

Decision No. 6103

BEFORE THE RAILROAD COMMISSION OF THE  
STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application )  
of CONTRA COSTA GAS COMPANY, ask- )  
ing the Railroad Commission of )       Application  
the State of California to fix )       No. 4168  
its Rates charged for Gas.        )

S. Waldo Coleman for Applicant.  
B. D. Marx Greene for the Town of  
Antioch and City of Pittsburg.  
T. D. Johnston, District Attorney,  
and A. S. Ormsby, Chief Deputy  
District Attorney, for County  
of Contra Costa.

BY THE COMMISSION.

O P I N I O N

This is an application of Contra Costa Gas Company asking that the Railroad Commission grant it authority to add to its gas rates a surcharge of such amount as the Commission may find proper, on the ground that some surcharge at this time is necessary to offset

the increase in the price of oil from \$1.55 to \$1.70 per barrel, under contract, which it will have to pay on and after March 1st, 1919, and to meet increased costs of material, labor, other expenses and increases in taxes.

A hearing was held before Examiner Westover at Martinez.

On March 4th, 1918, this Commission, in its Decision No. 5177, granted applicant an increase in gas rates. At that time the Commission found that, due to the increase in price of oil from 70¢ to \$1.55 per barrel and to other increases in operating expense, Contra Costa Gas Company, which earned only 6.53 per cent for depreciation and return during the year 1917, would have this return reduced to a point where it would have insufficient funds to meet its actual operating expenses, during 1918 unless relief in the form of increased rates was granted.

The increase in rates set forth in Decision No. 5177 was estimated at that time to produce a revenue of approximately \$1.54 per thousand cubic feet of gas sold, which would place applicant on about the same basis for 1918 as during the year 1917 under the former rates.

From the evidence herein it appears that due to careful operation applicant has realized a return somewhat in excess of that estimated in the former decision. If the increase granted on March 4th, 1918,

had occurred January 1st, 1918, and applied throughout that entire year, the probable net earnings available for return and depreciation would have been 6.9 per cent, as shown in the table found below. But for the further increases in expenses referred to, applicant would not need and would not have applied for increase in rates.

Applicant estimates that during the year ending October 31st, 1919, it will earn for depreciation and return, 5.9 per cent upon its investment at present rates, with oil at \$1.70 per barrel on and after March 1st, 1919, and with the increased operating expenses which it claims will occur in this period.

Extending applicant's figures for the year ending October 31st, 1919, to the year ending March 1st, 1920, or one year's operation under the new oil price of \$1.70 per barrel, we find that applicant will earn approximately 5.9 per cent on invested capital for depreciation and return at the present rates. Applicant should be allowed sufficient increase in its rates to cover the increased cost of oil and other expenses, and place its earnings on the same basis as it enjoyed in 1918.

The following table sets forth the actual conditions for the 10 month period ending October 31st, 1918, together with the estimate for the year ending

December 31st, 1918, assuming the rates established in former Decision No. 5177 to have been effective during the entire year of 1918, also the applicant's estimate for the year ending October 31st, 1919, and the Commission's estimate for the year ending March 1st, 1920. In each instance taxes are included in expenses, but depreciation, estimated in Decision No. 5177 at 2.13 per cent, has not been included under operating expenses.

	<u>10 Mos. Ending Oct. 31, 1918 Oil at 70¢ pri- or to Feb. 28 1918 and \$1.55 thereafter</u>	<u>Year Ending Dec. 31, 1918 Assuming pre- sent rates in effect during entire year &amp; oil at \$1.55 per Bbl.</u>	<u>Applicant's Estimate Year Ending Oct. 31, 1919 Assuming pre- sent rates &amp; Oil \$1.70 after March 15, 1919</u>	<u>C.R.C. Estimate Year Ending Mar. 1, 1920 Oil at \$1.70 &amp; Assuming in- crease in rates as herein Established</u>
Consumers Gas Sales (Cu.Ft.)	1 990 45 952 000	2 007 55 500 000	2 249 60 720 000	2 300 62 100 000
Capital	\$ 261 000	\$ 263 000	\$ 280 000	\$ 285 000
Revenue	67 453	87 172	94 877	99 500
Expenses	<u>54 765</u>	<u>69 139</u>	<u>78 420</u>	<u>78 350</u>
Net for Depr. and Return	\$ 12 688	\$ 18 033	\$ 16 457	\$ 21 150
Percent on Capital	4.86	6.87	5.9	7.4

From the foregoing analysis it appears that by increasing applicant's present rates to the rates

herein established, it will earn approximately the same return upon its investment that has resulted from the rates fixed last March. The new rates found in the Order are higher than the present rates for general service by 5 cents per thousand cubic feet for monthly consumption between 500 and 8,000 cubic feet, and 10 cents per thousand cubic feet for monthly consumption over 8,000 cubic feet, and by 5 cents per thousand cubic feet for hotel, restaurant and bakery service; while the monthly minimum on prepay meter service is increased from 75 cents to \$1.00.

Aside from the increase in price of oil and the increase in wages which applicant is required to pay, attention is directed to the substantial increase in the item of taxes. This is occasioned by the fact that the franchise tax of 2 per cent of applicant's revenue, payable to the cities and counties in which it operates, now becomes operative for the first time during the year 1919. As this is a proper item of operation expense, the rates paid by applicant's consumers should be at all times sufficient to absorb this as well as other taxes normally levied.

For estimating revenue we assume that the average sales of gas per consumer will be approximately the same as under present rates. However, the testimony shows that further increase in rates above those provided in the Order will

probably result in substantial decrease in revenue.

Applicant has requested that any increases now to be granted it, be in the form of a surcharge. In our opinion, however, the facts warrant a change in the rate structure itself.

### O R D E R

Contra Costa Gas Company having applied to the Railroad Commission for authority to increase its gas rates, a public hearing having been held and the matter having been submitted and now ready for decision,

The Railroad Commission of the State of California hereby finds as a fact that the existing rates, in so far as they differ from the rates herein established, are unjust and unreasonable rates, and that the rates herein established are just and reasonable rates for gas sold by applicant.

Basing its order on the foregoing findings of fact and on other findings of fact which are contained in the opinion preceding this order,

IT IS HEREBY ORDERED that Contra Costa Gas Company be and it is hereby authorized to charge and collect for gas sold based on all regular meter readings

taken on and after February 17th, 1919, in accordance with the following schedules of rates, to-wit:

SCHEDULE "A"

General Service

		<u>Gross</u>	<u>Net</u>
First	500 cu.ft. or less per meter per month,	\$1.10	\$1.00
Next	2 000 cu.ft. per meter per month per M. cu.ft.	1.75	1.65
Next	2 500 cu.ft. per meter per month per M. cu.ft.	1.55	1.45
Next	3 000 cu.ft. per meter per month per M. cu.ft.	1.35	1.25
Next	7 000 cu.ft. per meter per month per M. cu.ft.		1.10
All over 15,000	cu.ft. per meter per month per M. cu.ft.		1.00

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. If the bill is not paid on or before the 10th, the gross charge is effective.

SCHEDULE "B"

Prepay Meters

Rate: \$1.75 per 1,000 cu.ft.  
 Minimum: \$1.00 per meter per month.

SCHEDULE "C"

Hotels, Restaurants and Bakeries

	<u>Gross</u>	<u>Net</u>
Rate per 1,000 cu.ft. per month	\$0.90	\$0.85
Minimum weekly charge per meter	7.50	7.00

The net rate is effective if the bill is paid at the office of the Company within three (3) days after reading of meter and presentation of weekly bill. If the bill is not paid within three (3) days, the gross charge is effective.

Provided, that Contra Costa Gas Company shall file with the Railroad Commission on or before February 20th, 1919, the schedules of rates herein established.

Dated at San Francisco, California,  
this 13<sup>th</sup> day of January 1919.

Edwin O. Edgerton  
H. D. Loveland  
Iving Mattie  
H. T. B. B. B. B.  
Frank R. Doherty

COMMISSIONERS