

Decision No. 12968

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application
of GENERAL PIPELINE COMPANY of
California for an Order Authoriz-
ing an Increase in Rates, and a
change in the Regulations Con-
trolling the Transportation of Oil.)

Application No. 9485

A. L. Weil for applicant.

Brandige Commissioner:

O P I N I O N

This application of General Pipeline Company of California requesting authority to increase its rates for transportation of oil and for a modification of the regulations governing the same was filed with the Railroad Commission on October 29, 1923. Only those lines operating between the Kern County oil fields, Mojave and Los Angeles are involved by this proceeding. It is alleged that the present rates of 25 cents per barrel for the transportation of oil from Kern County fields to points south of Lebec and 12½ cents per barrel for transportation to Mojave are entirely inadequate, and approval of a rate of 30 cents per barrel is requested for all transportation originating at points north of Tejon Mountains, irrespective of final point of delivery.

A hearing was held in this matter in San Francisco on December 14, 1923, at which time testimony was taken and evidence in the form of a report upon applicant's operations was presented

by the Commission's Engineering Department and the matter was thereupon submitted.

The General Pipeline Company is a subsidiary of the General Petroleum Corporation, all of the stock of the former being held by the latter concern which has continuously financed the Pipeline Company. At the present time oil is transported only for the General Petroleum Corporation. However, the Pipeline Company is entirely willing to permit the use, as common carriers, of such of its lines as are here involved, and it is for this reason that authority is being requested to file revised rules and regulations governing the operation of these lines. The increase of pipeline transportation rates is desired largely for accounting purposes in order that the operations of the Pipeline Company and Petroleum Corporation may show reasonable profits equitably distributed to each department of the business.

Investigation shows that during the past several years the major portion of the business done by the lines herein involved has been the transportation of oil to Mojave where it is supplied to the Santa Fe and Southern Pacific Railroads. The following figures summarize the operations of applicant's "main lines" for the year ending June 30, 1923.

Summary of Operations of Main Line

General Pipeline Company

For year ending June 30, 1923.

Revenue.

To Vernon	74,766 bbls. @ 25¢	----	\$ 18,691.50
To Mojave	3,603,224 " " 12½¢	----	450,415.77
From Lebec (tops)	14,515 " " 12½¢	----	<u>1,964.47</u>
<u>Total Transportation Revenue</u>			-----\$ 471,071.74

Expenses.

Maintenance	-----	\$103,055.12	
Transportation	-----	<u>313,509.37</u>	
Total Operation	-----	\$ 416,564.49	
General Expense	-----	59,224.74	
Taxes	-----	43,326.20	
Depreciation 5%	-----	<u>177,139.02</u>	
<u>Total Expenses</u>			-----\$ 796,254.45
Deficit	-----		\$ 325,182.71

A valuation of applicant's properties based upon original construction costs and prepared by the Pipeline Company was set forth in the Commission's Exhibit No. 1 showing a total investment in pipelines and equipment north of the Los Angeles Basin System, amounting to \$4,500,726.90. This figure includes \$97,206.07 for work in progress, but does not include any allowance for working capital or intangibles.

It is very apparent from the preceding operating statistics that the rates now in effect for the transportation of oil by

applicant's pipelines are inadequate. This condition has existed for several years and a large accumulated deficit has now accrued. The testimony of Mr. D. M. Folsom, Assistant to the President of the General Petroleum Corporation, was to the effect that there is no probability of material increase in the volume of oil to be transported during the ensuing year, which might result in an increase of earnings.

The evidence in this proceeding shows that the present rates are inadequate and that an increase is justified. The proposed form of regulations governing the transportation of oil appear reasonable.

I submit the following form of order.

O R D E R

General Pipeline Company of California having applied to the Railroad Commission for an order authorizing an increase of present rates for the transportation of oil to the sum of 30 cents per barrel for all transportation initiated north of Tejon Mountains, irrespective of exact point of origin or delivery and also for authority to revise its regulations in accordance with the form attached to the application herein, a public hearing having been held, and the matter having been submitted and being now ready for decision, the Railroad Commission hereby finds as a fact, that the rate being applied for herein by General Pipeline Company of California is just and reasonable and it further finds that the proposed regulations for the transportation of oil are also just and reasonable.

IT IS HEREBY ORDERED that General Pipeline Company be and is hereby authorized to file with the Railroad Commission and make effective the following rate for the transportation of oil effective on and after January 20, 1924:

Schedule No. 1.

Special Conditions.

This schedule applies to all transportation of oil through the lines of General Pipeline Company of California initiated north of the Tejon Mountains irrespective of the point of origin or delivery. All transportation and deliveries are governed by the rules and regulations filed with the Railroad Commission.

Rate.

30 cents per barrel.

IT IS HEREBY FURTHER ORDERED that General Pipeline Company of California file with the Railroad Commission before January 15, 1924 the foregoing rate schedule together with the rules and regulations attached to its application in this matter.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 29th day of December 1924.

C. Deane
H. B. ...
Dwight ...

Commissioners.

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*1. Regulation with the Corp
2. Rules are complete
3. Department is approved*

[Handwritten signatures and stamps]