

ORIGINAL

Decision No. 15056.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application  
of RIVER BEND GAS AND WATER COM-  
PANY to maintain present schedule  
of gas rates.

Application No. 11797.

Chaffee E. Hall, for Applicant.

A. E. Nelson for City of Kingsburg and  
Kingsburg Chamber of Commerce.

Harold Harris for City of Reedley and  
Reedley Chamber of Commerce.

BY THE COMMISSION:

O P I N I O N

In this proceeding the River Bend Gas and Water Com-  
pany, a corporation, engaged in operating an artificial gas  
plant in Dinuba, Tulare County, and distributing gas in and  
in the vicinity of Dinuba, Reedley, Kingsburg and Parlier, has  
applied for authority to continue in effect the present schedule  
of gas rates fixed, pursuant to the Commission's Decision  
No. 11095, in Case No. 1806, dated October 9, 1922, (22,C.R.C.391)  
until it will be reimbursed for a loss in revenue resulting from  
the operation of Decision No. 14595, a supplemental order in the  
same proceeding dated February 24, 1925.

In Decision 11095 it was provided that rates for gas  
should vary with the price paid for oil, a change of three cents  
per thousand cubic feet in the rate for gas corresponding to a  
change of ten cents per barrel in the price of oil, but that the

rate for gas should not be increased above that corresponding to oil at \$1.65 per barrel F.O.B. Dinuba. On February 4, 1925 the price of oil advanced to \$1.80 per barrel and applicant was consequently compelled to absorb a difference of 15¢ per barrel on oil or four cents per thousand cubic feet in the rate for gas. On September 22, 1925 the price of oil was reduced to \$1.45 per barrel and under the provisions of Decision No. 11095 the rate for gas would automatically be reduced six cents per thousand cubic feet. Applicant prays that this reduction be postponed until it shall have recouped the loss incurred during the above mentioned period and also that Decision No. 11095 be modified so that the basic rates shall be subject to increase or decrease at the rate of three cents per thousand cubic feet for each increase or decrease of 10¢ per barrel in the cost of oil above or below \$1.65 per barrel F.O.B. Dinuba.

A public hearing was held before Examiner Austin at Dinuba on October 19, 1925, when evidence was offered, the matter was duly submitted and it is now ready for decision.

From the evidence offered in support of the application, it appears that between February and October 1925, inclusive, applicant was obliged to pay for oil used in manufacturing gas a price of \$1.80 per barrel F.O.B. Dinuba, but during this period the rates were adjusted on the basis of a cost of \$1.65 per barrel, pursuant to Decision No. 11095, which fixed this a basic cost. As a result, during this time, applicant was obliged to absorb the difference of 15¢ per barrel which is equivalent to four cents per thousand cubic feet of gas.

During previous years applicant's consumers have normally increased in number at the rate of ten per cent per annum, but during the year ending August 31, 1925, it has lost thirteen

per cent of its consumers. Between February and September 1925, applicant's earnings were insufficient to meet the payment of the interest on its outstanding bonds, this deficit amounting approximately to \$5,000. Between 1916 and 1924, inclusive, applicant has received a low rate of return, excepting only the year 1922, where the return was normal. Applicant's president testified that the Company could not long continue operating under such adverse conditions and pointed out that, although the grape and fruit growers in the territory served by applicant were now enjoying higher prices for their products, nevertheless this increased prosperity will not be reflected in applicant's earnings for a substantial period.

The granting of this application was protested by the cities of Kingsburg and Reedley and their respective Chambers of Commerce. Protestant, City of Kingsburg, through its City Attorney, pointed out that in 1915 when applicant's predecessor received its franchise from that City, the price of oil was proportionately higher in relation to the gas rates than under the existing rates established pursuant to Decision No. 11095. However, protestant apparently has not considered any possible change in other circumstances affecting applicant's operations, such as fluctuations or variations in the cost of labor and materials. All of these circumstances were fully considered in our Decision No. 11095, when we established applicant's basic rate. Moreover, they are beyond the scope of the issues presented in the instant application.

In our judgment the application should be granted. Applicant's losses, incurred since February 1925, due to its absorption of the difference of 15¢ per barrel in the cost of oil, amount approximately to \$800. It will recoup this sum in about

five months if permitted to continue in effect its present schedule of rates. Accordingly, applicant will be permitted to continue these rates in effect until March, 1926, and thereafter the rates will be determined in accordance with the provisions of Decision No. 11095.

We are also of the opinion that Decision No. 11095 should be modified so as to permit of an advance in the rates when the cost of oil exceeds \$1.65 per barrel at Dinuba.

An order will be entered accordingly.

### ORDER

River Bend Gas and Water Company, a corporation, having made application to the Railroad Commission for a continuance of the present schedule of gas rates and for a modification of Decision No. 11095, a public hearing having been held and the matter having been duly submitted:

The Railroad Commission of the State of California hereby finds as a fact that the River Bend Gas and Water Company, a corporation, has suffered financial loss as a result of the rates established in Decision No. 14595, which was rendered in accordance with the provisions of Decision No. 11095, and that the provisions of said Decision No. 11095 are not just and reasonable in that the rates prescribed thereunder are not permitted to be increased above the basic rates when the cost of oil exceeds \$1.65 F.O.B. Dinuba.

IT IS HEREBY ORDERED that River Bend Gas and Water Company, a corporation, be and it is hereby authorized to continue in effect and to charge and collect the present schedule of rates which are the basic rates established under Decision No. 11095, as modified by Decision No. 14595, until the regular meter reading date in February, 1926, provided, however, that should there

be in the meantime any change in the price of oil, the Commission may make such alteration or modification of this order as in its judgment it may deem proper and necessary; and

IT IS HEREBY FURTHER ORDERED that Decision No. 11095, dated October 9, 1922, in Case No. 1806, be and the same is hereby modified so as to provide with reference to Schedule "A" of River Bend Gas and Water Company that such rates over four hundred (400) cubic feet shall be subject to increase or decrease, upon approval of the Commission, on the basis of three (3) cents per thousand (1000) cubic feet of gas for each ten (10) cent increase or decrease in the price of oil above or below the price of \$1.65 per barrel F.O.B. Dinuba, <sup>further</sup> provided, no/increase in such rates shall be made after the cost of oil to applicant exceeds \$2.15 per barrel F.O.B. Dinuba; and

IT IS HEREBY FURTHER ORDERED that said River Bend Gas and Water Company, unless this order be sooner modified, shall file with the Commission on or before March 1, 1926, and establish and maintain a revised schedule of rates based upon an oil price of \$1.45 per barrel F.O.B. Dinuba and which said rates shall be six (6) cents per thousand (1000) cubic feet lower than the basic rates established under said Decision No. 11095, said reduced rates to become effective on and after the regular meter reading date in February, 1926.

Dated at San Francisco, California, this 21st day of October, 1925.

H. B. Roundie  
P. Healey  
Frank L. ...  
Leon ...  
Commissioners.