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Decision No. 5865.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of the )	
SACRAMENTO GAS COMPANY )	
for an increase in Gas Rates for the )	<u>Application Number 4045.</u>
City of Lodi. )	

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H.C. Keyes for applicant.  
 Mrs. F.R. Whyers, Mrs. W.H. Faust and R. Lover  
 as protestants.

BY THE COMMISSION:

O P I N I O N .

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

Applicant operates an artificial gas plant and distribution system located in Lodi as well as an artificial gas plant, natural gas wells and a distribution system in Sacramento.

During the year 1917 applicant had approximately 450 consumers connected, the revenue from gas sales being \$14,809.89, or at an average rate of \$1.42 per M. cu. ft. sold.

The existing rates in the City of Lodi are of the sliding scale form as shown below:

For a consumption of 5000 cu. ft. or less per month, ..	\$1.50 per M. cu. ft.
For a consumption between 5000 and 10,000 cu. ft. per month, .....	1.35 per M. cu. ft.
For a consumption between 10,000 and 20,000 cu. ft. per month, .....	1.25 per M. cu. ft.

Minimum charge One Dollar per month.

Applicant alleges, in effect, that the cost of fuel oil has

increased from 80¢ per bbl. in 1917 to \$1.85 per bbl. in July, 1918, and it has been notified that in the future oil delivered in Lodi will cost at least \$1.95 per barrel. Applicant further alleges that the increased cost of fuel oil, together with the increased cost of other materials and labor will be sufficient to cause applicant to operate at a loss unless its rates are increased materially.

A public hearing was held before Examiner Encell on September 20th, at which time evidence was introduced relative to the rates, operations and growth of applicant company and the application was submitted.

Applicant submitted a copy of a valuation compiled by Mr. C.L. Cory in July, 1915, which, with additions and betterments to July 1918, indicates a reproduction value for the Lodi system of approximately \$100,000.00. Applicant carries on its books for fixed capital, as of July, 1918, <sup>the sum of</sup> \$71,800.00. Because of the present emergency conditions, it is found to be impractical to make a detailed valuation of these properties at this time. However, a study of the inventory submitted indicates that the book value of \$71,800.00 may be considered a fair value for the purpose of this proceeding.

Upon the above basis, applicant earned for interest and depreciation during the year 1917, 6.6%. For the ensuing year, applicant's expenses for oil alone will be increased over \$4,800.00 due to the increase in price to \$1.95 per bbl. Material, labor and taxes will effect a further increase over the year 1917 of approximately \$1,000.00, making a total increase of \$.546 per M. cu. ft. sold.

Applicant does not ask, during the present war period, for earnings which in normal times might be considered a fair return, but asks only for a return sufficient to meet operating

expenses and bond interest.

In order to meet the present abnormal expenses, a material increase in rates will be necessary. However, we do not feel that applicant could safely at this time charge rates higher than those granted herein without suffering a material loss in business.

The rates established in the following Order should net applicant a return approximately equal to that realized in 1917, providing a material decrease in sales is not experienced.

O R D E R.

The Sacramento Gas Company having applied to the Railroad Commission of the State of California for an increase in its gas rates in the City of Lodi, 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;

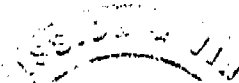
IT IS HEREBY ORDERED that Sacramento Gas Company be, and it is hereby authorized to charge and collect the following rates for gas for all regular meter readings taken on and after October 25th, to-wit:

For First	500 cu. ft. or less per meter per month,	\$1.00
For next	2,500 cu. ft. per meter per month,.....	1.90
For next	7,000 cu. ft. per meter per month,.....	1.70
For next	10,000 cu. ft. per meter per month,.....	1.55
All Over	20,000 cu. ft. per meter per month,.....	1.45

Provided that the Sacramento Gas Company shall file

with the Railroad Commission of the State of California on or  
October 21st the rates herein established.

Dated at San Francisco, California, this 29<sup>th</sup>  
day of October, 1918.

  
H. O. Loveland  
W. G. ...  
Frank A. ...

Commissioners.