

Decision No. 7578

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the petition of)
MADERA GAS COMPANY for authority) Application No. 5482.
to increase its rates to consumers)

James Wakefield)
George W. Kitchen) for Applicant.

E. M. Saunders, Pres. Board of Super-
visors, Madera County.

BRUNDIGE, Commissioner.

O P I N I O N

Madera Gas Company alleges that it is forced to meet increased costs of production and distribution of gas due to recent advances in the costs of oil and labor, and asks the Railroad Commission to so fix the rates and charges for gas to its consumers that it may hereafter earn a reasonable return upon its capital invested. A public hearing was held in Madera on April 27, 1920, and the matter thereupon submitted.

Applicant is engaged in the manufacture and production of gas in the City of Madera, County of Madera, California, and is supplying about 485 consumers, the total annual sales for 1919 being 12,042,000 cu.ft. The present rates were established by Decision No. 5596 of the Railroad Commission dated July 17, 1918 and provide the following schedule of charges:

First	500	cu.ft.	per	meter	per	mo.	or	less	\$1.00	net
Next	3000	"	"	"	"	"	"	"	1.75	per M cu.ft.
Next	4500	"	"	"	"	"	"	"	1.60	" " " "
Next	7000	"	"	"	"	"	"	"	1.40	" " " "
All over	15000	"	"	"	"	"	"	"	1.20	" " " "

The Annual Report of this utility shows that for the year 1919 its net return was but slightly in excess of 1.0% upon its investment. Since the fixing of the present rates applicant has been obliged to pay a continually increasing amount for wages and has recently been subjected to an additional price for oil of 25 cents per barrel. The Commission's engineers estimate that these increases, together with a reasonable allowance for return, will result in an added cost of \$0.325 per thousand cubic feet of gas sold during 1920.

The following statistics show briefly the operations of Madera Gas Company for the year 1919:

Consumers, Dec. 31, 1919	486
Gas Sales	12,042,000 cu.ft.
Sales per consumer	24,800 cu.ft.
Oil used: 3525 bbls. @ \$1.99	\$7,028.00
Oil used per M cu.ft. sold	12.30 gallons.
Cost of gas per M cu.ft. sold	\$1.679
Revenue Gas Sales	\$21,050.
Operating Expenses	20,254.
Net for Return on Investment	<u>\$ 796.</u>
Valuation Dec. 31, 1919	\$74,672.
Rate of Return	1.065%

A valuation of applicant's gas properties was made by the Commission's engineering department in December, 1916. The historical reproduction cost with additions and betterments to date, and estimated to June 30, 1920, is as follows:

C.R.C. Valuation as of Jan. 1, 1918	\$69,708.02
Additions & Betterments to Jan.1,1919	<u>130.18</u>
Valuation as of Jan. 1, 1919	69,838.20
Additions & Betterments to Jan. 1, 1920	<u>4,834.68</u>
Valuation as of Jan. 1, 1920	74,672.88
Additions & Betterments to June 30, 1920	<u>1,184.24</u>
Valuation as of June 30, 1920	75,857.12
Working Cash Capital	3,375.00
Materials and Supplies	<u>750.00</u>
Rate Base 1920	\$79,982.12

Investigations made by this Commission and evidence presented at the hearing, disclose that Madera Gas Company's operations are unduly burdened by excessive overhead charges to superintendence and general expenses. It is believed that a utility as small as the applicant's should conduct its business upon a more economical basis, combining the duties of the manager and superintendent. This has been considered in the expenses allowed for 1920 operations, and the present basis of charges for production, distribution and general expenses have been reduced to eliminate certain overhead charges which are not considered proper. The annuity for depreciation has been calculated at the rate of 3% upon depreciable property, as contrasted with applicant's allowance of 5% for the past year. The following tabulation shows the reasonable cost of service for 1920:

COST OF SERVICE

Production and Distribution:

Oil	\$9156.	
Other Expenses	<u>4300.</u>	
Total		\$13,856.
Commercial		2,190.
General		2,400.
Taxes		1,645.
Uncollectible Bills		<u>175.</u>
Total		\$20,266.

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Total Brought Forward \$20,266.

Fixed Charges:

Depreciation Annuity	\$1765.	
7% Return on Rate Base	<u>5600.</u>	
Total		<u>7,365.</u>

Total Cost of Service \$27,631.

Rate Base as of June 30, 1920	\$79,982.12
Gas Sales M cu. ft.	13,780
Average cost of gas per M sold	\$2.005

The rates hereinafter established should yield applicant sufficient revenue to meet the increased costs of oil, labor, materials and other proper operating expenses, and if its affairs are economically managed will permit a reasonable return upon the established valuation of its properties. Based on the foregoing I recommend the following form of Order:

ORDER

Madera Gas Company having applied to the Railroad Commission for authority to increase its rates for gas, a hearing having been held and the matter submitted and being now ready for decision, the Railroad Commission of the State of California hereby finds as a fact that the present rates and charges for gas of Madera Gas Company are not just and reasonable rates, in so far as they do not adequately compensate it to the extent of earning proper operating expenses and a fair return upon the reasonable valuation of its properties.

Based 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 Madera Gas Company be and is hereby authorized to charge and collect the following schedule of rates for gas, which rates shall be applicable to all regular meter readings taken on and after the 20th day of May, 1920, to-wit:

							Gross	Net
First	500	cu. ft.	per	meter	per	mo. or less	\$1.35	\$1.25
Next	2500	"	"	"	"	"	2.10	2.00 per M.
Next	5000	"	"	"	"	"		1.80 " "
Next	7000	"	"	"	"	"		1.70 " "
All over	15000	"	"	"	"	"		1.60 " "

The net rate is effective if the bill is paid on or before the 12th day of the month next succeeding that for which the bill is rendered; otherwise, the gross rate is effective.

PROVIDED, Madera Gas Company shall within ten days of the date of this order file with the Railroad Commission the schedule of rates herein established.

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 17th day of May, 1920.

Edwin O. Edgerton
H. S. Loveland
Frank R. Weston
H. V. Brundage
Quincy Watson
 Commissioners.