

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of)
the HANFORD GAS AND POWER COMPANY,)
a corporation, for an order author-) Application No. 6006.
izing an increase of rates.)

John F. Covert for applicant.

BY THE COMMISSION.

O P I N I O N

This is an application by Hanford Gas and Power Company for an order authorizing it to increase its rates and charges for gas supplied to its consumers in the City of Hanford and vicinity. Applicant alleges that due to increased cost of labor and supplies and increased freight rates, it is now operating at a loss, and that the revenue derived from gas sales has for several months past been insufficient to pay operating expenses. Applicant therefore seeks authority to increase its rates and has asked for an order establishing the schedule of rates hereinafter set forth.

A public hearing was held in Hanford on August 18, 1920, before Examiner Satterwhite and the matter thereupon submitted.

Applicant is engaged in supplying artificial gas to its consumers in the City of Hanford and vicinity, and during the year 1919 sold 22,355⁰⁰ cubic feet, for which it derived a gross revenue of \$39,178.45, or an average rate of \$1.752 per thousand. Operating expenses amounted to

\$29,067.43, leaving a balance of \$10,111.02 for interest and depreciation. Operations for the first six months of 1920 show sales totalling 15,276.3 M cubic feet, with a gross revenue of \$23,045.01, or an average rate of \$1.736 per thousand. Total costs during this period amounted to \$20,729.28, leaving a balance of \$2,515.75 for depreciation and return, which indicated a very material reduction from the preceding year.

The present rates were established by Decision No.5853, dated October 22, 1918, and are shown in the following schedule:

First	500	cu.ft.	or less	per meter	per month,	\$1.00		
Next	2500	"	"	per meter	per month,	\$1.80	per 1000	ft.
Next	5000	"	"	"	"	1.70	"	"
Next	7000	"	"	"	"	1.50	"	"
All over	15000	"	"	"	"	1.20	"	"

Since establishing the above charges operating expenses have increased to a very marked degree. Wages have been advanced approximately 47% and various materials and supplies have also increased considerably. Oil is being purchased under contract running until December 22, 1920, at a price of \$1.80 per barrel fob. Hanford, this price is, however, subject to all increases in freight rates and future shipments will cost \$1.90 per barrel at the plant. In determining operating costs for the ensuing year allowance must be made for greatly increased oil costs as are now experienced by other gas companies, who are purchasing oil in the open market, subject to the field prices. The following tabulation presents a summary of essential operating statistics for 1919, the first six months of 1920 and the year ending August 31, 1921, based upon evidence submitted in this case:

HANFORD GAS AND POWER COMPANY
OPERATING STATISTICS

	1919	Jan.-June 1920	Year Ending Aug. 31, 1921
Consumers	930	965	1040
Gas Sales M Cu.Ft.	22,355.0	13,276.3	26000
Barrels Oil Used	7,095	5,730	10525
Gallons Oil per M Sold	13.32	18.14	17.00
Sales per consumer per year	24.04	27.5	25.0
Revenue Gas Sales	\$39,178.45	\$23,045.01	\$45650
Operating Expenses	29,067.43	20,729.28	45310
Net Depreciation & Return	10,111.02	2,315.73	340
Depreciation	6,944.68		3525
Net	\$ 3,166.34		\$ 3185

The above figures indicate that under the existing rates operations for the twelve months ending August 31, 1921 would produce a gross revenue of \$45,650 with expenses amounting to \$45,310 leaving a balance of only \$340 for depreciation and return upon the investment. Applicant is therefore entitled to an increase in rates to the extent of earning a reasonable return upon a fair valuation of its properties. It is to be noted from the above statistics that during the first six months of 1920 the duty of oil in gallons required per thousand cubic feet of gas sold is relatively poor as compared with figures for 1919, there being an increase of nearly five gallons per thousand feet. This condition results in a very material increase in operating expenses which at the present cost of oil amounts to \$5675. Calculations for the following year have been made upon the basis of 17 gallons of oil being required per thousand feet of gas sold. For the year 1919 applicant charged for depreciation the sum of \$6944.88, this figure is apparently based upon the book value of applicants property which is set forth in this application as amounting to \$226,077.12 as of June 30, 1920. This Commission has previously made a detailed investigation of the value of applicants property which it found to be \$101,393.61 as of June 30, 1916. With additions and betterments to

date this figure would be increased to \$122,980.31. Allowing for normal depreciation upon the depreciable property an amount of \$3,300 should be set aside for the present year.

VALUATION OF PROPERTIES HANFORD GAS COMPANY
January 1, 1920

January 30, 1916.....1.....	\$101,393.61
One Half Additions & Betterments 1916.....	216.95
Additions & Betterments 1917-18-19.....	21,369.75
Total Fixed Capital Jan. 1, 1920.....	<u>\$122,980.31</u>
Materials and Supplies.....	2,000.00
Working Cash Capital.....	7,050.00
Total for Rate Base.....	<u>\$132,030.31</u>

The following table sets forth a statement of operating expenses for the year 1919 and the year ending August 31, 1921 based upon evidence submitted in this application:

OPERATING EXPENSES

	<u>1919</u>	<u>1920-21</u>
Production Oil	\$13,856.74	\$22,640.
Other	7,856.98	11,660.
Distribution	2,470.58	3,685.
General	3,000.92	4,300.
Taxes	1,902.21	3,025.
Depreciation	6,944.68	3,300.
TOTAL	<u>\$36,012.11</u>	<u>\$48,610.</u>

The cost of oil has been based on the price of \$1.90 per barrel until the expiration of the present contract and thereafter at a price of \$2.35 per barrel f.o.b. the gas plant.

Applicant is not at the present time earning a proper return upon its investment due to the low rates now in effect, and is therefore entitled to an increase. The rates hereinafter established are those proposed by applicant in its petition and while they will not produce a full return of 8% they will result in a material relief from the present condition.

O R D E R

Hanford Gas and Power 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 of Hanford Gas and Power Company are not just and reasonable rates in so far as they do not adequately compensate it to the extent of earning a fair return upon its investment, and in so far as they differ from the rates herein established which are found to be just and reasonable rates for gas.

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

IT IS HEREBY ORDERED that Hanford Gas and Power Company be and it is hereby authorized to charge and collect the following rates for gas in the City of Hanford and vicinity effective for all regular meter readings taken on and after the eighteenth day of September 1920, to-wit:

GENERAL SERVICE

							<i>Gross</i>	<i>net</i>	
First	500	cu .ft.	or less	per meter	per month	....	\$1.35	1.25	
Next	2500	" "		per meter	per month	.....	2.10	2.00	per M.
Next	5000	" "	" "	" "	" "	.....	2.00	1.90	Cu.Ft.
Next	7000	" "	" "	" "	" "	.....		1.70	" "
Next	15000	" "	" "	" "	" "	.....		1.40	" "

all over

Handwritten initials

The discount as shown applies to all bills paid at the office of the company on or before the tenth day of the month in which the bill is rendered.

PROVIDED Hanford Gas and Power 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 16th day of September, 1920.

H. D. Loveland
Frank R. Palmer
H. B. Bounding
Dwight Mason
Commissioners.