

Decision No. 6014

ORIGINAL

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of F. W. HUNTER, Agent and General)
Manager for John Earle Jardine,)
G. E. W. Vosburg and J. W. Edminson,) App. No. 4159
Trustees of Central California Gas)
Company, for authority to increase)
Gas Rates.)

F. W. Hunter in propria persona.
E. I. Fiemster, for City of Visalia.

LOVELAND, Commissioner.

O P I N I O N

This is an application of F. W. Hunter, Agent and General Manager for the Trustees of the properties of the Central California Gas Company for authority to increase gas rates.

Applicant operates an artificial gas plant located in Visalia, transmission lines extending to Tulare, Exeter, Lindsay, Strathmore and Porterville, and distribution systems in each of the above-mentioned localities.

Applicant's request for an increase in rates is based upon increased cost of oil, labor and material. The rates now charged by applicant were established by this Commission

in its Decision No. 5306 in Application No. 3553, dated April 15th, 1918, and are as follows:

		<u>R A T E</u>	
		<u>Gross</u>	<u>Net</u>
		<u>Per M</u>	<u>Cu.-ft.</u>
First	500 cu.ft. or less per Mo.	\$.85	\$.75
Next	4,500 cu.ft. per Month	1.60	1.50
"	5,000 " " "	1.45	1.40
"	5,000 " " "		1.25
"	10,000 " " "		1.10
All over	25,000 " " "		1.00

The net rate is effective on all bills paid on or before ten days after date of presentation of bill.

Conditions under which applicant is operating have changed considerably since the rates were previously fixed in April. Applicant's contract for oil at \$1.45 per barrel f.o.b. Coalinga expired September 1, 1918, and since that date a price of \$1.60 per barrel has been paid. An increase of 90¢ per ton in freight rates ordered by the United States Railway Administration has caused a further increase of approximately 14.4¢ per barrel of oil, making a total increase in the cost of oil of 29.4¢ above that paid prior to September. The cost of labor has increased materially since the first of 1918. The records of operation of applicant's plant for the six months ending September 30th, 1918 show the following cost per 1,000 cu.ft. of gas sold:

	<u>Per 1,000 cu.ft. of gas sold</u>
Fuel Oil	\$.6710
Plant Labor and Misc. Supplies	.1823
Trans. & Distr. Expense	.0761
Commercial & Gen'l. Expense	.2407
Maintenance	.0910
Taxes	.08
Estimated Depreciation Allowance	.13
	<u>\$1.4711</u>

Applicant submitted an estimate of its operations for the year ending September 30, 1919 based upon an annual sale of 90,000,000 cu.-ft. and upon an oil duty of 16.2 gals. per 1,000 cu. ft. sold. This estimate shows the following:

Fuel Oil	\$ 68,400.00	\$.75	
Plant Labor & Misc. Supplies	14,200.00	.155)	
Trans. & Distr.	5,400.00	.06)	
Commerc., Gen'l & Misc. Exp.	18,000.00	.20)	.485
Maintenance of Plant & System	6,300.00	.07)	
Taxes	8,100.00	.09	
Allowance for Dep'n	10,500.00	.13	
	<u> </u>	<u> </u>	
Total Operating Costs	\$130,900.00	\$1.455	

The properties of applicant were very poorly maintained for a considerable period previous to that in which the present interests have been in control, and have required in the past few months a large amount of maintenance to place them in their present operating condition. This has resulted in a larger cost of operation than would have occurred had ^{they} ~~it~~ been maintained in good condition during the previous years. Applicant's use of oil has exceeded that which should occur in the future with reasonable maintenance of the property and the operations in the future should not require more than 15 gallons per 1,000 cu. ft. as against 16.2 gallons at present.

Applicant submitted an inventory and valuation of its properties as of August 3, 1918 showing a total historical cost of \$362,544.00. It is not possible at this time to make a detailed check of the valuation. However, a general investigation of the valuation has been made which shows that, in consideration of the emergency nature of this proceeding, it would be fair to assume a value for rate-making purposes

of \$350,000.00. We believe that if, under present conditions, applicant is allowed rates from which it will realize a fair return upon this amount, its securities and service will be amply safeguarded until such time as economic conditions become more stable.

I have carefully investigated the evidence submitted, with due consideration to the changes in the estimate of cost urged in protestant's brief and find that the estimate of costs chargeable to operation for the ensuing year should be changed to the following:

	<u>Estimated Annual Cost</u>	
	<u>Total</u>	<u>Per 1,000 cu.ft.sold</u>
Fuel oil @ 15 gals. per 1,000 sold	\$63,400.00	
Plant, Labor & Miscellaneous Supplies	14,200.00	
Transmission and Distribution Cost	4,400.00	
Commercial, General and Miscellaneous Expense	16,000.00	
Maintenance of Plant and System	6,300.00	
Taxes	<u>2,000.00</u>	
Depreciation	<u>8,750.00</u>	
	\$123,050.00	\$1.37
Six per cent return on \$350,000.	<u>21,000.00</u>	
	\$144,050.00	\$1.60

The average revenue received for gas during the six months ending September 30th, 1918, under the existing rates, was \$1.43 per 1,000 cu. ft. During the coming year it is apparent from the previous table that at the present rates the company will earn operating expenses, an amount for depreciation, ~~and only a small balance for return~~ leaving an unreasonably small amount for depreciation, upon the investment.

It is apparent, therefore, that applicant must receive increased rates for gas in order to continue to serve and receive ^{reasonable} compensation for the moneys invested to serve the public.

The rates set forth in the order herein it is estimated will return to applicant a revenue of slightly in excess of \$1.60 per 1,000 cu.ft. and should be sufficient to enable applicant to meet its operating expenses when based upon oil duty of 15 gals. per 1,000 cu.ft. sold, depreciation annuity of 2-1/2 per cent and interest upon investment of 6 per cent.

I recommend the following form of Order:

O R D E R

F. W. Hunter, Agent and General Manager for the Trustees of the Central California Gas Company, having applied for authority to increase gas rates, a hearing having been held and the matter submitted and now being ready for decision, and the Railroad Commission finding as a fact that the existing rates under present conditions and present costs of operation are unjust and unreasonable, and further finding as a fact that applicant should be granted authority to increase its rates to those set forth in the order,

IT IS HEREBY ORDERED that the Trustees of the Central California Gas Company be and the same are hereby authorized to charge and collect the following rates for gas, applicable to all regular meter readings taken on and after December 26th, 1918, provided applicant shall have filed same with this Commission on or before that date.

SCHEDULE "A"

General Service

						<u>Gross</u>	<u>Net</u>
						<u>Per M</u>	<u>Cu.-Ft.</u>
First	3,000	cu.-ft.	per meter	per mo.		\$1.80	\$1.70
Next	5,000	"	"	"	"	1.65	1.55
"	7,000	"	"	"	"		1.30
"	10,000	"	"	"	"		1.20
All over	25,000	"	"	"	"		1.10
Minimum Bill per Meter per Month						\$1.10	\$1.00

The net rate is effective on all bills paid on or before ten (10) days after date of presentation of bill.

SCHEDULE "B"

Hotel and Restaurant
Service

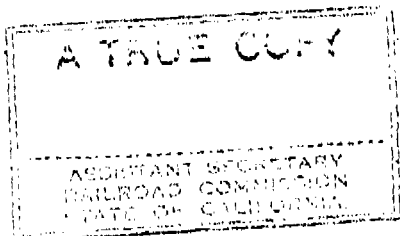
First 25,000 cu.ft. per meter per mo... \$1.20 per M cu.ft.
All over 25,000 " " " " " .. 1.00 " " "

Minimum Bill per Meter per Mo. \$30.00

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this

23rd day of December, 1918.



Edwin C. Egeston
H. B. ...
...
...

Commissioners.