

Decision No. 8005

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
UKIAH GAS COMPANY for order author-) Application No. 5996.
izing an increase in rates.)

Geo. H. Eckert, for Applicant
E. B. Smith, Mayor, for City of Ukiah.

By the Commission:

O P I N I O N

This is an application by Ukiah Gas Company for authority to increase its rates and charges for gas to its consumers in the City of Ukiah and vicinity, alleging that the present rates fail to provide sufficient revenue to meet proper operating expenses and yield a return upon its investment. On August 13, 1920 applicant amended its former petition and asked for authority to discontinue operations, as it found itself unable to longer finance the operation of the company.

A public hearing was held in Ukiah on August 20, 1920 before Examiner Westover and the matter thereupon submitted.

The present owners of these gas properties have recently made efforts to transfer the ownership and operation of the gas plant and system to other interests who would be in a position to carry on the operation upon a somewhat more economical basis. In April the City of Ukiah voted on the question of purchasing these properties, but this proposition failed to carry. It is understood that the purchase price agreed upon at that time of \$22,500 was considered excessive.

Applicant testified that its past operations have not resulted in an actual out of pocket loss, but that it has been impossible to earn a return upon its investment, or a proper allowance for depreciation. Operating expenses have been maintained at the very lowest figure possible by employing only absolutely essential labor and paying very low wages. This has resulted in much difficulty in keeping employees and has caused considerable annoyance to consumers due to poor service. However, with the available revenue it was impossible for applicant to improve conditions materially. In order to continue operations it will be necessary to pay considerably higher wages, as the present superintendent who has been with the company for a number of years has resigned, and it is not believed possible to fill his position except at a considerably higher wage. Oil is being purchased under a contract which runs until February 1, 1921, but on account of the recent increase in freight rates the cost f.o.b. Ukiah will be increased from the present figure of \$2.48 per barrel to approximately \$2.68 per barrel. This alone results in a direct increase in the cost of gas sold of 7 cents per thousand cubic feet.

The following tabulation sets forth operating statistics for Ukiah Gas Company for the year 1919, and also a statement for the year 1920. Calculations for the latter year were based upon actual experience for the first seven months. Operating costs for the last portion of the year assumed future oil purchases at the rate of \$2.68 per barrel f.o.b. Ukiah and also made allowance for the hiring of additional labor and the replacement of present employees lost at wages commensurate with those paid elsewhere.

UKLAH GAS COMPANY
OPERATING STATISTICS

	1919	1920
Consumers	400	380
Gas Sales M cu.ft.	5977.6	4958.3
Sales per Consumer	17.45 M	13.05 M
Bbls. Oil Used	2600	2025
Gallons per M cu.ft. Sold	15.65	17.10
Revenue Gas Sales	\$11,785.52	\$11,185.00
Operating Expenses	11,338.51	10,755.00
Net for Depreciation and Return	\$ 47.09	\$ 430.00
Depreciation	1000.00	1050.00
Deficit	\$ 952.99	\$ 620.00
Investment	\$35,996.55	

The above operating statistics indicate that under the present rates applicant is unable to earn proper operating expenses or any return upon its investment, in fact a deficit of \$620.00 would be suffered after allowance for depreciation. Applicant is therefore entitled to an increase in rates in order that it may continue operations. The rates hereinafter set forth should yield a gross return for the year 1920 of \$12,308, which after deduction of operating expenses should show a net return of \$1,553.00 for interest and depreciation. While this would be a very low return for 1920, operations under the new rates for a period of a full year should produce a fair return. It is to be noted that there has been a material reduction in gas sales recently, but with the improvement of service conditions sales should be increased. The rates now in effect were established by Decision No. 6256 dated April 1, 1919 and are shown in the following schedule:

First	400	cu.ft.	or less per meter per mo.	\$1.00
Next	2600	" "	per meter per month	2.10 per M cu.ft.
Next	5000	" "	" " " "	1.70 " " "
Next	7500	" "	" " " "	1.50 " " "
All over	15000	" "	" " " "	1.25 " " "

The value of applicant's property was established by this Commission in April 1917, as \$35,865.00. Additions and betterments to date indicate a value as of Jan. 1, 1920 of \$35,996.55.

While the present rates are comparable with those of several other small communities receiving similar service, it is to be remembered that Ukiah is situated at a considerable distance from a source of oil supply and because of recent increase in oil prices and freight rates charges for gas must necessarily be proportionately advanced. It is believed that the increased rates herein established, while of material benefit to applicant will not prove excessive nor be so considered by the present consumers and thereby result in a decrease in gas sales.

In the event operating conditions again become normal and gas sales are increased to 6500 M cubic feet during the following twelve months period, the rates hereinafter established should produce a gross revenue of \$16,575 with operating costs amounting to \$14,010, leaving a balance of \$2,565 net return for interest and depreciation.

In view of the fact that the shutting down of these gas properties would deprive nearly 400 consumers of gas service, and further that there is at this time the possibility of consummating a transfer of these properties, whereby they might be more economically operated in future and thereby continue service, it is believed that applicant's petition to discontinue service should be held in abeyance and that rates should now be established which will yield a reasonable return upon the investment and permit the continued operation of these properties.

O R D E R

Ukiah Gas Company having applied to the Railroad Commission for authority to increase its rates, supplemented by an

amended petition to discontinue operations, a public 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 discontinuance of gas service by Ukiah Gas Company is not at this time justified and that its present rates and charges for gas are not fair and reasonable rates in so far as they do not adequately compensate to the extent of earning proper operating expenses and a return upon its investment, and in so far as they differ from the rates hereinafter established.

Basing its order upon the foregoing findings of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that the application of Ukiah Gas Company for permission to discontinue operations be temporarily withheld until further showing be made in the matter, and that in lieu thereof Ukiah Gas Company is hereby authorized to charge and collect the following rates for gas, effective for all regular meter readings taken on and after the twenty-sixth day of August, 1920, to-wit:

SCHEDULE OF RATES

First	400	cu.ft.	or less	per meter	per mo.	\$1.25			
Next	2600	"	"	per meter	per month	2.50	per	11	cu.ft.
Next	5000	"	"	"	"	2.00	"	"	"
Next	7000	"	"	"	"	1.75	"	"	"
All over	15000	"	"	"	"	1.50	"	"	"

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

Dated at San Francisco, California, this 26th day of August, 1920.

Edwin O. Edgerton
Frank R. Dertm
J. K. Brundage
Irving Martin
Commissioners.