

ORIGINAL

Decision No. _____

Decision No. 5640

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA

---000---

In the matter of the application)
of the UKIAH GAS COMPANY, a cor-)
poration, for change in the sche-)
dule of rates.)

Application
No. 3489

George H. Eckert, for Applicant.

BY THE COMMISSION:

O P I N I O N

This is an application of Ukiah Gas Company for an order authorizing applicant to increase its rates charged for gas.

Applicant alleges in effect that, due to the increase in the cost of oil, materials, supplies, labor and taxes, it will be unable to earn under the present existing rates sufficient moneys to meet operating expenses after the expiration of its present oil contract; and further, that the contract by which it now secures oil at \$1.40 per barrel expires January 1, 1919, after which date

the cost of oil delivered at Ukiah will be \$2.40 per barrel.

A hearing in this application was held before Examiner Encell in the City of Ukiah on May 23, 1918, at which time evidence was introduced, and the matter submitted.

The applicant's gas properties consist of an artificial gas plant located in the City of Ukiah and a distribution system throughout the City of Ukiah and suburbs.

The existing rates of applicant for gas service effective since November 1, 1917, are as follows:

<u>Monthly Consumption</u>		<u>Rate</u>
First	500 cu.ft. or less per meter per mo.	\$.75
Next	4,500 " per meter per month	1.50 per M cu.-ft.
"	5,000 " " " "	1.35 " " "
"	5,000 " " " "	1.25 " " "
"	15,000 " " " "	1.15 " " "
	15,000 cu.-ft. and over on prepayment meter per month	1.10 " " "

An appraisal of the gas plant and system of the Ukiah Gas Company was made by Mr. W. J. Hammond, Assistant Engineer of the Commission, in April 1917 and has been brought up to January 1, 1918 from the book accounts of applicant as follows:

Properties as of April 1917	\$35,865.00
Additions and Betterments		
April 1917 to Jan. 1, 1918	<u>131.55</u>
Properties as of Jan. 1, 1918	\$35,996.55

During the year 1917 applicant served 420 consumers and sold 6,535,300 cubic feet of gas in the manufacture of which 2411 barrels of oil were used. It received from its business during that year a gross revenue of \$9,560.70, and its operating expenses, amounted to

\$8,320.18, leaving a net operating revenue, exclusive of depreciation, of \$1,240.52, which is but 3.45 percent of the plant valuation hereinbefore set forth.

It is probable that the number of consumers served by applicant during 1917 will not be increased in the near future. The gas plant is a small one but is operated with good economy. Applicant's present contract for oil expires January 1, 1919, and it is apparent that if proper relief is not allowed by that time, applicant will be unable to meet operating expenses. At the present time applicant's return is unduly small and even under the existing price of oil an increase is justified.

An increase in applicant's gas rates that would entirely compensate for the higher costs of oil, materials, labor and other operating costs, and which would allow more than a 4 or 5 percent return for interest and depreciation, would very probably result in a considerable decrease in gas sales. With this fact in mind, and after careful consideration, we are of the opinion that rates set forth in the order herein will result in a maximum degree of relief. The rates hereinafter established should yield applicant an average revenue of \$1.865 per thousand cubic feet sold as compared with a revenue of \$1.46 per thousand cubic feet sold under the existing rates.

O R D E R

The Ukiah Gas Company having applied to increase its gas rates, hearings having been held, the matter submitted and now ready for decision, the Railroad Commission finds as a fact that existing rates under present conditions of cost of operation are unreasonable and unjust, and that the rates set forth in this order are just and reasonable.

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

IT IS HEREBY ORDERED that the Ukiah Gas Company be and is hereby authorized to charge and collect the following rates for gas, for all regular meter readings taken on and after August 1, 1918, to-wit:

	<u>Monthly Consumption</u>	<u>Rate</u>
First 500	cu.ft. or less per meter per mo...	\$1.00
Next	2,500 cu.ft. per meter per mo. ...	1.70 per M cu.ft.
"	5,000 " " " " " ...	1.50 " " "
"	7,000 " " " " " ...	1.30 " " "
All over	15,000 " " " " " ...	1.20 " " "

Provided that the Ukiah Gas Company shall file with the Railroad Commission within ten (10) days of the date of this order the rates herein established.

Dated at San Francisco, California, this

31 day of July 1918.

Edwin O. Edgerton
H. D. Loveland
Frank DeWine

Commissioners.