

ORIGINAL

Decision No. 7602

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
SOUTHWESTERN GAS COMPANY for author-) Application No. 5557
ity to increase rates.)

Claude E. Webber, for Applicant.

O. T. Easley, for City of Hemet.

BY THE COMMISSION.

O P I N I O N

Southwestern Gas Company alleges that its operating expenses are such that it is unable to earn a reasonable return upon its invested capital under its existing rates. The recent increased cost of oil further increases the costs of its operations, and it now asks the Railroad Commission to adjust its rates. A public hearing was held in Hemet on May 8, 1920, before Examiner Westover and the matter thereupon submitted.

Applicant is engaged in the manufacture and distribution of gas in the cities of Hemet and San Jacinto, Riverside County, California, and is providing service to about 350 consumers. During the year 1919 Southwestern Gas Company sold 6,882,000 cubic feet of gas from which it realized a gross revenue of \$14,265. Its operating expenses exclusive of bond interest and depreciation amounted to \$11,429, leaving a balance of \$2,836 for depreciation, bond interest, and return upon the investment. It appears that increased operating expenses for the year 1920, together with

a fair allowance for return and depreciation will total \$6610 in excess of the production, distribution, commercial and general expenses incurred in the year 1919, thus requiring an increase in the gross revenue of \$3,775, or 55 cents per thousand cubic feet of gas sold. The operating expenses of applicant are peculiarly high, due to the small size of its plant, the high cost of oil and necessity of compressing a considerable portion of the gas supplied. The rates now charged were established September 10, 1918, by Decision No. 5866 and averaged during the past year \$2.07 per M cubic feet sold.

The valuation approved in the previous rate proceeding of this utility showed an approximate figure of \$40,000, to which about \$1,650 has been since added in betterments, bringing the present rate base to \$41,650. Although these figures have not been established by a detailed appraisal, by comparison with other similar properties they appear to represent a reasonable basis for rate-fixing.

The rates hereinafter established should yield applicant sufficient revenue to meet its increased operating expenses, and to provide a fair return upon the reasonable value of its properties.

O R D E R

Southwestern Gas Company having applied to the Railroad Commission for authority to increase its gas rates, 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

Southwestern 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 a reasonable valuation of its properties.

Based on the foregoing findings of fact,

IT IS HEREBY ORDERED, that Southwestern Gas Company be and it is hereby authorized to charge and collect the following rates for gas, effective for all regular meter readings taken on and after May 20, 1920 in the towns of Hemet and San Jacinto and adjacent territory:

		<u>Gross</u>	<u>Net</u>
First	400 cu.ft. or less per meter per month . . .	-\$1.60	\$1.50
Next	2600 cu.ft. per meter per mo.	2.70	2.60 per M cu.ft.
Next	5000 " " " " " "		2.30 " " "
Next	7000 " " " " " "		2.00 " " "
All over	15000 " " " " " "		1.80 " " "

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 rate is effective.

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

Dated at San Francisco, California, this 18th day of May, 1920.

Edwin O. Edgerton
H. D. Loveland
Dwight Martin

Commissioners.