

Decision No. 8016

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of
San Joaquin Light and Power Corporation } Application No. 5654.
for authority to increase charges for }
gas in the City of Merced and vicinity }

Murray Bourne, for Applicant.

By the Commission:

O P I N I O N

This is an application by San Joaquin Light and Power Corporation for authority to increase its rates and charges for gas in the City of Merced and vicinity. Applicant now seeks permission to establish such rates and charges for gas as shall be adequate to provide for increased operating costs and to produce a return upon its investment.

A public hearing was held in Merced on August 19, 1920 before Examiner Satterwhite and the matter thereupon submitted.

Applicant is engaged in the manufacture and distribution of artificial gas to its consumers in this district and alleges that due to the very material increases in the cost of oil and labor the rates which it now charges are insufficient to pay operating expenses and depreciation, without any allowance for return upon its invested capital. The present rates are shown by the following schedule:

First	4000 cu.ft.	\$1.50	per M.
Next	6000 "	" "	1.25	" "
All over	10000 "	" "	1.00	" "

Minimum charge \$0.75 per meter per month. If consumer uses over 50,000 cu.ft. per month the rate is \$1.00 per M.

An inspection of the above rates will show that these charges are far below those of other gas utilities operating under comparable conditions. This schedule was established a number of years ago and since that time the price of oil has also increased greatly, but this condition is partly offset due to the fact that the company is able to apportion a part of this expense to its electrical department, which results in a considerable saving of wages and overhead expenses.

During the year 1919 applicant sold 16,325,300 cubic feet of gas from which it received a gross revenue of \$23,487.54, or an average price of \$1.43 per thousand cubic feet. Operating expenses for the year amounted to \$22,121.38 to which should be added \$2,387.07 for depreciation, thus showing a deficit of \$1,020.91.

Below is set forth in tabular form a statement of operating statistics for the year 1919 and the first four months of 1920, together with a statement for the twelve months ending August 1, 1921, based upon evidence herein submitted.

OPERATING STATISTICS
SAN JOAQUIN LIGHT AND POWER CORPORATION
MERCED

	1919	Four Months 1920	Year Ending Aug. 1, 1921.
Consumers.....	655	715	750
Gas Sales M cu.ft.....	16,325.3	6,718.8	19,500.
Barrels of Oil Used.....	5515	1970.3	6360
Gallons of Oil per M cu.ft. Sold..	14.19	12.32	13.70
Sales per Consumer per year.....	25.0	28.17	26.0
Revenue from Gas Sales.....	\$23,487.54	\$9,462.64	\$27,475.
Operating Expenses.....	\$22,121.38	\$9,120.86	\$30,925.
Net for Depreciation and Return...	\$ 1,366.16	\$ 341.78	\$ 3,450.

It is apparent from an inspection of the above statistics that operations for the ensuing year would under the present rates result in a deficit of \$3450. Applicant is therefore entitled to

an increase which under the rates hereinafter established should produce a gross revenue of \$40,500 or \$9,575 net for depreciation and return.

Oil is bought under a purchasing agreement providing for the delivery of a definite amount based upon a field price of \$1.45 per barrel f.o.b. Coalinga. This price is, however, subject to market changes which have already affected it and together with increased freight rates makes the price of future shipments \$2.52 f.o.b. applicant's plant. The price paid November 1917 was \$.96 per barrel delivered at the gas works. Operating expenses for the twelve months ending August 1, 1921 based upon the experience of 1919 and the present year to date and corrected for increased costs of oil and labor are indicated below:

OPERATING EXPENSES

	1919	Year Ending Aug. 1, 1921.
Production:		
Oil.....	\$11,401.96	\$16,025.
Other.....	4,567.02	5,250.
Distribution.....	2,221.00	2,900.
Commercial.....	1,027.71	1,825.
General.....	1,619.64	2,600.
Taxes.....	1,224.05	2,270.
Uncollectible Bills.....	40.44	50.
Depreciation.....	2,387.07	2,535.
	\$24,548.89	\$33,460.

No actual valuation of applicant's property has been made by this Commission recently, but the figures used herein and which were submitted by applicant have been carefully checked and are believed to be reliable for the purpose of this proceeding. Applicant's report shows fixed capital as below indicated, in its

Merced gas properties:

Fixed Capital as of Jan.1,1920.....	\$83,231.30
Additions and betterments to July 1, 1920.....	5,543.53
Construction work in progress.....	921.82
Fixed Capital.....	<u>\$89,696.65</u>

Materials and Supplies.....	2,490.00
Working Cash Capital.....	<u>4,300.00</u>

Total Rate Base.....\$96,986,65

Applicant has not for some time in the past earned any return upon its invested capital due to the low rates in effect upon its system, and it is believed that if the rates should be increased at this time to the extent required to show a full return of 8% upon the investment, there would result a decrease in gas sales and an actual reduction in revenue to applicant. The rates herein authorized based upon a gas having a monthly average heating value of 570 B.T.U. per cubic foot will, however, provide for increased costs and should yield an average return of approximately \$2.03 per thousand cubic feet sold, or about 7% on the investment.

O R D E R

San Joaquin Light and Power Corporation 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 San Joaquin Light and Power Corporation in the City of Merced and vicinity 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 investment, and in so far as they differ from the rates hereinafter established,

Basing its order on the foregoing findings of fact,
 IT IS HEREBY ORDERED that San Joaquin Light and Power Corporation be and it is hereby authorized to charge and collect the following rates for gas in the City of Merced and vicinity, effective for all regular meter readings taken on and after the twenty-sixth day of August 1920, to-wit:

SCHEDULE "A"

GENERAL SERVICE

First	500 cubic feet or less per meter per mo....	\$1.25	Per M. cu.ft
Next	2500 " " per meter per mo.....	2.00	" "
Next	7000 " " " " " " " "	1.80	" "
Next	10000 " " " " " " " "	1.60	" "
All Over	20000 " " " " " " " "	1.40	" "

SCHEDULE "B"

HOTEL AND RESTAURANT SERVICE

First	20000 cu.ft. per meter per month.....	\$1.40	per M. cu.ft.
All Over	20000 " " " " " " " "	1.20	" " " "

Minimum bill per meter per month \$25.00.

PROVIDED San Joaquin Light and Power Corporation shall within ten days from the date of this order file with the Railroad Commission the schedules of rates herein established.

Dated at San Francisco, California, this 27th day of August, 1920.

Edwin O. Edgerton
W. H. Howard
Frank R. Owen
H. B. Brundige

Commissioners.