

ORIGINAL

Decision No. 8042

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of San Joaquin Light and Power Corporation for authority to increase the charges for gas in the City of Selma and vicinity.

Application No. 5655.

Murray Bourne, for applicant.

By the Commission:

O P I N I O N

In this application for authority to increase its rates and charges for gas served to its consumers in the City of Selma and vicinity, San Joaquin Light and Power Corporation alleges that because of greatly increased cost of oil and labor it is unable to earn under its present rates sufficient to pay operating expenses and depreciation with no allowance for return upon its investment. Applicant seeks authority to increase its rates and establish such charges for gas as shall be found necessary to provide a return upon its investment. A public hearing was held in Selma on August 19, 1920 before Examiner Satterwhite and the matter thereupon submitted.

The present rates shown in the following schedule were established a number of years ago when all supplies and labor were much less expensive than at the present time:

PRESENT RATES.

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

Minimum charge \$.75 per meter per month. If consumer uses over 50,000 cu.ft. per month the rate is \$1.00 per M.

Since the establishment of the above rate the price of oil has increased from \$1.07 per barrel f.o.b. the gas plant to approximately \$2.50 per barrel for all future deliveries. During the past eighteen months it has been found necessary to increase the payroll \$166.50 per month or 33.5%. A considerable saving in wages to applicant is, however, effected by consolidating a portion of the work of the gas department with the water and electric departments.

Gas sales during the year 1919 amounted to 10,970.3 M. cubic feet from which a revenue of \$16,145.75 was derived or an average rate of \$1.47 per thousand cubic feet. Operating expenses for the year amounted to \$14,675.70 without allowance for depreciation of \$1612.20, thus showing a deficit of \$142.15. The following tabulation presents essential operating statistics for 1919, the first four months of 1920 and statement for the year ending August 1, 1921:

OPERATING STATISTICS

SAN JOAQUIN LIGHT AND POWER CORPORATION

	<u>1919</u> ****	<u>First 4 Mos.</u> 1920	<u>Year Ending</u> Aug. 1, 1921.
Consumers	462	495	515
Gas Sales M Cu.Ft.	10,970	4,682.9	13,380
Barrels of Oil Used	3,561	1,455	4,335
Gallons of Oil per M sold	14.04	13.14	13.60
Sales per consumer per year	23.8	28.3	26.0
Revenue from Gas Sales	\$16,145.75	\$6,638.68	\$19,700.
Operating Expenses	14,675.70	6,429.09	22,480.
Net for Depreciation and Return	1,470.05	209.59	Deficit 2,780.

The above statistics show that the operations for the year 1920 - 21 would under the present rates, result in a deficit of \$2,780. Applicant is therefore entitled to an increase which under the rates hereinafter established should produce a gross revenue of \$28,900, showing a net return of \$6420. for interest and depreciation.

The following estimate of operating expenses for the year ending August 1, 1921 was determined from an analysis of costs for the years 1919 and 1920 and taking into consideration the increased cost of oil of \$2.50 per barrel and the additional cost of other materials, supplies and labor. It is to be noted that in many instances the increased cost of gas operations during the past year has resulted very largely from increased wages granted to employees. During the period in which the present rate has been in effect oil has increased more than \$1.40 per barrel, resulting in an added manufacturing cost of 47 cents per thousand cubic feet of gas sold.

OPERATING EXPENSES

	<u>1919</u>	<u>Year Ending Aug. 1, 1921.</u>
Production - Oil	\$6,299.38	\$10,830.
Other	3,566.41	4,750.
Distribution	1,267.75	1,670.
Commercial	1,957.47	2,560.
General	673.95	1,025.
Taxes	910.76	1,620.
Uncollectible Bills	25.80	25.
Depreciation	1,612.20	1,756.
TOTAL	<u>\$16,313.72</u>	<u>\$ 24,236.</u>

The figures for capital invested are based upon applicant's report to this Commission and while they have not been checked by field investigations they appear to be satisfactory for the purpose of this proceeding, inasmuch as the fixed capital invested per consumer is approximately \$100 which is somewhat less than the average for other small plants.

RATE BASE FOR YEAR ENDING AUGUST 1, 1921

Fixed Capital as of Jan. 1, 1920	\$49,832.30
Additions and Betterments to July 1, 1920	2,932.55
Construction Work in Progress	1,888.85
Total Fixed Capital	<u>\$54,653.70</u>
Materials and Supplies	3,900.00
Working Cash Capital	3,560.00
Total for Rate Base	<u>\$62,053.70</u>

Investigations made by engineers of this Commission indicate that the quality of gas as manufactured at Selma has at times been considerably below the standard of 570 B.T.U. per cubic foot as established by General Order No. 58. The rates hereinafter set forth are for a quality of gas having a heating value of 570 B.T.U. per cubic foot as prescribed by G.O.58. The revenue derived from the rates shown in the following order should be sufficient to meet increased operating costs and depreciation and yield a return upon 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 and charges 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 Selma 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 upon 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 Selma 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	cu. ft.	or less	per meter	per mo.	.....	\$1.25	per	M. cu. ft.
Next	2500	" "		per meter	per month	.....	2.00	per	M. cu. ft.
Next	7000	" "	" "	" "	" "	.....	1.80	" "	" "
Next	10000	" "	" "	" "	" "	.....	1.60	" "	" "
All Over	20000	" "	" "	" "	" "	.....	1.40	" "	" "

SCHEDULE "B"
HOTEL AND RESTAURANT RATE

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.

Commissioners.