

Decision No. 5866

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application)
of SOUTHWESTERN GAS COMPANY for)
Authority to increase its Gas)
Rates.)

Application
No. 4080

Claude H. Webber, for Applicant.

BY THE COMMISSION.

O P I N I O N

This is the application of Southwestern Gas Company for an increase in its rates charged for gas in the Cities of Hemet and San Jacinto, Riverside County, California.

Applicant operates an artificial gas plant located in Hemet and serves gas to its consumers in Hemet, San Jacinto and intervening territory.

Applicant alleges, in effect, that since this Commission's Decision No. 4911, issued on November 30th, 1917, the cost of fuel oil has increased from \$1.70 to \$2.00 per barrel. Applicant further alleges that labor has increased approximately 35 per cent, and that mainly because of these increases it is unable to meet its operating expenses, bond interest and depreciation accruals.

A public hearing in this matter was held before Examiner Westover at Hemet on October 7th, 1918, at which time evidence was introduced and the application was submitted.

Applicant's existing rates are as follows:-

First	400 cu.-ft. or less per meter per month	\$1.00
Next	1 600 cu.-ft. per meter per month	1.75 per M.
Next	3 000 cu.-ft. per meter per month	1.50 per M.
Next	5 000 cu.-ft. per meter per month	1.30 per M.
All over	10 000 cu.-ft. per meter per month	1.10 per M.

Discount of 25¢ on each bill paid within 15 days of presentation.

In our Decision No. 4911, it was found that at that time an amount approximating \$40,000.00 represented a fair value of applicant's properties for

rate-making purposes. Applicant stated that since that time, due to lack of finances, practically no additions and betterments have been made.

The above mentioned increase in operating expenses with taxes will amount to practically 22 cents per thousand cubic feet of gas sold. However, it is evident from the testimony that the rates must be increased more than this amount in order that applicant may continue to operate its properties. Although applicant has been forced to increase wages, it has been unable to meet material increases in the payroll with the result that the Manager, Mr. Webber, who also owns these properties, has drawn only a portion of his salary during the last several months. Bond interest, which is due on November 1st, 1918, amounting to \$900.00, can only be met by borrowing the money necessary.

Applicant suffered material damage from the earthquake, which occurred in April 1918, due to considerable loss of gas through leaks caused in the system. However, in spite of this fact the oil duty for the period since January 1st, 1918, amounts to 16.75 gallons per thousand cubic feet of gas sold, which is only slightly above the average for systems which might be considered comparable to this.

It is evident from the above that a material increase in rates is again necessary in order that applicant may continue to operate its properties.

The rates established in the following order should return a revenue sufficient for applicant to meet its financial obligations, providing its sales do not decrease materially. Although an increase in rates is usually followed by a decrease in sales, we believe that applicant's consumers will realize the difficulties under which applicant is struggling during the present period of high oil and labor prices, and will willingly bear their portion of this burden in order that these communities may continue to enjoy the benefits derived from gas service.

ORDER

Southwestern Gas Company having applied to the Railroad Commission of the State of California for an increase in its gas rates, and a hearing having been held and the matter having been submitted and now ready for decision, and the Railroad

Commission finding as a fact that existing rates under present conditions and cost of operations are unjust and unreasonable and that applicant should be granted authority to increase its rates to those set forth in this order, which are found just and reasonable. .

IT IS HEREBY ORDERED that Southwestern Gas Company be and the same is hereby authorized to charge and collect the following rates in the Towns of Hemet and San Jacinto and contiguous territory:

		<u>Gross</u>	<u>Net</u>
First	500 cu.-ft. or less per meter per month	\$1.50	\$1.45
		<u>Per M. Cu.-Ft.</u>	
Next	2 500 cu.-ft. per meter per month	\$2.10	\$2.00
Next	5 000 cu.-ft. per meter per month	1.90	1.80
Next	7 000 cu.-ft. per meter per month		1.60
All over	15 000 cu.-ft. per meter per month		1.30

The net rate applies to all bills paid on or before the 10th day of the month following that in which the meter was read.

The above rates shall be applicable to all regular meter readings taken on and after October

25th, 1918, providing Southwestern Gas Company shall have filed with this Commission said rates on or before that date.

Dated at San Francisco, California, this 22nd day of October, 1918.

W. J. Howard
W. G. Gordon
Frank DeWitt

COMMISSIONERS