

Decision No. 14943.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application
of MADERA GAS COMPANY for change
in basic rate and establishment of
just and reasonable rates.

Application No. 10933.

Geo. W. Kitchen for Madera Gas Company.

SEAVEY, COMMISSIONER:

O P I N I O N.

This is an application of Madera Gas Company for a revision of the basic schedule of rates to be charged for gas service, as set by this Commission in its Decision No. 11094 (22 C.R.C. 388), dated October 9, 1922. This basic schedule was predicated on a price for oil of \$1.70 per barrel, and provided that when the price paid for oil was less than \$1.70 per barrel, certain reductions should be made in the rate charged for gas. Applicant shows that the price paid for oil is now \$1.85 per barrel F.O.B. Madera, and alleges that unless provision is made for a corresponding increase in the rates charged for gas, it will be unable to earn a fair return upon its investment. It therefore requests that the schedule be revised to furnish relief for the present price of oil and for future increases in the price of oil which it considers probable.

A public hearing was held

in Madera on April 24, 1925, at which evidence was presented by representatives of Madera Gas Company and the Engineering Department of the Commission, and the matter submitted. A report presented by the Engineering Department of the Commission showed the calculation of a reasonable rate base for the year 1925 as given in the following table:

TABLE I.

Reasonable Rate Base - Madera Gas Co. - Year 1925.

Total Fixed Capital, Jan. 1, 1922 (Dec. 11094) ...	\$79,848.94
Additions and betterments, 1922	<u>15,007.26</u>
Total Fixed Capital, Jan. 1, 1923	94,856.20
Additions and Betterments, 1923	<u>3,130.44</u>
Total Fixed Capital, Jan. 1, 1924	97,986.64
Additions and Betterments, 1924	<u>1,730.86</u>
Total Fixed Capital Jan. 1, 1925	99,717.50
Estimated Additions and Betterments, 1925	<u>3,883.00</u>
Estimated Total Fixed Capital Jan. 1, 1926	103,600.50
Estimated Average Capital, 1925	101,659.00
Materials and Supplies	3,200.00
Working Cash Capital	<u>2,717.18</u>
Total Rate Base, 1925	\$107,576.18

These figures were not questioned and will be accepted as reasonable for the purposes of this decision.

The Commission's Engineer also presented an estimate of the results of operations during the year 1924 on the assumption that existing rates are continued:

TABLE II.

Estimated results of operations of Madera Gas Co.
for the year ending 1925.

Gross revenue	\$42,469.06
Operating Expense:	
Oil	\$10,972.35
Other Production...	6,000.00
Total	<u>16,972.35</u>
Distribution	3,975.00
Commercial	2,520.00
General Expense ...	4,340.00
Taxes	4,012.02
Depreciation	<u>2,640.43</u>
Total Expense	34,459.80
Uncollectible Bills	<u>125.00</u>
Total	<u>\$34,584.80</u>
Net for Return	\$ 7,884.26

A comparison of the estimated net return of \$7,884.00 with the reasonable rate base of \$107,576.00 indicates that if the present rates are continued without change the rate of return will be approximately 7.3%. The calculations of the Commission's Engineering Department showed that each change of 10 cents per barrel in the cost of oil results in a corresponding change of 2.9¢ per 1,000 cu. feet in the cost of gas delivered to the consumers.

Since the last decision of the Commission in connection with this company in 1922, its consumers have received a benefit of changes in gas rate on account of reductions in the cost of oil below the basic price. It appears entirely fair that the company should receive a reasonable return under existing conditions, and in the future, provided that rates are not thereby increased to an unreasonable degree.

After full consideration it appears reasonable to provide for a variation in gas rates with the cost of oil up to a price of \$2.40 per barrel F.O.B. Madera. There is some doubt, however, as to whether rates should be permitted to be increased to a level above that corresponding to such a price of oil. This decision will therefore provide for the adjustment of gas rates with oil price up to this maximum limit, and further action looking toward a reduction in rate or a further increase may be based upon the conditions found to exist when and if the price of oil exceeds \$2.40 per barrel. I recommend the following form of order:

O R D E R

Madera Gas Company, having applied to the Railroad Commission for an order authorizing an increase in the rates charged for gas service supplied in the City of Madera and vicinity, a public hearing having been held and the matter being submitted,

The Railroad Commission hereby finds as a fact that the rates heretofore fixed by Decision No. 11094 should be modified and that the rates hereinafter set forth are just and reasonable rates to be charged for gas service by Madera Gas Company.

Basing its order upon the foregoing findings of fact, and on the findings of fact contained in the Opinion preceding this order,

IT IS HEREBY ORDERED that

(1) Until further order of this Commission, Madera

Gas Company shall charge and collect for gas service rendered in the City of Madera and vicinity, in accordance with the following basic schedule of rates:

SCHEDULE OF RATES.

General Service (Artificial Gas).

Territory:

Applicable to all territory served by company.

Rate:

								<u>Gross</u>	<u>Net.</u>
First	500	cubic feet	or less	per meter	per mo.			\$1.35	\$1.25
Next	2500	"	"	per meter	per mo. per M.				
					cu. ft.			2.30	2.20
"	5000	"	"	"	"	"	"	-	2.00
"	7000	"	"	"	"	"	"	-	1.90
Over	15000	"	"	"	"	"	"	-	1.70

The above rates, after the first 500 cu. ft. or less, are subject to decrease on the basis of 2.9 cents per 1000 cu. ft. for each 10 cent decrease in the cost of oil below the price of \$2.40 per barrel, F.O.B. Madera, upon order of the Railroad Commission of the State of California. Change to be to the nearest one cent per 1000 cu. ft.

Prompt Payment Discount.

The net rate is effective if the bill is paid at the office of the company on or before ten days from date bill is rendered. If the bill is not paid on or before said date, the gross rate is effective.

(2) Within fifteen (15) days after the date of this order, Madera Gas Company shall file with this Commission the foregoing schedule of rates, reduced by 16¢ per 1,000 cu. ft. to correspond to the present price of oil of \$1.85 per barrel, F.O.B. Madera, such rates to become effective with bills based on regular monthly meter readings taken on and after June 15, 1925.

(3) Should at any time the price paid for oil by Madera Gas Company be reduced, Madera Gas Company shall, within

ten (10) days after such reduction, file with this Commission 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 set forth in Paragraph 1 of this order.

(4) Should at any time an increase occur in the price paid for oil by Madera Gas Company it may, after filing affidavit of such increase and receiving supplemental order from this Commission so authorizing, charge the increased rates determined under the schedule set forth in paragraph 1 of this order.

(5) For all other purposes, the effective date of this order shall be twenty (20) days after the date hereof.

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 18th
day of May, 1925.

H. B. Brundage

C. Seaver

George W. Squires

Emmett
Commissioners.