

Decision No. 59979**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of SOUTHERN CALIFORNIA GAS COMPANY  
for a General Increase in Gas Rates.

Application No. 41860  
(Amended)

(Appearances are Listed in Appendix A)

OPINION ON REQUEST FOR INTERIM INCREASE

Applicant's Request

Southern California Gas Company,<sup>1</sup> by the above-entitled application filed on January 15, 1960 and as amended on March 11, 1960, requests authority to increase rates so as to yield additional annual revenues of \$25,213,000 related to a test year ended June 30, 1961. Pending a final decision in this proceeding, applicant requests an immediate interim offset increase in retail rates in the amount of \$2,983,000 on an annual basis. Some \$622,000 of the interim offset request, according to applicant, represents the portion of Pacific Lighting Gas Supply Company's January 1, 1959 rate increase not recovered by applicant from interruptible customers through Application No. 40647. Applicant asserts that the balance, or \$2,397,000, represents the portion of Pacific Lighting Gas Supply Company's January 12, 1960 rate increase<sup>2</sup> assignable to applicant's retail service.

The proposed interim increase of \$2,983,000 represents approximately 1.3 percent of the adjusted revenue for the year ended October 31, 1959 from gas sales of \$221,773,000 at present rate levels, as estimated by applicant.

<sup>1</sup> Southern California Gas Company, applicant herein, is engaged in the business of purchasing, distributing and selling natural gas at retail and wholesale as a public utility to more than 1,670,000 customers in central and southern California.

<sup>2</sup> Authorized by Decision No. 59429, dated December 21, 1959, in Application No. 41277.

Public Hearing

Public hearings were held on March 17 and 18, 1960 at Los Angeles before Commissioner Peter E. Mitchell and Examiner William W. Dunlop. During those two days applicant presented its direct evidence on its entire request as well as on its request for an immediate interim offset increase. Cross-examination of applicant's witnesses on the interim request was concluded. On the second day of hearing, March 18, 1960, applicant moved for a prompt increase in gas rates to offset the higher price applicant has been paying for gas received from Pacific Lighting Gas Supply Company. After oral argument, applicant's motion was taken under submission and the hearings were continued to April 27, 28, 29, May 18, 19, 20 and June 1, 2 and 3, 1960.

This decision will deal solely with applicant's motion for prompt rate relief in the amount of \$2,983,000 pending a final decision in this proceeding.

Applicant's Position

Applicant bases its request for prompt interim offset rate relief on the fact that it is now paying the higher cost of gas purchased from Supply Company and on its claim of a declining rate of return.

Applicant claims that it actually realized a rate of return of 5.50 percent for 1959; that after reflecting adjustments for average temperature, increased cost of gas, wage increases, and other items, the adjusted rate of return for 1959 is 5.85 percent at present rates and 6.19 percent at the requested higher interim rates; and that such rates of return are below the 6.75 percent rate of return determined to be fair for applicant by this Commission in Decision No. 55642, dated October 1, 1957, in Application No. 38787.

As a precedent for its interim offset request, applicant cites Decision No. 56187, dated January 31, 1958, in Application No. 38787 (Second Supplemental). Further, according to applicant's counsel a recent thorough testing of the rates and earnings of applicant was accomplished in 1959 when the Commission allowed an offset

rate increase in So. Calif. Gas Co., 57 Cal. P.U.C. 250.

Applicant does not base its interim offset request for \$2,983,000 on any present financial emergency.

Proposed Interim Rate Spread

Applicant proposed to spread the January 12, 1960 Supply Company's increase to classes as a uniform percentage of revenue. Similarly, applicant has allocated the January 1, 1959 Supply Company's increase, which was not previously recovered from interruptible customers, to interruptible classes on the basis of related revenues at present rates. However, applicant is not asking to recover in the interim increase, any amount thus allocated to Schedule G-52 customers because of a competitive situation.

The interim increases proposed by applicant by class of service or schedule are summarized as follows:

BASED UPON 12 MONTHS ENDED OCTOBER 31, 1959

Class of Service	Adjusted M <sup>2</sup> cf Sales	Adjusted Revenue at Present Rates	Requested Interim Increase		
			Total	Percent Increase	Cents Per Mcf
Firm General	169,271.4	\$162,725,000	\$1,759,000	1.08%	1.04c
Gas Engine	3,051.9	1,545,000	17,000	1.10	0.56
Sched. G-50 & G.53	56,927.3	23,766,000	514,000	2.16	0.90
Sched. G-52	3,643.6	1,696,000	*	--	--
Sched. G-54	90,443.2	32,041,000	693,000	2.16	0.77
Total Retail	323,337.4	\$221,773,000	\$2,983,000	1.34	0.92

\*Applicant is not asking an interim increase in Schedule G-52 because of the competitive situation and the proposed permanent rates.

Position of Other Parties

The Commission staff opposed applicant's motion and also moved for a dismissal of applicant's request for interim offset rate relief principally on two grounds; first, the applicant had made no showing of emergency or precarious financial condition or of impairment of adequate service to consumers; and second, the request for an offset increase was premature and should not be entertained until all

parties completed cross-examination of all of applicant's witnesses on the entire presentation and until all parties desiring to present direct testimony on the over-all request have been afforded a reasonable opportunity to do so. Further, the staff pointed out that applicant's interim showing in Exhibit No. 14 did not contain all adjustments adopted by the Commission in So. Calif. Gas Co., 57 Cal. P.U.C. 250. The staff cited several past Commission decisions relied upon for its position.<sup>3</sup>

The City of Los Angeles opposed applicant's motion both as a matter of principle and of precedent on the ground that an emergency situation had not been proven to exist in this proceeding. Further, the City of Los Angeles noted that applicant's surplus account had grown from \$38,250,000 as of October 31, 1959 to \$40,956,000 as of January 31, 1960; that such surplus balances were equivalent to nearly two and one-half years of combined preferred and common stock dividends or five years of interest charges on long-term debt; that applicant's 1959 recorded gross income applicable for bond interest was 3½ times interest on long-term debt; and that applicant's earning results shown in Exhibit No. 14 were not necessarily indicative of what the Commission might decide is proper. Other factors viewed by the City of Los Angeles as weighing against a granting of applicant's motion include: (1) the interim increase requested is only of the order of one percent of applicant's revenues; (2) any interim increase could only be effective a few months prior to definitive rates being established; (3) there would be adverse publicity occasioned by frequent rate changes; and (4) there would be added expense to applicant in placing the interim rates into effect.

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<sup>3</sup> Coast Counties G. & E. Co., 50 Cal. P.U.C. 580; Cal. Trucking Assns., Inc., 55 Cal. P.U.C. 481; Dyke Water Co., 56 Cal. P.U.C. 105; So. Counties Gas Co., 55 Cal. P.U.C. 589; So. Calif. Gas Co., 57 Cal. P.U.C. 250; Citizens Utilities Co., 55 Cal. P.U.C. 628.

The City of Glendale concurred in the position taken by the counsel for the Commission staff and by the counsel for the City of Los Angeles.

A representative for the Department of Defense and Executive Agencies of the United States of America took the position that applicant's request for interim offset rate relief should be governed by the same criteria that govern applications for definitive rates.

The representative of the California Farm Bureau Federation stated that he had no reason to take issue with the interim rate allocations proposed by applicant and that he did not oppose applicant's request for an interim offset increase.

A representative for Riverside Cement Company urged that the record showed the value of service to the cement companies was less than the present rates and that interruptible rates could be reduced as much as 6½ cents per Mcf without being a burden on any other class of customer.

Southern California Edison Company was concerned with the proposed spread of rates and urged that applicant's showing was completely inadequate to justify the interim offset increase requested of Schedule G-54 customers. Because of the competitive fuel oil situation, Edison asked that Schedule G-54 rates remain unchanged.

California Electric Power Company, appearing as a protestant, objected to the proposed spread of the increase as applied to its operations and to other Schedule G-54 customers located outside the Air Pollution Control District. This protestant claimed that a portion of the proposed increase to Schedule G-54 is attributable to costs associated with Rule 62 and with operation fuel switch; that none of such costs are attributable to California Electric Power Company or to other Schedule G-54 customers similarly located; and that applicant had not sustained its burden of proof concerning the proposed increase to such Schedule G-54 customers.

Findings and Conclusions

We have carefully reviewed the evidence of record, the statements of the parties and the precedents relied upon by applicant in support of its motion for prompt interim offset rate relief pending a final decision in this proceeding. We find the precedents on which applicant relies are distinguishable from and not applicable to the instant proceeding.

The evidence indicates neither a precarious financial condition nor other serious financial position which must be relieved now pending the orderly processes of establishing definitive rates in this proceeding. Cross-examination of applicant's witnesses on its over-all showing is scheduled to start April 27, 1960. Evidence of interested parties, except the Commission staff, generally is scheduled to be presented starting on May 18, 1960. The staff showing is scheduled to start June 1, 1960. Exchange of exhibits approximately 10 days in advance of hearing dates is anticipated. At this juncture, no unreasonable delay in the orderly processing of the instant application is apparent.

It is clear that any interim increase could be effective for only a few months before definitive rates are established. Hence, the impact upon applicant's revenues flowing from applicant's motion could not be the annual amount of \$2,983,000 but a substantially lesser amount, perhaps even less than one-third of that amount, and the effect upon applicant's rate of return perhaps even less than one-tenth of one percent.

We find the record does not justify the granting of the interim relief sought pending a final decision in this proceeding. Accordingly, applicant's motion will be denied.

O R D E R

Based upon the evidence of record and the findings and conclusions set forth in the preceding opinion,

IT IS ORDERED that applicant's motion for interim offset rate relief is denied.

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

Dated at San Francisco, California, this 19th day of April, 1960

Charles R. Ray  
President  
J. E. Mitchell  
Michael J. ...  
E. ...  
Theodore J. ...  
Commissioners

APPENDIX A

LIST OF APPEARANCES

For Applicant:

Harry P. Letton, Jr., and John Ormasa.

Protestants:

O'Melveny & Myers, by Lauren M. Wright, for Riverside Cement Company, Division of American Cement Corporation; Donald J. Carman, for California Electric Power Company.

Interested Parties:

Harold Gold, Reuben Lozner and Stuart R. Foutz, by Stuart R. Foutz, on behalf of the Department of Defense and other Executive Agencies of the U. S. of America; Ben W. Porterfield, for Standard Oil Company of California; William L. Knecht, for California Farm Bureau Federation; Brobeck, Phleger & Harrison, by Robert N. Lowry, for California Manufacturers Association; Wendell R. Thompson, for the City of Pasadena; R. G. L. Walters, by Lynn L. Mc Arthur, for the City of Burbank; W. D. Mackay, (Commercial Utility Service) for Challenge Cream & Butter Association; Alan G. Campbell, T. M. Chubb, R. W. Russell and Manuel Kroman, for City of Los Angeles; Alfred H. Driscoll, for City of Los Angeles, Department of Water and Power; K. L. Parker and George F. Flewelling, for City of Glendale; Wallace K. Downey, for California Portland Cement Company; Waldo A. Gillette and Enright, Elliott & Betz, by Norman Elliott, for Monolith Portland Cement Company; H. G. Dillin and Chickering & Gregory by Sherman Chickering and C. Hayden Ames, for San Diego Gas & Electric Company; C. C. Morris and Paul M. Sapp, for Housing Authority of the following: City of Los Angeles, County of Los Angeles, County of Riverside, City of Wasco, County of San Bernardino, County of Kern, County of Tulare, City of El Centro, City of Holtville, City of Brawley, City of Imperial, City of Westmoreland, City of Calexico, City of Calipatria, and County of Imperial; Walfred Jacobson, Leslie E. Still, and Henry E. Jordan for the City of Long Beach; and Rollin E. Woodbury, Harry W. Sturges, Jr., by Rollin E. Woodbury, for Southern California Edison Company.

Commission Staff:

Cyril M. Saroyan and Robert W. Beardslee.