

**ORIGINAL**

Decision No. 28384

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
COAST COUNTIES GAS AND ELECTRIC COMPANY, )  
a corporation, for authority to increase ) Application No. 34107  
rates applicable to natural gas service )  
furnished within the State of California.)

W. E. Johns and J. E. Sheeks, for applicant.  
Edson Abel, for California Farm Bureau Federation  
and W. D. MacKay, for Gentry, Incorporated,  
interested parties.  
Boris H. Lakusta and Charles W. Mors, for the  
Commission staff.

O P I N I O N

Coast Counties Gas and Electric Company, a California corporation, engaged in the transaction of gas, electric, and water public utility businesses in the State of California, with principal offices in San Francisco, filed the above-entitled application on February 19, 1953, seeking an annual increase in gas rates of \$292,000 for the year 1953. After due notice public hearing was held in San Francisco on this application on March 16, 1953, before Commissioner Mitchell and Examiner Edwards and was concluded on March 17, 1953, before Examiner Edwards. Applicant proposes a uniform increase to all customers of 0.09 cents per 100 cubic feet of gas consumed, subject to possible refund. ✓

Applicant's Position

(1)  
Applicant has entered into contracts with the Pacific

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(1) Authorization to carry out the terms of two contracts dated December 31, 1952, one designated "Sales Agreement" and the other "Joint Utilization and Curtailment Agreement" is being sought from this Commission under Application No. 34094.

Gas and Electric Company to purchase gas (estimated at 9,965,700 Mcf in 1953) to augment its local supply. The Pacific Gas and Electric Company is delivering to applicant some of its California gas which it will replace for its own uses by out-of-state gas. The parties to these two contracts have agreed to base the price paid by applicant to Pacific Gas and Electric Company upon the average cost of gas delivered to the latter at the California-Arizona border by El Paso Natural Gas Company. Commencing January 1, 1953, Pacific Gas and Electric Company began to pay higher gas rates to the El Paso Natural Gas Company, subject to refund after final determination of the reasonableness of the rate by the Federal Power Commission.

In the event that the Federal Power Commission reduces the rates charged Pacific Gas and Electric Company by El Paso Natural Gas Company and Pacific Gas and Electric Company becomes entitled to a refund thereby, applicant shall become entitled to a credit or refund from Pacific Gas and Electric Company.

Applicant proposes to make refunds in accordance with a formula contained in Exhibit No. 4 in this proceeding.

Applicant's position in this proceeding is that it is seeking only to recover promptly the increased cost of gas subject to refund.

#### Nature of Evidence

Evidence was offered by applicant and one of the interested parties. In addition, the Commission staff and representatives of certain of the interested parties, as set forth in the list of appearances, made statements and cross-examined the witnesses. The exhibits presented by the applicant showed the revenues, expenses, rate bases and rates of return for the years

1951 and 1952, determination of offset rate, proposed tariff changes and notification to customers, and development and application of refund formula.

Objection to the proposed rate increase was entered by a customer representative. His position was that Coast Counties Gas and Electric Company, as a customer of the Pacific Gas and Electric Company, was being required to pay an increased cost for out-of-state gas, whereas the Pacific Gas and Electric Company was not, at this time, passing the added cost on to its other customers.

#### Earnings Position

Applicant presented Exhibit No. 1 for the purpose of showing that the current rate of earnings is substantially below the rate of return allowed by the Commission in the last gas rate proceeding, Decision No. 45926, Application No. 31614, dated July 3, 1951. In that decision the Commission found a 6.8 per cent rate of return to be fair and reasonable for the Gas Department on a depreciated rate base and since that time applicant claims it has not realized such a return, the recorded rates of return for the years 1951 and 1952 being 4.29 per cent and 6.09 per cent, respectively. When such earning results are adjusted for current conditions, including the higher cost of gas upon which this application is based, applicant computes the rates of return as 5.69 per cent for 1951 and 4.97 per cent for 1952. It contemplates that this downward trend in rate of return will continue into the year 1953. The effect of an increase of \$292,000 per annum on the adjusted rate of return for 1952 is to raise it from 4.97 per cent to 5.79 per cent. Applicant claims, that for its system as a whole including the Electric and Water Departments after reflecting the proposed \$292,000 a rate of return of 5.75 per cent would result for 1952. It states that no relief can be expected from its other departments.

Rate Proposal

Applicant estimates that in the calendar year 1953 it will purchase 9,965,700 Mcf of gas under the agreement with the Pacific Gas and Electric Company. It estimates an increase of 2.9297 cents per Mcf resulting in a total amount of \$291,965 that may be subject to refund. With a total estimated sales of 34,153,000 Mcf an average price per Mcf to be recovered from applicant's customers is 0.85487 cents. The above computation is contained in applicant's Exhibit No. 2 wherein it shows for the nine months, April-December 1953, a similar computation of the amount to be recovered is 0.91387 cents per Mcf and for the 18 months, July 1952-December 1953, a figure of 0.89347 cents per Mcf is shown. Upon the basis of this computation applicant is requesting 0.9 cents per Mcf rate increase. Applicant proposes a rate increase to all classes of 0.9 cents per Mcf or 0.09 cents per 100 cubic feet.

Refund Plan

The intent of the plan proposed by applicant is that upon the final determination of the cost of gas sold by Pacific Gas and Electric Company to Coast Counties Gas and Electric Company during the temporary rate collection period, applicant will refund the amounts collected from its customers during the corresponding period over and above its net increased cost of gas during such period.

The net total amount refundable to applicant's customers, when it becomes known, will be reduced to a unit amount per Mcf sales and the unit refund per Mcf will be applied to customers' accounts. Records will be maintained of the total customer usage during the temporary rate collection period. For simplicity and economy, applicant proposes that if the amount to be refunded to

general service customers averages less than 25 cents per general service customer, the unit refund per Mcf be calculated on the basis of the most recent month's total recorded consumption, and applied to each general service customer's actual recorded consumption during that month. If the amount to be refunded to general service customers averages 25 cents or more per general service customer, the unit refund per Mcf will be calculated on consumption during the entire temporary rate collection period.

Applicant proposes that the refund to customers served on other than general service schedules be handled on an individual basis and be based on each customer's recorded consumption during the temporary rate collection period. Wherever possible refunds will be made by means of a cash credit to appear on the customer's ensuing bill (not necessarily the month following termination of the temporary offset rate, but at least within three months following, to allow the refund to be calculated by existing personnel without unduly disrupting other work.) Refund on closed accounts will be made by check mailed to the last known address. On such closed accounts, when refunds amount to less than 13 cents, it is proposed that no refunds be made, but refunds of from 13 to 25 cents will be made in the amount of 25 cents.

The plan proposed by applicant is designed to keep costs as low as possible by using existing records, and by recommending certain short cuts when the amount of refund to individual customers is so small as not to warrant more expensive detailed treatment. Applicant proposes that costs incurred in making the refund will, to the extent available, be deducted from any unrefundable balance created through the company's inability to deliver checks and by checks remaining uncashed after one year. Applicant proposes to absorb any cost over and above the amount provided by the unrefundable

balance. However, if any balance of this unrefundable amount remains, it is proposed that this balance be disposed of by such procedure as the Commission may order.

Customer Notification

During the first month's billing cycle beginning with bills rendered to customers whose meters are read on the date the temporary rate becomes effective, applicant proposed to enclose a notice with each customer's bill reading as follows:

"This bill includes a contingent offset charge of 0.09 cents for each 100 cubic feet of gas used on and after \_\_\_\_\_ to offset the increased cost of gas which is subject to possible refund as authorized by Decision No. \_\_\_\_\_ of the California Public Utilities Commission."

Applicant proposes to refile all rate schedules with a notation in the "Rates" of each schedule setting forth the contingent charge. In addition applicant has special contracts with certain oil refineries located in Contra Costa County which provide that the customers will accept delivery of natural gas at the rate set forth in applicant's presently filed schedule G-51.

After reviewing all of the evidence of record and the statements by the interested parties, it is concluded that the applicant needs an additional source of gas and the cost at which it obtains such gas from the Pacific Gas and Electric Company is not unreasonable. Furthermore, it is concluded that applicant's present earnings are not sufficient to absorb the increase in cost of gas without a rate increase and that an order should be issued authorizing applicant's proposal.

While objection to the rate increase has been offered by one customer's representative, it is not apparent to the Commission that the increase in rates will be such as to impair

the company's competitive position when related to other sources of fuel or when compared to rate schedules in adjoining territory of other utility companies.

O R D E R

Coast Counties Gas and Electric 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 insofar as they differ from those herein prescribed for the future are unjust and unreasonable.

IT IS ORDERED as follows:

1. Applicant is authorized and directed to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, a revised preliminary statement as proposed by applicant and revised schedules of rates that contain a gas cost rate increase of 0.09 cents per 100 cubic feet, (0.90 cents per 1000 cubic feet) all as set forth in Exhibit No. 3, and after not less than five days' notice to this Commission and to the public to make said rates effective for service rendered on and after May 15, 1953.
2. Applicant shall keep records of sales to customers during the effective period of this gas offset rate to be able to determine readily the total offset charge and the total refund that may be due, if any, in the manner proposed by applicant in Exhibit No. 4.
3. Applicant shall determine refunds by the formula contained in Exhibit No. 4 and submit a supplemental application herein containing its proposed permanent disposition of the rate offset plan for final determination and authorization by this Commission.

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

Dated at San Francisco, California, this 14<sup>th</sup> day of April, 1953.

R. D. [Signature]  
President

Justice F. Calmes  
Harold Hale

Kenneth Pottel  
J. E. [Signature]  
Commissioners