

Decision No.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA

Decision No. 55142

In the Matter of the Application of)
the FOWLER GAS COMPANY, a corpora-) Application No. 3734
tion, for permission to Increase)
Rates for Service.)

Irving P. Aten for Applicant

BY THE COMMISSION:

O P I N I O N

This is an application by the Fowler Gas Com-
pany for authority to increase its rates for gas service. A
hearing was held at Fowler by Examiner Myron Westover on
June 13th, 1918, evidence presented and the matter submitted
for decision.

The Fowler Gas Company owns and operates a gas
plant and distribution system in the Town of Fowler, serv-
ing approximately 110 consumers. The total sales of gas
average 3,200,000 cubic feet per annum, in the manufacture
of which about 1,100 barrels of oil are consumed.

The existing rates charged by applicant for gas as fixed by this Commission in its Decision No. 4311, Application No. 2829, dated May 11th, 1917, are as follows:

SCHEDULE "A"

General Service

Charges to consumers will be computed monthly at the following rates:

First	3 000 cu. ft.	\$1.60 per M. cu. ft.
Next	4 000 " "	1.35 " " " "
All over	7 000 " "	1.10 " " " "

Minimum Charge per month for each meter set, \$1.10, excepting in the case of churches and public halls, the minimum charge for which will be \$.60 per month.

A discount of \$.10 per M. cu. ft., or \$.10 minimum charge will be allowed on all bills paid on or before the 10th of the month following that in which service was rendered.

Prior to February 1918, applicant purchased oil under contract at a price of \$.80 per barrel f.o.b. Fowler. Since the expiration of this contract the price of oil to applicant has been substantially increased, and at May 1st, 1918, applicant was paying approximately \$1.70 per barrel, since which date, however, further increases have occurred. Applicant now pays \$1.77 per barrel for oil, and upon expiration of its present contract in February 1919 will probably be required to pay at least \$2.00 per barrel for oil delivered at its works. On this basis applicant's operating expenses will be increased by the sum of \$1,320.00 per annum for oil alone, and the evidence further shows that applicant's other operating expenses will increase by the

sum of at least \$300.00 per annum.

If the entire increase in operating expenses were to be reimbursed by an increase in rates, it would be necessary to increase the rates of applicant by \$.50 per thousand cubic feet. With such an increase, however, we have serious doubts as to applicant's ability to hold its consumers or to maintain the present sales of gas. We are, therefore, of the opinion that it would be unwise to attempt to absorb the entire increase in costs in applicant's rates. A part of the increased cost of service should, however, be borne by applicant's consumers.

If the price of oil and other operation expenses had not increased, applicant's revenue and expenses in 1918 would have been as follows:

Gross Revenue under Existing rates	\$4,750.00
Operating Expenses: Oil	880.00
All other	1,660.00
Taxes, Accrued,	<u>285.00</u>
Total Operating Expenses	\$2,825.00
Net operating Revenue	\$1,925.00

With the increases in operating expenses herebefore mentioned, applicant's net revenue will be reduced from \$1,925.00 to \$305.00 per annum.

Applicant reports capital installed at December 31st, 1917 in the amount of \$20,420.39. A reasonable value of applicant's properties today, as determined by actual cost, would be the sum of \$20,000.00.

The sum of \$600.00 per annum appears to be a

reasonable depreciation allowance upon the properties of applicant, which would more than absorb the net revenue of \$305.00 above, and leave applicant with no return on its capital.

It is very evident that applicant's business cannot long continue if its earnings are thus curtailed. We find as a fact that the existing rates of applicant are not just or reasonable rates in so far as they do not provide applicant with sufficient return and in so far as they differ from the rates hereinafter fixed.

We believe that applicant's rates should be increased as set forth in the order herein to compensate in part for the added operating expenses.

The revenue to be derived from the rates herein established will be approximately \$6,240.00 per annum provided no reduction of sales occurs, and the net revenue available for depreciation and return will be \$1,706.00. Deducting the depreciation allowance set forth above from the net revenue to be obtained under the rates hereinafter fixed, there will be available for return the sum of \$1106.00 which is but 5.53% of applicant's capital.

ORDER

THE Fowler Gas Company having applied to this Commission for authority to increase its rates for Gas, a hearing having been held, the matter being submitted and now ready for decision, we find as a fact that the existing rates

for gas charged by applicant are not just, fair and reasonable rates, and that the rates hereinafter established are just, fair and reasonable rates for gas service in the Town of Fowler. Basing its order upon 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 Fowler Gas Company be and is hereby authorized to charge and collect for gas for all meter readings taken on and after the 10th day of July, 1918, the following rates:

SCHEDULE "B"..... General Service.

On the basis of monthly consumption per meter
\$2.10 per 1000 cu. ft. for the first 2 000 cubic feet
1.50 " " " " " " next 6 000 " "
1.30 " " " " " " all over 8 000 " "

Minimum Charge \$1.10 per month

Discounts on the above rates as follows:

If the bill is paid on or before the 10th day of the month following the month in which service is rendered, a discount of \$.10 on the minimum bill and \$.10 per 1000 cu.ft. on all bills for consumption in excess of minimum bills.

provided, the Fowler Gas Company shall, within ten(10) days from the date of this order, file with the Railroad Commission of the State of California the schedule of rates herein established.

Dated at San Francisco, Cal., this 30 day of ~~June~~ ^{July}, 1918.

Edwin O. Edgerton
H. D. Loveland
Stuart P. Colby

Commissioners.