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ORIGINAL

Decision No. 76068

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY for authority to include in its tariff schedules for retail and resale natural gas service a limited rate adjustment provision for purchased gas cost based on Federal Power Commission Dockets Nos. RP69-20 and RP69-27.	Application No. 51055 (Filed May 5, 1969)

(Appearances are listed in Appendix C)

OPINION

Consolidation

By Application No. 51055 and Application Nos. 51053 and 51054, filed concurrently, Southern California Gas Company (SoCal) and its affiliates, Pacific Lighting Service Company (PLSC) and Southern Counties Gas Company of California (SoCounties) seek limited term authority under which certain tariff provisions will enable them to file changes in their gas rates to offset changes in their costs of purchased gas. Such offsets could reach $15,954,000 in terms of additional annual revenue requirements of the distributing companies, SoCal and SoCounties, based on test year 1969, and stem from Federal Power Commission (FPC) actions in Dockets Nos. RP69-20 and RP69-27. These applications have been consolidated for purposes of hearing and companion decisions.

Five days of public hearing were held in Los Angeles before Commissioner Morrissey and/or Examiner Main during the period of June 19, 1969, through July 1, 1969. Oral argument was presented on July 7, 1969, and these matters were submitted for decision on that date with provision for certain supplemental information to be received on or before July 21, 1969; that information has been included in the record herein.

Applicant's Request

By the above entitled application Southern California Gas Company requests (1) authority to incorporate in all of its tariff schedules for natural gas service, except Schedules G-30, G-54, G-55, G-56 and G-58, a limited rate adjustment provision for purchased gas cost based on FPC Dockets Nos. RP69-20 and RP69-27 and (2) approval of its method of calculating and distributing possible refunds to its customers, which could result upon final determination of just and reasonable rates under said dockets.

The limited rate adjustment provision, if authorized, would constitute authority within applicant's tariffs to file changes in its gas rates with changes in the cost of out-of-state gas within prescribed limits. By this "tracking" of changes in purchased gas costs, applicant's rates for gas service could be increased to yield up to $9,244,000 per year of additional revenues based on test year 1969. Refunds, if any emanate from these dockets, are to be made by applicant in proportion to the increases in rates made to its various customer classes.

Docket Nos. RP69-20 and RP69-27

By its orders issued in Docket No. RP69-20 on March 20, 1969, and in Docket Nos. RP69-6 and RP69-20 on June 3, 1969, the FPC authorized El Paso Natural Gas Company (El Paso) to increase its rates so as to track certain producer increases. Under this authority El Paso may adjust its rates through the period ending December 31, 1969, to reflect changes in the rates of its producer-suppliers located in the Permian supply area up to an aggregate increase of 1.46¢ per Mcf and of its producer-suppliers located in the San Juan supply area up to an aggregate increase of 0.26¢ per Mcf thus yielding a total potential increase in El Paso rates of 1.72¢ per Mcf.

Similar authority was granted to Transwestern Pipeline Company (Transwestern) by FPC Order of May 9, 1969, in Docket No. RP69-27. Accordingly, Transwestern may adjust its rates through the period ending December 31, 1969, to reflect changes in the rates of its producer-suppliers in certain supply areas up to an aggregate increase of 1.45¢ per Mcf.

The rate changes filed by El Paso and Transwestern, pursuant to these FPC Orders, shall not be in increments smaller than 0.1¢ per Mcf, and are subject to refund to the extent they exceed the level of just and reasonable rages finally determined by the FPC. The increases so filed may be placed in effect upon 30 days' notice.

The June 3, 1969 order as it applies to Docket No. RP69-6, a general rate increase proceeding under which the increased rates filed by El Paso became effective, subject to refund, on

March 7, 1969, has the effect of adjusting El Paso's March 7, 1969 rate levels downward by $0.079 (equivalent to 0.26¢ per Mcf at 100% load factor) per Mcf of demand to its California customers. This downward adjustment in El Paso rates flows through into applicant's gas rates pursuant to applicant's tariff provisions covering contingent offset charges.

The record herein demonstrates that California interests continue to be capably advocated in proceedings before the Federal Power Commission by the Commission's staff, representing the People of the State of California and this Commission, and that the applicant and its affiliates have actively cooperated therein in accordance with the directions of this Commission. California's goals have been, and continue to be, to obtain adequate supplies of out-of-state gas at the lowest reasonable rates.

Applicant's Position

Applicant's basic position is that its present level of earnings is not sufficient to absorb such higher costs as may result from El Paso RP69-20 and Transwestern RP69-27 filings and that its rates should be increased to offset such higher costs as they occur. Thus, the so-called "tracking" aspects of these FPC rate proceeding dockets, which subject applicant to frequent changes in its cost of purchased gas on short notice, call for procedures before this Commission under which adjustments to applicant's rates would be processed expeditiously. It is toward this end that applicant proposes, as its link in the producer/pipeline-supplier/distributor chain, its adaption of "tracking": a limited rate adjustment provision for purchased gas costs based on FPC Docket Nos. RP69-20 and RP69-27 to be included within its tariff schedules.

Applicant's present gas rates were made effective pursuant to Decision No. 75429 dated March 18, 1969, in Application No. 50713. In that proceeding applicant's revenues, expenses, rate base and rate of return were in issue. In authorizing an increase in applicant's rates to their present levels, the Commission found:

> "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."

The relief applicant seeks herein is intended solely to protect its earnings position resulting from Decision No. 75429; applicant's rate of return will remain what it would have been if its cost of purchased gas remained fixed at the level of its recent showing in Application No. 50713.

Revenue Requirements

In Table 1 which follows revenues required to offset increases in cost of purchased gas are developed. The average rate increase required per Mcf of sales to offset gas cost increases is also developed and the impact on rates of return of not offsetting gas cost increases is shown.

TABLE 1

Development of Revenues Required to Offset Increases in Cost of Purchased Gas
Test Year 1969

Supplier or Item	Gas Purchases M^2cf	Part A - Effect of Filed and Effective El Paso and Transwestern Rate Increases: ¢/Mcf	PLSC	SoCal	SoCounties	System	Part B - Effect of Maximum Potential (Remaining) El Paso and Transwestern Rate Increases: ¢/Mcf	PLSC	SoCal	SoCounties	System
El Paso	580,724	0.870	M$	M$ 2,927	M$ 2,125	M$ 5,052	0.850	M$	M$ 2,860	M$ 2,076	M$ 4,936
Transwestern	272,735	0.780	2,127			2,127	0.670	1,828			1,828
California Sources	186,429	0.483	900			900	0.453	844			844
Total Cost of Gas Increase	1,039,888	0.777	3,027	2,927	2,125	8,079	0.732	2,672	2,860	2,076	7,608
PLSC Increase to SoCal & SoCounties[a]			(3,030)	1,755	1,275	-		(2,675)	1,550	1,125	
Total SoCal & SoCounties Gas Cost Incr.			-	4,682	3,400	8,082		-	4,410	3,201	7,611
Total Offset Rev. Required				4,760	3,456	8,216			4,484	3,254	7,738
Total Sales - M^2cf				590,934	429,183	1,020,117			590,934	429,183	1,020,117
Avg. Rate Increase Req.per Mcf of Sales				0.805¢	0.805¢	0.805¢			0.758¢	0.758¢	0.758¢
Rate Base			M$101,122	M$451,963	M$268,227	M$821,312		M$101,122	M$451,963	M$268,227	M$821,312
Reduction in Return Due to Gas Cost Increases			1,329	1,285	933	3,547		1,173	1,255	911	3,339
Reduction in Rate of Return Due to Gas Cost Increases[b]			1.31%	0.28%	0.35%	0.43%		1.16%	0.28%	0.34%	0.41%
Reduction in Rate of Return if PLSC Gas Cost Increases Flowed Thru to SoCal & SoCounties			-	0.45%	0.56%	0.43%		-	0.43%	0.52%	0.41%

a Includes allowance for franchise fees
b Includes allowance for franchise fees and uncollectibles

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The foundation underlying Table I is the summary of earnings of applicant and its affiliates for test year 1969 as set forth in Decision Nos. 75428 and 75429 dated March 18, 1969, in Application Nos. 50714 and 50713.

Actual Increases

From Part A of Table I, it may be seen that $4,760,000 of additional revenue offsets increases now in effect in the cost of gas which applicant purchases from El Paso, increases sought per Application No. 51053 in the cost of gas which applicant purchases from PLSC, and attendant increases in franchise fees and uncollectibles.

Respecting the gas from California sources which applicant purchases from PLSC, applicant and its affiliates are to continue on notice that out action herein and in Decision Nos. 75428 and 75429 should not be construed as a finding of reasonableness for rate-fixing purposes of the pricing provisions contained in PLSC's California-source gas purchase contracts except for the test year.

In connection with the additional gross revenue requirement shown in Part A of Table I, we observe that applicant's present tariffs provide for the offsetting of the 10 percent surcharge to federal income taxes. This is done through the following tariff provision:

> "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 10 percent surcharge to federal income taxes expired June 30, 1969. If the surcharge is reinstated[1/] at some time in the near future at the previous 10 percent level, the corresponding surcharge on applicant's rates for gas service, except those in Schedule No. G-30, should be reduced from 1.00 percent to 0.993 percent in view of the increase of $3,765,000 in gross revenues which the rates to be authorized hereinafter will yield. Such new rates reflect flow through of the rate reduction, previously referred to, in FPC Docket No. RP69-6.

Prospective Increases

El Paso and Transwestern can continue to increase their rates until December 31, 1969 so as to track producer increases as provided for in the FPC Orders referred to above. Part B of Table I herein reflects the maximum effect of the increases which may still occur, that is, El Paso's rates may increase by an additional 0.85¢/Mcf, Transwestern's by 0.67¢/Mcf, and applicant's revenue requirement may increase by $4,484,000.00.

Any such additional "tracking" increases by El Paso and Transwestern are to be in steps of one-tenth of a cent per Mcf or larger. Each one-tenth of a cent increase in El Paso's rates increases applicant's revenue requirements by $384,456; each one-tenth of a cent increase in Transwestern's rates increases applicant's revenue requirements by $181,434. Since the El Paso and Transwestern increases can occur frequently and on short notice until December 31, 1969, expeditious relief should be available to applicant while still maintaining adequate regulatory control.

1/ A 6-month extension of the 10 percent surcharge to Federal income taxes through December 31, 1969 was enacted (H.R.9951) early in August 1969.

After careful consideration of applicant's proposal for a limited rate adjustment provision within its tariffs and of the objections raised, we have decided to adopt the procedure which follows: It recognizes that provisional rate increases to offset the effect of actual additional El Paso and Transwestern increases are justified on the basis of test year 1969; that the increases may occur late in 1969; and that test year 1970 should be used, even though an upturn in applicant's earning position on a rate-fixing basis is not considered likely, to determine whether such provisional rate increases, if any materialize, should continue.

Procedure for Provisional Rate Increases

Prefaced by appropriate findings our Order herein will provide authority for applicant's accomplishing, by filings under an advice letter procedure, provisional rate increases to offset the effect of additional increases by El Paso and Transwestern filed on or before December 31, 1969, in accordance with the FPC Orders of March 20, May 9 and June 3, 1969.

The advice letter procedure to be made available to applicant for this purpose must conform to the following requirements:

1. Compliance with General Order No. 96-A except Section VI. Procedure in Filing Increased Rates.
2. Advice letter filings not to be made more frequently than at 15-day intervals.
3. Notice period for each advice letter filing not to be less than 15 days. (If any filing is technically defective, a new filing should be made and be subject to a new notice period of not less than 15 days.)
4. Advice letter filings to be served on all appearances in this proceeding except applicant, its affiliates and the Commission staff.

Revised rates made effective under this advice letter procedure must conform to the following requirements:

1. Adjustments in applicant's rates limited to those occasioned by rate changes, up to a net increase of 0.85 cents per Mcf, filed by El Paso Natural Gas Company on or before December 31, 1969, based on FPC Docket No. RP69-20, or by rate changes, up to a net increase of 0.67 cents per Mcf, filed by Transwestern Pipeline Company on or before December 31, 1969, based on FPC Docket No. RP69-27.

2. Such adjustments to be consistent with Part B of Table I herein and Exhibit No. 21 in Application No. 51055 and to be distributed to rate schedules serving the various customer classes in accordance with the rate spread adopted hereinafter.

3. Revised rates resulting from such adjustments to become effective for service on and after the date the change in El Paso's or Transwestern's rate becomes effective or 15 days after filing, whichever is later.

4. Revised rates are to be considered provisional rates to the extent of such adjustments and are subject to further order of this Commission.

If applicant elects to exercise the authority to place in effect provisional rate increases by this procedure, the following additional requirements must be met:

1. On or before October 1, 1969, applicant is to file with this Commission a report on its results of operation for the year 1970 estimated and to serve said report on all appearances in this proceeding other than applicant and its affiliates.

2. If provisional rate increases are placed in effect as provided for: (a) the staff is to carry out its review of the estimated results of applicant's operation for the year 1970, so as to file the results of its review in appropriate form with the Commission and to serve them upon all other appearances in this proceeding on or before December 31, 1969; (b) a further order is to be issued by the Commission concerning applicant's rates to the extent they include provisional increases. Upon timely request by any of the appearances in this proceeding, or without such request if it sees the need, the Commission will hold public hearings to test provisional rate increases under estimated year 1970 operational results.

Spread of Rate Increases

The major contested issue in this proceeding is the spread of the required increase in gross revenues among classes of service. The Southern California Edison Company, the Los Angeles Department of Water and Power, and the Cities of Glendale, Burbank and Pasadena which operate steam electric generating stations support applicant's requested spread of increases. The California Manufacturers Association, the City of Long Beach, the Department of Defense and other concerned agencies of the Federal government, the Los Angeles and Orange Counties Chapter of the Association of California Consumers and the Commission's staff oppose the requested spread.

Applicant's requested spread of increases in its gas rates and the spread to be authorized herein, each of which will produce within practical limits $4,760,000 of additional annual gross revenue based upon test year 1969, are tabulated as follows:

	Gas Sales		Revenue Increase		
Class of Services	M^2cf	Per Cent	Amount	Per Mcf	Percent of Total
	Applicant's Requested Spread				
Gas Engine	3,408	0.6	M$ 27.4	0.805	0.6
Reg. Interr.	146,340	24.8	1,178.0	0.805	24.7
Resale	20,075	3.4	161.6	0.805	3.4
Subtotal	169,823	28.8	1,367.0	0.805	28.7
Stm. Elect.&Cem.Plt.	159,726	27.0	0	0	0
Firm Nat. Gas	261,385	44.2	3,393.0	1.298	71.3
Total Gas Sales	590,934	100.0	4,760.0	0.805	100.0
	Spread Authorized Herein				
Gas Engine	3,408	0.6	27.4	0.805	0.6
Reg. Interr.	146,340	24.8	1,178.0	0.805	24.7
Resale	20,075	3.4	161.6	0.805	3.4
Subtotal	169,823	28.8	1,367.0	0.805	28.7
Stm. Elect.&Cem.Plt.	159,726	27.0	428.1	0.268	9.0
Firm Nat. Gas	261,385	44.2	2,964.9	1.134	62.3
Total Gas Sales	590,934	100.0	4,760.0	0.805	100.0

In both spreads the increase in revenue required per Mcf of total gas sales of 0.805 cents is assigned to the gas engine, regular interruptible and resale classifications. Applicant proposes not to increase rates for the steam electric and cement plant classifications which account for 27 percent of total gas sales, while the authorized spread of increases includes an assignment of one-third of the average increase of 0.805 cents per Mcf to these classifications. In both spreads the firm natural gas classification absorbs the departure from a uniform assignment of 0.805 cents per Mcf for the steam electric and cement plant classifications.

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.

Applicant and the Southern California Edison Company rely on the results of applicant's "Independent Systems Method" of cost allocation of record in the proceedings under Application Nos. 50713, 50714 and 50715 as support for not increasing rates to the steam electric and cement plant classifications.

However, no new evidence has been presented which would serve to rehabilitate that cost allocation method or otherwise alter our views as expressed in Decision Nos. 75428 and 75429. In addition these decisions and the record on which they are based make it clear that the "Peak Responsibility Method" of cost allocation does not give adequate weight to usage in determining cost assignments of jointly used gas supplies and facilities. The value of service evidence[2] presented by Southern California Edison Company puts forth the same concepts of record in the proceedings under Application Nos. 50713, 50714 and 50715 and thus has similar infirmities, namely, reliance on the results of the "Independent Systems Method" of cost allocation, "value" pricing of natural gas which goes down as the cost of alternate fuel goes up, and lack of recognition of the value of alternate fuel as a stand by for emergencies.

The opposition to applicant's requested spread centers on the premise that all customers should bear a share of the required revenue increase. The California Manufacturers Association urges a uniform percentage increase of revenue basis which would maintain the present revenue relationship between customer groups. The Commission's staff recommends a uniform system average increase in cents per Mcf of gas sales to gas engine, regular interruptible and resale classes, one-half of such system average increase to the steam electric and cement plant classes, and the remaining increase in revenue requirements to the firm natural gas class.

2/ Exhibit No. 20 - Cost of Firming up Interruptible Natural Gas Service for Steam Electric Generation Estimated Year 1969.

In our view Decision No. 75429 issued on March 18, 1969, not only provides through the test year 1969 operational results therein an appropriate basis from which to determine the extent of the additional revenues required in response to the present application, but also provides an appropriate basis for the rate spread now at issue. In said decision, we gave full consideration to rate spread on the basis of the record before us and observed that:

> "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."

"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)."

After careful consideration of the record herein and its relationship to Decision No. 75429, we have reached the conclusion that the spread of increases to be authorized herein should be patterned after the gas cost portion of the rate increases authorized by Decision No. 75429. Tabulated below by classes of service is a comparison of such spreads.

Classes of Service	Gas Cost Portion of Rate Increases Authorized by Decision No. 75429 *	Spread of Increases Authorized Herein
	Cents per Mcf	Cents per Mcf
Firm Natural Gas Service	2.23	1.134
Gas Engine	1.58	0.805
Regular Interruptible	1.58	0.805
Steam Elec. & Cement Plts.	0.52	0.268
Resale	1.58	0.805
Weighted Average	1.58	0.805

*The portion of the rate increases authorized by Decision No. 75429 required to offset cost increases resulting from El Paso's general rate increase in FPC Docket No. RP69-6.

In the interests of minimizing to the extent practicable differences in rate levels for the steam electric classification as between applicant and its affiliate, SoCounties, we have adopted one-third, rather than the ratio of 0.52 to 1.58, of the weighted average system-wide unit increase as the reasonable assignment to that classification.

If for purposes of rate spread we were to draw a distinction between increases in commodity rates and increases in demand rates of the out-of-state gas suppliers to applicant and its affiliates, it would in this instance tend toward increasing the portion of the increase to be borne by the steam electric and cement plant classifications. This is the tendency because the increases filed under FPC Docket Nos. RP69-20 and RP69-27 are in commodity rates, whereas the increase in FPC Docket No. RP69-6 was in the demand rate. However, high load factor requirements, related take or pay provisions, California-source gas straight commodity rates and border-pricing provisions, and procurement of overall gas supplies for joint use make drawing such a distinction of questionable merit.

Under the portion of the tabulation hereinabove designated "Spread Authorized Herein" we set forth the revenue increases by classes of gas customers and the resulting increases in applicant's gas rates which we find to be reasonable. We further find the same spread pattern to be reasonable for, and thus is adopted for, any provisional increases in rates filed pursuant to the procedure for provisional rate increases established herein. This spread pattern consists of assigning the system average increase in terms of cents per Mcf of total gas sales to the gas engine, regular interruptible and resale classifications, one-third of such system average increase to the steam electric and cement plant classifications and the remaining portion of the increase in revenue requirements to the firm natural gas classification.

The increase in gas rates to the steam electric plant classification will cause the ceiling price in the contracts for service under Schedule G-58 to be pierced, or further pierced as the case may be as a result of applicant's exercise of authority granted by Decision No. 75429. Such contracts contain the required jurisdictional clause which reads as follows:

> "This Agreement shall not become effective until authorization of the California Public Utilities Commission is first obtained, and shall be subject at all times to such changes or modifications by the California Public Utilities Commission as that Commission may from time to time direct in the exercise of its jurisdiction; provided, however, that in the event the Commission issues an order which substantially reduces the value of this Agreement to Customer or Company, either shall have the right within thirty (30) days after the effective date of such order to give notice of its intention to terminate this Agreement and it shall be terminated thirty (30) days after such notice is given and service to Customer may revert to that provided under its suspended contract."

The spread of increases which we have found to be reasonable thus carries as its corollary an implicit finding that to the extent the ceiling price under the Schedule G-58 contracts does not accommodate (1) the increase in rates under said schedule to be authorized herein and (2) the provisional increases in rates under said schedule to be authorized herein if filed pursuant to the procedure for such increases, the ceiling price is unjust and unreasonable.

Contingent Offset Charges

The rates to be authorized by our order herein include as contingent offset charges the increases related to FPC Docket Nos. RP69-20 and RP69-27 which yield the $4,760,000 of additional revenues shown in Part A of Table I herein and the increases related to FPC Docket No. RP69-6 remaining after the reduction of $0.079 per Mcf of demand previously noted. Net increases in cents per Mcf over present rate levels result as shown in the following summary of the authorized increases related to RP69-20 and RP69-27 and flow through of RP69-6 reductions amounting to $995,000 developed in Appendix B to this decision.

Classes of Service	Authorized Rev. Increase	RP69-6 Reduction	Net Increase
	¢/Mcf	¢/Mcf	¢/Mcf
Firm Natural Gas	1.134	0.237	0.897
Gas Engine	0.805	0.168	0.637
Reg. Interr.	0.805	0.168	0.637
Stm. Elec. & Cem. Plts.	0.268	0.055	0.213
Resale	0.805	0.168	0.637
Weighted Average	0.805	0.168	0.637

The necessary modifications of the special conditions covering contingent offset charges and related refunds in applicant's present rate schedules are set forth in Appendix A to this decision.

Findings

1. Applicant's present rates became effective March 20, 1969 and were authorized by Decision No. 75429 dated March 18, 1969, in Application No. 50713, after full consideration of applicant's operational results for test year 1969 and other evidence presented at public hearings held earlier this year.

2. On March 20, May 9, and June 3, 1969, the Federal Power Commission issued orders in Docket Nos. RP69-20, Docket No. RP69-27 and Docket Nos. RP69-6 and RP69-20 which made applicant and its affiliates subject to frequent increases in the rates they pay for gas supplied by El Paso Natural Gas Company and Transwestern Pipeline Company. The increases may be made on short notice and are subject to refund to the extent the resulting rates exceed the just and reasonable rates finally determined by the FPC.

3. Thus far, rate increases as shown below have been filed under FPC Docket Nos. RP69-20 and RP69-27.

Rate Increase ¢/Mcf	Date Filed	Date Effective
	RP69-20 --- El Paso	
0.10	3-31-69	5-1-69
0.17	6-5-69	7-6-69
0.40	6-13-69	7-14-69
0.20	6-24-69	7-25-69
	RP69-27 --- Transwestern	
0.14	5-21-69	6-21-69
0.11	6-5-69	7-6-69
0.53	6-19-69	7-20-69

4.a. Applicant is in need of additional revenues to offset the effect of increases in its cost of purchased gas as a result of the rate increases in Finding 3.

b. The summary of earnings of applicant for test year 1969, as set forth in Decision No. 75429, provides an appropriate basis from which to determine the extent of the additional revenues required.

c. As shown herein in Part A of Table I, Development of Revenues Required to Offset Increases in the Cost of Purchased Gas, $4,760,000 of additional revenue offsets the effect of the increase in applicant's cost of purchased gas.

d. Pursuant to applicant's tariff provisions covering contingent offset charges related to FPC Docket No. RP69-6, the effect of the reduction of $0.079 per Mcf of demand in El Paso's rates flows through into applicant's gas rates. The resulting reductions represent $995,000 of applicant's annual gross revenues based on test year 1969 as set forth in Appendix B to this decision.

e. Applicant is thus entitled to a net increase in its rates so as to yield additional gross revenues of $3,765,000 on a test year 1969 basis. This would maintain the test year earning levels and not change the rates of return which have been found in Decision No. 75429 to be within the zone of reasonableness. Such an increase is fully justified and represents a 1.1 percent increase in gross revenues.

5. a. If El Paso and Transwestern continue to increase their rates until December 31, 1969 as provided for in the above referred to FPC Orders, applicant will need additional revenues to offset the effect of the resulting increases in its cost of purchased gas.

b. The summary of earnings of applicant for test year 1969, as set forth in Decision No. 75429, provides an appropriate basis from which to determine the extent of additional revenues required on a provisional basis.

c. As shown herein in Part B of Table I, El Paso's rates may increase by an additional 0.85¢/Mcf, Transwestern's by 0.67¢/Mcf, and applicant's revenue requirement may increase by $4,484,000.

d. To make expeditious relief available to applicant while still maintaining adequate regulatory control, authority is warranted for applicant's accomplishing, by filings under the advice letter procedure set forth in this decision, provisional rate increases to offset the effect of additional increases by El Paso and Transwestern filed on or before December 31, 1969, in accordance with the FPC Orders of March 20, 1969 in Docket No. RP69-20, May 9, 1969 in Docket No. RP69-27 and June 3, 1969 in Docket Nos. RP69-6 and RP69-20.

e. Similar authority is warranted for applicant's affiliates, SoCounties and PLSC, and in the case of PLSC is essential to the exercise of such authority by either applicant or SoCounties.

6. Applicant's proposal not to increase its rates to the steam electric and cement plant classifications renders an unreasonable spread of increases by classes of service.

7. All classes of service should bear a portion of the revenue increase of $4,760,000 required to offset the effect of the increase in applicant's cost of purchased gas.

8. 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 $4,760,000 to the various classes of service and a proper flow through of the reduction of $995,000 attributable to the reduction in El Paso's rates related to FPC Docket No. RP69-6.

9. If provisional rate increases develop consistent with Finding 5 d. above, the same spread pattern used for the aforesaid $4,760,000 gross revenue increase will produce a fair and reasonable spread of provisional increases in gross revenues to the various classes of service.

10. To the extent the ceiling price under Schedule G-58 contracts does not accommodate either the increase in rates set forth for said schedule in Appendix A to this decision or the provisional increases in rates under said schedule as they may develop consistent with our action herein, the ceiling price is unjust and unreasonable.

11. A limited rate adjustment tariff provision for purchased gas cost based on FPC Docket Nos. RP69-20 and RP69-27, as sought by applicant, is not necessary in view of our actions herein.

12. The modifications to applicant's present tariff provisions covering contingent offset charges and related refunds, 10 percent surcharge to Federal income taxes, and computation of effective rates, as specified in Appendix A to this decision, are proper, fair and reasonable.

13. 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 authority sought to incorporate the limited rate adjustment provision for purchased gas cost in tariff schedules should not be granted; however, substantive relief should be granted to the extent and under the conditions set forth in the order which follows.

ORDER

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 five days after the effective date of this order 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. If rates are ordered reduced under Federal Power Commission Docket No. RP69-20 or Docket No. RP69-27, 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. Ordering paragraph 2 c. in Decision No. 75429 is modified to include the authorized offset charges related to FPC Docket Nos. RP69-20 and RP69-27 to the extent such offsets fall within the first full 12-month period the offset charges related to FPC Docket No. RP69-6 are in effect.

d. The ceiling price under Schedule G-58 contracts shall be modified so as to accommodate the increase in rates set forth for such schedule in Appendix A attached hereto and the provisional increases in rates under said schedule as they may develop pursuant to Ordering Paragraph 3 herein.

3. Applicant is also authorized to file with this Commission such revised tariff schedules with changes in rates, charges and conditions as result through applicant's following the procedure for provisional rate increases set forth in the Opinion portion of this decision. Revised rate schedules filed pursuant to this authority shall become effective as provided for within the procedure and shall remain in effect on a provisional basis until further order of the Commission.

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

Dated at San Francisco, California, this 26th day of AUGUST, 1969.

William Symons Jr.
President

Commissioners

A. 51055*sr

Appendix A rewritten

APPENDIX A

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

1. Surcharge Provision

"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 0.993% 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, effective, therm and Million BTU rates may be changed as set forth in this appendix.

The base, therm and Million BTU rates may be increased for the schedules shown below in the amounts indicated.

Schedule Nos.	Amount of Increase
G-1 through G-9	0.092 ¢/Ccf
G-45, G-47, G-50, G-52, G-53	0.652 ¢/Mcf
G-50T, G-52T, G-52U, G-53T	0.0613¢/Therm
G-54	0.218 ¢/Mcf
G-55, G-56	0.0205¢/Therm
G-58	0.205 ¢/Million BTU
G-60 (Commodity Rate)	0.637 ¢/Mcf

The effective rates are computed in accordance with Rules 2(I) and 2(K) from the base rates. The effective rates shall be computed, however, to the nearest 0.001¢ per 100 cubic feet (Ccf) or 0.01¢ per 1,000 cubic feet (Mcf) and said rule modified accordingly.

The contingent offset charges and refund provisions in Schedules G-1 through G-9 are to be changed to the following:

Contingent Offset Charges Related to F.P.C. Dockets Nos. RP69-6, RP69-20 and RP69-27.

The base rates include offset charges as shown below related to increases and decreases in cost of gas from El Paso Natural Gas Company and Pacific Lighting Service Company (including California Gas) as a result of F.P.C. Dockets Nos. RP69-6 and RP69-20 of El Paso Natural Gas Company and RP69-27 of Transwestern Pipeline Company.

F.P.C. Docket	Offset Charge
RP69-6	0.3134¢ per Ccf
RP69-20	0.0797¢ per Ccf
RP69-27	0.0337¢ per Ccf

To the extent that the F.P.C. in these dockets orders reduction in the rates for El Paso or Transwestern gas with the resulting effect on cost of gas from the above-noted sources, the offsets will be reduced related to the reduction in cost of gas from these sources.

The contingent offset charges and refund provisions in Schedules Nos. G-45, G-47, G-50, G-52 and G-53 are to be changed to the following:

Contingent Offset Charges Related to F.P.C. Dockets Nos. RP69-6, RP69-20 and RP69-27.

The base rates include offset charges as shown below related to increases and decreases in cost of gas from El Paso Natural Gas Company and Pacific Lighting Service Company (including California Gas) as a result of F.P.C. Dockets Nos. RP69-6 and RP69-20 of El Paso Natural Gas Company and RP69-27 of Transwestern Pipeline Company.

F.P.C. Docket	Offset Charge
RP69-6	2.222¢ per Mcf
RP69-20	0.566¢ per Mcf
RP69-27	0.239¢ per Mcf

To the extent that the F.P.C. in these dockets orders reduction in the rates for El Paso or Transwestern gas with the resulting effect on cost of gas from the above-noted sources, the offsets will be reduced related to the reduction in cost of gas from these sources.

Refunds of Contingent Offset Charges Related to F.P.C. Dockets Nos. RP69-6, RP69-20 and RP69-27.

Refunds received from El Paso Natural Gas Company and Pacific Lighting Service Company as related to these dockets will be made to various customer classes in proportion to the contingent offset charges collected during the periods to which the refunds apply.

The contingent offset charges and refund provisions in Schedules Nos. G-50T, G-52T, G-52U and G-53T are to be changed to the following:

Contingent Offset Charges Related to F.P.C. Dockets Nos. RP69-6, RP69-20 and RP69-27.

The effective rates include offset charges as shown below related to increases and decreases in cost of gas from El Paso Natural Gas Company and Pacific Lighting Service Company (including California Gas) as a result of F.P.C. Dockets Nos. RP69-6 and RP69-20 of El Paso Natural Gas Company and RP69-27 of Transwestern Pipeline Company.

F.P.C. Docket	Offset Charge
RP69-6	0.2042¢ per Therm
RP69-20	0.0532¢ per Therm
RP69-27	0.0225¢ per Therm

To the extent that the F.P.C. in these dockets orders reduction in the rates for El Paso or Transwestern gas with the resulting effect on cost of gas from the above-noted sources, the offsets will be reduced related to the reduction in cost of gas from these sources.

Refunds of Contingent Offset Charges Related to F.P.C. Dockets Nos. RP69-6, RP69-20 and RP69-27.

Refunds received from El Paso Natural Gas Company and Pacific Lighting Service Company as related to these dockets will be made to various customer classes in proportion to the contingent offset charges collected during the periods to which the refunds apply.

The contingent offset charges and refund provisions in Schedule No. G-54 are to be changed to the following:

Contingent Offset Charges Related to F.P.C. Dockets Nos. RP69-6, RP69-20 and RP69-27.

The base rates include offset charges as shown below related to increases and decreases in cost of gas from El Paso Natural Gas Company and Pacific Lighting Service Company (including California Gas) as a result of F.P.C. Dockets Nos. RP69-6 and RP69-20 of El Paso Natural Gas Company and RP69-27 of Transwestern Pipeline Company.

F.P.C. Docket	Offset Charge
RP69-6	0.732¢ per Mcf
RP69-20	0.138¢ per Mcf
RP69-27	0.0797¢ per Mcf

To the extent that the F.P.C. in these dockets orders reduction in the rates for El Paso or Transwestern gas with the resulting effect on cost of gas from the above-noted sources, the offsets will be reduced related to the reduction in cost of gas from these sources.

Refunds of Contingent Offset Charges Related to F.P.C. Dockets Nos. RP69-6, RP69-20 and RP69-27.

Refunds received from El Paso Natural Gas Company and Pacific Lighting Service Company as related to these dockets will be made to various customer classes in proportion to the contingent offset charges collected during the periods to which the refunds apply.

The contingent offset charges and refund provisions in Schedules Nos. G-55 and G-56 are to be changed to the following:

Contingent Offset Charges Related to F.P.C. Dockets Nos. RP69-6, RP69-20 and RP69-27.

The effective rates include offset charges as shown below related to increases and decreases in cost of gas from El Paso Natural Gas Company and Pacific Lighting Service Company (including California Gas) as a result of F.P.C. Dockets Nos. RP69-6 and RP69-20 of El Paso Natural Gas Company and RP69-27 of Transwestern Pipeline Company.

F.P.C. Docket	Offset Charge
RP69-6	0.0663¢/Therm
RP69-20	0.01767¢/Therm
RP69-27	0.00752¢/Therm

To the extent that the F.P.C. in these dockets orders reduction in the rates for El Paso or Transwestern gas with the resulting effect on cost of gas from the above-noted sources, the offsets will be reduced related to the reduction in cost of gas from these sources.

Refunds of Contingent Offset Charges Related to F.P.C. Dockets Nos. RP69-6, RP69-20 and RP69-27.

Refunds received from El Paso Natural Gas Company and Pacific Lighting Service Company as related to these dockets will be made to various customer classes in proportion to the contingent offset charges collected during the periods to which the refunds apply.

The contingent offset charges and refund provisions in Schedule No. G-58 are to be changed to the following:

Contingent Offset Charges Related to F.P.C. Dockets Nos. RP69-6, RP69-20 and RP69-27.

The effective rates include offset charges as shown below related to increases and decreases in cost of gas from El Paso Natural Gas Company and Pacific Lighting Service Company (including California Gas) as a result of F.P.C. Dockets Nos. RP69-6 and RP69-20 of El Paso Natural Gas Company and RP69-27 of Transwestern Pipeline Company.

F.P.C. Docket	Offset Charge
RP69-6	0.668¢ per Million BTU
RP69-20	0.1767¢ per Million BTU
RP69-27	0.0752¢ per Million BTU

To the extent that the F.P.C. in these dockets orders reduction in the rates for El Paso or Transwestern gas with the resulting effect on cost of gas from the above-noted sources, the offsets will be reduced related to the reduction in cost of gas from these sources.

Refunds of Contingent Offset Charges Related to F.P.C. Dockets Nos. RP69-6, RP69-20 and RP69-27.

Refunds received from El Paso Natural Gas Company and Pacific Lighting Service Company as related to these dockets will be made to various customer classes in proportion to the contingent offset charges collected during the periods to which the refunds apply.

The contingent offset charges and refund provisions in Schedule No. G-60 are to be changed to the following:

Contingent Offset Charges Related to F.P.C. Dockets Nos. RP69-6, RP69-20 and RP69-27.

The effective rates include offset charges as shown below related to increases and decreases in cost of gas from El Paso Natural Gas Company and Pacific Lighting Service Company (including California Gas) as a result of F.P.C. Dockets Nos. RP69-6 and RP69-20 of El Paso Natural Gas Company and RP69-27 of Transwestern Pipeline Company.

F.P.C. Docket	Offset Charge
RP69-6	2.172¢ per Mcf
RP69-20	0.566¢ per Mcf
RP69-27	0.239¢ per Mcf

To the extent that the F.P.C. in these dockets orders reduction in the rates for El Paso or Transwestern gas with the resulting effect on cost of gas from the above-noted sources, the offsets will be reduced related to the reduction in cost of gas from these sources.

Refunds of Contingent Offset Charges Related to F.P.C. Dockets Nos. RP69-6, RP69-20 and RP69-27.

Refunds received from El Paso Natural Gas Company and Pacific Lighting Service Company as related to these dockets will be made to various customer classes in proportion to the contingent offset charges collected during the periods to which the refunds apply.

APPENDIX B

GROSS REDUCTION IN BASE RATES RELATED TO
EL PASO DEMAND REDUCTION OF $0.079/Mcf/mo.
IN FPC DOCKET NO. RP69-6

	PLSC	SoCal	SoCo's	Total
El Paso Reduction (Red'n)	M$	M$ 867	M$ 603	M$ 1,470
Related Cal. Gas Cost Red'n				
Incurred	194	--	--	194
Flow thru by PLSC	(194)	112	82	--
Total SoCal & SoCo's				
Gas Cost Reduction	--	979	685	1,664
Gross Rev. Equivalent	--	995	696	1,691
M^2cf Sales Volume		590,934	429,183	1,020,117
Required ¢/Mcf Red'n-Avg.				
Effective Rates		0.168¢	0.162¢	
Base Rates (1100 Btu)		0.172¢	0.166¢	

RATE REDUCTIONS BY CLASSES OF SERVICE

	Contingent Offset Chg RP69-6 ¢/Mcf	Unit Offset Index	Indicated Rate Reduction Base Rates ¢/Mcf	Effec.Rates* ¢/Mcf
Southern California Gas Company				
Firm Natural Gas	3.30	1.410	0.242	0.237
Gas Engine	2.34	1.000	0.172	0.168
Reg. Interruptible	2.34	1.000	0.172	0.168
Steam Elec. & Cement Plants	0.77	0.329	0.056	0.055
Resale	2.34	1.000	0.172	0.168
Southern Counties Gas Company				
General	3.71	1.649	0.274	0.267
Firm Industrial	3.71	1.649	0.274	0.267
Gas Engine	2.25	1.000	0.166	0.162
Reg. Interruptible	2.25	1.000	0.166	0.162
Steam Electric	0.79	0.351	0.058	0.057
Wholesale	2.25	1.000	0.166	0.162

* Average

APPENDIX C

LIST OF APPEARANCES

FOR APPLICANT

K. R. Edsall and P. Dennis Keenan.

FOR INTERESTED PARTIES

Roger Arnebergh, City Attorney, by Charles E. Mattson, Deputy City Attorney; Roger Arnebergh, City Attorney, by Alfred H. Driscoll, Assistant City Attorney; Robert W. Russell and Manuel Kroman, for Department of Public Utilities and Transportation, City of Los Angeles; Chickering & Gregory by Sherman Chickering, C. Hayden Ames and Donald J. Richardson, Jr., for San Diego Gas & Electric Company; Stanley Jewell, for San Diego Gas & Electric Company; Rollin E. Woodbury, Harry W. Sturges, Jr., and William E. Marx, by Rollin E. Woodbury, for Southern California Edison Company; Brobeck, Phleger & Harrison, by Robert N. Lowry, for California Manufacturers Association; William R. Pippin, Deputy City Attorney, and K. L. Parker, Principal Mechanical Engineer, for City of Glendale; Leonard L. Bendinger, General Manager, Long Beach Department of Gas & Water, for City of Long Beach; Edward C. Wright, Long Beach Department of Gas and Water, for City of Long Beach; Harold A. Lingle, Deputy City Attorney, for City of Long Beach; Roy Wehe, Consultant, for City of Long Beach; Louis Possner, Bureau of Franchises and Public Utilities, City of Long Beach; John O. Russell, for Los Angeles Department of Water and Power; Henry F. Lippitt, for California Gas Producers Association; William L. Knecht, for California Farm Bureau Federation; Lynn McArthur, Department of Public Services, for City of Burbank; H. Gary Jeffries, Office of City Attorney, for City of Pasadena; and John T. Healy, Department of Water and Power, City of Pasadena.

FOR THE COMMISSION STAFF

Vincent Mackenzie, Counsel, and Melvin E. Mezek.