

ORIGINALDecision No. 56161

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Suspension and)
 Investigation on the Commission's)
 own motion of Proposed Schedule G-60) Case No. 6026
 Resale Natural Gas Service filed by)
 Southern California Gas Company.)

(Appearances and Witnesses are listed
 in Appendix A)

O P I N I O N

Southern California Gas Company, a corporation, on December 2, 1957 filed under its Advice Letter No. 462 a revision of its Schedule No. G-60 which, in accordance with provision number 3 under the section entitled Rates of the presently filed Schedule No. G-60 would increase the rate for gas service to the City of Long Beach. The increase reflects the anticipated increase in the rates to be charged Southern California Gas Company by El Paso Natural Gas Company commencing January 1, 1958. In view of the fact that the Commission has ordered Southern California Gas Company to refrain from consenting to the increase proposed by El Paso Natural Gas Company^{1/} as a consequence of the "Memphis" decision^{2/}, the Commission desired to investigate whether or not the provisions of Schedule No. G-60 allowing an automatic increase on January 1, 1958 is appropriate.

^{1/} Interim Order No. 55902.

^{2/} Memphis Light, Gas and Water Division; City of Memphis, Tennessee, and Mississippi Valley Gas Company, Petitioners, v. Federal Power Commission, Respondent, United Gas Pipeline Company, Texas Gas Transmission Corporation, and Southern Natural Gas Company, Interveners, No. 13666.

Schedule Suspended

On December 13, 1957 the Commission instituted Case No. 6026 to investigate into the propriety and reasonableness of Schedule No. G-60; suspended the operation of tariff sheets, Revised Cal. P.U.C. Sheets Nos. 7549-G to 7552-G, inclusive, as provided by statute, until the ninetieth day, March 31, 1958, after the date such tariff sheets would become effective if not suspended; and set the matter for public hearing.

Public Hearing

Public hearing upon this matter was held before Examiner Manley W. Edwards on December 19, 1957 in Los Angeles. At this hearing the Southern California Gas Company presented testimony through one witness and at the close of the hearing counsel for the Gas Company made a motion that the suspension be lifted, that the advice letter filing of December 2 be accepted, and that the new Long Beach rates be allowed to go into effect on January 1, 1958. The Commission staff, represented by a gas engineer, cross-examined the witness for the purpose of developing a full record to aid the Commission in deciding this matter. The representatives of the City of Long Beach did not enter an objection to the new rate filing, indicating that it is in conformity with the contract. The case and the Gas Company's motion were submitted for Commission consideration and the matter now is ready for decision.

Brief History of Schedule No. G-60

The City of Long Beach furnishes municipal gas service within the city from its own sources of gas, augmented by gas from

certain outside sources. In 1956 the city determined that its gas sources would be inadequate to meet the city's peak-load requirements for the 1956-1957 and subsequent winter seasons. Accordingly, the city approached Southern California Gas Company with respect to furnishing gas on a wholesale basis to make up the deficiency. Conferences were held and a service agreement was entered into on November 20, 1956, and on November 21, 1956 Southern California Gas Company filed Application No. 38603 for authority to provide service to the City of Long Beach, in accordance with the agreement, under Schedule No. G-60.

By Decision No. 54225 the Commission approved the terms of the agreement and Schedule No. G-60. The Gas Company subsequently proceeded to carry out the agreement and has been furnishing service to the city in accordance therewith since about the first of January 1957.

Rate Level

Schedule No. G-60 provides for a basic demand charge of \$2.40 per month per Mcf of daily contract demand, together with a basic commodity charge of 24.5 cents per Mcf until the end of 1957 and 26.5 cents per Mcf thereafter. The automatic rate feature^{3/} is

^{3/} Section 3 under Rates provides: "When the price per Mcf for out-of-state gas purchases at 100% load factor from sources now or hereafter contracted for is increased or decreased above or below the price per Mcf of 24.57¢ effective November 1, 1956, each of the effective charges in item 1 above shall be concurrently increased or decreased by the rates existing between the total average price for out-of-state gas purchases of 24.57¢ per Mcf and the new effective total average price per Mcf for out-of-state gas purchases at 100% load factor."

an arrangement agreed upon between the parties, designed to provide a practical method of adjusting the Long Beach rate to keep it in line with changing costs generally. It is not a direct dollar per dollar recovery of out-of-state gas costs, but rather a percentage adjustment. The gas company stated that the proposed new El Paso rates require an increase of approximately 10.814 percent. By applying this percentage increase to the present G-60 schedule charges, after January 1, 1958, the new rates would be \$2.6595 demand charge and 29.366 cents per Mcf commodity charge.

Rate Safeguards

The gas company points out that an advice letter and appropriate tariff schedules must be filed before any increases can be placed in effect; that the El Paso increase will be subject to refund should the Federal Power Commission fix a rate under Docket No. G-12948 lower than that filed by El Paso; and that it will refund to the city the difference between the amounts that may be collected after January 1, 1958 and the amounts that should have been collected based on El Paso rates as finally determined.

The gas company representative stated that if the El Paso rate does not go into effect (in view of the "Memphis" decision), then it would not increase the Long Beach rate as there would be about a month before the first bill at the new rate level would be submitted to the city. This would give time for an appropriate revised tariff filing.

The Commission takes notice of the fact that the Federal Power Commission, by order issued December 31, 1957, in Docket No. G-12948, ordered that the increases proposed by El Paso under said docket number, in Schedules G and G-X, among others, be effective as of January 1, 1958. We also take notice of the fact that the Southern California Gas Company has been notified by the El Paso Natural Gas Company that it will make billings "for all natural gas delivered on and after January 1, 1958, at the increased rates provided for in its rate filing in Docket No. G-12948 and will continue to make billings at said increased rates until they are changed in accordance with lawful requirements."

Findings and Conclusions

The Commission customarily does not authorize schedules with cost clauses; however, Schedule No. G-60 appears to contain sufficient safeguards to protect the customer against any unauthorized rate increase. The clause really does not negate Commission jurisdiction, but provides an agreed-to formula for computing rate levels. Accordingly, the Commission finds and concludes that the gas company's motion to lift the suspension should be granted.

The Commission finds that revised Schedule No. G-60 is just and reasonable and that any increases in rates or charges as may result therefrom are reasonable subject to the rate safeguards above mentioned.

O R D E R

Southern California Gas Company having submitted a Revised Schedule No. G-60, Resale Natural Gas Service, by its Advice Letter No. 462, a public hearing having been held, the matter having been submitted and now being ready for decision; therefore,

IT IS ORDERED as follows:

The Federal Power Commission having placed in effect the increased rates proposed by El Paso Natural Gas Company in Schedules G and G-X, among others; and the El Paso Natural Gas Company having indicated that it will assess to the Southern California Gas Company increased charges for gas under said schedules effective January 1, 1958; therefore, the suspension of Schedule No. G-60 filed by the Southern California Gas Company on December 2, 1957, be and it hereby is removed and Southern California Gas Company is authorized to place the said Schedule No. G-60 into effect as of January 1, 1958, the date the new rate otherwise would have become effective.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 28th day of January, 1958.

[Signature]
 President

[Signature]
 Commissioner

[Signature]
 Commissioner

[Signature]
 Commissioner

[Signature]
 Commissioner

APPENDIX A

LIST OF APPEARANCES

For Respondent: T. J. Reynolds and Harry P. Letton, Jr. ✓

Interested Parties: Henry E. Jordan and Leonard L. Bendinger, for City of Long Beach; Manuel Kroman, for City of Los Angeles; Chickering & Gregory by Sherman Chickering, for San Diego Gas & Electric Company; Rollin E. Woodbury by J. F. Nail, for Southern California Edison Company; Enright & Elliott by Norman Elliott and Joseph T. Enright, for Monolith Portland Cement Company; Bert Buzzini, for California Farm Bureau Federation; W. D. MacKay (Commercial Utility Service), for Challenge Cream and Butter Association; Harold Gold, Rueben Lozner and Stuart R. Foutz by Stuart R. Foutz, for Department of the Navy of the United States of America.

For the Commission Staff: Louis Mendonsa.

WITNESS

Evidence was presented on behalf of the respondent by W. J. Herrman.