

Decision No. 7580

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
TURLOCK GAS COMPANY, a corporation,)
for authority to increase its rates) Application No. 5518.
to consumers.)

A. A. Caldwell, for Applicant.

Wm. Graybiel, for Consumers.

BRUNDIGE, Commissioner.

O P I N I O N

Turlock Gas Company alleges that it is obliged to pay an increased price for oil of twenty-five cents per barrel, and that this and increased wages paid to its employees has created a financial burden upon the company which is more than it can carry under the present rates charged for gas; it therefore prays that the Railroad Commission investigate its operations and establish such rates for gas service as shall be found just and reasonable. A public hearing was held in Turlock on April 28, 1920, and the matter thereupon submitted.

Applicant is engaged in the manufacture and distribution of gas in the City of Turlock, County of Stanislaus, California, and is providing service to about 740 consumers. Its sales for the year 1919 amounted to 15,626,000 cubic feet, yielding a revenue of \$26,331. The operating expenses totaled \$22,660, leaving a balance of \$3,670, corresponding to a return of 5.67%

upon the investment in the properties. The rates now charged were established by this Commission's Decision No. 5709 dated August 26, 1918, whereby the following schedule was made effective:

First	500	cu.ft.	per	meter	per	mo.	or	less,	\$1.00	net
Next	2500	"	"	"	"	"	"	"	1.70	per M cu.ft.
Next	4000	"	"	"	"	"	"	"	1.55	" " " "
Next	8000	"	"	"	"	"	"	"	1.35	" " " "
All over	15000	"	"	"	"	"	"	"	1.15	" " " "

Investigation shows that applicant's affairs have been managed with great economy and that the operation of its gas generating plant is reasonably efficient. Since the establishment of the above schedule of rates it has been compelled to pay an additional price of 25 cents per barrel for oil, as well as very material increases in its payroll. These increased costs alone will result in an increase of 18.2 cents per thousand cubic feet of gas sold, and an increase of 20 cents per thousand when proper allowance is made for fair return upon invested capital.

The following statistics summarize briefly the operations of Turlock Gas Company for the year 1919:

Consumers, Dec. 31, 1919	720
Gas Sales	15,626,000 cu.ft.
Oil used: 4585 bbls. @ \$1.67	\$7,655.00
Oil used per M cu.ft. gas sold	12.32 gallons
Revenue Gas Sales	;\$26,330.00
Operating Expenses	22,660.00
Net for Return on Investment	\$ 3,670.00

The valuation of applicant's properties, shown by its Annual Reports to this Commission, and which are in accord with the figures used in its previous rate proceedings, indicate a valuation of:

January 1, 1920	\$64,741.51
Additions and Betterments to April 1, 1920	1,890.03
Estimated Additions to June 30, 1920	600.00
Valuation as of June 30, 1920	<u>\$67,231.54</u>
Working Cash Capital	4,690.00
Materials & Supplies	<u>1,000.00</u>
Total for Rate Base	\$72,921.54

The following sets forth the reasonable cost of service for Turlock Gas Company for the year 1920 based upon the investigation of the Commission's engineers.

COST OF SERVICE

Production, Oil	\$12,215	
" Other	<u>3,750</u>	
Total Production		\$15,965
Distribution		3,250
Commercial		3,400
General		4,150
Taxes (including 2% city tax)		2,823
Uncollectible Bills		<u>125</u>
Total		\$29,713

Fixed Charges:

Depreciation	\$1,867	
Return on Investment	<u>5,830</u>	
Total fixed charges		7,697
Total Cost of Service		37,410
Gas Sales M. cu.ft.		19,483
Average cost of gas per M sold		\$1.885

At the hearing herein a protest was filed against an increase in gas rates, and it was alleged that the gas service was not satisfactory. Several consumers testified on the ser-

vice rendered by applicant, and it appears that some appliance troubles have resulted from dust and other impurities carried by the gas. Applicant will be expected to take such measures as may be necessary to remedy this condition by installing filters or improving the purifying processes at its plant.

The rates hereinafter established should yield applicant sufficient revenue to meet its increased operating expenses and to earn for it a reasonable return upon the valuation of its properties.

O R D E R

Turlock 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 Turlock 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 other findings of fact contained in the Opinion which precedes this Order:

IT IS HEREBY ORDERED that Turlock Gas Company be and is hereby authorized to charge and collect the following 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 no.	or less		\$1.35	\$1.25
Next	2500	"	"	"	"	"	2.10	2.00 per M cu.ft
Next	4000	"	"	"	"	"	1.90	" " "
Next	8000	"	"	"	"	"		1.60 " " "
All over	15000	"	"	"	"	"		1.50 " " "

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

PROVIDED, Tarlock 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 C. Edgerton

H. D. ...

Frank P. ...

H. B. ...

Dwight ...

Commissioners.