

Decision No. 14883

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
OAKDALE GAS COMPANY, a corporation,)
for an order authorizing an increase) Application No. 10800.
in rates for gas service.)

Guy W. Anderson, for applicant.
F. W. Reeder, for City of Oakdale.
David Bush, for City of Riverbank.

DECOTO, Commissioner.

OPINION

ORIGINAL

Oakdale Gas Company, operating an artificial gas plant in Oakdale, and distributing gas in Oakdale and Riverbank applies for authority to increase its rates for gas, alleging that on account of the continued increases in the price of oil its operation under present rates can not be conducted so as to yield a reasonable return upon the capital invested. Applicant alleges that the rates granted by this Commission in its Decision No. 6631, decided August 30, 1919, (Vol. 17, C.R.C., p. 240) are not now sufficient to allow applicant a reasonable earning on its investment.

A hearing on the application was held in Oakdale on March 19, 1925, at which time evidence was taken and the matter submitted.

A valuation of the gas properties of the applicant as of December 31, 1924 was submitted as follows:

Intangible Capital	\$ 251.00
Landed Capital	1,250.00
Production Capital	17,760.00
Transmission Capital	11,235.00
Distribution Capital	31,385.00
General Capital	1,450.00
Total Capital	<u>\$63,331.00</u>

Taking into consideration additions and betterments for the year 1925 of \$735.00 as shown by the evidence the average fixed capital for the year 1925 will be \$63,698.50. To this sum for the purpose of obtaining a total rate base must be added \$850.00 for average materials and supplies and a working cash capital of \$1,719.22.

S U M M A R Y

Average capital for 1925	\$ 63,698.50
Average materials and supplies	850.00
Working cash capital	<u>1,719.22</u>
Total rate base	<u>\$66,267.72</u>

The result of a year's operation under the present rates as estimated and submitted is as follows:

Gas revenue	\$22,443.77
Operating expenses:	
Oil	\$5,765.69
Other expenditures, ex- clusive of taxes	10,350.00
Taxes	1,945.00
Depreciation	<u>825.00</u>
Total expense	<u>18,885.69</u>
Net return	\$ 3,558.08
Rate of return, present rates	5.37%

This is not a reasonable return under all the circumstances to the operating company. A reasonable return should be approximately 8%, as allowed other gas companies, and the schedule hereinafter set forth is designed to give the applicant a return of approximately 8 per cent.

The cost of oil is a large item of expense and its cost is constantly changing. The evidence showed that at the plant of the applicant an increase or decrease of 10 cents in the price of oil made a corresponding increase or decrease of 3 cents per 1000 cubic feet in the cost of manufacturing gas. In order

that the Oakdale Gas Company and the people of Oakdale and Riverbank may continue at all times to enjoy just and reasonable gas rates without the necessity of frequent proceedings before the Commission, the schedule hereinafter set forth is designed to vary with the price of oil, as in the Order set forth.

O R D E R

Oakdale Gas Company having made application to the Railroad Commission for an increase of rates and a public hearing having been held and the matter submitted,

The Railroad Commission hereby finds as a fact that the rates heretofore fixed in its Decision No. 6631 (Vol. 17, C.R.C., p. 240) for Oakdale and Riverbank should be modified to conform to the schedules hereinafter set forth, and that the rates hereinafter set forth are just and reasonable.

Basing its order on the foregoing findings of fact and the findings of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that the Oakdale Gas Company file with the Commission within ten (10) days of the date of this order the following basic schedule of rates which are, after May 10, 1925, to be charged and collected for gas service rendered by it in the Cities of Oakdale and Riverbank and vicinity when the price paid for oil is \$1.90 per barrel f.o.b. Oakdale, provided, however, that no increase shall be made after the price of oil f.o.b. Oakdale passes \$2.40 per barrel.

GENERAL SERVICE

<u>Per Meter Per Month</u>						<u>Gross</u>	<u>Net</u>
First	400	cubic feet	or less			\$1.35	\$1.25
Next	2600	cubic feet,	per M cu.ft.			2.15	2.05
"	5000	"	"	"	"		1.85
"	7000	"	"	"	"		1.50
Over	15000	"	"	"	"		1.25

The above rates over 400 cubic feet are subject to decrease or increase upon the order of the Railroad Commission of the State of California on a basis of 3 cents per 1000 cubic feet for each 10 cent decrease or increase in the cost of oil below or above the price of \$1.90 per barrel, f.o.b. Oakdale. The charge shall be to the nearest 1 cent per thousand cubic feet.

The net rate shall apply if the bill is paid on or before the tenth day of the month next succeeding that for which the bill is rendered. If the bill is not paid on or before the tenth the gross rate shall apply.

IT IS HEREBY FURTHER ORDERED that

1. In case of a reduction in the price paid for oil, Oakdale Gas Company shall file within ten (10) days thereafter an affidavit setting forth the new price paid for oil and shall thereafter upon supplemental order of the Commission in this proceeding charge the reduced rates as determined under the schedule herein set forth.

2. In case there is an increase in the price paid for oil, Oakdale Gas Company may, after filing an affidavit of such increase and receiving a supplemental order from this Commission so authorizing, charge the increased rates as determined under the schedule herein set forth.

For all other purposes the effective date of this order shall be May 15, 1925.

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 7th day
of May, 1925.

H. B. Lundberg
C. C. Brown

George D. Squires
James D. Scott
Commissioners.