

Decision No. 6975

ORIGINAL

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.

In the Matter of the Application of the
CONTRA COSTA GAS COMPANY, a corporation,
for a revision of its rates.

)
)
) Application No. 4924
)

S. Waldo Coleman, for applicant.
A. B. Timming, for County of Contra
Costa.
A. F. Bray, City Attorney, for City
of Martinez.

BY THE COMMISSION.

O P I N I O N

Contra Costa Gas Company, a utility supplying gas to the cities and towns of Antioch, Concord, Martinez, Pittsburg and Crockett, and contiguous and intervening territory, in Contra Costa County, California, alleges that its present rates for gas are insufficient to properly compensate it for its costs of operation and give it a reasonable return on its investment, and asks that the Commission accordingly increase its rates and charges for gas.

A hearing was held at Martinez before Examiner Westover on October 13, 1919, at which time the matter was submitted pending the filing of supplementary evidence by applicant at the Commission's request. The evidence being fully before the Commission, the matter is now submitted and ready for decision.

I.

Applicant first engaged in the gas business in the year 1915, following the construction of a gas generating plant, transmission mains and distributing system in Contra Costa County. Its rates have been twice subject to revision by the Commission in Decision No. 5177, in Application No. 3322, dated March 4, 1918, and in Decision No. 6103, in Application No. 4158, dated February 13, 1919. In both of these proceedings applicants' rates were increased to absorb, in part, the increased cost of oil, labor, materials and other operating expenses. The rates now in effect are as follows:

Table No. 1.

Schedule "A"
General Service

	<u>Gross</u>	<u>Net</u>
First 500 cubic feet or less per meter per month...	\$1 10	\$1 00
Next 2,000 " " per meter per mo per 1000 cu.ft.	1 75	1 65
Next 2,500 " " " " " " " " 1000 " "	1 55	1 45
Next 3,000 " " " " " " " " 1000 " "	1 35	1 25
Next 7,000 " " " " " " " " 1000 " "		1 10
All over 15,000 cubic ft. per meter per mo. per 1000 cu.ft.		1 00

The net rate is effective if the bill is paid at the office of the company on or before the tenth of the month next succeeding that for which the bill is rendered. If the bill is not paid on or before the tenth, the gross charge is effective.

Schedule "B"
Prepay Meters

Rate: \$1.75 per 1 000 cubic feet.

Minimum: 1.00 per meter per month.

Schedule "C"
Hotels, Restaurants and Bakeries.

	<u>Gross</u>	<u>Net</u>
Rate per 1,000 cubic feet 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.

In spite of the increased rates which have been authorized to Contra Costa Gas Company in the last two years, its expenses continue to increase through causes over which it has no control.

Results of operation, with estimates for 1920 at present rates, are graphically shown below. 2.

TABLE NO. 2

CONTRA COSTA GAS COMPANY						Present Rates
Results of Operation - 1915-1919 Inc. and estimates for 1920.						570 B.T.U.
	1915	1916	1917	1918	1919	1920*
Capital*	\$100,000	\$200,000	\$240,000	\$263,000	\$290,000	\$310,000
Operating Revenue	16,037	45,211	66,968	67,438	95,592	59,875
Operating Expenses -						
Production	4,452	14,276	22,512	39,059	52,994	57,809
Transmission	609	849	1,469	2,121	3,259	3,324
Distribution	663	3,772	5,316	6,009	5,708	5,822
Commercial	2,458	6,923	9,909	11,374	11,037	11,037
General & Misc.	672	3,396	3,531	3,666	4,238	4,323
Taxes	666	2,333	3,632	5,138	6,741	7,600**
Depreciation	* 1,850	* 3,900	4,946	5,269	6,179	6,200
Total Operating Expenses	11,400	35,449	51,335	72,676	90,356	69,116
Net Revenue	4,637	9,762	15,633	14,762	5,236	3,710
Rate of Return on Capital	4.6%	4.9%	6.5%	5.5%	1.8%	1.2%
Number of consumers	788	1,661	1,942	2,042	* 2,300	2,470
Sales of gas M. cu. feet	"	35,528.7	53,137.9	57,602.0	59,449.0	59,675
Revenue per M. cu. feet. Sold	"	\$1.27	\$1.26	\$1.52	\$1.60	\$1.67

Notes: Items for 1915 to 1918, inclusive, from Annual Reports of Applicant to Commission - Items for 1919 from Applicant's Exhibit "A" herein (Partially Estimated.)

*Estimated

**Taxes include state tax on gross revenue and also 2% on gross revenue under local franchise requirements.

The cost of oil to applicant in 1917 was 70¢ per barrel, in 1918, \$1.55 and in 1919, \$1.70, and after March 1, 1920 the evidence shows it will cost \$1.85 per barrel. Other costs of operation have also increased.

Table No. 2 indicates that applicant's business has passed its development stage, its territory is now well saturated, and in the future its business will be subject only to normal increase through growth of population and industries to be served. The gas supplied by it has heretofore contained a uniform heating quality of 550 British Thermal Units per cubic foot, continued to date under the authority of the Commission as an exception to the standard of 570 B.T.U. established by General Order No. 58, and its present rates are based upon that quality of gas.

Applicant is now prepared to conform to the state standard of gas quality, but shows that its consumption of oil will be increased thereby and its sales slightly decreased, conditions which it asks to have recognized in any rate based upon the standard quality of 570 B.T.U. gas. This is done in the rates herein established which are based on a heating content of 570 B.T.U.

It appears from testimony of consumers and investigations by the Commission's engineers that in portions of applicant's territory there has been a noticeable lack of pressure, particularly at times of heavy consumption of gas, which is due in a large measure to the absence of storage capacity at Martinez. Applicant gives assurance that steps have been taken to remedy these conditions. The authority herein contained to increase rates is based upon the assurance

of adequate service in the particulars referred to.

Applicant claims the reasonable value of its physical properties as of August 31, 1919 to be \$270,110, based upon actual investment as shown by its accounts, which have been kept from the beginning in conformity with the requirements of the Commission. The necessary additions and betterments to its system to the end of the year 1919 are estimated at \$20,000. Necessary improvements to its generating, transmission and distribution systems during 1920 to supply the normal growth in its business, will probably require an additional \$10,000. These additions with allowance for materials, supplies and working capital, aggregate \$310,000, which we find to be a reasonable rate/^{base} for property devoted to public service for the year 1920. Our engineers estimate that a reasonable annuity for depreciation or replacements is \$6,200.

Taxes will be considerably increased next year because applicant's 2% franchise tax will then apply for the first time upon all of its gross revenue. This is a legitimate expense which must thereafter be paid by consumers in the form of rates.

Table No. 2 shows that estimated revenue and expenses for 1920 under present rates would probably produce only 1.2% on the \$310,000 rate base, a wholly inadequate return upon the investment. If the territory in question is to continue to receive adequate service with suitable provision for future growth it is manifest that applicant's return must be increased sufficiently to insure continued operation and the procuring of needed additional capital. There is, however, a point beyond which an increase in rates will cause applicant to suffer a loss of business, a factor which is considered in fixing the rates found in the order. The rates authorized we estimate will produce a gross revenue of \$119,337 and a net return of 7% per year upon the \$310,000 invested, which in our judgment is as much as applicant may reasonably expect to earn upon present conditions.

O R D E R

CONTRA COSTA GAS COMPANY having applied for a revision of its rates, a public hearing having been held, evidence being submitted and the matter being ready for decision,

THE RAILROAD COMMISSION HEREBY FINDS that the present rates of Contra Costa Gas Company are not sufficiently remunerative and that the rates hereinafter set forth are just and reasonable rates.

Basing its order upon the foregoing finding of fact and upon each statement of fact 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 of average heating value of 570 British Thermal Units per cubic foot, the following schedules of rates:-

Schedule 1.
GENERAL SERVICE

Handwritten: 2600

	Gross	Net
1st 400 cu. ft. or less per meter per month	\$1.10	\$1.00
Next 2000 cu. ft. per meter per mo. per 1000 cu. ft.	2.10	2.00
" 5000 " " " " " " " " "	1.70	1.60
" 7000 " " " " " " " " "	-	1.40
All over 15,000 cu. ft. per meter per mo. per 1000 cu. ft.	-	1.20

The net rate is effective if the bill is paid at the office of the company on or before the 10th day of the month next succeeding that for which the bill is rendered. Otherwise the gross charge applies.

Schedule 2.
Pressy Meter Service

Rate \$2.00 per 1000 cu. ft.
Minimum charge \$1.00 per meter per month.

Schedule 3.
Hotels, Restaurants and Bakery Service

	Gross	Net
Rate per 1000 cu. ft. per meter per month	\$1.15	\$1.10
Minimum weekly charge per meter	7.75	7.50

The net rate is effective if the bill is paid at the office of the company within four (4) days after the presentation of the weekly bill. Otherwise the gross charge applies.

The above schedules of rates shall apply to all regular meter readings taken on and after the 20th day of December 1919,

Provided Contra Costa Gas Company shall, within ten days from the date of this order, file with the Railroad Commission the schedules of rates herein established, and further

Provided that Contra Costa Gas Company shall on and after the effective date of this order conform in all respects to the gas service standards of General Order No. 58 of this Commission.

Dated at San Francisco, California, this 19th day of December, 1919.

Edwin C. Dwight
H. H. V. Laird
Frank R. Perkins
H. H. B. ...
George ...
Commissioners.