

Decision No. 7639

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE  
OF CALIFORNIA.

In the matter of the Application of )  
FOWLER GAS COMPANY, a Corporation. )  
for permission to increase rates for )  
service. )

Application No. 5604

C. A. Patton for Applicant.

BRUNDIGE, Commissioner.

O P I N I O N

Fowler Gas Company alleges that under the present rates charged for gas service, its operations for the year 1919 have resulted in a deficit, and due to recent increases in the cost of oil, materials and labor its expenses have increased to such an extent that they can not be met by revenue derived from the present rates. A public hearing was held in Fowler on May 20, 1920 and the matter thereupon submitted.

Applicant is the smallest gas utility in the State and is engaged in serving about 95 consumers in the town of Fowler with artificial gas. During the year 1919 its sales totaled 2,424,000 cubic feet from which it obtained a gross revenue of \$4,426.02 Operating expenses exclusive of any charges for depreciation amounted to \$4,085.11 leaving a balance of \$340.91 Interest deductions chargeable amounted to \$708.49 thus showing a deficit of \$367.58 Fixed capital

installed as of December 31, 1919 was \$20,600.68, to which additions of \$159.51 have been made to April 30, 1920, making the total value of fixed capital as of May 1, 1920, \$20,760.19 Applicant's properties are operated and managed entirely by Mr. C. A. Patton, who for some time has received inadequate compensation. The present rates in effect provide the following charges: first 2000 cubic feet at \$2.00 per M, next 6000 cubic feet at \$1.40 per M and all over 8000 cubic feet at \$1.20 per M. These rates were established by Decision No. 5542 of July 3, 1918 and are materially less than those now in effect for other companies of considerably larger size in similar territory.

The following tabulation sets forth the operating expenses of Fowler Gas Company for the year 1919 together with an estimate for 1920.

	<u>Operating Expenses.</u>	
	<u>1919.</u>	<u>Estimated 1920</u>
Production Expenses		
Oil	\$1,817.97	\$2,040.00
Others	1,384.92	1,585.00
Distribution Expense	210.36	340.00
Commercial	434.68	505.00
Taxes	237.18	325.00
Uncollectible Bills		20.00
Depreciation		600.00
Total	<u>\$4,085.11</u>	<u>\$5,415.00</u>

Fowler Gas Company's properties were originally designed and constructed with the expectation of supplying approximately 250 consumers, its generating and distributing equipment being adequate for such demands. However the actual

number of consumers has never exceeded 115, and at present is only 95 and gas sales have declined over one million cubic feet since 1917, for these reasons applicant has failed to earn a proper revenue upon its capital invested. If rates sufficient to yield a full return were put in effect, it is believed that applicants gas sales would be materially reduced and thereby result in no increase in gross revenue. While the rates herein established will not provide such a full return upon the rate base, it is believed that they will render considerable relief to the adverse conditions under which this company has operated. I therefore recommend the following form of order:

ORDER

Fowler 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 Fowler Gas Company are not fair 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 valuation of its properties, and in so far as they differ from the rates and charges hereinafter established.

IT IS HEREBY ORDERED that Fowler Gas Company be and is hereby authorized to charge and collect for gas the following rates, effective for all regular meter readings taken on and after the 27th day of May 1920, to wit:

	<u>Net</u>	<u>Gross</u>
First 500 cu. ft. or less per meter per month	\$1.50	\$1.60
Next 1500 " " " " " "	2.50	2.60 per M cu. ft.
Next 6000 " " " " " "	2.00	" " " "
All over 8000 cu. ft. " " " "	1.50	" " " "

The net rate is effective if the bill is paid 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, Fowler Gas Company shall within ten days from the date of this order file with the Railroad Commission the schedules 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 27<sup>th</sup> day of May, 1920.

Edwin O. Edgerton

H. S. Loveland

Frank R. Devlin

H. C. B. ...

... ..

Commissioners.