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Decision No.

8305

ORIGINAL

BEFORE THE RAILROAD COMMISSION  
OF THE STATE OF CALIFORNIA

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In the Matter of the Application )  
of TWIN CITIES GAS COMPANY, a ) Application No. 6029  
corporation, for an order revis- )  
ing its rates and charges for gas.)

Gibson, Dunn & Crutcher, by H. F. Prince,  
for Applicant.  
Robt. Adams, for City of Beaumont.  
Frank L. Miller, City Attorney, for the  
City of Banning.

BY THE COMMISSION:

O P I N I O N

This is an application by Twin Cities Gas Company for authority to revise and increase its rates and charges for gas served to its consumers in the cities of Beaumont and Banning. Applicant alleges that its present rates, which have been effective since it commenced operations, have proved inadequate to provide sufficient revenue to pay operating expenses.

A public hearing was held before Examiner Satterwhite at Beaumont on September 17th, 1920, evidence presented, and the matter thereupon submitted.

Applicant is engaged in supplying artificial gas in the cities of Beaumont and Banning, operating a gas producing

plant located at Beaumont and a distribution system in the two cities. The plant was formerly owned and operated by the Riverside County Gas and Power Company and was acquired by applicant in October 1919 after service had been discontinued. Gas operations were resumed in the two communities on January 8th, 1920.

As the cities of Beaumont and Banning had been without gas for some time prior to applicant taking over the plant there were no data available upon which to fix a just and adequate gas rate. The Commission, in its Decision No. 6725 in Application No. 4951, stated that the rates therein recommended, which were submitted by applicant herein, were experimental and subject to review after a reasonable application.

Applicant's revenue has, during the past 8 months of operation, been less than was expected and the expenses greater. At the time of the re-organization of these properties applicant was guaranteed 350 consumers in the two cities. At no time, however, has the actual number of consumers been more than 324, and the average number for the whole period only 285. Since the resumption of operations the cost of oil at Beaumont has increased from \$2.12 per barrel in November 1919 to \$2.82 in June 1920, with a further increase to \$3.19 becoming effective in September of this year, and applicant has been further notified that this cost of oil will be increased to \$3.34 effective in October.

Due to the short period of operation and the insufficiency of the records kept by applicant it is difficult even now to establish a basis upon which to fix a reasonable rate. The records covering applicant's operations for the month of August 1920 show a loss of \$502, and it is apparent that with

a further increase in the price of oil a greater deficit will occur in the future if relief is not immediately granted.

It is the opinion of the Commission's gas engineers who have made a special inspection of the property, that applicant has been using an excessive quantity of oil in proportion to the amount of gas sold, and steps should be taken to improve the efficiency of its plant.

At the time the properties were taken over by applicant an estimate of the depreciated value of the properties was made, which showed a cost less depreciation of approximately \$25,300. Since that time the company claims to have expended approximately \$30,500 in improvements to plant and distribution system, making an approximate valuation of the present properties about \$56,000. Some deductions from this amount should be made by reason of subsequent abandonments.

It is readily apparent that if applicant is to continue in the gas business its rates must be materially increased in order to cover the increased cost of operation, both as to labor and supplies, and net applicant sufficient to set aside an adequate depreciation allowance and meet its bond interest and give a slight margin of profit upon its business.

Applicant requests in its petition that a specific rate be fixed. However, since the application was filed, further increase in the price of oil has occurred, which necessitates a higher rate than originally sought. With efficient operation, the rates herein established will produce revenue sufficient to pay operating expenses, depreciation and bond interest, and are considered as high as can at this time be charged for the service.

O R D E R

Twin Cities Gas Company having applied to the Railroad Commission for authority to increase its rates and charges for gas service in Beaumont and Banning, 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 rates now charged for gas service by the Twin Cities Gas Company are not just and reasonable rates in so far as they are not sufficient to pay operating expenses and a return upon its investment, and to the extent that they differ from the rates herein established, which rates, under present conditions, are fair and reasonable rates for gas service.

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

IT IS HEREBY ORDERED that Twin Cities Gas Company be, and it is hereby, authorized to charge and collect for gas the following schedule of rates, effective for all regular meter readings taken on and after the 16th day of October, 1920, to-wit:

SCHEDULE "A"

GENERAL GAS SERVICE

Applicable to the entire territory served by  
Twin Cities Gas Company.

RATE:

Based upon Monthly Consumption per Meter.

	100	cu.ft.	.....	\$1.25	
	200	"	.....	1.50	
	300	"	.....	1.75	
	400	"	.....	2.00	
	500	"	.....	2.25	
	600	"	.....	2.50	
	700	"	.....	2.75	
	800	"	.....	3.00	
	900	"	.....	3.25	
First	1,000	"	.....	3.50	
Next	4,000	"	.....	3.00	per M cu.ft.
"	5,000	"	.....	2.75	" " "
All over	10,000	"	.....	2.50	" " "

MINIMUM CHARGE:

\$1.25 per Meter per Month.

PROVIDED, Twin Cities Gas Company shall, within 10 days of the date of this order, file with the Railroad Commission the schedule of gas rates herein established.

Dated at San Francisco, California, this

6<sup>th</sup> day of October, 1920.

Edwin O. Ely

H. W. Loveland

H. B. Brundage

Commissioners.