

Decision No. 7908

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
COAST COUNTIES GAS AND ELECTRIC)
COMPANY, a corporation, for an order) Application No. 5526.
revising its rates and charges for gas.)

S. Waldo Coleman, for applicant.
Geo. W. Smith, City Attorney for Santa Cruz.
T. D. O'Donnell, City Attorney for Hollister.
A. W. Sans, City Attorney for Watsonville.

By the Commission:

O P I N I O N

This is an application of Coast Counties Gas and Electric Company for authority to revise and increase its rates and charges for gas served to its consumers in the cities of Santa Cruz, Watsonville, Hollister and Gilroy. Applicant alleges that since the fixing of the present rates by the Commission in its Decision No. 6323, dated May 12, 1919, its operating expenses have increased due to advances in the costs of oil and labor.

Public hearings were held before Examiner Satterwhite in Santa Cruz and in Watsonville on May 7, 1920 and the matter thereupon submitted.

Applicant is engaged in supplying gas in Santa Cruz, Watsonville, Hollister and Gilroy, operating separate plants in each of these communities. The Gilroy plant, however, is owned by the city and is operated by applicant under a lease. The

total number of consumers supplied during 1919 was 3730. Estimates for the year 1920 indicate some increase.

At the time of the hearing for Application No. 4268, in which the present rates were established, protestants in Watsonville testified as to the poor service conditions resulting principally from inadequate pressure and fluctuating gas quality. Further investigation in connection with the present proceeding shows that pressure conditions have not been completely remedied. Tests and records of gas quality show a marked improvement in all districts except Gilroy. The average quality that applicant is required to maintain has been 550 B.T.U. per cubic foot, upon which basis the rates now in effect were fixed. Applicant will be expected to improve pressure and quality conditions in all districts so as to fully comply with the requirements of General Order No. 58 of this Commission.

Analysis of applicant's operations shows that its plants are producing gas upon an economical basis, electric power being used to a considerable extent, thereby effecting a saving in the amount of oil required for boiler purposes. Most of the steam required is generated by the use of lampblack residue from gas manufacture.

The price paid for oil has been increasing steadily. The accompanying table shows this increase from 1917 to date of hearing. Since the submission of this case the price of oil has been further increased by 15¢ per barrel, effective July 14, 1920. This further advance will be considered in arriving at the rates herein fixed.

TABLE I

PRICES OF FUEL OIL PER BARREL F.O.B. PLANTS

	Santa Cruz	Watsonville	Hollister	Gilroy
Prior to Oct.1,1917	\$0.77	\$0.88	\$0.95	\$0.86
Oct. 1, 1917	1.631	1.729	1.835	1.721
Nov. 1, 1917	1.646	1.747	1.856	1.739
Mar. 12, 1918	1.696	1.797	1.906	1.789
May 2, 1918	1.846	1.947	2.056	1.939
June 25, 1918	1.868	1.997	2.131	1.983
August 9, 1918	1.997	2.098	2.215	2.098
January 1, 1919	1.828	1.926	2.039	1.926
March 17, 1920	2.078	2.176	2.289	2.176
July 14, 1920	2.228	2.326	2.439	2.326
Increase since present rates were fixed	.40	.40	.40	.40

The following table summarizes the gas operations of Coast Counties Gas and Electric Company for the year 1919:

TABLE II

GAS OPERATING STATISTICS, 1919

	Santa Cruz	Watsonville	Hollister	Gilroy	Total
Consumers	1768	1018	484	460	3730
Gas sold M cu.ft.	42,148.8	24,110.1	10,528.2	9,232.2	86,019.3
Gas made " " "	54,838.6	32,244.7	14,359.3	11,966.9	113,409.5
Bbls. Oil Used	12,898	7,758	3,429	2,883	26,968
Gals. Oil per M Sold	12.9	13.5	13.7	13.1	
Revenue Gas Sales	\$67,864.	\$39,785.	\$18,484.	\$16,083.	\$142,217.
Operating Expenses	58,393.	34,990.	20,233.	16,133.	129,751.
Net for Return	9,470.	4,794.	* 1,749.	* 49.	12,466.
Investment	202,085.	118,902.	83,207.	35,124.	439,318.

Note: * - deficit.

During 1919 the applicant's gas business earned \$12,466 after deducting operating expenses and depreciation, or a return of 2.84% on its invested capital of \$439,318.

The rate base for applicant's gas properties is set forth in the following table and is based upon values used in Decision No.

6323 as of January 1, 1919. Additions and betterments for the years 1919 and 1920 have been added to arrive at the average investment for the year 1920.

TABLE III

RATE BASE GAS DEPARTMENT

Physical Property, Dec. 31, 1918	\$404,274.
Additions, 1919	4,518.
Dec. 31, 1919	<u>\$408,792.</u>
Estimated Average:	
Additions, 1920	2,250.
Average Physical Property 1920	<u>\$411,042.</u>
Materials and Supplies	13,350.
Working Cash Capital	<u>22,450.</u>
Rate Base	\$446,842.

The following table shows the revenue and expenses of applicant's gas business based upon the rates now charged and upon present costs of operation, including the price now in effect for fuel oil at its several plants. These figures are based on the sale of 96,410,000 cubic feet of gas to 4063 consumers, in the production of which there will be used 30,870 barrels of oil at an average cost of \$2.285 per barrel.

TABLE IV

GAS DEPARTMENT REVENUE AND EXPENSES

Revenue from present rates	\$161,600
Operating Expenses:	
Production - - Oil	\$70,538
Other	35,350.
Distribution	9,900.
Commercial	9,215.
General	6,735.
Taxes	10,500.
Insurance	1,255.
Uncollectible Bills	1,135.
Depreciation	13,215.
Total Operating Expenses	<u>157,843</u>
Net Income for Return	\$3,757

The operating costs set forth above, amounting to \$157,843, show an increase of \$28,092 over the corresponding items for the year 1919. This is due principally to the increased cost of oil in the several districts, as well as the additional cost of labor and supplies. It will be noted that the net income to be derived from the existing rates under the present higher cost of operation is reduced to \$3,757 which corresponds to a return of less than 1% upon an investment of \$446,842, which appears to be a reasonable rate base for the period under consideration.

Applicant should therefore be permitted to increase its rates and charges sufficient to restore its earnings and absorb the increased costs of operation. The rates herein established are designed to provide the additional necessary revenue, and take into consideration the present upward tendency of the fuel oil market and the fact that applicant's operations for some months have been subject to the increased costs now in effect without reimbursement in the form of higher rates. The annual revenue to be derived from the proposed rates is estimated to be \$197,000 and after the deduction of the taxes upon the increase in revenue to be thus obtained, applicant should earn a net return of \$37,000 per annum from its gas operations.

ORDER

Coast Counties Gas and Electric Company having applied to the Railroad Commission for authority to increase its rates and charges for gas service in Santa Cruz, Watsonville, Hollister and Gilroy, public hearings 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 rates now charged for gas by Coast Counties Gas and Electric Company are not just and reasonable rates in so far as they do not adequately compensate it for its investment and in so far as they differ from the rates and charges herein established.

Basing its order upon 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 Coast Counties Gas and Electric Company be and it is hereby authorized to charge and collect for gas in the respective localities and for the classes of service set forth, the following schedules of rates effective for all regular meter readings taken on and after the 26th day of July, 1920, to-wit:

SCHEDULE NO. 1

GENERAL SERVICE - SANTA CRUZ DISTRICT

					Gross	Net		
First	400	cu.ft.	or less	per meter	per mo.	\$1.10	\$1.00	
Next	2600	" "		per meter	per month	1.95	1.85	per M cu. ft.
"	5000	" "	" "	" "	" "	1.70	1.60	" " " "
"	7000	" "	" "	" "	" "		1.40	" " " "
All over	15000	" "	" "	" "	" "		1.20	" " " "

Prompt Payment Discount:

All bills are rendered at the gross rates shown above. A discount reducing the bill to the net rate is made for prompt payment in case bills are paid within 10 days of presentation.

SCHEDULE NO. 2

GENERAL SERVICE -- WATSONVILLE DISTRICT

			Gross	Net				
First	400	cu.ft. or less	per meter	per mo.	\$1.10	\$1.00		
Next	2600	" "	per meter	per month	2.05	1.95	per	M cu.ft
"	5000	" "	" "	" "	1.70	1.60	" "	" "
"	7000	" "	" "	" "		1.40	" "	" "
All over	15000	" "	" "	" "		1.20	" "	" "

Prompt Payment Discount:

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate is made for prompt payment in case bills are paid within 10 days of presentation.

SCHEDULE NO. 3

GENERAL SERVICE -- HOLLISTER AND GILROY

					Gross	Net			
First	400	cu.ft. or less	per meter	per mo.	\$1.10	\$1.00			
Next	2600	" "	per meter	per month	2.20	2.10	per	M cu.ft	
"	5000	" "	" "	" "	2.00	1.90	" "	" "	
"	7000	" "	" "	" "		1.50	" "	" "	
All over	15000	" "	" "	" "		1.25	" "	" "	

Prompt Payment Discount:

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate is made for prompt payment in case bills are paid within 10 days of presentation.

SCHEDULE NO. 4

GAS SERVICE WITH PREPAY METERS - SANTA CRUZ AND WATSONVILLE.

Rate: \$2.20 per 1000 cubic feet per meter per month.

Minimum Monthly Charge: \$1.25 per meter.

SCHEDULE NO. 5

GAS SERVICE FOR HOTELS, RESTAURANTS AND BAKERIES

SANTA CRUZ AND WATSONVILLE

	<u>Gross</u>	<u>Net</u>
Rate per 1000 cubic feet per month	\$1.20	\$1.15
Minimum weekly charge per meter	7.50	7.00
Annual guarantee		150.00

Prompt Payment Discount:

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate is made for prompt payment in case bills are paid within 10 days of presentation.

SCHEDULE NO. 6

GAS SERVICE FOR HOTELS, RESTAURANTS AND BAKERIES

HOLLISTER AND GILROY

	<u>Gross</u>	<u>Net</u>
Rate per 1000 cubic feet per month	\$1.30	\$1.25
Minimum weekly charge per meter	7.50	7.00
Annual guarantee		150.00

Prompt Payment Discount:

All bills are rendered at the gross rate shown above. A discount reducing the bill to the net rate is made for prompt payment in case bills are paid within 10 days of presentation.

PROVIDED, Coast Counties Gas and Electric Company shall, within ten days from the date of this order, file with the Railroad Commission the schedules of gas rates herein established.

Dated at San Francisco, California, this 26th day of

July, 1920.

Edwin C. Edgerly
H. D. ...
...
Dwight ...
Commissioners.