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ORIGINAL

Decision No. 57510

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SAN DIEGO GAS & ELECTRIC COMPANY, a corporation, for a general increase in gas rates under Section 454 of the Public Utilities Code. (Gas)	Application No. 39681

(Appearances and witnesses are listed in Appendix B)

INTERIM OPINION

Applicant's Request

San Diegeo Gas & Electric Company engaged in the business of purchasing natural gas for resale and manufacturing, transporting, distributing and selling gas to customers in the City of San Diego and other communities in western San Diego County,[1] filed the above-entitled application on December 27, 1957, requesting an increase in annual revenues from gas sales of at least $2,688,200, or 11.77 per cent, based on the estimated 1958 revenues of $22,843,500 at present rates. Applicant introduced Exhibit No. G-5 on June 4, 1958, revising the requested increase in gas revenues to $2,884,100 or 12.63 per cent, based on a revised estimated 1958 revenue of $22,827,200 at present rates, if effective for a full year.

1 Applicant also is engaged in the manufacturing, purchasing, transmitting, distributing and selling of electricity, as a public utility, in the County of San Diego and a portion of Orange County, and to a limited extent, the manufacturing and selling of low-pressure steam in a limited area of the business section of the City of San Diego. During the year ended December, 1956, approximately 31.2 per cent of the applicant's gross revenue was derived from the sale of gas, 68.6 per cent from the sale of electric energy, and 0.2 per cent from the sale of steam.

Public Hearing

After due notice public hearing on this application was held before Commissioner C. Lyn Fox and/or Examiner Manley W. Edwards. This application was consolidated for hearing purposes with Applications Nos. 39679 and 39680 and a total of 23 days of hearing were held during the period March 3, to July 23, 1958, inclusive, on the three applications, the first 22 days being held in San Diego, California. Applicant introduced five all-department exhibits, five gas-department exhibits, and testimony by nine witnesses in support of its gas rate request. The Commission staff made an independent study of applicant's operations, presented five all-department exhibits, two gas-department exhibits, testimony by five witnesses, and cross-examined the applicant's witnesses for the purpose of developing a complete record to aid the Commission in deciding this rate increase request. Certain interested parties presented five exhibits and also cross-examined the applicant's and the staff's witnesses. Closing briefs were filed on July 14, 1958, and argument before the Commission en banc was held on July 23, 1958, in San Francisco. The matter was submitted for Commission decision; however, since closing the record the Commission has become aware of important changes in fuel oil price, and other costs and will issue only an interim opinion and order at this time and reopen the proceeding.

Applicant's Operations

The area presently served with natural gas by the applicant is the western portion of San Diego County, along the coast from the Orange County line to the Mexican border, as shown in Chart 3-A of Exhibit No. G-1. As of December 31, 1957, the distribution system consisted of 1,859 miles of high-pressure mains and 168 miles of low-pressure mains to serve 219,717 customers, and the transmission system consisted of 49.6 miles of main. Applicant obtains its natural gas from the Southern Counties Gas Company of California by purchase at Rose Canyon, near San Diego, and through a 16-inch transmission line, from Moreno in Riverside County to Rainbow, at the Riverside County-San Diego County line. A propane air standby plant, capable of producing 1,500,000 cubic feet per hour (natural gas equivalent), is provided at applicant's Mission Substation.

Applicant owns and operates natural gas storage facilities with a combined capacity of 27,000,000 cubic feet. The storage is utilized primarily to equate transmission line deliveries. During 1957 applicant purchased 9,713,861 Mcf of gas from the Huntington Beach line at Rose Canyon and 23,015,731 Mcf from the Moreno line.

Applicant's Position

Applicant represents that the rates and charges under its existing and now authorized schedules or tariffs are unjustly and unreasonably low and confiscatory of its plants, property and equipment devoted to the public use in the service of natural gas. Applicant states that since 1950, when the present rates became effective under Decision No. 40037, Application No. 30338, practically every item of expense has increased, particularly higher wages and salaries of employees, higher cost of gas, increased taxes, higher cost of connecting customers, and increased costs of borrowed money and equity financing. Applicant seeks an order of the Commission authorizing it to increase its rates and charges for gas furnished, to withdraw and cancel all of its filed schedules or tariffs for gas, and to file and make effective the tariffs with revisions as provided by Exhibit No. G-3, as modified by Exhibit No. G-5, in this proceeding.

Applicant's Exhibit No. G-1 shows the following trend of earnings as expressed by a rate of return on its depreciated gas department rate base, after payment of operating expenses:

Year	Per Cent
1956 Recorded	6.06%
1957 Recorded	4.84
1957 Adjusted	4.36
1958 Estimated	3.78
1958 Adjusted (Present Rates)	3.42
1958 Adjusted (Proposed Rates)	6.41

Under the rates proposed in Exhibits Nos. G-3 and G-5 applicant now estimates the year 1958 would show a 6.75 per cent rate of return, assuming the rates are in effect for the full year. Applicant made detailed estimates of its operations for the year 1958 and uses 1958 as a test year.

Earnings Comparisons for 1958

In addition to the detailed studies applicant made of its 1958 earning position, the Commission staff prepared an independent detailed analysis for 1958 in Exhibit No. G-4 and by Exhibit No.G-12 extended its estimates to cover the year 1959. The results of the applicant's and the staff's studies are summarized and compared on Table 1. Also shown on Table 1 are the adopted operating results which the Commission will use for the purpose of testing the validity of applicant's request.

Domestic and Commercial Revenues

The staff's estimate of combined domestic and commercial revenues is $222,500 greater than applicant's because of a difference in method of temperature adjustment to an average year basis and because of a higher estimate of new customers in 1958. The method of temperature adjustment which the staff used was consistent with its method used as a basis of revenue presentations in major gas rate cases for the past 10 years. The staff represents that applicant

SUMMARY OF EARNINGS FOR 1958
Gas Department of San Diego Gas & Electric Company
(At Present Rate Levels)

OPERATING REVENUES	Applicant's Estimate	Staff's Estimate	Adopted 1958 Test-Year Results
Domestic - Single Family	$13,983,000	$14,195,600	$14,195,600
Domestic - Multi Family	1,145,000	1,145,000	1,145,000
Commercial	2,166,200	2,176,100	2,176,100
Firm Industrial	310,200	310,100	310,100
Interruptible - Industrial	1,046,600	1,033,800	1,033,800
Interruptible - Steam-Elec. Generating Stations	4,106,500	4,474,400	4,290,000
Other Gas Revenue	86,000	73,600	73,600
Total Operating Revenue	$22,843,500	$23,408,600	$23,224,200
OPERATING EXPENSES			
Production - Purchased Gas	$12,263,500	$12,606,900	$12,775,000
Production - Other	2,000	8,900	8,900
Transmission	155,800	167,600	160,000
Distribution	2,337,800	2,364,400	2,280,000
Customer Accounting & Coll.	1,050,200	1,026,500	1,026,500
Sales Promotion	265,200	260,500	255,000
Administrative and General	1,332,300	1,357,200	1,330,000
Depreciation & Amortization	1,783,800	1,727,300	1,644,600
Taxes - Other than Income	1,436,300	1,360,200	1,290,700
Taxes - Income (State & Fed.)	841,600	990,200	914,700
Total Operating Expenses	$21,468,500	$21,869,700	$21,685,400
NET REVENUE	$ 1,375,000	$ 1,538,900	1,538,800
RATE BASE (Depreciated)	$40,203,000	$40,055,300	$38,048,200
RATE OF RETURN	3.42%	3.84%	4.04%

used a newly developed method which has not stood the test of time. Applicant represents that the actual gas sales and revenues for the first five months of 1958, after temperature adjustments, have fallen below its estimates and the staff's still higher estimates.

The staff's estimate of customer growth is slightly greater than that of the applicant, based on a continuation of the historical customer growth trend with a slightly decelerated rate of growth in the test year 1958. The County of San Diego points out that the applicant's estimate of gain in single family customers of 10,306 for 1958 is 1,147 less than the average gain for the past five years. The County represents that actual experience for the first quarter of 1958 was better in terms of customer gains than the preceding year. In the light of actual experience even the staff's estimate of customer growth appears too conservative.

While the staff's estimate of temperature adjusted sales per customer may be slightly high (based on adjusting upward the sales during the warm early months of 1958) its customer estimate appears a little low. In the Commission's opinion the effect of these two items is practically offsetting. Therefore, we will adopt as reasonable the staff's estimates of domestic and commercial sales.

Firm Industrial Revenue

There is practically no difference between the two estimates of firm industrial revenue and we will adopt as reasonable the amount of $310,100.

Interruptible Industrial Revenue

The staff's estimate of interruptible industrial sales of $1,033,800 is $12,800 or 1.2 per cent less than applicant's. Since the quantity of gas sold to interruptible customers depends upon gas availability during the colder months, and since the staff represents it had more authoritative and up-to-date estimates of gas availability, the staff's estimate will be adopted as reasonable.

Interruptible Steam-Electric
Generating Stations Revenue

The staff's estimate of revenues from sales of gas to applicant's steam plants for producing electricity of $4,474,400 is $367,900 or 9 per cent greater than applicant's estimated sales. This results from the fact that the staff assumed 1,184,800 Mcf more gas available from applicant's supplier, the Southern Counties Gas Company of California, during the 1958 test year than the applicant did. The staff states that the applicant's estimate of gas purchases essentially was based on the estimate of available gas supply presented in Case No. 5924 on June 24, 1957 as Exhibit No. 5924-7. The staff lists three reasons for its larger estimate.

The first reason is that the staff assumed that the Edison exchange gas (F.P.C. Docket No. G-12580) will be available for the full year 1958. Second, the staff's estimate of gas availability, prepared as of March, 1958, a later date than that of the applicant, reflects availability of incremental supplies of gas which were estimated to be available as of that time. Third, the staff assumes gas from El Paso Natural Gas Company (F.P.C. Docket No. G-11797) to be available for the full year, whereas the applicant assumes the volume of gas not to be available until April 1, 1958.

In view of the fact that 1958 adjusted is a test year, and further considering the fact that conditions were such during the first part of 1958 that incremental additional quantities of gas were, in fact, available to the southern California area, the staff takes the position that for the purposes of this proceeding a test year reflecting this gas on a full year basis is the only proper presentation.

The applicant points out that the Federal Power Commission recently has reopened Docket G-12580 for a thorough review of El Paso Natural Gas Company's reserves.

In resolving this matter it is the Commission's finding that the Edison exchange gas should not be assumed as available for the test year 1958, but that the additional gas indicated by the staff's second and third reasons should be allowed for. Accordingly, the estimated gas supply available to applicant for the test year 1958 is assumed as 36,200,000 Mcf which is 577,000 Mcf greater than the applicant used. On such basis, we compute the revenue from interruptible steam-electric generating stations at $4,290,000 (14,161,000 Mcf at present rates) and we find such amount to be reasonable and adopt it for the test year.

Other Gas Revenue

The other gas revenues consist primarily of revenues from the account opening charges under Schedule OC. The staff's estimate for this item is $12,400 less than applicant's. The staff represents its estimate is realistic based upon experienced receipts and that applicant has admitted in the record that its estimate is high. The staff's figure of $73,600 appears reasonable and will be adopted.

Production Expenses

The staff's production expenses are $350,300 or 2.9 per cent higher than applicant's. The additional gas which the staff assumed available in 1958 largely accounts for this difference. The applicant's purchased gas cost does not include the extra facility charge on the new 20 miles of 24-inch gas transmission line paralleling the Moreno-Rainbow line of Southern Counties Gas Company of California in Riverside County to bolster applicant's gas supply capability. Applicant's original exhibit contemplated that it would build this 20-mile section; however, it now appears more economical for applicant's supplier to build this line and for applicant to pay an additional monthly facility charge of $27,750 as authorized by our Decision No. 57087, Application No. 40124, dated August 5, 1958. When account is taken that 607,000 fewer Mcf of gas will be purchased than under the staff's original estimate and allowance made for the additional facility charge, we compute, find reasonable, and adopt a figure of $12,775,000 for purchased gas and a figure of $8,900 for other production expenses.

Transmission Expenses

The staff's transmission expenses of $167,600 are $11,800, or 7.6 per cent, higher than applicant's. To be comparable applicant's expenses should be increased by a 1958 wage settlement increment of $1,300, and an amount to reflect the expenses which would be incurred had steam-electric plant gas been received on the same priority as Los Angeles G-54 customers enjoy, less an amount of $2,600 for compressor fuel savings with the new Moreno pipeline loop for 20 miles. Since our adopted gas availability is less than assumed by the staff, we will adopt as reasonable a figure of $160,000 for transmission expenses.

Distribution Expenses

The staff's distribution expenses of $2,364,400 are $26,600, or 1.1 per cent, higher than applicant's. When applicant's figures are adjusted upward by $26,000 because of the 1958 wage settlement, we find the two figures are nearly identical. The County of San Diego questioned the level of the applicant's estimate of gas distribution expenses because it showed an increase of 14 per cent after 1958 wage settlement over the 1957 recorded figure; whereas for prior years the increases were: 2.2 per cent for 1955, 3.9 per cent for 1956, and 0.2 per cent for 1957. Applicant's answer was that 1957 was low and below the trend. Applicant's management has control over this item and both the applicant's and staff's estimate for this account appear above a reasonable trend. Accordingly, for rate-making purposes we will limit this increase to 10 per cent and adopt a figure of $2,280,000 as reasonable for distribution expenses for the test year.

Customer Accounting and Collecting Expenses

The staff's customers accounting and collecting expenses of $1,026,500 are $23,700 or 2.3 per cent below applicant's. Applicant represents that its allowance is $12,500 low because of the 1958 wage settlement. Also, applicant's figure does not contain any increment to offset the increase in postal rates starting August 1, 1958. Thus applicant's estimated 1958 expense for this item reflects an increase of over 12 per cent compared to its 1957 recorded figure. The Commission's attention has been invited to the fact that applicant uses a monthly billing cycle and probably could reduce its customers accounting and collecting expenses somewhat by placing part of its accounts on a bimonthly billing cycle. Since no evidence is in the record on this matter as to the possible savings, in our opinion, it is not reasonable to adopt a figure lower than the staff's estimate. Accordingly, we find reasonable and adopt the staff's figure of $1,026,500 for customer accounting and collecting expenses for the test year 1958.

Sales Promotion Expenses

The staff's sales promotion expenses of $260,500 are $4,700 or 1.8 per cent below applicant's. Applicant represents that its sales promotion expenses allowance is $2,300 low because of the 1958 wage settlement. The County of San Diego points out an inconsistency in applicant's estimates, in that the witness on sales promotion expenses anticipated the year 1958 as one of above average growth, whereas the witness on revenues anticipated a below average growth rate. The County took the position that neither the staff nor the company presented a fair picture as to this matter. In reviewing this matter we note that the year 1957 recorded figures showed a growth of 9 per cent over the 1956 recorded figures. An equivalent growth in 1958 would result in a figure of $255,000. Realizing that this is a combination gas and electric company not too much concerned as to the intense competition as between gas and electric appliances in new homes, we find reasonable for rate-making purposes and adopt a figure of $255,000 for sales promotion expenses for the test year 1958.

Administrative and General Expenses

The staff's administrative and general expenses of $1,357,200 are $24,900, or 1.9 per cent, above the applicant's estimate. Applicant represents that its administrative and general expenses are $25,600 low because of the 1958 wage settlement and $21,100 low because of an actual pension dividend. Some $4,000 of the difference between the staff's and the applicant's figures is occasioned by higher franchise payments pursuant to the staff's higher revenue estimate. The staff's estimate represents an increase over the 1957 recorded expense of 12.2 per cent. Applicant's management has control over this item and when some interest is figured on the insurance and injuries and damages reserve, a more reasonable conclusion appears to be that a 10 per cent increase in this item is adequate for rate-making purposes. Accordingly, we find reasonable and adopt a figure of $1,330,000 for the test year 1958 for administrative and general expenses.

Depreciation

The staff's depreciation expenses of $1,727,300 are $56,500 or 3.2 per cent lower than the applicant's. Applicant represents that its depreciation allowance is too high by $9,600 because of the change in cost of certain 20-inch gas mains and too high by $116,700 because of the fact that Southern Counties Gas Company of California is now building the 20-mile loop of 24-inch main to the Moreno line. The difference between the staff's and the applicant's figures is accounted for by different estimates as to remaining lives for certain items of plant and the use of recorded rather than estimated figures as to certain 20-inch distribution mains. The saving on the Moreno line with the longer life used by the staff is $82,700 and when this amount is applied to the staff's allowance, a figure of $1,644,600 results, which figure we find is reasonable and adopt for the 1958 test year depreciation expenses.

Taxes other than Income

The staff's taxes, other than income of $1,360,200, are $76,100 or 5.3 per cent lower than applicant's. This difference results primarily from the fact that the staff used the actual 1957-58 tax rates in computing the year 1958 estimated ad valorem taxes, whereas the applicant used a higher trended tax rate. Applicant states that the cost of government in the postwar period has risen with all other costs and that the tax rates have increased each year for the past five years. Applicant's position is that it certainly is not unreasonable to allow for a continuation of this trend.

In resolving this matter there are two things to consider: (1) that there may be an upward reassessment of all property other than utility in the tax base, with a consequent material lowering in the tax rate, and (2) that the tax rate does not increase sharply every year and some years show a small increase or even may show a decline.

With regard to its original estimate, applicant represents that it should be decreased by $35,400 because of a lower actual assessed value than estimated and decreased by $69,800 because of the change in the construction agency on the Moreno pipeline loop.

The staff's ad valorem tax computation already is adjusted for the lower assessed value but not for the Moreno line change of agency. At the tax rate used by the staff this adjustment is $69,500. Accordingly, we find reasonable and adopt an amount of $1,295,200 for taxes other than income.

Taxes, Income

State corporation franchise tax and federal income tax amounts vary, depending on the level of net income. In the adopted 1958 test year results, these amounts have been computed on the basis of a 4 per cent level for the state corporation franchise tax and a 52 per cent level for the federal income tax, assuming straight-line tax depreciation accounting.

For the years 1954-57 the applicant's federal income taxes were determined using the sum of the years digits method to compute accelerated depreciation, but applicant plans to revert to straight-line depreciation tax accounting for 1958 and has received Treasury Department permission so to do. Applicant has accumulated a reserve for deferred taxes of $2,163,146.

The question as to what rate treatment should be accorded to accelerated depreciation tax accruals and reserves for deferred taxes is being investigated by the Commission under Case No. 6148. Until such case is decided, the applicant shall advise this Commission as to its election for the 1959 tax year with regard to taking accelerated depreciation by January 1, 1959, and yearly thereafter by January 1 of each year until a final decision of this Commission in Case No. 6148, and the Commission will promptly move to adjust the rates herein authorized in such manner as may be found appropriate. For the purposes of this decision only, pending final decision by this Commission on the treatment to be accorded accelerated depreciation for rate-making purposes, the accruals for rate-making purposes herein will be determined after crediting interest at the adopted rate of return on the reserve for income taxes. Since approximately one third of this reserve of about $2,163,000 is chargeable to gas, the interest credit in this proceeding will be $47,000.

After giving weight to the variation in gross revenues and expenses being adopted herein and the deferred tax reserve interest credit, an income tax figure of $914,700 is computed for the test year 1958, is found to be reasonable and is adopted.

Rate Base

The staff's rate base is $148,000, or 0.4 per cent, lower than applicant's as shown on Table 2. This is a comparatively small difference and most of it results from differences in the cost of 20-inch gas main additions. Applicant used an estimated amount and admits that its estimate is $308,400 high compared to the actual figures. Also, applicant had not included an item of $36,000 as the effect of the 1958 wage settlement which the staff had included. When the Moreno pipeline loop is taken out, the staff's rate base would be reduced to $38,048,200 as shown in the adopted column on Table 2. We find that a depreciated rate base of $38,048,200 is reasonable and we adopt the same for the adjusted test year 1958.

SUMMARY OF RATE BASE FOR 1958
Gas Department of San Diego Gas & Electric Company

Item	Applicant's Estimate	Staff's Estimate	Adopted 1958 Test-Year Results
Plant as of 12/31/57			
Intangible	$ 4,000	$ 4,000	$ 4,000
Production	830,800	830,800	830,800
Storage	2,077,000	2,077,000	2,077,000
Transmission	4,132,300	4,132,300	4,132,300
Distribution			
Land and Land Rights	394,700	394,700	394,700
Structures and Improvements	310,900	310,900	310,900
Mains	17,973,900	17,973,900	17,973,900
Comp., Meas. & Reg. Eq.	1,485,700	1,485,700	1,485,700
Services	9,412,200	9,412,200	9,412,200
Meters & Regulators	7,285,200	7,285,200	7,285,200
Other Distrib. Eq.	231,500	231,500	231,500
Subtotal Gas Plant	$44,138,200	$44,138,200	$44,138,200
Common Utility Allocation	3,467,500	3,467,500	3,467,500
Operative Constr. Work in Progress	223,000	222,800	222,800
Weighted Average 1958 Additions	5,505,300	5,310,800	3,262,300
Total Weighted Av. Gas Plant	53,334,000	53,139,300	51,090,800
Deduction for Depreciation	14,330,000	14,316,700	14,275,300
Weighted Av. Net Gas Plant	39,004,000	38,822,600	36,815,500
Modifications			
Contr.in Aid of Construction	(336,000)	(336,000)	(336,000)
Customers' Adv. for Construction	(339,000)	(339,000)	(339,000)
Nonoperative Property	(4,000)	(4,200)	(4,200)
Other	(22,000)	14,300	14,300
Materials and Supplies	600,000	597,600	597,600
Working Cash Allowance	1,300,000	1,300,000	1,300,000
Weighted Av. Deprec.Rate Base	40,203,000	40,055,300	38,048,200

(Red Figures)

Rate of Return

It is applicant's contention that rates should be prescribed to produce earnings to yield an average 6.75 per cent rate of return on the basis of the estimated adjusted test year 1958 for its gas department, and 6.55 per cent for the company as a whole. Such 6.55 per cent request is 0.2 per cent below the amount of 6.75 per cent recommended by applicant's financial witness.

The Department of Defense and other executive agencies of the United States Government took the position that applicant's proposed rate of return of 6.55 per cent for the company as a whole is excessive, that the over-all rate of return presently allowed the applicant is fair and that any rate of return in excess of 6 per cent would be excessive. It took exception to the testimony of applicant's financial witness stating that he approached the problem of rate of return primarily from the viewpoint of the common stockholder and the institutional investor in the stock. The Government considers that it is of prime importance that the Commission in reaching a decision on a fair rate of return should have before it precise information on the cost of capital to the applicant.

The Government produced testimony by an expert witness who had made an analysis of the costs of capital to applicant and found it sharply lower than 6.75 per cent. He took the cost of debt as 3.40 per cent; cost of preferred stock at 5.0 per cent; and cost of equity as 8.25 per cent and developed an over-all cost of capital based on applicant's average capital structure of 5.66 per cent. The 8.25 per cent cost of equity was based on a study of the market price of applicant's common stock over several years when a dividend price ratio of approximately 5.25 per cent prevailed, with a 67 per cent pay-out ratio and an allowance for corporate costs and costs of financing.

The City of San Diego also presented evidence on the subject of cost of capital to applicant. Its witness computed the cost of bond money at 3.43 per cent, the cost of preferred stock money at 4.91 per cent, and with an allowance of 8.5 per cent on common equity money determined that the composite cost of capital on applicant's present capital structure is 5.51 per cent. On the basis of the analysis, the City of San Diego takes the position that a fair rate of return for the applicant's combined operations would fall into the range of 5.5 to 6.0 per cent, and that applicant is not entitled to a rate of return any higher than the rate of return previously authorized by the Commission.

The applicant disagreed with the positions taken by the Government and the City of San Diego and pointed out that in November, 1957, it sold $12,000,000 of 4-7/8 per cent bonds, at a cost of money to it of 4.95 per cent and $7,500,000 of 5.60 per cent

Preferred Stock, at a cost of money to it of 5.74 per cent, and that the highest cost of bond money prior to the 4-7/8 per cent series was 3.34 per cent and the average was substantially below that. Applicant admits that the bond and preferred stock markets have improved since last November but represents that it could not now expect to sell bonds or preferred stock at the cost to it which would have obtained at the times when the rates presently in effect were fixed.

The County of San Diego took the position that the accrual of $2,163,000 for deferred income taxes should be excluded from the rate base. Pending outcome of Case No. 6148 we have not acceded to this request, but have credited income tax expense with interest on the deferred tax reserve. If zero cost of money is shown for such reserve, on the assumption that it is an interest free loan from the Government, the over-all cost of money is reduced from 6.75 per cent to approximately 6.61 per cent.

We have given careful consideration to the Government's and City of San Diego's positions. They are predicated, however, principally on past performances of applicant's securities in the market place. We cannot speculate as to the future attitude of investors. We are faced with the fact that applicant's imbedded cost of bond money now is higher than it was in 1950 when a rate of return of 5.65 per cent was authorized for the gas department and in 1955 when a rate of return of 5.90 per cent was authorized for the electric department. Likewise, the applicant's representations that to raise the capital to finance, on a reasonable basis, facilities for the rapidly growing needs of its service area, it must be able to maintain the necessary financial integrity to go into the nation's money market on a competitive basis, are entitled to serious consideration, particularly since there is indication of an increase in cost of money since July 1958.

Upon a careful consideration of the evidence before us, we are of the opinion and find that a rate of return, for an interim period pending more evidence, of 6.50 per cent is fair and reasonable for applicant's gas department for the estimated year 1958. When a rate of return of 6.50 per cent is applied to the depreciated rate base of $38,048,200 hereinbefore found reasonable, an over-all increase in annual gross revenue of $2,070,000 is found to be required. This increase is approximately 72 per cent of the increase in gas department revenues finally requested by applicant.

Rate Spread

Applicant started with the rates prescribed by the Commission in Decision No. 44037, Application No. 30338, dated April 11, 1950, presumed them to provide a fair and reasonable spread and proposed increases in such rates intended to reflect changes in cost of gas since 1950. No general rearrangement of rates is proposed by applicant at this time. Since April 11, 1950, applicant listed eight separate increases in its cost of gas in the amount of 12.30 cents. A simple way to approximate this amount is to consider that in April, 1950, its commodity cost of gas was 15 cents per Mcf. As of July 23, 1958, it was 27.25 cents, indicating a commodity increase of 12.25 cents per Mcf. An increase of 2.15 cents per Mcf on January 1, 1958, already has been offset by applicant, leaving 10.1 cents as the commodity increase.

Its original request, when Exhibit A-1 was prepared, was to increase tariff schedules by roughly 10 cents per Mcf of commodity charge and increase the other charges by roughly 10 per cent. Its revision of June 2, 1958, in Exhibit No. G-5, made changes to reflect an increase of 11.19 cents per Mcf in the commodity blocks and minimum charges for firm service.

Applicant's proposed increases by classes follow:

Class of Service	Deliveries Mcf	Revenue Present Rates	Revenue Proposed Rates	Revenue Increase Amount	Revenue Increase Ratio
General Service	17,809,200	$17,278,400	$19,273,500	$1,995,100	11.55%
Firm Industrial	618,400	310,200	379,700	69,500	22.40
Interruptible Industrial	3,045,000	1,046,100	1,369,400	323,300	30.91
Interdepartmental	13,557,400	4,106,500	4,594,600	488,100	11.89
Other Gas Revenue	-	86,000	94,100	8,100	9.42
Total	35,030,000	22,827,200	25,711,300	2,884,100	12.63

The California Manufacturers Association took exception to the applicant's proposed method of spreading the increase, stating that the proposal to increase all blocks of the gas schedules, by a uniform amount, gives no recognition to increases in cost other than the cost of gas and results in an unfair penalty on the interruptible classes. In support of its position the Association introduced three exhibits as a result of a cost-of-service study its representatives had prepared. Based on its study, the Association represents that applicant's proposed general service and firm industrial rates are on the low side and the proposed interruptible rates on the high side.

A customer's representative disagreed with applicant's proposed spread of the rate increase, recommending that the Commission render an interim decision covering the matter of rate of return; then refer the matter of preparing rate structures back to applicant, with instructions that it shall forthwith arrange informal meetings to be participated in by all parties of record to work out a complete and satisfactory level of rates. In the Commission's opinion such a method would not be consonant with its duties, as prescribed by the Public Utilities Code, in seeing that the utilities establish reasonable rates and prevent any unreasonable difference in rates as between localities or as between classes of service.

The Commission will proceed in its customary manner to spread the increase in rates giving consideration to such factors as: territory, growth rates, comparative rate levels, financial risk, future outlook, adequacy of service, rate history, customers' acceptance and usage developed under existing rates, value of service, and cost to serve. Applicant did not present a cost-to-serve study by classes. Several parties brought this matter to the Commission's attention but the applicant took the risk of standing on its increased "cost of gas" approach to figuring the proposed rate increase. The Commission did not require applicant to prepare a separate cost-of-service study by classes. Such a study would have been helpful to the Commission in exercising its judgment as to applicant's spread of the rates and would have given a comparison with, or a check on, the cost study by the California Manufacturers Association. In view of the fact that a lesser over-all increase is being allowed than sought, it is possible to keep most of the rate changes within the range proposed by applicant; however, in some places we may find it desirable to go beyond the range proposed by applicant.

Premises Rule

The United States Government states that applicant's definition of premises in its gas rules is unfair, unreasonable and not uniform. The Government contends that when a utility company files for a rate increase its rules and regulations come before the Commission for examination and review and any unfair rules should be corrected. The present rule,[2] which was adopted in 1944, left

2 The present definition reads as follows: "The term 'premises' as used herein means all real property and apparatus employed in a single enterprise on an integral parcel of land undivided by dedicated streets, alleys, public highways, or railways."

out the following parenthetical statement: "(except in the case of industrial, agricultural, oil field, and resort enterprises and public or quasi-public institutions)." Leaving out the parenthetical exception imposes upon the Government, large industrial users, or public institutions, which are fortuitously located on a parcel of land that is divided by a street or a railway, the restriction to meter on both sides of the highway or railway and nullifies maximum advantage of end-block rates. The Government represents this is clear discrimination when it is observed that other large users with similar load characteristics which are located on parcels of lands which are not divided by highways or railways may single meter and take full advantage of end-block rates.

The Government refers to the electric proceeding under Application No. 36579 where, under Decision No. 53528, the Commission sustained a similar position of the Government with regard to the electric rules; and it urges that the Commission order the applicant to adopt uniformly the definition of premises now in its electric rules. The Government's position appears reasonable and will be adopted.

Zoning

Applicant's single family residential or small commercial service rates are now zoned into four rates. Applicant proposes no change in the number of zones or in the territory segregations other than to "freeze" the corporate boundaries for zoning purposes.

Applicant states that in its 1950 gas rate case it sought to retain the two-zone system which it had for many years prior thereto and which conformed to the two-zone plan presently in effect in the electric rates; that at that time the Commission created four zones; that while there has been considerable growth in the territory since the 1950 decision, the general characteristics of the service area have remained substantially the same; and that if the zoning was reasonable when created in 1950, it sees no reason why it is not reasonable in 1958.

The Commission staff studied the characteristics of the applicant's service area and proposed a revision in the four-zone plan with regard to areas included in each zone as set forth in Exhibit No. A-8. The staff points out that on other gas utilities with zoned rates, often both incorporated and unincorporated areas are placed on the same rate level. The staff's approach gives consideration to the number of customers, the location of the customers, the number of customers per mile of distribution main, area growth pattern, and history of the rates.

The staff's proposed four-zone plan covers the following gas service areas:

Area	Number of Customers	Density Customers per Mile	Relative Weighting
Zone 1			
Proposed Greater Metropolitan Area	195,132	121	100
Zone 2			
Oceanside - Carlsbad	8,314	86	60
Escondido	3,573	93	53
Total Zone 2	11,887	88	
Zone 3			
San Ysidro Area	621	93	42
Del Mar - Solana Beach-Cardiff-Leucadia-Encinitas Area	4,514	65	41
Vista Area	1,649	39	26
Total Zone 3	6,784	58	
Zone 4			
All other Customers	5,914	38	
Total System	219,717	108	

The staff's relative weighting criteria are predicated 40 per cent on number of customers, 40 per cent on density and 20 per cent on other factors previously mentioned.

The representative for Solana Beach Chamber of Commerce recommended a single rate zone because of the very unusual nature of the service area, the customers residing mainly near the Pacific Ocean with the area covering considerable distance along the coast. He pointed out that the Del Mar, Solana Beach, Cardiff, Encinitas and Leucadia communities are all contiguous and growing very rapidly and the area is more developed than the northern portion of the City of San Diego or the Mission Valley Area now classified in Zone No. 1.

The City of National City placed evidence into the record to show that it is a compact and dense area populationwise, that its future annexation possibilities are rather limited, and that some of the mains that now serve sections of San Diego pass through National City. Presently, National City is in rate Zone No. 2; and it takes the position that it is entitled to the lowest rate zone on the system from a cost standpoint. Essentially, National City does not disapprove of the staff's revision which places it in the Metropolitan Area under Zone No. 1.

On the last afternoon of the hearings in San Diego, the cities of Chula Vista, El Cajon, Imperial Beach and Escondido presented an exhibit supporting the two-zone plan for the gas department which is presently in effect with respect to the electric department rates and which had been presented by applicant and then withdrawn. The City of San Diego objected to the receipt of evidence of the exhibit identified as Exhibit No. G-11, because after the exhibit was withdrawn by applicant there was no need to study it. The case was about to be submitted and the City of San Diego would have required more time to appraise its effects on the customers in San Diego. The objection to the receipt of this exhibit in evidence was taken under submission for Commission decision.

In the closing statement by the Cities of Chula Vista, El Cajon, Imperial Beach and La Mesa, Zone No. 1 was requested for the following reasons:

1. Present zones are unreasonable in that the present Zone No. 1 includes many undeveloped areas such as San Ysidro, Nestor and Otay and excludes the areas of Chula Vista, El Cajon, Imperial Beach and La Mesa which are highly developed as to distribution mains, the number and location of customers.

2. The survey and recommendation of the staff is a scientific study which takes into consideration cost, density of customers, line and area growth pattern.

3. The Exhibit G-11 recommends that the four interested cities be included in Zone No. 1, and in the event the Commission decides against adopting the recommendation of the staff, it is felt that Exhibit G-11 comes closer to the solution of the zoning problem.

If the Commission adopts the staff's plan, then in effect, only Escondido is left as requesting introduction of Exhibit G-11. We see no reason why the exhibit should not be received in evidence on behalf of Escondido with the understanding that it is Escondido's zoning plan, and it will accordingly be received in evidence.

The Commission has carefully considered the positions of the various parties with respect to the problem of rate zoning. In the Commission's opinion a uniform rate or single zone does not reflect the difference in customer cost to serve between a dense city, dense built-up unincorporated area, suburban area and rural area.

The Commission finds reasonableness in the staff's zoning proposal, which was predicated mainly on density and number of customers. Also the staff's proposal to set boundary lines on the basis of where the denser built-up area stops appears more equitable than simply using a municipal boundary line. We will adopt the staff's zoning plan but will revise the boundary so as to exclude from Zone 1 some of the sparsely settled area to the north and east of the center of the City of San Diego, which is within the city limits of San Diego. By this decision Escondido's position is improved by one zone. Applicant will be required to review annually the boundary lines to accommodate growth.

General Service - Domestic and Small Commercial

Applicant now serves domestic and small commercial customers on Schedules Nos. G-1, G-2, G-3, and G-4. In its reports applicant often speaks of such schedules as its general service schedules. Since 1950 there has been a trend in the State to designate such schedules as general service schedules and to raise the minimum charge up to about the $2 level in order to more nearly cover the customer costs. National City opposed this move on the basis that this was too sharp an increase to place in the minimum charge against the small customers in National City. In the Commission's opinion it is desirable to switch over to a general service form of rate; however, we will respect the position of National City and will limit the increase in the initial charge to 12 cents, and we will hold the increase in the second and succeeding block to a level considerably below applicant's request.

General Service - Commercial

Applicant now serves the larger commercial customers and certain smaller industrial customers on Schedule No. G-20. The present domestic and small commercial schedules block down to the terminal level beyond 10,000 cubic feet per month.

In changing over to general service rates it appears desirable to add another block (10,000 to 20,000 cubic feet) on the general service schedules and to eliminate Schedule No. G-20. Applicant's present and proposed domestic and commercial rates are compared with the general service rates being adopted in the next tabulation:

	Schedule No. G-1	G-2	G-3	G-4	G-20
PRESENT RATES					
First 200 cu.ft. or less	$1.0045	$1.0545	$1.1545	$1.2545)	
Next 2,800 cu.ft.per 100 cu.ft.	9.73¢	10.03¢	10.63¢	11.23¢)	$9.226
Next 7,000 cu.ft.per 100 cu.ft.	7.83¢	8.03¢	8.13¢	8.23¢)	
Next 10,000 cu.ft.per 100 cu.ft.	6.53¢	6.53¢	6.53¢	6.53¢	6.33¢
Over 20,000 cu.ft.per 100 cu.ft.	6.53¢	6.53¢	6.53¢	6.53¢	5.73¢
APPLICANT'S PROPOSED RATES					
First 200 cu.ft. or less	$1.0269	$1.0769	$1.1769	$1.2769)	
Next 2,800 cu.ft.per 100 cu.ft.	10.85¢	11.15¢	11.75¢	12.35¢)	$10.345
Next 7,000 cu.ft.per 100 cu.ft.	8.95¢	9.15¢	9.25¢	9.35¢)	
Next 10,000 cu.ft.per 100 cu.ft.	7.65¢	7.65¢	7.65¢	7.65¢	7.45¢
Over 20,000 cu.ft.per 100 cu.ft.	7.65¢	7.65¢	7.65¢	7.65¢	6.85¢
AUTHORIZED GENERAL SERVICE RATES					
First 200 cu.ft. or less	$1.12	$1.17	$1.27	$1.37	
Next 2,800 cu.ft.per 100 cu.ft.	10.5¢	10.9¢	11.3¢	11.7¢	
Next 7,000 cu.ft.per 100 cu.ft.	8.4¢	8.5¢	8.6¢	8.8¢	
Next 10,000 cu.ft.per 100 cu.ft.	6.9¢	6.9¢	6.9¢	6.9¢	
Over 20,000 cu.ft.per 100 cu.ft.	6.6¢	6.6¢	6.6¢	6.6¢	

Multiple Family Residential Service

Applicant now serves multiple family residential service on Schedule No. G-10. This schedule has a sliding scale initial charge for 200 cubic feet per family unit based on the number of units. The United States Government pointed out that other large gas utility companies in the State serve multiple housing under the regular general service rates without any change based on the number of units on the meter. The Government represents that the opening of the commercial rates to housing projects service would not result in any decrease in gas rates but that under applicant's proposed rates a substantial increase would be effected. The Government's position appears reasonable and the time of this rate increase appears to be opportune to change the applicant's policies generally to correspond with those of other large utilities in the State. We will open the new general service schedules to the multiple family residential service and eliminate Schedule No. G-10.

Space Heating Service

Applicant now serves natural gas to domestic, commercial, and industrial customers, where the use is primarily for space heating for human comfort (exclusive of master meter service to multiple family dwellings), on Schedule No. G-15. This schedule has an initial charge approximately double the present domestic schedule, but it is effective only during the winter months, December to May During the summer months, June to November, no minimum or initial charge applies. The commodity rates are higher than those under the present residential and small commercial rates to recover the higher costs incident to seasonal peak-load service. We will authorize an average increase of approximately 7.4 per cent in this class of service. The schedule will be renumbered "Schedule No. G-11" to conform with uniform schedule numbering among gas utilities.

Firm Industrial Service

Applicant proposes a 22.40 per cent increase in firm industrial service. The California Manufacturers Association represents that applicant's proposal to recover its gas department cost increases through increases in commodity charges unfairly penalizes high load factor customers such as the firm industrial class. The present terminal rate level on this schedule is

47.3 cents per Mcf and appears low in light of the increases in cost of gas. In our opinion the Association representatives are entitled to some consideration and we will limit this increase to approximately 13 per cent.

Interruptible Industrial Service

Applicant proposes a 30.91 per cent increase in interruptible industrial service. Applicant arrives at this increase by increasing all blocks of its regular interruptible industrial Schedule No. G-50 by 10 cents per Mcf, an increase of 28.8 per cent, and would transfer seven interruptible customers from Schedule No. G-51 to Schedule No. G-50 and cancel the former schedule. Since applicant's present G-51 rates are lower than its present G-50 rates, the effect of the transfer is to impose a double increase on these seven customers amounting to 34.2 per cent.

The California Manufacturers Association opposed applicant's proposed interruptible increase and represents that the cost increases to be reflected should be those occurring since applicant's gas department last earned a fair rate of return, which it states was in 1955. It represents that since 1955 applicant has experienced an increase in the cost of gas of only 2.45 cents per Mcf. Also from the standpoint of costs computed in its cost study it represents the interruptible rates are too high. However, such cost study assigned practically all of the fixed charges against the firm services and does not provide any cost equivalent to a rental charge for the interruptible service while using the firm service's lines at off-peak hours.

In our opinion the Association representations should be given some weight, and we will hold the increase in interruptible rates to approximately 16.4 per cent on the average. We will not consolidate Schedules Nos. G-50 and G-51, but will retain such schedules to preserve existing priority relationships.

The Association also opposes any fuel oil escalation clauses in applicant's schedules. No escalator clauses will be included in the new schedules.

Steam-Electric Generating Service

Applicant's gas department now sells gas to its electric department for generating electric energy under Schedule No. G-54. Applicant proposes that the rate be increased to the level now effective in Southern California for other steam-electric generating plants served by the Southern California and Southern Counties Gas Companies. Such proposal represents an increase of only 11.89 per cent. In view of the larger increase being assessed against the interruptible industrial class, this rate will be increased by 1 cent more per Mcf than proposed by applicant so as to result in an approximate 15.4 per cent increase.

Service Establishment Charge

Applicant now applies a charge of $1 for each opening of an account-for-service in the domestic and general service categories under Schedule OC. The charge applies to establishment of service,whether a new service, a reconnected service,or a change of name requiring a meter reading. In case the customer requests that the service be turned on or reconnected after regular business hours, an additional charge of $1 is made. Applicant proposed only a 10 per cent increase in these rates. Here it departed from its treatment of other classes of service,where generally a higher per cent of increase was requested. The Commission understands that this charge is below the cost,and an increase of 50 per cent would be more in line with costs incurred in establishing service.

Such an increase will be authorized, together with more definitive conditions governing the additional charge for out of hours or short notice service. The designation for this schedule is changed to G-91 to conform to the numbering of gas schedules.

Summary of Rate Changes

The following table shows the increase authorized by the order herein, based on the estimated 1958 sales of gas adopted herein.

Class of Service	Sales MMcf	Revenue Present Rates ($1,000)	Rate Increase ($1,000)	Increase Ratio	Average Revenue Per Mcf after Increase
General Service					
Residential and Small Commercial	14,058	$14,605	$ 850	5.8%	109.9¢
Commercial	1,536	964	130	13.5	71.2
Multiple Family	1,565	1,145	130	11.4	81.5
Space Heating	776	813	60	7.4	112.5
Firm Industrial	618	310	40	12.9	56.6
Interruptible Industrial	3,007	1,034	170	16.4	40.0
Steam-Electric Plants	14,161	4,290	660	15.4	35.0
Total Sales	35,721	23,161	2,040	8.8	70.5
Misc. Revenues	-	69	30	43.5	-
Total	35,721	23,230	2,070	8.9	-

Miscellaneous Items

During the course of hearings as extensive as this one, many ideas are advanced in the statements and in testimony. Time and space do not permit detailed analysis and ruling on each item. The Commission has considered these ideas and has ruled in this decision on the ones which, in its opinion, are of sufficient importance to warrant comment and special ruling. With respect to the various motions placed before the Commission during this proceeding (and not heretofore ruled upon), all such motions inconsistent with the findings and conclusions herein made or with the following order are hereby each and severally denied.

Findings and Conclusions

It is a matter of record in this proceeding that certain costs have risen since the present level of rates was set in 1950. The finding is inescapable that applicant is not earning a fair rate of return at present rates. Our adopted operating results fully account for the growth in sales, customers, and revenues since the present level of rates was established, but the growth in revenues has not been sufficient to offset the increasing costs of gas and operation and increasing cost of money. Based on the evidence of record, higher rates are warranted. Accordingly, the Commission finds that the rates and charges authorized herein are justified; that the existing rates, in so far as they differ from those herein authorized for the future, are unjust and unreasonable; and that an interim order should be issued authorizing the increased rates and tariff revisions as provided by the order and Appendix A herein.

INTERIM ORDER

The San Diego Gas & Electric Company having applied to this Commission for an order authorizing increases in rates and charges for gas service, public hearing thereon having been held, the matter having been submitted, the Commission being fully informed and having found increases in rates to be justified; therefore,

IT IS ORDERED that:

1. Applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, revised tariff schedules with

changes in rates, terms, forms, conditions and rules as set forth in Appendix A attached hereto, and upon not less than five days' notice to this Commission and to the public to make said tariff schedules effective for service rendered on and after November 15, 1958.

2. Applicant shall revise its zoning method for general natural gas service customers substantially in accordance with the plan set forth in Exhibit No A-8, modified as follows:

a. Exclude from the Greater Metropolitan Rate Area that part of the City of San Diego comprising a portion of the Pueblo Lands of San Diego and lying north of a line described as follows: Starting at a point where the bottom of the San Clemente Canyon intersects the city limits of the City of San Diego in Pueblo Lot No. 1246, thence westerly along the bottom of the San Clemente Canyon and its extension, to an intersection with the Pacific Coast Highway in Pueblo Lot No. 1253. Northerly along said Highway to a point on the Lot Line between Pueblo Lots Nos. 1314 and 1323, thence westerly along said Lot Line and the Lot Line between Pueblo Lots 1313 and 1324 to the Pacific Ocean.

b. Exclude from the Greater Metropolitan Rate Area that part of the City of San Diego which includes Cowles Mountain and lying north of a line described as follows: Starting at a point where the easterly limits of the City of San Diego intersect Lake Murray Boulevard, thence westerly along Lake Murray Boulevard to its intersection with the south Section Line of Section 5, Township 16 South, Range 1 West. Thence westerly along said south section line of Sections 5 and 6 and Sections 1 and 2 of Range 2 West, San Bernardino Base and Meridian, to an intersection with the city limits of the City of San Diego.

3. At the time of filing of tariffs as provided in ordering paragraph 1 hereof applicant shall file, in conformity with General Order No. 96, appropriate and suitable rate area maps consistent with the description of rate areas established herein.

4. Applicant shall annually review its zoned-rate territorial limits, and annually file such revisions thereto as may be appropriate. Contemplated revisions shall be submitted to the Commission

for review in proposed form not less than thirty days prior to making the filing.

5. In order to determine when rate area limits should be changed, applicant shall study and within one hundred eighty days after the effective date hereof submit a report showing:

a. Minimum customer, density and location criteria for establishing new rate areas;

b. Minimum customer, density and location criteria for rezoning of fringe areas and built-up communities.

6. At the time of making effective the rates authorized by ordering paragraph 1 hereof, applicant shall cancel the superseded schedules and transfer the customers to the appropriate new schedules generally applicable in the areas and for the types of service involved.

7. Applicant is authorized to apply the rates authorized herein to its special contracts.

8. Applicant shall, at the time of making the new rates effective, amend and/or cancel rules in conflict with the schedules or provisions thereof authorized herein.

A-39681 ET *

9. Application No. 39681 is reopened for receipt of additional evidence regarding fuel oil prices, and other cost changes before such Commissioner and/or Examiner at such time and place as may later be specified by notice from the Commission's Secretary.

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

Dated at San Francisco, California, this 21st day of October, 1958.

C. Lyn Fox
President

[illegible]

[illegible]

Theodore H. Jenner

Commissioners

A. 39680
A. 39681

CONCURRING OPINION

I concur in the above opinion because I believe the over-all results to be within the zone of reasonableness.

I cannot concur, however, in the treatment accorded the reserve for deferred taxes accrued by use of accelerated depreciation for tax purposes for the years 1954-1957. The opinion credits to the tax account interest at the adopted rate of return on this reserve. The effect of this treatment is to eliminate from the rate base the assets acquired by the investment of the reserve. I find nothing whatever in the record to support or justify such treatment.

In this respect, the present decision apparently accepts as a precedent Decision No. 56967 in Pacific Gas and Electric's Application No. 38668. But in that case, also, the record was almost entirely lacking in evidence or argument which could provide any justification whatsoever for the treatment adopted by the Commission.

The Commission is currently engaged in an investigation on its own motion, Case No. 6148, to determine the treatment of accelerated amortization and depreciation for rate making purposes which will best serve the public interest. To prejudge that matter with respect to two utilities, as is done in this decision and in Decision No. 56967, on the basis of virtually nonexistent records, while the reserves established by other utilities under Sections 167 and/or 168 of the Internal Revenue Code are not charged interest and hence are not deducted from the rate base, appears to me to be arbitrary, capricious, and discriminatory. Should the Commission, on the basis of the record in Case No. 6148, ultimately determine that the treatment adopted in this instance is the proper treatment, it should be applied uniformly to all utilities which have availed themselves of the acceleration options. That will be the proper time to apply it to the present applicant. I can find no justification

A. 39680
A. 39681

Concurring Opinion - cont.

whatever for applying such treatment to any single utility before the full facts are before the Commission and a valid decision, applicable to all alike, is reached on the basis of an adequate record.

Ray E. Untereiner
Commissioner

Changes in applicant's presently effective rates, rules and conditions are authorized as set forth in this appendix:

1. Natural Gas Service Schedules G-1, G-2, G-3, and G-4

   a. Revise titles to General Natural Gas Service.

   b. Revise Territory provisions as follows:

<u>Schedule No. G-1</u>

Territory:

A - (1080 Btu)
Within the Greater Metropolitan Rate Area

Rate Areas are listed in the Index of Rate Area Maps.

<u>Schedule No. G-2</u>

Territory:

A - (1080 Btu)
Within the Rate Areas of:
Oceanside - Carlsbad
Escondido

Rate Areas are listed in the Index of Rate Area Maps.

<u>Schedule No. G-3</u>

Territory:

A - (1080 Btu)
Within the Rate Areas of:

Cardiff	San Ysidro
Del Mar	Solana Beach
Encinitas	Vista
Leucadia	

Rate Areas are listed in the Index of Rate Area Maps.

<u>Schedule No. G-4</u>

Territory:

A - (1080 Btu)

Within the entire natural gas service area of the company in which General Natural Gas Service Schedules G-1, G-2, and G-3 are not applicable.

c. Revise base rates per meter per month to the following:

	G-1 Base Rates 1080 Btu	G-2 Base Rates 1080 Btu	G-3 Base Rates 1080 Btu	G-4 Base Rates 1080 Btu
First 200 cu.ft. or less	$1.120	$1.170	$1.270	$1.370
Next 2,800 cu.ft., per 100 cu.ft.	.105	.109	.113	.117
Next 7,000 cu.ft., per 100 cu.ft.	.084	.085	.086	.088
Next 10,000 cu.ft., per 100 cu.ft.	.069	.069	.069	.069
Over 20,000 cu.ft., per 100 cu.ft.	.066	.066	.066	.066

d. Change the Minimum Charge provisions to the following:

Minimum Charge:

The minimum charge per meter per month shall be the commodity charge for the first 200 cubic feet or less.

e. Revise charges under Special Conditions to conform with minimum charges specified under Rates.

f. Cancel present Schedules Nos. G-10 and G-20 and transfer the customers to the appropriate Schedule Nos. G-1, G-2, G-3 or G-4.

g. Change Applicability to permit master metering of multiple housing.

2. Service to company employees:

a. Refile Schedule No. G-9 as Schedule No. G-90

3. Space Heating Natural Gas Service

a. Renumber Schedule No. G-15 as Schedule No. G-11

b. Under Territory, delete Rate Area section.

c. Revise base rates per meter per month to the following:

		G-11 Base Rates 1080 Btu
First	400 cu.ft. or less -	
	Winter Months, December-May	$2.27
	Summer Months, June-Nov., per 100 cu.ft.	.122
Next	2,600 cu.ft., per 100 cu.ft.	.122
Next	7,000 cu.ft., per 100 cu.ft.	.102
Next	10,000 cu.ft., per 100 cu.ft.	.082
Over	20,000 cu.ft., per 100 cu.ft.	.077

d. Change the Minimum Charge to:

$2.27 per meter per month - Winter Months, December-May

No minimum - Summer Months, June-November

4. Schedule No. G-40

a. Change the base rates per meter per month to the following:

		G-40 Base Rates 1080 Btu
First	150 Mcf or less	$105.00
Next	150 Mcf, per Mcf	.57
Next	700 Mcf, per Mcf	.55
Over	1,000 Mcf, per Mcf	.52

b. Under Territory, delete Rate Area section.

5. Schedule No. G-50, Interruptible Natural Gas Service.

a. Under Territory, delete section under Rate Area.

b. Change the base and minimum rates per meter per month to the following, and eliminate the maximum rates column:

		G-50 Base Rates 1080 Btu
First	200 Mcf, per Mcf	.477
Next	500 Mcf, per Mcf	.417
Next	2,300 Mcf, per Mcf	.402
Next	3,000 Mcf, per Mcf	.392
Next	4,000 Mcf, per Mcf	.382
Over	10,000 Mcf, per Mcf	.372

c. Change the Service Charge to $16.50 per meter per month.

d. Delete references to fuel oil price and insert the following:

The above effective rates are based on the average heating value per cubic foot indicated and as set forth in Rule 2(c).

e. Delete Special Conditions Nos. 1, 2 and 13.

f. Delete the last sentence in Special Condition No. 11.

g. Delete the Minimum Charge provisions and substitute the following:

Minimum Charge:

For billing months March through November $65.00

For billing months December through February ... None

For the purpose of computing charges, the months named in the rates above are the regular monthly meter reading periods ending in each named month. Minimum charge to be paid monthly and to be made cumulative when the total billing exceeds $585 per meter per contract year, except that no credit against cumulative minimum charges shall accrue during billing months December through February.

6. Schedule No. G-51, Interruptible Industrial Natural Gas Service

   a. Under Territory delete section under Rate Area.

   b. Change the base rates per meter per month to the following, and eliminate the Minimum and Maximum Rates Columns:

	G-51 Base Rates 1080 Btu
First 200 Mcf, per Mcf	$.456
Next 500 Mcf, per Mcf	.411
Next 2,300 Mcf, per Mcf	.381
Next 7,000 Mcf, per Mcf	.371
Over 10,000 Mcf, per Mcf	.361

   c. Change the Service Charge to $23.10 per meter per month.

   d. Delete reference to fuel oil price and insert the following:

   The above effective rates are based on the average heating value per cubic foot indicated and as set forth in Rule 2(c).

   e. Delete Special Conditions Nos. 1, 2 and 13.

   f. Delete the last sentence in Special Condition No. 11.

   g. Delete the Minimum Charge provisions and substitute the following:

   Minimum Charge:

   For billing months March through November $1,500.00

   For billing months December through February ... None

   For the purpose of computing charges, the months named in the rates above are the regular monthly meter reading periods ending in each named month. Minimum charge to be paid monthly and to be made cumulative when the total billing exceeds $13,500 per meter per contract year, except that no credit against cumulative minimum charges shall accrue during the billing months December through February.

7. Schedule No. G-54

   a. Change the base and effective rates to the following:

	Base Rate	Effective Rates Winter	Effective Rates Summer
Commodity Charge:			
Per Mcf	$.3525	$.353	$
First 10 Mcf per month, per Mcf of contract volumetric rate			.378
Next 10 Mcf per month, per Mcf of contract volumetric rate			.348
Next 10 Mcf per month, per Mcf of contract volumetric rate			.318
Excess, per Mcf			.343

b. Delete last paragraph of Special Condition 1. (b) and replace with the following:

The Contract Volumetric Rate is _*____ Mcf.

per day.

*Applicant insert designated amount as of the effective date of the tariff.

8. Withdraw and cancel present Schedule OC and replace with the following Schedule No. G-91:

SCHEDULE NO. G-91

SERVICE ESTABLISHMENT CHARGE

APPLICABILITY

This schedule is applicable to General Natural Gas Service, Space Heating Natural Gas Service and Firm Industrial Natural Gas Service customers.

TERRITORY

Within the entire territory served.

RATE

For each establishment, supersedure, or re-establishment of gas service:	$1.50

SPECIAL CONDITIONS

1. The service establishment charge provided for herein is in addition to the charges calculated in accordance with the applicable schedule and will be made each time an account is opened, including a turn on or reconnection of gas service or a change of name which requires a meter reading.

2. In case the customer requests that gas service be turned on or reconnected outside of regular business hours or within four hours after his request, an additional charge of $1.50 will be made.

3. In the event completion of an order for opening an account for both gas and electric service is requested simultaneously by the customer, the charges set forth above will be reduced by 40 percent.

OTHER TARIFF CHANGES

1. Wherever there is a reference to "Rule and Regulation" on applicant's tariff sheets, the words "and Regulation" shall be deleted.

2. Title Page

   a. Insert on title page as follows:

   Operating In
   San Diego County
   California

   The following tariff schedules have been regularly filed with the Public Utilities Commission of the State of California and are the effective rates and rules of this company.

   The Public Utilities Commission may amend or cancel these rates and rules by formal procedure and the company may amend or withdraw them after application to the Commission and receipt of authority for such action.

   No officer, inspector, solicitor, agent or employee of the company has any authority to waive, alter or amend these tariff schedules, or any part thereof in any respect, except in the manner provided above.

   Applicants for service and customers must conform to and comply with these tariff schedules.

3. Preliminary Statement.

   a. Delete first unnumbered paragraph.

   b. Revise wording under Territory Served to the following:

      San Diego Gas & Electric Company supplies gas service to customers in western San Diego County, California as more fully described on the Map of Territory Served. The territory in which each schedule is applicable is more specifically described on the schedule and on the Rate Area maps for General Natural Gas Service.

   c. Delete wording under Description of Service and add:

      Detailed description of character of service is given under Rule No. 2.

d. Under Procedure to Obtain Service, delete the last two sentences and add the following:

Where an extension of the Company's mains is necessary or a substantial investment is required to supply service, applicant will be informed as to the conditions under which service will be supplied. A copy of the application form is filed under Standard Forms in these tariffs.

e. Revise Section (4) to the following:

(4) Establishment of Credit and Deposits

(a) Establishment of Credit

Credit may be established as provided in Rule No. 6 by one of the following:

1. Ownership of premises
2. Cash deposit
3. Satisfactory guarantee
4. Previous prompt payment of bills for 12 months prior to date of application.

(b) Deposits

Where credit is not otherwise established, deposit will be required in amounts as set forth in Rule No. 7.

f. Revise Section (5)(b) - Discounts, to the following:

Rates hereinafter listed are net rates and are not subject to discount, except as provided in Schedule No. G-90.

g. Delete Section (5)(c).

h. Premises - Delete Section (5)(f)

4. File an Index of Rate Area Maps and appropriate maps, to follow the Preliminary Statement in the tariff book, as follows:

INDEX OF RATE AREA MAPS

	Map No.
Territory Served	*
Rate Areas and Communities	
Zone No. 1	
Greater Metropolitan Rate Area:	*
Bostonia	
Castle Park	
Chula Vista	
Coronado	
El Cajon	

*Insert map number.

Greater Metropolitan Rate Area (Contd):	Map No.
Grossmont	*
Imperial Beach	
La Mesa	
Lemon Grove	
Lincoln Acres	
National City	
Otay	
San Diego	
Spring Valley	

Zone No. 2

Oceanside - Carlsbad Rate Area	*
Escondido Rate Area	*

Zone No. 3

Cardiff Rate Area	*
Del Mar Rate Area	*
Leucadia - Encinitas Rate Area	*
San Ysidro Rate Area	*
Solana Beach Rate Area	*
Vista Rate Area	*

Zone No. 4

Within all territory in the gas service area of the company not covered by Zones 1, 2 or 3, including the communities of:

Bonita
San Marcos
Santee
Sunnyside

*Insert map number.

5. Replace all references to the "Railroad Commission" with the Public Utilities Commission of the State of California.

6. Remove all references to predecessor companies.

7. Cancel the present Rule No. 1 and refile as follows:

Rule No. 1

DEFINITIONS

Premises: All the real property and apparatus employed in a single enterprise on an integral parcel of land undivided, excepting in the case of industrial agricultural, oil field, resort enterprises, and public or quasi-public institutions, by a dedicated street, highway, or other public thoroughfare, or a railway.

8. Rule No. 2

a. Delete Paragraph 3 of the second page.

b. Change the last sentence of Paragraph 2 to read as follows:

The effective rates will be determined by an adjustment in all base rates (except for the fixed and/or the minimum charge portion of the rate) of 4½ percent for each 50 Btu step, computed to the nearest 0.01¢ per 100 cubic feet or 0.1¢ per 1,000 cubic feet (Mcf) and will become effective fifteen days thereafter.

9. Rule No. 5

Revise first paragraph under (c) Bills, to the following:

Each bill for gas service, except postcard bills, will contain thereon the following:

"THIS BILL IS DUE AND PAYABLE UPON PRESENTATION

"Should you question this bill please request an explanation from the Company. If you thereafter believe you have been billed incorrectly, the amount of the bill should be deposited with the California Public Utilities Commission, Mirror Building, 145 South Spring Street, Los Angeles 12, to avoid discontinuance of service. Make remittance payable to the California Public Utilities Commission and attach the bill and a statement supporting your belief that the bill is not correct. The Commission will review the basis of the billed amount and make disbursement in accordance with its findings."

nb

APPENDIX B

LIST OF APPEARANCES

For Applicant: Chickering & Gregory by Sherman Chickering and C. Hayden Ames.

Protestants: City of National City by Robert O. Curran, James A. Bird and C. T. Mess; City of Escondido by Russell G. Taliaferro; City of Imperial Beach by John F. O'Laughlin; Mountain Empire Electric Cooperative, Inc., by John Coker and John F. O'Laughlin; Vista Irrigation District by Glenn E. Wright by Robert E. Kronemeyer.

Interested Parties: City of San Diego by Frederick B. Holoboff and Clarence A. Winder; County of San Diego by James Don Keller, Bernard L. Lewis, Samuel S. Bloom and Jean L. Vincenz; California Manufacturers Association by Brobeck, Phleger & Harrison by Robert N. Lowry; Southern California Edison Company by Rollin E. Woodbury, C. Robert Simpson, Jr., and Earl R. Sample; California Farm Bureau Federation by Bert Buzzini; Perfectaire Manufacturing Company by Henry E. Walker; City of Chula Vista by Manuel L. Kugler; W. D. MacKay, Commercial Utility Service, for Challenge Cream Butter Association, U. S. Grant Hotel, Piggly Wiggly of San Diego and Chamber of Commerce of Solana Beach; City of Escondido by Russell G. Taliaferro; Mountain Empire Electric Cooperative, Inc., by John Coker and John F. O'Laughlin; College Grove Center by Newlin, Tackabury & Johnston by George W. Tackabury; City of El Cajon and Chamber of Commerce of El Cajon by Donald W. Smith and F. Joseph Doerr; City of Oceanside by Dale Austin and Bruce Smith; Department of Defense and other Executive Agencies of the United States by Harold Gold, Reuben Lozner and Clyde F. Carroll; City of La Mesa by Gilbert Harelson.

Commission Staff: R. T. Perry, W. R. Roche and Theodore Stein.

LIST OF WITNESSES

Evidence was presented on behalf of the applicant by: E. D. Sherwin H. G. Dillin, A. R. Cox, G. R. Gray, W. C. Mohler, John H. Woy, C. P. deJonge, L. R. Knerr, R. J. Phillips, H. A. Noble, and Louis J. Rice, Jr.

Evidence was presented on behalf of the protestants and interested parties by: George A. Scott, Phillip Lyon, Allen Elijah, Roderick R. Kirkwood, Robert G. Rogo, Paul M. Sapp, Arthur M. Dunstan, James K. MacIntosh, W. W. Eyers, Orville M. Spear, Clarence A. Winder, James A. Bird, and W. D. MacKay.

Evidence was presented on behalf of the Commission Staff by: David F. La Hue, Richard R. Entwistle, Louis W. Mendonsa, Robert C. Moeck, Leonard S. Patterson, and Robert W. Beardslee.