JCM

Decision No. 62446

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SAN DIEGO GAS & ELECTRIC COMPANY, a corporation, for a general increase in gas rates under Section 454 of the Public Utilities Code. (Gas)	Application No. 42887 (Filed November 23, 1960)

(Appearances are listed in Appendix B)

O P I N I O N

Applicant's Request

San Diego Gas & Electric Company[1/] filed the above-entitled application on November 23, 1960, requesting an increase in its rates and charges for natural gas service so as to provide additional annual gross revenues of $7,354,000, or 27.5 percent, based on estimated 1961 revenues of $26,732,300 at present rates. Applicant's request is in two parts. First, applicant requests that the Commission authorize, as expeditiously as possible, an increase totaling $4,494,200 in part subject to a refund plan, to offset increases in the cost of gas since its gas rates were last fixed by the Commission in 1958 and which cost increases applicant states are being paid by applicant to its supplier, Southern Counties Gas Company of California.[2/] Second, applicant requests an additional

1/ San Diego Gas & Electric Company is an operating public utility furnishing electric service in San Diego County and a portion of the southwestern part of Orange County, natural gas service in Western San Diego County, and steam heat in a limited portion of the downtown section of the City of San Diego. During 1960 approximately 30.5 of applicant's gross revenues was derived from the sale of gas, 69.2% from the sale of electric energy and 0.3% from the sale of steam.

2/ By Decision No. 61984 dated May 10, 1961, applicant's request for an interim offset increase of $4,494,200 was denied.

increase of at least $2,859,800 to cover increases in wages, salaries and other expenses and allow applicant to earn a rate of return of 6.50 percent last found fair and reasonable for applicant's gas department in Decision No. 57510 dated October 21, 1958 in Application No. 39681.

Public Hearing

After due notice, 18 days of public hearing were held on this application before Commissioner C. Lyn Fox and/or Examiner William W. Dunlop during the period February 8 to June 29, 1961 in San Diego. Applicant presented 23 exhibits and testimony by 11 witnesses in support of its request. The Commission staff made an independent study of applicant's operations, presented six exhibits and testimony by six witnesses and cross-examined witnesses. Certain other parties presented four exhibits and cross-examined applicant's and the staff's witnesses. Twelve of applicant's customers appeared as witnesses protesting the requested increase in rates. In addition, the Commission has received hundreds of communications, including a number of petitions and resolutions, opposing the requested increases in rates.

The matter was submitted at the conclusion of the hearing on June 29, 1961, subject to the filing of concurrent closing briefs by July 15, 1961.

Applicant's Position

Applicant asserts that since November 15, 1958 when its present rates for gas service became effective pursuant to Decision No. 57510 (56 CPUC 619) practically every item of expense has increased; that revenues derived from the sale of gas during the same period have not kept pace with the rising costs of applicant's gas department; and that the resulting return on applicant's plant devoted to public use in the service of natural gas is unjust, unreasonably low and confiscatory. Applicant further asserts that it has experienced the following principal cost increases necessitating rate relief:

	Estimated 1961 Amounts
Gas price increases	$4,496,600
Wage level increases	418,700
Tax rate and tax base changes	687,700
Other, largely the effects of inflation on plant costs	1,751,000
Total	$7,354,000

Since the end of 1958 applicant states it has experienced four increases in gas prices with the authorization of this Commission, due primarily to increases in the cost of out-of-state gas purchased by applicant's supplier, Southern Counties Gas Company of California. Applicant represents that three of these increases in cost of gas, April 6, 1959, August 1, 1959 and August 25, 1960, are the kind which result in a price increase without a change in volume of gas or provision for additional deliverability.

Applicant's position is that its revenues in its gas department for 1961 at present rates will be below its expenses of operation; that its earnings in its electric department for 1961 will no longer be sufficient to absorb the gas department cost increases; and that if its requested rates had been in effect for the full year 1961, applicant's gas department would earn a rate of return of 6.5 percent and the over-all company rate of return would be 6.3 percent.

Earning Position

Applicant presented summaries of its earning position for the years 1958, 1959 and 1960 on a recorded basis, for the year 1959 on an adjusted basis, for the year 1960 partially estimated and adjusted and for the year 1961 on an estimated basis at present rates and at its proposed rates. The Commission staff analyzed applicant's showing and presented an estimate for the test year 1961 relating to applicant's gas department. These rates of return are:

Rate of Return on Depreciated Rate Base

Year	Applicant			CPUC Staff
	Total System	Electric & Steam Depts. Combined	Gas Dept.	Gas Dept.
1958 Recorded	5.11%	5.68%	2.95%	Not Shown
1959 Recorded	6.07	6.71	3.62	Not Shown
1959 Adjusted	5.75	6.86	1.55	Not Shown
1960 Recorded	6.11	6.9	3.14	Not Shown
1960 Partially Estimated & Adjusted	5.89	6.90	2.13	Not Shown
1961 Estimated-Present Rates	5.05	6.28	.90	2.32%
1961 Estimated-Co. Proposed Rates	6.33	6.28	6.50	8.32

The two estimates applicable to the gas department of revenues, expenses, net revenue, rate base and rate of return for the estimated year 1961 are compared in the tabulation following. Also shown 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 applicant's need for increases in its gas rates.

SUMMARY OF EARNINGS - GAS DEPARTMENT
ESTIMATED YEAR 1961
AT PRESENT RATE LEVELS

Item	Applicant Ex. 2 Table 15A	CPUC Staff Ex. 19	Adopted Operating Results At Present Rates
Operating Revenues			
Domestic	$19,117,200	$20,106,800	$19,527,000
Non-Domestic General Service	4,418,000	4,502,300	4,425,000
Firm Industrial	369,900	380,600	374,000
Interruptible-Commercial & Industrial	1,477,700	1,549,200	1,535,000
Interdepartmental Deliveries	1,192,000	10,059,200	9,828,000
Miscellaneous	157,500	160,500	159,000
Total Operating Revenues	26,732,300	36,758,600	35,848,000
Operating Expenses			
Purchased Gas	23,307,500	24,232,200	23,774,000
Other Production	38,700	36,400	37,000
Joint Expense Credit	(8,307,700)	(58,000)	(58,000)
Total Production	15,038,500	24,210,600	23,753,000
Transmission	302,200	267,200	280,000
Distribution	2,821,200	2,790,900	2,800,000
Cust. Acctg. & Collecting	1,533,500	1,512,900	1,519,000
Sales Promotion	284,500	262,700	270,000
Adm. & General	1,862,500	1,657,400	1,645,000
Wage Increase (March 1, 1961)	-	-	187,000
Depreciation & Amortization	2,520,600	2,298,800	2,304,000
Taxes - Other Than Income	2,525,000	2,390,600	2,392,000
Taxes on Income	(680,100)	63,100	(112,000)
Total Operating Expenses	26,207,900	35,454,200	35,038,000
Net Revenue	524,400	1,304,400	810,000
Rate Base (Depreciated)	58,259,700	56,207,000	56,600,000
Rate of Return	0.90%	2.32%	1.43%

( ) (Red Figure)

Operating Revenues

The staff's estimate of operating revenues at present rates exceeds applicant's estimate by $10,026,300 or by 37.5 percent. A difference of $8,231,500 results from the manner of stating interdepartmental sales and $1,794,800 results from the staff's greater estimate of gas sales and gas deliveries to applicant's steam-electric plants.

The staff's estimate of interdepartmental sales includes all revenues derived under Schedule G-54, whereas applicant's estimate for this item includes only the difference between Schedule G-54 revenue and the commodity portion of the cost of such gas under Schedule G-60 of Southern Counties Gas Company of California. We are of the opinion that all amounts received by applicant under its filed tariff schedules should be included in operating revenues. Accordingly, the staff's method of stating interdepartmental sales will be adopted herein and applicant will be required to revise Condition No. 4 of its Schedule G-54 in a consistent manner.

Applicant estimated an average of 274,001 gas customers in the test year compared with the staff's estimate of 274,049. In Exhibit No. 23 applicant showed for the first five months of 1961 an actual gain in gas customers of 3,505 compared with applicant's estimate of 4,419 and the staff's estimate of 4,291 for the corresponding period.

For the domestic classification applicant estimated an average use of 71.155 Mcf per customer in the test year compared with the staff's estimate of 75.5 Mcf on a comparable basis. For the nondomestic general classification applicant estimated an average use of 230.460 Mcf per customer compared with the staff's estimate of 238.15 Mcf. In Exhibit No. 24 applicant showed its most recent estimates of average use per customer in the test year to be 68.672 Mcf for domestic and 229.697 Mcf for nondomestic general service.

A comparison of the applicant's and the staff's estimates of gas sales for the test year 1961 with those adopted herein follows:

Classification	1961 Test Year Sales M^2 cf Applicant	CPUC Staff	Adopted
Domestic	17,792.0	18,906.1	18,250.0
Nondomestic General	5,467.2	5,592.3	5,476.0
Firm Industrial	642.7	653.2	645.0
Regular Interruptible	3,645.2	3,831.0	3,800.0
Company Steam-Electric	26,874.5	28,674.0	28,000.0
Total	54,421.6	57,656.6	56,171.0

Based upon this record we find total gas sales of 56,171.0 M^2 cf as indicated above and total operating revenues of $35,848,000 for applicant's gas department to be reasonable for the test year 1961.

Operating Expenses

Applicant's estimate of total operating expenses including taxes and depreciation at present rates totals $26,207,900 compared with the staff's estimate of $35,454,200. Both estimates do not give effect to a recent wage increase which became effective on March 1, 1961 as shown in Exhibit No. 33 and which will be discussed hereinafter as a separate item of expense. Major differences in the respective estimates are in production expenses, administrative and general expenses, depreciation expense and in taxes. These items of expense will be discussed separately.

In transmission, distribution, customers' accounting and collecting, and sales promotion expenses the differences between estimates are not particularly large. We adopt the following amounts, exclusive of the March 1, 1961 wage increase, as reasonable for test period purposes at present rates: transmission expenses, $280,000; distribution expenses, $2,800,000; customer's accounting and collecting expenses, $1,519,000; sales promotion, $270,000.

Production Expenses

Production expenses of applicant consist mainly of the cost of natural gas purchased from its supplier, Southern Counties Gas Company of California, under that company's Schedule G-60. The staff's estimate of production expenses exceeds applicant's estimate by $9,172,100. As indicated under the discussion of operating revenues, $8,231,500 of this difference results from the manner of stating interdepartmental sales and the balance, or $940,600 primarily reflects the staff's higher estimate of gas sales and deliveries. Both the applicant and the staff based their estimates of the cost of purchased gas upon the currently effective Schedule G-60 of Southern Counties Gas Company of California. That schedule includes a three-part rate; a facility charge of $97,500 per month; a demand charge of $2.40 per Mcfd; and a commodity charge of 30.63 cents per Mcf. A portion of the rate under Southern Counties Schedule G-60 is subject to possible refund in the event of a reduction in the cost of gas purchased by Southern Counties from its suppliers.

Consistent with our findings respecting gas sales and revenues, we find upon this record production expenses of $23,753,000, exclusive of the March 1, 1961 wage increase, to be reasonable in the test year.

In view of the fact that such a substantial portion of applicant's operating expenses result from the cost of purchases of gas, applicant is hereby placed on continuing notice that this Commission expects and will require it in each and every showing for changes in rates resulting from changes in costs of purchased gas to demonstrate the exercise of all reasonable efforts to protect its rights and interests in maintaining such costs at their lowest reasonable level.

Administrative and General Expenses

The staff's estimate of administrative and general expenses is $205,100, or about 11 percent lower than applicant's estimate. Principal differences between the two estimates are in Ac. 791, Other General Office Salaries; Ac. 800.1, Employees' Welfare Expenses; Ac. 801, Miscellaneous General Expenses; Ac. 805, Franchise Requirements; and Ac. 807, Administrative and General Expenses Transferred Credit.

The differences in Ac. 791, Other General Office Salaries, and in Ac. 800.1, Employees' Welfare Expenses are largely attributable to the smaller amount of common expenses allocated by the staff to the gas department. In estimating Ac. 801, Miscellaneous General Expenses, the staff excluded all or portions of certain dues, donations and contributions in accordance with usual Commission practice in this regard. The staff's estimate of Ac. 805, Franchise Requirements, exceeds applicant's estimate due to the effect of the staff's higher revenue estimates. While applicant has not used Ac. 807, Administrative and General Expenses Transferred-Credit, the staff proposed that $172,000 of such expenses be treated as applicable to construction and capitalized.

Consistent with the revenues at present rates adopted herein, we find reasonable and adopt for the test year an amount of $1,645,000 for administrative and general expenses at present rate levels but exclusive of the effect of the March 1, 1961 wage increase.

March 1, 1961 Wage Increase

As previously indicated neither the applicant nor the staff reflected in their estimates of operating expenses the effect of a wage increase which became effective on March 1, 1961. The full test year effect of this wage increase on expenses of the gas department is shown in Exhibit No. 33 to be $188,400, of which $1,100 is applicable to taxes on wages. Following its review of Exhibit No. 33, the Commission staff stated that the amounts shown therein were reasonably applicable to the test year.

Since rates are fixed for the future, we find it to be reasonable to include in operating expenses for test period purposes the full year effect of the March 1, 1961 wage increases applicable to the gas department in the amount of $188,000, of which $1,000 is applicable to taxes on wages.

Depreciation Expense

Both applicant and staff computed depreciation expense according to the straight-line remaining life method. The staff's estimate is $221,800, or about 9 percent lower than applicant's estimate. Three major items of difference are involved. First, the staff used the recorded beginning-of-year plant and depreciation reserve balances, whereas applicant used somewhat higher estimated amounts; second, the staff used an estimated future net salvage for Ac. 361, Services, of negative 35 percent compared with applicant's estimate of negative 20 percent; and third, applicant has used in all transmission plant accounts an end life of 1975 based upon the original contract between Southern Counties Gas Company of California and El Paso Natural Gas Company, whereas the staff used a life span of 35 years for Ac. 353, Transmission Mains. Another difference, amounting to approximately $5,000 on gas department operations in the test year results from the staff's extending the estimated removal from service date of applicant's main headquarters building in San Diego from the year 1984 to the year 2000.

Based on the evidence of record we find that the staff's estimate should be augmented by approximately $5,000 relating to applicant's headquarters building.

We reflect a life span of 35 years for transmission mains which we find from the evidence to be reasonable. Accordingly, we find reasonable and adopt an amount of $2,304,000 for depreciation and amortization in the test year.

Taxes Other Than Income

Applicant's estimate of taxes other than income is $134,400 higher than the staff's. The difference lies principally in the item of ad valorem taxes.

Ad valorem taxes are assessed on property as of the first Monday in March each year. Although the cities and counties levy ad valorem taxes on a fiscal year basis from July 1 through June 30, applicant follows the practice of accruing the fiscal year's taxes during the calendar year in which the assessments are made. This factor is taken into account in the allowance for working cash included in rate base.

Applicant, in estimating ad valorem taxes for the test year, used trended assessment ratios and tax rates, whereas the staff used the latest known assessment ratio and tax rates. The staff showed that if it had trended the assessment ratios and tax rates, resulting ad valorem taxes for the test year would have been $121,700 greater.

This record is not convincing that the Commission should abandon 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 $2,392,000 to be reasonable for the test year after giving effect to the March, 1961 wage increase on payroll taxes.

Income Taxes

For the years 1954 through 1957 applicant determined its federal income tax depreciation expense by the sum of the years-digits method for qualified plant additions during those years. In 1958 applicant received permission from the U. S. Treasury Department to revert to the straight-line remaining life method for the 1954 through 1957 plant additions previously depreciated by the sum of the years-digits method. Applicant has paid its income taxes on a straight-line depreciation basis since 1958 and has stated its intention to follow this procedure in the future.

Applicant's balance sheet as of December 31, 1960 shows a reserve for deferred federal income tax in the amount of $1,924,022 from the use of liberalized tax depreciation during the period 1954 through 1957.

The staff computed federal income taxes on an "as paid" basis, adjusting such taxes to reflect in the test year estimated charges to the reserve for deferred federal income tax resulting from utilization of liberalized tax depreciation in prior years. The depreciation expense deduction used by applicant and staff in computing federal income taxes was based on the straight-line method of depreciation.

The amount of $743,200 by which the staff's figure for income taxes exceeds the applicant's reflects the higher operating revenues and lower operating expenses estimated by the staff.

Based on the revenues and expenses found reasonable and adopted herein, including depreciation for tax purposes reflecting the adopted 35-year life span for transmission mains, we compute and adopt as reasonable a negative amount of $112,000 applicable to applicant's gas department for income taxes at present rates for the test year 1961. The income taxes adopted and used herein are computed in conformity with Decision No. 59926, dated April 12, 1960, which specifies the treatment to be accorded liberalized tax depreciation for rate-making purposes. 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 span shorter than 35 years for transmission mains, applicant will be required to advise this Commission in writing so that such appropriate adjustments in rates as are found to be justified may be made.

Rate Base

The components of the gas department weighted average depreciated rate base for the test year 1961 as presented by the applicant and by the staff are compared below:

GAS DEPARTMENT
WEIGHTED AVERAGE DEPRECIATED RATE BASE
TEST YEAR 1961 ESTIMATED

Item	Applicant	Staff	Adopted
Gas Plant:			
Weighted Average Plant	$76,448,000	$75,589,900	$75,628,000
Deduction for Depre. and Amortization	18,796,400	18,525,400	18,528,000
Weighted Average Net Gas Plant	57,651,600	57,064,500	57,100,000
Modifications:			
Contr. in Aid of Const.	(618,100)	(660,800)	(660,000)
Customers' Adv. for Const.	(933,800)	(1,005,300)	(1,005,000)
Nonoperative Property	(59,300)	(69,900)	(70,000)
Reallocation of Lands	66,500	83,300	83,000
Adj. for Lib. Depre.	-	(331,700)	(332,000)
Total Modifications	(1,544,700)	(1,984,400)	(1,984,000)
Working Capital:			
Materials and Supplies	852,800	826,900	830,000
Working Cash Allowance	1,300,000	300,000	654,000
Total Working Capital	2,152,800	1,126,900	1,484,000
Total Weighted Average Depreciated Rate Base	58,259,700	56,207,000	56,600,000

(Red Figure)

The difference between the respective estimates of weighted average plant is due primarily to four items: First, the staff used the end of year 1960 recorded gas utility plant as the base for its estimate, whereas applicant used a partially estimated year end 1960 starting figure; second, the staff used a later plant budget estimate prepared by applicant; third, the staff reflected certain ratemaking modifications; and fourth, the staff reflected in plant certain administrative and general expenses applicable to construction. We find the staff's weighted average plant amount, augmented by $38,000 to reflect the effect of the March, 1961 wage increase, to be reasonable. Accordingly, an amount of $75,628,000 is adopted for weighted average plant.

Consistent with the depreciation expense heretofore found reasonable, we adopt as reasonable the amount of $18,528,000 for the item of deduction for depreciation and amortization.

The staff's modifications for contributions in aid of construction, customers' advances for construction, nonoperative property, and for reallocation of lands we find to be reasonable and are adopted subject to rounding.

The staff also has adjusted rate base by deducting accumulated deferred income taxes resulting from the use of liberalized depreciation for qualified plant additions for the years 1954 through 1957. Applicant has not made a corresponding adjustment. We find the staff's adjustment to be reasonable, and the adopted rate base will reflect a deduction of $332,000 in recognition of the availability to and the use by the applicant of the funds generated through the use of liberalized depreciation for income tax purposes.

Applicant included in rate base an amount of $852,800 for materials and supplies compared with an amount of $826,900 developed by the staff. In arriving at its allowance, the staff made an engineering analysis of applicant's stock and materials and issues by classes and reviewed the availability of materials, delivery time from vendors, the emergency nature of certain materials and the company's practices on materials. We find that an allowance in rate base of $830,000 for materials and supplies in the test year is reasonable.

The allowance for working cash included by applicant in its rate base amounts to $1,300,000, while that included by the staff is $300,000, the difference being $1,000,000. A witness for the staff also developed through alternate methods working cash allowances ranging from something less than 0 up to $744,000. The justification for including a working cash allowance in rate base is to provide the stockholders a return upon that portion of their invested capital which is necessary in the utility's operations and upon which they would not otherwise receive a return. We find a working cash allowance of $654,000 to be reasonable and we adopt such amount for the purposes of this decision.

Accordingly, we find reasonable and will adopt a rate base for the test year 1961 of $56,600,000 for applicant's gas department operations.

Rate of Return

In this proceeding, applicant seeks a rate of return of 6.5 percent on the portion of its depreciated rate base attributable to its gas department. This is the same rate of return found by this Commission to be fair and reasonable for applicant's gas department by Decision No. 57510, dated October 21, 1958, in Application No. 39681.

Applicant's president testified that in his opinion the fair rate of return on the gas department operations is 6.875 percent but that a 6.5 percent rate of return is requested at this time because of the magnitude of the rate increase and its impact on customer relations and further because applicant desired to expedite obtaining rate relief. This witness shows applicant's capital structure as of December 31, 1960 to be as follows: long term debt 53.9 percent; preferred stock 11.4 percent; and common stock equity 34.7 percent. He computed a cost of 3.89 percent for long term debt, 4.87 percent for preferred stock, and asserted that applicant should earn not less than 12 percent on that portion of its common stock equity associated with the gas department. He showed that 47 natural gas retail companies had a combined average return on common equity for 1959 of 11.6 percent.

Applicant is a combination electric and gas utility. In Exhibit No. 22 introduced by the Commission staff it is shown that 14 combined electric and gas utilities with revenues in the range of

$50,000,000 to $100,000,000 for the year 1960 had returns on total capitalization ranging from 5.3 percent to 7.4 percent compared with 5.7 percent for applicant and returns on common stock equity ranging from 8.0 percent to 14.0 percent compared with 9.5 percent for applicant. The Commission staff further showed applicant's cost of long term debt at 3.82 percent and preferred stock at 4.80 percent.

A witness on behalf of a number of cities within applicant's service area presented Exhibit No. 27 and testified that in his opinion a fair rate of return for applicant's gas department operations would be approximately 6 percent based on a capital structure of 54 percent long term debt, 11 percent preferred stock and 35 percent common stock equity.

The San Diego County Farm Bureau and the California Farm Bureau Federation in a closing brief state they do not oppose the requested 6.5 percent rate of return. On the other hand the cities of San Diego, National City, Escondido, Oceanside, Coronado, Imperial Beach, El Cajon, Chula Vista, La Mesa and Del Mar urge that the fair rate of return for applicant's gas department be no more than 6 percent. The Department of Defense and other Executive Agencies of the United States Government urge that a rate of return substantially less than 6.5 percent would be fair and reasonable for applicant's gas department.

Upon a full consideration of the record, we find and conclude that a rate of return of 6.3 percent applied to the adopted rate base of $56,600,000 for the test year 1961 is fair and reasonable for applicant's gas department operations. Such a return, when considered with the costs of bond money of 3.82 percent and preferred stock money of 4.80 percent, should produce an adequate and reasonable return on the common stock equity attributable to applicant's gas department.

The adopted test year results at present rates yield applicant a 1.43 percent rate of return. This is less than a fair return on the operations of the gas department. We will authorize applicant to increase its gas rates by the amount of $6,190,000 in the manner hereinafter described, which amount should yield applicant a 6.3 percent rate of return on the adopted rate base of $56,600,000 for the test year 1961. The adopted results at rates being authorized herein may be summarized as follows:

	Adopted Results At Authorized Rates
Operating Revenues	$42,038,000
Operating Expenses and Taxes	38,468,000
Net Revenue	3,570,000
Rate Base	56,600,000
Rate of Return	6.3%

Applicant's General Rate Proposal

Applicant requests increases in gas rates and tariff charges as set forth in Exhibits E and F attached to the application which it estimates will produce $7,354,000 of additional annual gross revenues based upon its estimate of gas sales in the test year 1961 segregated to classes of service as follows:

SUMMARY OF REQUESTED REVENUE INCREASE
TEST YEAR 1961

Class of Service	Applicant's Estimate of Sales 1000 Mcf	Percent	Requested Revenue Increase Amount	Per Mcf	Percent of Total
Firm:					
Domestic General	17,792.0	32.7%	$5,846,900	32.86¢	79.5%
Nondomestic General	5,467.2	10.0	1,108,200	20.27	15.1
Industrial	642.7	1.2	112,500	17.50	1.5
Total Firm	23,901.9	43.9	7,067,600	29.57	96.1
Interruptible:					
Commercial & Industrial	3,645.2	6.7	286,400	7.86	3.9
Company Steam Electric	26,874.5	49.4	--	--	--
Total Interruptible	30,519.7	56.1	286,400	.94	3.9
Total Gas Sales	54,421.6	100.0	7,354,000	13.51	100.0

Applicant proposes that 96.1 percent of its requested increase come from the firm classifications, 3.9 percent from the interruptible commercial and industrial classification and none from the gas it uses in its own steam electric plants. About half of the total gas applicant estimates it will sell under tariff rates in the test year is for applicant's own steam electric plants.

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. Three cost studies by classes of service reflecting various hypotheses and philosophies were introduced. These include applicant's Exhibit No. 16, the California Manufacturers' Association (CMA) Exhibit No. 25, and the staff's Exhibit No. 20. The results of these studies vary considerably.

Based on its study, applicant alleges that at the increased rates it proposes the firm classes of customers would produce revenues that would fail by $707,000 to meet the cost of providing them service including a 6.5 percent rate of return and that the interruptible classes would be making up this $707,000 deficiency by paying rates which would yield this amount over and above applicant's computed cost of rendering interruptible service.

CMA's "cost incurrence" study constitutes essentially an incremental cost study. Based on its study, CMA claims that present rates of interruptible customers produce $1,141,700 of revenues in excess of cost as determined by CMA and that at applicant's proposed rates the firm classes of customers would produce revenues which would fail by $1,603,300 to meet the cost of providing firm customers service including a 6.5 percent rate of return.

The staff's study (Exhibit No. 20) allocates the costs of providing gas service to a considerable extent according to the volume of gas used by each class. It is the staff's position that such use is the best gauge for determining how costs should be allocated to the several classes of customers who benefit from the existence and functioning of the jointly used facilities of a gas utility system. The staff's study generally shows higher than system average gas department rates of return for the firm classes and deficiencies in earnings for the interruptible classes.

The following tabulation compares the rates of return developed in applicant's and the staff's studies for the test year for the several broad classes of natural gas service:

	Rate of Return - Test Year 1961			
	At Present Rates		At Applicant's Proposed Rates	
Class of Service	Applicant	Staff	Applicant	Staff
Firm General Service	0.20%	4.60%	5.91%	11.22%
Firm Industrial	(2.37)	2.12	6.46	13.05
Interruptible Industrial	2.69	(5.74)	11.78	(.57)
Steam Electric	17.50	(15.98)	17.50	(16.13)
Total Natural Gas System	.90	2.32	6.50	8.32

(Red Figure)

In view of applicant's actual operations, gas sales, relatively small curtailment of interruptible service, and the estimate that more than 50 percent of gas to be sold in the test year is for the interruptible classes, we are of the opinion that 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 costs of jointly used facilities.

Cost, however, is but one of the important elements in rate fixing. In Exhibit No. 7 applicant shows that energy costs of gas at its proposed rates are well below the costs of alternate energy sources for typical residential and restaurant uses, except by residential space heating. For firm industrial processing customers, Exhibit No. 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 has been more expensive than the heavier grades of fuel oil used by certain large industrial customers.

The rates authorized herein have been developed after considering all of the factors pertinent to the spread of rates, including value of service, costs by classes of service, the rates now and heretofore in effect, and the general effect of rates upon the growth and development of applicant's gas sales.

General Natural Gas Service (Schedule G-1 through G-11)

Applicant proposes that $6,955,100, or 94.6 percent of its requested increase be obtained from domestic and nondomestic general natural gas service customers who, according to applicant's estimate, will require approximately 42.7 percent of total gas deliveries in the test year. This is an average increase of about 30 percent or 29.9 cents per 1000 cubic feet of gas estimated by applicant to be sold to this class of service in the test year.

The increases in commodity charge proposed by applicant in Schedules G-1 through G-4 may be summarized as follows:

INCREASE REQUESTED

Blocking	Sched.G-1 Increase		Sched.G-2 Increase		Sched.G-3 Increase		Sched.G-4 Increase	
	Amt.	%	Amt.	%	Amt.	%	Amt.	%
First 200 cu. ft. or less	$0.88	78.6	$0.93	79.5	$1.03	81.1	$1.13	82.5
Per 100 cu.ft.								
Next 2,800 cu.ft.	2.1¢	20.0	2.2¢	20.2	2.3¢	20.4	2.4¢	20.5
Next 7,000 cu.ft.	1.7	20.2	1.7	20.0	1.7	19.8	1.7	19.3
Next 10,000 cu.ft.	1.5	21.7	1.5	21.7	1.5	21.7	1.5	21.7
Over 20,000 cu.ft.	1.4	21.2	1.4	21.2	1.4	21.2	1.4	21.2

As shown in the above tabulation, applicant proposes increases approximating 80 percent in the initial block of such schedules and increases approximating 20 percent in all other blocks.

Applicant proposes corresponding increases in charges set forth in special conditions of Schedules G-1 through G-4 relating to multiple metering and also proposes to cancel Special Condition 2 of

Schedule G-4 relating to taps on the Rainbow-San Diego Transmission Line. According to applicant, the conditions under which such transmission line taps will be made in the future are set forth in its Rule No. 20.

With respect to Schedule G-11, Space Heating Natural Gas Service, applicant proposes the following increases in commodity charge:

	Increase Requested Per Month Amount	Increase Requested Per Month Percent
First 400 cu. ft. or less		
Winter Months, Dec. - May	$1.73	76.2%
Summer Months, June - Nov. Per 100 cu. ft.	2.8¢	23.0
Per 100 cu.ft.		
Next 2,600 cu. ft.	2.8¢	23.0
Next 7,000 cu. ft.	2.2	21.6
Next 10,000 cu. ft.	1.7	20.7
Over 20,000 cu. ft.	1.5	19.5

Applicant also proposes that the minimum charge per meter per month for winter months in Schedule G-11 be increased from $2.27 to $4.00.

Applicant purchases its natural gas supply from Southern Counties Gas Company of California under that utility's Schedule G-60. Said Schedule G-60 contains certain contingent offset charges subject to final determination by the Federal Power Commission. Such contingent offset charges are subject to possible refund in the event of a reduction in the cost of gas purchased from El Paso Natural Gas Company.

In this proceeding applicant proposes to include in its Schedules G-1 through G-11 certain contingent offset charges. A comparison of requested and authorized contingent offset charges for these schedules are as follows:

Related FPC Docket No.	Contingent Offset Charges Cents per 100 Cubic Feet Requested	Contingent Offset Charges Cents per 100 Cubic Feet Authorized
G-2018	0.175¢	0.174¢
G-4769	.294	.291
G-12948	.199	.198
G-17929	.275	.272
RP 60-3	.189	.187

Applicant presented as Exhibit No. 9 its proposed refund plan relating to such contingent offset charges.

Witness for the Department of Defense and Other Executive Agencies of the United States introduced Exhibit No. 28 and recommended with respect to General Service Schedules G-1 through G-4 that at least one additional trailing block be added for deliveries in excess of 100,000 cubic feet per month to give recognition to large volume deliveries and that the price level of such trailing block be set in a zone between 6.6 cents and 7.2 cents per 100 cubic feet.

In view of the evidence we will authorize increases in rates in the general service schedules estimated to yield additional annual gross revenues of $4,575,000 based on sales herein adopted for the test year. Of this amount $3,805,000 relates to the domestic class and $770,000 to the nondomestic general service class.

The authorized rates provide for a more uniform increase percentagewise in the first and succeeding blocks of the schedules than proposed by applicant. We will not at this time provide for an additional trailing block at 100,000 cubic feet per month as recommended by the Government, in view of the level of the tail block herein authorized. Corresponding increases will be authorized in charges in special conditions relating to multiple metering. In addition contingent offset charges are provided for as shown in Appendix A hereof. Applicant's request for cancellation of Special Condition No. 2 of Schedule G-4 will be authorized.

Applicant's present and proposed rate levels for general natural gas service Schedules G-1 through G-4 and those authorized by the order herein are as follows:

Blocking	RATE SCHEDULES (1080 BTU) G-1	G-2	G-3	G-4
	PRESENT RATES			
First 200 cu. ft. or less	$1.12	$1.17	$1.27	$1.37
Per 100 cu. ft.				
Next 2,800 cu. ft.	10.5¢	10.9¢	11.3¢	11.7¢
Next 7,000 cu. ft.	8.4	8.5	8.6	8.8
Next 10,000 cu. ft.	6.9	6.9	6.9	6.9
Over 20,000 cu. ft.	6.6	6.6	6.6	6.6
	APPLICANT'S REQUESTED RATES			
First 200 cu. ft. or less	$2.00	$2.10	$2.30	$2.50
Per 100 cu. ft.				
Next 2,800 cu. ft.	12.6¢	13.1¢	13.6¢	14.1¢
Next 7,000 cu. ft.	10.1	10.2	10.3	10.5
Next 10,000 cu. ft.	8.4	8.4	8.4	8.4
Over 20,000 cu. ft.	8.0	8.0	8.0	8.0
	AUTHORIZED RATES			
First 200 cu. ft. or less	$1.49	$1.54	$1.64	$1.74
Per 100 cu. ft.				
Next 2,800 cu. ft.	12.3¢	12.8¢	13.3¢	13.8¢
Next 7,000 cu. ft.	9.7	9.9	10.1	10.4
Next 10,000 cu. ft.	8.2	8.2	8.2	8.2
Over 20,000 cu. ft.	7.6	7.6	7.6	7.6

Firm Industrial (Schedule No. G-40)

Applicant proposes that $112,500 or 1.5 percent of its requested increase be obtained from firm industrial customers. This is an average increase of about 30 percent or 17.5 cents per 1000 cubic feet of gas estimated by applicant to be sold in the test year to this class of customer.

The increases in commodity charge proposed by applicant for this class may be summarized as follows:

	INCREASE REQUESTED Per Meter Per Month Amount	Percent
First 150 Mcf or less	$40.00	38.1%
Next 150 Mcf, per Mcf	17¢	29.3
Next 700 Mcf, per Mcf	15	27.3
Over 1,000 Mcf, per Mcf	13	25.0

Applicant also proposes an increase in the minimum charge from $105.00 to $145.00 per meter per month and further proposes contingent offset charges. A comparison of requested and authorized contingent offset charges for Schedule G-40 follows:

Related FPC Docket No.	Contingent Offset Charges Cents Per Mcf	
	Requested	Authorized
G-2018	1.75¢	1.74¢
G-4769	2.94	2.91
G-12948	1.99	1.98
G-17929	2.75	2.72
RP60-3	1.89	1.87

A new special condition is proposed by applicant for Schedule G-40 reading as follows: "This schedule is not applicable to standby or auxiliary service."

In view of the evidence we will authorize increases in firm industrial rates to yield $75,000 of additional annual gross revenues based on test year operations. The increases in rates authorized in the several blocks and in the minimum charge are more uniform percentagewise than proposed by applicant. Likewise contingent offset charges as shown in Appendix A hereof are provided for and the requested new special condition will be authorized in Schedule G-40.

Interruptible Commercial and Industrial (Schedules G-50 and G-51)

An annual increase of $286,400 is sought by applicant in rates for Schedule G-50 and G-51 customers. This is approximately an increase of 19 percent for this classification or an average increase of 7.86 cents per Mcf.

Applicant proposes the cancellation of Schedule G-51 and the transfer of customers then on Schedule G-51 to Schedule G-50. The cancellation of Schedule G-51 was opposed by the Department of Defense and Other Executive Agencies of the United States Government as well as by the Commission staff.

Applicant also proposed a change in Special Condition 11 of Schedule G-50 as shown on Exhibit E, page 4 of the application to state the right of the utility to transfer a customer on that schedule to the appropriate firm gas schedule in the event that the customer is permitted to receive service during periods of curtailment because of hardship. No other gas utility in California includes such a condition in its tariffs. This change was opposed by the Commission staff and by the C. M. A.

Applicant proposed contingent offset charges for this classification at the same level as proposed for Schedule G-40.

A comparison of applicant's present and requested rates for customers served under Schedule G-50 and G-51 follows:

	Per Meter Per Month		
	Present		Requested
	G-50 Customers	G-51 Customers	G-50 and G-51 Customers
Service Charge	$16.50	$23.10	$30.00
Commodity Charge: (To be added to Service Charge)			
First 200 Mcf, per Mcf	$ 0.477	$ 0.456	$ 0.57
Next 500 Mcf, per Mcf	.417	.411	.51
Next 2,300 Mcf, per Mcf	.402	.381	.48
Next 3,000 Mcf, per Mcf	.392	.371	.46
Next 4,000 Mcf, per Mcf	.382	.371	.44
Next 10,000 Mcf, per Mcf	.372	.361	.42
Over 20,000 Mcf, per Mcf	.372	.361	.41
Minimum Charge:			
March through November	$65.00	$1,500.00	$87.50
December through February	None	None	None
Nine Months' Cumulative Minimum Charge	$585.00	$13,500.00	$787.50

On this record we find that Schedules G-50 and G-51 should be continued as separate schedules, that an increase in rates for this classification to yield additional annual gross revenues in the amount of $210,000 is reasonable, and that the change in Special Condition 11 of Schedule G-50 as proposed by applicant should not be authorized. Appropriate contingent offset charges will be authorized as set forth in Appendix A hereof.

Interruptible - Applicant's Steam Electric Generating Stations (Schedule G-54)

Applicant proposes no increase in rates for gas delivered to its steam electric generating stations under Schedule G-54, although approximately one-half of the estimated gas to be sold in the test year is to be delivered to such steam electric plants. It is applicant's position that any increase in G-54 rates would result in an additional subsidy of the firm gas customers at the expense of the electric customers.

The evidence of record shows that applicant's present rates under Schedule G-54 are markedly lower than rates for similar service offered by other gas utilities in this State. Furthermore, since 1958 when the Commission last fixed applicant's gas rates the commodity cost alone of gas purchased by applicant from Southern Counties Gas Company has gone up from 27.25 cents per Mcf to 30.63 cents, or by 3.38 cents per Mcf.

On this record we find an increase in Schedule G-54 rates to yield additional annual gross revenues of $1,330,000 to be reasonable and that contingent offset charges contained in Southern Counties Gas Company's Schedule G-60 are appropriate for applicant's Schedule G-54.

Other Tariff Changes

Applicant proposes to reduce the number of its supply districts as specified in part (c) of Rule No. 2 from three to two and to change the map of territory served accordingly. This change is more particularly set forth in Exhibit F of the application. We find this change to be reasonable and Appendix A hereof will so provide.

The staff recommended certain changes be made in applicant's Rule No. 5, Special Information Required on Forms, and Rule No. 11, Disputed Bills, for clarification purposes and to make them reflect present conditions. These changes we find to be reasonable and Appendix A hereof will so provide.

Summary of Authorized Increases

The table below summarizes by classes of gas customers, the effects of the authorized rate increases specified in Appendix A to this decision based on the estimated 1961 sales of gas adopted herein.

SUMMARY OF AUTHORIZED INCREASES
TEST YEAR 1961

Class of Service	Adopted Sales 1000 Mcf	Adopted Revenue At Present Rates	Authorized Increase Amount	Authorized Increase Per-cent	Authorized Increase Per Mcf	Average Revenue Per Mcf After Increase
Firm:						
Domestic	18,250	$19,527,000	$3,805,000	19.5%	20.85¢	127.85¢
Nondomestic Gen.	5,476	4,425,000	770,000	17.4	14.06	94.87
Industrial	645	374,000	75,000	20.0	11.63	69.61
Total Firm	24,371	$24,326,000	4,650,000	19.1	19.08	118.89
Interruptible:						
Com'l & Ind'l	3,800	$ 1,535,000	210,000	13.7	5.53	45.92
Co. Steam Elec	28,000	9,828,000	1,330,000	13.5	4.75	39.85
Total Interruptible	31,800	$11,363,000	1,540,000	13.6	4.84	40.58
Other Gas Revenue	---	159,000	---	---	---	---
Total Gas Sales	56,171	$ 35,848,000	6,190,000	17.3	11.02	74.84

Findings and Conclusions

Based on the evidence of record, we find that increases in applicant's natural gas rates are warranted. 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 gas department expenses of operation and afford it the opportunity to earn a fair and just return on its gas department depreciated rate base hereinbefore found reasonable.

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 $6,190,000 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 herein are justified, that the rates and charges authorized herein are reasonable, and that the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

The Commission has given consideration to all points raised and to all motions made although each may not have been specifically treated herein. The Commission now rules that all motions not heretofore acted upon and which are consistent with the findings and conclusions of this opinion and order are granted, and those which are not consistent therewith are denied.

O R D E R

San Diego Gas & Electric 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 now 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 the provisions of 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 all service rendered on and after September 16, 1961.

2. In the event that applicant places the rates herein authorized into effect,

a. Applicant shall keep records of sales to customers during the effective period of such cost of gas offset rates 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 authorization shall be obtained of the plan at that time.

c. When the final decision by the Federal Power Commission in Docket Nos. G-4769, G-12948, G-17929, RP60-3 shall have become effective, 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 from Southern Counties Gas Company of California 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 this Commission for the equitable distribution of the resultant net balance.

e. Applicant shall file with this Commission monthly reports within sixty days following the close of each monthly period, setting forth:

(1) The increase in revenues realized under each offset rate authorized herein, segregated by firm, regular interruptible and steam plant classes of service, and

(2) The increase in cost of gas above the rate level in effect immediately prior to the date on which each offset rate went into effect.

f. Annual reviews of such offset rates may be made.

3. Applicant shall notify this Commission in writing should it elect, for income tax purposes, to use a life span shorter than

35 years for transmission mains. Such notice shall be made within twenty days of such election.

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

Dated at San Francisco, California, this 22nd day of AUGUST, 1961.

President

Commissioners

I concur in part and dissent in part.

As the presiding Commissioner in this matter, under whose direction the decision originally was prepared, I concur in the major portions thereof.

I dissent, however, to some provisions of the opinion and findings which were insisted upon by the majority of the Commission. I dissent especially to the manner in which ad valorem taxes are treated. The evidence is undisputed that ad valorem tax rates in applicant's service area have increased approximately 20¢ to 25¢ a hundred each year for the past several years.

The Commission would be equally justified to ignore trends in usage and adhere to the last known rate of usage as to ignore trends in tax rates. Were such a course followed in this instance, estimated revenues of this applicant would be substantially less than those found to be reasonable by the Commission.

To ignore a definite trend in tax rates and assessment ratios, merely for the sake of adhering to a precedent made obsolete by fact, while continuing to trend usage, would seem to be inconsistent and highly unrealistic. Rates of return and estimated earnings mean little when revenues are overestimated and/or expense factors are understated.

C. Lyn Fox

C. Lyn Fox
Commissioner

Dated: August 22, 1961

A 42887

I concur in the opinion and order of the Commission except as to the treatment of ad valorem taxes. On that subject I agree with the view expressed by Commissioner Fox.

George D. Grover
Commissioner.

The presently effective rates and conditions are changed as set forth in this appendix.

1. General Natural Gas Service Schedules Nos. G-1 through G-4

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

Rates	G-1 1080 Btu	G-2 1080 Btu	G-3 1080 Btu	G-4 1080 Btu
Commodity Charge:				
First 200 cu.ft. or less	$1.49	$1.54	$1.64	$1.74
Next 2,800 cu.ft., per 100 cu.ft.	.123	.128	.133	.138
Next 7,000 cu.ft., per 100 cu.ft.	.097	.099	.101	.104
Next 10,000 cu.ft., per 100 cu.ft.	.082	.082	.082	.082
Over 20,000 cu.ft., per 100 cu.ft.	.076	.076	.076	.076

   b. Change charges under Special Conditions relative to multiple metering to the following:

	G-1	G-2	G-3	G-4
Monthly minimum charge to be multiplied by 50% of the number of meters	$1.49	$1.54	$1.64	$1.74
But in no event less than	4.47	4.62	4.92	5.22

   c. Cancel and remove Special Condition No. 2 from Schedule No.G-4.

2. Space Heating Natural Gas Service Schedule No. G-11

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

Rates	G-11 1080 Btu
Commodity Charge:	
First 400 cu.ft. or less	
Winter months, December-May	$3.00
Summer months, June-Nov., per 100 cu.ft.	.145
Next 2,600 cu.ft., per 100 cu.ft.	.145
Next 7,000 cu.ft., per 100 cu.ft.	.120
Next 10,000 cu.ft., per 100 cu.ft.	.097
Over 20,000 cu.ft., per 100 cu.ft.	.089

   b. Change the Minimum Charge to the following: $3.00 per meter per month - Winter months, December-May. No minimum - Summer months, June-November.

3. Contingent Offset Charges

Delete the present Contingent Offset Charge Clause in Schedules Nos. G-1, G-2, G-3, G-4 and G-11 and substitute the following:

The above base rates include the following offset charges which, in accordance with Decisions Nos. 56001 and * of the California Public Utilities Commission, are contingent upon the inclusion of offset charges in the price of gas purchased from Southern Counties Gas Company of California:

Related FPC Docket No.	Cal. PUC Decision No.	Effective Date Offset Charge	Offset Charge
G-2018	*	11-15-58	.174 cent per 100 cu.ft.
G-4769	*	11-15-58	.291 cent per 100 cu.ft.
G-12948	56001	1--1-58	.198 cent per 100 cu.ft.
G-17929	*	**	.272 cent per 100 cu.ft.
RP-60-3	*	**	.187 cent per 100 cu.ft.

The effective rates are computed from the base rates in accordance with Rule 2(c) and are subject to possible refund in the event that the Company receives, pursuant to order of the California Public Utilities Commission, a refund from Southern Counties Gas Company of California of all or part of said offset charges in the price of gas from said Company.

4. Firm Industrial Natural Gas Service Schedule No. G-40

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

Rates	G-40 1080 Btu
Commodity Charge:	
First 150 Mcf or less	$122.00
Next 150 Mcf, per Mcf	.69
Next 700 Mcf, per Mcf	.67
Over 1,000 Mcf, per Mcf	.64

b. Change the Minimum Charge to the following:

Per Meter Per Month $122.00

c. Add the following Special Condition:

3. This schedule is not applicable to standby or auxiliary service.

* Show decision number in A. 42887.

** Show effective date of tariffs in decision in A.42887.

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

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

Rates	G-50 1080 Btu
Commodity Charge:	
(To be added to Service Charge)	
First 200 Mcf, per Mcf	$0.547
Next 500 Mcf, per Mcf	.493
Next 2,300 Mcf, per Mcf	.463
Next 3,000 Mcf, per Mcf	.444
Next 4,000 Mcf, per Mcf	.428
Over 10,000 Mcf, per Mcf	.406

   b. Change the Service Charge to $21.00 per meter per month.

   c. Change the Minimum Charge to the following:

For billing months March through November	$ 75.00
For billing months December through February	None
Nine months cumulative minimum charge	$675.00

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

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

Rate	G-51 1080 Btu
Commodity Charge:	
(To be added to Service Charge)	
First 200 Mcf, per Mcf	$0.522
Next 500 Mcf, per Mcf	.478
Next 2,300 Mcf, per Mcf	.441
Next 7,000 Mcf, per Mcf	.422
Over 10,000 Mcf, per Mcf	.401

   b. Change the Service Charge to $28.00 per meter per month.

   c. Change the Minimum Charge to the following:

For billing months March through November	$ 1,750.00
For billing months December through Feb.	None
Nine months cumulative minimum charge	$15,750.00

7. Contingent Offset Charges

Delete the present Contingent Offset Charge Clause in Schedules Nos. G-40, G-50 and G-51 and substitute the following:

The above base rates include the following offset charges which, in accordance with Decisions Nos. 56001 and * of the California Public Utilities Commission, are contingent upon the inclusion of offset charges in the price of gas purchased from Southern Counties Gas Company of California:

Related FPC Docket No.	Cal. PUC Decision No.	Effective Date Offset Charge	Offset Charge
G-2018	*	11-15-58	1.74 cents per Mcf
G-4769	*	11-15-58	2.91 cents per Mcf
G-12948	56001	1--1-58	1.98 cents per Mcf
G-17929	*	**	2.72 cents per Mcf
RP-60-3	*	**	1.87 cents per Mcf

The effective rates are computed from the base rates in accordance with Rule 2(c) and are subject to possible refund in the event that the Company receives, pursuant to order of the California Public Utilities Commission, a refund from Southern Counties Gas Company of California of all or part of said offset charges in the price of gas from said Company.

* Show the decision number in A.42887.

** Show the effective date of tariffs in decision in A.42887.

8. Interruptible Natural Gas Service to Utility Steam Electric Generating Stations, Schedule No. G-54

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

Rate	Base Rate	Effective Rates Winter	Effective Rates Summer
Commodity Charge:			
Per Mcf	$0.400	$0.400	$ -
First 10 Mcf per month, per Mcf of contract volumetric rate	-	-	0.426
Next 10 Mcf per month, per Mcf of contract volumetric rate	-	-	.396
Next 10 Mcf per month, per Mcf of contract volumetric rate	-	-	.366
Excess, per Mcf	-	-	.391

Winter Period: November 1 through April 30.
Summer Period: May 1 through October 31.

b. Delete present paragraph under Base Rate.

c. Delete the present Contingent Offset Charge clause and substitute the following:

The above base rates include the following offset charges which, in accordance with Decisions Nos. 56001 and * of the California Public Utilities Commission, are contingent upon the inclusion of offset charges in the price of gas purchased from Southern Counties Gas Company of California:

Related FPC Docket No.	Cal. PUC Decision No.	Effective Date Offset Charge	Offset Charge
G-2018	*	11-15-58	1.65 cents per Mcf
G-4769	*	11-15-58	2.77 cents per Mcf
G-12948	56001	1--1-58	1.88 cents per Mcf
G-17929	*	**	2.59 cents per Mcf
RP-60-3	*	**	1.78 cents per Mcf

The effective rates are computed from the base rates in accordance with Rule 2(c) and are subject to possible refund in the event that the Company receives, pursuant to order of the California Public Utilities Commission, a refund from Southern Counties Gas Company of California of all or part of said offset charges in the price of gas from said Company.

d. Delete the last sentence of Special Condition No. 4.

9. Other Tariff Changes

a. Cancel the fourth paragraph of Rule 2(c), Character of Service, and substitute the following:

For the purpose of application of this section, the service area of the Company is divided into the following supply districts: (A) All territory contiguous to the Huntington Beach transmission line north of the point where the line first intersects the boundary of the Greater Metropolitan Rate Area. (B) The balance of the Company's territory, excepting those areas designated under (A) above.

b. Revise and refile Map No. 1, Territory Served, to agree with the changes in Rule No. 2(c).

c. Revise Rule 5(c), Bills, as follows:

Remove all references to postcard bills and include a new provision that each bill must have printed on it the schedule or code number under which service is billed.

* Show the decision number in A.42887.
** Show the effective date of tariffs in decision in A.42887.

d. Cancel the present Rule No. 11 and refile as follows:

Rule No. 11
Disputed Bills

When a customer and the Company fail to agree on a bill for gas service and the disputed bill is not paid within 15 days after presentation, the Company will notify the customer in writing:

A. That in lieu of paying the disputed bill he may deposit with the California Public Utilities Commission, State Office Building, 107 South Broadway, Los Angeles 12, the amount claimed by the Company to be due.

B. That checks or other forms of remittance for such deposit should be made payable to the California Public Utilities Commission.

C. That upon receipt of the deposit the Commission will notify the Company, will review the basis of the billed amount, and will advise both parties of its findings and disburse the deposit in accordance therewith.

D. That service will not be discontinued for nonpayment of the disputed bill when deposit has been made with the Commission pending the outcome of the Commission's review.

E. That failure of the customer to make such a deposit within 15 days after the date upon which notice was given will warrant discontinuance of his service without further notice.

F. That if, before completion of the Commission's review, additional bills become due which the customer wishes to dispute, he shall also deposit with the Commission the additional amount claimed by the Company to be due for such additional bills before they become past due and that failure to do so will warrant discontinuance of his service in accordance with Rule No. 9.

APPENDIX B

LIST OF APPEARANCES

FOR APPLICANT

Chickering & Gregory, by Sherman Chickering and C. Hayden Ames.

FOR PROTESTANT

Russell C. Taliaferro, for the City of Escondido.

FOR INTERESTED PARTIES

Brobeck, Phleger & Harrison, by Robert N. Lowry, for California Manufacturers Association; Harold Gold, Reuben Lozner and Clyde F. Carroll, for Department of Defense and Other Executive Agencies of the United States; Edwin L. Miller, Jr., and Stanley M. Lanham, for City of San Diego; Jean Vincenz, for Department of Public Works, County of San Diego; Fredric G. Dunnand, C. T. Mess, for County of San Diego; William L. Knecht, for California Farm Bureau Federation; John F. O'Laughlin, for City of Imperial Beach; Luther L. Leeger, for City of Del Mar; Robert O. Curran, for City of National City; Thomas G. Duffy, for City of El Cajon; Dale Austin, for City of Oceanside and City of Escondido; Donald W. Smith, for City of El Cajon and City of La Mesa; Manuel L. Kugler, for City of Chula Vista; J. R. Goodbody, for City of Coronado; Henry E. Walker, for Perfectaire Manufacturing Company; Edward Neuner, for himself.

FOR THE COMMISSION STAFF

W. R. Roche, R. W. Beardslee, and R. Entwistle.