

Decision No. 11243

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of Application of
Coast Valleys Gas and Electric
Company, a Corporation, for an
Order Revising the Base Rate for
Gas Service as heretofore Fixed
by Decision No. 9397, Case No. 1611

Application No. 8173.

ORIGINAL

James F. Pollard, for Applicant,
H.G. Jorgensen, for City of Pacific Grove.

BY THE COMMISSION:

O P I N I O N

This is an application of Coast Valleys Gas and Electric Company for a revision of its rates for gas service as fixed by Decision No. 9397 in Case No. 1611 dated August 23, 1921. Applicant alleges that the estimates of the Commission in that proceeding have not been realized and that its gas rates are insufficient to yield a fair and reasonable return upon its investment.

A public hearing was held before Examiner Eddy in Salinas on September 25th, 1922, and the matter thereupon submitted.

Applicant maintains and operates gas plants in the cities of Salinas and Monterey and from the latter plant it also distributes gas in the City of Pacific Grove. The rates fixed by Decision No. 9397 were designed to vary in proportion to the price paid for oil. The basic rates became effective on October 1st, 1921, and reductions in these rates totaling fifteen cents per thousand cubic feet have been made as a result of decreases in the cost of oil to the utility. It is the reasonableness of these basic rates which

is now questioned by the utility.

The evidence in this proceeding shows that Coast Valleys Gas and Electric Company is making a commendable effort to improve its gas service in Monterey and Pacific Grove. A complete new gas generating unit is nearing completion at the Monterey plant and plans are being made for the construction of an additional high pressure main to serve Pacific Grove. It is contended that the cost of these, and other improvements contemplated, will materially increase the investment upon which the utility is entitled to a fair return, but in the opinion of the Commission, their operation should also result in such increased efficiencies and economies as to enable the utility to serve its consumers at a more reasonable cost than heretofore.

The reasonable investment in the gas department and the estimated rate base for the ensuing year is as follows:

RATE BASE

Fixed Capital December 31, 1920 (Decision No. 9397)	\$ 264,999.50
Additions and Betterments to July 31, 1922	29,702.85
General Capital Gas Department July 31, 1922	<u>17,336.14</u>
Total Fixed Capital as of July 31, 1922.....	\$ 312,038.49
Estimated average additions and Betterments for year ending September 30, 1923	<u>63,000.00</u>
Estimated average Capital for year ending September 30, 1923	\$ 375,038.49
Average month's oil requirements	2,100.00
Materials and Supplies	7,500.00
Working Cash Capital	<u>9,250.00</u>
Total Rate Base Gas Department.....	\$ 393,888.49

The utility submitted in evidence a tabulation showing actual operating expenses incurred in the past together with an estimate of expenses expected to be incurred in the coming year. The company's estimates have been carefully checked by the Commission's engineering department. It appears that the company has not given sufficient consideration to the increase in efficiency which should be obtained in operating its new equipment in Monterey.

The revised estimates included in the following table are reasonable based upon a degree of efficiency comparable with that reached by other utilities similarly situated, and this degree of efficiency must be attained if a full fair return is to be had. The duty of oil is estimated at 13 gallons per one thousand cubic feet sold and it is expected that this efficiency will be improved upon with the new generating equipment in operation. The cost of oil is estimated on the basis of the present prices of \$1.00 per barrel at Monterey and \$1.15 per barrel at Salinas. A slight reduction has been made in the company's estimated expense for the maintenance of the Monterey gas plant. Due to the character and condition of the equipment installed the cost of keeping this plant in repair has in the past been necessarily high, but with the new equipment it is expected that this expense will become more reasonable, and comparable to that incurred in similar plants. The Commission realizes that the initial expense of rehabilitating the old equipment will be high, but feels that this should not be considered as an annual charge in a general rate proceeding, but should be spread over several year's operation.

ESTIMATED EXPENSES FOR YEAR ENDING SEPTEMBER 30, 1923:

Production Expenses		
Oil	\$	26,000.00
Other Production Expense		28,400.00
Distribution Expense		11,350.00
Commercial Expense		8,500.00
General Expense		8,900.00
Taxes		10,300.00
Total Expense excl. of Deprecia-		
tion	\$	93,450.00
Depreciation		11,500.00
Uncollectible Bills		680.00
Total	\$	105,630.00
Fair Return (8% on Rate Base)		31,511.00
Revenue required	\$	137,141.00

It is estimated that 79,300,000 cubic feet of gas will be sold during the period in question and in order that the re-

quired revenue be collected it will be necessary that the rates yield an average price of \$1.74 per thousand cubic feet. The schedules now in effect will yield an average revenue for the entire territory served of approximately \$1.70 per thousand cubic feet based on the same estimate of sales. From this it appears that some relief is needed.

The detail of the evidence before the Commission indicates in addition the desirability of modifying the present schedules to distribute the burden more equitably between gas consumers in Salinas and those in Monterey and Pacific Grove, and to install a schedule with blocks corresponding to those now in use by utilities similarly situated.

The schedule hereinafter set forth is designed to yield an average revenue of \$1.74 per thousand cubic feet at the present price of oil. The clause by which the rate is made to vary in proportion to the price of oil has been retained with some slight modifications.

O R D E R

Coast Valleys Gas and Electric Company having applied to the Railroad Commission for an order revising its rates and charges for gas service in Salinas, Monterey and Pacific Grove, a public 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. 9397 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 Coast Valleys Gas and Electric Company.

Basing its order on the foregoing findings of fact and on the findings of fact contained in the Opinion which precedes

this Order:

IT IS HEREBY ORDERED, that Coast Valleys Gas and Electric 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 in its entire territory when the price paid for oil is \$1.75 per barrel or over F.O.B. Salinas or Monterey.

SCHEDULE OF RATES

General Service, Artificial Gas

Applicable to domestic and commercial service.

Territory

Applicable to the incorporated cities of Monterey, Pacific Grove and Salinas, and adjacent territory thereto.

Rate

First	500 cubic feet or less per meter per month..	\$1.10
Next	2500 cubic feet per meter per month..	\$2.00 per M.Cu.Ft.
Next	5000 cubic feet per meter per month..	1.65 per M.Cu.Ft.
Next	7000 cubic feet per meter per month..	1.45 per M.Cu.Ft.
All Over	15000 cubic feet per meter per month..	1.25 per M.Cu.Ft.

The above rates are subject to decrease on the basis of 3 cents per 1000 cubic feet for each 10 cent decrease in the price of oil below \$1.75 per barrel F.O.B. Salinas or Monterey upon order of the Railroad Commission of the State of California. Change to be to the nearest one cent per 1000 cubic feet.

IT IS HEREBY FURTHER ORDERED, that

1. The schedule above is hereby reduced 22 cents per 1000 cubic feet effective for all regular meter readings taken in the cities of Monterey and Pacific Grove and adjacent territory on and after the fifteenth day of December, 1922.
2. The schedule above is hereby reduced 18 cents per 1000 cubic feet effective for all regular meter readings taken in the

city of Salinas and adjacent territory on and after the fifteenth day of December, 1922.

3. In case of a reduction in the price paid for oil, Coast Valleys Gas and Electric 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.

4. Should at any time an increase in the price paid for oil occur, Coast Valleys Gas and Electric 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.

5. Coast Valleys Gas and Electric Company shall, within ten days of the date of this order, file with the Commission, schedules of rates to comply with Sections 1 and 2 of this Order.

Dated at San Francisco, California, this 18th day of November, 1922.

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