

/s
Decision No.

ORIGINAL

Decision No. 5707

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

In the Matter of the Application) Application
of the MODESTO GAS COMPANY to) No. 3927.
fix its Rates charged for Gas.)

Frank A. Cressey, for Applicant.
Albert L. Johnson, for Consumers.
Dr. J. E. Hosmer, for Consumers.

BY THE COMMISSION.

O P I N I O N

This is the application of Modesto Gas
Company for an increase in its rates charged for
gas.

Applicant operates an artificial gas
plant and distribution system located in the City
of Modesto.

Applicant alleges in effect that the contract by which it secures oil at \$.80 per barrel expired on July 31st, 1918, and that after that date it will have to pay approximately \$1.91 per barrel for oil.

Applicant further alleges that it will have to meet increased labor prices, and because of these increases in its operating expenses it prays that the Commission will so fix its rates that a reasonable return may be earned upon the value of its invested capital.

A public hearing was held before Examiner Westover at Modesto on July 24th, 1918, at which time ~~testimony~~ evidence was introduced relative to the rates, operation and growth of applicant company.

The existing rates charged by applicant are on file with the Commission. These rates are of the sliding scale form, the first ten thousand cubic feet being sold at the rate of \$1.65 per thousand cubic feet, less a discount of 10 per cent, providing the bill is paid promptly.

A valuation of applicant's properties was made by Mr. W. J. Hammond, Assistant Engineer

of the Gas and Electric Department of the Railroad Commission, in April 1916, in connection with Applications No. 2206 and No. 2207.

The results of this valuation with additions and betterments to date follow:-

Reproduction New Value, April 1st, 1916, (Ex- cluding Materials and Supplies)	\$164,987.00
Additions and Betterments to June 30th, 1918	20,347.00
Materials and Supplies	<u>6,437.00</u>
Total Fixed Capital June 30th, 1918.	\$191,771.00

For the purposes of these proceedings we will include an item for working cash capital, making the total rate base \$196,000.00.

Upon the basis of the above valuations, applicant earned for return on investment and depreciation for the year 1917, exclusive of the profit made by the sale of crude oil, which may be considered aside from the gas business, approximately \$18,500.00, or 10.2 per cent upon its then rate base, or deducting depreciation about 8%.

During the coming year, according to the evidence submitted, the increases in the cost of

oil and labor will amount to the following:-

Total Oil used	9.793 Barrels
Total increased cost per barrel	\$ 1.11
Total increased cost of oil	10 870.00
Increased cost of labor and supplies and taxes	<u>2 430.00</u>

Total Increase in Expenses \$ 13 300.00

The increased cost of oil alone represents an increase in the cost of gas delivered of 29 cents per thousand cubic feet.

It is apparent that the above increase in the operating expenses will deplete the net operating expenses to a point where applicant will earn approximately 3 per cent for interest and depreciation, providing the existing rates were to remain in effect.

It is apparent from the testimony that a slight growth in business may be expected during the ensuing year, but this will be counteracted, to a great extent, by the decrease in sales per consumer which may be expected to follow a material increase in rates.

In order to compensate applicant to the

extent of its total increased expenses, the rates would have to be increased approximately \$.352 per thousand cubic feet sold. However, applicant states that it is willing to bear a portion of the burden brought on by the war and believes that the entire burden should not be shifted to the consumer.

The rates established in the following order will net to applicant what might be considered a fair return, under present abnormal conditions, and will, in our opinion, fairly divide the burden of increases between the utility and its consumers.

Applicant has asked that a discount form of rate be established because of the present collection organization.

ORDER

The Modesto Gas Company having applied to the Railroad Commission of the State of California for adjustment of gas rates, hearing 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 and operation, are unjust and unreasonable in so

far as they differ from the rates and charges herein established, and that 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 Modesto 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 26th, 1918, to-wit:-

General Service

	<u>Consumption</u>	<u>Rate</u>	
		<u>Gross</u>	<u>Net</u>
First	500 cu.-ft. or less per meter per month	\$1.10	\$1.00
Next	3 000 cu.-ft. per meter per month	1.75	1.65 per M.-cu.-ft.
Next	3 500 cu.-ft. per meter per month	1.60	1.50 per M.-cu.-ft.
Next	8 000 cu.-ft. per meter per month		1.30 per M.-cu.-ft.
All over	15 000 cu.-ft. per meter per month		1.10 per M.-cu.-ft.

Restaurant Service

<u>Consumption</u>	<u>Rate</u>
	<u>Net</u>
First 30 000 cu.-ft. or less per meter per month	\$1.00 per M.-cu.-ft.
All over 30 000 cu.-ft. per meter per month	.85 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.

Provided that the Modesto Gas Company shall file with the Railroad Commission of the State of California on or before September 6, 1918, the rates herein established.

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

Edwin C. Edgerton

Arthur J. Land

Alfred J. Ford

James R. Wilson

COMMISSIONERS