

Decision No. 8281

*John W. ...*

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of )  
RIVERBEND GAS AND WATER COMPANY, for )  
an order authorizing an increase in ) Application No. 6079.  
gas rates. )

Chaffee E. Hall, for applicant.

By the Commission:

O P I N I O N

In this application the Riverbend Gas and Water Company, hereinafter referred to as applicant, asks for further increase in its gas rates. The present rates were established by Decision No. 7745 and became effective June 21, 1920 in all territory except Kingsburg, where the increase was not effective until July 3, 1920 by Decision No. 7951 of the Commission.

The applicant alleges that these rates are inadequate and do not provide sufficient revenue to pay operating expenses, taxes and depreciation. Applicant states that the price of oil has been further increased, so that during the twelve months period ending June 30, 1921 it will sustain a loss of more than \$7000.00 even though no other advances in the cost of oil occur. Applicant requests that it be authorized to charge and collect a rate sufficient to earn operating expenses, including the cost of oil, taxes and depreciation, and also a return of 8% per annum upon the cost of its properties.

A hearing was held at Dinuba before Examiner Westover, at which time evidence was introduced and the matter submitted.

Applicant manufactures gas at its plant in Dinuba and distributes it to about 1400 consumers located in Dinuba, Reedley, Parlier and Kingsburg. The value of the property, as established in Decision No. 6500, with additions to January 1, 1920, is as follows:

Table No. 1

Riverbend Gas & Water Company  
Gas Properties  
Valuation January 1, 1920.

Ended Capital.....	\$ 1,457.
Production Capital.....	43,022.
Transmission Capital.....	51,765.
Distribution Capital.....	85,819.
General Capital.....	25,253.
Total.....	<u>\$207,318.</u>

Applicant reports \$18,045 plant betterments made during the first six months of 1920 and \$16,450 additional to be installed in the second six months, making a total of \$34,495 additional capital for this year. Adding a reasonable allowance for working cash capital and materials and supplies brings the total capital to \$260,000.

During the year ending June 30, 1920 applicant sold 44,278,000 cu. ft. of gas to 1,334 consumers, from which a gross revenue of \$76,284 was obtained. In the manufacture of this gas 16,924 barrels of oil were used at an average cost of \$1.80 per barrel. Operating expenses incurred during this period were as follows:

Production Expense - Other than oil ...	\$22,553.
"                  "      - Oil .....	30,543.
Distribution Expense .....	7,047.
Commercial Expense .....	6,517.
General Expense .....	7,241.
Depreciation .....	5,691.
Taxes .....	<u>4,722.</u>
Total .....	\$84,314.

Although applicant received several increases in rates during this period, the income from which is reflected in its revenues, there was, nevertheless, a deficit of \$8,030 in its operations.

During the year ending June 30, 1920 production expenses, exclusive of oil, were abnormally high. At the present time these expenses have been reduced and there is every possibility of further reduction through more efficient operation. Applicant's expenses are/<sup>still</sup> considerably higher than those of other companies in this state of same size and character of business.

From the evidence herein it appears that applicant's gas operations for the year ending June 30, 1921 will aggregate in sales 48,000,000 cu.ft. of gas, in the manufacture of which 18,300 barrels of oil will be required at a price not less than \$2.35 per barrel. If applicant's present rates continue in effect the revenue to be derived will be \$100,320 for the year. Applicant's oil cost will be at least \$43,000 per annum, and its total operating expenses, including oil, taxes and depreciation, will amount to \$98,620. This does not contemplate reaching a condition of entirely efficient operations, and by properly directed efforts on the part of applicant's management, these expenses can be reduced. If the present rates were to continue, it is apparent that applicant's net will not be more than \$1700. which is a return of less than 1% upon its valuation. The

necessity for increased rates at this time lies largely in the advances in the cost of oil used in gas manufacture.

The rates hereinafter established are designed to permit applicant to absorb its increased costs of oil and to earn the return to which it is entitled under present operating conditions. These rates are less than the schedule proposed by applicant and will produce <sup>an estimated</sup> gross revenue of \$113,000 per annum which, after the deduction of operating expenses, taxes and depreciation, will leave a net income of \$13,000, or a return of slightly in excess of 5% upon invested capital.

Applicant asks that it be granted rates which will give an 8% return. This might be a proper request if applicant's operations were efficiently conducted, but under present conditions it cannot expect its consumers to pay for such increased expenses as can be corrected by improved methods of operation. The operating expenses herein considered are subject to reduction by more careful management on the part of applicant, and the savings to be thus derived will be sufficient to increase applicant's rate of return several percent upon the valuation hereinbefore set forth.

Contrary to repeated warnings by this Commission, applicant has not maintained the quality of its gas nor has it made provision for carrying out our requirements in the matter of routine pressure tests, nor are its records kept in proper shape. We shall insist upon the observance of our gas service standards, and accordingly reserve the right to modify the order herein, unless applicant shall observe the prescribed standards.

#### O R D E R

Riverbend Gas and Water Company having applied to the Railroad Commission for authority to increase its rates and

charges for gas, a <sup>public</sup> hearing having been held, 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 charged for gas by the Riverbend Gas and Water Company are not fair and reasonable rates, in so far as they do not provide sufficient revenue under present conditions, and in so far as they differ from the rates hereinafter established, which are found to be just and reasonable rates.

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

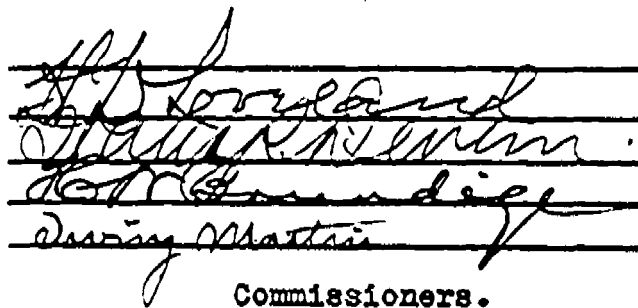
IT IS HEREBY ORDERED that Riverbend Gas and Water Company be and it is hereby authorized to charge and collect the following rates for gas, effective for all regular meter readings taken on and after the 26<sup>th</sup> day of October, 1920:

<u>SCHEDULE OF RATES</u>							Gross	Net			
First	400	cu.ft.	per	meter	per	mo. or less	\$1.35	\$1.25			
Next	3600	"	"	"	"	"	2.30	2.20	per M	cu.ft	
"	6000	"	"	"	"	"	2.00	1.90	"	"	"
"	15000	"	"	"	"	"		1.70	"	"	"
All over	25000	"	"	"	"	"		1.50	"	"	"

The net rate shall be effective if bills are paid within ten (10) days after the first of the month following each meter reading date.

PROVIDED, Riverbend Gas and Water Company shall, within ten (10) days of the date of this Order, file with the Railroad Commission the schedule of rates herein established.

Dated at San Francisco, California, this 25<sup>th</sup> day of October, 1920.

  
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 Commissioners.