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ORIGINAL

Decision No. 77101

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY for Authority: (a) to Increase Its Gas Rates to Offset Higher Costs Occasioned by an Increase in the Rates of the Suppliers of Out-Of-State Gas to the Pacific Lighting Utility System, (b) to Continue the Advice Letter Procedure for Tracking Increases in Purchased Gas Cost Based on Federal Power Commission Dockets Nos. RP70-11 and RP70-19, and (c) for a General Increase in Its Gas Rates.

Application No. 51567
(Filed December 19, 1969)

Phase I -- Parts (a) and (b) Of Authority Sought As Set Forth in Title

(Appearances are listed in Appendix A)

OPINION IN PHASE I

By concurrently filed Applications Nos. 51567 and 51568 Southern California Gas Company (SoCal) and its affiliate, Southern Counties Gas Company of California (SoCounties), seek authority to increase their rates for gas service.

These applications have been consolidated for hearing and companion decisions and the authorizations sought divided into two phases. In Phase I applicant and SoCounties seek rate increases to offset higher gas purchase costs. In Phase II they seek general increases in rates.

Six days of public hearing relating to Phase I were held in Los Angeles before Examiner Main during the period of February 24, 1970 through March 4, 1970. Oral argument was presented on March 6, 1970 and, upon its conclusion, Phase I of these applications was taken under submission. The hearing in Phase II commences April 8, 1970.

This decision applies to Phase I in the above entitled application in which phase the need for rate relief arises from Dockets Nos. RP70-11 and RP70-19 before the Federal Power Commission (FPC). In Phase I, Southern California Gas Company thus requests:

(1) Authority to increase its rates on April 13, 1970 so as to yield \$11,656,000[1/] of additional annual gross revenue based on test year 1970 in order to offset the increased cost of gas it purchases from El Paso Natural Gas Company (ElPaso), the so-called El Paso basic increase in Docket No. RP70-11, and the related effect on the cost of California gas purchased from Pacific Lighting Service Company (PLSC).

(2) Authority to further increase its rates on June 16, 1970 so as to yield \$12,127,000[1/] of additional annual gross revenues based on test year 1970 in order to offset the increased cost of gas purchased from PLSC attributable to the increased cost of gas from Transwestern Pipeline Company (Transwestern), the so-called Transwestern basic increase in Docket No. RP70-19, and to the related effect on the cost of California gas.

(3) Authority to continue an Advice Letter procedure, established in relation to FPC Dockets Nos. RP69-20 and RP69-27 by Decision No. 76068 dated August 26, 1969 in Application No. 51055, for tracking increases in purchased gas cost based on Dockets Nos. RP70-11 and RP70-19.

(4) Approval of its method of calculating and distributing possible refunds to its customers, which could result upon determination of just and reasonable rates under Dockets Nos. RP70-11 and RP70-19.

1/ Based on Exhibits Nos. 21, 23 and 26.

Docket No. RP70-11

On October 13, 1969 El Paso filed with FPC in Docket No. RP70-11 a notice of its intention to increase its rates by up to 4.42¢ per Mcf above the level effective on September 17, 1969. Of this total increase, 3.16¢ per Mcf is based on claimed increases in costs other than purchased gas (El Paso basic increase), and the remaining 1.26¢ per Mcf is attributable to the estimated maximum increase in the cost of El Paso's purchased gas to December 31, 1970 (El Paso tracking increases).

By order issued November 12, 1969 in this docket, FPC suspended El Paso's basic rate increase until April 13, 1970 on which date El Paso has the right to increase its rates above the then effective level by 3.16¢ per Mcf. Specifically, on that date, the rates and charges for gas applicant purchases under El Paso's Schedule G can be increased as shown below.

	El Paso Rates per Mcf		
	Effective 12-25-69	Effective 4-13-70	Increase
Demand Charge	$ 3.092	$ 3.755	$0.663) 3.16¢@100%
Commodity Charge	22.02¢	23.00¢*	0.98¢) Load Factor

*Exclusive of any tracking increases filed in FPC Docket No. RP69-20 which become effective after 12-25-69.

The November 12, 1969 order authorized El Paso to further increase its rates on short notice from time to time as necessary to reflect increases in its cost of purchased gas up to an additional 1.26¢ per Mcf. This authorization is effective for the period April 13, 1970 to December 31, 1970. An overlap of up to 0.70¢ per Mcf of El Paso tracking increases, however, exists under authorizations in Dockets Nos. RP69-20 and RP70-11. In the former docket El Paso is authorized to continue its tracking only until April 13, 1970 and to the extent amounts within the overlap are made effective in Docket No. RP69-20, the tracking available in Docket No. RP70-11 is reduced commensurately.

Docket No. RP70-19

On December 1, 1969 Transwestern filed with FPC in Docket No. RP70-19 a notice of its intention to increase its rates for sales made to PLSC by up to 11¢ per Mcf above the level to become effective on December 25, 1969. Of this total increase, 6.92¢ per Mcf is based on claimed increases in cost other than purchased gas (Transwestern basic increase), and the remaining 4.08¢ per Mcf is attributable to the estimated maximum increase in Transwestern's cost of purchased gas through December 31, 1970 (Transwestern tracking increases).

By order issued January 13, 1970 in this docket, FPC suspended Transwestern's basic rate increase until June 16, 1970, on which date Transwestern has the right to increase its rates above the then effective level by 6.92¢ per Mcf. Specifically, the rates and charges for gas PLSC purchases under Transwestern's CDQ-1 rate can be increased as shown below.

	Transwestern Rates per Mcf		
	Effective 12-25-69	Effective 6-16-70	Increase
Demand Charge	10.75¢	16.00¢	5.25¢)6.92¢ @100%
Commodity Charge	21.33¢	23.00¢*	1.67¢)Load Factor

*Exclusive of any tracking increases filed in FPC Docket No. RP69-27 which become effective after 12-25-69.

The January 13, 1970 order authorized Transwestern to further increase its rates on short notice from time to time as necessary to reflect increases of cost of purchased gas up to an additional 4.08¢ per Mcf. This authorization is effective for the period June 16, 1970 to December 31, 1970. In amount it reflects an overlap of the full 4.08¢ per Mcf with authorizations granted by FPC in Docket No. RP69-27. Any amount tracked in Docket No. RP69-27 from January 1, 1970 to June 16, 1970 will reduce the amount of tracking that can take place in Docket No. RP70-11, so that the total will not exceed 4.08¢ per Mcf.

The increases in gas costs to applicant and its affiliates as result of Dockets Nos. RP70-11 and RP70-19 are contingent increases subject to possible reductions and refunds depending on rate levels ultimately found to be just and reasonable by FPC.

Increased costs of out-of-state gas as result of Dockets Nos. RP70-11 and RP70-19 also directly affect the cost of California-source gas which PLSC purchases from producers under long term contracts. Under such long term contracts the price paid by PLSC is determined by reference to the price paid by applicant and its affiliates for out-of-state gas received at the California border.

PLSC renders resale natural gas service to applicant and SoCounties, the distributing companies, under a cost of service tariff.

Summary of Earnings

For Phase I the staff sponsored Exhibit No. 15 which sets forth summary of earnings for test year 1970 for applicant, SoCounties and PLSC separately and for the three companies as a group, sometimes designated herein as Pacific Lighting Utility System. These earnings summaries together with rates of return found

TABLE 1

SUMMARY OF EARNINGS - TEST YEAR 1970

(Assumed no increases in the prices for gas purchased in year 1970 and no federal income tax surcharge)

Item	SoCal Gas Company	SoCounties Gas Company	Pacific Lighting Service Company	Pacific Lighting Utility System
		(Dollars in Thousands)		
Operating Revenues				
Gas Sales	$366,411	$248,901	$175,629	$790,941
Other	4,172	975	2,088	7,235
Total	370,583	249,876	177,717	798,176
Operating Expenses				
Production	202,372	155,699	155,126	513,197
Storage	876	582	1,292	2,750
Transmission	4,919	5,981	3,324	14,224
Distribution	29,100	14,041	-	43,141
Customer Accounts	15,079	8,643	-	23,722
Sales	10,369	5,695	-	16,064
Administrative & General	25,821	14,193	2,597	42,611
Subtotal	288,536	204,834	162,339	655,709
Depreciation	18,561	10,545	3,528	32,634
Taxes	32,483	16,777	5,039	54,299
Total Operating Exp.	339,580	232,156	170,906	742,642
Net Revenue	31,003	17,720	6,811	55,534
Rate Base	449,286	273,477	101,059	823,822
Rate of Return	6.90%	6.48%	6.74%	6.74%
Zone of Reasonableness	6.76-6.96%	6.66-6.86%		6.70-6.90%
Decision No.	75429	75428		76066

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to be within the zone of reasonableness in the 1969 rate proceedings have been reproduced in Table 1 on the preceding page.

Increases in the prices for gas purchased in year 1970 and federal income tax surcharge[2/] were excluded for the purpose of these earnings summaries. Thus they represent the staff's evaluation of the earnings positions of applicant and its affiliates in test year 1970 on a basis which permits comparison with the zone of reasonableness found by the Commission in Decisions Nos. 75428, 75429 and 76066, and serve as a measure of whether or not the increases in rates sought in Phase I are justified.

Inasmuch as the rates of return developed by the staff in these summaries fall within the zone of reasonableness previously found by the Commission, applicant and its affiliates forego contesting in Phase I the staff's estimates of revenues, expenses and rate base and stipulate to these summaries of earnings for purposes of Phase I only. None of the parties took exception to the adoption of these earnings summaries for Phase I.

As can be seen from Table I, applicant's rate of return of 6.90 percent in test year 1970, assuming no increases in the cost of gas it purchases in 1970, falls within rates of return of 6.76 to 6.96 percent which we found to be within the zone of reasonableness in Decision No. 75429 dated March 18, 1969 in Application No. 50713. Accordingly we are of the view that applicant's earnings position should not be allowed to deteriorate through the impending substantial increases in purchased gas costs in 1970. In

2/ Recouped by a billing factor as provided for in applicant's rate schedules.

Decision No. 76068 dated August 26, 1969, in Application No. 51055 we viewed applicant's earnings position similarly in relation to further increases in purchased gas costs in 1969.

Revenue Requirements

In Tables 2 through 6 which follow, the revenue requirement or gross revenue increases needed to offset gas cost increases are shown as developed on the basis used by applicant, on the staff basis and on the adopted basis. Differences arise under the three bases only in the treatment of increases in cost of California gas. California gas and its level of cost considered reasonable in test year 1970 for rate-fixing purposes will be discussed hereinafter.

Table 2 applies to the El Paso basic increase in Docket No. RP70-11, which becomes effective April 13, 1970. The adopted annual required revenue offset based on test year 1970 amounts to $11,491,000 and is $165,000 lower than applicant's estimate. A comparison with the staff estimate would be more appropriate in connection with Table 6 inasmuch as the staff treatment of increases in California-source gas applies to all El Paso and Transwestern basic and tracking increases in Dockets Nos. RP70-11 and RP70-19 collectively.

TABLE 2

Cost of Gas Increases and Required Revenue Offset Resulting From
El Paso Basic Increase in Docket No. RP 70-11
Test Year 1970

Cost of Gas Increases	Gas Purchases	System Total Increases				Adopted Increases			
		Staff		Applicant		System Total	PLS	SoCal	SoCos
	M^2cf	¢/Mcf	M$	¢/Mcf	M$	M$	M$	M$	M$
El Paso	573,987	3.16	18,156	3.16	18,156	18,156	-	10,412	7,744
Transwestern	273,452	-	-	-	-	-	-	-	-
Total Out of State	847,439	2.14	18,156	2.14	18,156	18,156	-	10,412	7,744
California Gas:									
Long Term - Annual	15,666	.37	58	2.13	334	-	-	-	-
- Monthly	114,885	1.67	1,918	1.28	1,476	1,476	1,476	-	-
Peaking & Emergency	16,205	1.52	246	1.24	202	202	202	-	-
Other	29,381	-	-	-	-	-	-	-	-
Total California	176,137	1.26	2,222	1.14	2,012	1,678	1,678	-	-
Total Gas Purchases	1,023,576	1.99	20,378	1.97	20,168	19,834	1,678	10,412	7,744
Effect of Cost of Gas Increases									
PLS Increase to SoCal & SoCos						-	(1,680)	944	736
Total SoCal & SoCos Gas Cost Increase						19,836		11,356	8,480
Total Revenue Required to Offset Increase in Cost of Gas						20,154		11,538	8,616
Net Increase in Exchange Revenue due to Higher Border Prices						(84)		(47)	(37)
Gross Revenue Increases Needed to Offset Gas Cost Increases						20,070		11,491	8,579
Total Sales - M^2cf						1,022,992		574,430	448,562
Average Rate Increase Required to Offset El Paso Basic Cost Increase ¢/Mcf						1.96¢		2.00¢	1.91¢

(Red Figure)

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TABLE 3

Cost of Gas Increases and Required Revenue Offset Resulting From
Transwestern Basic Increase
In Docket No. RP 70-19
Test Year 1970

Cost of Gas Increases	Gas Purchases	System Total Increases				Adopted Increases			
		Staff		Applicant		System Total	PLS	SoCal	SoCos
	M^2cf	¢/Mcf	M$	¢/Mcf	M$	M$	M$	M$	M$
El Paso	573,987	-	-	-	-	-	-		
Transwestern	273,452	6.92	18,939	6.92	18,939	18,939	18,939		
Total Out of State	847,439	2.23	18,939	2.23	18,939	18,939	18,939		
California Gas:									
Long Term - Annual	15,666	-	-	2.26	354	-	-		
- Monthly	114,885	-	-	1.34	1,546	1,546	1,546		
Peaking & Emergency	16,205	-	-	1.30	210	210	210		
Other	29,381		(29)		(29)	(29)	(29)		
Total California	176,137	(.02)	(29)	1.18	2,081	1,727	1,727		
Total Gas Purchases	1,023,576	1.85	18,910	2.05	21,020	20,666	20,666		
Effect of Cost of Gas Increase									
PLS Increase to SoCal & SoCos						-	(20,687)	11,865	8,822
Total SoCal & SoCos Gas Cost Increase						20,687		11,865	8,822
Total Revenue Required to Offset Increases in Cost of Gas						21,018		12,055	8,963
Net Increase in Exchange Revenue due to Higher Border Prices						(77)		(43)	(34)
Gross Revenue Increases Needed to Offset Gas Cost Increases						20,941		12,012	8,929
Total Sales - M^2cf						1,022,992		574,430	448,562
Average Rate Increase Required to Offset Transwestern Basic Gas Cost Increase - ¢/Mcf						2.05¢		2.09¢	1.99¢

(Red Figure)

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TABLE 4

Cost of Gas Increases and Required Revenue Offset Resulting From
El Paso Tracking Increase in Docket No. RP 70-11
Test Year 1970

Cost of Gas Increases	Gas Purchases	System Total Increases: Staff		System Total Increases: Applicant		Adopted Increases: System Total	Adopted Increases: PLS	Adopted Increases: SoCal	Adopted Increases: SoCos
	M^2cf	¢/Mcf	M$	¢/Mcf	M$	M$	M$	M$	M$
El Paso	573,987	1.26	7,232	1.26	7,232	7,232	-	4,063	3,169
Transwestern	273,452	-	-	-	-	-	-	-	-
Total Out of State	847,439	0.85	7,232	0.85	7,232	7,232	-	4,063	3,169
California Gas									
Long Term - Annual	15,666	-	-	.83	130	-	-	-	-
- Monthly	114,885	-	-	.50	574	574	574	-	-
Peaking & Emergency	16,205	-	-	.48	78	78	78	-	-
Other	29,381	-	-	-	-	-	-	-	-
Total California	176,137	-	-	.44	782	652	652	-	-
Total Gas Purchases	1,023,576	.71	7,232	.78	8,014	7,884	652	4,063	3,169
Effect of Cost of Gas Increase									
PLS Increase to SoCal & SoCos						-	(653)	367	286
Total SoCal & SoCos Gas Cost Increase						7,885		4,430	3,455
Total Revenue Required to Offset Increase in Cost of Gas						8,011		4,501	3,510
Net Increase in Exchange Revenue Due to Higher Border Prices						(29)		(16)	(13)
Gross Revenue Increase Needed to Offset Gas Cost Increases						7,982		4,485	3,497
Total Sales - M^2cf						1,022,992		574,430	448,562
Average Rate Increase Required to Offset El Paso Tracking Gas Cost Increase - ¢/Mcf						0.78¢		0.78¢	0.78¢

(Red Figure)

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TABLE 5

Cost of Gas Increases and Required Revenue Offset Resulting From
Transwestern Tracking Increase
In Docket No. RP 70-19
Test Year 1970

Cost of Gas Increases	Gas Purchases	System Total Increases: Staff		System Total Increases: Applicant		Adopted Increases: System Total	Adopted Increases: PLS	Adopted Increases: SoCal	Adopted Increases: SoCos
	M^2cf	¢/Mcf	M$	¢/Mcf	M$	M$	M$	M$	M$
El Paso	573,987	-	-	-	-	-	-		
Transwestern	273,452	4.08	11,157	4.08	11,157	11,157	11,157		
Total Out of State	847,439	1.32	11,157	1.32	11,157	11,157	11,157		
California Gas;									
Long Term - Annual	15,666	-	-	1.33	208	-	-		
- Monthly	114,885	-	-	0.79	911	911	911		
Peaking & Emergency	16,205	-	-	0.77	124	124	124		
Other	29,381	-	(72)	-	(72)	(72)	(72)		
Total California	176,137	(.04)	(72)	0.66	1,171	963	963		
Total Gas Purchases	1,023,576	1.08	11,085	1.20	12,328	12,120	12,120		
Effect of Cost of Gas Increase									
PLS Increase to SoCal & SoCos						-	(12,132)	6,816	5,316
Total SoCal & SoCos Gas Cost Increase						12,132		6,816	5,316
Total Revenue Required to Offset Increases in Cost of Gas						12,326		6,925	5,401
Net Increase in Exchange Revenue Due to Higher Border Prices						(45)		(25)	(20)
Gross Revenue Increase needed to Offset Gas Cost Increases						12,281		6,900	5,381
Total Sales - M^2cf						1,022,992		574,430	448,562
Average Rate Increase Required to Offset Transwestern Tracking Gas Cost Increase - ¢/Mcf						1.20¢		1.20¢	1.20¢

(Red Figure)

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TABLE 6

Cost of Gas Increases and Required Revenue Offset Resulting From
All El Paso and Transwestern Increases Including Basic and Tracking
In Docket Nos. RP 70-11 & RP 70-19
Test Year 1970

Cost of Gas Increases	Gas Purchases M^2cf	System Total Increases: Staff ¢/Mcf	Staff M$	Applicant ¢/Mcf	Applicant M$	Adopted Prospective Increases: System Total M$	PLS M$	SoCal M$	SoCos M$
El Paso	573,987	4.42	25,388	4.42	25,388	25,388	-	14,475	10,913
Transwestern	273,452	11.01	30,096	11.01	30,096	30,096	30,096	-	-
Total Out of State	847,439	6.55	55,484	6.55	55,484	55,484	30,096	14,475	10,913
California Gas:									
Long Term - Annual	15,666	.37	58	6.55	1,026	-	-	-	-
- Monthly	114,885	1.67	1,918	3.92	4,507	4,507	4,507	-	-
Peaking & Emergency	16,205	1.52	246	3.79	614	614	614	-	-
Other	29,381	-	(101)	-	(101)	(101)	(101)	-	-
Total California	176,137	1.20	2,121	3.43	6,046	5,020	5,020	-	-
Total Gas Purchases	1,023,576	5.63	57,605	6.00	61,530	60,504	35,116	14,475	10,913
Effect of Cost of Gas Increase									
PLS Increases to SoCal & SoCos							(35,152)	19,992	15,160
Total SoCal & SoCos Gas Cost Increase						60,540		34,467	26,073
Total Revenue Required to Offset Increases in Cost of Gas						61,509		35,019	26,490
Net Increase in Exchange Revenue Due to Higher Border Prices						235		131	104
Gross Revenue Increases Needed to Offset Gas Cost Increases						61,274		34,888	26,386
Total Sales - M^2cf						1,022,992		574,430	448,562
Average Rate Increase Required to Offset all El Paso and Transwestern Gas Cost Increase - ¢/Mcf						5.99¢		6.07¢	5.88¢

(Red Figure)

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Table 3 applies to the Transwestern basic increase in Docket No. RP70-19, which becomes effective June 16, 1970. The adopted annual required revenue offset for applicant based on test year 1970 amounts to $12,012,000 and is $115,000 lower than applicant's estimate.

Table 4 applies to the El Paso tracking increases in Docket No. RP70-11 which can become effective from time to time on short notice in the period April 13, 1970, to December 31, 1970. The annual required revenue offset based on test year 1970 could reach $4,485,000, which is $77,000 lower than applicant's estimate. There is no assurance, however, that any such tracking filings by El Paso will actually occur and the adopted figure thus represents the ceiling up to which applicant may track cost of gas increases based on actual El Paso tracking increases in said docket under an Advice Letter procedure to be provided hereinafter.

Table 5 applies to prospective Transwestern tracking increases in Docket No. RP70-19. The adopted annual required revenue offset for applicant based on test year 1970 could reach $6,900,000, an amount $118,000 lower than applicant's estimate. The adopted figure reflects the maximum potential of tracking increases in Docket No. RP70-19, and therefore represents the ceiling up to which for said docket applicant may apply the Advice Letter procedure for tracking rate increases to be provided hereinafter.

In Table 6 the results of Tables 2 through 5 are summarized and show that on the adopted basis the total required annual revenue offset for applicant based on test year 1970 reaches $34,888,000, if the maximum potential of tracking increases actually occurs as rate filings. This compares with an estimate by applicant of $35,363,000.

California Gas

The substantial differences in Table 6 between estimates by applicant and by staff totalling $3,925,000 for cost of gas increases of Pacific Lighting Utility System arise from the treatment given increases in cost of California-source gas. This brings us to the major contested issue in Phase I: What is the reasonable cost of this gas in test year 1970 for rate-fixing purposes? At the center of controversy are the costs of California produced gas to PLSC resulting from border pricing provisions of long term contracts for basic gas and from such provisions of contracts for peaking gas.

Our concern is with test year 1970, but some background concerning past actions taken by the Commission on cost of California-source gas for rate-fixing purposes provides perspective. Also, some earlier Commission decisions were the subject of considerable testimony and argument in this proceeding.

Starting with the 1960 rate cases of SoCal (58 CAL PUC 57) and SoCounties (58 CAL PUC 27), we note that purchases of California-source gas were made from producers by both distributing companies and by Pacific Lighting Gas Supply Company, now PLSC, under then recently negotiated long term contracts with border pricing provisions. These pricing provisions resulted in a unit price increase within the test year ending June 30, 1961, and, with respect to the purchases from California producers by the distributing companies, the Commission adopted as reasonable for the test year, and the test year only, the costs which resulted from the pricing provisions contained in the gas purchase contracts.

In the 1962 rate case of Pacific Lighting Gas Supply Company (59 CAL PUC 610) the Commission adopted substantial downward adjustments to applicant's gas costs, consistent with finding "that the long-term contracts and applicant's policy of favoring California produced gas, even when volumes of lower priced out-of-state gas are available, combine to increase the estimated cost of applicant's gas in the test year." The Commission made a number of further findings including:

> "It was imprudent and not consistent with the public interest for applicant to undertake to bind itself to pay a price for gas beginning January 1, 1962 which jumped from 29 cents per Mcf to 34.47 cents per Mcf, or by a 5.47 cents per Mcf, without any demonstrated increases in the producers' cost of producing the gas and without any other reasonable economic justification." and "It was imprudent and not consistent with the public interest for applicant to tie the price of California produced gas to a formula precluding applicant from effectively bargaining with California producers in the future as conditions and circumstances change." and "The border price formula for California produced gas is unreasonable in that such price changes as would occur thereunder would not be within the control of either applicant or this Commission but would be the result of tariffs filed in another jurisdiction by corporations operating in other states, based on factors and conditions prevailing in other states, and applicable to gas produced in a state other than California."

In Decision No. 75429 dated March 18, 1969 in Application No. 50713 and in Decision No. 76068 dated August 26, 1969 in Application No. 51055 the Commission adopted as reasonable for test year 1969 gas costs for the Pacific Lighting Utility System which included substantial increases in the cost of California produced gas resulting from border pricing provisions in the long term contracts with California producers. In test year 1969, and for that matter for the past several years, nearly all supplies of basic gas available to the Pacific Lighting Utility System have been taken.

In test year 1970 all available supplies of basic gas will continue to be used to a high level and the load factor of purchases of out-of-state gas supplies will approach 100 percent. Moreover, it may be difficult to maintain the recent level of service to large interruptible customers, notwithstanding substantial short-term supplies which are to be acquired from Pacific Gas and Electric Company (PG&E). The general gas supply situation is such that at the present time the two out-of-state suppliers of the Pacific Lighting Utility System are not offering to serve the System with any added long-term increments of gas supply.

Over recent years the volumes of gas purchased by PLSC from Southern California sources have shown a slight declining trend. In test year 1970 four-fifths of the gas to be purchased under the long-term contracts will be casinghead gas and the balance gaswell gas. Most of the casinghead gas is obtained at the tailgate of processing plants and is of satisfactory quality and pressure to be taken into the Pacific Lighting Utility System. The estimated weighted average heating value of California-source gas is 1,084 Btu and compares favorably with an estimated weighted average of all Pacific Lighting Utility System sources of below about 1,065 Btu.

The long-term contracts between PLSC and California gas producers have a normal term of 35 years and commit to PLSC the producers primary gas supply within certain areas, whether known at the time of execution of the contracts or thereafter discovered. Such primary gas supply excludes gas retained by the producer for his own use, either as fuel or feed stock in the producing field, in his refinery, or in his or an affiliate's petrochemical or other industrial facility. In this connection exchange service, limited to one-half the gas offered for receipt into the system and subject to curtailment to serve firm customer requirements, is provided. The contracts do not provide for any specific quantity of gas to be delivered by the producers in any given year, but all volumes offered by the producers are taken.

Since the Commission rendered its Decision No. 63706 (59 CAL PUC 610 supra), PLSC has renegotiated nearly 90 percent by volume of the gas purchased under the long term contracts. The border pricing provisions of the renegotiated long term contracts provide for the application of a "monthly" border price formula which contrasts with an "annual" formula in use for the remaining original-type long term contracts. Both formulas utilize the weighted average price per Mcf of out-of-state gas purchased by applicant or its affiliates at the California-Arizona border, using 100 percent load factor and 14.73 pounds per square inch absolute pressure at 60° Fahrenheit temperature.

The "monthly" formula provides for redetermination of the border price on the first of the month next following that in which change in the tariff rates for volumes of out-of-state gas occurs. If such change is tentative in that it has not been made finally effective by the Federal Power Commission, then only 60 percent of the change is used in computing the new border price. At such time as this change is fully adjudicated and made finally effective by the Federal Power Commission, then a subsequent recomputation of the border prices made not only to reflect a new tariff rate but also to adjust for the monies paid during the period when 60 percent of the change was applicable to the end that during such period the California producer will have been paid the rate as finally adjudicated.

The "annual" formula provides that the border price is computed January 1st of each year and reflects the tariff rates and volumes in effect on that day. In recognition of the fact that there could be a delay between the time that an increase tariff rate being subject to refund is first collected and the final determination by the Federal Power Commission of a fair and reasonable rate, there was built into the annual border price formula a delay factor such that if an increase subject to refund went into effect during the last six months of the year, then such increase would not be used in the computation of the border price on the subsequent January 1st. Thus if such an increase were first collected, subject to refund, on July 1st it would not be used in computation of the border price until 18 months later on January 1st.

In test year 1970 approximately 1060 billion cubic feet of gas is estimated to be purchased by applicant and its affiliates from all sources. Of this total nearly 165 billions of cubic feet or 15.5 percent is estimated to be California-source gas. For the test year the relative shares of these supplies by sources and their unit costs are:

Test Year 1970 (Including Tracking)

Supplier or Source	% of Total Purchases	Unit Cost ¢/Mcf	Unit Cost ¢/M^{2}Btu
El Paso	54.2	36.62	34.45 5
Transwestern	25.8	43.10	41.52
PG&E	3.4	35.16	32.38
Federal Offshore	1.1	27.00	24.91
California-Source Gas:			
Long term contracts-Annual Formula	1.5	38.70*	35.70*
Long term contracts-Monthly Formula	10.8	34.77	32.08
Peaking contracts-Border Price Related	1.3	42.54	39.24
All other California Gas	1.9	30.62	28.25

* Reflect increases outside test year.

The adjusted unit cost for test year 1970 recommended by the staff are:

California-Source Gas:	¢/Mcf	¢/M²Btu
Long term contracts-Annual Formula	32.52	30.00
Long term contracts-Monthly Formula	32.52	30.00
Peaking contracts-Border Price Related	39.79	36.71

These are the adjusted costs which result in the difference of $3,925,000 between estimates by applicant and by staff pointed out at the outset of the discussion concerning California gas.

Approximate prices paid in 1969 by other buyers of California-produced gas are:

Supplier	Purchaser	¢/M²Btu
Atlantic Richfield	So. Calif. Edison	32.51*
Calif. State Lands Comm.	Long Beach Municipal Gas Department	27.05**
Signal	Long Beach Municipal Gas Department	30.14**
Various	P G & E	30.00

* For assured volumes delivered at Edison's Mandalay Plant. Estimated unit cost for 1970 (including tracking) 38.00 ¢/M²Btu related to border price.
** Indirectly related to border price.

Applicant and its affiliates contend that by any value standard the estimated prices for 1970 under its contracts with California producers are reasonable, that PLSC's expenditures under the contracts are prudent, that long term contracts with border pricing provisions are in keeping with reasonable and practicable value concepts and that they represent the best means of procuring the unregulated California produced gas in the circumstances confronting the Pacific Lighting Utility System.

The staff maintains that there is no direct relationship between the border price and the reasonable price of California-source gas and that other considerations also affect the value of California-source gas. The staff witness recommends that a unit cost of 30 cents per M^2Btu, as shown in an above tabulation, be used for basic purchases for the type of gas purchased under long term contracts. This is equivalent to 32.52¢ per Mcf for basic purchases and 39.79¢ per Mcf for peaking gas now related to the border price. His recommended basic unit cost represents a judgment determination which took into consideration the border price, the obligation placed on purchasers or suppliers concerning requirements relative to delivery of gas, the gathering and processing requirements, the location of delivery points and the delivery pressures. Decisions Nos. 63706, 75429, 76068 and 76746 (supra) and the history and level of prices for California gas were taken into consideration as well.

The cities of Los Angeles and San Diego support the position of the Commission's staff on California-source gas cost. The California Gas Producers Association and the California Farm Bureau Federation support the position of applicant and its affiliates. The California Manufacturers Association and San Diego Gas and Electric Company stress that the California gas to be purchased under long term contracts using the annual border price formula will not undergo any increases in price relating to FPC Dockets Nos. RP70-11 and RP70-19 within the test year 1970.

Based on the evidence we find that preferential takes of California-source gas do not have an unreasonable impact on gas costs of the Pacific Lighting Utility System in test year 1970 and that the actual prices to be reached in 1970 for California-source gas purchased by PLSC do not yield an unreasonable cost of this gas for test year 1970. Such prices exclude increases which result under the long-term contracts using the "annual" border price formula from FPC Dockets Nos. RP70-11 and RP70-19, as those increases cannot occur during the test year. Further the "annual" border price formula continues to be subject to many of the same infirmities as found by the Commission in Decision No. 63706 (59 Cal. P.U.C. 610). The cost of California gas, exclusive of purchases from PG&E, to PLSC adopted as reasonable for test year 1970 (including tracking) amounts to $60,211,000 and includes cost of gas increases of $5,020,000 resulting, as shown in Tables 2 through 6, from FPC Dockets Nos. RP70-11 and RP70-19. This should not be construed, however, in any way as a finding of reasonableness for rate-fixing purposes of the pricing provisions contained in PLSC's California-source gas purchase contracts, or as to the reasonableness of preferential takes of such gas, except for the test year.

The long-term contracts with border pricing provisions have come about under complex conditions of gas procurement.

Elements of the procurement problem include competition for gas supplies in the absence of price regulation of producer sales and gas system economics of serving interruptible loads.[3/] The contracts remain controversial, especially with the advent of the so-called "tracking increases" and the repeated filings for basic increases, and the burden of proof of reasonableness of the cost of gas will continue to rest, and properly so, upon applicant and its affiliates.

Advice Letter Procedure

To provide applicant with timely rate relief responsive to tracking increases filed in Dockets Nos. RP70-11 and RP70-19 by El Paso and Transwestern, an advice letter procedure, similar to the one established in Decision No. 76068 supra, will be authorized by our order herein. This advice letter procedure 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 period of not less than 15 days.)

3/ Findings by the Commission in Case No. 7132, Commission Investigation of Natural Gas in California (60PUC 648, 649), include: "17. The Supreme Court of this State has held that, absent proof of dedication to the public use or the enactment by the Legislature of appropriate legislation, a producer of natural gas in California may not be directly regulated by this Commission. 18. The direct regulation of sales of California-produced natural gas for resale and of sales for industrial use, except those sales of natural gas to be used for the production or gathering of hydrocarbon substances, will make more effective the regulation and supervision by this Commission of gas corporations and any other public utility selling, transporting, transmitting or consuming natural gas. 19. The Commission's present rate-making powers over gas distributing utilities do not supply the total solution to theproblems facing this Commission in its attempt to protect the public from unjust and unreasonable costs of California-produced natural gas."

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 tracking increase of 1.26¢ per Mcf, filed by El Paso on or before December 31, 1970, based on FPC Docket No. RP70-11, or by rate changes, up to a net tracking increase of 4.08¢ per Mcf, filed by Transwestern on or before December 31, 1970, based on FPC Docket No. RP70-19.

2. Such adjustments to be consistent with the adopted increases set forth in Tables 4 and 5 herein and with Appendix D to this decision 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 or after the date the change in El Paso's or Transwestern's rate becomes effective or 15 days after filing, whichever is later.

Spread of Rate Increases

The remaining contested issue is the spread of the required increases in gross revenues in Phase I among the classes of service. Applicant and the Commission staff propose slightly different rate spreads but both are derived from the spreads found fair and reasonable for increases in gross revenues to offset the effect of increased purchased gas costs for test year 1969 in Decisions Nos. 75429 and 76068, *supra*. The California Manufacturers Association, Union Carbide Corporation and California Farm Bureau Federation urge a uniform percentage increase of revenue basis which would maintain the present revenue relationship between customer groups. The City of Los Angeles supports the rate spread proposals of the Commission staff, as does the Southern California Edison Company in addition to supporting those of applicant.

For Phase I it is clear that the indicated and reasonable course is to follow closely the basis of the spreads authorized in the decisions cited. Accordingly we find the following spread of increases to applicant's classes of service to be just and reasonable in Phase I.

Basic Increases

Classes of Service	Authorized Revenue Increase related to 4-13-70 El Paso Basic Increase		Authorized Revenue Increase related to 6-16-70 Transwestern Basic Increase	
	M$	¢/Mcf	M$	¢/Mcf
Firm Natural Gas	7,413	2.71	7,750	2.83
Gas Engine	74	2.00	77	2.09
Regular Interruptible	2,752	2.00	2,876	2.09
Stm. Elect. & Cem. Plts.	942	0.653	985	0.683
Resale*	310	2.00	324	2.09
Total	11,491		12,012	
Weighted Avg.	-	2.00	-	2.09

Tracking Increases

For revised rates to be made effective under the Advice Letter Procedure to be authorized hereinafter and relating to El Paso and Transwestern tracking increases in Dockets Nos. RP70-11 and RP70-19, the authorized rate spread 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.

*For resale classification, the basic increases and two-thirds of tracking increases are to be assigned to demand component of Schedule G-60.

In authorizing the portion of the above tabulated spread of increases related to the Transwestern basic increase, the Commission has considered, in the light of the June 16, 1970 effective date, the concern expressed by the Commission staff and some of the other parties to the proceeding with respect to basing the spread of this further increase on the record in Phase I. We would point out that if the record as developed in Phase II warrants and permits a further order to issue on a timely basis which would modify the spread of increases related to the Transwestern basic increase, the Commission can be responsive to such a development.

Contingent Offset Charges

Applicant's existing tariff provisions covering contingent offset charges provide for the full flow through of possible rate reductions and/or refunds under certain dockets still pending final determination by FPC.

The rates to be authorized by our order herein include, as additional contingent offset charges, the increases related to the April 13, 1970 El Paso basic increase in Docket No. RP70-11 and to the June 16, 1970 Transwestern basic increase in Docket No. RP70-19. The necessary additions to the contingent offset charges under the special conditions of applicant's rate schedules are set forth in Appendix B and Appendix C to this decision.

To the extent applicant files revised rate schedules under the special Advice Letter Procedure set forth hereinabove, our order will require applicant to include under the special conditions of its rate schedules, as part of the contingent offset charges related FPC Dockets Nos. RP70-11 and RP70-19, the rate increases placed in effect in accordance with that procedure.

Findings

1. For purposes of Phase I applicant's earnings position based on test year 1970, exclusive of the effect of impending gas cost increases, is at the 6.90 percent rate of return level.

2. Applicant purchases its gas supplies from El Paso and from PLSC. PLSC purchases its gas supplies primarily from Transwestern and from California gas producers. PLSC renders resale natural gas service to its distributing company affiliates, SoCal and SoCounties.

3. In accordance with FPC orders in Dockets Nos. RP70-11 and RP70-19 issued on November 12, 1969 and January 13, 1970, respectively,

a. On April 13, 1970 El Paso can increase its rates above the then effective level by 3.16¢ per Mcf, as the so-called basic increase, in Docket No. RP70-11; on June 16, 1970 Transwestern can increase its rates above the then effective level by 6.92¢ per Mcf, as the so-called basic increase, in Docket No. RP70-19.

b. In addition, El Paso may further increase its rates during the period April 13, 1970 through December 31, 1970 in Docket No. RP70-11 from time to time as necessary to reflect increases of cost of purchased gas up to an additional 1.26¢ per Mcf. Similarly, Transwestern may further increase its rates during the period June 16, 1970 through December 31, 1970 in Docket No. RP70-19 from time to time as necessary to reflect increases of cost of purchased gas up to an additional 4.08¢ per Mcf. These are the so-called tracking increases.

4. To maintain a 6.90 percent rate of return additional annual gross revenues based on test year 1970 are required by applicant to offset the increases in gas cost occasioned by rate filings in FPC Dockets Nos. RP70-11 and RP70-19.

a. The required revenue offset resulting from the April 13, 1970 El Paso basic increase in Docket No. RP70-11 amounts to $11,491,000 and represents the sum of an increase in the cost of gas purchased from El Paso of $10,412,000, the related increases in the cost of California source gas of $943,000 and an allowance of $183,000 for increases in franchise requirements and uncollectibles less a related increase in exchange revenues of $47,000.

b. The required revenue offset resulting from the June 16, 1970 Transwestern basic increase in Docket No. RP70-19 amounts to $12,012,000 and represents the sum of increases through PLSC's cost of service tariff of Transwestern gas cost increases of $10,883,000 and the related increases in the cost of California source gas of $970,000 plus an allowance of $202,000 for increases in franchise requirements and uncollectibles less related increases in exchange revenues of $43,000.

5. If El Paso and Transwestern further increase their rates on and after April 13, 1970 and on and after June 16, 1970, respectively, until December 31, 1970 as provided for in the above referred to FPC orders in Dockets Nos. RP70-11 and RP70-19, applicant will need additional revenues to offset the effect of the resulting increases in the cost of purchased gas.

a. As shown herein in Table 4 under the adopted increases, El Paso's rates may increase by up to an additional 1.26¢ per Mcf and applicant's annual gross revenue requirement may correspondingly increase by up to $4,485,000.

b. As shown herein in Table 5 under adopted increases, Transwestern's rates may increase by up to an additional 4.08¢ per Mcf and applicant's annual gross revenue requirement may correspondingly increase by up to $6,900,000.

6. Applicant's rate of return of 6.90 percent in test year 1970 assuming no increases in cost of the gas it purchases in 1970 falls within rates of return of 6.76 percent to 6.96 percent which the Commission found to be within the zone of reasonableness in Decision No. 75429 dated March 18, 1969 in Application No. 50713. Accordingly applicant should have an opportunity to maintain its present earnings position and to do so requires increases in its rates for gas service to yield additional gross revenues consistent with Findings 4 and 5 above.

7. To make available to applicant timely rate relief in relation to tracking rate increases filed in Dockets Nos. RP70-11 and RP70-19, authority is warranted for applicant's accomplishing, by filings under the Advice Letter Procedure set forth in this decision, rate increases to offset the effect of such increases by El Paso and Transwestern filed on or before December 31, 1970.

8. The authorized increases in rates specified in Appendix B to this decision represent a fair and reasonable spread of the authorized increase in gross revenues of $11,491,000, as the offset of the effect of the April 13, 1970 El Paso basic increase in Docket No. RP70-11, to the various classes of service.

9. The authorized increases in rates specified in Appendix C to this decision represent a fair and reasonable spread of the authorized increase in gross revenues of $12,012,000, as the offset of the effect of the June 16, 1970 Transwestern basic increase in Docket No. RP70-19, to the various classes of service.

10. For such revised rates as may be made effective under the Advice Letter Procedure referred to in Finding 7 above and relating to El Paso and Transwestern tracking rate increases in Dockets Nos. RP70-11 and RP70-19, a fair and reasonable spread of increases in gross revenues to the various classes of service will result by assigning the system average increase in terms of cents per Mcf of total system gas sales of 1,022,992 Mcf 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 of revenue requirements to the firm natural gas classification.

11. The additions to applicant's present tariff provisions covering contingent offset charges and related refunds, as specified in Appendix B and Appendix C to this decision, are proper, fair and reasonable.

12. To the extent applicant files revised rates under the Advice Letter Procedure referred to in Finding 7 above, applicant should include under the special conditions of its rate schedules, as part of the contingent offset charges related to FPC Dockets Nos. RP70-11 and RP70-19, the rate increases placed in effect in accordance with that procedure.

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 in so far as they differ from those prescribed are for the future unjust and unreasonable.

Conclusion

Based on the foregoing findings, the Commission concludes that the authority sought by applicant in Phase I of this proceeding should be granted to the extent, and under the conditions, set forth in the order which follows.

The Commission has just been made aware that El Paso has filed revised rates at lower levels to become effective on April 13, 1970. Applicant will therefore file rates at a slightly reduced level from those rates hereinafter set forth in Appendix B.

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 B attached hereto, modified as hereinabove described. 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 corresponding to the April 13, 1970 basic increase in FPC Docket No. RP70-11, 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 or after the effective date thereof.

2. Applicant 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 C 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 Transwestern rates corresponding to the June 16, 1970 basic increase in FPC Docket No. RP70-19, lawfully, are allowed to go into effect by the Federal Power Commission or five days after the date of filing, whichever is later. The revised schedules shall apply to service rendered on or after the effective date thereof.

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 Advice Letter Procedure and Finding 12 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.

4. In the event applicant places the revised tariff schedules referred to in paragraphs 1, 2 or 3 in effect,

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

b. If rates are ordered reduced under Federal Power Commission Dockets Nos. RP70-11 or RP70-19, applicant shall file its proposed plan, for rate reduction consistent with its pertinent tariff provision, for final determination and authorization by this Commission.

A.51567 NB *

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

Dated at San Francisco, California, this 14th day of APRIL, 1970.

William Symons Jr.
President

A. W. Gatov

Fred P. Morrissey

Vernon L. Sturgeon
Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

List of Appearances

FOR APPLICANT

John Ormasa, K. R. Edsall, C. Robert Salter, and Rufus W. McKinney, for Southern California Gas Company, Southern Counties Gas Company of California, Pacific Lighting Service Company.

FOR INTERESTED PARTIES

Chickering & Gregory by Sherman Chickering, C. Hayden Ames and Donald J. Richardson, Jr., for San Diego Gas & Electric Company; Stanley Jewell, Esq., Vice President and General Attorney, for San Diego Gas & Electric Company; Rollin E. Woodbury, Harry W. Sturges, Jr., William E. Marx, and William Seaman, for Southern California Edison Company; Roger Arnebergh, City Attorney, by Charles E. Mattson, Deputy City Attorney, for City of Los Angeles; A. H. Driscoll, Assistant City Attorney, and J. O. Russell, for City of Los Angeles, Department of Water & Power; John W. Witt, City Attorney, and Curtis M. Fitzpatrick, Chief Deputy City Attorney, for City of San Diego; Captain James Pleyte, Attorney at law, for Department of Defense and other interested federal agencies; John J. O'Connor, Attorney at law, for City of Glendale; Stuart R. Foutz, Attorney at law, for Southwest Division, Naval Facilities Engineering Command; J. K. Stanners, for Thatcher Glass Company, Division of Dart Industries, Inc.; K. L. Parker, Attorney at law, for City of Glendale; Brobeck, Phleger & Harrison by Gordon E. Davis, for California Manufacturers Association; Robert W. Russell, Chief Engineer & General Manager, for Department of Public Utilities & Transportation, City of Los Angeles; J. Randolph Elliott, Attorney at law, for California Portland Cement Company; Henry F. Lippitt, 2nd, for California Gas Producers Association; Louis Possner, Chief Engineer-Secretary, Bureau of Franchises and Public Utilities, for City of Long Beach; Edward C. Wright, Gas Engineer, Long Beach Gas Department, for City of Long Beach; Harold A. Lingle, Deputy City Attorney, for City of Long Beach; L. L. Bendinger, General Manager, Long Beach Gas Department, for City of Long Beach; Roy A. Wehe, Consulting Engineer, for City of Long Beach; Robert F. Smith, Line Production, Union Carbide, for Union Carbide Corp.; H. Gary Jeffries, Deputy City Attorney, for City of Pasadena, Water & Power Department; Kenneth H. Lounsberry, for City of San Diego; William L. Knecht, for California Farm Bureau Federation; Walter C. Leist, for Union Carbide Corp.

FOR THE COMMISSION STAFF

Elinore C. Morgan and Gary L. Hall, Counsel, Bruno A. Davis and Raymond E. Heytens.

APPENDIX B

The base and effective rates may be changed as set forth in this appendix. The base, therm, thermal unit and Million Btu rates may be increased for the schedules shown below in the amounts indicated.

Schedule Numbers	Amount of Increase
G-1 through G-9	0.257¢/TU*
G-45, G-47, G-50, G-52, G-53 ..	0.189¢/Therm
G-50T, G-52T, G-52U, G-53T	0.188¢/Therm
G-54	0.676¢/Mcf
G-55, G-56	0.0615¢/Therm
G-58	0.615¢/M^{2}Btu
G-60 (Demand Charge)	$0.601/Mcf

* Thermal Unit

The contingent offset charges for each of the above schedules are to be changed to include amounts as shown above related to increases in cost of gas from El Paso Natural Gas Company and Pacific Lighting Service Company as a result of FPC Docket No. RP70-11.

The surcharge provisions in the Preliminary Statement and in the schedules are to be changed to reflect the revenue increase provided herein.

The provisions for refunds of contingent offset charges in each of the above schedules are to be changed to include refunds received from El Paso Natural Gas Company and Pacific Lighting Service Company as related to FPC Docket No. RP70-11.

APPENDIX C

The base and effective rates may be changed as set forth in this appendix. The base, therm, thermal unit and Million Btu rates may be increased for the schedules shown below in the amounts indicated.

Schedule Numbers	Amount of Increase
G-1 through G-9	0.268¢TU*
G-45, G-47, G-50, G-52, G-53	0.197¢/TU
G-50T, G-52T, G-52U, G-53T	0.197¢/Therm
G-54	0.707¢/Mcf
G-55, G-56	0.0643¢/Therm
G-58	0.643¢/Million Btu
G-60 (Demand Charge)	$0.635/Mcf

* Thermal Unit

The contingent offset charges for each of the above schedules are to be changed to include amounts as shown above related to increases in cost of gas from Transwestern Pipeline Company and Pacific Lighting Service Company as a result of FPC Docket No. RP70-19.

The surcharge provisions in the Preliminary Statement and in the schedules are to be changed to reflect the revenue increase provided herein.

The provisions for refunds of contingent offset charges in each of the above schedules are to be changed to include refunds received from Pacific Lighting Service Company as related to FPC Docket No. RP70-19.

APPENDIX D

Development of Rate Increases to Offset Gas Cost Tracking Increases Pursuant to the Authority Granted in Paragraph 3 of this Decision

EL PASO NATURAL GAS COMPANY
(Docket No. RP70-11)

For each 0.10¢/Mcf increase in El Paso rates for tracking, the following revenue increase is authorized:

El Paso	So. Cal.
For 1.26¢/Mcf Max.	M$4,485
For 0.10¢/Mcf	M$ 355.95
For 0.10¢/Mcf	0.062¢/Mcf

TRANSWESTERN PIPELINE COMPANY
(Docket No. RP70-19)

For each 0.10¢/Mcf increase in Transwestern rates for tracking, the following revenue increase is authorized:

Transwestern	So. Cal.
For 4.08¢/Mcf Max.	M$6,900
For 0.10¢/Mcf	M$ 169.12
For 0.10¢/Mcf	0.029¢/Mcf