

Decision No.

ORIGINAL

Decision No. 5706

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

In the Matter of the Application)	
of the IMPERIAL VALLEY GAS COM-)	Application
PANY for Authorization to In-)	No. 3922.
crease Rates.)	

R. B. Whitelaw, J. Stewart Ross and
 J. M. Ott, for Applicant.
 J. S. Laren, for City of El Centro.
 H. N. Dyke, for City of Imperial.

BY THE COMMISSION.

OPINION

This is the application of Imperial Valley Gas Company for authority to increase its rates charged for gas.

Imperial Valley Gas Company operates an artificial gas plant in El Centro and distributes gas in El Centro, Imperial and Brawley.

Applicant alleges in effect that because of the great increase in the price of oil, labor and materials, it is impossible to continue to operate under the existing rates except at a material loss.

Applicant's existing rates are as follows:

1 to 4 999 cu. ft. consumed per month,	\$2.00 per M. cu. ft.
5 000 to 9 999 cu. ft. consumed per month,	1.60 per M. cu. ft.
10 000 to 24 999 cu. ft. consumed per month,	1.50 per M. cu. ft.
25 000 and over cu. ft. consumed per month,	1.30 per M. cu. ft.

Minimum Monthly Charge \$1.00 per meter per month.

Hearing in these proceedings was held in El Centro before Examiner Westover on July 31st, 1918, at which time testimony was taken and the matter submitted.

In applicant's Exhibit No. 1 there is contained an inventory and valuation as of June 30th, 1918, of which the following is a summary:-

Landed Capital	\$ 3,000.00
Production Capital	33,422.00
Transmission Capital	25,883.00
Distribution Capital	62,602.00
General Capital	9,934.00
Intangible Capital	52,175.00
Engineering Expenses	14,071.00
Materials and Supplies	<u>2,112.00</u>

Total Capital \$ 203,209.00

It developed at the hearing that the above valuation was compiled from actual costs so far as obtainable. It also developed that there are several omissions in the inventory used, and the total capital charges had, in some instances, not been included.

Mr. W. J. Hammond, Assistant Engineer of the Gas and Electric Department of the Commission, testified that after having checked the details upon which applicant's valuation was based, and disregarding the item of \$52,175.00 claimed by petitioner, as cost of franchises and rights of way, it was his opinion that the physical value of applicant's properties would total \$200,000.00, and that amount will be used for the purposes of these proceedings.

Applicant has suffered a continually increasing cost of oil from 1915, when the cost was \$1.345 per barrel, until the present time, when the oil price is \$2.52 per barrel at El Centro. During this period applicant's gross revenue has

increased from \$42,956.19 in 1915 to \$54,591.94 in 1917, while the net operating revenue has increased only \$27.40.

This utility has not, since its inception, earned a sufficient return to enable it to set aside a depreciation reserve. From the evidence submitted in these proceedings, it appears that certain elements of applicant's physical properties, particularly pipe in the ground, deteriorate very rapidly due to local conditions, and for this reason a higher rate of depreciation should be allowed than in other districts.

During 1917, applicant earned only \$9,062.40 for interest and depreciation, and the increased cost of oil alone during the ensuing year will amount to over \$5,000.00, leaving approximately \$4,000.00 to cover other increases and interest charges. ^{and depreciation.} Interest on applicant's outstanding bonds amounts to an annual charge of \$10,320.00, and it is apparent that relief is absolutely necessary to safeguard applicant's financial standing. The rates established in the following order will give, in the Commission's opinion, sufficient relief to meet bond interest requirements and increased expenses.

Due to the exceptionally hot weather that is experienced in the Imperial Valley during the summer months, many people are in the habit of leaving the Valley at this time, which, as applicant maintains, has required in the past the removal and then, after a short time, the installation of numerous meters. To reduce the number of meter renewals, thereby reducing certain of applicant's expenses, the Commission has deemed it advisable to eliminate the monthly minimum bill as applying to general domestic service for the two summer months of July and August.

On the other hand, because of the increased freight rates on crude oil and other materials to Imperial Valley, and the high cost of labor, materials and supplies, all of which applicant must bear, and also the reduction of number of consumers and in turn a reduction in gas sales during the before mentioned summer months, the Commission has considered this case to be a special one, in so far as the operating conditions differ from conditions of other companies of similar size operating within the State. It therefore has seemed advisable to the Commission to deviate from the

customary minimum monthly charge of \$1.00 and in this instance to allow a minimum monthly charge of \$1.50, except as stated above for the months of July and August.

Although normally an increase such as is granted in the following order would not result in a material net revenue because of the consequent drop in sales, it is evident that conditions in this particular territory are of such a nature that the gas sales may not be affected greatly.

Applicant asks that some form of discount rate be allowed to encourage prompt payment of bills and the resultant decrease in collection expense.

ORDER

Imperial Valley Gas Company having applied to the Railroad Commission of the State of California for a revision of its gas rates, and a public hearing having been held and the matter having been submitted and being now ready for decision, the Railroad Commission hereby finds as a fact that the

rates charged by Imperial Valley Gas Company for gas are unjust and unreasonable in so far as they differ from the rates and charges herein established, and that the rates and charges herein established are just and reasonable under the existing conditions.

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

IT IS HEREBY ORDERED that Imperial Valley Gas Company be and it is hereby authorized to charge and collect the following rates for artificial gas, provided said rates shall have been filed with the Railroad Commission on or before September 6, 1918. Such rates shall be applicable to all regular meter readings taken on and after August 26th, 1918.

General Service

	<u>Consumption</u>	<u>Rate</u>	
		<u>Gross</u>	<u>Net</u>
First	3 000 cu.ft. per meter per month	\$2.60	\$2.50 per M.cu.ft.
Next	7 000 cu.ft. per meter per month	2.20	2.10 per M.cu.ft.
Next	10 000 cu.ft. per meter per month		1.75 per M.cu.ft.
Next	30 000 cu.ft. per meter per month		1.50 per M.cu.ft.
All over	50 000 cu.ft. per meter per month		1.40 per M.cu.ft.

Minimum Monthly Bill \$1.50,
except during the months of
July and August when no mini-
mum bill applies.

Restaurant Service

	<u>Consumption</u>	<u>Rate</u>	
		<u>Gross</u>	<u>Net</u>
First	10 000 cu.-ft. per meter per month	\$1.70	\$1.65 per M.-cu.-ft.
All over	10 000 cu.-ft. per meter per month		1.50 per M.-cu.-ft.

Minimum Monthly Bill \$30.00.

The net rate is effective if the bill
is paid at the office of the Company
on or before the 10th of the month
next succeeding that for which the
bill is rendered, otherwise the gross
rate is effective.

Dated at San Francisco, California, this 26th
day of August, 1918.

Edwin O. Edgerton

Herbert Gardner

Frank H. DeWolfe

COMMISSIONERS