

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

Decision No. 5338

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In the matter of the application)	
	:	
of CITRUS BELT GAS COMPANY for)	Application No. 2787
	:	
an increase in its gas rates.)	
	:	

P. J. Dabbell and E. T. Bell
 for Applicant
 Wm. Guthrie, City Attorney for the
 city of San Bernardino
 M. O. Hert, City Attorney for the
 city of Colton.

EDGERTON, Commissioner.

O P I N I O N

The Citrus Belt Gas Company asks that the Commission increase its gas rates in the cities of San Bernardino, Redlands, Colton and Corona.

Applicant operates an artificial gas plant in San Bernardino serving that city and Colton; another in Redlands, and a third in Corona. In the latter two cities applicant is the only gas company serving, while in San Bernardino and Colton it competes with Southern California Gas Company.

The matter of this application in so far as it af-

fects the question of rates in Redlands and Corona was decided by this Commission in its Decision No. 4682 issued September 16, 1917. Owing to the competitive conditions existing in San Bernardino and the fact that there was pending before the Commission at the times of hearing and decision regarding Redlands and Corona, the application of Southern California Gas Company, Application No. 1853, for a determination of rates in San Bernardino, that part of this application pertaining to the service in San Bernardino and Colton was heard in conjunction with hearing held at San Bernardino in Application No. 1853.

The existing rates charged by applicant in the cities of San Bernardino and Colton are as follows:

Schedule "A"

San Bernardino

\$1.00 per thousand cubic feet per meter per month.

No minimum charge.

Schedule "C"

Colton

\$1.50 per thousand cubic feet per meter per month.

25¢ per 1,000 cubic feet discount if bill is paid before the 10th of the month.

Minimum charge - 50¢ per meter.

Citrus Belt Gas Company alleges in effect that in the past it did not receive a fair rate of return upon its investment used and useful in the service of gas in the several towns;

that the cost of oil has materially increased and that an increase of rates is necessary to cover such increased cost.

In this application Citrus Belt Gas Company requests authority to increase its rates for artificial gas sufficiently only to reimburse it for the increased operating expenses caused by the advanced price of fuel oil used in the manufacture of gas.

Applicant operates an artificial gas manufacturing plant in San Bernardino, a distribution system serving the main portion of that city, and a transmission line to Colton and distribution system therein. The company is in direct competition with Southern California Gas Company in the entire territory served by it in San Bernardino and to a slight extent in competition with that company as regards service in the city of Colton.

The gross revenue for the year 1916 as reported by applicant for the two cities is as follows:

San Bernardino . . .	\$27,581.44
Colton	16,435.35

Applicant's financial showing for the year 1916-17 for the San Bernardino and Colton properties combined is set forth as follows:

San Bernardino and Colton:

	<u>1916</u>	<u>1917</u>
Reproduction new value (Applicant's report)	\$257,440.00	\$258,100.00
Gross operating revenue	44,016.79	43,822.17
Operating expenses (excluding deprec.)	<u>33,404.04</u>	<u>41,225.60</u>
Net operating revenue	10,612.75	2,596.57
Per cent return for interest and depreciation	4.12	1.01

The Commission has not had a detailed check made of the valuation of applicant's properties which is used in connection with the service in San Bernardino and Colton. A comparative check of the same on basis of the cost of similar plants tends to show that this estimate is not sufficiently different in any way to affect the findings in this matter.

As will be noted from the above, the company's earnings for interest and depreciation in 1916 were only four per cent and were practically one per cent in 1917. This would appear to be largely due to the competitive conditions existing in San Bernardino and to the marked increase in the price of oil during the latter year.

Statistics for the year 1916... operations of the San Bernardino and Colton systems as reported by applicant in its Annual Report to the Commission are as follows:

Total Oil used	12,315 barrels
Gas sold	40,185,700 cu.ft.
Number of consumers	1,770
Sales per consumer	22,700 cu.ft.
Gal. oil per M cu.ft. sold.....	12.87
Avg. revenue per M cu.ft. sold	\$1.09

During the year 1916 applicant paid \$.855 per barrel for the oil used in the manufacture of gas. This price increased in 1917 to \$1.44 per barrel, while the present market price of oil at San Bernardino is \$1.60 per barrel. This increase in the cost of oil amounts to approximately 23¢ per M cubic feet of gas sold over the cost in 1916. According to the testimony, there has also been a material increase in the cost of labor and supplies.

It is apparent from the above that in order to realize the same return as was realized in 1916, it would be necessary in 1918 for applicant to secure a revenue of at least \$1.35 per thousand cubic feet of gas sold. Applicant received in 1917

practically no return upon its investment and even to earn an amount equal to that received in 1916 it will be necessary for it to have a material increase in rates.

The Commission in its Decision No. , in Application No. 1853, this day being decided, has fixed a rate in the city of San Bernardino for the Southern California Gas Company based upon the delivery of gas of 560 B.T.U. per cubic foot average monthly heat content with a minimum heat content of 530 B.T.U. per cubic foot. Necessarily, the same quality of gas should be served by both companies and I therefore recommend that the rates for the Citrus Belt Gas Company be based upon the same quality of gas as fixed for the Southern California Gas Company.

Citrus Belt Gas Company is in direct competition with Southern California Gas Company for the service in San Bernardino and it necessarily follows that the rates for the two companies must be identical regardless of whether the applicant in this case will receive a fair return upon its investment or not. Applicant receives a considerably smaller portion of the business in San Bernardino and it is therefore not probable that it will be able to receive a fair return.

Applicant competes with Southern California Gas Company to a small extent in the city of Colton and it does not appear advisable that a different rate be fixed for this company than for Southern California Gas Company in that town and I therefore recommend that as regards rates for the Citrus Belt Gas Company in the town of Colton, that they be the same as fixed for Southern California Gas Company.

I therefore recommend the following form of order:

O R D E R

Citrus Belt Gas Company having applied to the Railroad Commission for authority to increase its gas rates, and a hearing having been held and this proceeding being now ready for decision,

THE RAILROAD COMMISSION HEREBY FINDS AS A FACT that the existing rates of Citrus Belt Gas Company for gas service in the towns of San Bernardino and Colton are unjust and unreasonable and that the rates herein established are just and reasonable.

Basing its order on the foregoing findings of fact and on other findings of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED that Citrus Belt Gas Company be and the same is hereby authorized to charge and collect the following rates for gas of an average monthly heat content of 560 B.T.U. per cubic foot with a minimum of 530 B.T.U. per cubic foot. Such rates shall be applicable to all regular meter readings made on and after May 5, 1918, provided Citrus Belt Gas Company shall have filed with the Railroad Commission said rates on or before May 4, 1918.

SCHEDULE "A"

General Service

City of San Bernardino

Rate:

First	3,000	cu.ft.	per	meter	per	mo.	\$1.20	per	1000	cu.ft.
Next	5,000	"	"	"	"	"	1.10	"	"	"
"	7,000	"	"	"	"	"	1.00	"	"	"
All over	15,000	"	"	"	"	"	.80	"	"	"

Minimum monthly charge \$.60

