

Decision No. 11240

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
Stuart Darling for an Order by the)
Railroad Commission of the State of) Application No. 8129
California, increasing rates for)
the Sale of Gas.)

BY THE COMMISSION.

ORIGINAL

O P I N I O N

This is an application for the establishment of rates, by Stuart Darling, who operates a gas system for the production and distribution of natural gas for domestic and commercial purposes in the town of Summerland, this business being conducted solely under the management of Stuart Darling, and not as a company or corporation. A public hearing was held in Summerland on October 19, 1922, before Examiner Satterwhite, at which time evidence was taken and the matter submitted.

Applicant has been engaged in distributing natural gas from several shallow gas wells in the town of Summerland since about 1892. There have been few opportunities for material increases in the business and at the present time only about fifty consumers are served. The system has been built in an irregular manner and customary standards of gas engineering practice have not been followed. Because of the limited nature of the enterprise from a commercial standpoint, applicant has conducted the business more or less as a neighborhood affair and has failed to keep full detailed records of his operations as prescribed by the Railroad Commission for public utility corporations.

Investigation of such applicant's records as were available was made by the Commission's Auditing and Engineering Departments and the following figures of capital investment were obtained, amounting to a total of \$7,380.14 which it appears may be considered as reasonable basis for rate-fixing purposes. Applicant has done the major portion of the construction work himself and has, therefore, been able to install the equipment at less cost than is usual:

SUMMARY OF CAPITAL INVESTED

Land	\$ 360.00	
Gas Wells	3,000.00	
Buildings	64.00	
Holdings	75.00	
Gas Engines	150.00	
Accessories	170.60	
Miscel. Production Equipment	606.00	
Distribution Mains	1,180.70	
Services	235.70	
Meters	636.00	
General Office Equipment	96.64	
General Shop Equipment	323.50	
Garage Equipment	275.00	
Undistributed Construction Expense	<u>207.00</u>	
Total -		\$7,380.14

Evidence submitted by applicant indicates that reasonable operating expenses and the revenue for the calendar year 1921 were as follows:

Production Expense (Electric power)	\$ 190.42
Distribution Expense	616.00
Commercial Expense	115.70
General Expense	365.00
Taxes	<u>42.20</u>
Total Operating Expenses	\$1,329.32
Revenue from the sale of Gas	1,316.52
Deficit below Operating Expenses	-12.80

Obviously the above figure for net return upon the properties is unreasonable, especially as no depreciation was charged.

It is to be further noted that according to testimony of applicant, considerable of his time has been devoted to the business for which he has in the past made no charge.

Testimony was presented by several of applicant's consumers complaining that service conditions were in their cases unsatisfactory due to low gas pressure and general insufficiency of supply. It is to be noted that the quality of natural gas furnished by applicant is very low, showing by chemical analysis only 461 B.T.U. per cubic foot and containing about 6% air, due to leakage on suction lines, also 1.6% of hydrogen sulphide which causes a heavy corrosion of the interior of the pipe lines resulting in frequent stoppages. Investigation by the Commission's engineers indicates clearly that certain measures are necessary in order to properly improve service conditions.

In the past applicant has so failed to earn a fair return that he has had no funds available for the improvement of service. It is now incumbent upon applicant to make certain immediate betterments to his plant, and in view of the existing conditions this Commission should recognize in fixing rates the necessary expenditures for the improvement of service.

The following tabulation sets forth an estimate of applicant's operating expenses for the calendar year 1923 with provisions for more maintenance of the distribution system than has been given in the past. An allowance is also made for purifying the gas and other necessary expenses.

ESTIMATED OPERATING EXPENSES 1923

Production Expense	\$310.00
Distribution Expenses	750.00
Commercial Expenses	115.00
General Expense	350.00
Taxes	<u>50.00</u>

TOTAL ESTIMATED OPERATING EXPENSES \$1,575.00

During the year 1921, reported gas sales amounted to 2,844,000 cubic feet, and upon this basis with fifty consumers, average sales would have been approximately 4,750 cubic feet per consumer per month. The existing rates are \$1.00 for the first one thousand cubic feet, 70 cents for the next thousand, and 50 cents per thousand cubic feet for all additional gas. Apparently because of the fact that certain consumers are served upon a flat rate schedule and much gas was donated to churches and other charitable purposes, the average net rate received was only 46 cents per Mcf., whereas an average of about 65 cents per Mcf. should have been realized with metered service. It is very evident that applicant can only expect to earn a reasonable return upon his investment by the sale of gas entirely according to meter registration. The rates hereinafter set forth should yield applicant an average of about \$.89 per Mcf. and provide a reasonable amount for operating expenses together with an allowance for interest and depreciation.

We submit the following form of Order:

O R D E R

Stuart Darling having applied to the Railroad Commission for an order granting authority to increase his rates and charges for gas service to his consumers, a public hearing having been held and the matter having been submitted and being now ready for decision,

the Railroad Commission hereby finds as a fact that the rates now charged by Stuart Darling, in so far as they differ from the rates herein fixed, are not just and reasonable rates, and that the rates herein established are just and reasonable rates for gas for domestic and commercial service.

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 Stuart Darling be, and he is hereby authorized to charge and collect the following rates for gas for domestic and commercial purposes in the town of Summerland, which rates shall be effective for all regular meter readings taken on and after the first day of December 1922:

General Service:

Applicable to domestic and commercial service for lighting, heating, cooking or power purposes.

Rate:

First	1000 cu.ft or less	per meter per month	\$ 1.25
Next	1000 "	per meter per month	1.00
All over	2000 "	per meter per month	@ .75 per Mcf

IT IS HEREBY FURTHER ORDERED, that Stuart Darling shall install and properly operate a device approved by the Railroad Commission for the purification of natural gas sold by him.

IT IS HEREBY FURTHER ORDERED, That Stuart Darling shall file with the Railroad Commission on or before November 15, 1922

the schedule of rates and charges herein set forth.

Dated at San Francisco, California, this 16th day
of November, 1922.

H. B. Brundage
Irving Martin
Charles D. Brown
J. F. Leland

Commissioners.