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ORIGINAL

Decision No. 5257

Decision No. \_\_\_\_\_

BEFORE THE RAILROAD COMMISSION  
OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of )  
COAST COUNTIES GAS AND ELECTRIC COM- ) Application No. 3287.  
PANY to fix its rates charged for gas.)

S. Waldo Cobeman for applicant.  
W. R. Springer, City Attorney, for Santa Cruz.  
Walter S. Fitzgerald, City Attorney, for Gilroy.  
A. W. Sans, City Attorney, for Watsonville.

EDGERTON and DEVLIN, Commissioners.

OPINION.

This is an application of the Coast Counties Gas and Electric Company to fix the rates which it shall charge for gas in order that under the present conditions of high oil prices a reasonable return may be earned on the value of the property used in its gas business.

Coast Counties Gas and Electric Company operates four separate gas plants, manufacturing and distributing gas in Santa Cruz, Watsonville, Hollister and Gilroy for domestic and commercial purposes.

A public hearing in this proceeding was held in San Francisco on January 15, 1918, at which time testimony and evidence were introduced, and the matter was submitted with the understanding that a further report on the service of the company was to be submitted later by Assistant Engineer W. J.

Hammond of the Commission's Gas and Electric Division.

The rates at present charged by applicant are as follows:

Schedule "1" - General Service - Santa Cruz and Watsonville.

	<u>Per 1000 Cu.Ft.</u>	
	<u>Gross</u>	<u>Net</u>
First 2000 cu. ft. per mo.	\$1.50	\$1.40
Next 23000 " " " "	1.10	1.00
Over 25000 " " " "	.90	.80
Minimum	.60	.50

Schedule "2" - Hollister and Gilroy

First 2000 cu. ft. per mo.	1.60	1.50
Next 3000 " " " "	1.35	1.25
Next 20000 " " " "	1.10	1.00
Over 25000 " " " "	.90	.80
Minimum	.60	.50

Schedule "3" - Prepay Meters (All Districts).

\$1.50 per M. cu. ft.

Minimum \$ .50

Schedule "4" - Bakery Ovens (All Districts).

	<u>Gross</u>	<u>Net</u>
Rate per M. cu. ft.	.85	.75
Minimum	.60	.50

Schedule "5" - Hotels and Restaurants.

Rate per M. cu. ft.	.85	.75
Minimum (weekly)	8.00	7.00

The above rates were filed with this Commission by applicant but their reasonableness has never been formally passed upon by the Commission.

The physical value of the properties, as claimed by the company in its application, totaled as follows on December 31, 1916:

Santa Cruz . . . . .	\$178,590.51
Watsonville. . . . .	108,384.82
Hollister. . . . .	73,545.19
Gilroy . . . . .	29,149.23*

\*The Gilroy plant is leased from the City, the above amount being the total additions and betterments made by the company.

It has not been possible for the Commission's Gas and Electric Division to make a detailed valuation of the properties of this company owing to the large number of applications for adjustment of gas and electric rates now before the Commission as a result of the increased cost of operation caused by the emergency war condition. However, a personal inspection of these properties has been made by Mr. Hammond and this together with a comparison of the cost of these properties with similar properties in this State, indicates that the values claimed by applicant are, for the purposes of this proceeding, not excessive.

Applicant's revenue, expenses and return for the year 1916 are given below for each individual plant.

	<u>Santa Cruz</u>	<u>Watsonville</u>	<u>Hollister</u>	<u>Gilroy</u>
Gas Revenue. . . .	\$47,516.59	\$25,133.40	\$12,179.75	\$12,816.00
Total Operating Expenses (excluding depreciation)	32,425.84	17,579.88	10,355.62	10,491.86
Net Earnings. . . .	15,090.75	7,553.52	1,824.13	2,324.14
Per cent return for interest and depreciation	8.44	6.97	2.47	7.97

If depreciation allowance be deducted, the net return for interest on the capital would in no instance exceed 6%.

Applicant's oil contract expired on October 1, 1917, since which date oil has been purchased at market prices, a contract being unobtainable. The cost of oil F.O.B. each city supplied, under the old and the present price is given below.

	<u>As per contract which expired Oct. 1, 1917.</u>	<u>Price paid since Oct. 1, 1917.</u>
Santa Cruz	\$.77 per bbl.	\$1.646 per bbl.
Watsonville	.88 " "	1.747 " "
Hollister	.95 " "	1.856 " "
Gilroy	.86 " "	1.739 " "

The following operating statistics for the year 1916 will show the effect of the increased cost of oil, labor and taxes and the revenue per thousand cubic feet of gas sold which it will be necessary to collect during the year 1918 if the same return as that received in 1916 be realized:

1916	<u>Santa Cruz</u>	<u>Watsonville</u>	<u>Hollister</u>	<u>Gilroy</u>
Gallons of oil per M.cu.ft. sold	12.5	13.85	14.0	13.9
Oil cost per M.cu.ft. sold at contract price	\$.229	\$.290	\$.285	\$.284
at present price	.490	.576	.619	.575
Estimate labor cost increase (App. Ex. C,D,E,F)	\$2900.27	\$2239.63	\$1007.40	\$725.01
Revenue per M.cu.ft. sold	\$1.244	\$1.28	\$1.44	\$1.38
Increase in oil per M.cu.ft. sold	.261	.286	.334	.291
Increase in labor per M.cu.ft."	.074	.114	.119	.077
Tax on increased expenses per M.cu.ft. sold	.020	.024	.027	.022
Revenue per M.cu.ft. sold necessary in 1918 for same return as realized in 1916	\$1.599	\$1.704	\$1.92	\$1.77

The above estimates are based upon the operations in effect during 1916. An analysis of the last four years of operation indicates no immediate prospect of any increase in the com-

pany's consumers or sales. We believe that economies could be introduced in certain of the plants which would reduce expenses to some extent. However, it is not probable that these economies would more than compensate for the losses which usually follow an increase in rates.

Mr. Hammond submitted a report of a special investigation of service in Santa Cruz. This report states that the gas in Santa Cruz was tested and found to have a heat content of 536 B.T.U. per cubic foot. Applicant's rate schedules on file with the Railroad Commission sets forth that the quality of gas served is 550 B.T.U. We believe that applicant's gas consumers are entitled during the present abnormal conditions to be served with gas of an average heat content of at least that set forth in applicant's rate schedules, which is 550 B.T.U. per cubic foot. We are, therefore, basing the rates established herein on a gas of that quality.

We believe that higher rates than those herein established would not result in greater revenue because of the effect of competitive fuels. Although these rates under present conditions may not net the applicant a return quite equal to that of 1916, which return was less than would be considered reasonable under normal conditions, we believe they will result in as high a net return as could be obtained from any higher rates. Based upon the sales of 1916, the applicant should realize revenue per thousand cubic feet of gas sold as follows:

Santa Cruz	....	\$1.59
Watsonville	...	1.63
Hollister	....	1.69
Gilroy	....	1.65

We submit the following form of order:

O R D E R

COAST COUNTIES GAS AND ELECTRIC COMPANY having applied to the Railroad Commission for a revision of its rates charged for gas served in Santa Cruz, Watsonville, Hollister and Gilroy, and a public hearing having been held and the matter having been submitted and being now ready for decision,

THE RAILROAD COMMISSION HEREBY FINDS that the rates charged by Coast Counties Gas and Electric Company for gas are unjust and unreasonable in so far as they differ from the rates and charges herein established and that the rates and charges herein established are just and reasonable under existing conditions.

Based on its order on the foregoing findings of fact and on each statement of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED that Coast Counties Gas and Electric Company be and it is hereby authorized to establish and file with the Railroad Commission within ten (10) days from the date of this order and make effective for all bills rendered on regular meter readings made on and after April 12, 1918, the following rates for artificial gas having an average heat content of not less than 550 B.T.U. per cubic foot furnished in the territory served by it:

R A T E S

<u>Schedule "1" - General Service</u>		<u>Santa Cruz</u>	
		<u>Gross</u>	<u>Net</u>
First	500 cu.ft. or less per mo. per meter	\$1.10	\$1.00
			<u>Per M Cu.ft.</u>
Next	2,000 cu.ft. per mo. per meter	1.65	1.55
"	2,500 " " " "	1.50	1.40
"	3,000 " " " "	1.30	1.20
"	5,000 " " " "		1.00
All over	15,000 " " " "		.90

<u>Schedule "2" - General Service</u>		<u>Watsonville</u>	
First	500 cu.ft. or less per mo. per meter	\$1.10	\$1.00
			<u>Per M cu.ft.</u>
Next	2,000 cu.ft. per mo. per meter	1.70	1.60
Next	3,000 " " " "	1.50	1.40
Next	4,500 " " " "	1.30	1.20
Next	5,000 " " " "		1.00
All over	15,000 " " " "		.90

<u>Schedule "3" - General Service</u>		<u>Hollister and Gilroy</u>	
First	500 cu.ft. or less per month per meter	\$1.10	\$1.00
			<u>Per M cu.ft.</u>
Next	2,500 cu.ft. per mo. per meter	1.70	1.60
Next	4,000 " " " "	1.50	1.40
Next	8,000 " " " "		1.20
Next	10,000 " " " "		1.00
All over	25,000 " " " "		.90

The net rate is effective if the bill is paid at the office on or before the 10th day of the month next succeeding that for which the bill is rendered. If bill is not paid on or before the 10th day of the month, the gross charge is effective.

Schedule "4" - Prepay Meters

Santa Cruz, Watsonville,  
Hollister and Gilroy.

Rate - \$1.75 per thousand cubic feet per month per meter

Minimum monthly charge \$ .75

Schedule "5" - Hotels, Restaurants and Bakeries.

Santa Cruz and Watsonville

	<u>Gross</u>	<u>Net</u>
Rate per 1000 cu.ft.	\$ .90	\$ .85
Minimum weekly charge per meter	7.50	7.00
Annual guarantee		150.00

The net rate is effective if the bill is paid at the office of the company within three (3) days after reading of meter and presentation of weekly bill. If bill is not paid within three (3) days, the gross charge is effective.

Schedule "6" - Hotels, Restaurants and Bakeries

Santa Cruz, Watsonville  
Hollister and Gilroy

	<u>Gross</u>	<u>Net</u>
Rate per 1000 cu.ft.	\$1.10	\$1.00
Minimum weekly charge per meter	4.00	3.50
Annual guarantee		\$50.00

The net rate is effective if the bill is paid at the office of the company within three (3) days after reading of meter and presentation of weekly bill. If bill is not paid within three (3) days, the gross charge is effective.

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 1st  
day of April, 1918.

Max Nelson

A TRUE COPY  
ASSISTANT SECRETARY  
RAILROAD COMMISSION  
STATE OF CALIFORNIA.

Edwin O. Edgerton

Frank R. Deane

Commissioners.