

Decision No. _____

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

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Decision No. 5596

In the Matter of the Petition)
of the MADERA GAS COMPANY for) Application No. 3792.
Authority to Increase its Rates)
to Consumers.)

George W. Kitchen, for Applicant

BY THE COMMISSION.

O P I N I O N

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

Applicant alleges in effect that, due to increased cost of oil, labor and taxes, it will under the existing rates be unable to meet operating expenses. Applicant further alleges that the contract under which it has been purchasing oil at the rate of \$.81 per barrel expired on June 23, 1918, and after this date the price of oil delivered at Madera became about \$1.90 per barrel.

A hearing on the application was held before Examiner Westover in the City of Madera on June 13, 1918, at which time testimony and evidence were introduced and the matter was submitted.

Applicant's gas properties consist of an artificial gas generating plant and distribution system situated

in the City of Madera. The existing rates of applicant for gas service consist of a gross rate to which discounts are applied varying with amount of consumption and may be stated as follows:

For a consumption of between 1 and 10,000 cubic feet per meter per month the gross rate is \$1.75 per thousand cubic feet with a discount varying from \$.25 to \$.40 per thousand cubic feet, provided the bill is paid on or before the 12th of each month.

For a consumption of 10,000 cubic feet or over per meter per month, the rate is \$1.00 per thousand cubic feet with no discount.

The minimum charge is \$1.00 per meter per month.

A valuation of applicant's properties made in December 1916 by Mr. W. J. Hammond, Assistant Engineer of the Gas and Electric Division of the Railroad Commission, with additions and betterments to June 1st, 1918, is as follows:

Valuations as of Jan. 1st, 1917	\$ 64 934.00
Additions and betterments - Jan. 1, 1917 to Jan. 1, 1918	<u>4 774.02</u>
Valuation as of Jan. 1, 1918	69 708.02
Additions and betterments - Jan. 1, 1918 to June 1, 1918	<u>576.56</u>
Valuation as of June 1st, 1918	\$ 70 284.58

During the year 1917 applicant served 405 consumers and sold 11,000,000 cubic feet of gas in the manufacture of which 4,238 barrels of oil were used.

The following is a statement of the earnings of applicant for the year 1917, as set forth in its Annual Report filed with the Railroad Commission:

Gross operating revenue	\$14 939.98
Operating expenses, exclusive of depreciation	11 170.92
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Net operating revenue for interest and depreciation	\$ 3 769.06

The above net operating revenue gives, for the year 1917, a return of 5.4% of the plant valuation shown above.

Applicant's plant is operated with an oil duty of approximately 16 gallons of oil per thousand cubic feet of gas sold. We believe that applicant should be able to reduce this duty to between 14 and 15 gallons per thousand cubic feet sold. It is probable that in the future there will be very little increase in the number of consumers over the number now served by applicant.

It is apparent from the fact that applicant's contract for oil expired on June 23, 1918, and from the present increased price of oil to \$2.00 per barrel delivered at Madera, which amounts to an increase of approximately 45¢ per thousand cubic feet of gas sold, that if proper relief is not given, applicant will not be able to meet operating expenses during the coming year.

With these facts in mind and after careful consideration of the cost and value of service, we are of the opinion that rates as set forth in the order herein will give

as reasonable relief to applicant as is possible under present conditions, and, at the same time, will distribute the burden equitably among the various consumers.

Applicant wishes that the discount form of rate be granted in order that collection expenses will be reduced to a minimum, and we have included in the rates a discount which, in our opinion, will accomplish the desired result.

The rates hereafter established should yield applicant sufficient revenue to meet the increased cost of oil, labor, taxes and other operating expenses and pay a return on fair valuation approximating that which was earned in 1917.

ORDER

for authority
Madera Gas Company having applied/to increase its gas rates, hearings having been held, the matter having been submitted and being now ready for decision, the Railroad Commission finds as a fact that the existing rates charged for gas sold under present conditions of cost of operations are unjust and unreasonable in so far as they differ from the rates hereinafter set forth, 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 Madera Gas Company be and is hereby authorized to charge and collect the following rates for gas. Such rates shall be applicable to all regular meter readings taken on and after August 1st, 1918, provided Madera Gas Company shall have filed with the Commission such rates within ten days of the date of this order.

GENERAL SERVICE

<u>MONTHLY CONSUMPTION</u>		<u>GROSS</u>	<u>NET</u>
First	500 cu.ft. or less per meter per mo.	\$1.10	\$1.00
Next	3000 " " per " " " "	1.85 per M-cu.ft.	1.75 per M. cu.ft
"	4500 " " " " " "	1.70 " " " "	1.60 " " " "
"	7000 " " " " " "		1.40 " " " "
All over	15000 " " " " " "		1.20 " " " "

The net rate is effective if the bill is paid on or before the twelfth day of the month next succeeding that for which the bill is rendered; otherwise the gross rate is effective.

Dated at San Francisco, California, this 17th day of July, 1918.

Edwin O. Edgerton

W. H. ...

De Gorton

COMMISSIONERS