 1951	77.9 Mcf
12 Months Ended March 31, 1952 . . .	78.0 Mcf

The interruptible industrial and wholesale revenues were adjusted to reflect: (1) a posted price of bunker fuel oil in the Los Angeles area in effect on March 31, 1952 of $1.55 per barrel (tank car basis) where appropriate, (2) a fixed gas supply in each of the four periods adjusted to a single annual availability of 201,000,000 Mcf, and (3) curtailment practices in effect on March 31, 1952.

During December, 1951 the Antelope Valley District of the Northern Division was converted to natural gas. This was the last remaining area on the system being served with liquefied petroleum gas. These sales were converted to natural gas equivalents and were assumed as being supplied by the available 201,000,000 Mcf per year. Revenues from such converted sales are reflected in the estimates.

Cost of Purchased Gas

The group of expenses summarized as production expense is made up primarily of the cost of natural gas but also includes odorization expense. Costs of natural gas purchases have been adjusted to rates in effect on March 31, 1952 from all sources other than Pacific Lighting Gas Supply Company purchases, which were adjusted to the rate of 21-2/3 cents per Mcf, the rate found reasonable in the 1951 rate proceeding. Since that proceeding the price of gas from the Pacific Lighting Gas Supply Company had been increased by approximately $800,000 per year. In view of the affiliated relationship between the Supply Company and the applicant's holding company, Pacific Lighting Corporation, the staff was not willing to subscribe to a higher gas cost without the books and records being made available. Applicant, for the purposes of this proceeding, stipulated to the lower price of 21-2/3 cents per Mcf for the Supply Company gas.

It is of interest to note that of the 201,000,000 Mcf required in the adjusted year ending March 31, 1952, 112,545,000 Mcf came from out-of-state sources, 53,126,000 Mcf from Pacific Lighting Gas Supply Company and the balance, or 35,329,000 Mcf, from ~~other~~ unused California sources. deletion

Depreciation

In determining rates of return for the several periods, the staff used a depreciated rate base and computed the allowance for depreciation on a 4% modified sinking fund method using the remaining life principle. The use of a remaining life principle resulted from studies made and an agreement adopted in connection with the 1950 rate case and effected a substantial saving to the ratepayer in annual depreciation charges. In this proceeding applicant preferred to use an undepreciated rate base in determining earnings but the staff followed the Commission's action in the interim decision herein, Decision No. 46878, and deducted a depreciation reserve of $62,101,000 for the 12 months ended March 31, 1952 from the undepreciated rate base in order to determine a depreciated rate base.

The remaining life method tends to adjust for over-accruals and under-accruals to the reserve, spreading such corrective factor over the remaining life of the property. The applicant is required to review the basic lives each year and present recommendations for any changes in lives based on the future outlook. The depreciated rate base on the modified sinking fund basis will be used in this decision.

Taxes

Taxes commensurate with the adjusted revenues and expenses are allowed as proper operating expenses of the applicant. The Office of Price Stabilization requested that the Commission exclude that portion of increased income taxes which is attributable to increases in tax rates since the start of the Korean War. In the interim decision herein such request was denied when it was adjudged that income taxes levied against this applicant should be allowed as a proper charge to its operating expense. Were this an unregulated industry with such a large profit margin that increased taxes could be absorbed without impairing its credit rating, a different treatment might be warranted. Such is not the evidence in this case and if such tax increases were not permitted as expenses the Commission would be forced to grant a higher rate of return to enable the company to service its securities after payment of so-called war emergency taxes.

No allowance for possible excess profits taxes is made by the Commission in the increased rates authorized by the order herein. A tax adjustment for the increased wage expense will be made.

Rate Base

The rate base is composed of capital invested in plant plus working capital items consisting of materials and supplies and working cash, less such items as donations in aid of construction, customers' advances for construction, depreciation reserves and nonoperative property.

The weighted average rate bases as estimated by the staff for the four periods are set forth below:

Weighted Average Rate Bases - Thousand Dollars

Item	Year 1950	12 Mos. Ending 3-31-51	Year 1951	12 Mos. Ending 3-31-52
Weighted Average Plant	$246,182	$252,014	$269,903	$275,536
Working Capital				
Material and Supplies	3,290	3,500	3,800	3,870
Working Cash	2,000	2,000	2,000	2,000
Adjustments				
Donations in Aid of Constr.	(3,524)	(3,551)	(3,628)	(3,657)
Customers' Advances for Construction	(1,336)	(1,337)	(1,301)	(1,284)
Depreciation Reserve, Motor Vehicles and Work Equip.	(1,594)	(1,646)	(1,781)	(1,802)
Intangibles Other than Franchises	(1,056)	(1,055)	(1,054)	(1,054)
Nonoperative Property	(4,588)	(4,588)	(4,528)	(4,295)
Acquisition Adjustments	(2,200)	(2,200)	(2,200)	(2,200)
Weighted Average Undepreciated Rate Base	237,174	243,137	261,211	267,114
Deduction for Depreciation	61,019	61,699	61,461	62,101
Weighted Average Depreciated Rate Base	176,155	181,438	199,750	205,013

(Red Figure)

The amount of $2,200,000 as an acquisition adjustment figure was arrived at as a result of a conference between the participating parties. Provision was made out of the depreciation reserve for write-off of this item, when the amount should be determined, in the depreciation agreement appended to Decision No. 44741. This matter has not been completely settled and pending such settlement the figure of $2,200,000 has been deducted for the purpose of this rate case.

The nonoperative property consists of land in connection with the applicant's Hope Street property and the old Aliso Street Gas Works. Deduction of an amount in excess of four million dollars is made for this item.

An adjustment in excess of one million dollars has been made for intangibles other than franchises. This deduction is in accordance with a provision of the depreciation agreement previously referred to.

The staff excluded $3,657,000 representing donations in aid of construction which the applicant contended should be included in the rate base at zero interest rate. The staff acted in accordance with past practice of the Commission not to include in the rate base any amounts contributed or advanced by customers. With applicant's proposal a lower over-all rate of return would be allowed; the ultimate result would be about the same. We see no reason to change our past practice in this regard.

<u>Materials and Supplies</u>

Applicant contends that the staff's allowance for material and supplies is low by approximately $780,000. The staff engineer's investigation showed that the average general stores materials and supplies on hand increased a million dollars between 1950 and 1951 while the disbursements remained constant at approximately $5,800,000 for each of these years. It appeared to the staff that a reasonable allowance for general stores materials would range between about 5.5 and 6.8 months' issues, which for the 12 months ending March 31, 1952 the staff estimated to be $3,100,000. To this figure the staff added $770,000 to cover the items of appliances, gas storage and deferments, and other materials and supplies.

Applicant urges that the amount of $4,650,000 be allowed for materials and supplies, this amount being approximately the average actually on hand during the 12 months ended March 31, 1952. In the opinion of applicant's personnel this represents the minimum amount needed under present day conditions to enable it to render efficient and economical utility service.

In view of the comparatively tight material situation that has developed as the result of the Korean War, the nation's defense program and the recent steel strike, the Commission is of the opinion that considerable weight should be given to the applicant's contentions. For the purpose of this decision an allowance for the 12 months ended March 31, 1952 for materials and supplies in the amount of $4,250,000 will be made.

Working Cash

Applicant contends that the amount of $2,000,000 computed by the staff as an allowance for working cash capital is low by an amount of $1,906,000. Such higher figure is obtained by computing working cash as 1.44% of the adjusted fixed plant capital plus materials and supplies. This ratio was based on the indicated findings of the Commission as to working cash capital in Decision No. 44741, for the year 1950.

Counsel for the staff stated that there is nothing to indicate that working cash capital requirement represents a constant percentage of rate base. The working cash capital allowance adopted in Decision No. 44741, the prior rate proceeding, reflected the availability to and use by the company of substantial sums collected for the future payment of federal income tax. Since the prior proceeding the income tax rates have been increased substantially.

The staff's study, made with the cooperation of the applicant on data for the year 1951, is based upon experience in the receipt of revenues and payment of expenses, together with the average additional working cash requirements indicated by balance sheet accounts. That study showed an average number of days lag in the collection of revenues of 38.86 and an average number of days lag in the payment of expenses and taxes of 62.15. After taking into account the average amounts of cash, working funds, and other balance sheet items which are components of working cash, the staff computed a net requirement of $1,988,839. This figure was rounded to $2,000,000 as the working cash capital allowance.

This factual study of working cash requirements was made for this proceeding in the same manner as for the prior proceeding. The fact that the staff's working cash in this proceeding is a lower percentage of rate base than in the prior proceeding merely reflects the combined effect of the current relationship of the several factors involved. For the purpose of this proceeding a working cash allowance of $2,000,000 will be adopted.

The staff's depreciated rate base for the 12 months ended March 31, 1952, after adjustment for an additional $380,000 for material and supplies, amounting to $205,393,000, is found to be fair and reasonable and is adopted for the purpose of this decision.

Summary of Adjusted Pro Forma Operating Results

A summary of the staff's pro forma operating results for the 12 months ended March 31, 1952, the adjustments for materials and supplies and for the recent wage increase, the resulting tax decrease, and the resulting adjusted pro forma results, hereby adopted for the purposes of this decision, follows:

	Staff Showing	Adjustments	Adjusted Pro Forma
Operating Revenues	$ 93,438,265	$ -	$ 93,438,265
Operating Expenses	66,034,525	525,000	66,559,525
Depreciation	4,507,000	-	4,507,000
Taxes	12,887,000	(283,080)	12,603,920
Net Revenue	10,009,740	(241,920)	9,767,820
Rate Base (depreciated)	205,013,000	380,000	205,393,000
Rate of Return	4.88%		4.76%

(Red Figure)

Trend of Rate of Return

The staff's study, Exhibit No. 49, shows a declining trend in rate of return between the year 1950 and the year 1951 of 0.18%, and between the years ending March 31, 1951 and 1952 of 0.30%. In order for the utility to realize the rate of return which the Commission finds fair and reasonable for the immediate future, a reasonable allowance for this declining trend in rate of return should be made. Based upon applicant's Exhibit No. 55-A an allowance of 0.5% for such decline will be included in the rate of return authorized herein.

Rate of Return

In making this application for an increase in rates applicant takes the position that the rate of return required on the staff's depreciated rate base of $205,013,000 is 6.99%. Applicant in part based its claimed rate of return on an assumed allowance of 12% on equity capital and presented comparisons with earnings of other utility companies in support of its position. In Exhibit No. 14 applicant summarized the more important public offerings of electric and gas utility common stocks during the period September 30, 1950 to October 1, 1951. For a list of 22 issues the average ratio of current earnings to offering price was 10.2% and after deducting for underwriting and issue expenses, the comparable cost to the utilities averaged 10.7%. In this same exhibit applicant showed a 10.7% net income on common stock equity for companies reporting to the Federal Power Commission which derived 50% or more of utility operating income from natural gas operations for the years 1948 through 1950. Similar data on straight natural gas operating utilities reported by "Gas Facts" showed an average 11.8% net income on common stock equity for the same three years. Another analysis of 16 selected natural gas companies showed a 9.7% ratio of net income to market price.

A representative for several cities testified that a rate of return of 5% on an undepreciated rate base will permit the earning of 8% on the common stock equity. Based on his study of the market action of utility common stocks over the past year he determined that in 1951 utility stocks varied from a high yield of 6.11% down to 5.27% and currently are selling on a 5.2% return basis. He stated that an 8% earning with 75% dividend pay out would result in the payment of 6% dividend on the common stock. However, he indicated that dividend yield ratios are more applicable to present value rate bases than to original cost rate bases.

His view was that where the common stock is wholly owned by a holding company, as in this case, there is no opportunity for the public to appraise the value of the Southern California Gas Company's common stock. In his opinion, with the present $2.40 dividend these securities could be sold for at least $40 per share in contrast to the $25 per share realized from sale of common to holding company. Upon cross-examination, however, the witness indicated that, assuming fixed earnings on common stock dollars invested, the price received by the applicant for its shares of stock would make no difference in the applicant's earnings requirements or in the rates to consumers.

A representative for the City of Los Angeles by Exhibit No. 37 computed that if the 1951 results of operation were adjusted to reflect the interim rate level and other known current conditions, the rate of return would have been 5.96%. The City's position was that the 5.99% rate of return granted in the 1950 rate case was at the upper extreme of a fair rate of return for this utility. It was pointed out that recently the Commission had allowed the Southern Counties Gas Company of California, a smaller company, a rate of return of 5.78% on a depreciated rate base. Counsel for the City stated that the applicant company, which is larger, should have a lower rate of return. In conclusion counsel stated that no further increases than the interim level of rates are necessary or warranted.

A staff witness presented a study showing, among other things, the earnings on common stock and equity capital during the years 1941 to 1951, inclusive. On cross-examination applicant brought out the fact that considering the pro forma showing by the staff for the twelve months ended March 31, 1952, the earnings available for equity capital would have been less than 7%. This compares with actual earnings available for equity capital of 7.75% for the year ended December 31, 1951.

A major item in the cost of money is the cost of senior securities, that is, bonds and preferred stock. It should be pointed out that in the past applicant has lowered the cost of such securities by refunding its indebtedness when market prices were favorable. A staff witness calculated the average effective interest rate associated with the bonds outstanding as of December 31, 1951, at 2.95% and giving consideration to the issue of $30,000,000 of bonds in March of 1952, at 3.10%, excluding from the calculation any allowance for unamortized discount, expense and premium associated with refunded issues. It appears to us that the method used by the staff witness was correct in this respect.

With such a wide range of claims before us as to a proper rate of return, it is apparent that the determination by this Commission of the rate of return must represent the exercise of informed judgment, keeping in mind the lawful interests of both the ratepayer and the utility, rather than the application of a mathematical formula. Counsel for applicant stated that this case presents an opportunity for the Commission to render a broad policy making decision by adopting its method of allowing equity earnings based on other utility company earnings.

In our opinion, the dividend-price and earnings-price ratios are useful in presenting background information but in themselves are not conclusive in the determination of rate of return. With respect to earnings-price ratios, such calculations are influenced by general market conditions and reflect the investor's appraisal of the market value of the stock at any given time. However, in this case there is no market for the common stock as it is all held by the Pacific Lighting Corporation. Attention also must be directed to the many intangible factors influencing rate of return not susceptible to statistical comparison, such as: territory, growth factor, comparative rate levels, diversification of revenues, public relations, management, financial policies, reasonable construction requirements, prevailing interest rates and other economic conditions, the trend of rate of return, past financing success and future outlook for the utility.

The earnings-price ratios of securities of other companies are not necessarily indicative of the amounts the applicant is required to earn with respect to capital already committed to the enterprise. Consideration must be given to the terms and conditions associated with the company's securities outstanding and those proposed to be issued.

Conclusion on Rate of Return

Upon a careful consideration of the evidence before us we find that a net revenue equivalent to 6.35% on a depreciated rate base of $205,393,000, based on the level of business for the 12 months ending March 31, 1952, is sufficient to allow applicant a rate of return for the future of at least 5.85% on a depreciated rate base which rate of return we hereby find to be fair and reasonable. Based upon the evidence of record before the Commission and as indicated in the preceding paragraphs, it clearly appears that, when tested against the applicant's financial structure and requirements, such a return should be adequate to service the outstanding bonds and preferred stock and to provide earnings on the equity in a reasonable amount.

When a rate of return of 6.35% is applied to the depreciated rate base of $205,393,000 a final over-all increase of $7,201,000 is indicated. Such increase is $2,311,000 greater than the interim increase of $4,890,000 heretofore authorized on March 17, 1952 by Decision No. 46878.

Cost to Serve by Classes and Divisions

Applicant prepared a cost analysis for the purpose of determining cost of rendering natural gas service by classes and divisions. It was submitted as Exhibit No. 35 and supplemented by Exhibit No. 35-A in this proceeding. The results of this study of operations for the year ended August 31, 1951, expressed as rates of return after all expenses, were:

Applicant's Cost Study - Exhibit No. 35-A

By Classes of Customers	Rate of Return
General Service	3.44%
Gas Engine	(2.28)
Firm Industrial	10.81
All Classes of Customers inc. Wholesale	4.05
By Accounting Divisions	
Eastern	1.83
Midway	1.67
San Joaquin	1.55
Metropolitan Los Angeles	4.20
Imperial	0.89

(Red Figure)

The California Manufacturers Association also prepared a cost allocation study by classes with the following results:

Cost of Study by California Manufacturers Association - Exhibit No. 50

Class of Service	Rate of Return at Pre-Interim Rates
General Service	2.59%
Gas Engine	(2.93)
Firm Industrial	10.14
Interruptible Industrial	27.80
Wholesale	56.41
All Classes	4.05

(Red Figure)

When the applicant made its cost study it assumed that all revenue from interruptible service was an offset to expenses. In this way any net revenue above out-of-pocket costs of serving the interruptible class would reduce the assignment of costs to the firm classes. The representative for the California Manufacturers Association did not assign any demand costs to the interruptible class on the theory that the firm classes are the only classes privileged to impose a demand upon the system.

The Commission's staff undertook comprehensive studies on the subject of cost of service with a view to assigning some reasonable portion of the demand cost to the interruptible class. At the last day of hearing, however, the staff's study was not completed and it was stated that further investigation was necessary on certain phases of the problem before a fully adequate presentation could be made.

In the absence of the staff's study in the record it is a matter of common knowledge that the interruptible load is not curtailed every day in the year. During about two-thirds of the days of the year this class enjoys full demand privileges. Furthermore, during the colder days not all of the interruptible load is curtailed and a small amount of interruptible load may be served on even the coldest days due to delay in notifying or cutting off of the interruptible customers when a sudden cold spell occurs. In considering the cost to serve the interruptible class it is the Commission's opinion that some reasonable demand component should be included but as to the exact extent of that component we are not prepared to say at this time.

Interruptible Service Competition

In so far as the level of the interruptible rates is concerned the Commission in the past has not based such level entirely on the cost of service but has given consideration to the level which would move the gas in competition with other forms of fuels, principally fuel oil. Natural gas is a premium fuel and as such in general it will command a higher price than fuel oil for a given number of heat units.

As the demand for natural gas in California continues to grow faster than local production more and more gas will have to be imported from out-of-state sources. The cost of such imported gas is expected to increase on January 1, 1953. When transmission costs are added, the cost of gas from out-of-state sources in time may rise to the point where it exceeds the present level of interruptible rates. Furthermore, the interruptible rates contain a fuel escalator clause that would cause a decline in rates if the price of fuel oil dropped below the present ceiling price of $1.55 per barrel. A situation might result where the present interruptible rate levels would burden rather than benefit the firm service classes.

Fuel Escalator Clause

In the past the automatic action of the present form of fuel escalator clause in the interruptible rate has virtually taken out of the Commission's hands the control of the level of the rate. At times it has appeared to the Commission that an automatic change in the price of gas when the price of oil changed was not warranted. The present oil clauses contain the requirement that the applicant shall file revised rates within 15 days after a change in the price of fuel oil which would result in a change in the effective rates of the tariffs. Moreover, the present escalator clause provides that:

> "...The new gas 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 30th day following such change in the price of fuel oil, subject, however to any revisory action that may be deemed necessary in the public interest by the California Public Utilities Commission in the exercise of its jurisdiction pursuant to the provisions of law and the rules and regulations of said Commission."

In considering this subject it appears to the Commission that if the imperative word "shall" in these clauses be replaced by the permissive word "may", it would not be mandatory upon the utility to submit new rates with each change in fuel oil price below $1.55 per barrel. With this change in wording, when no adjustment is necessary in interruptible rates to maintain a proper competitive rate relationship, the applicant would not be obligated to file revised rates with each oil price change. Furthermore, the last part of the clause as above quoted allows the Commission final control of the rate level, which, under a permissive situation, would be subject to a more complete analysis and showing of justification than under an automatic situation.

<u>General Service Schedules</u>

The present general service schedules applicable to the bulk of the domestic and commercial customers are divided into six basic zones with the lowest schedule, G-1, applicable in the denser portions of the metropolitan area of Los Angeles and the highest, G-6, applicable in the rural, unincorporated or sparsely settled areas. The cost analysis prepared by applicant indicates a lower return in the outlying areas than in Los Angeles and shows the need for a relatively larger increase in the outlying areas.

There are also two rate schedules, G-7 and G-8, applicable in the Imperial Valley area which contain rates that are higher than the six basic rates. However, the cost study shows that further increases are warranted in the Imperial area.

Applicant proposed a change in the form of rate to include more gas in the initial charge, but at a sizable increase in the initial charge, and to charge a higher terminal rate in the winter season than in the summer season. Applicant's purpose in proposing a higher winter rate was to reflect the higher cost to serve gas for seasonal space heating purposes, during the peak load months, compared to the cost of serving gas for year-round purposes. The cost analysis prepared by the applicant indicated a cost of 64.77 cents per Mcf to serve seasonal gas. Applicant proposed a winter rate of 70 to 75 cents per Mcf for this service on the general service schedules. The present interim schedules for multiple usage have a terminal rate at the level of 54 cents per Mcf for the first six zones and at 67 cents for Zones 7 and 8.

At the present time there are included in the general service schedules special heating rates where customer usage is primarily for space heating for human comfort. The terminal rate level for the primarily heating service is 67 cents per Mcf for all eight zones. In view of the fact that said present heating terminal rates are closely in line with the indicated cost, we see no reason for any change in the form of tariff for this type of service. In so far as the terminal rate level for multiple usage is concerned, it is less than 17% below the indicated seasonal cost and, in our opinion, is not sufficiently below such cost to require a major change in the form of tariff as suggested by applicant.

In Exhibit No. 61-A applicant proposed transfer of certain areas to lower rate zones because of growth and improvement of density characteristics. Under the rate levels as authorized herein such rezoning will result in an estimated reduction of gross revenue of $206,663. Applicant's proposal appears reasonable and is authorized. In the future such rezoning should be accomplished by May 1st of each year, utilizing end-of-year density statistics and at such additional times as conditions may warrant.

For the first six zones in the General Service Schedules the present interim rates for multiple use, the applicant's proposed rates, and the authorized rates are set forth in the following tabulation:

Multiple Use Rates - General Service Schedules

	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6
A. Present Interim Rates						
First 200 cu.ft., or less per month	$1.00	$1.00	$1.05	$1.10	$1.15	$1.20
Next 2,800 cu.ft., per 100 cu.ft.	6.2¢	6.3¢	6.6¢	6.7¢	6.8¢	6.9¢
Next 7,000 cu.ft., per 100 cu.ft	5.6¢	5.8¢	6.0¢	6.2¢	6.4¢	6.6¢
Over 10,000 cu.ft., per 100 cu.ft.	5.4¢	5.4¢	5.4¢	5.4¢	5.4¢	5.4¢
B. Applicant's Proposed Rates						
First 1,000 cu.ft., or less per month	$1.80	$1.90	$2.00	$2.10	$2.20	$2.30
Over 1,000 cu.ft., per 100 cu.ft.						
Winter months	7.0¢	7.0¢	7.2¢	7.3¢	7.4¢	7.5¢
Summer months	5.0¢	5.0¢	5.2¢	5.3¢	5.4¢	5.5¢
C. Authorized Rates						
First 200 cu.ft., or less per month	$1.00	$1.00	$1.05	$1.15	$1.25	$1.40
Next 2,800 cu.ft., per 100 cu.ft.	6.2¢	6.3¢	6.7¢	6.9¢	7.1¢	7.5¢
Next 7,000 cu.ft., per 100 cu.ft.	5.6¢	6.0c	6.2¢	6.4¢	6.7¢	7.1¢
Over 10,000 cu.ft., per 100 cu.ft.	5.4¢	5.6c	5.8¢	6.0¢	6.2¢	6.6¢

Inasmuch as the primarily heating rates are in line with the indicated cost, no further increase will be placed in such schedules in excess of the interim level.

The zone limits of city rate areas, except where already established as of a certain date, will be established as the corporate limits as they existed on the effective date of the new rates.

Commercial Rates

Because applicant has found no practical method of determining which large commercial customers use gas primarily for space heating for human comfort, seasonal rates for winter and summer are now in effect in the three commercial schedules, G-20, G-22, and G-23. It proposes retention of the seasonal form of schedules and suggests increases of the order of 5 cents to 8 cents per Mcf over the existing interim rate levels. The authorized rates for the various blockings in the schedules will contain increases ranging from no increase to 6 cents per Mcf over the interim rate levels, which will average about 5.2% over-all increase for this class.

Firm Industrial Rates

Seasonal rates likewise are in effect in the two firm industrial Schedules Nos. G-40 and G-42. Applicant also proposes retention of the seasonal form of schedules and suggests increases of the order of 3 cents to 8 cents per Mcf over the existing interim rate levels. In view of the above average earning position for firm industrial service shown by the cost analysis, an average increase of 3.4% is being made in this service as compared to the 5.2% increase for commercial rates. The authorized rates will contain increases ranging from 1 cent to 3 cents per Mcf over the interim rate levels.

Gas Engine Rates

Gas engine service is now rendered under two schedules, G-45 and G-46. Applicant proposes to replace these two schedules with one seasonal type of schedule. It proposes sizable increases in the winter rates and only minor increases in the summer rates. On comparison of the present interim gas engine rate levels with the present level for interruptible service, it was found that the gas engine rates are lower than rates for interruptible service. In view of the fact that gas engine service is a firm service and not subject to interruption, it should pay a higher rate than that for interruptible service. Moreover, the cost study indicates that the return from gas engine service is the lowest of all of the classes.

Gas engine service is predominantly a summer load but in a dry year considerable use may be made in the wintertime for agricultural pumping purposes. In our opinion a winter rate as high as proposed is not warranted but a summer rate higher than proposed is warranted. The most equitable solution to this problem appears to be to establish a single gas engine schedule with summer and winter rates at the same level, with the over-all rate level slightly above the level of the interruptible rates applicable in the areas served. A comparison of the present interim, proposed and authorized gas engine rates follows:

Gas Engine Service Rates

Block	Present Interim Schedule G-45	Present Interim Schedule G-46	Applicant's Proposed Sch. G-45 Summer	Applicant's Proposed Sch. G-45 Winter	Authorized Schedule G-45
First 25 Mcf	48.0¢	44.9¢	45.0¢	52.0¢	50.0¢
Next 75 Mcf	36.0¢	26.5¢	33.0¢	42.0¢	40.0¢
Next 200 Mcf	30.0¢	26.0¢	28.0¢	36.0¢	34.0¢
Over 300 Mcf	24.5¢	25.0¢	25.0¢	33.0¢	32.0¢

While the increase under the authorized rate is approximately 27% on the average, it is the Commission's opinion that such increase is fully warranted by the record in this case.

Interruptible Industrial Rates

Interruptible service is now rendered under Schedules Nos. G-50, G-51, G-52 and G-53. Applicant proposes no change in the base rate level predicated on $1.55 fuel oil price but seeks to raise the fuel oil price ceiling to $2.00 from the present $1.55 ceiling. At the present posted oil price of $1.75 an increase of 3-1/3 cents per Mcf over the pre-interim level or 1-1/3 cents over the interim level would become effective under applicant's proposal.

Consistent with what has already been said on the fuel clause and the interruptible rate problem, an increase of approximately 1/2 cent per Mcf will be made in Schedules Nos. G-50, G-51 and G-52 over the interim rate level. Schedule No. G-53 at present is approximately 1-1/2 cents to 2-1/2 cents per Mcf below Schedule No. G-50, and is limited to service to stationary central steam boilers, petroleum oil stills and heaters, smelters and cement kilns. This schedule is more subject to price competition from heavy or dump oil than is Schedule No. G-50. The heavy or dump oil may sell at a discount from the posted price and it appears necessary to maintain some differential in rate levels between Schedules Nos. G-53 and G-50. However, the current oil market is such that in our opinion the present differential between the schedules is too great. Therefore, an increase of approximately 1-1/2 cents per Mcf will be made in Schedule No. G-53 over the interim level. The authorized rates will contain increases in rate levels which will average about 3.8% for interruptible industrial service.

Summary of Rate Change

The following table shows the increase authorized by the order herein based on the sales for the pro forma period, 12 months ending March 31, 1952:

Item	Sales Thousand Mcf	Revenue at Present Interim Rates	Revenue Increase	Per Cent Increase	Avg. Rev. per Mcf after Increase*
General Service	88,888	$66,822,037	$1,056,345#	1.58%	76.4¢
Commercial	7,636	3,831,057	197,453	5.15	52.8
Firm Industrial	14,476	5,972,063	200,580	3.36	42.6
Gas Engine	3,861	1,047,648	281,630	26.88	34.4
Interruptible Indl.	57,113	15,085,645	574,992	3.81	27.4
Rezoning	-	-		-	-
Total	171,974	92,758,450	2,311,000	2.49	55.3

(Red Figure)

* Composite over-all rate that reflects winter and summer rate levels.
\# Reflects reduction of $206,663 due to rezoning.

Conclusion

After reviewing all of the evidence of record and the statements by protestants and interested parties and giving weight to the declining trend in rate of return, it is our conclusion that an order should be issued increasing the interim rates in the over-all amount of $2,311,000 in the manner outlined herein and to the extent set forth in Exhibit A following the order. In view of the rapid increase in the cost of gas and the impending future increases in the cost of out-of-state gas the problem of rate spread and of establishment of proper class rate levels is very important. In the Commission's opinion the spread of rates provided in Exhibit A herein is reasonable.

All motions inconsistent with the findings of this opinion and order are denied.

O R D E R

Southern California Gas Company having applied to this Commission for an order authorizing increases in rates and charges for natural gas service, public hearings having been held, the matter having been submitted and being ready for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and that present rates in so far as they differ from those herein prescribed for the future are unjust and unreasonable; therefore,

IT IS ORDERED AS FOLLOWS:

1. Applicant is authorized and directed to file in quadruplicate with the Commission after the effective date of this order, in conformity with General Order No. 96, revised schedules with changes in rates, terms and conditions as set forth in Exhibit A attached hereto and, after not less than five (5) days' notice to this

Commission and to the public, to make said effective for service rendered on and after January 1, 1953.

2. At the time of making effective the rates authorized by Paragraph 1 hereof, applicant may withdraw and cancel Schedule No. G-46 and transfer the customers on such schedule to the new Schedule No. G-45.

3. Applicant shall revise the territory descriptions in Schedules Nos. G-1 to G-6, inclusive, to accomplish the zone transfers as proposed in Exhibit No. 61-A in the rates to be filed pursuant to Paragraph 1 hereof.

4. Applicant's request to revise its special contract with the Southern California Edison Company, as described in Exhibit "C" attached to the application, is not authorized by this order. Authorization was contained in the interim order herein, Decision No. 46878, to increase contract rates by 2 cents per Mcf, which authorization is not altered by this order. Approval for any further changes in the Southern California Edison Company contract should be sought by an appropriate application.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 2nd day of December, 1952.

R. T. [illegible], President.

Justus F. Craemer

Harold P. Huls

Kenneth Potter

Peter E. Mitchell

Commissioners.

ATTACHMENT 1

LIST OF APPEARANCES

For Applicant: T. J. Reynolds, Harry P. Letton, Jr., Milford Springer, and Carl Wheat.

Protestants: Housewives Committee for Lower Prices, by Rosalie Shenefield; Eastside Conference Against the High Cost of Living, by Miriam R. Becker; Grand Lodge Negro Masons of California, by Wm. L. Wood; California Legislative Conference, by Paul Major; North Los Angeles Consumers Committee, by Mrs. Ann Watkins; City of Los Angeles, by T. M. Chubb, Robert Russell, Ray Chesebro and Roger Arnebergh; Cities of Alhambra, Beverly Hills, Burbank, El Segundo, Gardena, Glendale, Inglewood, Manhattan Beach, Montebello, Monterey Park, Pasadena, San Fernando, San Marino, and South Pasadena, by Clarence A. Winder and Roger Arnebergh.

Interested Parties: California Farm Bureau Federation, by J. J. Deuel and Edson Abel; California Manufacturers Association, by George D. Rives of Brobeck, Phleger & Harrison; Southern California Edison Company, by Bruce Renwick and Rollin E. Woodbury; The Department of Water and Power, City of Los Angeles, by John E. Girard; Challenge Cream and Butter Association, by W. D. MacKay; City of Huntington Park, by Christopher Griffin; Director of Installations, Headquarters 4th Air Force, by John D. McLaughlin; Lincoln Heights Coordinating Council, Interested Citizens of Lincoln Heights and Highland Park, and Citizens Traffic & Utilities Committee, by William Hogan; Eleventh Naval District, by H. L. Minister; Office of Price Stabilization, by John Harmon, Phillip Krause and Emil Broz; Bureau of Franchises & Public Utilities, City of Long Beach, by Henry E. Jordan.

Other Appearances: C. G. Ferguson, Freyman Coleman and Boris H. Lakusta, for the Commission staff; Robert Loucks in propria persona.

LIST OF WITNESSES

Evidence was presented on behalf of applicant by: F. M. Banks (major items of increased operating expenses), W. J. Herrman (test year, summary of financial, operating and statistical data, normalized consumption, fair rate of return, rate tariffs, rate of return, price of gas, summary), W. M. Jacobs (meter growth and sales, firm industrial, gas engine and interruptible rates), H. L. Masser (rate base, expenses), M. A. Sooley (revenues under present and proposed rates), R. M. Bauer (gas purchases), A. B. Cates, Jr. (depreciation annuity and interest), E. N. Simmons (taxes), Harold S. King (cost to serve analysis), Grove Lawrence (compressors and transmission facilities), J. H. Jensen (income-price ratios, dividend-price ratios), Charles A. O'Neil (common stock data, fair rate of return).

Evidence was presented on behalf of the protestants and interested parties by: Mrs. Ann Watkins, Wm. L. Wood, Victor Fisch, Rosalie Schenefield, Robert Loucks, Miriam R. Becker, Paul Major, Elisa Fontwit, Louis Terre, William Hogan, Erich Schultz, German Kelley, David Eichel, Clarence A. Winder, T. M. Chubb, Robert W. Russell, Homer R. Ross, W. D. MacKay, Evelyn Anderson, Alfred Borg, Dora Kelson.

Evidence was presented on behalf of the Commission staff by: Theodore Stein (balance sheet, income statement, clearing accounts), Frank F. Watters (operating revenues, production expenses), George C. Young (transmission and distribution expenses), John J. Doran (administrative and general expenses, taxes, summary of earnings, working cash capital), Greville L. Way (fixed capital, depreciation reserve and expense, rate base).

A-32675 *

6

EXHIBIT A

The presently effective gas tariff schedules are changed only as specifically set forth in this exhibit.

TERRITORY

1. Descriptions to be revised to conform with zone transfers specified in applicant's Exhibit No. 61-A except for gas engine service.

2. The word "Special" as used in describing "Rate Areas" will be deleted from all tariffs.

3. References to Rate Areas will be made by title and reference number in all schedules. Descriptions of rate areas as being "incorporated", "unincorporated", or "built-up unincorporated" will be contained only in the "Description of Rate Areas" section of the tariff book.

insert

4. The rate areas delineated by incorporated city limit boundaries, except where already established as of a certain date, shall be established as those limits existed on January 1, 1953.

SPECIAL CONDITIONS

1. Special Condition No. 3 of Schedule Nos. G-4, G-5, G-6, Special Condition No. 4 of Schedule Nos. G-7 and G-8 shall be revised to reflect the applicable minimum charges hereinafter authorized.

RATES and SPECIAL CONDITIONS

To be revised as follows:

SCHEDULE NO. G-2

Commodity Charge:	Per Meter Per Month Base and Effective Rates 1100 Btu "M"
First 200 cu.ft. or less:	
Winter Months, November-April	$1.00
Summer Months, May-October	$1.00
Next 2,800 cu.ft., per 100 cu.ft.	6.3¢
Next 7,000 cu.ft., per 100 cu.ft.	6.0¢
Over 10,000 cu.ft., per 100 cu.ft.	5.6¢

SCHEDULE NO. G-3

Commodity Charge:	Per Meter Per Month Base and Effective Rates 1100 Btu "M"
First 200 cu.ft. or less:	
Winter Months, November-April	$1.05
Summer Months, May-October	$1.05
Next 2,800 cu.ft., per 100 cu.ft.	6.7¢
Next 7,000 cu.ft., per 100 cu.ft.	6.2¢
Over 10,000 cu.ft., per 100 cu.ft.	5.8¢

SCHEDULE NO. G-4

Commodity Charge:	Per Meter Per Month Base and Effective Rate 1100 Btu	Effective Rates 1050 Btu	1000 Btu
Multiple Use Schedules "M"			
First 200 cu.ft. or less	$1.15	$1.15	$1.15
Next 2,800 cu.ft., per 100 cu.ft.	6.9¢	6.69¢	6.49¢
Next 7,000 cu.ft., per 100 cu.ft.	6.4¢	6.21¢	6.02¢
Over 10,000 cu.ft., per 100 cu.ft.	6.0¢	5.82¢	5.64¢

insert

Minimum Charge:

Rate "M" - $1.15 per meter per month.

SCHEDULE NO. G-5

Commodity Charge:

Multiple Use Schedules "M"	Per Meter Per Month Base and Effective Rates 1100 Btu	Effective Rates 1150 Btu	1050 Btu	1000 Btu
First 200 cu.ft. or less	$1.25	$1.25	$1.25	$1.25
Next 2,800 cu.ft., per 100 cu.ft. . . .	7.1¢	7.31	6.89¢	6.67¢
Next 7,000 cu.ft., per 100 cu.ft. . . .	6.7¢	6.90	6.50¢	6.30¢
Over 10,000 cu.ft., per 100 cu.ft. . . .	6.2¢	6.39	6.01¢	5.83¢

insert

insert Minimum Charge:
Rate "M" - $1.25 per meter per month.

SCHEDULE NO. G-6

Commodity Charge:

Multiple Use Schedules "M"	Per Meter Per Month Base and Effective Rates 1100 Btu	Effective Rates 1150 Btu	1050 Btu	1000 Btu	950 Btu	800 Btu
First 200 cu.ft. or less	$1.40	$1.40	$1.40	$1.40	$1.40	$1.40
Next 2,800 cu.ft., per 100 cu.ft.	7.5¢	7.73¢	7.28¢	7.05¢	6.83¢	6.15¢
Next 7,000 cu.ft., per 100 cu.ft.	7.1¢	7.31¢	6.89¢	6.67¢	6.46¢	5.82¢
Over 10,000 cu.ft., per 100 cu.ft.	6.6¢	6.80¢	6.40¢	6.20¢	6.01¢	5.41¢

insert Minimum Charge:
Rate "M" - $1.40 per meter per month.

SCHEDULE NO. G-7

Commodity Charge:

	Per Meter Per Month Base and Effective Rates 1100 Btu "M"	"S"	"H"
First 200 cu.ft. or less:			
Winter months, November-April	$ 1.45	$ 1.45	$ 2.15
Summer months, May-October	$ 1.45	$ 1.45	$ 0.24*
Next 2,800 cu.ft., per 100 cu.ft.	10.0¢	12.0¢	12.2¢
Next 7,000 cu.ft., per 100 cu.ft.	8.5¢	10.0¢	10.2¢
Over 10,000 cu.ft., per 100 cu.ft.	6.7¢	6.7¢	6.7¢

insert Minimum Charge:
Rate "M" - $1.45 per meter per month.
Rate "S" - $1.45 per meter per month.

SCHEDULE NO. G-8

Commodity Charge:

	Per Meter Per Month Base and Effective Rates 1100 Btu "M"	"S"	"H"
First 200 cu.ft. or less:			
Winter months, November-April	$ 1.50	$ 1.50	$ 2.40
Summer months, May-October	$ 1.50	$ 1.50	$ 0.25*
Next 2,800 cu.ft., per 100 cu.ft.	10.2¢	12.2¢	12.4¢
Next 7,000 cu.ft., per 100 cu.ft.	8.7¢	10.2¢	10.4¢
Over 10,000 cu.ft., per 100 cu.ft.	6.7¢	6.7¢	6.7¢

insert Minimum Charge:
Rate "M" - $1.50 per meter per month.
Rate "S" - $1.50 per meter per month.

SCHEDULE NO. G-20

Commodity Charge:	Per Meter Per Month: Base and Effective Rates 1100 Btu.	Effective Rates 1150 Btu.	1050 Btu.	1000 Btu.	950 Btu.	800 Btu.
Six Winter Months - November to April, inclusive						
First 30 Mcf, per Mcf.....	63.0¢	64.9¢	61.1¢	59.2¢	57.3¢	51.7¢
Next 70 Mcf, per Mcf.....	58.0¢	59.7¢	56.3¢	54.5¢	52.8¢	47.6¢
Next 200 Mcf, per Mcf.....	54.0¢	55.6¢	52.4¢	50.8¢	49.1¢	44.3¢
Next 700 Mcf, per Mcf.....	51.0¢	52.5¢	49.5¢	47.9¢	46.4¢	41.8¢
Over 1,000 Mcf, per Mcf.....	48.0¢	49.4¢	46.6¢	45.1¢	43.7¢	39.4¢
Six Summer Months-May to October, inclusive						
First 30 Mcf, per Mcf.....	57.0¢	58.7¢	55.3¢	53.6¢	51.9¢	46.7¢
Next 70 Mcf, per Mcf.....	50.0¢	51.5¢	48.5¢	47.0¢	45.5¢	41.0¢
Next 200 Mcf, per Mcf.....	45.0¢	46.4¢	43.7¢	42.3¢	41.0¢	36.9¢
Next 700 Mcf, per Mcf.....	41.0¢	42.2¢	39.8¢	38.5¢	37.3¢	33.6¢
Over 1,000 Mcf, per Mcf.....	38.0¢	39.1¢	36.9¢	35.7¢	34.6¢	31.2¢

The effective rates are based on the average monthly heating value per cubic foot indicated and as set forth in Rule and Regulation No. 2(i).

Minimum Charge:

Per meter per month - $17.00, except for use in public schools from June to September, inclusive - $1.50 per meter per month.

SCHEDULE NO. G-22

Commodity Charge:	Per Meter Per Month Base and Effective Rates 1100 Btu
Six Winter Months - November-April, inclusive	
First 30 Mcf, per Mcf......................	80.0¢
Next 70 Mcf, per Mcf......................	65.0¢
Next 200 Mcf, per Mcf......................	63.0¢
Next 700 Mcf, per Mcf......................	60.0¢
Over 1,000 Mcf, per Mcf......................	57.0¢
Six Summer Months - May-October, inclusive	
First 30 Mcf, per Mcf......................	72.0¢
Next 70 Mcf, per Mcf......................	55.0¢
Next 200 Mcf, per Mcf......................	53.0¢
Next 700 Mcf, per Mcf......................	50.0¢
Over 1,000 Mcf, per Mcf......................	47.0¢

The effective rates are based on the average monthly heating value per cubic foot indicated and as set forth in Rule and Regulation No. 2(i).

Minimum Charge:

Per meter per month - $21.00, except for uses in public schools from June to September, inclusive - $1.50 per meter per month.

EXHIBIT A

SCHEDULE NO. G-23

Commodity Charge:	Per Meter Per Month Base and Effective Rates 1100 Btu.	Effective Rates 1150 Btu.	1050 Btu.	1000 Btu.	950 Btu.	800 Btu.
Six Winter Months-November to April, inclusive						
First 300 Mcf, per Mcf	51.0¢	52.5¢	49.5¢	47.9¢	46.4¢	41.8¢
Next 700 Mcf, per Mcf	48.0¢	49.4¢	46.6¢	45.1¢	43.7¢	39.4¢
Over 1,000 Mcf, per Mcf	46.0¢	47.4¢	44.6¢	43.2¢	41.9¢	37.7¢
Six Summer Months-May to October, inclusive						
First 300 Mcf, per Mcf	47.0¢	48.4¢	45.6¢	44.2¢	42.8¢	38.5¢
Next 700 Mcf, per Mcf	40.0¢	41.2¢	38.8¢	37.6¢	36.4¢	32.8¢
Over 1,000 Mcf, per Mcf	38.0¢	39.1¢	36.9¢	35.7¢	34.6¢	31.2¢

The effective rates are based on the average monthly heating value per cubic foot indicated and as set forth in Rule and Regulation No. 2(i).

Minimum Charge:

Per Meter Per Month..$141.00

SCHEDULE No. G-40

Commodity Charge:	Per Meter Per Month Base and Effective Rates 1100 Btu.	Effective Rates 1150 Btu.	1050 Btu.	1000 Btu.	950 Btu.	800 Btu.
Six Winter Months-November to April, inclusive						
First 100 Mcf, per Mcf	54.0¢	55.1¢	52.9¢	51.8¢	50.3¢	47.5¢
Next 200 Mcf, per Mcf	49.0¢	50.0¢	48.0¢	47.0¢	46.1¢	43.1¢
Next 1,700 Mcf, per Mcf	45.0¢	45.9¢	44.1¢	43.2¢	42.3¢	39.6¢
Over 2,000 Mcf, per Mcf	43.0¢	43.9¢	42.1¢	41.3¢	40.4¢	37.8¢
Six Summer Months-May to October, inclusive						
First 100 Mcf, per Mcf	45.0¢	45.9¢	44.1¢	43.2¢	42.3¢	39.6¢
Next 200 Mcf, per Mcf	40.0¢	40.8¢	39.2¢	38.4¢	37.6¢	35.2¢
Next 1,700 Mcf, per Mcf	36.0¢	36.7¢	35.3¢	34.6¢	33.8¢	31.7¢
Over 2,000 Mcf, per Mcf	34.0¢	34.7¢	33.3¢	32.6¢	32.0¢	29.9¢

The effective rates are based on the average monthly heating value per cubic foot indicated and as set forth in Rule and Regulation No. 2(i).

Minimum Charge:

Per Meter Per Month..$30.00

To be made cumulative only when total billing exceeds $360 per meter at any time during the contract year.

A-32675

SCHEDULE NO. G-42

Commodity Charge:	Per Meter Per Month Base and Effective Rates 1100 Btu
Six Winter Months - November-April, inclusive	
First 100 Mcf, per Mcf.....................	59.0¢
Next 200 Mcf, per Mcf.....................	54.0¢
Next 700 Mcf, per Mcf.....................	51.0¢
Over 1,000 Mcf, per Mcf.....................	48.0¢
Six Summer Months - May-October, inclusive	
First 100 Mcf, per Mcf.....................	50.0¢
Next 200 Mcf, per Mcf.....................	45.0¢
Next 700 Mcf, per Mcf.....................	42.0¢
Over 1,000 Mcf, per Mcf.....................	40.0¢

The effective rates are based on the average monthly heating value per cubic foot indicated and as set forth in Rule and Regulation No. 2(i).

Minimum Charge:

Per Meter Per Month................................ $30.00

To be made cumulative only when total billing exceeds $360 per meter at any time during the contract year.

SCHEDULE NO. G-45

TERRITORY

AA-(1150 Btu)

Within the unincorporated area of Midway Division described under Special Rate Area (549).

A-(1100 Btu)

Within the Metropolitan Los Angeles County, except Antelope Valley District of Northern Division, and Eastern Division.

Within portions of the Midway Division comprised of the incorporated cities of Shafter, Tehachapi and Wasco, and the unincorporated areas described under Special Rate Areas (550), (551) and (552).

B-(1050 Btu)

Within the incorporated cities of Delano, Corcoran, Dinuba, Exeter, Hanford, Kingsburg, Lemoore, Lindsay, Orange Cove, Parlier, Porterville, Reedley, Tulare, Visalia and Woodlake, and the unincorporated areas of Midway and San Joaquin Valley Divisions described under Special Rate Areas (553) and (451).

C-(1000 Btu)

Within the unincorporated areas of the Midway and San Joaquin Valley Divisions described under Special Rate Areas (554) and (452).

D-(950 Btu)

Within the unincorporated area of Midway Division described under Special Rate Area (555).

E-(800 Btu)

Within the unincorporated area of the Midway Division described under Special Rate Area (556).

RATES

	Per Meter Per Month					
Commodity Charge:	Base and Effective Rates	Effective Rates				
	1100 Btu	1150 Btu	1050 Btu	1000 Btu	950 Btu	800 Btu
First 25 Mcf, per Mcf.	50.0¢	51.0¢	49.0¢	48.0¢	47.0¢	44.0¢
Next 75 Mcf, per Mcf.	40.0¢	40.8¢	39.2¢	38.4¢	37.6¢	35.2¢
Next 200 Mcf, per Mcf.	34.0¢	34.7¢	33.3¢	32.6¢	32.0¢	29.9¢
Over 300 Mcf, per Mcf.	32.0¢	32.6¢	31.4¢	30.7¢	30.1¢	28.2¢

Minimum Charge:

Per meter per month - $6.00; to be made cumulative only when the total billing exceeds $72.00 per meter at any time during the contract year.

SCHEDULE NO. G-46

This schedule is cancelled and superseded by Schedule No. G-45 as revised herein.

SCHEDULE NO. G-50

RATES

Commodity Charge:	Per Meter Per Month Base Rates	Effective Rates 1150 Btu	1100 Btu	1050 Btu	1000 Btu	950 Btu	800 Btu
First 200 Mcf, per Mcf	37.0¢	37.7¢	37.0¢	36.3¢	35.5¢	34.8¢	32.6¢
Next 800 Mcf, per Mcf	31.0¢	31.6¢	31.0¢	30.4¢	29.8¢	29.1¢	27.3¢
Next 2,000 Mcf, per Mcf	29.5¢	30.1¢	29.5¢	28.9¢	28.3¢	27.7¢	26.0¢
Next 3,000 Mcf, per Mcf	28.5¢	29.1¢	28.5¢	27.9¢	27.4¢	26.8¢	25.1¢
Next 4,000 Mcf, per Mcf	27.5¢	28.1¢	27.5¢	27.0¢	26.4¢	25.9¢	24.2¢
Next 10,000 Mcf, per Mcf	26.5¢	27.0¢	26.5¢	26.0¢	25.4¢	24.9¢	23.3¢
Over 20,000 Mcf, per Mcf	26.0¢	26.5¢	26.0¢	25.5¢	25.0¢	24.4¢	22.9¢

SPECIAL CONDITIONS

1. Whenever and as long as the posted price of fuel oil in tank car lots shall be below one dollar and fifty-five cents ($1.55) and above one dollar and sixteen cents ($1.16) per barrel both inclusive, then the effective rates per thousand cubic feet for all natural gas delivered under this schedule may be at the base rates set forth above, less one-sixth cent (1/6¢) for each one cent (1¢) by which the price of fuel oil shall be below one dollar and fifty-five cents ($1.55) per barrel, the computation to be carried to the nearest 0.1¢. The posted price means the price in tank car lots of Bunker fuel oil with a viscosity specification of 165 seconds or over, Saybolt Furol at 122° F., as quoted to customers generally, either by the Standard Oil Company of California at El Segundo (El Segundo Refinery) or by the General Petroleum Corporation of California at Torrance (Torrance Refinery) or by the Union Oil Company of California at Wilmington (Wilmington Refinery), Los Angeles County, California, whichever posted price is the lowest.

When a change in the price of fuel oil occurs, which would result in a change in the effective rates hereunder, the Company may submit to the California Public Utilities Commission, within a period of fifteen (15) days, an Advice Letter and appropriate tariff schedules setting forth the new effective rates and accompanied by an affidavit of such change in the price of fuel oil. The new gas rates may be effective beginning with the bill based on the first regular monthly meter reading for billing purposes which is taken on and after the 30th day following such change in the price of fuel oil, subject, however, to any revisory action that may be deemed necessary in the public interest by the California Public Utilities Commission in the exercise of its jurisdiction pursuant to the provisions of law and the rules and regulations of said Commission.

SCHEDULE NO. G-51

RATES

Commodity Charge:	Base Rates	Per Meter Per Month Effective Rates 1100 Btu	1050 Btu	1000 Btu
First 200 Mcf, per Mcf...........	38.0¢	38.0¢	37.2¢	36.5¢
Next 800 Mcf, per Mcf...........	32.0¢	32.0¢	31.4¢	30.7¢
Next 2,000 Mcf, per Mcf...........	30.5¢	30.5¢	29.9¢	29.3¢
Next 3,000 Mcf, per Mcf...........	29.5¢	29.5¢	28.9¢	28.3¢
Next 4,000 Mcf, per Mcf...........	28.5¢	28.5¢	27.9¢	27.4¢
Next 10,000 Mcf, per Mcf...........	27.5¢	27.5¢	27.0¢	26.4¢
Over 20,000 Mcf, per Mcf...........	27.0¢	27.0¢	26.5¢	25.9¢

SPECIAL CONDITIONS

1. Whenever and as long as the posted price of fuel oil in tank car lots shall be below one dollar and fifty-five cents ($1.55) and above one dollar and sixteen cents ($1.16) per barrel both inclusive, then the effective rates per thousand cubic feet for all natural gas delivered under this schedule may be at the base rates set forth above, less one-sixth cent (1/6¢) for each one cent (1¢) by which the price of fuel oil shall be below one dollar and fifty-five cents ($1.55) per barrel, the computation to be carried to the nearest 0.1¢. The posted price means the price in tank car lots of Bunker fuel oil with a viscosity specification of 165 seconds or over, Saybolt Furol at 122° F., as quoted to customers generally, either by the Standard Oil Company of California at El Segundo (El Segundo Refinery) or by the General Petroleum Corporation of California at Torrance (Torrance Refinery) or by the Union Oil Company of California at Wilmington (Wilmington Refinery), Los Angeles County, California, whichever posted price is the lowest.

When a change in the price of fuel oil occurs which would result in a change in the effective rates hereunder, the Company may submit to the California Public Utilities Commission, within a period of fifteen (15) days, an Advice Letter and appropriate tariff schedules setting forth the new effective rates and accompanied by an affidavit of such change in the price of fuel oil. The new gas rates may be effective beginning with the bill based on the first regular monthly meter reading for billing purposes which is taken on and after the 30th day following such change in the price of fuel oil, subject, however, to any revisory action that may be deemed necessary in the public interest by the California Public Utilities Commission in the exercise of its jurisdiction pursuant to the provisions of law and the rules and regulations of said Commission.

SCHEDULE NO. G-52

RATES

Commodity Charge:	Per Meter Per Month Base Rates	Effective Rates 1100 Btu
First 200 Mcf, per Mcf................	42.0¢	42.0¢
Next 800 Mcf, per Mcf................	38.0¢	38.0¢
Next 2,000 Mcf, per Mcf................	36.5¢	36.5¢
Next 3,000 Mcf, per Mcf................	36.0¢	36.0¢
Next 4,000 Mcf, per Mcf................	35.5¢	35.5¢
Next 10,000 Mcf, per Mcf................	35.0¢	35.0¢
Over 20,000 Mcf, per Mcf................	34.5¢	34.5¢

SPECIAL CONDITIONS

1. Whenever and as long as the posted price of fuel oil in tank car lots shall be below one dollar and fifty-five cents ($1.55) and above one dollar and sixteen cents ($1.16) per barrel both inclusive, then the effective rates per thousand cubic feet for all natural gas delivered under this schedule may be at the base rates set forth above, less one-sixth cent (1/6¢) for each one cent (1¢) by which the price of fuel oil shall be below one dollar and fifty-five cents ($1.55) per barrel, the computation to be carried to the nearest 0.1¢. The posted price means the price in tank car lots of Bunker fuel oil with a viscosity specification of 165 seconds or over, Saybolt Furol at 122° F., as quoted to customers generally, either by the Standard Oil Company of California at El Segundo (El Segundo Refinery) or by the General Petroleum Corporation of California at Torrance (Torrance Refinery) or by the Union Oil Company of California at Wilmington (Wilmington Refinery), Los Angeles County, California whichever posted price is the lowest.

When a change in the price of fuel oil occurs which would result in a change in the effective rates hereunder, the Company may submit to the California Public Utilities Commission, within a period of fifteen (15) days, an Advice Letter and appropriate tariff schedules setting forth the new effective rates and accompanied by an affidavit of such change in the price of fuel oil. The new gas rates may be effective beginning with the bill based on the first regular monthly meter reading for billing purposes which is taken on and after the 30th day following such change in the price of fuel oil, subject, however, to any revisory action that may be deemed necessary in the public interest by the California Public Utilities Commission in the exercise of its jurisdiction pursuant to the provisions of law and the rules and regulations of said Commission.

A-32675 *

6

EXHIBIT A

SCHEDULE NO. G-53

RATES

Commodity Charge:	Base Rates	Per Meter Per Month Effective Rates 1150 Btu	1100 Btu	1050 Btu	1000 Btu	950 Btu
First 200 Mcf, per Mcf	37.0¢	37.7¢	37.0¢	36.3¢	35.5¢	34.8¢
Next 800 Mcf, per Mcf	31.0¢	31.6¢	31.0¢	30.4¢	29.8¢	29.1¢
Next 4,000 Mcf, per Mcf	28.0¢	28.6¢	28.0¢	27.4¢	26.9¢	26.3¢
Next 5,000 Mcf, per Mcf	26.5¢	27.0¢	26.5¢	26.0¢	25.4¢	24.9¢
Next 10,000 Mcf, per Mcf	25.5¢	26.0¢	25.5¢	25.0¢	24.5¢	24.0¢
Over 20,000 Mcf, per Mcf	25.0¢	25.5¢	25.0¢	24.5¢	24.0¢	23.5¢

[illegible]

SPECIAL CONDITIONS

1. Whenever and as long as the posted price of fuel oil in tank car lots shall be below one dollar and fifty-five cents ($1.55) and above one dollar and sixteen cents ($1.16) per barrel both inclusive, then the effective rates per thousand cubic feet for all natural gas delivered under this schedule may be at the base rates set forth above, less one-sixth cent (1/6¢) for each one cent (1¢) by which the price of fuel oil shall be below one dollar and fifty-five cents ($1.55) per barrel, the computation to be carried to the nearest 0.1¢. The posted price means the price in tank car lots of Bunker fuel oil with a viscosity specification of 165 seconds or over, Saybolt Furol at 122° F., as quoted to customers generally, either by the Standard Oil Company of California at El Segundo (El Segundo Refinery) or by the General Petroleum Corporation of California at Torrance (Torrance Refinery), or by the Union Oil Company of California at Wilmington (Wilmington Refinery), Los Angeles County, California, whichever posted price is the lowest.

When a change in the price of fuel oil occurs which would result in a change in the effective rates hereunder, the Company may submit to the California Public Utilities Commission, within a period of fifteen (15) days, an Advice Letter and appropriate tariff schedules setting forth the new effective rates and accompanied by an affidavit of such change in the price of fuel oil. The new gas rates may be effective beginning with the bill based on the first regular monthly meter reading for billing purposes which is taken on and after the 30th day following such change in the price of fuel oil, subject, however, to any revisory action that may be deemed necessary in the public interest by the California Public Utilities Commission in the exercise of its jurisdiction pursuant to the provisions of law and the rules and regulations of said Commission.