

Decision No. 11096

ORIGINAL

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 rates  
of Hanford Gas and Power Company.

Case No. 1807

E. E. Bush for Hanford Gas and Power 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 Hanford Gas and Power Company in the City of Hanford and vicinity. The investigation was instituted by reason of a material decrease in the cost of fuel oil to Hanford Gas and Power Company. A public hearing was held in Hanford before Examiner Satterwhite on September 29th, 1922, and the matter submitted.

Following a report made to it by its engineering department, the Commission submitted revised gas schedules to the Company accompanied by an order to show cause why these schedules should not be made effective. At the hearing, the company's representative stated that he considered the revised schedules to be just and reasonable.

The schedule set forth in the following order is designed to yield a return of 8% upon the rate base found reasonable by the Commission herein, this being as follows:

RATE BASE

Valuation June 30, 1916 (Decision No. 3999)	\$ 101,393.61
Additions and Betterments to 1-1-1920	21,586.70
Additions and Betterments 1920	19,004.91
Additions and Betterments 1921	2,777.62
Additions and Betterments to 6-30-1922	<u>908.84</u>
Valuation June 30, 1922 .....	\$ 145,671.68
Estimated Average Additions and Betterments 9-30-23	5,000.00
Estimated Average Capital, Year ending 9-30-23	<u>150,671.68</u>
Average month's oil requirements	940.00
Materials & Supplies	2,000.00
Working Cash Capital	4,500.00
Total Rate Base	<u>\$ 158,111.68</u>

The result of a year's operation under this schedule as estimated and submitted in evidence by the Commission's staff is as follows:

ESTIMATED OPERATIONS FOR YEAR ENDING SEPTEMBER 30, 1923

Gas Revenue	\$ 60,100
Operating Expense	
Oil	11,280
Other Expense exclusive of taxes	25,530
Taxes	6,000
Depreciation	4,320
Uncollectible Bills	<u>310</u>
Total Expense	\$ 47,440
Net for Return	\$ 12,660

The cost of oil is a large item of expense to Hanford Gas and Power Company and the price of oil is subject to frequent and sudden changes. In order that Hanford Gas and Power Company and the people of Hanford 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. The basic schedule is predicated upon an oil cost of \$1.50 per barrel F.O.B. Hanford and this schedule then reduced to agree with the present price of \$1.10 per barrel.

O R D E R

This Commission having instituted an investigation into the gas rates of Hanford Gas and Power 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. 8120 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 Hanford Gas and Power Company.

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 Hanford Gas and Power 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 the City of Hanford and vicinity when the price paid for oil is \$ 1.50 per barrel or over, F.O.B. Hanford.

SCHEDULE OF RATES

General Service (Artificial Gas)

Territory

Applicable to all territory served by Company

Rate

										Gross	Net
First	500	cu. ft.	or less	per meter	per month					\$ 1.35	1.25
Next	2500	"	"	per meter	per month	per M	cu.ft.	2.10		2.00	
Next	5000	"	"	"	"	"	"	2.00		1.90	
Next	7000	"	"	"	"	"	"			1.70	
Over	15000	"	"	"	"	"	"			1.50	

The above rates are subject to decrease on the basis of 3 cents per 1,000 cu. ft. for each 10 cent decrease in the cost of oil below the price of \$1.50 per barrel, F.O.B. Hanford upon order of the Railroad Commission of the State of California. Change to be to the nearest one cent per 1,000 cu. ft.

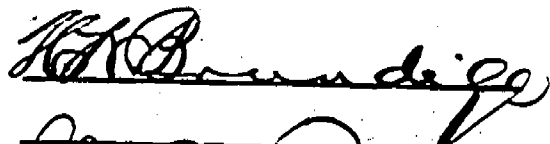

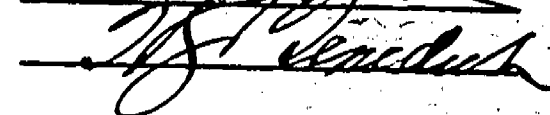
Prompt Payment Discount

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.

IT IS HEREBY FURTHER ORDERED, that

1. The schedule above is hereby reduced 12 cents per 1,000 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, Hanford Gas and Power 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 schedules herein set forth.
3. Should at any time an increase in the price paid for oil occur, Hanford Gas and Power 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 schedules herein set forth.
4. Hanford Gas and Power Company shall, within ten days of the date of this Order, file with the Commission, schedules of rates to comply with Section 1 of this Order.

Dated at San Francisco, California, this 9<sup>th</sup> day of October, 1922.

Commissioners