LR/ds **

Decision No. 75429

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY for an increase in gas rates to offset higher costs occasioned by an increase in the rates of its supplier El Paso Natural Gas Company, to utilize certain gas cost reductions, and for other revisions in its tariffs.	Application No. 50713 (Filed November 29, 1968)

(Appearances are listed in Appendix B)

OPINION ON REQUEST FOR RATE INCREASE

Consolidation

By concurrently filed Applications Nos. 50713, 50714 and 50715, Southern California Gas Company and its affiliates, Southern Counties Gas Company of California (SoCounties) and Pacific Lighting Service and Supply Company (PLSS), seek among other things authority to increase their rates for gas service. The increases are sought to offset the effects of an imminent increase in the cost of gas supplied from El Paso Natural Gas Company (El Paso) and of an increase in taxes attributable to the 10 percent federal income tax surcharge (Surtax) after utilization of certain gas cost reductions. These applications, which have been consolidated for purposes of hearing and companion decisions, contemplate dividing authorizations sought into two phases. Ten days of public hearing relating to Phase I were held in Los Angeles before Commissioner Morrissey and/or Examiner Main during the period from January 2, 1969, through February 7, 1969. At the conclusion of oral argument held on February 13, 1969, before

Commissioners Morrissey and Symons, and Examiner Main, the Phase I portions of these applications were taken under submission.

Applicant's Request

By the above-entitled application Southern California Gas Company requests in Phase I:

(1) Authority to increase gas rates so as to yield additional gross revenue of approximately $12,940,000 in the test year ending December 31, 1969, as compensation for the net effect of Surtax and increased cost of gas supplied by El Paso after utilization of certain gas cost reductions.

(2) Permission to utilize in conjunction with its affiliates, SoCounties and PLSS, $1,100,000 of gas cost reductions as compensation for Surtax for the three-month period October through December 1968, and to utilize similarly such reductions as compensation for Surtax at a monthly rate of about $360,000 for the period January 1, 1969 to March 7, 1969.

(3) Approval of its methods of calculating refunds which could become available and of distributing such possible refunds.

In Phase II, applicant requests:

(1) Authority to revise the provisions of its tariff schedules for adjusting heating values from a present basis of 25 Btu steps to 10 Btu steps with adjustment at 1,000 foot intervals for differences in altitude in the area of service.

(2) Authority to change its rate design for natural gas service so as to relate revenues more closely to cost under various temperature conditions.

This decision relates to Phase I and will deal only with the increase in rates for gas service sought by applicant. A subsequent decision will be issued on the request of applicant and its affiliates to utilize gas cost reductions to offset Surtax prior to March 7, 1969.

El Paso RP69-6 Filing

On September 6, 1968, El Paso filed an application, under Docket No. RP69-6, with the Federal Power Commission seeking authority under the Natural Gas Act to increase its rates for service to its Southern Division customers, including applicant. The Federal Power Commission has suspended the effective date of El Paso's proposed increased rates until March 7, 1969. On that date, the rates and charges for gas applicant purchases under El Paso's Schedule G can be increased as follows:

	El Paso Rates per Mcf		
	Present	Effective 3-7-69	Increase (Decrease)
Demand Charge	$ 2.055	$ 3.171	$ 1.116
Commodity Charge	21.05¢	21.00¢	(0.05¢)

These new rates may be collected subject to refund until such time as an order of the FPC establishing just and reasonable rates for El Paso has become effective. For test year 1969 the increase in cost of El Paso gas plus the related increase in cost of California-source gas amounts to $13,598,000.

Applicant's Position

Applicant's basic position is that its present level of earnings is not sufficient to absorb the higher costs occasioned by the El Paso RP69-6 filing and that it should be authorized increased revenues in order to maintain the earning position it would have experienced in test year 1969 had the El Paso rates prior to March 7, 1969, continued in effect. The revenue increase thus sought amounts to $12,943,000[1/] and assumes that Surtax and a portion of the increased cost of gas related to the El Paso increase has been reduced by cost of gas reductions resulting from FPC actions in Docket No. RP67-8 and RP67-9 and in the Permian Basin Area Rate Case (AR61-1).

We observe that a complete review of applicant's rates and operations was made by the Commission in Application No. 41860 resulting in Decision No. 60615 issued August 23, 1960. By that decision applicant was granted a general increase in rates calculated to produce a rate of return of 6.6 percent in test year ending June 30, 1961.

Because of this lapse of almost nine years, applicant's approach to rate relief for gas cost and tax increases, which is essentially that of maintaining its recent earnings potential under average year conditions, merits careful consideration and should be tested; the test should be whether or not it produces reasonable rates. In this regard, it is appropriate to point out that the Commission makes

1/ The development of this additional revenue requirement is shown on Table 19-A of Exhibit SoCal-4.

continuing informal reviews of the earning position of major utilities and gives consideration to factors affecting reasonable levels of rate of return in instances where the last general rate proceedings date back several years.

Earnings Comparison

Applicant presented summaries of its earning position for the years 1966, 1967 and 1968, on a recorded and on an adjusted basis (to give effect to the condition of average temperature and to abnormal items on an average basis), and for estimated year 1969 and test year 1969[2/] at present rates and at proposed rates. The Commission staff analyzed applicant's operations

2/ Test year 1969 differs from estimated year 1969 in assuming additional gas supply increments (El Paso 154.1M^{2}cfd-Docket No. CP67-217 and Transwestern 110M^{2}cfd-Docket No. CP68-181) and the El Paso rate increase (Docket No. RP69-6) in effect for full year.

and presented an estimate for test year 1969 operations. The rates of return developed are:

Period	Rate of Return on Depreciated Rate Base	
	Applicant	CPUC Staff
Year 1966, Recorded	6.53%	-
Year 1966, Adjusted	6.61	-
Year 1967, Recorded	6.75	-
Year 1967, Adjusted	6.51	-
Year 1968, Recorded	6.02	-
Year 1968, Adjusted*	6.76	-
Year 1969, Estimated		
At Present Rates	5.91	-
At Proposed Rates	6.75	-
Year 1969, Test Year		
At Present Rates	5.81	5.90%
At Proposed Rates	6.92	7.01

* Without flow thru of gas cost reductions from Permian Basin Area Rate Case (AR61-1). (With full flow thru: 6.68%. With applicant's proposal for compensation for Surtax: 6.76%).

Comparative summaries of earnings for test year 1969 of Southern California Gas Company and Pacific Lighting Utility System, which represent the consolidated operations of applicant and its affiliates, SoCounties and PLSS, are set forth in Table 1 which follows.

TABLE I

SUMMARY OF EARNINGS

Southern California Gas Company and
Pacific Lighting Utility System

1969 Test Year

Item	So. Cal Gas Co. Applicant: Ex.SoCal-4	So. Cal Gas Co. CPUC Staff Ex.SoCal-40	Pac. Ltg. Utility System SoCal,SoCo and PLSS Ex.Series 4	Pac. Ltg. Utility System CPUC Staff Ex.SoCal-40
(Dollars in Thousands)				
Present Rates				
Operating Rev.				
Gas Sales	$348,044	$348,044	$735,522	$735,522
Other	3,677	3,677	6,437	6,437
Total	351,721	351,721	741,959	741,959
Operating Exp.				
Production	198,591	198,591	482,536	482,536
Storage	1,621	1,621	2,760	2,760
Transmission	4,211	4,211	13,395	13,395
Distribution	25,234	25,234	38,059	38,059
Customers	14,543	14,543	22,406	22,406
Sales Promotion	10,169	10,169	15,777	15,777
Admin. & Gen.	23,035	22,469	37,834	36,985
Subtotal	277,404	276,838	612,767	611,918
Depreciation	18,660	18,660	32,298	32,298
Taxes	29,981	30,138	49,491	49,843
Total	326,045	325,636	694,556	694,059
Net Operating Rev.	25,676	26,085	47,403	47,900
Adjustment for Flow Thru From Supply Co.	587	587	-	-
Adjusted Net Rev.	26,263	26,672	47,403	47,900
Rate Base (Deprec'd)	451,963	451,963	821,312	821,312
Rate of Return	5.81%	5.90%	5.77%	5.83%
Proposed Rates				
Additional Net Rev.	$ 5,003	$ 5,003	$ 9,154	$ 9,154
Net Revenue	31,266	31,675	56,557	57,054
Rate of Return	6.92%	7.01%	6.89%	6.95%

These summaries of earnings do not reflect an expected wage increase or the flow through to customers of the reduction in cost to be realized when the gas supply from Transwestern reaches the 750 M^2cfd level. For the test year applicant estimates that the wage increase will reduce the Pacific Lighting Utility System rate of return by at least 0.2 percent and the Transwestern reduction flow through will reduce it by a further 0.06 percent.

The higher rates of return determined by the staff for the operational results of Southern California Gas Company result from applicant's estimate of operating expenses before income taxes exceeding that of the staff by $932,000. In this regard the staff adjusted downward applicant's estimate of administrative and general expenses by $566,000 to exclude for rate-making purposes applicant's share of System Investor Ownership Public Relations Advertising, based on the viewpoint that this expense should more appropriately be borne by the stockholders than by the ratepayers. The staff also adjusted downward applicant's estimate of ad valorem taxes by $366,000, although applicant's development of tax estimates generally conforms to staff practices. In this instance and as a departure from the customary use of the last known effective rate for estimating ad valorem taxes, the staff examined the tax rates and the ratios of assessed value to historical cost of the assessed property and projected separately the tax rates and the ratios, recognizing that the latter tend to stabilize, to arrive at an estimate representative of ad valorem taxes for test year 1969.

Applicant took exception to the staff adjustments but did not dwell upon them at length, in view of the evidence presented by the staff supporting a rate of return of 6.95 percent for the Pacific Lighting Utility System.

The production expenses of applicant and its affiliates, SoCounties and PLSS, reflect purchases of California-source gas. The evidence discloses that Pacific Lighting Utility System is taking substantially all out-of-state gas available and that the price paid by PLSS for California-source gas compares favorably with that paid by Southern California Edison Company, Pacific Gas & Electric Company and Long Beach Municipal Gas Department.

In the test year the costs of such gas appear reasonable. However, this should not be construed as a finding of reasonableness for rate-fixing purposes of the pricing provisions contained in PLSS's California-source gas purchase contracts, except for the test year. The burden of proof of reasonableness of the cost of gas rests upon applicant and its affiliates and is a continuing responsibility.

After adjustment for the flow through of reduction in gas costs corresponding to the Transwestern supply reaching the 750 M^2cfd level, either the operational results presented by applicant or those presented by the staff would show that applicant's rate of return will not exceed 6.96 percent. We therefore find that the operational results of Southern California Gas Company for test year 1969 will not yield at its proposed rates a rate of return in excess of 6.96 percent on a depreciated rate base of $451,963,000. We also find that after further downward adjustment for the expected wage increase that applicant's rate of return at proposed rates will not exceed 6.76 percent. Similarly, we find the operational results, after adjustment for the Transwestern Supply, of the Pacific Lighting

Utility System for test year 1969 will not yield at proposed rates a rate of return in excess of 6.90 percent on a depreciated rate base of $821,312,000. We also find that after further downward adjustment for the expected wage increase that the Pacific Lighting Utility System rate of return at proposed rates will not exceed 6.70 percent.

Rate of Return

The rate of return should be at a level that will permit applicant to perform its public duty, maintain its credit, attract capital and finance the expansion of facilities reasonably necessary to render adequate service to present and prospective customers.

The rate of return witness for applicant concludes that a rate of return of 6.92 percent for applicant and of 6.89 percent for the Pacific Lighting Utility System are neither unreasonably high nor excessive. In his approach, he shows the changes in cost of money since 1960 and makes two calculations. First, he derives the return on common stock equity allowed applicant (9.79 percent) and its affiliates in their last rate cases and recalculates the rate of return using the 1969 embedded debt cost and capital structure. He finds the resulting rate to be 6.88 percent for applicant and 6.83 percent for the Pacific Lighting Utility System. Second, to reflect the substantial change in the capital structure of PLSS since 1962 he increases the rate of return from 6.83 percent to 7.02 percent for the Pacific Lighting Utility System by using for PLSS the average of the derived returns on common equity previously allowed applicant and SoCounties.

The rate of return witness for the staff concludes that a rate of return of 6.95 percent for the Pacific Lighting

Utility System should not be considered excessive. This conclusion was reached after reviewing the results of earnings on total capital and equity of comparable companies (15 gas companies) but without studies of the individual risks or the integrated capital structure of applicant and its affiliates.

The City of Los Angeles[3/] and the Military department and civilian agencies of the Federal government[4/] take the position that rates of return in this range are full, fair and sufficient. They therefore would not anticipate in the foreseeable future applications for general rate increases on the part of applicant and its affiliates. The Southern California Edison Company does not consider such rates of return to be adequate.

We have previously found that the increase in revenues sought by applicant will yield a rate of return not in excess of 6.96 percent for test year 1969 after adjustment for the Transwestern supply and 6.76 percent after further adjustment for the expected wage increase. Based upon the evidence presented we further find that such rates of return lie within the zone of reasonableness.

Authorized Revenue Increase

Applicant is entitled to increased net revenues in the amount of $5,003,000, an amount sufficient to compensate for the effects (after utilization of certain gas cost reductions) of Surtax and the El Paso RP69-6 filing and yield (after adjustment for the Transwestern flow thru) a rate of return not in excess of 6.96 percent, and after further adjustment for the expected wage increase a rate of return not in excess of 6.76 percent. When such an increase is reflected in gross revenues an increase of $12,943,000 is required, which is also the increase developed by applicant in Table 19-A of Exhibit SoCal-4. We find that such an increase is fully justified.

3/ Tr. 1240.

4/ Tr. 1286.

Spread of Revenue Increase Among Classes

The major contested issue in this proceeding is the spread of the requested revenue increase among classes of service. The City of Los Angeles and its Department of Water and Power and the Southern California Edison Company support applicant's requested spread of increases. The California Manufacturers Association, the City of Long Beach and the Commission staff oppose the requested spread.

Applicant requests increases in gas rates as set forth in Exhibit B attached to the application which it estimates will produce $12,937,000[5/] of additional annual gross revenue based upon its estimate of gas sales in the test year 1969, segregated to classes of service as follows:

SUMMARY OF REQUESTED REVENUE INCREASE
TEST YEAR 1969

Class of Service	Applicant's Estimate of Sales: 1000 Mcf	Applicant's Estimate of Sales: Percent	Requested Revenue Increase: Amount	Requested Revenue Increase: Per Mcf	Requested Revenue Increase: Percent of Total
Gas Engine	3,408	0.6	M$ 72	2.1¢	0.6
Reg. Interruptible	146,340	24.8	3,073	2.1	23.7
Resale	20,075	3.4	422	2.1	3.3
Subtotal	169,823	28.8	3,567	2.1	27.6
Steam Electric and Cement Plant	163,892	27.7	523	0.32	4.0
Firm Natural Gas	257,219	43.5	8,847	3.44	68.4
Total Gas Sales	590,934	100.0	12,937	2.19	100.0

Applicant proposes that 27.6 percent of its requested increase come from the gas engine, regular interruptible and resale classifications, 4.0 percent from the steam electric and

5/ This falls $6,000 short of required revenue increase developed in Table 19-A of Exhibit SoCal-4 but reflects within practical limits changes to existing unit rates commensurate with the required revenue increase.

cement plant classifications and 68.4 percent from the firm natural gas classification. In this spread of increases the latter classification absorbs the departures from a uniform assignment of 2.19 cents per Mcf.

Because of the terms of its contracts for service under Schedule No. G-58, Natural Gas Fuel For Utility Electric Generation, applicant is precluded from requesting an increase in the rates in this schedule to a level above the contractual ceiling price of 29.75 cents per million Btu's (31.65 cents per Mcf for 1064 Btu gas) except to the extent of certain specified tax effects. The contract also provides that applicant must give three years' written notice to the customer of its intention to increase the ceiling price before doing so; the customer in turn has the right to shorten the term of the contract to the three-year period of such notice.

In view of these limitations and the marked departure from a uniform cents per Mcf spread of the revenue requirement increase, applicant sponsored a cost allocation study. The study supports the departure as it relates to the much greater than average cents per Mcf increase for firm natural gas service and the correspondingly less than average increase proposed for the large steam plant and cement plant customers.

Applicant fails to convince us on this record that its cost allocation study is the long sought answer to the question of how costs should be apportioned between firm gas service and interruptible gas service. In theory or philosophy, applicant's cost allocation study, called the "Independent Systems Method", purports to determine the cost of serving the firm classifications only. This cost results from a hypothetical independent system for firm service after credit for a pro rata share of economies of scale and benefits of diversity attributable to combining two hypothetical independent systems - one for the firm service and the other for interruptible service - into one hypothetical full service system. The point of view that the firm classes should bear such adjusted cost of a hypothetical independent system to serve them only as their share of the cost of the actual system results in the remaining costs of the actual system being assigned to the interruptible classes. The "Independent Systems Method" through this procedure lacks confirmation by failure to approach the allocation from the other, or interruptible, side, i.e., a determination first of costs to serve interruptibles and then, by the eliminating process, the costs to serve the firm. Such an approach does not appear feasible as long as interruptible service remains interruptible.

By its nature, the "Independent Systems Method" reflects the system's capability to meet extreme peak day firm requirements and to meet cold year firm requirements plus commitments for deliveries to interruptible customers. To the extent these extreme peak day and cold year conditions are used, results are not responsive to the use made of gas supplies and of system capacity in an average or test year.

In turning from the theory to the application of the "Independent Systems Method", we point to the question raised of whether or not consistent results would be achieved by two independent groups of experts in the fields which this study encompasses. Included among the reasons for this question are the observations that the designing and costing of three hypothetical systems, together with the related computer program, probably involve many areas of judgment and that the end results of the cost allocation study are particularly sensitive to cost credits for storage requirements of hypothetical systems.

While we cannot adopt applicant's cost allocation method, we recognize the extensive efforts that have gone into its formulation over the past several years and into its application for this proceeding. We feel compelled, however, to observe that the outlook is not promising for any single cost allocation method or array of such methods to provide results for the Pacific Lighting Utility System which could serve as more than at best an approximate guide within one of the important elements considered in determining reasonable rates for the various classes of service.

From Southern California Gas Company, 58 Cal PUC 75 (1960), we quote:

> "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."

The weight to be given to each element is a judgment determination which, it would appear, cannot be supported by true cost findings, and controversy can therefore be expected to continue.

In prior rate proceedings of Southern California Gas Company, the price of heavy fuel oil exercised an important influence in fixing rates for gas service to large interruptible customers. With the advent of air pollution control measures becoming increasingly more stringent, such interruptible customers have become more dependent on natural gas or other more expensive fuels. Thus, absent the competition of heavy fuel oil and the results of additional cost allocation studies which we can consider, our indicated course appears to be to consider the existing rate relationships, to consider the rate history, to recognize in assignments of the increase in the cost of gas the lower level of service[6] rendered to large steam electric plant and cement plant customers, and to consider such other factors on which evidence has been adduced.

The table below summarizes by classes of gas customers the revenue increases which we find to be reasonable.

SUMMARY OF AUTHORIZED INCREASES

Class of Service	Adjusted and Adopted Sales 1000 Mcf	Authorized Increase Amount	Authorized Increase Equivalent Per Mcf
Firm Natural Gas	261,385	M$ 8,254	3.16¢
Gas Engine	3,408	71	2.08
Regular Interruptible	146,340	2,877	1.97
Steam and Cement Plants	159,726	1,341	0.84
Resale	20,075	400	1.99
Total Gas Sales	590,934	12,943	2.19

The adjusted and adopted sales shown in this table are considered more representative of the load mix than their test

6/ Such lower level of service in conjunction with underground storage provides most of the seasonal load equation needed to meet the winter heating load of firm customers. Deliveries represent 78 percent of requirements of steam electric and cement plant classifications in test year 1969 (Exhibit SoCal-10).

year counterparts during the first 12-month period in which increased rates for gas service will be in effect; the total gas sales, however, are at the same level as estimated by applicant for test year 1969. The authorized increase in the amount of $12,943,000 consists of $3,609,000, equivalent to 0.61 cents per Mcf, to reflect the effect of the 10 percent surcharge on federal income taxes and $9,334,000, equivalent to 1.58 cents per Mcf, to reflect the effect of the net increase in the cost of gas occasioned by El Paso RP69-6 filing after utilization of gas cost reductions set forth in Table 19-A of Exhibit SoCal-4.[7/] The authorized rate increases specified in Appendix A to this decision provide for compensation for the effect of the 10 percent surcharge to federal income tax upon applicant by increasing by 1.00 percent the total of each customer's bill computed under rates, which of course exclude the Surtax effect, set forth in the schedules for the various classes of service.

The authorized increase in the amount of $1,341,000, equivalent to 0.84 cents per Mcf, to the steam electric and cement plant classifications is derivable by increasing present rates in two specific amounts, 0.32 cents per Mcf which raises the rate under Schedule No. G-58 to the contractual ceiling of 29.75 cents per million Btu's and 0.2 cents per Mcf which accounts for the portion of the El Paso RP69-6 increase attributable to the 10 percent surcharge on federal income taxes on El Paso, and by applying the aforesaid 1.00 percent to the bills which would be computed at the resulting rate levels for these schedules.

7/ This treatment introduces a minor discrepancy in the distribution of the allowance for uncollectibles and franchise fees between the Surtax and cost of gas components.

The amount of the increase authorized for firm natural gas service reflects making up the departure of 1.06 cents per Mcf for the steam electric and cement plant classification from the average of 1.58 cents per Mcf for the cost of gas component. The remaining classes of service have been assigned the average of 1.58 cents per Mcf for said component.

Applicant will be authorized to file revised rates for the steam electric and cement plant classifications which reflect all or any portion of the increase (up to an equivalent of 0.84 cents per Mcf) assigned to these classifications. Thus, and properly so, it will be up to applicant to interpret and act upon the pertinent contractual provisions relating to Schedule No. G-58.

Our action herein gives implicitly our disposition of the positions of the various parties on rate spread. We would add, however, that the City of Long Beach's position is far from convincing because of its unreasonably restrictive view on how its composite gas supplies provide service to its customers, its reliance upon applicant's cost allocation study and its inherent assumption that other classes of service should be called upon to offset any downward adjustment in its proposed share of the revenue increase.

Concomitant Tariff Provisions

Provision for expiration or change of the surcharge of one percent on gas bills when the Surtax expires or changes and provisions for disposition of possible rate reductions and refunds related to FPC Docket No. RP69-6 should be included in revised tariff schedules filed to place in effect the authorized rate increases. Such provisions are specified in Appendix A to this decision.

The contingent offset charges, to be included in base and effective rates and to be used in connection with the possible rate reductions and refunds, reflect potential rate decreases if all cost increases resulting from El Paso RP69-6 filing and amounting to $13,822,000 were voided as the result of the FPC action. It should be pointed out that the $9,334,000, equivalent to 1.58 cents per Mcf, found necessary to compensate for the effect of the net increase in the cost of gas corresponds to $13,822,000, equivalent to 2.34 cents per Mcf, before utilization of the gas cost reductions set forth in Table 19-A of Exhibit SoCal-4 except for the minor discrepancy in uncollectibles and franchise fees previously noted and a minor exchange revenue effect. Summarized below by classes of service is a comparison of the contingent offset charges which result and the gas cost portion of the rate increases authorized.

Classes of Service		Gas Cost Portion of Rate Increases Authorized Cents per Mcf		Contingent Offset Charges Authorized Cents per Mcf
Firm Natural Gas Service		2.23		3.30
Gas Engine		1.58		2.34
Regular Interruptible		1.58		2.34
Steam and Cement Plants	up to	0.52	up to	0.77
Resale		1.58		2.34
Weighted Average		1.58		2.34

Any refunds received from El Paso as result of FPC action in Docket No. RP69-6 are to be made to the various customer classes in proportion to the contingent offset charges collected during the period to which the refunds apply.

In addition, applicant will be required to include in its revised tariff schedules a contingent rate reduction provision, substantially as set forth in Exhibit SoCal-20, relating to Transwestern Pipeline Company and FPC Docket Nos. CP68-181 and CP67-339.

Findings

1. For test year 1969 the increase in cost of El Paso gas plus the related increase in cost of California-source gas is $13,598,000. These increases are occasioned by the El Paso RP69-6 filing.

2. For test year 1969 the tax increases from Surtax amount to $1,442,000 and the portion of applicant's requested increase in gross revenues to compensate for the effect of tax increases from Surtax amounts to $3,285,000.

3. Gas cost reductions, either directly available to applicant or by flow through from its affiliate PLSS, resulting from Eederal Power Commission action in Docket Nos. RP67-8, RP67-9, and in AR61-1, plus California gas cost reductions related to Docket No. AR61-1, amount to $4,084,000.

4. Applicant is in need of additional revenues; increased net revenue in the amount of $5,003,000 would be sufficient to compensate for the effects (after utilization of the gas cost reductions set forth in Finding 3 above) of Surtax and the El Paso RP69-6

filing. After downward adjustment for the Transwestern flow through, such increase in net revenues will yield a rate of return not in excess of 6.96 percent on a depreciated rate base of $451,963,000 in test year 1969; after further downward adjustment for the expected wage increase the rate of return would be not in excess of 6.76 percent; based upon the evidence presented such rates of return lie within the zone of reasonableness.

5. Applicant is entitled to increased net revenue in the amount of $5,003,000 which corresponds to $12,943,000 in gross revenue in test year 1969. Such an increase is fully justified and represents a 3.7 percent increase in gross revenues.

6. Applicant's proposed increase in rates to the steam electric and cement plant classifications is unreasonably low; applicant's cost allocation study which supports the proposed increase in rates lacks confirmation in both theory and application.

7. The authorized increases in rates specified in Appendix A to this decision represent a fair and reasonable spread of the authorized increase in gross revenues of $12,943,000 to the various classes of service.

8. The portion of the authorized increase in gross revenues corresponding to Surtax which flows through into rates is $3,609,000 rather than the $3,285,000 specified in Finding 2 above. This reflects flowing through the Surtax effect on, and from, PLSS but does not change the total increase in gross revenues of $12,943,000 authorized.

9. The tariff provisions specified in Appendix A to this decision covering contingent offset charges, possible rate reductions and refunds and elimination or change in surcharge to each customer's bill relating to Surtax are proper, fair and reasonable.

10. A tariff provision for contingent rate reduction relating to Transwestern Pipeline Company and to FPC Docket Nos. CP68-181 and CP67-339 is contemplated in granting applicant rate relief herein; filing of the provision set forth in Exhibit SoCal-20 will satisfy this conditional aspect of said rate relief.

11. The increases in rates and charges authorized herein are justified, the rates and charges authorized herein are reasonable, and the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

Conclusion

Based on the foregoing findings, the Commission concludes that the portion of Phase I of the application dealt with herein should be granted to the extent, and under the conditions, set forth in the order which follows.

Hearings will be scheduled for Phase II to consider the applicant's proposals for:

1. Adjustment of tariff schedules for heating values.
2. Rate design related to temperature conditions.

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company is authorized to file with this Commission on or after the effective date of this order revised tariff schedules with changes in rates, charges and conditions as set forth in Appendix A attached hereto. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be the date the increased El Paso rates, lawfully, are allowed to go into effect by the Federal Power Commission or one day after the date of filing, whichever is later. The revised schedules shall apply

only to service rendered on and after the effective date thereof.

2. In the event applicant places such rate increases in effect,

a. Applicant's plan for determining refunds shall be consistent with the pertinent tariff provision authorized herein, shall be submitted to this Commission prior to making any refunds, and specific Commission approval shall be obtained of the plan at that time.

b. When rates are ordered reduced under Federal Power Commission Docket No. RP69-6, applicant shall file its proposed plan, for rate reductions consistent with the pertinent tariff provision authorized herein, for final determination and authorization by this Commission.

c. Applicant shall file a report by May 1, 1970, for the first full 12-month period that offset charges are in effect comparing increased purchased gas costs with increased revenues resulting from the authorized offset charges. If appropriate, applicant may file revised offset charges, subject to Commission approval, based on the relationship between the volume of gas purchased from El Paso and the total volume of gas sales.

d. Applicant shall have filed with the Commission, in conformity with General Order No. 96-A, a contingent rate reduction provision relating to Transwestern Pipeline Company and having substantially the same contents as Exhibit SoCal-20.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 18th day of MARCH, 1969.

William Symons Jr.
President

Fred P. Morrissey

J. P. Vukasin Jr.

Commissioners

Commissioner A. W. GATOV
Present but not participating.

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.

1. Surcharge Provision

The following paragraph shall be included in the Preliminary Statement of the tariffs:

"Until the 10 percent Federal surcharge to Federal income tax is removed, bills computed under filed rate schedules, except for Schedule No. G-30, will be increased and include a charge of 1.00% of the total bill for such surcharge. At such time as this surtax is effectively suspended or terminated, in whole or in part, and not replaced by a substitute tax based on income, the above percentage shall be eliminated or reduced to the extent of the net reduction of the tax."

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

2. Firm Natural Gas Service Schedules G-1 through G-9

	G-1 Per Meter Per Month Base Rates 1100 Btu		G-2 Per Meter Per Month Base Rates 1100 Btu	
	"M"	"H"	"M"	"H"
Commodity Charge:				
First 200 cf or less:				
November-April, incl.	$2.19	$4.13	$2.19	$4.13
May-October, incl.	$2.19	$0.1942	$2.19	$0.1980
Next 2,800 cf, per 100 cf	8.18¢	9.71¢	8.39¢	9.90¢
Next 7,000 cf, per 100 cf	8.77¢	8.89¢	7.98¢	9.09¢
Next 30,000 cf, per 100 cf	7.48¢	8.46¢	7.67¢	8.66¢

	"M" and "H"		"M" and "H"	
	May-Oct.	Nov.-Apr.	May-Oct.	Nov.-Apr.
Next 60,000 cf, per 100 cf	6.42¢	8.00¢	6.42¢	8.00¢
Next 200,000 cf, per 100 cf	5.77¢	7.34¢	5.77¢	7.34¢
Next 700,000 cf, per 100 cf	5.35¢	6.92¢	5.35¢	6.92¢
Next 1,000,000 cf, per 100 cf	5.01¢	6.59¢	5.01¢	6.59¢
Over 2,000,000 cf, per 100 cf	4.81¢	6.37¢	4.81¢	6.37¢

APPENDIX A

	G-3 Per Meter Per Month Base Rates 1100 Btu "M"	G-3 "H"	G-4 Per Meter Per Month Base Rates 1100 Btu "M"	G-4 "H"
Commodity Charge:				
First 200 cf or less:				
November-April, incl.	$2.24	$4.23	$2.29	$4.33
May-October, incl.	$2.24	$0.2022	$2.29	$0.2060
Next 2,800 cf, per 100 cf	8.58¢	10.11¢	8.79¢	10.30¢
Next 7,000 cf, per 100 cf	8.17¢	9.30¢	8.38¢	9.49¢
Next 30,000 cf, per 100 cf	7.88¢	8.87¢	8.07¢	9.07¢

	G-3 "M" and "H" May-Oct.	G-3 "M" and "H" Nov.-Apr.	G-4 "M" and "H" May-Oct.	G-4 "M" and "H" Nov.-Apr.
Next 60,000 cf, per 100 cf	6.42¢	8.00¢	6.42¢	8.00¢
Next 200,000 cf, per 100 cf	5.77¢	7.34¢	5.77¢	7.34¢
Next 700,000 cf, per 100 cf	5.35¢	6.92¢	5.35¢	6.92¢
Next 1,000,000 cf, per 100 cf	5.01¢	6.59¢	5.01¢	6.59¢
Over 2,000,000 cf, per 100 cf	4.81¢	6.37¢	4.81¢	6.37¢

	G-5 Per Meter Per Month Base Rates 1100 Btu "M"	G-5 "H"	G-6 Per Meter Per Month Base Rates 1100 Btu "M"	G-6 "H"
Commodity Charge:				
First 200 cf or less:				
November-April, incl.	$2.39	$4.43	$2.54	$4.63
May-October, incl.	$2.39	$0.2102	$2.54	$0.2140
Next 2,800 cf, per 100 cf	8.98¢	10.51¢	9.38¢	10.70¢
Next 7,000 cf, per 100 cf	8.57¢	9.70¢	8.97¢	9.89¢
Next 30,000 cf, per 100 cf	8.28¢	9.28¢	8.68¢	9.47¢

	G-5 "M" and "H" May-Oct.	G-5 "M" and "H" Nov.-Apr.	G-6 "M" and "H" May-Oct.	G-6 "M" and "H" Nov.-Apr.
Next 60,000 cf, per 100 cf	6.42¢	8.00¢	6.42¢	8.00¢
Next 200,000 cf, per 100 cf	5.77¢	7.34¢	5.77¢	7.34¢
Next 700,000 cf, per 100 cf	5.35¢	6.92¢	5.35¢	6.92¢
Next 1,000,000 cf, per 100 cf	5.01¢	6.59¢	5.01¢	6.59¢
Over 2,000,000 cf, per 100 cf	4.81¢	6.37¢	4.81¢	6.37¢

	G-7 Per Meter Per Month Base Rates 1100 Btu "M"	G-7 "H"	G-8 Per Meter Per Month Base Rates 1100 Btu "M"	G-8 "H"
Commodity Charge:				
First 200 cf or less:				
November-April, incl.	$2.58	$4.72	$4.00	$7.50
May-October, incl.	$2.58	$0.2542	$4.00	$0.3022
Next 2,800 cf, per 100 cf	10.78¢	12.71¢	12.36¢	15.11¢
Next 7,000 cf, per 100 cf	9.58¢	11.40¢	11.10¢	12.59¢
Next 30,000 cf, per 100 cf	8.97¢	9.88¢	10.10¢	11.10¢

	G-7 "M" and "H" May-Oct.	G-7 "M" and "H" Nov.-Apr.	G-8 "M" and "H" May-Oct.	G-8 "M" and "H" Nov.-Apr.
Next 60,000 cf, per 100 cf	6.75¢	8.33¢	8.08¢	9.59¢
Next 200,000 cf, per 100 cf	6.07¢	7.63¢	7.09¢	8.58¢
Next 700,000 cf, per 100 cf	5.65¢	7.21¢	6.39¢	7.90¢
Next 1,000,000 cf, per 100 cf	5.42¢	7.00¢	5.88¢	7.39¢
Over 2,000,000 cf, per 100 cf	5.22¢	6.78¢	5.48¢	6.99¢

	G-9 Per Meter Per Month Base Rates 1100 Btu "M"	G-9 "H"
Commodity Charge:		
First 200 cf or less:		
November-April, incl.	$4.00	$7.50
May-October, incl.	$4.00	$0.2676
Next 2,800 cf, per 100 cf	10.99¢	13.38¢
Next 7,000 cf, per 100 cf	9.89¢	11.18¢
Next 30,000 cf, per 100 cf	8.98¢	9.88¢

	"M" and "H" May-Oct.	"M" and "H" Nov.-Apr.
Next 60,000 cf, per 100 cf	6.75¢	8.33¢
Next 200,000 cf, per 100 cf	6.07¢	7.63¢
Next 700,000 cf, per 100 cf	5.65¢	7.21¢
Next 1,000,000 cf, per 100 cf	5.42¢	7.00¢
Over 2,000,000 cf, per 100 cf	5.22¢	6.78¢

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 commodity charge rate.

		Per Meter Per Month Base Rates 1100 Btu	
		G-1 thru G-7, incl. and G-9	G-8
First	10,000 cu.ft., per 100 cu.ft.	5.78¢	6.01¢
Next	15,000 cu.ft., per 100 cu.ft.	4.99¢	5.22¢
Next	25,000 cu.ft., per 100 cu.ft.	4.49¢	4.72¢
Next	150,000 cu.ft., per 100 cu.ft.	4.08¢	4.31¢
Next	800,000 cu.ft., per 100 cu.ft.	3.70¢	4.01¢
Over	1,000,000 cu.ft., per 100 cu.ft.	3.59¢	3.91¢

The Special Conditions of each tariff schedule shall include the following:

Contingent Offset Charges Related to F.P.C. Docket No. RP69-6

The base and effective rates include an offset charge of 0.330 cent for 100 cubic feet related to increased cost of gas both from El Paso Natural Gas Company and the related increase in cost of gas from Pacific Lighting Service and Supply Company. To the extent that the FPC orders reduction in the rates for El Paso gas with resulting effect on cost of gas from the above-noted sources, the offset will be reduced related to the amount of such reduction in cost of gas from these sources.

Refunds of Contingent Offset Increase Related to F.P.C. Docket No. RP69-6

Refunds received from El Paso Natural Gas Company as related to this docket will be made to various customer classes in proportion to the contingent offset charges collected during the period to which the refunds apply.

3. Gas Engine Service

	G-45 Per Meter Per Month Base Rates 1100 Btu	G-47 Per Meter Per Month Base Rates 1100 Btu
May-October		
First 25 Mcf, per Mcf	62.0¢	65.5¢
Next 175 Mcf, per Mcf	53.5¢	57.0¢
Next 800 Mcf, per Mcf	47.1¢	50.6¢
Over 1,000 Mcf, per Mcf	45.5¢	49.0¢
November-April		
First 25 Mcf, per Mcf	69.8¢	74.3¢
Next 175 Mcf, per Mcf	61.3¢	64.8¢
Next 800 Mcf, per Mcf	54.8¢	58.3¢
Over 1,000 Mcf, per Mcf	53.2¢	56.7¢

The Special Conditions of each tariff schedule shall include the following:

Contingent Offset Charges Related to F.P.C. Docket No. RP69-6

The base and effective rates include an offset charge of 2.34¢ per Mcf of daily maximum demand related to increased cost of gas both from El Paso Natural Gas Company and the related increase in cost of gas from Pacific Lighting Service and Supply Company. To the extent that the FPC orders reduction in the rates for El Paso gas with resulting effect on cost of gas from the above noted sources, the offset will be reduced related to the amount of such reduction in cost of gas from these sources.

Refunds of Contingent Offset Increase Related to F.P.C. Docket No. RP69-6

Refunds received from El Paso Natural Gas Company as related to this docket will be made to various customer classes in proportion to the contingent offset charges collected during the period to which the refunds apply.

4. Regular Interruptible Natural Gas Service Schedules

	G-50 Per Meter Per Month Base Rates 1100 Btu	G-52 Per Meter Per Month Base Rates 1100 Btu
Commodity Charge:		
First 200 Mcf, per Mcf	53.9¢	57.4¢
Next 800 Mcf, per Mcf	42.5¢	50.9¢
Next 2,000 Mcf, per Mcf	45.8¢	49.3¢
Next 3,000 Mcf, per Mcf	44.9¢	48.3¢
Next 4,000 Mcf, per Mcf	43.8¢	47.2¢
Next 10,000 Mcf, per Mcf	41.6¢	45.0¢
Over 20,000 Mcf, per Mcf	40.5¢	43.9¢

	G-53 Per Meter Per Month Base Rates 1100 Btu
Commodity Charge:	
First 200 Mcf, per Mcf	53.4¢
Next 800 Mcf, per Mcf	47.1¢
Next 4,000 Mcf, per Mcf	42.3¢
Next 5,000 Mcf, per Mcf	40.6¢
Next 10,000 Mcf, per Mcf	38.6¢
Over 20,000 Mcf, per Mcf	37.4¢
Special Rate for Air Conditioning Usage	
First 200 Mcf, per Mcf	40.3¢
Next 800 Mcf, per Mcf	36.3¢
Over 1,000 Mcf, per Mcf	35.3¢

Contingent Offset Charges Related to F.P.C. Docket No. RP69-6

The base and effective rates include an offset charge of 2.25 cents per Mcf related to increased cost of gas both from El Paso Natural Gas Company and the related increase in cost of gas from Pacific Lighting Service and Supply Company. To the extent that the FPC orders reduction in the rates for El Paso gas with resulting effect on cost of gas from the above noted sources, the offset will be reduced related to the amount of such reduction in cost of gas from these sources.

Refunds of Contingent Offset Increase Related to F.P.C. Docket No. RP69-6

Refunds received from El Paso Natural Gas Company as related to this docket will be made to various customer classes in proportion to the contingent offset charges collected during the period to which the refunds apply.

5. Optional Interruptible Industrial Natural Gas Service - Closed Schedule

	G-53A Per Meter Per Month Base Rates 1100 Btu
Commodity Charge:	
First 40,000 Mcf, per Mcf	39.3¢
Next 60,000 Mcf, per Mcf	36.8¢
Over 100,000 Mcf, per Mcf	35.8¢
Special Rate for Air Conditioning Usage	
First 200 Mcf, per Mcf	40.8¢
Next 800 Mcf, per Mcf	36.8¢
Over 1,000 Mcf, per Mcf	35.8¢

Contingent Offset Charges Related to F.P.C. Docket No. RP69-6

The base and effective rates include an offset charge of 2.34 cents per Mcf related to increased cost of gas both from El Paso Natural Gas Company and the related increase in cost of gas from Pacific Lighting Service and Supply Company. To the extent that the FPC orders reduction in the rates for El Paso gas with resulting effect on cost of gas from the above noted sources, the offset will be reduced related to the amount of such reduction in cost of gas from these sources.

Refunds of Contingent Offset Increase Related to F.P.C. Docket No. RP69-6

Refunds received from El Paso Natural Gas Company as related to this docket will be made to various customer classes in proportion to the contingent offset charges collected during the period to which the refunds apply.

6. Optional Interruptible Industrial Natural Gas Service - Therm Rate Schedules

	G-50T	G-52T Per Meter	G-53T Per Month	G-52U
Commodity Charge:				
First 440,000 therms, per therm	3.79¢	4.11¢	3.51¢	3.78¢
Next 660,000 therms, per therm	3.56¢	3.88¢	3.29¢	3.54¢
Over 1,100,000 therms, per therm	3.47¢	(a)	3.21¢	3.45¢
Special Rate for Air Conditioning Usage				
First 11,000 therms, per therm	3.29¢	3.29¢	3.29¢	3.29¢
Over 11,000 therms, per therm	3.21¢	3.21¢	3.21¢	3.21¢

(a) Next 1,650,000 therms 3.72 cents per therm;
all over 2,750,000 therms 3.55 cents per therm.

Contingent Offset Charges Related to F.P.C. Docket No. RP69-6

The base and effective rates include an offset charge of 0.22 cent per therm related to increased cost of gas both from El Paso Natural Gas Company and the related increase in cost of gas from Pacific Lighting Service and Supply Company. To the extent that the FPC orders reduction in the rates for El Paso gas with resulting effect on cost of gas from the above noted sources, the offset will be reduced related to the amount of such reduction in cost of gas from these sources.

Refunds of Contingent Offset Increase Related to F.P.C. Docket No. RP69-6

Refunds received from El Paso Natural Gas Company as related to this docket will be made to various customer classes in proportion to the contingent offset charges collected during the period to which the refunds apply.

7. Utility Steam Electric Generating Station and Cement Plant Retail Natural Gas Service, Schedule No. G-54

	Base Rates* 1100 Btu Winter	Base Rates* 1100 Btu Summer
Commodity Charge:		
Per Mcf	35.92¢	
First 10 Mcf per Month per Mcf of Contract Volumetric Rate		38.52¢
Next 10 Mcf per Month per Mcf of Contract Volumetric Rate		35.52¢
Next 10 Mcf per Month per Mcf of Contract Volumetric Rate		32.52¢
Excess per Mcf		35.02¢

*Maximum rates permissible under this order.

Contingent Offset Related to F.P.C. Docket No. RP69-6

The base and effective rates include an offset charge of 0.77 cent per Mcf related to increased cost of gas both from El Paso Natural Gas Company and the related increase in cost of gas from Pacific Lighting Service and Supply Company. To the extent that the FPC orders reduction in the rates for El Paso gas with resulting effect on cost of gas from the above noted sources, the offset will be reduced related to the amount of such reduction in cost of gas from these sources.

Refunds of Contingent Offset Increase Related to F.P.C.Docket No. RP69-6

Refunds received from El Paso Natural Gas Company as related to this docket will be made to various customer classes in proportion to the contingent offset charges collected during the period to which the refunds apply.

8. Utility Steam-Electric Generating Station Service

	G-55 Maximum* Rates Per Therm	
	"A" Rates	"S" Rates
Summer Period		
First 5,400,000 therms per month	3.034¢	3.195¢
Over 5,400,000 therms per month	3.034¢	3.131¢
Winter Period		
Basic Gas	3.034¢	3.195¢
Excess Gas	2.829¢	2.829¢

* Maximum rates permissible under this order.

The Special Conditions of each tariff schedule shall include the following:

Contingent Offset Charges Related to F.P.C.Docket No. RP69-6

These rates include an offset charge of 0.072 cent per therm related to increased cost of gas both from El Paso Natural Gas Company and the related increase in cost of gas from Pacific Lighting Service and Supply Company. To the extent that the FPC orders reduction in the rates for El Paso gas with resulting effect on cost of gas from the above noted sources, the offset will be reduced related to the amount of such reduction in cost of gas from these sources.

Refunds of Contingent Offset Increase Related to F.P.C. Docket No. RP69-6

Refunds received from El Paso Natural Gas Company as related to this docket will be made to various customer classes in proportion to the contingent offset charges collected during the period to which the refunds apply.

	G-58
All Gas	A maximum* rate of 29.94¢ per million Btu

* Maximum rates permissible under this order.

The Special Conditions of each tariff schedule shall include the following:

Contingent Offset Charges Related to F.P.C. Docket No. RP69-6

This rate includes an offset charge of 0.72 cent per million Btu related to increased cost of gas both from El Paso Natural Gas Company and the related increase in cost of gas from Pacific Lighting Service and Supply Company. To the extent that the FPC orders reduction in the rates for El Paso gas with resulting effect on cost of gas from the above noted sources, the offset will be reduced related to the amount of such reduction in cost of gas from these sources.

Refunds of Contingent Offset Increase Related to F.P.C. Docket No. RP69-6

Refunds received from El Paso Natural Gas Company as related to this docket will be made to various customer classes in proportion to the contingent offset charges collected during the period to which the refunds apply.

9. Resale Service

	G-60
Monthly Demand Charge	\$2.53 per Mcf of daily contract demand
Commodity Charge	32.58¢ per Mcf

Contingent Offset Charges Related to F.P.C. Docket No. RP69-6

The base and effective rates include an offset charge of 2.34 cents per Mcf related to increased cost of gas both from El Paso Natural Gas Company and the related increase in cost of gas from Pacific Lighting Service and Supply Company. To the extent that the FPC orders reduction in the rates for El Paso gas with resulting effect on cost of gas from the above noted sources, the offset will be reduced related to the amount of such reduction in cost of gas from these sources.

Refunds of Contingent Offset Increase Related to F.P.C. Docket No. RP69-6

Refunds received from El Paso Natural Gas Company as related to this docket will be made to various customer classes in proportion to the contingent offset charges collected during the period to which the refunds apply.

APPENDIX B

LIST OF APPEARANCES

FOR APPLICANT

K. R. Edsall and Harvey L. Goth.

FOR PROTESTANT

Roy M. Rick, appearing in his own behalf.

FOR INTERESTED PARTIES

Rollin E. Woodbury, Harry W. Sturges, Jr., William E. Marx, by Rollin E. Woodbury, for Southern California Edison Company; Chickering & Gregory, by Sherman Chickering, C. Hayden Ames and Donald J. Richardson, Jr.; Stanley Jewell for San Diego Gas & Electric Company; C. H. McCrea, for Southwest Gas Corporation; Brobeck, Phleger & Harrison by Robert N. Lowry and Gordon E. Davis, for California Manufacturers Association; Robert E. Burt, for California Manufacturers Association; Roger Arnebergh by Charles E. Mattson, Deputy City Attorney, for City of Los Angeles; Robert W. Russell, for Department of Public Utilities and Transportation, City of Los Angeles; Louis Possner, for Bureau of Franchise and Public Utilities, City of Long Beach; Leonard L. Bendinger, Roy A. Wehe and Edward C. Wright, for Municipal Gas Department, City of Long Beach; Alfred H. Driscoll, John O. Russell and Lloyd B. Adams, for Los Angeles Department of Water and Power; W. L. Knecht and Ralph Hubbard, for California Farm Bureau Federation; Lt. Col. Jack C. Dixon, U.S. Air Force HQ AF Contract Management Division, for Department of Defense and all other agencies of Federal Government; Henry F. Lippitt, II, for California Gas Producers Association; Edward T. Butler, City Attorney, and John W. Witt, Chief Deputy City Attorney, for City of San Diego; Leonard Putnam, City Attorney, Harold A. Lingle, Deputy City Attorney, and Robert W. Parkin, Deputy City Attorney, for City of Long Beach; John A. Van Ryn, City Attorney, for City of Santa Maria.

FOR THE COMMISSION STAFF

Sergius M. Boikan, Counsel, and Park Boneysteele.