

Decision No. 11095

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation
by the Commission on its own Motion
into the Reasonableness of the gas
rates of Riverbend Gas and Water
Company.

Case No. 1806

Chaffee Hall, for Riverbend Gas and Water Company

BY THE COMMISSION:

O P I N I O N

This is an investigation by the Commission, on its own motion, into the rates charged for gas service by Riverbend Gas and Water Company in the towns of Dinuba, Reedley, Parlier and Kingsburg, and in contiguous suburban territory. The investigation was instituted by reason of a material decrease in the cost of fuel oil to Riverbend Gas and Water Company. A public hearing was held in Dinuba on September 29, 1922, before Examiner Satterwhite and the matter submitted.

Following a report made to it by its engineering department, the Commission submitted a revised gas schedule to the Company accompanied by an order to show cause why this schedule should not be made effective. At the hearing it was alleged by the Company that this proposed schedule would, if made effective, reduce its revenue below that needed to afford a fair return upon its investment, and would make difficult or impossible the

obtaining of the additional capital necessary to make needed improvements. Evidence was submitted to show that gas operations from 1915 to 1921 inclusive had resulted in a net deficit of nearly \$ 4500, that no dividends had been paid upon the capital stock in the history of the utility, and that the stockholders had made an additional sacrifice by waiving claims to substantial funds advanced to the utility from time to time together with the interest accrued thereon. It was contended that the Commission should recognize these past deficits in this proceeding and various methods were suggested whereby rates could be fixed which would permit the utility to recoup these losses in whole or in part.

The Commission cannot agree with these contentions.

Riverbend Gas and Water Company is serving a prosperous community and the costs of its operation should compare favorably with those of other utilities similarly situated. That this has not been the case, during those years in which large deficits were incurred, is admitted by the company's officials in comparing present with past efficiencies. In Decision No. 6500 dated July 16, 1919, and again in Decisions No. 7745 and 8281 dated June 19, and October 25, 1920 respectively, the lack of efficiency in this utility's operations has been discussed in detail and no evidence has been introduced in this proceeding to cause the Commission to change its views. Such losses as have been incurred in the past are properly to be borne by the stockholders and not by the public.

Recent operations show no such losses and the efficiency of gas production has been materially improved. The schedule set forth in the following order is somewhat modified from that originally proposed to make it conform with the blocking of the schedule

now in effect. It will result in an average decrease in revenue of 16 cents per 1000 cubic feet sold, and is designed to yield a return of 8% upon the rate base found reasonable by the Commission herein, this being as follows:

RATE BASE

Fixed Capital Jan. 1, 1920 (Dec. No. 8281)	\$ 207,318.00
Additions and Betterments 1920 and 1921	62,590.14
Operative Additions and Betterments to June 30, 1922	<u>26,556.55</u>
Fixed Capital as of June 30, 1922	\$ 296,464.69
Estimated Average Additions and Betterments for year ending Sept. 30, 1923	<u>22,000.00</u>
Estimated Average Capital for year ending Sept. 30, 1923	\$ 318,464.69
Average month's oil requirements	1,450.00
Materials and Supplies	9,000.00
Working Cash Capital	<u>7,500.00</u>
Total Rate Base	\$ 336,414.69

The results of a year's operations under this schedule as estimated by the Commission's staff is as follows:

ESTIMATED OPERATIONS FOR THE YEAR
ENDING SEPTEMBER 30, 1923

Gas Revenue	\$ 108,500
Operating Expenses	
Oil	17,400
Other operating expenses, excluding taxes	43,660
Taxes	11,250
Depreciation	7,650
Uncollectible Bills	<u>540</u>
Total Expense	\$ 80,500
Net for Return	\$ 28,000

The cost of oil is a large item in the expenses of Riverbend Gas and Water Company and the price of oil is subject to frequent and sudden changes. In order that the utility and its consumers may continue at all times to enjoy just and reasonable gas rates without the necessity of frequent proceedings before this Commission, the schedule

hereinafter set forth is designed to vary with the price of oil. The basic schedule is predicated upon an oil cost of \$1.65 per barrel F.O.B. Dinuba and this schedule then reduced to agree with the present price of \$1.13 per barrel.

O R D E R

This Commission having instituted an investigation into the gas rates of Riverbend Gas and Water Company, an investigation having been made, a 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. 8281 should be modified to conform with the schedule herein set forth and that the rates herein set forth are just and reasonable rates to be charged for gas service by Riverbend Gas and Water Company.

Basing its order upon the foregoing findings of fact and the findings of fact contained in the opinion which precedes this Order;

IT IS HEREBY ORDERED, that Riverbend Gas and Water Company file with the Commission within ten days of the date of this order, the following basic schedule of rates, which are the rates to be charged and collected for gas service rendered by it in its entire territory when the price paid for oil is \$1.65 per barrel or over, F.O.B. Dinuba.

SCHEDULE OF RATES

General Service (Artificial Gas)

Territory

Applicable to all territory served by Company

Rates

		<u>Gross</u>	<u>Net</u>
First	400 cu. ft. or less per meter per month	\$ 1.35	\$ 1.25
Next	3600 cu. ft. per meter per month per M cu.ft.	2.30	2.20
Next	6000 cu. ft. per meter per month per M cu.ft.	2.00	1.90
Next	15000 cu. ft. per meter per month per M cu.ft.		1.60
All Over	25000 cu. ft. per meter per month per M cu.ft.		1.40

The above rates are subject to decrease on the basis of 3 cents per 1000 cubic feet for each 10 cent decrease in the cost of oil below the price of \$1.65 per barrel F.O.B. Dinuba upon order of the Railroad Commission of the State of California. Change to be to the nearest one cent per 1000 cubic feet.

Prompt Payment Discount

The net rate is effective for all bills paid on or before the tenth day of the month following each meter reading date. Otherwise the gross rate is effective.

IT IS HEREBY FURTHER ORDERED, that

1. The schedule above is hereby reduced 16 cents per 1000 cubic feet, effective for all regular meter readings taken on and after the fifteenth day of October 1922.
2. In case of a reduction in the price paid for oil, Riverbend Gas and Water Company shall file within ten 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.
3. Should at any time an increase in the price paid for oil occur, Riverbend Gas and Water Company may, after filing affidavit of such increase and receiving a supplemental order from the Commission so authorizing, charge the increased rates as determined under the schedule herein set forth.
4. Riverbend Gas and Water Company shall, within ten days of the date of this order, file with the Commission a schedule of rates

to comply with section 1 of this Order.

Dated at San Francisco, California, this 9th
day of October, 1922.

H. B. ...

Charles W. ...

J. F. ...

Commissioners