

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA

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In the Matter of the Investigation by)	
the Commission on its own motion into)	
the adequacy of service, the facili-)	
ties for service, and the reasonable-)	Case No. 1733
ness of the rates, rules and regula-)	
tions governing gas service of Sacra-)	
mento Gas Company in Lodi, California.)	

Charles T. Hille for Sacramento Gas Company.

BY THE COMMISSION:

O P I N I O N

This is a formal investigation into the gas rates, service and practices of Sacramento Gas Company in Lodi, California, instituted by the Commission on its own motion.

A public hearing was held in Lodi on April 19th, 1922 before Examiner Satterwhite, at which time evidence was taken and the matter submitted for decision.

Sacramento Gas Company is a utility engaged in the manufacture and sale of gas in the cities of Sacramento and Lodi. The Lodi branch is a distinct and separate manufacturing and distributing unit and this investigation has been confined to it. The present rates for gas in Lodi were established by Decision No. 8241 in Application No. 5694, dated October 15th, 1920. The price of oil to Sacramento Gas Company was \$2.35 per barrel at that time

but has since been reduced to \$1.91 per barrel, which would indicate that a reduction of rates might reasonably be possible.

Notwithstanding the reasonableness of the present rates at the time of their establishment, inefficiencies in manufacture and distribution allowed to occur by the Company have prevented it from earning a fair return upon its investment, and this lack of fair return has been advanced by the Company management as sufficient reason for further inadequate maintenance of equipment and non-compliance with General Order No. 58 of this Commission.

Testimony was presented by the Commission's Gas and Electrical Division at the hearing, showing that this Company has been negligent in complying with the standards for gas service prescribed by this Commission's General Order No. 58. Compliance with these standards is necessary to the rendering of satisfactory gas service and a full compliance will be insisted upon.

The evidence also shows that the growth of business and facilities for service of Sacramento Gas Company have not kept pace with that of the water and electric departments of the City of Lodi. As a result there are considerable areas in the City not served with gas and there are other areas in which the service rendered is inadequate. Sacramento Gas Company we believe could make its system in Lodi a good paying business at lower rates if it were properly managed and good service rendered.

To carry on its past practices means further loss to it and to its consumers.

The Company reports the sale of 17,763,400 cubic feet of gas in 1921. This is a 15.5% increase over the sales reported in 1920 and a similar increase would indicate the sale of 20,500,000 cubic feet in 1922. There were 714 active meters in February 1922 and a maximum of 884 during the grape season of 1921. From an examination of the statistics of the City of Lodi we believe there is a possibility of 1500 consumers if modern and progressive steps were taken to serve; that if reasonable diligence is shown by the Company it could have 1200 consumers by June 1923. With good service rendered the sale of gas for the coming year should reasonably be at least 23,000,000 cubic feet.

The total oil usage has increased from 16.7 gallons in 1917 to 20.4 gallons per M cubic feet sold in 1921, indicating bad plant conditions. With the improvements made and to be made as herein required the efficiency of manufacture should be increased to a marked degree. With close operation the oil usage for the coming year should not exceed 13.5 gallons per M sold, and in fairness to the consumers this Commission cannot allow a greater amount in operating expenses.

The operating expenses for the past two calendar years and those considered reasonable for the coming year are set forth in Table No. I:

TABLE NO. I
OPERATING EXPENSES

	<u>Amount 1920</u>		<u>Actual 1921</u>		<u>Estimate for</u>	
	<u>Amount</u>	<u>Per M Sold</u>	<u>Amount</u>	<u>Per M Sold</u>	<u>Coming Year</u>	<u>per M sold</u>
Production:						
Oil for gas	\$12,720.87	\$.829	\$16,713.24	\$.942	\$13,600	\$.59
" " steam	3,059.14	.199	1,665.02	.095	500	.02
Labor & Supplies	3,046.87	.198	4,288.76	.241	5,500	.24
Maintenance	2,000.93	.130	1,956.88	.110	2,860	.12
Total	\$20,827.81	\$1.356	\$24,623.90	\$1.388	\$22,450	\$.97
Transmission:						
Pumping			\$ 141.35	\$.008	\$ 220	\$.01
Maintenance			137.89	.008	220	.01
Total			\$ 279.24	\$.016	\$ 440	\$.02
Distribution:						
Labor & Supplies	\$ 1,727.36	\$.112	\$ 2,171.68	\$.122	\$ 2,640	\$.12
Maintenance	441.37	.029	1,044.57	.059	1,760	.08
Total	\$ 2,168.73	\$.141	\$ 3,216.25	\$.181	\$ 4,400	\$.20
Commercial	\$ 2,041.98	\$.133	\$ 2,313.89	\$.130	\$ 2,860	\$.13
General	\$ 2,072.78	\$.135	\$ 2,172.03	\$.122	\$ 2,400	\$.10
TOTAL	\$27,111.30	\$1.765	\$32,605.31	\$1.837	\$32,560	\$1.42
M Cu.ft. Sales	15,379.7		17,763.4		23,000.0	

In previous proceedings the book figures of the Company showing its actual investment in operative property have been considered reasonable as a basis for computing rates. The books show an investment of \$99,348.23 as of March 31st, 1922. It is estimated by the Commission's engineers that the improvements hereinafter ordered will cost approximately \$35,000, of which approximately \$25,000 will represent the average operative addition for the year. In this proceeding \$125,000 will be used as the average fixed capital for the year. The rate base can then be determined as follows:

Estimated Fixed Capital Dec. 31, 1922	\$125,000
Average Month's Oil Requirements	1,125
Materials and Supplies	2,420
Working Cash Capital	<u>3,150</u>

TOTAL RATE BASE \$131,695

The total reasonable cost of good service can now be computed:

Operating Expenses	\$32,560
Depreciation	3,075
Taxes	3,400
Fair Return (8% on Rate Base)	<u>10,536</u>
Sub Total	\$49,571
Uncollectible Accounts	<u>249</u>
Gross Revenue Required	\$49,820
Revenue Required per M sold ..	\$2.17

The average revenue for the year 1921 under the rates now in effect was \$2.37 and that for February 1922 was \$2.35. It will be reasonable and necessary therefore to reduce the rates by approximately eighteen cents (18¢) per M cubic feet. A form of rate which may be adjusted by supplemental order of the Commission to correct for changes in the price of oil without a formal hearing has been adopted in other proceedings and is found reasonable in this case. For this purpose a variation of 3.2 cents per M cubic feet of gas sold for each 10 cents variation in the price of oil per barrel is found reasonable.

The testimony of the Commission's engineers and that of representatives of the Company agrees very closely in regard to the additional equipment and facilities necessary to bring the service to consumers up to required standards. The improvements needed at the plant involve increased wash box capacity, repairs to relief holder, additional storage capacity and compressing equipment.

The testimony is also in agreement in regard to facili-

ties for the measurement and testing of the gas made. The evidence clearly brings out that a study of operating efficiency must be predicated upon accurate information as to the results obtained in the various elements of manufacture and distribution. To obtain this information it will be necessary for the Company to maintain an accurate station meter, a gas calorimeter and a standard meter prover.

At the request of the Commission's engineers the Company submitted in evidence its estimate of the needed improvements and additions to its distribution system. This estimate has been carefully studied and those improvements and additions which are vital and necessary to full and proper service are herein ordered to be installed. This requirement does not set forth all the additions to be put in. Sacramento Gas Company will be expected to properly manage and operate its properties in the future and periodic inspections will be carried out to see that this is done.

Much complaint has come to this Commission concerning the relations of this Company with its consumers. This condition is due partly to lack of adequate rules and regulations to cover the varied problems constantly occurring in a business of this kind. Sacramento Gas Company will be required to adopt such rules as are deemed adequate and fair by the Commission.

O R D E R

The Commission having instituted an investigation on its own motion into the adequacy of service, the facilities for service and the reasonableness of the rates, rules and regulations governing service of Sacramento Gas Company in Lodi, an investigation having been made, a public hearing having been held and the matter submitted,

The Railroad Commission hereby finds as facts that the service, the facilities for service, and the rules and regulations governing service are and have been inadequate and that the rates heretofore fixed in Decision No. 8241 should be modified to conform with the schedule herein set forth, which are just and reasonable rates to be charged for gas service by Sacramento Gas Company in Lodi.

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:

1. That Sacramento Gas Company have installed by June 30th, 1922, a full and complete system of records in compliance with General Order No. 58 of this Commission.

2. That Sacramento Gas Company make the following improvements and additions to its gas plant and system in Lodi, subject to approval of the gas engineering department of the Commission, same to be installed at the earliest possible time:

- (1) Sufficient wash box capacity to remove all lampblack from the gas;
- (2) Repairs to relief holder to render it serviceable to its full capacity;
- (3) The installation of an exhauster;
- (4) Provision of additional gas storage capacity of at least 60,000 cubic feet;
- (5) Pressure boosting apparatus sufficient to maintain a minimum pressure of five inches of water column at any point on the distribution system during peak hours;
- (6) Have installed in Lodi by August 1st, 1922 a standard meter prover and an approved type of gas calorimeter with its attendant apparatus;
- (7) Lay and put in service the following gas mains, with necessary facilities and service connections, to-wit:

- (a) Four-inch main on South Stockton Avenue from Tokay to a point between Lodi Avenue and Walnut Avenue.

Connections to be made to existing mains as follows:

To the six-inch on Tokay; to the three-inch on Lodi, and to the four-inch on Stockton between Lodi and Walnut.

- (b) Mains on Hilborn, Flora and Eden Streets from Cherokee Lane to South Stockton Avenue. In each case tie-ins to be made to the existing six-inch main on Central Avenue and to the proposed four-inch main on South Stockton. The pipe used must be at least two-inch.
- (c) Extension to Cherokee Lane of the existing three-inch mains on East Oak and East Walnut Streets. The pipe used must be at least three-inch.
- (d) Four-inch main on Hutchins Avenue to connect the end of the existing four-inch main on Hutchins between Walnut and Oak Streets with the existing four-inch main on Hutchins at Elm Street. Connections to be made to the existing three-inch mains on Oak and Pine Streets.
- (e) A loop on Oak, West, and Pine Streets to connect with the existing three-inch main on Oak near Rose and the existing two-inch mains at the intersection of Rose and Pine Streets.

3. That all ordered additions and improvements except as otherwise ordered, be completely installed and operative on or before December 31st, 1922 in a manner satisfactory to the Commission's engineers, and that during the intervening time progress reports be mailed to the office of the Railroad Commission at San Francisco so as to arrive not later than the tenth day of each month, the first such progress report to be mailed within ten (10) days of the date of this Order.

IT IS HEREBY FURTHER ORDERED that Sacramento Gas Company charge and collect for gas served by it to consumers in Lodi, for the service as specified, the following schedules of rates, based on all meter readings taken on and after the first day of July, 1922:

SCHEDULE NO. 1

GENERAL SERVICE

RATE:

First	400	cu.ft.	per	meter	per	month					\$1.20
Next	2,600	"	"	"	"	"	per	M	cu.ft.	..	2.05
"	7,000	"	"	"	"	"	"	"	"	..	1.80
"	10,000	"	"	"	"	"	"	"	"	..	1.65
All over	20,000	"	"	"	"	"	"	"	"	..	1.50

The above rates are subject to increase or decrease on the basis of 3.2 cents per 1000 cu.ft. for each ten cents per barrel increase or decrease respectively in the price of oil above or below the price of \$1.91 per barrel upon approval of the Railroad Commission of the State of California. Change to be to the nearest one cent.

SCHEDULE NO. 2

PREPAYMENT METER SERVICE

RATE:

\$2.25 per 1,000 cubic feet.

Minimum Charge \$1.25 per month.

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

IT IS HEREBY FURTHER ORDERED that Sacramento Gas Company shall file on or before July 15, 1922 rules and regulations acceptable to this Commission to be made effective as hereafter directed.

IT IS HEREBY FURTHER ORDERED that Sacramento Gas Company shall, within ten (10) days of the date of this Order, file with the Commission the schedules of rates herein set forth.

Dated at San Francisco, California, this

16th day of June, 1922.

H. B. Brandige
J. W. Martin

J. H. Pennington