

ORIGINAL

Decision No. 7753BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA

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In the Matter of the Application of)
~~CENTRAL COUNTIES GAS COMPANY for an~~ Application No. 5553
 order to increase its rates.)

F. W. Hunter, for Applicant.

BRUNDIGE, Commissioner.

O P I N I O N

This is an application of Central Counties Gas Company for authority to increase its rates and charges for gas. Applicant alleges that it operated with a deficit during the year 1919 and that since that time it has been obliged to increase wages to its employees by approximately 20%, and also to meet an increase in the price of oil of 25 cents per barrel. Applicant seeks such rates and charges for gas as shall provide for increased operating costs now experienced.

A public hearing was held in Visalia on May 18th, 1920 and the matter thereupon submitted.

Applicant is engaged in supplying artificial gas to the towns of Visalia, Tulare, Lindsay, Exeter, Strathmore

and Porterville through a system of high pressure transmission lines from a central gas generating plant located at Visalia. During the year 1919 the company sold 81,843,000 cubic feet, from which it derived a revenue of \$132,623.05, or an average price of \$1.62 per M. Its direct operating expenses totaled \$124,920.74, or a cost of \$1.525 per M sold, with no allowance for depreciation.

The present rates were established by Decision No. 6014, dated December 26th, 1918, and are as follows:

First	3,000	cu.ft.	per	meter	per	mo...	\$1.70	net	per	M	cu.ft.
Next	5,000	"	"	"	"	"...	1.55	"	"	"	"
"	7,000	"	"	"	"	"...	1.30	"	"	"	"
"	10,000	"	"	"	"	"...	1.20	"	"	"	"
All over	25,000	"	"	"	"	"...	1.10	"	"	"	"

During the year 1919 poor pressures and interruptions to service existed in several of the towns more distant from the gas plant. This Commission had previously recommended the installation of additional storage facilities to meet these conditions, which has now been completed, applicant having erected a 120,000 cubic foot holder and boosting equipment in Porterville and has also repaired and replaced portions of its transmission and distribution lines, thereby improving pressure conditions and reducing gas leakage.

Oil has been purchased during the past year at \$1.325 per barrel f.o.b. Coalinga, whereas the present price in the field is \$1.70, to which must be added \$0.387 for freight and tax, making total price f.o.b. the plant \$2.087 per barrel. Increases in payroll in effect April 1, 1920 amounted to \$950.00, or 20.6% more than that as of January 31st, 1920. To meet these additional costs applicant estimates an increase in its charges of 12-1/2% will be required.

without making provision for return upon its investment.

The following summary sets forth comparative operating statistics for 1919 with an estimate for 1920 based on rates hereinafter established:

OPERATING STATISTICS

	<u>Actual 1919</u>	<u>Estimated 1920</u>
Consumers - Dec. 31	2,963	3,250
Gas Sales - M cu.ft.	81,843	93,000
Barrels of Oil Used	35,506	35,000
Revenue from Gas Sales	\$132,623.05	\$168,950.00
Operating Expenses	<u>\$124,920.74</u>	<u>\$150,635.00</u>
Net for Return	\$ 7,702.31	\$ 18,313.00

Operating expenses for 1920 are based on costs experienced during the year 1919 with due allowance for increased labor and oil charges, as shown in the following table:

OPERATING EXPENSES

	<u>1919</u>	<u>Estimated 1920</u>
Production		
Oil	\$61,099.33	\$68,785
Other	23,035.75	24,400
Transmission	3,524.59	4,500
Distribution	8,040.63	10,350
Commercial	5,178.20	5,600
General	16,703.33	17,000
Taxes	7,338.91	10,350
Depreciation	<u> </u>	<u>9,650</u>
	\$124,920.74	\$150,635

The oil usage for 1920 has been reduced 500 barrels. Investigation of applicant's plant indicates that greater economies and efficiencies can be effected than are now realized. The reduction of amount of oil used in gas generators by the repair and improvement of these machines, and the taking on of additional consumers along its lines, offer the greatest possibilities to applicant in reducing its unit costs. During the year 1919 the average duty of oil was 18.25 gallons per thousand cubic feet of gas sold, which is excessive even for a system such as applicant's, as has been pointed out in former decisions of this Commission. Calculations herein have been based upon a better duty of oil, which is warranted by actual results during the first three months of this year.

A general investigation of applicant's plant and of an inventory as of August 3rd, 1918 sets forth the historical cost of the property, amounting to \$362,544. The Company's annual reports, together with a special report of additions and betterments to date of April 1st, 1920, indicate the amount of fixed capital as follows:

Fixed capital installed prior to 1/1/13 ...	\$172,923.50
" " " 1/1/13 to 1/1/19 ..	197,260.53
" " " 1/1/19 to 1/1/20 ..	29,585.72
" " " 1/1/20 to 4/1/20 ..	<u>7,626.30</u>
Total Fixed Capital as of April 1, 1920...	\$407,396.05

With the addition of allowances for working cash capital and materials and supplies, this figure would be raised considerably above applicant's claimed valuation of \$400,000, and from our present investigations it is believed that \$400,000 is a reasonable base to assume for rate-fixing purposes in this proceeding.

Central Counties Gas Company has not in the past demonstrated the ability to earn a full return upon its invested capital, and, in view of the high costs of its operations, it is believed that rates sufficient to permit a full return would lead to an actual decrease in gas sales. The rates herein authorized will enable applicant to absorb its increased costs, and will raise its revenues to \$1.923 per thousand cubic feet.

I submit the following form of Order:

O R D E R

Central Counties 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 Central Counties 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 return upon its properties, and in so far as they differ from the rates and charges hereinafter established.

Basing its order on the foregoing findings of fact and on the other findings of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that Central Counties 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 21st day of June 1920, to-wit:

SCHEDULE "A"
GENERAL SERVICE

	<u>Gross</u>	<u>Net</u>
First 500 cu.ft. or less per meter per mo.	\$1.35	\$1.25
Next 2,500 cu.ft. per meter per mo.	2.10	2.00 per M cu.ft.
" 5,000 " " " " "		1.80 " " "
" 7,000 " " " " "		1.60 " " "
" 10,000 " " " " "		1.40 " " "
All over 25,000 " " " " "		1.30 " " "

The net rate is effective on all bills paid on or before ten (10) days after date of presentation

SCHEDULE "B"
HOTEL AND RESTAURANT SERVICE

First 25,000 cu.ft. per meter per mo....\$1.40 per M cu.ft.
All over 25,000 " " " " ".... 1.20 " " "

Minimum Bill per Meter per Month \$30.00.

PROVIDED, Central Counties Gas Company shall file with the Railroad Commission within ten days of the date of this Order 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

19th day of June, 1920.

E. O. Edwards
H. D. Loveland
W. A. Brown
R. B. Brundage
James M. ...
 Commissioners.