

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

Decision No. _____

F. O. Sirard,

Complainant,

vs.

Pacific Gas & Electric Co.,

Defendant.

ORIGINAL

Case No. 544

Decision No. 2460

APPEARANCES

Edwin I. Butler for Complainant.

Chas. P. Cutten for Defendant.

EDGERTON, COMMISSIONER:-

OPINION

The complaint in this case is directed against the rates charged by the Pacific Gas and Electric Company for artificial gas manufactured and sold by it in the City of San Rafael, Marin County, which rates complainant alleges are excessive and unreasonable. Complainant further alleges that the gas supplied by defendant in San Rafael is of poor and inferior quality and that it is not adequately served. The Commission is asked to fix rates at which gas shall be sold by defendant and to make such order regarding the service as may be just in the premises.

Defendant's answer to the complaint denies that its rates for gas supplied to the inhabitants of San Rafael are unreasonable or excessive and further denies that said gas is of poor or inferior quality or that it is inadequately served. Defendant asks that the complaint be dismissed.

The present rates charged by defendant for artificial gas supplied by it in the City of San Rafael and neighboring towns are as follows:-

TABLE I.

Gas Rates

For the first	5000 cu. ft. per mo.	- \$1.50 per 1000 cu. ft.
" " next	5000 " "	1.00 " " "
" all over	10000 " "	.80 " " "

Minimum, \$.50 per month per meter.

The system under consideration consists of a crude oil gas generating plant located in the City of San Rafael, low pressure gas distribution systems serving San Rafael and San Quentin, a high pressure transmission line from San Rafael to San Quentin and high pressure distribution systems serving the towns of San Anselmo, Fairfax, Ross, Kentfield, Larkspur and intervening territory. The defendant maintains an electric distribution system serving the same territory.

At the hearing it was agreed between the complainant, who represented the City of San Rafael, and the defendant that the entire gas system served by the San Rafael gas plant should be considered as a unit in determining the rates. In the following discussion the system has therefore been considered as a unit.

Two valuations were submitted in evidence - one by the company and one by Mr. Hammond of the Commission's Engineering Department. The first was based on the J. G. White valuation of December 31, 1911, plus additions and betterments to December 31, 1913. The second was based on a detailed inventory and appraisal as of June 30, 1914, made by Mr. Hammond. The detailed differences in the two valuations are not readily determined but the summary as follows shows a difference of \$29,378.46 in the gas property valuations, the larger part of which is apparently due to the difference in overhead percentages

used, the "White" valuation including 25% while the other includes about 15% overhead.

TABLE II

Comparison of Cost of Reproduction Estimates

<u>Property</u>	<u>Estimated Reproduction Cost New Jan. 1, 1914 (P.G. & E. Co)</u>	<u>Estimated Reproduction Cost New June 30, 1914 (Hammond)</u>
Landed Capital	\$ 6,615.00	\$ 6,615.00
Production	118,014.54 o	112,200.21
Transmission & Distribution	<u>208,925.34</u>	<u>185,361.21</u>
Total - -	333,554.88	304,176.42
General Capital	5,256.63 e	13,931.36
Working Capital	<u>33,498.99</u>	<u>10,527.87</u> x
Total - -	\$ 372,310.50	\$ 328,635.65

o- \$8,069.26 transferred from transmission to production to make figures comparable.

e- Local general capital chargeable to gas.

x- Local working capital plus material and supplies.

Mr. Hammond's value of general capital apparently includes certain items which defendant has included in production and distribution capital and therefore these items are not directly comparable. Under his estimate of working capital has been included the local material and supplies and working capital estimated as two months' operating expenses. The defendant's estimate of working capital appears excessive and not justified. It is approximately equal to 50% of the annual revenue from the district.

From evidence submitted it appears that the gross revenue from the sale of gas for the past year was \$67,856.81. The total sales for the same period were 48,754,100 cubic feet of gas or an average rate of \$1.39 per 1000 cubic feet.

An estimate of the cost of gas for the year 1915 was submitted by Mr. Hoar, Gas and Electrical Engineer for the Commission.

This estimate, which was based on the valuation by Mr. Hammond increased for all department capital and construction and on the operating expenses as submitted by the company corrected for increased output and assumed changes in operation, shows that the total estimated cost, including return on investment, is \$80,176.88 for the year 1915. The average cost per 1000 cubic feet sold under this estimate is \$1.41, from which it appears that the rates charged by the defendant company are not excessive or unreasonable.

The defendant contended that the estimate of cost was low and introduced testimony to show that the depreciation rate used was lower than should be allowed for this territory due to the local conditions of soil. Investigation made by Mr. Hoar shows that the operating and maintenance expense in this district are apparently excessive as compared with the average of the defendant's system. This is especially true regarding the commercial and distribution expense which is 2-1/2 times the average. A higher than average expense would be expected due to the scattered territory served and the large percentage of summer or short seasoned consumers but it hardly seems that as large a difference should occur.

The evidence submitted by defendant shows that during the past seven years this gas department has not earned a net return of 8% after deduction of the company's estimate of depreciation, obsolescence and other reserve charges. In fact the defendant's computations would show that on this gas system it has suffered a deficit during the past seven years, that is, the district has not even earned the depreciation allowance estimated by the defendant.

With regard to the question of the quality and adequacy of the gas service in San Rafael it appears that during the latter months of 1913 the defendant had considerable difficulty in operating its gas purifiers and as a result the quality of gas was not up to the standard. From evidence and from investigation by the Commis-

sion's engineer, it appears that at present the quality of the gas and the adequacy of supply is at least equal to the average in California.

In view of all the evidence, I find that the City of San Rafael has at this time no just grounds for complaint, either as to rates charged by defendant for gas or as to the quality of the gas or adequacy of the supply and I therefore recommend that the complaint be dismissed.

I submit herewith the following form of order:

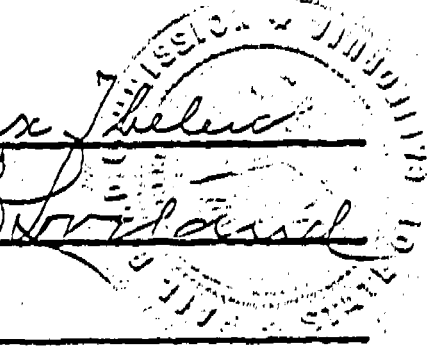
O R D E R

Public hearing having been held in the above entitled case and the same having been submitted and being now ready for decision,

IT IS HEREBY ORDERED that the complaint in the above entitled proceeding be and the same is hereby dismissed without prejudice.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 7th day of June, 1915.


Max Thelen
H. B. Lovelace
Edwin O. Edgerton

Commissioners.