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ORIGINAL

Decision No. 5328

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BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of RIVERBEND GAS AND WATER COMPANY )  
for an order authorizing an increase ) Application No. 3552  
in gas rates. )

Chaffee E. Hall, for applicant.  
C. W. Tackabarry, for City of Reedley.  
Andrew Erickson, for City of Kingsburg.  
G. W. Osterhout, for City of Dinuba.

BY THE COMMISSION.

O P I N I O N

This is the application of the Riverbend Gas and Water Company for an increase in its gas rates.

Applicant operates, among other properties, an artificial gas plant located in Dinuba, which supplies gas to the Cities of Dinuba, Parlier, Reedley, Kingsburg and contiguous territory.

Applicant alleges in effect that its contract, by which it secured fuel oil at \$.81 per barrel at the Dinuba plant, expired on January 31, 1918, and that since that date it has been necessary to pay approximately \$1.75 per barrel for the oil necessary in the manufacture of gas. Applicant further alleges that this material increase in the cost of oil will cause a deficit in its gas business for the year 1918 of over \$8,000.00, excluding any allowance for depreciation.

Applicant in its prayer, asks that such rates be fixed as will permit it to pay its operating expenses, depreciation and a reasonable return upon its investment.

Hearing in this proceeding was held before Examiner Encell at Parlier on March 14th, 1918, at which time testimony and evidence were introduced relative to the rates, operations and growth of applicant company.

The existing rates charged by applicant for gas service are, in effect, as follows:

GENERAL GAS SERVICE

City of Dinuba

Minimum Bill .....	\$1.00 per meter per mo.
Consumption of 4,000 cu.ft. or less per month per consumer .....	\$1.25 per 1,000 cu.ft.
Consumption of 4,000 to 5,000 cu.ft. per month per consumer .....	\$5.00
Consumption of 5,000 cu.ft. or over per month per consumer .....	\$1.00 per 1,000 cu.ft.

The rates for service outside of the City of Dinuba differ from the above in that if bills are not paid on or before the tenth of the next succeeding month a rate of 25¢ per 1,000 cu.ft. in excess of the above is charged.

The above rates have been in effect since 1915 when service was first rendered but the reasonableness of said rates has not been passed upon by the Commission at any time during the operation of the company.

The financial showing for the year 1917 for the operation of the gas properties of the Riverbend Gas and Water Company is set forth as follows:-

Reported Fixed Capital - Oct. 31, 1917 .....	\$128,098.24
Gross Revenue - Year 1917 .....	35,858.51
Operating expenses exclusive of de- preciation.....	29,020.28
Net Revenue available for depreciation & and return .....	6,838.23
Percent Return available for Interest and Depreciation .....	5.34%

The Commission's Gas and Electric Division made a valuation of applicant's gas properties in 1916, which, although not for rate making purposes, indicated that at that time the company's books reflected a very fair approximation of the historical reproduction cost of the properties. Since October 31, 1917 applicant has invested considerable additional capital in additions and betterments and extensions to the properties. On March 1, 1918 there was reported a total Fixed Capital, exclusive of Material and Supplies and Working Cash Capital, of \$140,763.74.

The above amount increased for Materials<sup>and</sup> Supplies and Working Cash Capital together with Net Additions and Betterments is estimated to equal for the year 1918, \$152,250, which may be considered as a fair rate base for the purpose of this proceeding.

The operating statistics for the year 1917 and estimates for the year 1918 are as follows:-

	<u>1917</u>	<u>Estimate 1918</u>
Total Consumers	1,247	1,358
Total Gas Sales - M Cu.Ft.	33,060	36,679
Barrels Oil Used	14,700	13,100
Oil cost per barrel	\$.81	\$1.75
Gas Sales per Consumer - Cu.ft.	26,512	27,000
Gallons Oil per M Cu.Ft. sold	18.6	15.0
Oil Cost per M cu.ft. sold	\$.358	\$.625
Average Revenue per M cu.ft. Gas sold	\$1.08	
Operating Expenses other than Oil and Taxes		
Total	\$15,804.19	\$17,384
Per M cu.ft. Gas sold	\$.478	\$.474

The oil consumption in gallons per 1,000 cu.ft. in 1917 was much in excess of what <sup>it</sup> should be in a plant of the size of applicants. In the 1918 estimates a duty of 15 gallons has been used although applicant, with careful operation, should reduce the oil consumption ~~to~~ approximately 14 gallons.

From the above it will be seen that should the existing rates continue in effect during 1918, applicant would be unable

to meet its actual operating expenses.

From analysis of the sales it is estimated that the rates set forth in the following order will return applicant a revenue of \$1.55 per 1,000 cu. ft. sold. With these rates in effect, applicant should realize a return upon its investment, for interest and depreciation, of approximately 8% provided it reduces its oil consumption per 1,000 cu. ft. sold to that which should be obtained.

Applicant commenced operations in 1915 and was still, in 1917, in the development stage. Its rates have been lower than those generally charged on similarly situated systems and because of this fact a material increase is found to be necessary at this time.

The rates herein fixed are comparable with rates determined to be fair and reasonable in similarly situated communities and we believe them to be fair and reasonable for applicant under the present emergency conditions.

#### O R D E R

RIVERBEND GAS AND WATER COMPANY having applied to increase its gas rates, and hearing having been held and the matter having been submitted and being now 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 the order;

IT IS HEREBY ORDERED that Riverbend Gas and Water 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 the date of this order~~ after the date of this order, provided Riverbend Gas and Water Company

shall have filed with the Commission said rates on or before May 10, 1918.

GENERAL SERVICES

	<u>Gross</u>	<u>Net</u>
First 600 cu. ft. or less per meter per month	\$1.10	\$1.00
	<u>Per M cu.ft.</u>	
Next 2400 cu. ft. per meter per month	\$1.70	\$1.60
Next 4000 cu. ft. per meter per month	1.50	1.40
Next 8000 cu.ft. per meter per month		1.20
All over 15000 cu. ft. per meter per month		1.00

The net amount is effective on all bills paid within ten days after the bill is rendered.

Dated at San Francisco, California, this 20th day of April, 1918.

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*W. H. Howard*

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*W. Gordon*

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*Edwin O. Edgerton*

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Commissioners.