

ORIGINALDecision No. 59982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN)
 COUNTIES GAS COMPANY OF CALIFORNIA for a
 general increase in gas rates under Section } Application No. 41859
 454 of the Public Utilities Code. }

(Appearances are listed in Appendix A)

OPINION ON REQUEST FOR INTERIM INCREASEApplicant's Request

Southern Counties Gas Company of California¹, 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 gross revenues of \$14,643,000 related to a test year ending June 30, 1961. Pending a final decision in this proceeding, applicant requests an immediate interim offset increase in the amount of \$1,177,000 to recover from customers the increased cost of gas resulting from this Commission's Decision No. 59429, dated December 21, 1959, in Application No. 41277. Said Decision No. 59429 authorized Pacific Lighting Gas Supply Company to increase the monthly charge paid by applicant for gas from \$327,000 to \$353,500, or \$26,500 per month and authorized an increase in the commodity charge from 28.7¢ per Mcf to 33.4¢ for all gas starting January 12, 1960.

¹Southern Counties Gas Company of California, 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 700,000 customers in Southern California. San Diego Gas & Electric Company is applicant's only wholesale customer.

The proposed immediate interim increase of \$1,177,000 represents approximately 1.1 per cent of the estimated year 1960 revenue from gas sales of \$111,240,000 at present rate levels, as estimated by applicant.

Public Hearing

Public hearings were held on March 14 and 15, 1960 at Los Angeles before Commissioner Peter E. Mitchell and Examiner William W. Dunlop. During those two days the 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 15, 1960, applicant moved for an immediate interim increase amounting to \$1,177,000 in additional annual gross revenues for the sole purpose of offsetting the higher price applicant has been paying for gas received from Pacific Lighting Gas Supply Company since January 12, 1960. After oral argument, applicant's motion was taken under submission and the hearings were continued to April 13, 14, 15 and May 23, 24, 25, 26 and 27, 1960.

This decision will deal solely with the applicant's motion for immediate interim rate relief in the amount of \$1,177,000.

Applicant's Position

Applicant bases its request for immediate interim offset rate relief on its claim of a declining rate of return. It states that the increase awarded Supply Company, effective January 12, 1960, is too great for applicant to absorb while it is waiting for general rate relief in this proceeding.

Applicant claims that it actually realized a rate of return of 5.13 per cent 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 5.65 per cent at present rates and 5.97 per cent at the requested higher interim rates; and that even with the interim rates requested, applicant

will fail by \$880,000 in net revenue to earn the 6.5 per cent rate of return determined to be fair by this Commission in Decision No. 55579, dated September 17, 1957 in Application No. 38211.

As precedents for its interim offset request, applicant cites the following decisions:

1. Decision No. 56186, dated January 31, 1958, in Application No. 38211 (Second Supplemental).
2. Southern Counties Gas Company, 57 Cal. P.U.C. 59.

Further, according to applicant's counsel a recent thorough testing of applicant's rates and earnings was accomplished in 1959 when the Commission allowed an El Paso offset rate increase by Decision No. 58793, dated July 21, 1959, in Application No. 40958.

Applicant does not base its interim request for \$1,177,000 on any present financial emergency. It does point out, however, that it plans to go into the money market this summer to sell at least \$20,000,000 in bonds.

Proposed Interim Rate Spread

Applicant proposed to increase rates to all customer classes generally on a uniform 0.94 percentage of revenue, excepting steam electric generating (Schedule G-54) customers. With respect to (Schedule G-54) customers, applicant proposed a rate increase of .76c per Mcf, equal to the increase proposed for this class of service by Southern California Gas Company. The increase proposed by applicant for wholesale service to San Diego Gas & Electric Company (Schedule G-60) is 9.4¢ in the monthly demand charge per Mcf of contract demand.

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

BASED UPON ESTIMATED YEAR 1960

<u>Class of Service</u>	<u>M²cf Sales</u>	<u>Revenue at Present Rates</u>	<u>Requested Interim Increase</u>		
			<u>Total</u>	<u>Percent In-crease</u>	<u>c/M Com. \$/M/ Mo. Dem.</u>
1. General Service	73,623.6	\$ 68,425,000	\$ 647,900	0.95%	0.88c
2. Gas Engine	1,081.4	505,000	4,700	.93	.43
3. Firm Industrial	5,019.2	2,910,000	26,600	.91	.53
4. Inter. Ind.-Reg.	24,627.7	9,903,000	93,500	.94	.38
5. Steam Elec. Gen.	29,697.0	10,519,000	225,700	2.14	.76
6. Wholesale- S.D.G.&E. Co.	<u>50,336.1</u>	<u>18,978,000</u>	<u>178,600</u>	<u>.94</u>	<u>- \$0.094*</u>
7. Total	184,385.0	\$111,240,000	\$1,177,000	1.06	.64

*Increase in demand charge based upon 1,900,000 demand units.

Counsel for Southern California Edison Company cross-examined applicant's witness regarding the interim increase proposed for (Schedule G-54) customers. Applicant's witness admitted that the increase proposed for (Schedule G-54) customers amounted to an increase of 2.14 per cent compared with an increase of approximately .94 per cent for the other customer classes. This witness further admitted that his sole consideration in adopting the increase per Mcf for (Schedule G-54) customers was the fact Southern California Gas Company developed that amount per Mcf increase for (Schedule G-54) customers on its system.

Position of Other Parties

Applicant's motion was opposed by the Commission staff and by the City of Los Angeles principally on the ground that the applicant had made no showing that a present financial emergency exists with respect to its operations. The staff and the City of Los Angeles urge that the Commission in past proceedings has required a showing that a financial emergency exists before authorizing interim

rate increases pending the time it may take the Commission to arrive at final definitive rates.²

The City of Los Angeles also noted that applicant's surplus account had grown from \$10,628,000 as of September 30, 1959 to \$11,366,000 as of January 31, 1960; that the present surplus balance was equivalent to nearly two years of common stock dividends or three years of interest charges on long-term debt; that applicant's 1959 recorded gross income available for bond interest was 3.2 times interest on long-term debt; and that applicant's earning results shown in Exhibit No. 14 do not contain adjustments 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 one per cent 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 expenses to the applicant in placing the interim rates into effect.

A representative for the Department of Defense and Executive Agencies of the United States of America took the position that interim rate relief should be governed by the same criteria that govern applications for definitive rates. He observed that the precedents cited by counsel for applicant in support of its motion for interim increases contained showings by other parties beside applicant.

The Challenge Cream and Butter Association opposed applicant's motion until the Commission renders a decision clarifying the status of exchange business.

² Highway Carriers' Tariff No. 2, 51 Cal. P.U.C. 758;
Draymen's Assn. of S.F., 55 Cal. P.U.C. 479;
Cal. Trucking Assns., 55 Cal. P.U.C. 481;
Citizens Utilities Co. of Cal., 55 Cal. P.U.C. 628.

The representative of the California Farm Bureau Federation stated he found no grounds upon which he could oppose the interim increase.

San Diego Gas & Electric Company took no position regarding "the legality or the economic necessity" for the interim increase (RT 435). It did, however, support applicant's method of spreading the interim increase to San Diego Gas & Electric Company if the Commission should grant applicant's request for interim increases.

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 immediate 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 13, 1960. Evidence of the staff and of other interested parties is scheduled to be presented starting on May 23, 1960. Exchange of exhibits approximately ten days in advance of the May 23rd hearing date 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 \$1,177,000 but a substantially lesser

amount, perhaps even less than one-third of that amount, and the effect upon applicant's rate of return something less than one-tenth of one per cent.

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.

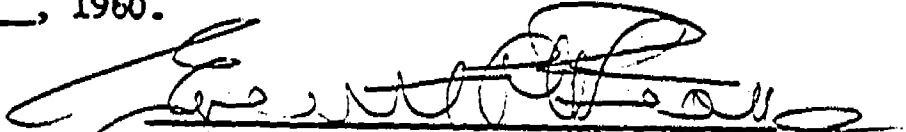
O R D E R

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.

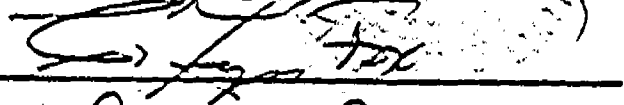
Dated at San Francisco, California, this 19th day April, 1960.

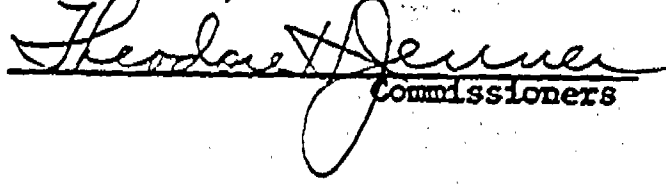


 President









 Commissioners

APPENDIX A

LIST OF APPEARANCES

FOR APPLICANT: Milford Springer and Robert N. Olson, Jr.

INTERESTED PARTIES: Rollin E. Woodbury and Harry W. Sturges, Jr., by Rollin E. Woodbury, for Southern California Edison Company; Brobeck, Phleger & Harrison, by Robert N. Lowry, for California Manufacturers Association; Harold Gold and Stuart R. Foutz, by S. R. Foutz, for Department of Defense and Executive Agencies of U.S. of America; Ben W. Porterfield, for Standard Oil Company of California; Enright, Elliott & Betz, by Norman Elliott and Waldo O. Gillette, for Monolith Portland Cement Company; Chickering & Gregory, by Sherman Chickering and C. Hayden Ames and H. G. Dillin, for San Diego Gas & Electric Company; T. M. Chubb, R. W. Russell, M. Kroman, for City of Los Angeles; Alfred E. Driscoll, for City of Los Angeles and Department of Water & Power, City of Los Angeles; William L. Knecht, for California Farm Bureau Federation; Henry E. Jordan, for City of Long Beach; Walfrid Jacobson, for City of Long Beach; W. D. Mackay (Commercial Utility Service), for Challenge Cream & Butter Association.

COMMISSION STAFF: Martin J. Porter and John R. Gillanders.