

Decision No. 60615**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 B)

O P I N I O NApplicant's Request

Southern California Gas Company, ^{1/} by the above-entitled application filed on January 15, 1960, as amended on March 11, 1960 and as further amended at the hearing on June 21, 1960, requests authority to increase gas rates so as to yield additional annual gross revenues of \$24,225,000 related to a test year ending June 30, 1961. The original application requests that a general rate increase of \$18,007,000 of additional annual gross revenue be authorized, \$2,983,000 of which was sought as an immediate interim increase to offset the increase in cost of gas purchased from Pacific Lighting Gas Supply Company beginning January 12, 1960, ^{2/} and the balance, or \$15,024,000, was requested to be made effective concurrently with the initial receipt of Transwestern gas anticipated during August 1960.

The first amendment, filed on March 11, 1960, requests authority to increase gas rates by an additional \$7,196,000 to

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

2/ By Decision No. 59979 dated April 19, 1960, applicant's request for an immediate interim offset increase of \$2,983,000 was denied.

offset the annual increase in cost of out-of-state gas scheduled to begin August 25, 1960. This latter increase, applicant alleges, will result from the increase which the El Paso Natural Gas Company will charge applicant pursuant to new rates filed with the Federal Power Commission (FPC) under Docket No. RP60-3.

By reason of certain changes in estimates as revealed in Exhibit 62, applicant further amended its request at the hearing on June 21, 1960 to increase rates by \$24,225,000. Of that total applicant states \$7,092,000 is applicable to the August 1960 El Paso offset increase and \$17,133,000 is requested as a general rate increase. The rates which applicant seeks to have made effective are contained in Exhibits 63 and 79.

Applicant also requests:

- (1) Authority concurrently to restate the offset charges presently included in its rates, which offset charges were authorized by Decisions Nos. 47992, 50742, 51359, 56000 and 58792, and to include in its permanent rates the difference between the present offset charges and the restated offset charges.
- (2) Authority to review annually the adequacy of the offset unit charges, and if appropriate, to file revised offset unit charges, subject to Commission approval.
- (3) Approval of the proposed method of calculating the amount available for refund and the proposed method of distributing such refund.

The requested over-all annual increase of \$24,225,000 represents 9.4 percent of the test year (12 months ending June 30, 1961) revenue of \$257,894,000 at present rate levels, as estimated by applicant. Under applicant's request the average general service customers bill would be increased about 80 cents a month. A rate of return of approximately 6.75 percent is sought, the same as the Commission last found fair and reasonable for this utility.

Public Hearing

After due notice, 14 days of public hearing were held on this application, as amended, before Commissioner Peter E. Mitchell and/or Examiner William W. Dunlop during the period March 17 to June 21, 1960, in Los Angeles. The record is extensive. It contains more than 80 exhibits and in excess of 2,300 pages of transcript. Forty-one witnesses appeared and presented sworn testimony.

The matter was submitted at the conclusion of the hearing on June 21, 1960, subject to the filing of concurrent closing briefs. Such briefs have been filed and the matter is now ready for decision.

Applicant's Position

Applicant represents that the most recent complete review of its rates and operations was made by the Commission in Application No. 38787, resulting in Decision No. 55642, issued October 1, 1957. By that decision applicant was granted a general increase in retail rates calculated to produce an over-all rate of return for the future of 6.75 percent on a depreciated original cost rate base. Additional rate increases to offset higher costs of gas purchased by applicant from El Paso Natural Gas Company and from Pacific Lighting Gas Supply Company were made effective on January 1, 1958^{3/} and on August 1, 1959.^{4/} The rate increases authorized applicant to offset the rate increases of El Paso Natural Gas Company are being collected subject to possible refund when the rates for gas purchased from the El Paso Company are finally fixed by the Federal Power Commission (FPC).

^{3/} Decision No. 56000 in Application No. 38787, First Supplemental.

^{4/} Decision No. 58792 in Applications Nos. 40647 and 40957.

According to applicant, a general rate increase is necessary at this time principally because of further increases in the cost of its gas supply, higher wages to employees, increased tax rates, and higher unit plant costs.

In 1947 when applicant first began purchasing out-of-state gas, the price at the California border initially was 15 cents for 1,000 cubic feet (Mcf). Currently El Paso's price at the California border exceeds 30 cents per Mcf. and the additional out-of-state gas expected to be received from Transwestern Pipeline Company in August 1960 is estimated by applicant to cost approximately $42\frac{5}{8}$ cents per Mcf at the California border.^{5/} Likewise, increases in the cost of California produced gas have been experienced.

According to applicant, general wage increases of 5 percent were awarded on April 1, 1952, $5\frac{1}{2}$ percent on April 1, 1959, and 4 percent on April 1, 1960. These three wage increases are estimated by applicant to add \$4,900,000 to its annual operating expenses.

Earning Position

Applicant presented summaries of its earning position for the year 1959, on a recorded and on an adjusted basis, and for the test year ending June 30, 1961 at present rates and at its proposed rates. The Commission staff also analyzed applicant's estimated and adjusted earning results and presented an estimate for the test year

^{5/} These several cost amounts are roughly comparable but do not consider pressure base, load factor and heating value which would affect a direct comparison.

ending June 30, 1961 operations. These rates of return are:

<u>Period</u>	<u>Rate of Return on Depreciated Rate Base</u>	
	<u>Applicant</u>	<u>CPUC Staff</u>
Year 1959, Recorded	5.50%	Not shown
Year 1959, Adjusted Pro Forma	5.85	Not shown
Year Ending June 30, 1961, Estimated		
At Present Rates	4.19	4.95%
At Company Proposed Rates	6.73	7.47

The two estimates of revenues, expenses, net revenue, rate base and rate of return for the test year ending June 30, 1961 at present rates are compared on Table 1. Also shown on Table 1 are the levels of revenues, expenses, and rate base being adopted at present rate levels and which we find reasonable for the purpose of testing the need for increases in applicant's rates.

TABLE 1

SUMMARY OF EARNINGS FOR
ESTIMATED YEAR ENDING JUNE 30, 1961 AT PRESENT RATES
SOUTHERN CALIFORNIA GAS COMPANY

<u>Item</u>	<u>Applicant Ex. 62*</u>	<u>CPUC Staff Ex. 82</u>	<u>Adopted Operating Results At Present Rates</u>
OPERATING REVENUES			
Firm Service	\$174,027,000	\$179,277,000	\$177,265,000
Gas Engine	1,481,000	1,481,000	1,481,000
Regular Interruptible	32,252,000	32,198,000	32,359,000
Steam and Cement Plant	39,562,000	39,151,000	39,468,000
Wholesale - Long Beach	7,039,000	7,690,000	7,704,000
Other Gas Revenue	3,533,000	3,467,000	3,492,000
Total	\$257,894,000	\$263,264,000	\$261,769,000
OPERATING EXPENSES			
Production	\$147,310,000	\$149,181,000	\$147,772,000
Transmission	5,206,000	5,206,000	5,206,000
Distribution	19,685,000	19,652,000	19,652,000
Customer Acctg. & Coll.	11,608,000	11,553,000	11,545,000
Sales Promotion	6,791,000	5,148,000	6,500,000
Administration & General	12,637,000	12,512,000	12,494,000
Depre. (Annuity & Interest)	11,945,000	11,546,000	11,546,000
Taxes, Other than Income	16,103,000	15,622,000	15,700,000
Income Taxes	8,785,000	11,971,000	11,344,000
Total Expenses	\$240,070,000	\$242,391,000	\$241,759,000
NET REVENUE	\$17,824,000	\$20,873,000	\$20,010,000
RATE BASE-DEPRECIATED	\$425,760,000	\$421,997,000	\$422,938,000
RATE OF RETURN	4.19%	4.95%	4.73%

* As revised by testimony on June 20, 1960 (Tr. 2194)

Operating Revenues

Operating revenues as estimated by the staff at present rates exceed by \$5,370,000, or by about two percent, the estimate made by applicant. This difference results primarily from the staff's estimate of a higher gas use per firm service customer than estimated in the test year by applicant. The staff developed a use of 109 Mcf per meter for firm service customers compared with applicant's estimate of 105 Mcf per meter. In Exhibit 41 the City of Los Angeles developed a use per firm service meter of 108.2 Mcf and at the same time estimated 3,450 more meters than the applicant and the staff used.

With respect to wholesale - Long Beach revenues, the staff's estimate at present rates reflects increased costs for out-of-state gas as provided for in applicant's proposed contract and Schedule G-60. The applicant, on the other hand, did not give effect to such increase at present rates but did so in computing its revenues at proposed rates. The staff's method will be adopted.

Based upon this record, we find a use of 107.5 Mcf per average firm service meter, applicant's estimate of the number of meters, and total revenues at present rates of \$261,769,000 to be reasonable for the test year ending June 30, 1961.

Production Expenses

Production expenses of applicant consist mainly of costs of natural gas purchased from California producers, Pacific Lighting Gas Supply Company and El Paso Natural Gas Company. The applicant's estimate of \$147,310,000 and the staff's estimate of \$149,181,000 reflect the increased cost of El Paso gas to become effective on August 25, 1960 in connection with FPC Docket RP60-3 and the increased rates sought by Pacific Lighting Gas Supply

Company in Application No. 41277.

The main differences between the estimates result from the staff's estimate of a 4 Mcf higher usage per firm service meter and the staff's pricing of California gas, for the full test year, at the unit prices in effect in long-term contracts on January 1, 1960. Applicant, on the other hand, priced its California gas in accordance with the terms of its contracts with producers. Some of the long-term contracts provide for an automatic unit price increase to become effective January 1, 1961.

With respect to the cost of California gas, this record reveals that applicant recently negotiated new long-term contracts with California producers; that such new long-term contracts superseded some then existing contracts that would not have expired until several years later; that the superseded contracts contained lower gas prices than are set forth in the new long-term contracts; that under the pricing provisions of said long-term contracts the price to be paid for California gas in 1962 is the average border price paid by the Pacific Lighting group for out-of-state gas; that applicant's purpose in entering into the long-term contracts was to assure future supplies of California gas; and that no effort was made by applicant to renegotiate the prior contracts other than on a long-term basis. The staff used the currently effective contract price of California gas without reflecting 1961 contract increases on the basis that the reasonableness of the escalator clause had not been determined.

We have previously found a use of 107.5 Mcf per average firm service meter to be reasonable for the test year. With respect to purchases from California producers, we are of the view that the increases in costs of gas so reflected by applicant in the test year

are reasonable. However, our action herein should not be construed as a finding of reasonableness for rate fixing purposes of the pricing provisions contained in applicant's gas purchase contracts, except for the test year. The burden of proof of reasonableness of the cost of gas rests upon applicant and is a continuing responsibility.

Pursuant to Decision No. 60423, dated July 26, 1960 in Application No. 41277, Pacific Lighting Gas Supply Company has advised this Commission that the Federal Power Commission has fixed a rate of 42.0 cents per Mcf at 100 percent load factor for Transwestern gas rather than 42.25 cents reflected in said Decision No. 60423 and also reflected by applicant and the staff in their estimates of production expenses. By the terms of said Decision No. 60423, Pacific Lighting is required to reduce its rates to applicant accordingly.

The adopted production expenses of \$147,772,000, which we find to be reasonable, reflect the above-indicated usage and pricing of California gas. They also include the increased rates fixed by this Commission in Application No. 41277 for gas purchased from Pacific Lighting Gas Supply Company but modified to reflect Transwestern gas at 42.0 cents per Mcf at 100 percent load factor, and the increased cost of El Paso gas to become effective on August 25, 1960, subject to possible refund in connection with FPC Docket RP60-3. Should the FPC ultimately fix a rate for Transwestern gas sold to Pacific Lighting Gas Supply Company lower than 42.0 cents per Mcf or fix a lower rate for El Paso gas under Docket RP60-3, applicant will be required to reduce its rates accordingly and to make appropriate refunds.

Transmission Expenses

There is no difference in the estimates of transmission expenses in the amount of \$5,206,000. We find such amount to be reasonable for the test year.

Distribution Expenses

Distribution expenses estimated by the staff are lower by \$33,000, or by 0.2 percent, than applicant's estimate. This difference is within the range of reasonable estimating. We find \$19,652,000 to be a reasonable amount for distribution expenses in the test year.

Customers' Accounting and Collecting

The staff's estimate of customers' accounting and collecting expenses is \$55,000, or 0.5 percent lower than applicant's estimate. The staff computed the allowance for uncollectibles by applying a percentage factor of 0.42 percent to the estimated firm service revenues for the test year. Such uncollectible factor appears reasonable. The staff excluded an amount of \$50,000 included by applicant for administration of possible rate refunds in connection with offset rate proceedings. We find the staff's treatment to be appropriate in view of the conditions imposed by our decisions authorizing such increases in rates. After reflecting the appropriate level of uncollectibles at the revenues hereinbefore adopted at present rates, we adopt as reasonable an amount of \$11,545,000 at present rates for customers' accounting and collecting expenses in the test year.

Sales Promotion

Sales promotion expenses as estimated by the staff for rate making purposes, are \$1,643,000, or 24 percent less than

applicant's estimate. A comparison of the two estimates for the test year with the actual sales promotion expenses for the years 1958 and 1959 are set forth in the tabulation following:

Ac. No.	Account	Year 1958	Year 1959	Estimated Test Year Ending June 30, 1961	
				Applicant Ex. 3	CPUC Staff Ex. 50
785	Supervision	\$1,392,939	\$1,527,499	\$1,683,000	\$1,439,000
786	Salaries and Commissions	1,812,232	1,789,006	2,241,000	1,760,000
787.1	Demonstration	252,209	256,535	302,000	151,000
787.2	Advertising	1,022,343	1,162,336	1,471,000	790,000
787.3	Misc. Sales Expenses	793,238	1,241,571	1,077,000	991,000
788	Rents	18,592	19,502	37,000	37,000
789	Merchandising, Jobbing and Contract Wk.	(28,324)	(12,282)	(20,000)	(20,000)
	Total Sales Promotion Expenses	\$5,270,479	\$5,984,267	\$6,791,000	\$5,143,000

Red Figure

The Uniform System of Accounts for Gas Corporations prescribed by this Commission sets forth the several sales promotion expense accounts, including advertising, and the types of expenses that fall within each such account. Therefore, it should be clearly understood that sales promotion expenses, including advertising, may be legitimate, allowable expenses of a public utility. The issue raised in this proceeding is whether applicant has sustained its burden of proof as to reasonableness of amount to be borne by the ratepayer.

Advertising by public utilities frequently has been opposed by customer witnesses in rate proceedings, but the Commission always has recognized the value of advertising and sales promotion by utilities. We consistently have allowed reasonable amounts for

such purposes. It might further be pointed out that the Commission has, on at least four occasions, considered that ratepayers would benefit if the company spent additional money on advertising.^{6/} In several of these instances bus companies were ordered to expand their advertising and promotional activities beyond the amounts they had estimated were necessary, and additional funds were allowed in rate making for attempts to bolster patronage.

A fundamental principle involving public utilities and their regulation by governmental authority is that the burden rests heavily upon a utility to prove that it is entitled to rate relief and not upon the Commission, the Commission staff, or any interested party, or protestant to prove the contrary. In this proceeding the burden is upon applicant to establish all necessary facts which would justify the requested increase in rates. A public utility is created for public purposes and performs a function of the State. It acquires the status of a quasi trustee (Smyth vs. Ames, 169 U.S. 466, 544; Western Canal Co. vs. R. R. Comm., 216 Cal. 639, 647).

Applicant states the purpose of its sales promotion activities is to attain the full economic utilization of its facilities by (1) obtaining new gas customers, (2) retaining present customers, (3) encouraging the increased use of gas, and (4) developing and promoting new uses of gas which will result in a well-balanced load. Other reasons shown in this record for sales promotion activities include: (1) to maintain and secure improvement in load factor, (2) to maintain applicant's competitive position with the electric utilities, (3) to maintain and improve applicant's public relations,

^{6/} Sacramento City Lines, 53 CPUC 241; Stockton City Lines, 53 CPUC 355; San Jose City Lines, 53 CPUC 624; Pacific Greyhound Lines, 53 CPUC 634.

(4) to educate the public in better use of gas, (5) to compete generally for the consumer's dollar, and (6) to lower the cost of financing through making the applicant better known to the investors and security holders.

An associate professor of marketing from the University of Pennsylvania testified as one of applicant's witnesses that in his opinion ratios of sales promotion or advertising expense to total operating revenue or to total operating expense are the most valid yardsticks for comparison. He presented as part of Exhibit 54 comparisons of sales promotion expenses of 14 large gas distributing companies, including applicant, for the period 1947 to 1958, showing that applicant's sales promotion expenditures during that period were not higher than the highest companies and not lower than the lowest companies, and concluded therefrom that applicant's proposed expenditures were reasonable. He acknowledged that he had spent but two days on the sales promotion expenses of applicant and Southern Counties Gas Company, and that he had not analyzed in detail either applicant's sales promotion program or expenses estimated for the test year. For the year 1958, the last shown on Exhibit 54, the following relationships are obtained:

	Year 1958	
	Sales Promotion Expenses	
	As A Percent Of	
	<u>Operating</u> <u>Revenues</u>	<u>Operating</u> <u>Expenses</u>
Low Companies	0.8%	1.0%
High Companies	3.9	6.5
Average - Combination Gas & Electric Cos.	1.6	2.3
Average - Straight Gas Companies <u>7/</u>	2.2	3.2
Southern California Gas Company	2.6	3.7
Southern Counties Gas Company	3.0	4.1

7/ Both Southern California Gas Company and Southern Counties Gas Company are included in this average, and the average excluding these two companies would be lower.

We note in passing that if applicant, in 1958 had spent for sales promotion the average 2.2 percent of operating revenue for the straight gas companies shown in applicant's Exhibit 54, applicant's sales promotion expenses would have been reduced by about \$772,000 in that year. Similarly, if an average 2.2 percent figure is applied to applicant's estimated revenues of \$282,119,000 at proposed rates for the test year, an amount of \$6,207,000 is obtained which is \$584,000 less than the sales promotion expenses estimated by applicant in the test year.

The evidence reveals that applicant has no commitments or firm contracts for any sales promotion expenditures in the test year except that which applicant has with its present employees and about \$135,000 for a national television program; applicant has no understanding or commitments with any newspaper or radio station to spend any amount of money in the test year for advertising; and, further, applicant has no understanding with any dealer, manufacturer, or other such groups that in the test year applicant will spend any specific amount of money for sales promotion activities designed to stimulate, for example, gas appliance sales. Applicant's witness considers there is flexibility in both the amount of money to be spent and in the sales promotion activities to be undertaken in the test year and, further, that applicant is not bound to spend the amount of money budgeted for particular sales promotional activities. This record further reveals that for the first four months of 1960 applicant's actual expenses for sales promotion were \$264,000 below its estimate.

Applicant represents that its sales promotion activities benefit the ratepayer in at least two ways; first, the new customers

benefit from the services provided by its sales personnel; and second, a program effectively directed to increase the year-round and off-peak loads will improve the utilization of facilities and the annual load factor. According to applicant, the resulting improved use of gas facilities means more favorable rates for all customers. However, applicant produced no dollar measure of the additional revenue realized from its sales promotion activities.

The staff analyzed applicant's estimate in considerable detail, recognizing the competitive situation which exists in applicant's service area with the electric utilities. Adjustments to applicant's estimate were made by the staff for rate making purposes as testified to in detail by the staff witness for the following general reasons: (1) to reduce the sales promotion expenses per average firm service customer to a more equitable level; (2) to arrest increasing sales promotion expenses of doubtful benefit to the ratepayer; and (3) to reduce costs of direct expenses not immediately related to ratepayer benefits which, according to the staff, normally should be paid by parties other than applicant, such as real estate developers, builders, manufacturers of appliances, appliance dealers and salesmen.

In Exhibit 52, the staff showed a number of comparisons of sales promotion expenses of the larger gas and electric utilities operating in California, including a comparison of sales promotion expenses per average customer, as follows:

	<u>Sales Promotion Expenses Per Customer</u>		
	<u>Actual</u>	<u>Year Ending June 30, 1961</u>	<u>Estimated</u>
	<u>Year 1959</u>	<u>Applicant</u>	<u>Staff</u>
San Diego Gas & Electric Co. - Gas Dept.	\$0.98		
Pacific Gas & Electric Co. - Gas Dept.	\$1.09		
Southern California Gas Co.	\$3.58	\$3.92	\$2.98
Southern Counties Gas Co.	\$4.50	\$4.31	\$3.16
Southern California Edison Co.- Electric	\$2.40		

The above figures reflect a competitive situation in the service area of Southern California Gas Company and of Southern Counties Gas Company. In these circumstances there is not substantial comparability among the utilities.

The staff did not attempt to determine what the company should spend in total for sales promotional efforts, but did present what it considered to be a reasonable amount to be assessed against the ratepayers in the test year. In making its estimate, the staff segregated applicant's estimate into three groups of expenses. The first group the staff found to be justified in full for rate making purposes and did not adjust. The second group the staff adjusted for rate making purposes on a judgment basis giving consideration to the special factors involved. The third group of expenses the staff adjusted downward by 50 percent for rate making purposes on the basis that such expenses were of a type that should normally be paid for by third parties, such as dealers, manufacturers, real estate developers, and various other groups, and because such third parties obtain direct benefits from such sales promotional activities of applicant.

Certain appliance dealers referred to interference by applicant's sales promotion efforts with the normal channels of trade in gas appliances and services. The following general complaints have been made by certain appliance dealers relative to

some of applicant's sales promotional activities: (1) house call service rendered to the ratepayer is excessive and detrimental to dealers in appliances and is used in part as a tool to further sales promotion activities; (2) lists of prospects for buying of new appliances and sales contracts for new appliances are supplied by applicant to favored dealers; (3) appliance dealers are unable to supply the large mass market created by housing tract developments due to the applicant's efforts to direct these sales to manufacturers; (4) applicant engages in direct sales of appliances and thus provides an unfair competition to the dealers; and (5) applicant, at the expense of the ratepayer, is performing dealer operations by working with the manufacturers to display appliances in company offices. One of the appliance dealer parties to the proceeding urged that the Commission take action to bring about the following changes in applicant's operations: (1) require applicant to cease and desist from further engaging in either direct or indirect competition with private appliance dealers and with private appliance-service business; (2) prohibit applicant from operating so-called "free-service" departments, and from falsely advertising that customer service calls are free to the rate paying public; (3) prohibit applicant from selecting, identifying, promoting, and otherwise giving special benefits to certain applicant approved or "recommended" brands of gas appliances; (4) prohibit applicant from providing special-favor promotions and sales loads for favored appliance dealers; (5) prohibit applicant from attempts to influence the selection of applicant "recommended" gas appliances by builders and developers through the granting or withholding of applicant's assistance, financing, free installation of mains and connected

distribution items, or through the granting or withholding or threat to withhold any other thing of value; (6) prohibit applicant from engaging in a sales promotion and advertising war with the competing electric energy utility companies, except insofar as the entire expense of such war or competition is charged solely to the stock and bond holders of the applicant and not to the ratepayer; (7) restrict applicant from engaging in any business or undertaking that is not directly and essentially an integral part of applicant's sole enfranchised business of distributing and selling gas.

The staff in its investigation of these matters recommended:

(1) for safety and continuity of service applicant's present house call program of meter, piping and pilot light inspection should be continued; (2) applicant should either discontinue the preparation of appliance prospect lists or make such lists available equally to all gas appliance dealers; (3) the direct sales of appliances to architects, builders, and for apartment house uses by applicant should be discontinued; and (4) applicant should obtain its display of appliances at the manufacturers' expense and any future appliances purchased by applicant, for display purposes, should not be considered as part of materials and supplies or other plant for rate making purposes. The staff's first and third recommendations are sound and should be placed into effect by applicant. The staff's second recommendation should be modified to provide that either the preparation of appliance prospect lists should be discontinued or such lists should be made available equally to all those appliance dealers who sell gas appliances only. With respect to the staff's fourth recommendation, appliances for display purposes will be considered in connection with the reasonable rate making allowance for sales promotion expenses and not as part of materials and supplies or other plant.

Certain of applicant's sales promotion practices and activities as revealed by this record, while appropriate for other

types of business, appear inappropriate in a public utility operation. Applicant, as a public utility, has been granted an extraordinary privilege and occupies a privileged position. It is performing a function of the State. In this connection applicant is reminded of its obligation under Section 453 of the Public Utilities Code which provides, in part:

"No public utility shall, as to rates, charges, service, facilities, or in any other respect, make or grant any preference or advantage to any corporation or person or subject any corporation or person to any prejudice or disadvantage."

This Commission has previously expressed its concern because of the competition between the straight gas utilities and the straight electric utilities, particularly as the cost of sales promotion affects ratepayers.^{8/}

Based upon a most thorough and careful consideration of the entire record, we find \$6,500,000 to be a reasonable allowance for sales promotion activities in the test year to be borne by the ratepayer. Such amount is well within the range of applicant's own Exhibit 54 and exceeds applicant's actual expenditures for 1959. Our action herein is not to be construed as limiting the amount applicant may spend for sales promotion in the test year or in any other period. Such determination is for the applicant to make. Our determination herein relates solely to the reasonable allowance of sales promotion expenses to be included in gas rates of this applicant to be borne by its ratepayers.

Administrative and General Expenses

The staff's estimate of administrative and general expenses is \$125,000, or about one percent, lower than applicant's estimate. The principal difference between the two estimates is in Ac. 801,

^{8/} Decision No. 59011, dated September 15, 1959, in Case No. 5945.

Miscellaneous General Expenses, where the staff's estimate reflects exclusion or partial exclusion of certain dues, donations, subscriptions, and contributions consistent with past treatment accorded these items by the Commission.

It is the Commission's practice in arriving at expenses to be allowed for rate making purposes to exclude dues to social clubs, expenditures for political purposes, and, in part, donations to charitable organizations. Thus, such expenditures, to the extent made above the amounts allowed for rate fixing purposes, come out of the stockholders' portion of the earnings and are not a burden on the ratepayer.

We find reasonable and adopt for the test year the staff's estimate, except that local franchise taxes are adjusted downward to reflect the lower adopted revenues at present rates, or an amount of \$12,494,000.

Depreciation (Annuity and Interest)

Depreciation annuity and interest as estimated by the staff is lower by \$399,000, or by about 3 percent, than applicant's estimate. The main difference between the estimates is due to the staff's use of a 35-year life for the Placentia-Newberry pipeline, whereas applicant based the depreciation for this facility on the contracted deliveries to the Blythe and Needles Texas pipelines.

Based upon the evidence in this proceeding, we find that the staff's estimate of depreciation annuity and interest amounting to \$11,546,000 is reasonable and is adopted for the test year.

Taxes Other Than Income

Taxes other than income, consisting of ad valorem and Social Security payroll taxes, as estimated by the staff are

\$481,000, or about 3 percent, lower than applicant's estimate. This difference applies principally to the estimates of ad valorem taxes.

Applicant's estimate of ad valorem taxes for the test year ending June 30, 1961 was computed as 43 percent of such estimated taxes for 1960 and 57 percent of the 1961 estimated taxes. The 1960 ad valorem tax, as estimated by applicant, was computed by using an average tax rate 10 cents above the 1959 average tax rate as indicated by a trend for the period 1950-1959 and an estimated assessed value based upon a trend of assessed values to related book costs of taxable plant. Applicant similarly computed the 1961 ad valorem tax estimate by using an average tax rate 20 cents above the estimated 1960 average tax rate.

The staff's estimate of ad valorem taxes reflects the latest known assessment ratios, ad valorem tax rates and plant additions, plus estimated taxes for the rollback of the Newberry-Placentia pipeline for the full test year.

This record reveals that applicant originally estimated ad valorem taxes for the test year in the amount of \$16,042,000 in Exhibit 1, revised this estimate downward by \$1,249,000 in Exhibit 62 to reflect a lower estimate of assessed value of applicant's property based on later data from the State Board of Equalization, and subsequently revised its estimate upward by \$154,000 to reflect on a full test year basis estimated taxes for the Newberry-Placentia pipeline. The staff reduced its original estimate of \$15,643,000 downward by \$1,113,000 to reflect a later State Board of Equalization assessment ratio than the staff originally used. Changes made by applicant in its estimates of ad valorem taxes by the magnitudes indicated above during the course

of the hearings in this matter cast considerable doubt on the validity of estimating ad valorem taxes by the trending methods as urged by the applicant.

Applicant itself uses the latest known tax rates in computing its estimates of social security taxes, state corporation franchise tax and federal income tax, but advocates a trending method in computing its estimate of ad valorem tax rates. This record is not convincing that the Commission should abandon its uniformly applied practice of using the latest known ad valorem tax rates and assessment ratios in developing reasonable ad valorem tax allowances in a test year for rate fixing purposes.

Based upon the entire record we find taxes other than income of \$15,700,000 to be reasonable for the test year ending June 30, 1961.

Income Taxes

Applicant has calculated and paid its income taxes on a straight-line depreciation basis in all years, but filed a claim for income tax refunds for the years 1954 and 1955 based upon liberalized depreciation for those two years. The record reveals that applicant recently received a tax refund based on liberalized depreciation for the years 1954 and 1955 in the total amount of \$748,606.61, of which \$145,623.09 represents interest and \$602,983.52 represents the net amount of all tax items. The record further shows that applicant does not intend to claim liberalized depreciation in the future.

In conformity with Decision No. 59926, dated April 12, 1960, specifying the treatment of liberalized tax depreciation for rate making purposes, the federal income taxes herein are computed on an "as paid" basis in our adopted results. Credited thereto is

the portion of the tax refund applicable to the test year amounting to approximately \$22,000.

After giving effect to the variation in the expenses being adopted herein, including depreciation for tax purposes reflecting the adopted 35-year life for the Newberry-Placentia pipeline, we compute and adopt an income tax amount of \$11,344,000 as reasonable for the test year ending June 30, 1961 at applicant's present rates. Such computation reflects a 5.5 percent State income tax rate and a 52 percent Federal income tax rate. Should applicant elect, for income tax purposes, to use a life shorter than 35 years for the Newberry-Placentia pipeline, applicant will be required to advise this Commission in writing so that such appropriate adjustment in rates as are found to be justified may be made.

Rate Base

The components of the weighted average depreciated rate base for the test year ending June 30, 1961 as developed by the

applicant and by the staff are compared below:

WEIGHTED AVERAGE DEPRECIATED RATE BASE
TEST YEAR ENDING JUNE 30, 1961, ESTIMATED

	<u>Applicant</u>	<u>Staff</u>	<u>Adopted</u>
Gas Plant:			
Plant in Sev.-Beg. of Year	\$520,713,000	\$522,065,000	\$
Weighted Avg. Net Additions	11,454,000	10,102,000	
Non-Interest Bearing Const.			
Work in Progress	1,100,000	1,100,000	
Total Wtd. Avg. Gas Plant	\$533,267,000	\$533,267,000	\$533,267,000
Deduction for Depreciation	101,222,000	100,908,000	100,908,000
Net Gas Plant	\$432,045,000	\$432,359,000	\$432,359,000
Modifications:			
Contribs. in Aid of Const.	(5,375,000)	(5,375,000)	(5,375,000)
Meter Change Program	(200,000)	(200,000)	(200,000)
Adj. to Contributions in			
Aid of Const.	(396,000)	(396,000)	(396,000)
Customers' Adv. for Const.	(4,780,000)	(4,780,000)	(4,780,000)
Depr. Res. for Motor Vehicles			
and Work Equipment	(3,784,000)	(3,661,000)	(3,661,000)
Total Modifications	\$(14,535,000)	\$(14,412,000)	\$(14,412,000)
Materials and Supplies	4,250,000	3,550,000	3,550,000
Working Cash Allowance	4,000,000	500,000	2,000,000
Adjustment for Liberalized			
Depreciation	-	-	(559,000)
Weighted Average Depreciated			
Rate Base	\$425,760,000	\$421,997,000	\$422,938,000

(Red Figure)

There is no difference in the two estimates for total weighted average gas plant in the amount of \$533,267,000 which we find to be reasonable and adopt. Consistent with the depreciation expense heretofore found reasonable, we adopt the staff's deduction for depreciation in the amount of \$100,908,000 as reasonable. There is no appreciable difference in the estimates of modifications made for contributions in aid of construction, meter change program, customers' advances for construction, and depreciation reserve for motor vehicles and work equipment. We adopt the staff's estimate

totaling \$14,412,000 as reasonable.

The staff's estimate of materials and supplies is \$700,000, or 16.5 percent, lower than applicant's estimate. This difference arises mainly from the fact the staff did not include in its estimate any investment in appliances that are used for promotional purposes. The staff in arriving at its estimate gave consideration to general stores levels, gas stored underground, a pro rata share of emergency stock for the Newberry-Placentia pipeline and other items.

Applicant included in its rate base an amount of \$4,250,000 for materials and supplies which is the amount allowed applicant by the Commission in its Decision No. 47990 dated December 2, 1952, in Application No. 32675 (52 Cal. P.U.C. 250) and all subsequent Commission decisions affecting applicant's rates. Such amount also approximates the average of the monthly balances for the year ended October 31, 1959 as revealed in Exhibit 1. In allowing the amount of \$4,250,000 for materials and supplies in 1952, the Commission stated "In view of the comparatively tight material situation that has developed as a result of the Korean War, the nation's defense program and the recent steel strike, the Commission is of the opinion that considerable weight should be given to the applicant's contentions." Applicant at that time urged that an amount of \$4,650,000 be allowed for materials and supplies. Based upon the evidence of record in this proceeding, we find that an allowance in rate base of \$3,550,000 for materials and supplies in the test year is reasonable.

Applicant has included in rate base an allowance of \$4,000,000 for working cash, whereas the staff arrived at an amount

of \$500,000 of working cash needed to be supplied by the investors. This compares with \$2,000,000 adopted by the Commission in Decision No. 47990 dated December 2, 1952 in Application No. 32675 (52 Cal. P.U.C. 250) and used in all subsequent considerations of this particular item by both applicant and this Commission. Upon review of the evidence in the record, we find a working cash allowance of \$2,000,000 to be reasonable and we adopt such amount for the purpose of this decision.

A deduction of \$559,000 to rate base is made in recognition of the income tax refund arising from liberalized depreciation claimed by applicant for the years 1954 and 1955.

Accordingly, we find reasonable and will adopt a rate base for the test year ending June 31, 1961 of \$422,938,000.

Rate of Return

Applicant seeks a rate of return of 6.75 percent on its depreciated rate base. This is the same rate of return found reasonable for this applicant by the Commission in its most recent general rate proceeding, Decision No. 55642, dated October 1, 1957, in Application No. 38787.

Applicant asserts that if earnings on existing capital are not to be diluted and if new capital to construct facilities to import increased gas supplies is to be obtained on favorable terms, it is imperative that rates be increased to afford applicant the opportunity to earn the 6.75 percent rate of return it requests.

For the test year applicant derived an average capital structure as follows:

<u>Estimated Test Year Average Capital Structure</u>		
	<u>Amount</u>	<u>Percent</u>
Bonds	\$191,551,000	47.0%
Advances from Pac. Lighting Corp.	(1,880,000)	(.5)
Preferred Stock	22,287,350	5.5
Common Stock Equity	<u>195,240,000</u>	<u>48.0</u>
Total	\$407,198,350	100.0%

(Red Figure)

Applicant computes its cost of bond capital at 3.94 percent, interest on balances with Pacific Lighting Corporation at 4.25 percent, preferred stock cost at 6 percent, and under these assumptions shows that its requested rate of return of 6.75 percent on its depreciated rate base will produce an earning on common stock equity of about 10.2 percent. Applicant compared this resulting earning on common stock equity with the experience of a group of 13 major natural gas test companies and with another group of 13 operating natural gas utilities for the period 1954 through 1958 and concluded therefrom that the 6.75 percent requested rate of return was justified. A vice president of Reis & Chandler, Inc., one of applicant's witnesses on rate of return, based on his studies of applicant's Exhibits 4 and 5 and other data including his analysis of 56 gas distributing companies, concluded that the 6.75 percent rate of return requested was a minimum requirement.

The City of Los Angeles in Exhibit 42 presented various financial data with respect to applicant and the so-called comparable gas companies relied upon by applicant in its Exhibits 4 and 5.

Los Angeles made certain alternate calculations and showed that a 6.75 percent rate of return applied to a rate base of \$426,600,000 would yield earnings of 10.15 percent on common equity which, after allowing 9.6 percent for dividends on common stock would produce \$5,533,000 for earned surplus at a 72.24 percent payout on common stock. A witness for Los Angeles concluded that (1) the so-called comparable companies relied upon by applicant are not sufficiently comparable to serve as a basis for fixing applicant's earnings; (2) the use of thirteen or any other number of so-called comparable companies as used by applicant in Exhibits 4 and 5 will result in varying conclusions as to earnings requirements; and (3) results based solely upon comparative earning statistics are the end product of an oversimplification of a complex problem and are not sufficient to indicate the proper level of earnings in this proceeding. He urged that all relevant factors be considered.

In its closing brief the California Farm Bureau Federation stated it would be appropriate to hold the rate of return to the 6.75 percent last found by this Commission to be fair and reasonable for this applicant in Decision No. 55642, dated October 1, 1957. On the other hand, the City of Los Angeles urges that the need for an equity of a return higher than 6.5 percent has not been established by the record and the Department of Defense and Other Executive Agencies of the United States Government urges that a rate of return of 6.5 percent is at the upper limit of the range of reasonableness for this applicant.

In considering the position of applicant and other parties with respect to rate of return we should point out that the cost of money is not decisive of the issue of rate of return and the

Commission does not rely solely on financial requirements in determining the level of such return. The lawful interests of the consumer as well as the investor must control the rate of return.

Upon a careful consideration of the evidence before us, we are of the opinion and find that a rate of return of 6.6 percent is reasonable for applicant for the test year, 12 months ending June 30, 1961. When a rate of return of 6.6 percent is applied to the depreciated rate base of \$422,938,000, hereinbefore found reasonable, an over-all increase in annual gross revenue of \$17,690,000 is found to be required.

Spread of Rates Among Classes

A major issue in this proceeding is the spread of rates among the various classes of customers, particularly as between firm and interruptible service. In this connection five cost-allocation studies reflecting various hypotheses and philosophies were introduced. These include: applicant's Exhibit 6 ("Share the Savings"); Southern California Edison Company's Exhibit 35 (Exhibit 6 adjusted to reflect cost of gas allocated by the so-called "Wehe Method"); California Manufacturers Association's Exhibit 56 ("cost incurrence" study); the staff's Exhibit 53 (costs distributed according to use made of the system); and California Electric Power Company's Exhibit 77 (Exhibit 6 modified). The results of these studies vary widely.

Applicant's cost study rests, in part, upon a calculation of the cost of two hypothetical independent systems designed to serve the firm and the interruptible classes separately. The costs developed by applicant in its study closely approximate its proposed rate spread to classes.

The California Manufacturers Association (CMA) "cost incurrence" study constitutes essentially an incremental cost study, and allocates to interruptible retail customers less than two percent of the total fixed costs of applicant determined by system capacity. This study alleges that present rates of retail interruptible customers produce \$17,974,000 of revenues in excess of cost as determined by CMA and that present rates of firm service customers fail to cover cost by \$37,710,000, or by 17.8 percent.

Studies of Edison and of California Electric were based, in part, upon applicant's hypothetical study with certain modifications. Edison, on the basis of its study, proposed lower than present rates for steam-electric generating service. California Electric also presented a proposed schedule for steam-electric generating service.

The staff's study distributes costs according to the use that is made of the system by each class, the facility component being allocated to each of the customer classes on the basis of the maximum monthly usage, giving consideration to the level (transmission or distribution) from which each class receives service. The staff study shows higher than system-average rates of return for the firm service and wholesale classes, with deficiencies in earnings indicated for the interruptible and gas engine classes.

We do not agree with the theoretical assignment of little or no demand costs to the interruptible service as advocated by some of the parties in view of applicant's actual operations, gas procurement policies, gas sales, and relatively small curtailment of interruptible service. Less than 50 percent of the gas estimated to be sold in the test year is for applicant's firm service customers. In our opinion both capacity and usage are significant elements in

respect to the capital outlay for a pipeline system and need to be given significant weight in determining cost of jointly used facilities.

Cost, however, is but one of the important elements in rate fixing. In Exhibit 7 applicant shows that energy costs of gas at proposed rates are well below the costs of alternate energy sources for typical residential and restaurant uses. For firm industrial processing customers, Exhibit 7 reveals that gas has a price advantage over electricity, but when oil competes, the advantage is decreased and in some cases reversed. Applicant asserts that gas recently has been more expensive than the heavier grades of fuel oil used by large industrial customers and steam-electric generating station customers, but that in the last few months some firming of the going price of fuel oil has taken place. Applicant points to some loss in its interruptible load because of competition with oil and the possibility of even greater loss of interruptible load at its proposed higher rates.

The rates authorized herein have been developed after considering all of the factors inherent in rate spread including cost of service, value of service, and history of rates.

Existing Offset Rates

Several offset rate increases occasioned by the increase in cost to applicant of out-of-state gas purchased from El Paso Natural Gas Company involving proceedings before the Federal Power Commission which have not been completely adjudicated are subject to possible refund. Final determination of refunds in each instance is dependent upon final action by the FPC or a court in any appeal thereon. Among the FPC proceedings involved in possible refunds to applicant's California gas customers are the following: FPC Docket G-2018, G-4769, G-12948, and G-17929.

Present and Requested Gas Rates

Applicant requests increases in gas rates as set forth in Exhibits 63 and 79 which it estimates will produce \$24,225,000 of additional annual revenues, or an average of 6.2 cents per Mcf, based upon its estimate of gas sales in the test year ending June 30, 1961 segregated to classes of service as follows:

REQUESTED REVENUE INCREASE
TEST YEAR ENDING JUNE 30, 1961

Class	Applicant's Estimate of Sales: 1000 Mcf:Percent:		Requested Revenue Increase			
			Before El Paso 1960 Offset:	1960 El Paso Offset	Total Amount	Percent
Firm Sev.	182,185.2	46.6%	\$11,944,000	\$5,777,000	\$17,721,000	73.1%
Gas Eng.	2,917.0	.8	102,000	29,000	131,000	.5
Interrup:						
Reg.	77,525.5	19.8	2,076,000	338,000	2,464,000	10.2
Cement & Stm.						
Plant	111,530.1	28.5	2,677,000	558,000	3,235,000	13.4
Resale (Long Beach)	16,720.0	4.3	334,000*	340,000*	674,000*	2.8
	390,877.8	100.0	17,133,000	7,092,000	24,225,000	100.0

* Automatic increase under Schedule G-60
as proposed by applicant to be modified.

El Paso 1960 Offset Rates

Effective August 25, 1960 rates of El Paso Natural Gas Company for out-of-state gas purchased by applicant again will increase, subject to possible refund upon final action by the Federal Power Commission as follows:

	<u>Old Rate</u>	<u>New Rate</u>	<u>Increase</u>
Monthly Demand Charge per Mcf of contracted daily demand at 14.73 psia	\$2.1749	\$2.7483	\$0.5734
Commodity Charge per Mcf at 14.73 psia	.23331	.23963	.00632

To compensate for such increase in the cost of El Paso gas and related franchise fees and uncollectibles, applicant proposes offset rates by classes of service as follows subject to possible refund:

	<u>Offset Rate</u> <u>Cents per Mcf</u>	
	<u>Requested</u>	<u>Authorized</u>
Firm Natural Gas Service		
First 40 Mcf/Month/Meter, all schedules	3.70¢	1.77¢
Over 40/Mcf/Month/Meter, all schedules	1.00	1.77
Gas Engine Service	1.00	1.77
Regular Interruptible Service	.50	1.77
Cement and Steam-Plant	.50	1.77

Rather than provide a higher increase for the first 40 Mcf for firm service schedules as proposed by applicant, we will authorize an average increase for all blocks. With respect to the interruptible class, applicant's proposed offset increases are below the increase in El Paso's commodity charge. In our judgment the interruptible class should bear the full increase in commodity cost

charge and in addition a reasonable portion of the increase in demand cost of applicant's operations as well. The order herein will so provide.

Applicant proposes to avoid possible over or under collection of offsetting revenue from its customers pending the final adjudication by FPC of El Paso's 1960 rate increase by reviewing annually the level of the offset rate, and when appropriate to file with this Commission not later than June 1 of each year revised offset unit charges to be effective beginning August 1, based upon the relationship between the volume of gas purchased from El Paso and the total volume of retail sales.

In the event that the final rates of El Paso as determined by the FPC are less than those effective August 25, 1960, applicant proposes a plan to refund any overcharges to its gas customers. An example of the operation of applicant's refund plan is contained in Exhibit 13.

Firm Natural Gas Service (Schedules G-1 to G-7 and G-15)

Applicant proposes that \$17,721,000 or 73.1 percent of its requested increase be obtained from firm natural gas service customers who, according to applicant's estimate will require approximately 47 percent of the total gas sales in the test year. This is an average increase of 10.2 percent or 9.7 cents per 1,000 cubic feet of gas estimated to be sold to this class of service.

The specific proposals of applicant applicable to this class of service are: (a) increase the fixed charge portion of the initial block charge of Schedules G-1 to G-7 by 25 cents per month except that an increase of 50 cents per month is sought for the six winter months in the "F" rate; (b) introduce a monthly service

charge of 60 cents per family dwelling unit in excess of eight, applicable to master-metered multiple dwelling service; (c) replace the present 25 percent summer discount applicable to direct-fired gas air conditioning with a special summer air conditioning block rate applicable to all gas air conditioning; (d) make no general increase in the "H" rates of Schedules G-1 to G-7 for the first 10,000 cubic feet per month but increase the rates for the next 30,000 cubic feet; (e) make no general increase in the "M" and "S" rates for the first 10,000 cubic feet per month in Schedule G-7; (f) increase all other block rates of Schedules G-1 to G-7 by a uniform percentage; and (h) increase the monthly charges for "lighting only" service in Schedule G-15 by approximately 10 percent, change the minimum charge from 10-lamp equivalent to 5-lamp equivalent, and renumber the Schedule "G-30".

The City of Los Angeles showed in Exhibit 40 that since 1950 the increase percentage-wise for the minimum use customer has been nearly three times as great as for the larger use customer and urged that consideration be given to avoiding a disproportionate increase in the billing to the small home users as compared with the larger use customers served under the firm natural gas service schedules.

Applicant's proposal to introduce a monthly service charge of 60 cents per family dwelling unit in excess of eight met with vigorous opposition from the Housing Authority of the City of Los Angeles and 14 other housing authorities, from the Mutual Housing Association of Compton, and from the Department of Defense and Other Executive Agencies of the United States Government who urged rejection of the service charge for the following principal reasons:

(1) the impact of the rate increase on multiple dwelling customers in some months would be more than five times as much as for other customers with similar gas requirements; (2) the service charge would be unduly discriminatory, (3) the service charge would deny equal application of applicant's rates to housing authorities and (4) applicant's cost study, Exhibits 9 and 73, are unreliable and unsupported.

We find considerable merit in the position of the City of Los Angeles and have given due consideration to the level of minimum charges in the rates authorized by the order herein. We further find that the proposed 60-cent monthly service charge is not justified by this record and it will not be authorized. In view of the evidence we will authorize increases in rates in the firm service schedules estimated to yield additional revenues of \$12,050,000 based on sales herein adopted for the test year. Of that amount \$3,312,000 relates to the El Paso offset.

A comparison of present, requested and authorized rates for multiple use under Schedule G-1, for the winter months November to April follows:

		<u>Multiple Use Rate - Schedule G-1</u>		
		<u>Present</u>	<u>Requested</u>	<u>Authorized</u>
First	200 cu. ft. or less	\$2.1356	\$2.4004	\$2.1925
Next	2,800 cu. ft./100 cu.ft.	.07780	.0852	.0843
Next	7,000 cu. ft./100 cu.ft.	.07330	.0811	.0803
Next	30,000 cu. ft./100 cu.ft.	.07030	.0778	.0773
Next	60,000 cu. ft./100 cu.ft.	.07780	.0826	.0826
Next	200,000 cu. ft./100 cu.ft.	.07140	.0759	.0759
Next	700,000 cu. ft./100 cu.ft.	.06740	.0716	.0716
Next	1,000,000 cu. ft./100 cu.ft.	.06440	.0684	.0684
Over	2,000,000 cu. ft./100 cu.ft.	.06240	.0663	.0663

A typical monthly increase for an average household using 3,000 cubic feet of gas a month would be 57 cents.

Gas Engine Service (Schedule G-45)

Applicant proposes that \$131,000 of additional annual revenues be obtained from gas engine service by a uniform percentage increase in all commodity block rates and by an increase in the minimum charge from \$6.00 to \$10.00 per meter per month, cumulative annually.

The California Farm Bureau Federation in its closing brief contends that the historical pattern of the relationship of gas engine service to other firm service is distorted by applicant's proposal to round the charge from four figures to three and from the magnitude of the proposed increase in the minimum charge.

Upon consideration of the evidence we will authorize increases in rates for gas engine service by the order herein to yield \$100,000 of additional annual test year revenues of which \$52,000 is applicable to the El Paso offset.

Regular Interruptible Service (Schedules G-50, G-52 and G-53)

Approximately \$2,464,000 or 10.2 percent of applicant's requested increase is sought from regular interruptible service customers who, according to applicant's estimates will use 19.8 percent of the total gas sold in the test year. This is an average increase of 3.2 cents per 1,000 cubic feet of gas estimated to be sold to this service class. Specific changes sought by applicant in these schedules are: (1) increase the minimum charge in Schedules G-50 and G-52 from \$50 to \$100 per month, cumulative annually; (2) increase by a uniform percentage each block rate in Schedule G-50; (3) make each block rate in Schedule G-52 $3\frac{1}{2}$ cents higher than the corresponding block rate in Schedule G-50; (4) increase the minimum charge in Schedule G-53 from \$2,000 to

\$2,500 and increase each block rate by a uniform percentage; and (5) introduce in Schedules G-50, G-52 and G-53 a special air conditioning rate to be applicable during the months of May through October.

The California Manufacturers Association in its brief takes the position that present regular interruptible rates are already at a maximum reasonable level and that in no event should the general rate increase for regular interruptible customers exceed, on a percentage basis, the increase prescribed for firm natural gas service customers.

The City of Los Angeles, on the other hand, urges that rates for interruptible service be fixed no lower than as applied for by applicant.

Based on this record we find that total increases in rates for interruptible service should be authorized at approximately the level requested by applicant. The rates to be authorized by the order herein in our judgment will produce \$2,440,000 of additional annual test year revenues of which \$1,381,000 applies to the El Paso offset.

Steam-Electric and Cement Plant Service (Schedule G-54)

An annual increase of \$3,235,000 is sought by applicant in its rates for Schedule G-54 customers. Such increase is 13.4 percent of applicant's total request. According to applicant's estimate, G-54 customers will use 28.5 percent of the total gas sales in the test year. Applicant's requested Schedule G-54 is contained in Exhibit 63. It is essentially the present G-54 Schedule with the rates increased by a uniform percentage.

On June 20, 1960, the next to the last day of hearing, applicant proposed in Exhibit 79 an optional temporary Schedule G-54A for Cement Plant Service. The proposed rate is 36.2 cents per Mcf for all gas deliveries or more than two cents per Mcf lower than the average rate proposed by applicant in its Schedule G-54. All G-54A gas is proposed at S2 priority, except that during smog "fuel switch" periods service under G-54A would be subservient to all other S2 service. It is further proposed that Schedule G-54A terminate on June 30, 1961 at which time customers would revert to service under Schedule G-54 unless a substitute schedule had been authorized.

Riverside Cement Company and California Portland Cement Company urged the authorization of Schedule G-54A stating that failure to establish such schedule would result in the cement companies buying only their minimum contractual volumes of gas and purchasing fuel oil for the remainder of their requirements.

Standard Oil Company of California opposed applicant's proposed Schedule G-54A for the following reasons: (1) such schedule gives a preferred rate to large cement companies and at the same time requires such companies to use gas exclusively, (2) the proposed schedule was not presented until the day before submission of the case, and (3) because such schedule violates both the letter and the spirit of the federal and state anti-trust laws.

California Electric Power Company proposed certain modifications in the rate form and commodity blocks set forth in applicant's Schedule G-54 to apply for a temporary period ending June 30, 1961 to allow testing of the form and administration of the rate. While applicant and the City of Glendale in their closing

briefs endorsed the proposal of the California Electric Power Company such proposal was opposed by the Department of Water and Power of the City of Los Angeles and by Southern California Edison Company.

Southern California Edison Company proposed three Schedules, G-100, G-200 and G-300, in Exhibit 38 as applicable to steam-electric generation service and urged that such schedules be prescribed in lieu of applicant's proposed Schedule G-54. Applicant opposed Edison's proposed schedules on the grounds that they were impractical and the rates suggested so unrealistically low.

The Department of Water and Power of the City of Los Angeles takes the position that applicant's present rates for service to steam-electric generating plants are substantially above "incurred" cost of rendering the service and also above the present going price of competitive fuel; that further increases in steam plant rates should be severely limited, if, indeed, they should be permitted at all; that if any increase is authorized the present form of Schedule G-54 should be left unchanged and a flat percentage increase applied to all blocks of the rate.

We note in passing that applicant's affiliate, Southern Counties Gas Company of California, requests that the identical G-54 rate schedule be prescribed for both gas utilities, although no evidence was placed in the Southern Counties proceeding (A-41859) respecting proposed Schedule G-54A or the California Electric Power Company proposal.

On this record we find applicant's present general form of Schedule G-54 should be continued and that temporary Schedule G-54A is not justified. We find an increase in Schedule G-54 rates to

yield additional annual revenues in an amount of \$3,100,000 is justified, of which \$1,975,000 is applicable to the El Paso offset.

Resale Service to Long Beach (Schedule G-60)

Applicant has furnished resale service to the City of Long Beach since December 1956 under Schedule G-60 implemented by a contract. The presently effective contract and schedule now provides for automatic escalation with any change in the price of out-of-state gas. It appears from the testimony that applicant has renegotiated the automatic rate adjustment provision to provide a smaller margin over increases in the cost of out-of-state gas. Applicant's as well as the staff's showing in this proceeding at proposed rates gives effect to the renegotiated lower rate adjustment provision.

The Department of Defense and Other Executive Agencies of the United States Government opposed the continuation of the automatic escalation provision in Schedule G-60 because such a clause singles out only one element of the utility's cost in changing rate levels without consideration being given to all of the rate-making factors upon which the rates should be based. This Commission agrees with the position of the Government regarding escalation clauses in Schedule G-60 and by the order herein will require its deletion for the future. The rate levels being fixed herein for Schedule G-60 are those which would be applicable under the renegotiated lower rate adjustment provision of Schedule G-60 giving consideration to the test year cost of out-of-state gas. Since we are requiring the deletion of the escalation clause for the future we are at the same time providing for appropriate refunds under Schedule G-60 should the out-of-state gas rates, which are collected subject to possible refund, ultimately be fixed by the FPC at a lower level.

Findings and Conclusions

In the considered judgment of the Commission, the increases in rates to be authorized by the order herein will provide such additional gross revenues as should enable applicant to meet its reasonable expenses of operation and afford it the opportunity to earn a fair and just return on its depreciated rate base hereinbefore found reasonable.

This record reveals applicant incurs a number of expenses which are directly controllable at the discretion of management. Overall efficiency of operations is a prime responsibility of management. It is incumbent upon applicant continually to seek ways of reducing its costs of operations consistent with its public utility service responsibilities.

After carefully considering all factors pertinent to this proceeding, it is our finding and conclusion that an order should be issued authorizing increases in rates in the over-all amount of approximately \$17,690,000 in the manner hereinbefore outlined, and to the extent set forth in Appendix A following the order herein. Accordingly, we find that the increases in rates and charges authorized and ordered herein are justified and that the existing rates, in so far as they differ therefrom, are for the future unjust and unreasonable.

We find that applicant should take immediate steps to place into effect the staff's first, second as modified hereinabove, and third recommendations with respect to certain of applicant's sales promotion activities as enumerated in the foregoing opinion.

The Commission again invites the attention of applicant to its duty to resist vigorously all proceedings before the Federal Power Commission which involve gas rates affecting California, to the end that the interests of the customers of this utility will be fully protected. Applicant also should intensively survey and consider additional underground storage facilities or other means of serving its customers, in the light of the trend of increasing source cost of gas and applicant's expressed concern over the loss of interruptible sales.

The following tabulation summarizes the increases being authorized by the order herein, based on the Commission's adopted level of sales for the test year ending June 30, 1961.

SUMMARY OF INCREASES BEING AUTHORIZED

Class of Service	Adopted Sales 1000 Mcf	Adopted Revenue At Present Rates	Increase		Avg. Rev. Per Mcf	
			Amount	Per- cent	Per Mcf	After Increase
Firm Service	186,519.7	\$177,265,000	\$12,050,000	6.8%	6.54	101.54
Gas Engine	2,917.0	1,481,000	100,000	6.8	3.4	54.2
Regular Interr.	77,785.9	32,359,000	2,440,000	7.5	3.1	44.7
Steam Elec. & Cement Plt.	111,269.7	39,468,000	3,100,000	7.9	2.8	38.3
Resale, Long Beach	16,720.0	7,704,000*	*	*	*	46.1
Other Gas Rev.	-	3,492,000	-	-	-	-
Total	395,212.3	\$261,769,000	\$17,690,000	6.8	4.5	70.7

* Present rates include \$665,000 increase due to operation of the renegotiated adjustment clause.

O R D E R

Southern California Gas Company having applied to this Commission for an order authorizing increases in gas rates, public hearing having been held, the matter having been submitted and being ready for decision therefore,

IT IS ORDERED as follows:

1. Applicant is authorized and directed to file in quadruplicate with this Commission on or after the effective date of this order, in conformity with General Order No. 96, revised tariff schedules with changes in rates, terms and conditions as set forth in Appendix A attached hereto and, on not less than five days' notice to this Commission and to the public, to make said rates effective for service rendered on and after August 25, 1960, except that the El Paso offset increase in rates shall not be made effective prior to the date the increased El Paso rates, lawfully, are allowed to go into effect by the Federal Power Commission.

2. In the event that applicant places such offset rates into effect,

- a. Applicant shall keep records of sales to customers during the effective period of this cost of gas offset rate as will enable it to determine readily the total offset charge and the total refund, if any, that may be due each customer.
- b. Applicant's plan for determining refunds shall be submitted to this Commission prior to making any refunds, and specific Commission approval shall be obtained of the plan at that time.
- c. When the decision of the Federal Power Commission Docket No. RP60-3 shall have become final, applicant shall file an application containing its proposed permanent rate plan for final determination and authorization by this Commission.

- d. Upon final determination of the actual cost of refunding not recovered by El Paso and the amount of any balance created by applicant's inability to deliver checks and by checks uncashed after one year, applicant shall file a plan acceptable to the Commission for the equitable disposition of the resultant net balance.
- e. Applicant shall file with the Commission monthly reports within sixty days following the close of each monthly period, setting forth:
 - (1) The increase in revenues realized under the offset rates authorized herein, segregated by firm and interruptible classes of service, and
 - (2) The increase in cost of out-of-state gas above the rate level in effect immediately prior to the date on which the proposed El Paso rates go into effect.
- f. When appropriate, applicant may file annually revised unit offset charges subject to Commission approval.
- g. Applicant shall continue to show in its tariffs the amounts of offset charges included in the several rates that may be subject to refund.

3. If the Federal Power Commission ultimately fixes a rate for Transwestern gas lower than 42.0 cents per Mcf applicant shall promptly advise this Commission in writing, reduce its rates accordingly and make appropriate refunds after approval of this Commission.

4. Applicant shall take immediate steps to place into effect the staff's first three recommendations with respect to those specific aspects of its sales promotional activities enumerated in the foregoing opinion and as set forth on page 5, paragraph 18, of Exhibit 52, except that the second recommendation shall be modified as indicated in the foregoing opinion. Complete compliance shall be accomplished no later than 120 days after the effective date of this order. Applicant shall file with this Commission written reports of progress detailing steps taken to fully place into effect such staff recommendations

at 30-day intervals after the effective date of this order until full compliance has been accomplished no later than 120 days after the effective date of this order.

5. Applicant shall notify this Commission in writing should it elect, for income tax purposes, to use a life shorter than 35-years for the Newberry-Placentia pipeline. Such notice shall be made within twenty days of such election.

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

Dated at San Francisco, California, this 23rd
day of August, 1960.

[Signature]
President
[Signature]
Secretary
[Signature]
of Commission

Commissioners

Robert L. Mitchell

Commissioner J. Theodore H. Johnson, being
necessarily absent, did not participate
in the disposition of this proceeding.

Concurring Opinion in Application No. 41860.

I concur reluctantly in this decision for the reason that, under conditions presently existing, were I to dissent applicant would be penalized unjustly, because of immediate and substantial increases in costs over which neither applicant nor this Commission has control. There are many parts of this decision of which I vigorously disapprove but my comments in this instance will be confined to one, namely, the prolonged and not too lucid dissertation concerning applicant's proposed expenditures for advertising and promotion and the staff section which prepared and presented the evidence upon which said dissertation was based. I particularly disapprove of the final statement in this section of the opinion which reads:

"Our action herein is not to be construed as limiting the amount applicant may spend for sales promotion in the test year or in any other period. Such determination is for the applicant to make. Our determination herein relates solely to the reasonable allowance of sales promotion expenses to be included in gas rates of this applicant to be borne by its ratepayers."

In my studied opinion this statement, while factual, is misleading and therefore improper. Applicant is a completely regulated enterprise. Every expenditure proposed by applicant must be approved or revised by this Commission for ratemaking purposes. This fact applies with equal force to administrative and general expenses (to name only one additional category) which is the next subject discussed in the opinion, and which the Commission reduces without admonishing applicant that it still can spend more than


is allowed for ratemaking purposes, should applicant desire. It is a well-established fact that expense allowances granted by this Commission for ratemaking purposes usually become the limits of expenditures made by a utility; otherwise their earnings are grossly depleted and they court financial difficulties.

The most serious aspect of this case, however, in my opinion, is that the staff presentation and recommendations concerning advertising and promotion expenditures were prepared and made by a representative of the Utilities (Engineering) Division of the Commission and not by the Finance and Accounts Division which comprises men well versed and experienced in financial matters. This willingness, even determination, of the engineers to invade areas other than engineering activities appears to be symptomatic with this Commission. We have had engineers testifying as "experts" on virtually all phases of finance, including rates of return, upon tax matters and now upon advertising and promotion programs of utilities under the jurisdiction of this Commission.

The engineer witness in this instance, under cross examination, admitted that he had had little or no experience involving the subject upon which he was testifying as an "expert". Although his qualifications were limited to the engineering field, this staff "expert" testified that he personally had delved into the accounts and financial transactions of applicant pertaining to promotion and advertising, had compared them with similar expenditures of other utilities, and had drawn his conclusions and based his recommendations upon his own evaluation of the data thus ascertained.

Not content to leave bad enough alone, staff attorney in his brief pursued the subject in an extremely intemperate and improper manner. This brief, in my opinion, attempted by innuendo, to besmirch applicant, accused hundreds of newspapers of the State of California of attempting to coerce the Commission and intimated that newspaper opposition to the staff's recommendation was for pecuniary reasons rather than because of honest disapproval of the invasion by staff engineers of fields beyond the legitimate sphere of engineers.

The interest of the people of California would have been served much better had (1) staff engineers confined their activities to bona fide engineering features of this case and left the financial aspects of the proceeding to the well qualified financial and tax experts of the Commission, and (2) staff counsel confined his arguments to fact and refrained from innuendo, designed to cast doubt on the good faith and integrity of applicant and the newspapers of California.



C. LYN FOX
Commissioner

APPENDIX A
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The presently effective tariffs are changed as set forth in this appendix.

1. Firm Natural Gas Service Schedules G-1 Through G-7

		<u>G-1</u>		<u>G-2</u>	
		<u>Per Meter Per Month</u>		<u>Per Meter Per Month</u>	
		<u>Base Rates</u>		<u>Base Rates</u>	
		<u>1100 Btu</u>		<u>1100 Btu</u>	
		<u>"M"</u>	<u>"H"</u>	<u>"M"</u>	<u>"H"</u>
Commodity Charge:					
First	200 cf or less:				
	November-April, incl.	\$2.1925	\$4.1294	\$2.1925	\$4.1294
	May-October, incl.	\$2.1925	\$0.1990*	\$2.1925	\$0.2030*
Next	2,800 cf, per 100 cf	8.43¢	9.95¢	8.64¢	10.15¢
Next	7,000 cf, per 100 cf	8.03¢	9.15¢	8.23¢	9.35¢
Next	30,000 cf, per 100 cf	7.73¢	8.71¢	7.93¢	8.92¢
		<u>"M" and "H"</u>		<u>"M" and "H"</u>	
		<u>May- Oct.</u>	<u>Nov.- Apr.</u>	<u>May- Oct.</u>	<u>Nov.- Apr.</u>
Next	60,000 cf, per 100 cf	6.69¢	8.26¢	6.69¢	8.26¢
Next	200,000 cf, per 100 cf	6.02¢	7.59¢	6.02¢	7.59¢
Next	700,000 cf, per 100 cf	5.59¢	7.16¢	5.59¢	7.16¢
Next	1,000,000 cf, per 100 cf	5.27¢	6.84¢	5.27¢	6.84¢
Over	2,000,000 cf, per 100 cf	5.06¢	6.63¢	5.06¢	6.63¢
		<u>G-3</u>		<u>G-4</u>	
		<u>Per Meter Per Month</u>		<u>Per Meter Per Month</u>	
		<u>Base Rates</u>		<u>Base Rates</u>	
		<u>1100 Btu</u>		<u>1100 Btu</u>	
		<u>"M"</u>	<u>"H"</u>	<u>"M"</u>	<u>"H"</u>
Commodity Charge:					
First	200 cf or less:				
	November-April, incl.	\$2.2425	\$4.2294	\$2.2925	\$4.3294
	May-October, incl.	\$2.2425	\$0.2070*	\$2.2925	\$0.2110*
Next	2,800 cf, per 100 cf	8.83¢	10.35¢	9.03¢	10.55¢
Next	7,000 cf, per 100 cf	8.43¢	9.55¢	8.63¢	9.75¢
Next	30,000 cf, per 100 cf	8.13¢	9.12¢	8.33¢	9.33¢
		<u>"M" and "H"</u>		<u>"M" and "H"</u>	
		<u>May- Oct.</u>	<u>Nov.- Apr.</u>	<u>May- Oct.</u>	<u>Nov.- Apr.</u>
Next	60,000 cf, per 100 cf	6.69¢	8.26¢	6.69¢	8.26¢
Next	200,000 cf, per 100 cf	6.02¢	7.59¢	6.02¢	7.59¢
Next	700,000 cf, per 100 cf	5.59¢	7.16¢	5.59¢	7.16¢
Next	1,000,000 cf, per 100 cf	5.27¢	6.84¢	5.27¢	6.84¢
Over	2,000,000 cf, per 100 cf	5.06¢	6.63¢	5.06¢	6.63¢

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		<u>G-5</u>		<u>G-6</u>	
		<u>Per Meter Per Month</u>		<u>Per Meter Per Month</u>	
		<u>Base Rates</u>		<u>Base Rates</u>	
		<u>1100 Btu</u>		<u>1100 Btu</u>	
		<u>"M"</u>	<u>"H"</u>	<u>"M"</u>	<u>"H"</u>
Commodity Charge:					
First	200 cf or less:				
	November-April, incl.	\$2.3925	\$4.4294	\$2.5425	\$4.6294
	May-October, incl.	2.3925	0.2150*	2.5425	0.2190*
Next	2,800 cf, per 100 cf	9.23¢	10.75¢	9.63¢	10.95¢
Next	7,000 cf, per 100 cf	8.83	9.95	9.23	10.15
Next	30,000 cf, per 100 cf	8.53	9.53	8.93	9.73
		<u>"M" and "H"</u>		<u>"M" and "H"</u>	
		<u>May</u>	<u>Nov.-</u>	<u>May-</u>	<u>Nov.-</u>
		<u>Oct.</u>	<u>Apr.</u>	<u>Oct.</u>	<u>Apr.</u>
Next	60,000 cf, per 100 cf	6.69¢	8.26¢	6.69¢	8.26¢
Next	200,000 cf, per 100 cf	6.02	7.59	6.02	7.59
Next	700,000 cf, per 100 cf	5.59	7.16	5.59	7.16
Next	1,000,000 cf, per 100 cf	5.27	6.84	5.27	6.84
Over	2,000,000 cf, per 100 cf	5.06	6.63	5.06	6.63

		<u>G-7</u>		
		<u>Per Meter Per Month</u>		
		<u>Base Rates</u>		
		<u>1100 Btu</u>		
		<u>"M"</u>	<u>"S"</u>	<u>"H"</u>
Commodity Charge:				
First	200 cf or less:			
	November-April, incl.	\$2.5849	\$2.5849	\$4.7218
	May-October, incl.	2.5849	2.5849	0.2854*
Next	2,800 cf, per 100 cf	11.47¢	12.97¢	14.27¢
Next	7,000 cf, per 100 cf	9.37	10.67	11.77
Next	30,000 cf, per 100 cf	9.23	9.43	10.14
		<u>"M", "S" and "H"</u>		
		<u>May-</u>	<u>Nov.-</u>	
		<u>Oct.</u>	<u>Apr.</u>	
Next	60,000 cf, per 100 cf	7.00¢	8.57¢	
Next	200,000 cf, per 100 cf	6.29	7.86	
Next	700,000 cf, per 100 cf	5.86	7.43	
Next	1,000,000 cf, per 100 cf	5.65	7.22	
Over	2,000,000 cf, per 100 cf	5.44	7.01	

* (Revise effective rate per 100 cu. ft. for May to October.)

Revise minimum charge section under rates to conform with authorized rates.

Revise contingent offset charges as proposed in Exhibit 63 excepting that the offset charge effective 8-25-60 shall be .177 cents per 100 cubic feet for all usage.

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Withdraw present special discount rate for air conditioning in Schedules G-1 through G-7 and insert new paragraph and rates as shown as follows:

Special Rate for Air Conditioning Usage:

Upon application, customers who have installed and are using gas air conditioning equipment will be billed for service furnished during the months of May to October, inclusive, at the following rates for monthly consumption up to 5,000 cubic feet per rated full ton of such equipment, provided that the first 200 cubic feet of the total monthly consumption shall be billed at the applicable rate shown on the preceding page.

		<u>Per Meter Per Month</u>
		<u>Base Rates</u>
		<u>1100 Btu</u>
First	10,000 cu. ft., per 100 cu. ft....	6.0¢
Next	15,000 cu. ft., per 100 cu. ft....	5.2
Next	25,000 cu. ft., per 100 cu. ft....	4.7
Next	150,000 cu. ft., per 100 cu. ft....	4.3
Next	800,000 cu. ft., per 100 cu. ft....	4.0
Over	1,000,000 cu. ft., per 100 cu. ft....	3.9

2. Street and Outdoor Lighting Natural Gas Service Schedule G-15
Renumber to G-20 and change the rates and minimum charge provisions as follows:

<u>Hourly Lamp Rating in Cu. Ft.</u>	<u>Charge per Lamp Per Month</u>
1.99 cu. ft./hr. or less	\$1.10
2.00 - 2.49 cu. ft./hr.	1.35
2.50 - 2.99 cu. ft./hr.	1.50
3.00 - 3.99 cu. ft./hr.	1.70
4.00 - 4.99 cu. ft./hr.	1.90
5.00 - 7.49 cu. ft./hr.	2.20

Minimum Charge:

A minimum charge per month equal to the charge for five lamps of the maximum size installed will be made to customers taking service under the "X" rate.

3. Gas Engine Natural Gas Service Schedule G-45

		<u>Per Meter Per Month</u>
		<u>Base Rates</u>
		<u>1100 Btu</u>
<u>Commodity Charge:</u>		
<u>November to April, Incl.</u>		
First	25 Mcf, per Mcf	72.3¢
Next	175 Mcf, per Mcf	63.8
Next	800 Mcf, per Mcf	57.4
Over	1,000 Mcf, per Mcf	55.8
<u>May to October, Incl.</u>		
First	25 Mcf, per Mcf	64.4¢
Next	175 Mcf, per Mcf	55.9
Next	800 Mcf, per Mcf	49.5
Over	1,000 Mcf, per Mcf	47.9
<u>Minimum Charge:</u>		
Per Meter Per Month		\$7.00
Cumulative Annual Minimum Charge		84.00

Revise contingent offset charges as proposed in Exhibit 63, excepting that the offset charge effective August 25, 1960 shall be 1.77 cents per Mcf.

APPENDIX A
Page 4 of 54. Interruptible Industrial Natural Gas Service Schedules G-50, G-52, and G-53

		G-50 1100 Btu
		Base Rates
First	200 Mcf, per Mcf	56.3¢
Next	800 Mcf, per Mcf	49.8
Next	2,000 Mcf, per Mcf	48.2
Next	3,000 Mcf, per Mcf	47.3
Next	4,000 Mcf, per Mcf	46.1
Next	10,000 Mcf, per Mcf	43.8
Over	20,000 Mcf, per Mcf	42.7

Minimum Charge: Per Meter Per Month \$ 100.00
Cumulative Annual Minimum Charge 1,200.00

		G-52 1100 Btu
		Base Rates
First	200 Mcf, per Mcf	59.8¢
Next	800 Mcf, per Mcf	53.3
Next	2,000 Mcf, per Mcf	51.7
Next	3,000 Mcf, per Mcf	50.8
Next	4,000 Mcf, per Mcf	49.6
Next	10,000 Mcf, per Mcf	47.3
Over	20,000 Mcf, per Mcf	46.2

Minimum Charge: Per Meter Per Month \$ 100.00
Cumulative Annual Minimum Charge 1,200.00

		G-53 1100 Btu
		Base Rates
First	200 Mcf, per Mcf	55.7¢
Next	800 Mcf, per Mcf	49.3
Next	4,000 Mcf, per Mcf	44.5
Next	5,000 Mcf, per Mcf	42.9
Next	10,000 Mcf, per Mcf	40.6
Over	20,000 Mcf, per Mcf	39.5

Minimum Charge: Per Meter Per Month \$2,500.00

Add the following provision: "In event of curtailment, the above monthly minimum charge and the rate blocks will be prorated in the proportion of the number of equivalent days gas is offered during the billing period to the total number of days in the billing period."

Revise contingent offset charges as proposed in Exhibit 63 excepting that the offset charge effective 8-25-60 shall be 1.77 cents per Mcf.

Revise Special Conditions 1. as proposed in Exhibit 63.

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Page 5 of 5

Add special rate for air conditioning usage in Schedules G-50, G-52 and G-53 as follows:

Special Rate for Air Conditioning Usage:

Upon application, customers who have installed and are using gas air conditioning equipment will be billed for service furnished during the months of May to October, inclusive, at the following rates for monthly consumption up to 5,000 cubic feet per rated full ton of such equipment.

		Per Meter Per Month
		Base Rates
		1100 Btu
First	200 Mcf, per Mc	42.5¢
Next	800 Mcf, per Mc	38.5
Over	1,000 Mcf, per Mc	37.5

5. Utility Steam Electric Generating Station and Cement Plant Retail Natural Gas Service Schedule G-54

		1100 Btu
		Base Rate
		Winter Summer
<u>Commodity Charge:</u>		
Per Mcf		38.6¢
First 10 Mcf per month,		
per Mcf of contract		
volumetric rate		41.1¢
Next 10 Mcf per month,		
per Mcf of contract		
volumetric rate		38.1
Next 10 Mcf per month,		
per Mcf of contract		
volumetric rate		35.1
Excess per Mcf		37.6
Supplemental Service -		
Monolith	39.1	39.1

Revise Base Rate, Heating Value Adjustment and Contingent Offset Changes sections under Rates as proposed in Exhibit 63, excepting that the offset charge effective 8-25-60 shall be 1.77 cents per Mcf.

6. Resale Natural Gas Service Schedule G-60

Delete Sections 1.21, 1.22 and 2. under Rates and show total commodity charge under Section 1.2.

Add the following provision under Rates: "2. The effective rates are subject to possible refund should the out-of-state gas rates, which are collected subject to possible refund, ultimately be fixed by the Federal Power Commission at a lower level".

File a letter agreement modifying present G-60 service agreement to conform with this decision.

APPENDIX B

LIST OF APPEARANCES

FOR APPLICANT

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

FOR PROTESTANTS

O'Melveny & Myers, by Lauren M. Wright, for Riverside Cement Company, Division of American Cement Company; Donald J. Carman and Richard Edsall, for California Electric Power Company; E. M. Clawson, for Mutual Housing Association of Compton; Donald S. Smith, for Don Smith & Sons; Van C. Foster, Roy M. Rick, and Lorain Downing, for themselves.

FOR INTERESTED PARTIES

Harold Gold, Reuben Lozner and 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. McArthur, 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, C. Hayden Ames and George A. Malloch, 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; Walkfred 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.

FOR INTERVENOR

Richard L. Rick, as an associate of Party Roy M. Rick of Rick Appliances.

FOR THE COMMISSION STAFF

Cyril M. Saroyan, Franklin G. Campbell, and Robert W. Beardslee.