

ORIGINAL

Decision No. 5205

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

BEFORE THE RAILROAD COMMISSION  
OF THE STATE OF CALIFORNIA.

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In the Matter of the Application )  
of the OAKDALE GAS COMPANY to ) Application No. 3519.  
increase Rates. )

G. W. Anderson for applicant.  
F. W. Reeder, City Attorney of  
Oakdale, for City of  
Oakdale.  
J. C. Fountain, for consumers  
of town of Riverbank.  
Mrs. A. Emerald, in propria persona.

BY THE COMMISSION.

O P I N I O N

This is the application of the Oakdale Gas  
Company asking authority to increase its rates charged for gas.

Applicant's gas properties consist of an artificial  
gas plant located in Oakdale, a transmission line from Oakdale  
to Riverbank and distribution systems in Oakdale and Riverbank.

Applicant alleges in effect that its contract by  
which it secured oil at 41.5 cents per barrel at the field ex-  
pired on November 15, 1917, since which date it has been necessary  
to purchase oil in the open market at a total cost of \$1.865 per  
barrel at the plant, and it further alleges that under the present  
cost of oil it will not be able under the existing rates to  
meet its operating expenses.

A hearing was held before Examiner Encell at Oakdale on March 13, 1918, at which time testimony and evidence in this matter was introduced.

The existing rates charged by applicant for gas are:

| <u>Monthly Consumption</u> | <u>Gross</u>        | <u>Discount if paid by 10th of Month</u> | <u>Net</u>          |
|----------------------------|---------------------|--|---------------------|
| 1 000 to 5 000 cu. ft.     | \$1.75 per M.cu.ft. | \$ .25                                   | \$1.50 per M.cu.ft. |
| 5 000 to 7 000 cu. ft.     | 1.75 " " " "        | \$.25 & 5%                               | 1.42½ " "           |
| 7 500 to 10 000 cu. ft.    | 1.75 " " " "        | .25 & 10%                                | 1.35 " "            |
| 10 000 to 15 000 Cu. ft.   | 1.75 " " " "        | .25 & 15%                                | 1.27½ " "           |
| 15 000 and over            | 1.75 " " " "        | .25 & 20%                                | 1.20 " "            |

Minimum Charge: \$1.00 per meter per month.

The above rates have been in effect since the Company's organization in 1913, but during this period the Commission has not had occasion to determine their reasonableness.

A valuation has never been made of the properties of the Oakdale Gas Company, however, applicant contends that as it has been under the jurisdiction of the Commission during its entire corporate life, and as the accounts have been kept in accordance with the requirements of this Commission during that period, that the actual cost of the properties is as set forth in applicant's Annual Report to this Commission.

This indicates a Total Fixed Capital as of December 31, 1917, of \$58,522.45. The financial statement for the year 1917 is as follows:

|   |                  |
|---|------------------|
| Total Gross Revenue                                 | \$12 862.76      |
| Operating Expenses, exclusive of Depreciation       | <u>10 173.03</u> |
| Net Revenue available for Interest and Depreciation | 2 689.73         |
| Percent return for Interest and Depreciation        | 4.60             |

The statistics for the year 1917 shows the following:

|   |                   |
|---|-------------------|
| Number of Consumers                           | 359               |
| Total Gas Sales                               | 9 155 900 cu. ft. |
| Total Oil Used                                | 3 682 barrels     |
| Gallons of oil per M. Cu. Ft.<br>of Gas Sold, | 16.8              |

| <u>Cost of Oil</u> | <u>Per Barrel</u> | <u>Per M.Cu.Ft.of Gas</u> |
|--------------------|-------------------|---------------------------|
| Contract Price     | \$ .825           | \$.33                     |
| Present Price      | 1.865             | .75                       |
| Average Revenue    |                   | 1.404                     |

From the above it will be noted that during the year 1917 when a return of 4.6 per cent for interest and depreciation was realized, the average revenue per thousand cubic feet of gas sold was \$1.404. Due to the increased cost of oil alone, it will be necessary for applicant to receive \$1.824 per thousand cubic feet of gas sold to earn the same return for the year 1918, as in 1917 provided no material economies in operation can be made. Applicant's plant is small and its consumers are distributed thru two towns which necessarily causes a higher cost of service.

It is apparent that if applicant is not granted relief it will not be able to meet actual operating expenses in the future even with such economies as it may be able to put into effect.

Although the price of fuels other than gas have increased greatly, and in all probability a slight increase in gas rates would not be followed by any considerable reduction in sales, it is highly improbable that as high a rate as would be required to offset the entire increase of oil cost as could be charged without a serious loss of business.

After careful consideration we have selected the rates established in the following order, which it is estimated will return approximately \$1.688 per thousand cubic feet of gas sold. These rates are comparable with rates established in similar cases

by the Commission, and we believe they will prove more equitable to applicant, than would higher rates.

Applicant urges that the discount form of rate, as is in effect at present, be granted in order that the collection expenses will be reduced to a minimum. Although we are not in accord with the present form of discount rates, we have included in the rates a discount which, we believe, will accomplish the desired result.

### O R D E R

OAKDALE GAS COMPANY having applied to increase its gas rates, and hearings having been held and the matter having been submitted and ready for decision, and the Railroad Commission finding as a fact that the existing rates under present conditions of cost of operation are unjust and unreasonable, and further finding as a fact that applicant should be granted authority to increase its rates to those set forth in this order,

IT IS HEREBY ORDERED that Oakdale Gas Company be, and the same is hereby authorized to charge and collect the following rates for gas. Such rates shall be applicable to all regular meter readings made on or after ---May 1st, 1918, provided Oakdale Gas Company shall have filed with the Commission said rates on or before April 15th, 1918.

|          |                                       | <u>Gross</u>          | <u>Net</u> |
|----------|---------------------------------------|-----------------------|------------|
| First    | 500 cu. ft. or less per meter per mo. | \$1.10                | \$1.00     |
|          |                                       | <u>Per M. Cu. Ft.</u> |            |
| Next     | 2 500 cu. ft. per meter per mo.       | 1.80                  | 1.70       |
| Next     | 5 000 cu. ft. per meter per mo.       | 1.55                  | 1.50       |
| Next     | 7 000 cu. ft. per meter per mo.       |                       | 1.25       |
| All over | 15 000 cu. ft. per meter per mo.      |                       | 1.10       |

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

Dated at San Francisco, California, this 12<sup>th</sup>  
day of April, 1918.

Max Thelen

W. Gordon

Frank R. DeWitt

Commissioners