

Decision No. 54233**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
SOUTHERN COUNTIES GAS COMPANY OF)	
CALIFORNIA for a general increase)	Application No. 38211
in gas rates under Section 454 of)	Amended
the Public Utilities Code.)	

Appearances and witnesses are listed in
Appendix A

INTERIM OPINION

Applicant's Request

Southern Counties Gas Company of California filed the above-entitled application on June 29, 1956 seeking \$4,737,000 or 6.91 per cent annual increase in gas rates based on its projected operations for the year 1957. However, before this matter was scheduled for regular hearing, applicant, on September 22, 1956, filed its first amendment to its application for an interim order increasing the wholesale rate for natural gas furnished to the San Diego Gas & Electric Company. While applicant requested an ex parte interim order, it appeared to be in the public interest to hold a hearing on this interim request inasmuch as the increase sought from San Diego is substantial, that is \$715,000 annually. Also, applicant sought approval of a lengthy service agreement covering the sale of this gas to San Diego.

Public Hearing

After due notice, public hearing on this first amendment was held on November 14, 1956 in Los Angeles before Commissioner Rex Hardy and Examiner M. W. Edwards. Testimony in favor of the interim request was offered by one witness for San Diego through one

exhibit, and by one witness for the applicant through four exhibits. No one offered any objection to an interim order so long as the increase was confined only to an interim period until the main rate case could be processed and decided. The next hearing on the main rate case is scheduled for February 6, 1957 at 10 a.m. in the Mirror Building, Los Angeles, California.

San Diego's Position

Since 1932 the applicant has supplied all natural gas used by the San Diego Gas & Electric Company for distribution to its firm, residential, commercial and industrial customers, interruptible industrial customers, miscellaneous company use, and for fuel in its gas, steam and electric departments on an interruptible basis, in San Diego and vicinity. The San Diego load has grown rapidly and for the winter of 1956-57 the estimated cold-day peak firm-load requirement is 133,300 Mcf. This load necessitates an increase in the demand from 95,000 Mcf per day, as per present contract, to 120,000 Mcf per day as provided by the new service agreement. This leaves an apparent deficiency of firm gas supply in the amount of 13,300 Mcf, which can be supplied as "excess gas" under the new contract, if the applicant has the same available, or from the emergency propane-air supply maintained by San Diego.

San Diego is eager to obtain the additional volume of gas and is willing immediately to pay a higher price for it. The existing rate is 27.75 cents per Mcf on the average and the effective rate under the proposed interim schedule will be 29.85 cents per Mcf. For applicant's estimated 1957 sales of 34,023,000 Mcf, the computed amount of the increase is \$715,000 annually. San Diego recognizes that recently there has been some increase in applicant's cost of gas.

Applicant's Position

In justification of the proposed increase applicant introduced Exhibit No. 4, as an abbreviated cost-of-service study, which shows its total cost applicable to the San Diego service of 28.45 cents per Mcf, excluding the facility charge of \$552,000. It represents that such cost is 0.21 cents per Mcf higher than the proposed interim rate level. Applicant's costs were based on production and transmission, but excluded its aboveground storage and its San Diego pipelines.

Applicant also introduced Exhibit No. 5 to show that its rate of return for the 12 months ended September 30, 1956 was 5.64 per cent and adduced testimony to the effect that the addition of \$715,000 increase would not cause its rate of return to exceed 6 per cent, the level of return sought in the original application herein. Applicant has advised that because of increases primarily in the cost of money it proposes to further amend its original application to request a 6.5 per cent rate of return. On such basis it will seek an additional final increase in the San Diego rate.

Proposed Interim Rate

The proposed rate, Schedule G-60, is a three-part rate as follows:

1. Monthly facility charge: \$46,000.
2. Monthly demand charge: \$1 per Mcf of contract daily maximum demand.
3. Commodity charge: 24 cents per Mcf.

For off-peak excess deliveries San Diego will pay 28 cents per Mcf and for on-peak excess deliveries (over 120,000 Mcf per day) San Diego will pay 40 cents per Mcf. In addition, the proposed Schedule G-60 also contains several special conditions regarding (1) heat content, (2) limitation of gas for firm service, (3) curtailment of interruptible service, and (4) contract provisions.

The principal rate changes in the proposed schedule compared to the present schedule are to raise the commodity charge from 22.65 cents per Mcf to 24.00 cents per Mcf, the off-peak excess from 26.5 to 28 cents and the on-peak excess from 35 to 40 cents. The proposed term of the contract is to begin on the effective date of the rates and continue until January 22, 1960. No increase was proposed in the unit demand rate of \$1 per Mcf of maximum daily contract demand; however, because of the increase in the contract demand by 25,000 Mcf, applicant's revenue for the demand component will increase by \$300,000 per annum. No increase was proposed in the facility charge primarily because San Diego is installing the compressor plant at its expense to make the additional deliveries possible.

Conclusion on Abbreviated
Cost of Service Study

Applicant's witness stated that the cost study presented was not a full-dress cost of service study, but that it was within the ordinary limits of accuracy for the purposes of justification of an interim rate of the character sought. Counsel for the California Manufacturers Association pointed out that the cost study showed a unit demand cost of \$1.75 per Mcf of monthly maximum demand and questioned the sought increase of the commodity charge rather than of the demand charge. Applicant contended that a simple change which resulted in the rounding off of the commodity charge was a good method of approximating the cost of service while keeping the demand charge at the round figure of \$1.

The Commission's conclusion on this cost analysis is that it is acceptable for interim rate-making purposes only, and will not be adequate to aid in making final rates.

The applicant should present in its main rate case, in addition to such other analyses and evidence as it may desire to present, cost analyses on the basis of its system operations for each class of service including resale service to San Diego.

Conclusions on Proposed Rate

San Diego had no immediate plans to increase rates to its firm service customers on account of the proposed interim rate schedule. Our conclusion is that this is a negotiated rate and as such for the limited time it will be in effect is not unreasonable. In the main rate case applicant will be required to present an alternate form of rate tariff entitled: "Schedule G-60, Resale Natural Gas Service", which will be a complete schedule, simplified and shortened as much as possible, without the necessity of a contract, other than possibly a standard form of service agreement containing reasonable provisions to protect against short-term discontinuance of service and other essential provisions.

Findings

The Commission finds that an order should be issued in general approving the proposed rate and service agreement, but only for an interim period, in order to enable San Diego to meet the demands expected during the coming winter season; 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.

INTERIM ORDER

Southern Counties Gas Company of California having applied to this Commission for an order authorizing an increase in the

wholesale rate to San Diego Gas & Electric Company for natural gas service and the approval of the agreement referred to, public hearing having been held, and it appearing to the Commission that the request should be granted only for an interim period and until the main rate case is decided, therefore,

IT IS 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, a revised Schedule G-60 substantially as set forth in Exhibit No. 3 in this record except applicable only to an interim period and on not less than one day's notice to the Commission and to San Diego Gas & Electric Company to place said rate into effect.

2. Applicant is authorized to carry out the terms and conditions of a written contract substantially like that one dated September 21, 1956 as shown by Exhibit No. 2 but limited in term to an interim period until final order is issued by the Commission and to render the service described therein under substantially the terms, charges and conditions stated therein.

3. Applicant shall prepare and present prior to completion of its showing in the main rate case an alternate form of rate tariff entitled: "Schedule G-60, Resale Natural Gas Service", following the suggestions outlined in the opinion part of this order.

4. Because of the urgency of this matter the effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 11th day of DECEMBER, 1956.

[Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners

APPENDIX A

LIST OF APPEARANCES

For applicant: Milford Springer.

Interested Parties: Chickering & Gregory by Sherman Chickering, for San Diego Gas & Electric Company; Bruce Renwick, Rollin E. Woodbury, Harry W. Sturges and John R. Bury, for Southern California Edison Company; Alan G. Campbell, T. M. Chubb, R. W. Russell and P. A. Erickson, for the City of Los Angeles; Henry E. Jordan, for City of Long Beach; Wendell R. Thompson, for City of Pasadena; Frederick Holoboff, for City of San Diego; Robert G. Cockins and Robert D. Ogle, for City of Santa Monica; James Don Keller, for County of San Diego; J. J. Deuel and Bert Buzzini, for California Farm Bureau Federation; Brobeck, Phleger & Harrison by George D. Rives, for California Manufacturers Association; W. D. MacKay, Commercial Utility Service, for The Exchange Orange Products Company.

For the Commission staff: Martin Porter, Harold J. McCarthy, Theodore Stein and Carol T. Coffey.

LIST OF WITNESSES

Evidence was presented on behalf of the applicant by Cecil L. Dunn.

Evidence was presented on behalf of the San Diego Gas & Electric Company by H. G. Dillin.