

Decision No. 7744

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE
OF CALIFORNIA

In the Matter of the Application)
of the IMPERIAL VALLEY GAS COM-)
PANY for permission to cease) Application No. 5653
operations, or for other relief.)

C. E. Paris, Receiver and Ross E.
Hickox, for Applicant.
J. S. LaRue, City Attorney,
for City of El Centro
H. N. Dyke, City Attorney,
for City of Imperial
F. O. Lack, for Citizens of Brawley.

BRUNDIGE, Commissioner:

O P I N I O N

On behalf of Imperial Valley Gas Company, C. E. Paris, Receiver, applies herein for authority to discontinue service, or for such other relief as the Commission may find just and proper in the premises. It is alleged that the revenue derived from the operation of applicant's properties is insufficient to pay operating expenses, exclusive of bond interest or an allowance for depreciation.

The cost of oil and labor to it has increased very materially, and the physical condition of its pipe lines has become such that losses of gas therefrom are excessive. These conditions resulted in the properties being taken over by the Receiver on January 6, 1920. A hearing was held in El Centro on June 2, 1920, and the matter submitted.

The present gas rates were established by Decision No. 5706, dated August 26, 1918, and, although they had for sometime proved insufficient to meet the requirements for maintenance and operation of applicant's system, no application has been heretofore made for relief.

Applicant is engaged in serving artificial gas to the towns of El Centro, Imperial and Brawley, the two latter being supplied through high pressure transmission lines from the generating plant at El Centro. Investigation of Applicant's operations indicates that, to a large extent, its excessive costs are the result of very heavy leakage of gas in its transmission lines, and, in part, from inefficient plant operation. Soil conditions in Imperial Valley are apparently very detrimental to pipe. Tests which have been made upon the different portions of this system indicate monthly losses of 2,500,000 cubic feet on the Brawley line; 725,000 cubic feet on the El Centro line; and 290,000 cubic feet on Imperial line; or a total of 3,515,000 cubic feet per month for the entire system. The Brawley line is fourteen miles in length, and about four miles of this traverses black alkalai land where the pipe is badly deteriorated.

In its Decision No. 6431, in the complaint of the City of Brawley vs Imperial Valley Gas Company, relative to inadequate gas service, this Commission ordered that Imperial Valley Gas Company make certain improvements and betterments to its system for the purpose of improving service and reducing operating costs. None of this work has been undertaken, and the quality of gas now supplied is far below standard. It is alleged that it has been impossible to procure funds for these plant improvements and line replacements, which would have resulted in materially reducing operating costs and improving service conditions.

To place applicant's properties on a reasonably satisfactory operating basis, it would be necessary that four miles of the Brawley transmission line, which is in very poor condition, be replaced with three inch pipe; this would reduce leakage and increase line capacity, which is needed, and permit operation at lower pressures. The installation of a new 150 h.p. boiler, and a rearrangement of the lampblack boxes at the El Centro plant, would materially reduce plant expenses. A positive-pressure blower for boosting the gas supplied locally in El Centro would avoid the wasted expense of high compression of a large part of the gas delivered. The erection of storage capacity at Brawley is the only means by which satisfactory service to that town may be assured. Consideration has been given to the proposal that the sale of the distributing systems in Brawley and Imperial at nominal amounts would provide sufficient funds to rehabilitate the transmission lines, and permit the delivery of gas to these communities upon an efficient basis, and provide a

fair return to applicant. Exclusive of gas-holders, improvements to applicant's system, which are at present imperative for a successful continuance of operations, would cost approximately \$20,000.00.

Operations for the first five months of 1920 under the Receiver continue to show a deficit, and a continuance of the receivership under present conditions will be of no benefit to either the consumers or the creditors. Because of the high cost of oil and labor, it is impossible for applicant to continue to operate, under its present rates, except at a heavy loss, and it has been found impossible to sell receiver's certificates to raise funds to meet current expenses. During the first five months of 1920, Imperial Valley Gas Company sold 17,143.9 M. cubic feet of gas, from which it obtained a gross revenue of \$40,785.00. Expenses for the same period amounted to \$42,082.00, leaving an operating deficit of \$1,297.00. The following tabulation shows operating statistics for the year 1919 with estimates for 1920. The revenues shown for 1920 include an increase in rates for the remainder of the year, as hereinafter established.

TABLE I
IMPERIAL VALLEY GAS COMPANY

Consumers:	<u>1919</u>	Estimated <u>1920</u>
Brawley	298	300
Imperial	173	170
El Centro	<u>807</u>	<u>810</u>
Total ..	1 278	1 280
Gas Made M. Cu. Ft.	63 255.5	65 749.2
Gas Sold	35 584.3	35 708.9
Gas Unaccounted For	27 671.2	30 040.3
Bbls. Gas Oil Used	14 256.	15 250.
Gals. Gas Oil per M. Sold	16.73	17.50
Revenue From Gas Sales	\$79 258.75	\$102 010.62
Operating Expenses	<u>77 667.03</u>	<u>93 043.74</u>
Net for Dep'n & Ret'n	\$ 1 591.72	\$ 8 966.88

The following table, showing an analysis of operating expenses for 1920 is based upon the conditions prevailing during the first five months of this year. Oil costs were based upon the present rate of \$2.69 per bbl. f.o.b. El Centro.

TABLE II
IMPERIAL VALLEY GAS COMPANY

	<u>1919</u>	<u>1920</u>
Production Oil	\$ 41 391.60	\$ 48 400.00
Other	14 463.90	21 385.07
Transmission	3 184.90	5 517.91
Distribution	4 916.19	5 743.23
Commercial	1 283.81	1 183.15
General	9 174.54	5 084.38
Taxes	3 247.09	5 730.00
Depreciation		6 600.00
Total	\$ <u>77 667.03</u>	\$ <u>99 643.74</u>
Revenue Gas Sales	79 258.75	102 010.62
Net Ret'n	\$ <u>1 591.72</u>	\$ <u>2 366.88</u>

Production expenses per M. cubic feet of gas sold during 1919 increased to \$2.182 as compared with \$1.436 for 1918. Estimates for the year 1920 indicate that a cost, including an allowance for depreciation, will be \$2.79 per M. sold.

No complete inventory of the properties of Imperial Valley Gas Company has been made by this Commission. However, the estimated historical cost may be taken as \$200,000 for the purpose of this proceeding, as in our earlier fixing of rates.

By reason of the run-down condition of the properties, and their inefficient operation, it does not seem reasonable, under present conditions, to establish a rate which would yield a full return. If the transmission lines were to be rebuilt, losses should be reduced to approximately twenty-two per cent, which would result in a saving of 4,500 barrels of oil per year, at a cost of \$12,900. This saving should be applied to plant improvements.

On June 1, 1920, a public meeting was held in El Centro, and the matter of discontinuance of gas service discussed by representatives of Brawley, Imperial and El Centro. Mr. W. F. Holt, for the Imperial Valley Gas Company, presented its financial situation, and stated that very material increases in gas rates would be required to pay operating expenses, because of excessive leakage on the trunk lines. The feasibility of purchase of local distributing systems in the towns of Brawley and Im-

perial by these communities was discussed. It was pointed out that gas storage is required in the town of Brawley, in order that adequate service be rendered. The following resolution was passed at this meeting, and presented to the Commission at the hearing herein:

"RESOLVED, that we, the citizens interested in the service of Imperial Valley Gas Company in mass meeting assembled, petition the Honorable Railroad Commission of the State of California to deny the application of the Receiver of said Imperial Valley Gas Company for permission to discontinue the service of said company; and, instead, that said Honorable Commission fix such rates as in its wisdom it may find necessary to a continuance of said service."

The testimony of representatives of the three communities involved shows strong opposition to the discontinuance of gas service, there being no satisfactory substitute for gas fuel obtainable, and the loss of gas for cooking and other purposes would impose a serious hardship upon the present patrons of Imperial Valley Gas Company. A willingness was expressed on the part of consumers to pay such rates as may be found necessary to meet operating expenses for such a period as would be required to permit applicant to rehabilitate its properties and operations, and to readjust its finances.

The present rate schedule of Imperial Valley Gas Company provides for a monthly minimum charge of \$1.50 per meter, except during the months of July and August when many consumers leave the valley. In order that the consumers may continue to enjoy the benefits of gas service, it is believed that the remission of the minimum charge in the summer should be discontinued, and that a charge

should be made for the reconnection of meters temporarily disconnected.

In view of the strong public desire for continuance of gas service, and the expressed willingness to pay rates sufficient to keep applicant's system in operation, I believe applicant's petition to discontinue service should be denied, and, instead, the rates hereinafter set forth should be established to permit its rehabilitation and continued operation.

I submit the following form of Order:

O R D E R

Receiver of Imperial Valley Gas Company having applied for permission to discontinue service, or for such other relief as the Railroad Commission may find just and reasonable, a public hearing having been held, and the matter being submitted and now ready for decision, the Railroad Commission of the State of California hereby finds as a fact that the discontinuance of gas service would result in an unjustifiable hardship upon the consumers of Imperial Valley Gas Company, and that rates hereinafter set forth will yield applicant sufficient revenue during the year 1920 to enable it to rehabilitate its properties and service, and to provide a reasonable return upon its investment thereafter.

Basing its order 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 the application of Imperial Valley Gas Company for authority to discontinue service be held in abeyance for a period of six months from the date of this Order, and that in the interim Imperial Valley 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 the 20th day of June, 1920, to -wit:

SCHEDULE OF RATES

				<u>Gross</u>	<u>Net</u>
	100 cu. ft. per meter per month			\$1.35	\$1.25
	200 " " "			1.60	1.50
	300 " " "			1.85	1.75
	400 " " "			2.10	2.00
	500 " " "			2.35	2.25
	600 " " "			2.60	2.50
	700 " " "			2.85	2.75
	800 " " "			3.10	3.00
	900 " " "			3.35	3.25
First	1,000 " " "			3.60	3.50
Next	4,000 " " "			3.35*	3.25*
"	10,000 " " "				3.00*
"	15,000 " " "				2.50*
All over	30,000 " " "				2.00*

* Per M. cu. ft.

Minimum Charge..... \$1.00 per Meter Per Month.

Meter connection Charge 2.00

The net rate shall be effective for all bills paid at the office of the company on or before the tenth day of the month succeeding that for which the bill is rendered, otherwise the gross rate is effective.

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

and, further

PROVIDED, Imperial Valley Gas Company shall file with the Railroad Commission each month a statement of the progress of its work of rehabilitation of its plant and service.

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 19th day of June, 1920.

Edwin C. Edgerton
H. H. ...
John R. ...
H. B. ...
James Martin
Commissioners: