

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

BEFORE THE RAILROAD COMMISSION  
OF THE STATE OF CALIFORNIA.

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ORIGINAL

Decision No. 5306

In the Matter of the Application  
of SUSMAN MITCHELL, Receiver of  
the CENTRAL CALIFORNIA GAS COMPANY  
for authority to readjust and in-  
crease gas rates.

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Application No. 3553.  
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Power and McPadzen, by Dan'l McPadzen,  
for Applicant.  
E. I. Feimster, for City of Visalia.

BY THE COMMISSION:

O P I N I O N

This is an application of the Central California  
Gas Company for an increase in its rates charged for gas.

The Central California Gas Company herein after  
referred to as applicant, is at present being operated by  
Mr. Susman Mitchell, as Receiver, he having been appointed  
as such receiver by an order of the Superior Court of the  
County of Tulare on July 31, 1917.

Applicant operates an artificial gas plant located  
in Visalia, a transmission line to Tulare, a second trans-  
mission line extending through Exeter, Lindsey, Strathmore and  
Porterville, and distribution systems in each of the above  
mentioned towns.

Applicant alleged in effect that its contract, by  
which it secured oil at \$ .64 per barrel, expired on Sep-  
tember 1, 1917, and since this date oil has been secured by

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a contract at a cost of \$1.68 per barrel at the plant.

Applicant submits a form of rate and prays that same be authorized by this Commission, alleging that with the proposed rate in effect, due to the increased cost of oil, it will then be earning less than a 6 per cent return on an alleged investment of \$350,000.00.

Hearing was held at Visalia on March 15, 1917, before Examiner Encell, at which time testimony and evidence were introduced relative to the rates, operations, financial condition and quality of service supplied by applicant.

The existing rates charged by applicant are as follows:

SCHEDULE "A"

General Service

<u>Amount</u>	<u>Rate</u>	<u>Discount</u>	<u>Net Rate</u>
Minimum	\$1.00	\$ .25	\$ .75
1st 1000 cu.ft.	1.75	.25	1.50
2nd 1000 cu.ft.	1.50	.25	1.25
3d 1000 cu.ft.	1.40	.25	1.15
4th 1000 cu.ft.	1.20	.20	1.00
5th 1000 cu.ft.	.85	-	.85
6th to 20th 1000 cu.ft. each 1000 cu.ft.	.85	-	.85
21st to 40th 1000 cu.ft. each 1000 cubic feet,	.75	-	.75
41st to 60th 1000 cu.ft. each 1000 cubic feet,	.60	-	.60
For each additional 1000 cubic feet,			.50

Discounts are made only if the preceding month's bill is paid on or before the 10th of the current month.

SCHEDULE "B"

Only under a yearly contract whereby the consumer agrees to use not less than 20,000 cubic feet per month for at least twelve consecutive months, the

First 20,000 cubic feet, - - - - - \$ .85 per thousand  
Each 1000 from the 21st to the 40th  
thousand, - - - - - \$ .75 per thousand  
Each 1000 from the 41st to the 60th  
thousand, - - - - - \$ .60 per thousand  
For the 61st thousand, - - - - - \$ .50  
For each additional thousand, - - - - \$ .50 per thousand  
Minimum bill this rate, \$17.00 per month.

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SCHEDULE "C"

Only under a yearly contract whereby the consumer agrees to use not less than 60,000 cubic feet per month for at least twelve consecutive months, the

First 60,000 cubic feet, - - - - - \$ .60 per thousand  
For the 61st thousand, - - - - - \$ .50  
For each additional thousand, - - - - \$ .50 per thousand  
Minimum bill this rate, \$36.00 per month.

The Commission is familiar with the previous financial difficulties of Central California Gas Company, and it is also familiar with the extreme lack of maintenance and the inefficient method of operating with the resultant poor service which have existed for some months in the past under the former management. Applicant also realized these facts and therefore with a new management and with prospects of relief from its financial difficulties, asks this Commission to grant the proposed

rates which it alleges, if based upon an efficient operation of applicant's properties and the present price of materials, will return less than what under normal conditions might be considered a fair rate of return on the investment.

Operating statistics for the year 1917 are as follows:

1.	Total Gas Sales	83,549,000 cu. ft.
	Total revenue	\$99,868.96
	Number of Consumers	2,858
	Barrels of Oil used	37,449
2.	Sales per Consumer	29,230 cu. ft.
	Gallons of Oil used	18.8 per 1000 cu. ft. of Gas sold
	Cost of Oil:	
	Oil at \$ .64 per bbl.	\$ .287 per 1000 cu.ft. sold
	Oil at \$1.68 per bbl.	.752 per 1000 cu.ft. sold
	Net Increase, including Taxes	\$ .492 per 1000 cu. ft. sold
	Average Revenue	\$ 1.195

Applicant estimates that for the year ending January 31, 1919, its sales will amount to 100,000,000 cu. ft. of gas and that its operating expenses will be as follows:

Production Expenses:		
	Oil at 14.74 gals. per 1000 cu.ft.sold	\$58,968
	Other production expenses	16,020
	Transmission Expense	4,750
Distribution:		
	Extraordinary Repairs	1,200
	Other Expenses	8,600
	Commercial Expense	4,800
	General and Miscellaneous Expenses	14,400
	Taxes	8,750
	Total Operating Expenses	\$117,488

Fixed charges:		
Interest, 6% on \$350,000		\$21,000
Depreciation, 3% on \$350,000		<u>10,500</u>
Total Expenses		\$148,988

Applicant submits a proposed rate schedule which is as follows:

	<u>Gross</u>	<u>Net</u>
First 500 cu. ft. or less	\$ .85	\$ .75
	<u>Per 1000 cu. ft.</u>	
Next 4,500 cu. ft. per meter per mo.	\$1.60	\$1.50
Next 5,000 cu. ft. per meter per mo.	1.45	1.40
Next 5,000 cu. ft. per meter per mo.		1.25
Next 10,000 cu. ft. per meter per mo.		1.10
All over 25,000 cu. ft. per meter per mo.		1.00

Applicant states that it would realize approximately \$145,570.00 with the above rate in effect for the year ending January 31, 1919. A careful analysis of applicant's rates made by the Commission's Engineers indicates that the estimate of the revenue which will be derived from the above rates is approximately correct.

In view of the present conditions of applicant's properties and extensive repairs that will be necessary before efficient operations can be expected, we believe that the above estimates are reasonable.

Several valuations of these properties have been made both by the Gas and Electric Division of this Commission and by parties representing the Central California Gas Company. However, there has never yet been a valuation made for rate-making purposes.

In view of the present emergency conditions, and after a careful analysis of the aforementioned valuations which are in evidence in this matter, we have used as a rate base the amount (\$350,000) set forth in the application, but it should not be understood that in the use thereof we are passing upon the fair value of the properties.

It is evident from the facts set forth in this opinion that applicant is at present serving gas at much less than a fair and reasonable rate, and that with the proposed rates in effect it would still earn less than what might be considered a fair return under normal conditions.

In view of the above findings, we believe that the application should be granted.

#### O R D E R

CENTRAL CALIFORNIA GAS COMPANY having applied for authority to increase its gas rates, and a hearing having been held and the matter having been submitted and is now ready for decision, and the Railroad Commission finding as a fact that the existing rates under present conditions of cost of operations 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 the order,--

IT IS HEREBY ORDERED that Central California Gas Company be, and the same is hereby, authorized to charge and collect the following rates for gas of the same heat quality as Central California Gas Company has heretofore held itself out to serve. Such rates shall be applicable to all regular meter readings made on or after twenty days after the date of this order, provided Central California Gas Company shall have filed said rates with the Commission on or before April 20, 1918.

General Service

		<u>Gross</u>	<u>Net</u>
First	500 cu. ft. or less per mo.	\$ .85	\$ .75
		<u>Per M. Cu. Ft.</u>	
Next	4 500 cu. ft. per meter per mo.	1.60	1.50
Next	5 000 cu. ft. per meter per mo.	1.45	1.40
Next	5 000 cu. ft. per meter per mo.		1.25
Next	10 000 cu. ft. per meter per mo.		1.10
All over	25,000 cu. ft. per meter per mo.		1.00

The net rate is effective on all bills paid on or before ten days after date of presentation.

Dated at San Francisco, California, this 15th day of April, 1918.

Max Thelen

Alex Gordon

Edwin O. Edgerton

Frank R. DeWitt  
Commissioners.