

Decision No. 9397

BEFORE THE RAILROAD COMMISSION  
OF THE STATE OF CALIFORNIA

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In the Matter of the Investigation )  
of the Gas Rates, Service and Op- )  
erations of the COAST VALLEYS GAS )  
AND ELECTRIC COMPANY, on the Com- )  
mission's Own Motion. )

Case No. 1611

BY THE COMMISSION:

OPINION ON PETITION FOR REHEARING

Coast Valleys Gas and Electric Company has filed, under date of September 2nd, 1921, an application for rehearing in connection with Decision No. 9397 in the above entitled matter. As a basis for application for rehearing petitioner alleges in effect that the rates fixed in the Commission's Decision No. 9397 are unjust and unreasonable both to the Company and its patrons; that the decision was in error to the extent that it was concluded that the application of the rates fixed in Decision No. 8937 would reimburse applicant for the increased oil cost and other expenses incurred during the period from the filing of Application No. 6614 to the effective date of Decision No. 8937; that the rate base used by the Commission in determining the rates does not reflect the true

value of the Company's properties for rate-making purposes; that the return of 8.2% upon the rate base amounts to confiscation of property; that the rates fixed by the Commission will produce a substantially less net revenue than estimated by the Commission; that certain operating expenses which it will have to incur were not included in the Commission's decision, and that for a period of five years last past the earnings of the Company under the rates fixed by the Commission have been substantially below a reasonable return.

The Commission in its Decision No. 9397 fixed rates for gas service rendered by Coast Valleys Gas and Electric Company reducing the rates previously fixed in Decision No. 8937 by approximately 14-1/2 cents per thousand cubic feet as compared with a reduction in the price of oil equivalent to a reduction in the cost of gas of 15 cents per thousand.

Coast Valleys Gas and Electric Company urges that the higher rates in effect from May 20th to October 1st, 1921 did not recompense it for deficits incurred between March 3rd and May 23rd, 1921. The decision does not contemplate that this should be done but contemplates only reimbursement of the higher cost of oil existing during the prior period. Further analysis of the evidence shows such limited reimbursement did occur.

Petitioner urges that in the past it has not earned a fair return and that presumably it should be allowed to reimburse itself for at least a part of these deficits. Evidence shows that during a considerable part of the period in question applicant's service was not such as to justify the Commission in granting any reimbursement for past losses.

Relative to applicant's statement that certain Federal taxes and possibly other operating expenses will be greater than submitted by it in this proceeding because of change of organization of the Company, the Commission desires to point out that this does not appear to be legal grounds for a rehearing any more than the reduction in oil price occurring after a decision would be legal grounds for such. Applicant may bring this up in a new proceeding if it so desires.

Petitioner urges in addition that there has been invested in its properties thru money paid in by stockholders and the reinvestment of all surplus earnings and reserves a large amount of money on which, under existing rates, it is not earning a reasonable return. The rates herein fixed have been determined on the basis used in this and other proceedings, which contemplates a fair return upon the reasonable investment in properties undepreciated and the Commission does not find that there is any justification for an increase in rates on the ground that applicant's stockholders may not receive a reasonable return on moneys which are claimed to have been invested by them.

Petitioner urges that the value of the property on which the rates were based is not reasonable and that it does not allow appreciation on its plant and going concern value. The rates herein fixed have been on the basis which has been accepted in practically all instances and has been used by the Commission in rate proceedings thruout the state and we see no reason why it should be modified herein. Petitioner further alleges that the Commission neglected to include any estimate

of increase due to additions and betterments which would be installed during the ensuing year. The rate base and the operating revenues and expenses were based upon statistics for the year 1921, and if additional capital is to be added increased revenue and other items should be included.

The Commission finds no reason for granting a rehearing in this proceeding and finds that the application for rehearing should be denied.

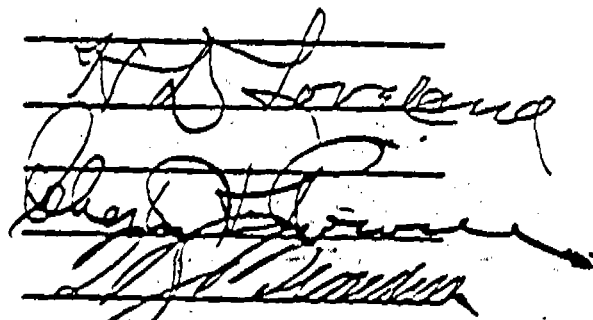
O R D E R

Coast Valleys Gas and Electric Company having applied for a rehearing in connection with this Commission's Decision No. 9397 in Case No. 1611, and the Commission finding no just reason for the granting of such rehearing,

IT IS HEREBY ORDERED that the petition for rehearing in the above entitled matter be, and the same is, hereby denied.

Dated at San Francisco, California, this

28<sup>th</sup> day of September, 1921.

  
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Commissioners.