

Decision No. 6257 - BEFORE THE RAILROAD COMMISSION OF THE  
STATE OF CALIFORNIA.

ORIGINAL

In the Matter of the Application)  
of UKIAH GAS COMPANY, a corpora- )  
tion, for Change in Schedule of )  
Rates. )

Application  
No. 4358.

Charles M. Mannon, for City of Ukiah.  
George H. Eckert, for Applicant.

BY THE COMMISSION.

O P I N I O N

This is an application of the Ukiah Gas Com-  
pany requesting authority to increase its rates for gas  
service. Applicant alleges that unless relief is  
granted it will be unable to earn sufficient revenue  
to meet operating expenses, due to increases in oil and  
labor. It further alleges that the contract under  
which it has been purchasing oil at \$1.40 per barrel  
expired January 1st, 1919, after which date it will  
have to pay \$2.60 for oil.

Ukiah Gas Company owns and operates a gas plant located at Ukiah and distributes and sells gas throughout this town and suburbs.

On July 3rd, 1918, under Decision No. 5540, this Commission granted applicant an increase in gas rates effective for meter readings taken on and after August 1st, 1918. The rates as granted under this decision and as now in effect are as follows:

First	500 Cu. Ft. or less per meter per month,	\$1.00 per M. Cu.Ft.
Next	2 500 Cu. Ft. per meter per month,	1.70 per M. Cu.Ft.
Next	5 000 Cu. Ft. per meter per month,	1.50 per M. Cu.Ft.
Next	7 000 Cu. Ft. per meter per month,	1.30 per M. Cu.Ft.
All over	15 000 Cu. Ft. per meter per month,	1.20 per M. Cu.Ft.

The property value as allowed in Decision No. 5540, and brought up to January 1st, 1919 from applicant's book accounts is as follows:

Property as of January 1st, 1918,	\$ 35 996.55
Additions and Betterments January 1st, 1918 to January 1st, 1919,	<u>22.20</u>
Property as of January 1st, 1919,	\$ 36 018.75

During the year 1918, applicant's gas sales amounted to 6,291,200 cubic feet, in the manufacture

of which 2,352 barrels of oil were used. Revenue from gas sales amounted to \$10,277.00 and expenses to \$8,817.00, leaving \$1,460.00, or 4.05 per cent, for interest and depreciation. It was estimated that the increase in rates granted under Decision No. 5540 would return an average revenue of \$1.86 per thousand cubic feet of gas sold. During the last six months during which the rates have been in effect, the revenue per thousand has actually been \$1.83. And during this six months period applicant has realized approximately 6 per cent upon its investment.

Upon the present rates, assuming that the sales for 1919 would be the same as during 1918, and with the increased price of oil to \$2.60 per barrel, applicant will not be able to meet operating expenses.

To place applicant on the same financial basis as that of the last six months of 1918, applicant's rates would have to be increased 41 cents per thousand cubic feet, providing no decrease in sales followed.

The actual loss of business to applicant during the last six months of 1918, resulting from the increase in rates granted in July 1918, has amounted to approximately 230,000 cubic feet of gas and 20 consumers.

In the manufacture of gas, applicant has not, during the last year, made efficient use of lampblack produced as a by-product. If applicant had used this lampblack as a fuel in the generation of steam instead of oil, the result would have been a saving of approximately \$250.00. On the basis of the new oil price; the failure to use lampblack will increase the operating cost by an amount of \$470.00 for the year of 1919, and this expense cannot be considered by the Commission a just operating expense.

In our opinion, applicant is entitled to an increase in its gas rates at this time, but an increase in excess of that herein granted, under existing conditions, would probably result in a loss of business which would more than offset the gain in revenue to be obtained from the increased rates.

The rates established in the order following, in our opinion, will net applicant an average price of \$2.20 per thousand cubic feet, and assuming a decrease in sales during 1919 equal to that which resulted from the increase allowed by this Commission in July 1918 under Decision No. 5540, applicant will realize approximately 4.0 per cent upon its investment for interest and depreciation.

O R D E R

Ukiah Gas Company having applied to increase its rates, hearings having been held, the matter submitted and now ready for decision, the Railroad Commission finds as a fact that the existing rates under present conditions of cost of operation are unjust and unreasonable, and that the rates herein established 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 the Ukiah Gas Company be and it is hereby authorized to charge and collect the following rates for gas based on all regular meter readings taken on and after April 15th, 1919:

First	400 Cu. Ft., or less per meter per month	\$1.00
Next	2 600 Cu. Ft. per meter per month,	2.10 per M. Cu.-Ft.
Next	5 000 Cu. Ft. per meter per month,	1.70 per M. Cu.-Ft.
Next	7 000 Cu. Ft. per meter per month,	1.50 per M. Cu.-Ft.
All over 15 000 Cu. Ft.	per meter per month,	1.25 per M. Cu.-Ft.

Provided, that Ukiah Gas Company shall file with the Railroad Commission within 10 days of the date of this order the rates herein established.

Dated at San Francisco, California, this 7<sup>th</sup> day of April 1919.

Edwin C. Edgerton  
H. D. Foreland  
Franco R. DeLeon  
H. B. Brundage  
Ivory Martin

COMMISSIONERS