

**ORIGINAL**

Decision No. 50742

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	)	Application No. 34975
Section 454 of the Public Utilities	)	
Code.	)	

(Appearances and list of witnesses are set forth in Appendix B.)

O P I N I O N

Southern California Gas Company, operating a public utility gas system in the southerly portion of the state, filed the above-entitled application on December 18, 1953, and amended the same on August 10, 1954, seeking thereby an increase in gas rates of approximately \$7,871,000 annually because of increases in cost of money, cost of gas, wages and other items.

Public Hearing

After due notice, nine days of public hearing were held on this application before Commissioner Kenneth Potter and Examiner M. W. Edwards at Los Angeles during the period July 21, 1954 to September 3, 1954. The matter was submitted for decision upon the receipt of closing statements on September 23, 1954.

Applicant's Operations

Southern California Gas Company is a public utility engaged in acquiring, gathering, compressing, exchanging, distributing, and selling natural gas at retail to domestic, commercial, gas engine and industrial customers located in the counties of Los Angeles, Fresno, Imperial, Kern, Kings, Riverside, San Bernardino, Santa Barbara and Tulare. As of December 31, 1953 applicant served 1,362,800 active and

supplemental meters, of which 1,378,093 were on general and commercial service schedules. The service area comprises approximately 1800 square miles and on January 1, 1954 contained an estimated population of 4,800,000. Applicant is a subsidiary of Pacific Lighting Corporation, which company owns all of applicant's outstanding common stock.

Applicant's Position

Applicant by this proceeding seeks to obtain promptly a limited revenue increase (less than 6 per cent over all) sufficient to place the applicant in position to earn 6.16 per cent return during the test year 1955. It states that uncontrollable economic forces have increased the price of labor, materials and purchased gas to such an extent as to drive the applicant into a deficient earnings position. Applicant refers to its last major rate case; Application No. 32675, Decision No. 47990, dated December 2, 1952, and states that, in essence, this application is in the nature of a supplemental request predicated upon the principles, methods and findings in that case. It states that there is a continuation of the declining trend in rate of return which the Commission provided for in this last major case.

In Decision No. 47990 the reasonable rate of return was found to be 5.85 per cent. Applicant claims that the 5.85 per cent rate of return now should be increased to 6.16 per cent, or higher, to be fair under present day conditions.

Applicant also refers to Application No. 33700, Decision No. 47992, dated December 2, 1952, wherein the Commission granted an offset rate increase of 2.4 cents per Mcf because of an increase in the cost of out-of-state gas purchased from El Paso Natural Gas Company. Such offset rate increase is subject to refund if the Federal Power Commission eventually does not authorize the full increase assessed by El Paso Natural Gas Company. Applicant now states that due to increasing volumes of out-of-state gas, the present contingent offset charge will result in substantial future over-collections and proposes that 0.4 cents per Mcf be transferred into the basic commodity charge in all rate schedules.

Proposed Rate Increases

Applicant proposes to increase existing general service schedules (G-1 to G-7) by uniform amounts in the fixed and commodity charges and to increase all other schedules only in the basic commodity charges but at a lesser amount than the general service schedules. Pending final determination by the Commission as to the amount of increase in the cost of gas from Pacific Lighting Gas Supply Company and approval of a reallocation of joint costs between applicant and the Southern Counties Gas Company of California, applicant submitted the following illustrative increases:

- a. Increase monthly fixed charges, Schedules G-1 to G-7, inclusive, by 20 cents per customer,
- b. Increase commodity charge, Schedules G-1 to G-8, inclusive, by 0.30 cents per 100 cu.ft.,
- c. Increase commodity charge, commercial and firm industrial schedules by 2.0 cents per Mcf,
- d. Increase gas engine rate in winter months by 5.0 cents per Mcf,
- e. Increase basic commodity charges, Schedules G-50, G-51 and G-52 by 1.3 cents per Mcf,
- f. Increase basic commodity charges, Schedules G-53 and G-55, by 0.5 cents per Mcf.

Applicant also proposes that the customers on Schedule G-8 applicable to unincorporated areas in the Imperial and Antelope Valleys be transferred to Schedule G-7 and that Schedule G-8 be eliminated because of increased meter densities. The proposed annual increase, by classes, is:

General Service	....\$6,648,000
Commercial Service	.. 155,000
Gas Engine Service	.. 61,000
Firm Industrial	.... 312,000
Interruptible	..... 722,000
Total	..... 7,898,000

The above illustrative rates do not reflect the transfer of 0.4 cents per Mcf of the present offset charge into the present basic rates.

Earning Position

Applicant's Exhibit No. 1 shows the following trend of earnings expressed as a rate of return on a depreciated rate base:

RATE OF RETURN SUMMARY

Year 1951, Recorded	.....	4.88%
Year 1952, Recorded	.....	6.08
Year 1953, Recorded	.....	5.94
Year 1954, 12 months Ended June 1954	.....	5.47
Year 1954, Estimated	.....	4.95
Year 1955, Estimated - 47% Federal Income Tax Rate	.....	4.96
Year 1955, Estimated - 52% Federal Income Tax Rate	.....	4.68

Applicant estimated the 1955 earnings to result from the present level of rates after payment of all customary operating expenses including production expenses based on a gas supply of 285,000,000 Mcf and the pro forma conditions assumed by applicant for the year 1955. For the year 1955 two results are shown above for federal income tax rates of 47 and 52 per cent. The present tax law provides for a 52 per cent rate until April 1, 1955 and a 47 per cent rate thereafter.

The Commission staff analyzed applicant's exhibits and, after making adjustments for a greater rate of growth of new customers, in Exhibit No. 7 computed the same rate of return for 1955 as shown by applicant; that is, 4.68 per cent based on 52 per

cent federal tax rate basis. Applicant's and the staff's studies for 1955 may be summarized as follows:

EARNINGS RESULTS FOR ESTIMATED YEAR 1955

Item	Applicant's Exh. No. 1 47% Federal Income Tax	52% Federal Income Tax	Staff's Exh. No. 7
<u>Operating Revenue</u>			
Gas Sales Revenue	\$137,344,000	\$137,344,000	\$137,829,000
Other Gas Revenue	1,688,000	1,688,000	1,688,000
Total Operating Revenue	139,032,000	139,032,000	139,517,000
<u>Operating Expenses</u>			
Production	61,366,000	61,366,000	61,366,000
Transmission	4,303,000	4,303,000	4,303,000
Distribution	14,595,000	14,595,000	14,724,000
Customers Acct. & Col.	7,343,000	7,343,000	7,395,000
Sales Promotion	3,711,000	3,711,000	3,711,000
Administrative and Gen.	7,776,000	7,776,000	7,781,000
	99,094,000	99,094,000	99,280,000
Taxes	17,484,000	18,323,000	18,474,000
Depreciation, annuity and Interest	7,436,000	7,436,000	7,469,000
Total Operating Expenses	124,014,000	124,853,000	125,223,000
<u>Net Revenue</u>			
From Above Computation	15,018,000	14,179,000	14,294,000
Pro Forma Adjustments for:			
Zone Transfers	(37,000)	(37,000)	(37,000)
Incremental Fixed Charges for New Buildings	(184,000)	(184,000)	(184,000)
Pro Forma Net Revenue	14,797,000	13,958,000	14,073,000
<u>Rate Base, Depreciated</u>	298,140,000	298,140,000	300,425,000
<u>Rate of Return</u>	4.96%	4.68%	4.68%

(Denotes negative figure.)

Federal Income Taxes

Applicant requested<sup>1</sup> that the Commission fix new gas rates on the basis of a 52 per cent income tax rate for the full year 1955. In view of the fact that the present tax law does not provide for the full year 1955 at 52 per cent, we will provide for separate rates based on both 47 and 52 per cent tax levels; the 47 per cent level to become effective April 1, 1955, unless otherwise ordered by the Commission.

<sup>1</sup> Transcript, page 448, line 15.

The new Internal Revenue Code of 1954 contained optional provisions for depreciation accounting methods in computing income tax and during the course of the hearing applicant was requested to state its intentions in this matter.<sup>2</sup> Applicant's reply was that, as a generality, the new law merely defers and does not decrease the tax liability, and that regulations concerning the depreciation methods will not be available for several months. Its witness stated that the legislation involving accelerated depreciation was principally intended to promote investment in the manufacturing industries and that until the regulations are promulgated by the Treasury Department, it would be neither prudent nor possible to reach a determination as to the ultimate applicability of optional depreciation methods to the utility industries or to applicant in particular.

With further reference to taxes, staff counsel requested a statement of applicant's position concerning the filing of consolidated tax returns by affiliates. Applicant's witness replied<sup>3</sup> that, here again, the new regulations to be issued by the Treasury Department are not anticipated until late this year and that the decision to file a consolidated return must rest with the parent company. The parent's position was stated in the Pacific Lighting Gas Supply Company rate case<sup>4</sup> to be that if, after review of the regulations, the final decision is to file a consolidated return for 1954 and subsequent years, it is estimated that Pacific Lighting Gas Supply Company could expect an allocated tax decrease for the year 1955 of a moderate amount. The computed tax decrease, which results from the statutory loss of Pacific Lighting Corporation being allowed as a deduction in consolidated returns, would be allocated proportionately to the subsidiaries.

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<sup>2</sup> Transcript, page 448, line 21 et seq.

<sup>3</sup> Transcript, page 449, line 11 et seq.

<sup>4</sup> Application No. 35129 being decided by concurrent order.

Our conclusion with regard to the revised depreciation accounting method and consolidated tax return is that we should not delay this order pending applicant's decision on these matters. For rate-making purposes on a normalized basis it is not anticipated that a material reduction in tax liability will be realized. However, in order that we be kept advised on this matter, in case tax savings are realized compared to those computed herein, the order will require applicant to promptly notify the Commission.

#### Rate of Return

In its application, filed December 18, 1953, applicant states that the composite cost of money has increased by from 0.31 to 0.55 percentage points and that if 5.85 per cent was deemed reasonable at the time of Decision No. 47990, a rate of return of at least 6.16 per cent would now be indicated.

The following summary sets forth the capital structure of applicant as of December 31, 1953 and as of May 1, 1954 following the issue of \$15,000,000 of common stock during February 1954:

Item	As of Dec. 31, 1953		As of May 31, 1954	
	Amount	Ratio	Amount	Ratio
Bonds	\$108,307,000	46.14%	\$108,307,000	42.87%
Preferred Stock	22,287,350	9.49	22,287,350	8.82
Common Stock Equity	104,159,937	44.37	122,037,831	48.31
	234,754,278	100.00	252,632,181	100.00

In the determination of the increase in the cost of capital funds applicant used as its objective capital structure 45 per cent bonds, 10 per cent preferred stock, and 45 per cent common stock equity.

Applicant's determination was, in part, predicated on the fact that the cost of bond money had increased by 0.35 percentage points from the average for the year 1952 to the average for the six months ended October 1953. However, the trend in bond money costs had stopped rising and started declining after the month of

June 1953, and by July 1954 applicant's witness admitted that on the basis of current spot costs of money there was no justification for the proposed increase in the rate of return.<sup>5</sup> However, applicant's witness promptly pointed out that it did not lean on the cost of money concept as a proper basis for determination of rate of return. In the application it stated that in order to further expedite processing of this application, applicant makes no claim for its concept of a fair rate of return.

In its closing statement applicant asserts that this rate of return does not represent what it believes to be a full, fair return as measured by the comparative earnings of other natural gas utilities having corresponding risks, but is a greatly reduced percentage adopted by applicant in its desire to avoid controversy and to expedite rate relief. It referred to its Exhibit No. 2, containing a summary of 28 rate case decisions on major natural gas companies since 1952 in the United States, and stated that the average rate of return allowed, related to a depreciated cost rate base such as that used here in California, was 6.76 per cent.

The City of Los Angeles took the position that the Commission should adhere to the established rate of return of 5.85 per cent and, with such allowance for slippage or attrition as may seem to the Commission to be required, fix such rates only as will probably permit the applicant to earn that return. A witness for the City submitted Exhibit No. 8 for the purpose of showing that under a 6.16 per cent rate of return the applicant in 1955 would earn 6.43 per cent on its invested capital, earn interest 4.3 times on its funded debt and could pay \$2.70 per share common stock dividends with a balance for surplus of \$1,858,000. This exhibit also showed that at 6 and 5.85 per cent rates of return the applicant could pay

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<sup>5</sup> Transcript, page 298.



\$2.70 per share common dividends and still have balances for surplus in the amounts of \$1,380,000 and \$933,000 respectively. After reviewing the evidence of record, the trend of earnings and the statements by the various parties, it is our conclusion that for the purpose of this decision a fair and reasonable rate of return is 6 per cent for the test year 1955.

Cost of Service Studies

Cost of service studies were presented by the applicant and by the California Manufacturers Association. The applicant's study showed results on three different bases of assignment of demand costs to the firm and interruptible services as follows:

	<u>Firm Service</u>	<u>Interruptible Service</u>
Case I	100%	0%
Case II-a	96	4
Case II-b	90	10

Applicant's study, contained in Exhibits Nos. 4 and 5, may be summarized in the manner following and compared to revenue under existing rates:

RESULTS OF APPLICANT'S COST TO SERVE STUDY

<u>Classification</u>	<u>Cost per Mcf</u>			<u>Revenue Present Rates</u>
	<u>Case I</u>	<u>Case II-a</u>	<u>Case II-b</u>	
<u>Firm</u>				
General and Commercial	87.79¢	86.87¢	85.48¢	77.47¢
Gas Engine	33.73	33.53	33.18	36.58
Firm Industrial	35.75	35.39	34.82	44.90
<u>Interruptible</u>				
Interrup. Industrial	23.71	24.92	26.81	29.28
Steam Elec. Generation	<u>20.00</u>	<u>20.64</u>	<u>21.28</u>	<u>25.82</u>
<u>System Average</u>	55.62	55.62	55.62	53.70

The above cost figures are for the estimated year ended December 31, 1953, when a 6 per cent rate of return on an undepreciated rate base is assumed for each class.

The Association's study, Exhibit No. 9, was prepared on the basis of the estimated year 1955 adjusted results assuming a 6.16 per cent rate of return on a depreciated rate base. The results

of this study may be compared with the estimated revenue from present rate levels as follows:

RESULTS OF ASSOCIATIONS' COST OF SERVICE STUDY

<u>Classification</u>	<u>Cost Per Mcf</u>	<u>Revenue Present Rate</u>
<u>Firm</u>		
General and Commercial	96.85¢	76.89¢
Gas Engine	31.72	36.27
Firm Industrial	36.05	44.62
<u>Interruptible</u>		
Interruptible Industrial	20.00	28.70
Steam Electric Generation	18.46	25.70
<u>System Average</u>	52.83	50.22

While the Association in general took exception to the cost analysis methods and assignments used by the applicant, and particularly to Cases II-a and II-b, where some demand component was assigned to the interruptible service, the computations all point to the need for proportionately greater revenue increases from the general and commercial classes.

The City of Los Angeles offered testimony by a witness in support of some allocation of demand costs to the interruptible services as presented by applicant. He referred to Decision No. 48833, dated July 14, 1953 on Application No. 33341 of Southern Counties Gas Company of California, and stated that therein the Commission held that a cost of service study providing for demand cost allocations to interruptible services is useful and relevant evidence.

Customer Service

A representative of the Appliance Profession Association of California was opposed to any increase on the grounds that the present gas rates are sufficient if applicant would stop rendering "free" customer service. He referred to the customer service department expenses for 1953, shown in Table 10-C of Exhibit No. 1, as \$6,610,588.

He contended that the gas rates could be a little less if the "free" service of adjusting burners on stoves, water heaters, driers, Servel refrigerators, floor furnaces and other gas appliances were turned over to appliance service dealers.

With regard to the Servel refrigerator service, applicant pointed out that in the past it has handled the 10-year warranties, but in the future the new warranties will be handled by the Servel distributor and its dealer organization. Applicant does not sell appliances at retail to the general public in competition with regular retail dealers. Applicant's witness contended that prompt adjustment of gas appliances and attention to leaks is essential for safety as well as for customer satisfaction. He also stated that it was necessary to have a force of men in the field to handle normal customer business, including turn-on and turn-off of service.

The Uniform System of Accounts for gas corporations prescribed by this Commission contains provision for recording as an expense certain services on customers' premises, such as inspecting and adjusting customers' equipment at the request of the customer, inspecting premises, testing customers' equipment and investigating and adjusting customers' service complaints. So long as applicant confines these service activities to the items enumerated we are not warranted in questioning its practices in this respect. Costs of such services are accounted for in the rates and are not free services. The testimony shows that where the customer requests repairs or service beyond that listed above, a charge is made for the replacement part and for the labor which the job entails. Several communications were received from the public requesting that applicant's customer service activities be continued.

Our general conclusion on this subject is that the public interest and safety require a certain amount of customer service

and that applicant's service in general is within the bounds prescribed by the Commission.

Rate Spread

A representative of the California Institute of Social Welfare protested the granting of any additional gas rate increase to the applicant at this time. Representatives of the City of Los Angeles were opposed to any increase which would yield applicant a return in excess of 5.85 per cent on its depreciated rate base. The City of Los Angeles was particularly concerned over the proper level of rates for applicant's interruptible industrial services. The City contended that the rates for the interruptible industrial classes of service should be based primarily upon the value of the services rendered that class of customers, as determined after consideration of all relevant factors including the cost of competitive fuels in the free market.

The California Manufacturers Association contended that the required increase should be obtained by increasing the general and commercial rates and not the firm industrial or the interruptible industrial rates. Such contention was based primarily upon its cost study presented in the record. In his closing statement counsel for the Association stated "We do not urge that costs as such be translated directly into rates and we recognize that rates of return may properly vary from one class to another where good reason is shown." The Association admits that there are other rate-making factors to be taken into account in conjunction with cost of service in prescribing rates.<sup>6</sup>

A customer's representative suggested that applicant's proposed seven zones for general service schedules be reduced to six zones and certain cities and areas be rezoned, and that both

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<sup>6</sup> Page 9, closing statement.

Lancaster and Palmdale be moved down to Zone No. 3 because of rapid growth in the Antelope Valley. He also suggested a lowering of the commercial and industrial rate schedules in the Antelope Valley and that Schedule G-53 be made system-wide except in the Imperial Valley.

Conclusion on Earnings

After considering the evidence of record herein and changes being made in applicant's costs by decisions in Applications Nos. 35129 and 35690, the following conclusions are drawn:

<u>Item</u>	<u>Federal Income Tax Levels</u>	
	<u>47%</u>	<u>52%</u>
a. Applicant's estimated increase in cost of gas from Pacific Lighting Gas Supply Company will be reduced	\$506,000	\$349,000
b. Estimated cost of gas and costs associated with joint facilities with Southern Counties Gas Company of California (A-35690) will be reduced .....	785,000	760,000

Appropriate changes in income taxes resulting from the above items will be reflected in our adopted operating results. At present rates the following revenues, expenses and rate base appear reasonable for the estimated test year 1955 and they will be adopted for purposes of this proceeding:

<u>Item</u>	<u>Federal Income Tax Levels</u>	
	<u>47%</u>	<u>52%</u>
Revenues, Present Rates .....	\$139,032,000	\$139,032,000
Expenses .....	123,578,000	124,563,000
Net Revenues .....	15,454,000	14,469,000
Rate Base, Depreciated .....	298,140,000	298,140,000
Rate of Return, Present Rates ...	5.18%	4.85%

Conclusion on Increase in Revenue

When a rate of return of 6 per cent is applied to a depreciated rate base of \$298,140,000 a net revenue figure of \$17,888,000 results. Compared with adopted net revenues of \$15,454,000 and \$14,469,000 for the test year, increases in net revenue of

\$2,434,000 and \$3,419,000 are warranted. Under the current federal income tax rate of 52 per cent a net-to-gross multiplier of 2.200 is indicated, resulting in an increase in gross operating revenues of \$7,520,000. For a 47 per cent tax rate a multiplier of 1.992 and an increase of \$4,850,000 is indicated.

Conclusions on Rate Spread

Applicant's proposal to spread increases to all classes, with a greater percentage increase to the general service class, is reasonable and in general will be followed. With regard to the interruptible service, applicant first proposed a 1.3 cent per Mcf increase in Schedule No. G-53 but later reduced this amount to 0.5 cent per Mcf because of asserted deterioration in the local fuel oil price structure. Applicant states such oil price imposes a competitive limitation on the rates which can be collected from large industrial and steam boiler customers on Schedule No. G-53. In the past the Commission has maintained uniformity between Schedules Nos. G-53 and G-50 for the first 1,000 Mcf. The competitive situation would not materially affect the rates in the initial blocks. We find that the fuel oil situation does not warrant a lower rate in the first two blocks of the G-53 schedule compared to the G-50 schedule. Revisions will be made in the firm and interruptible service classes as indicated below:

Class of Service	Applicant's: Authorized Increase:		
	: Proposed Increase	: 52% Tax Basis	: 47% Tax Basis
General Service			
Fixed Charge, per Bill	20.0¢	20.0¢	10.0¢
Commodity, per Mcf	3.0¢	1.6¢	0.9¢
Commercial Service per Mcf	2.0¢	1.6¢	0.9¢
Gas Engine Service			
Summer, per Mcf	-	1.6¢	0.9¢
Winter, per Mcf	5.0¢	1.6¢	0.9¢
Firm Industrial, per Mcf	2.0¢	1.6¢	0.9¢
Interruptible			
Schedules G-50, 51, 52, per Mcf	1.3¢	1.2¢	1.1¢
Schedule G-53 - First 1,000 Mcf, per Mcf	0.5¢	1.2¢	1.1¢
Schedule G-53 - Over 1,000 Mcf, per Mcf	0.5¢	0.5¢	0.5¢
Steam Plant Basic Sched. G-55(a) per Mcf	0.5¢	*	*
Steam Plant Excess Sched. G-55(b), per Mcf	***	**	**

\* Consistent with authorized increase in Schedule No. G-53.  
 \*\*\* An increase of 0.5 cents per Mcf is authorized in the basic rate in Schedule No. G-55(b); however due to the limitation of the maximum rate no additional revenue will be obtained.

The above increases in rates do not reflect the transfer of 0.4 cent per Mcf from the present offset charge to the basic rates. Applicant's proposal to eliminate Schedule No. G-8 and transfer customers thereon to Schedule No. G-7 is reasonable and will be authorized. In Exhibit No. 3 applicant stated that under present Schedule No. G-7, which contains "M", "S", and "H" rates, the annual billings for identical usage are sometimes higher on rate "S" than on the heating only rate "H". In order to correct this condition applicant proposes, in addition to the foregoing changes, to decrease the second and third blocks of the "S" rate by 0.5 cent per 100 cubic feet and increase the corresponding blocks in the "H" rate by the same amount. Such proposal appears reasonable and will be authorized. At this time we find no reason to revise applicant's zoning system or rate applicability to a greater extent than proposed by applicant; however, applicant should watch closely the development in the Antelope Valley and take the initiative to rezone rates when warranted.

Applicant's proposal to transfer into the basic commodity charge 0.4 cent of the 2.4 cents contingent offset charge now being collected appears to be reasonable and hereafter the offset charge will be 2.0 cents per Mcf.

The percentage increases, by classes, requested by applicant and the percentage increases being authorized for the year 1955, excluding the effect of the transfer of 0.4 cent to the basic commodity charge, under a 52 per cent income tax basis and under a 47 per cent income tax basis, are:

Classification	Increase Ratio		
	Applicant's Request	Authorized	
		52% Tax	47% Tax
General Service .....	7.5%	5.8%	3.0%
Commercial Service .....	3.7	3.0	1.7
Gas Engine Service .....	5.0	4.4	2.5
Firm Industrial Service ...	4.4	3.6	2.0
Interruptible Service .....	1.9	1.8	1.8
Total .....	5.7	4.5	2.6

Finding

After considering the record herein, it is found that a fair and reasonable rate of return for the future is 6 per cent, and

it is our finding and conclusion that an order should be issued increasing the rates of applicant in the over-all amount of approximately \$7,520,000 for the test year 1955, based on a 52 per cent federal income tax level. This amount includes \$1,260,000 presently resulting from the 0.4 cent portion of the offset charge and \$6,260,000 from additional increases in rates. Based on a 47 per cent federal income tax level the over-all amount of the authorized increase is approximately \$4,850,000.

O R D E R

The Southern California Gas Company having applied to this Commission for an order authorizing increases in rates and charges for 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 and charges, in so far as they differ from those herein prescribed, for the future are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED as follows:

1. Applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with the Commission's General Order No. 96, revised tariff schedules with changes in rates and charges as set forth in Appendix A attached hereto, and after not less than five days' notice to this Commission and to the public, to make said tariff schedules effective for service furnished on and after December 1, 1954.
2. At the time of making effective the rates authorized by Section 1 hereof, applicant may cancel Schedule No. G-8 and transfer the customers to Schedule No. G-7.



3. If the tax liability of the applicant is reduced in any manner under the Internal Revenue Code of 1954 by using a basis differing from that used by the applicant in this proceeding, applicant shall promptly notify the Commission.
4. Unless otherwise ordered, applicant shall, prior to April 1, 1955, refile its tariff schedules to be effective April 1, 1955 revising its base rates as follows: (a) General Service Schedules G-1 to G-7, inclusive, reduce the initial charges 10 cents for the first 200 cubic feet or less and reduce the basic commodity charges 0.07 cents per 100 cubic feet; (b) Commercial Service, Gas Engine Service, and Firm Industrial Service Schedules - reduce the basic commodity charges 0.7 cents per Mcf, and (c) Interruptible Service Schedules G-50, G-51, G-52 and the first 1,000 Mcf of G-53 - reduce the basic commodity charges 0.1 cents per Mcf.

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

Dated at South Pasadena, California, this 3rd day of March, 1954.

J. E. Mitchell  
President  
Janet A. Calver  
Kenneth Patten  
Gene Higgins  
Ray L. Intersiver  
Commissioners

APPENDIX A  
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The presently effective rates, charges and conditions are changed as set forth in this appendix.

1. General Natural Gas Service Schedules, G-1 to G-7

- (a) Increase initial charges \$0.20 for first 200 cu. ft. or less.
- (b) Increase base rates 0.20¢ per 100 cu. ft. for commodity charges in excess of 200 cu. ft. (0.16¢ per 100 cu.ft. increase and 0.04¢ per 100 cu.ft. transfer from prior contingent offset charge)
- (c) Revise monthly summer rate for first 200 cu.ft., minimum charges, and Special Conditions to conform with authorized rates.
- (d) Effective rates computed from the base rates authorized shall be increased to include the 0.20¢ per 100 cubic feet contingent offset charge.
- (e) Revise contingent offset charge clause as follows:

The above effective rates include an offset charge of 0.20¢ per 100 cu.ft. related to the volume of gas used. This offset charge is contingent upon the price of gas purchased from El Paso Natural Gas Company and is subject to possible refund.

- (f) Decrease the base rates for the second and third blocks of the "S" rates of Schedule G-7 by 0.50¢ per 100 cu.ft. and increase the corresponding blocks of the "H" rate by the same amount.
- (g) Transfer Schedule G-8 customers to Schedule G-7, and cancel Schedule G-8.

2. Commercial Natural Gas Schedules G-20, G-22, G-23, Firm Industrial Natural Gas Schedules G-40, 42, Gas Engine Natural Gas Schedule G-45.

- (a) Increase base rates 2.0¢ per Mcf for all commodity charges. (1.6¢ per Mcf increase and 0.4¢ per Mcf transfer from prior contingent offset charge.)
- (b) Effective rates computed from the base rates authorized shall be increased to include the 2.0¢ per Mcf contingent offset charge.
- (c) Revise contingent offset charge clause as follows:

The above effective rates include an offset charge of 2.0¢ per Mcf related to the volume of gas used. This offset charge is contingent upon the price of gas purchased from El Paso Natural Gas Company and is subject to possible refund.

- (d) No change in form of Schedule G-45 is authorized.

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3. Interruptible Natural Gas Schedules G-50, G-51, G-52, G-53

- (a) Increase base rates 1.6¢ per Mcf for all commodity charges for Schedules G-50, G-51, G-52. (1.2¢ per Mcf increase and 0.4¢ per Mcf transfer from prior contingent offset charge.)
- (b) Increase base rates 1.6¢ per Mcf for commodity charges for the first 1,000 Mcf and 0.9¢ per Mcf for commodity charges over 1,000 Mcf for Schedule G-53. (1.2¢ per Mcf and 0.5¢ per Mcf increase, respectively, and 0.4¢ per Mcf transfer from prior contingent offset charge.)
- (c) Effective rates computed from the base rates authorized shall be increased to include the 2.0¢ per Mcf contingent offset charge.
- (d) Revise contingent offset charge clause as follows:

The above effective rates include an offset charge of 2.0¢ per Mcf related to the volume of gas used. This offset charge is contingent upon the price of gas purchased from El Paso Natural Gas Company and is subject to possible refund.

4. Steam Electric Generating Plant - Surplus Natural Gas Schedule G-55

- (a) Increase base rates under Commodity Charge (a) and (b) by 0.9¢ per Mcf consistent with authorized increases in Schedule No. 5-53.
- (b) Effective rates computed from the base rates authorized shall be increased to include the 2.0¢ per Mcf contingent offset charge.
- (c) Revise contingent offset charge clause as follows:

The above effective rates include an offset charge of 2.0¢ per Mcf related to the volume of gas used. This offset charge is contingent upon the price of gas purchased from El Paso Natural Gas Company and is subject to possible refund.

APPENDIX B

LIST OF APPEARANCES

For Applicant: Southern California Gas Company, by T. J. Reynolds,  
Milford Springer, H. P. Letton, Jr.

Protestants: California Institute of Social Welfare, by George McLain;  
Appliance Profession Association of California, by Van C. Foster.

Interested Parties: City of Los Angeles, by Roger Arnebergh, Alan G. Campbell, T. M. Chubb and Robert W. Russell; Monolith Portland Cement Company, by Norman Elliott of Erright & Elliott and Waldo A. Gillette; California Manufacturers Association, by George D. Rives of Brobeck, Phleger & Harrison; California Farm Bureau Federation, by J. J. Deuel; Southern California Edison Company, by Bruce Renwick, Rollin E. Woodbury and John Bary; California Electric Power Company, by John R. Lutz; Department of Water & Power, City of Los Angeles, by John E. Girard; City of Glendale, by Henry McClernan and John H. Lauten; City of Burbank, by Archie L. Walters; Challenge Cream and Butter Association, Exchange Orange Products Company and Lindsay Ripe Olive Company, by W. D. MacKay; City of Pasadena, by Clarence A. Winder and Frank L. Kostlan; City of Riverside, by Albert H. Ford; City of Long Beach, by Henry E. Jordan.

For the Commission Staff: Luther W. Gulick, Charles W. Mors and Theodore Stein.

LIST OF WITNESSES

Evidence was presented on behalf of the applicants by: Walter J. Herrman (introduction, history, present operations, summary of earnings, gross revenue deficiency, proposed rates); H. W. Collister (operating revenues, rate base, summary of earnings, customer distribution, usage, meter density and average rates); R. M. Bauer (production expenses); A. B. Cates, Jr., (transmission expenses, distribution expenses, customers' accounting and collecting expenses, sales promotion expenses, administrative and general expenses, taxes, fixed capital, depreciation reserve and expense, balance sheet, income statement, clearing accounts); Roy A. Wehe (cost-to-serve analysis); Grove Lawrence (gas supplies); W. M. Jacobs (customer service policy).

Evidence was presented on behalf of the protestants and interested parties by: Melvin E. Gainder, George McLain, Van C. Foster, Robert W. Russell, Homer R. Ross.

Evidence was presented on behalf of the Commission staff by: Wm. W. Eyers (summary of earnings).