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Decision No. 5709-

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

In the Matter of the Application)
of the TURLOCK GAS COMPANY for) Application
Authority to Increase its Rates) No. 3835.
charged for Gas.)

A. A. Caldwell, for Applicant.

BY THE COMMISSION.

O P I N I O N

This is the application of Turlock Gas Company for an increase in its rates for gas. Applicant operates an artificial gas plant from which it distributes gas to approximately 575 consumers in the Town of Turlock.

Applicant alleges in effect that its contract, by which it secures oil at \$.77 per

barrel, expires on September 1st, 1918, and that after that date it will have to pay approximately \$2.00 per barrel for oil.

Applicant further alleges that under the present schedule of rates it will not be able to meet its operating expenses, and asks that the rates be adjusted as this Commission may deem equitable.

A public hearing was held in this proceeding in Turlock on July 24th, 1918, before Examiner Westover, at which time ~~testimony and~~ evidence ~~was~~ was introduced and the matter was submitted.

The existing rates charged by applicant are as follows: \$1.75 per thousand cubic feet, with a discount of \$.25 per thousand cubic feet, for the first two thousand cubic feet, and \$.40 per thousand cubic feet for the next eight thousand cubic feet. For all consumption above 10,000 cubic feet per month, there are discounts varying from \$.50 to \$.75 per thousand cubic feet, but from this point on, the rate is of the sliding scale form, the larger discount being effective for all gas consumed.

The above rates were filed with this Commission by applicant, but their reasonableness has

never been formally passed upon.

The physical value of the properties, as claimed by applicant as of January 1st, 1918, is \$56,455.00. It has not been possible for the Commission's Gas and Electric Department to make a detailed valuation of these properties because of the large number of similar applications now before the Commission, as a result of the increased cost of operation caused by the emergency war conditions. However, a sufficient investigation was made to show clearly that the value claimed by applicant is reasonable for rate-making purposes, and the same is being used in these proceedings. With the addition of \$2,052.00 for additions and betterments to July 1st, 1918, \$2,500.00 for materials and supplies, and \$2,830.00 for working cash capital, the total to be used as a rate base for these proceedings amounts to \$63,837.00.

The increase in the cost of oil and labor will, during the next year, effect an increase

in operating expenses as follows:

Barrels of Oil used, 1917	3,862
Increased Cost of Oil per Barrel	\$ 1.288
Total Increased Cost of Oil	4,767.00
Increased Cost of Labor, Supplies and Taxes,	<u>2,350.00</u>
Total Increased Expenses	\$7,117.00

From the above it is apparent that providing applicant's sales and revenues remain approximately as in 1917, the increases in the cost of oil and labor will practically wipe out the net operating revenue.

Although a slight increase in the number of consumers may be expected in the future, it is probable that any benefit derived therefrom will

be counteracted by a decrease in sales due to the higher rates which it will be necessary to charge. The increased cost of oil alone represents an increase of 37.6 cents per thousand cubic feet of gas sold.

Applicant does not ask that it be compensated for the entire amount of the increased expenses, believing that it should bear some of the burden brought about by the war.

We have, under the circumstances, fixed rates in the order which should net applicant approximately 6 per cent for return on the investment, and also an amount sufficient to meet its annual depreciation requirements.

O R D E R

Turlock 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 Turlock 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 Turlock 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 16th, 1918. Such rates shall be applicable to all regular meter readings taken on and after August 26th, 1918.

General Schedule

	<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	2 500 cu.ft. per meter per month	1.80	1.70 per M.cu.ft.
Next	4 000 cu.ft. per meter per month	1.65	1.55 per M.cu.ft.
Next	8 000 cu.ft. per meter per month		1.35 per M.cu.ft.
All over	15 000 cu.ft. per meter per month		1.15 per M.cu.ft.

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. If the bill is not paid on or before this date, the gross rate is effective.

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

Edwin A. Edgerton

H. L. Leonard

W. G. Ford

Frank R. DeWitt

COMMISSIONERS