

Decision No. 9725

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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ORIGINAL

In the Matter of the Investigation)
of the Gas Rates, Service and Opera-)
tions of Contra Costa Gas Company,)
on the Commission's own motion.)

Case No. 1653

Leo H. Sussman, for Contra Costa Gas Company,
R. M. Wolfe, City Attorney, for Pittsburg,
A. P. Bray, City Attorney, for Martinez,
B. D. Marx Greene, City Attorney, for Antioch,
H. S. Ormsby, for Crockett and Valona.

BENEDICT, Commissioner:

O P I N I O N

This is a formal investigation of the rates, service and operations of the Contra Costa Gas Company instituted by the Commission upon its own motion.

The Contra Costa Gas Company is a utility engaged in the manufacture, distribution and sale of artificial gas in the incorporated cities and towns of Antioch, Concord, Martinez and Pittsburg and the town of Crockett and certain contiguous territory in Contra Costa County. The present rates for gas, effective April 20, 1921, were established by Decision No. 8755. The price of fuel oil to Contra Costa Gas Company at that time was \$2.24 per barrel. This has been re-

duced to \$1.64 per barrel. Such a decrease in the cost of oil could reasonably be expected to lessen the company's expenses sufficient to make possible a lowering in rates.

Certain irregularities in the Company's operations in the town of Antioch have caused complaints which apparently could not be adjusted informally. The matter of both service and rates have therefore been made the subject of consideration in this proceeding.

Hearings were held on September 12, 1921, in Pittsburg and Antioch. These hearings were adjourned until October 13, 1921, in San Francisco, at which time the taking of evidence was completed and the matter submitted for decision. The Company presented data and evidence relative to its service, operations and expenses. The Commission's engineers have made reports upon their investigations of the service and operations.

The capital investment in physical property of the Contra Costa Gas Company has been made entirely during and under the jurisdiction of the Commission. Analysis of the investment has been made and it is found to be reasonable. The capital invested, together with allowance for materials and supplies and working cash capital for the year ending June 30, 1922, is as follows:-

<u>RATE BASE</u>	
Average Fixed Capital for year ending	
June 30, 1922.	\$343,700.00
Materials and Supplies (incl. oil).	10,400.00
Working Cash Capital	<u>8,400.00</u>
Rate Base	\$362,500.00

The estimate of operating expenses submitted by the Company for the year ending June 30, 1922, has, for the purpose of fixing rates, been modified in a few items. Analysis of the actual expenses of the past few years and the evidence submitted in this case indicate that the following estimate of expenses under present costs are fair and reasonable applied to the operation of the Company for the year period ending June 30, 1922.

OPERATING EXPENSES.

For Year Ending June 30, 1922.

Production:

Oil	\$31,560	
Operation	16,000	
Repairs	4,500	\$52,060

Transmission:

Operation	2,100	
Repairs	1,500	3,600

Distribution:

Operation	6,500	
Repairs	3,000	9,500

Commercial Expense

13,000

General & Misc. Office Expense

4,000

Total Operating Expense. \$82,160

The estimated operating cost of service exclusive of return on investment has been estimated as follows:

TOTAL OPERATING COST OF SERVICE

For Year Ending June 30, 1922

Operating Expenses	\$82,160
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Depreciation	9,050
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Taxes	13,900
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Uncollectible Accounts	<u>1,000</u>
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Total \$106,110

It is not believed that under the present conditions of decreasing sales and industrial depression in some of the communities served by it that the Contra Costa Gas Company can expect to receive a full return upon its investment. Evidence shows a tendency ~~to~~ to curtail use of gas under present rates which are considered by the consumers as excessive. Contra Costa Gas Company has invested its money in the enterprise and is entitled to a fair return if it is possible to earn the same and still sell its service at a reasonable rate to its patrons. The Company's profits have not been equal to a full return in the past partly due to poor service conditions. It is apparent, however, that under present conditions some reduction in rates is necessary in order that the service may be continued without a material loss of business.

The present rates have yielded, during the short time that they have been effective, \$2.32 per M cubic feet sold. It is probable that this is slightly higher than would be realized as an average over an entire twelve months period. The rates are herein reduced to an average of \$2.18 per M cubic feet which should yield upon an estimated sale of 61,000,000 cubic feet per annum under efficient operations and with good service a return of approximately 7.4% on the Company's investment. This return must be accepted until better conditions exist. A form of rate which may be adjusted by supplemental order of the Commission to correct for changes in the price of oil without a formal hearing has been adopted in many other proceedings and found advisable in this case. For this purpose a variation of 3 cents per M cubic feet of gas sold for each ten cent variation in the price of oil is found reasonable.

The service matters which were considered in this proceeding have been adjusted by the Company. During the progress of the investigation it was recommended that certain refunds be made in Antioch, where irregular meter readings have been made. The Company has made these refunds voluntarily. It was also found that there still existed several minor violations of the Commission's service standards. These, however, we believe will be and are being corrected by the present organization.

I recommend the following form of order:

O R D E R

This Commission having instituted an investigation on its own motion into the gas rates, service and operations of Contra Costa Gas Company, an investigation having been made, hearings having been held and the matter submitted,

The Railroad Commission hereby finds as a fact that the rates heretofore fixed in Decision No. 8755 should be modified to conform with the schedules herein set forth, and that the rates herein set forth are ^{under present conditions} just and reasonable rates to be charged for gas service by Contra Costa Gas Company.

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

IT IS HEREBY ORDERED that Contra Costa Gas Company charge and collect for gas served by it in the various communities for the service as specified, the following schedules of rates based on all regular meter readings taken on and after the fifteenth day of December, 1921:

SCHEDULE NO. 1

GENERAL DOMESTIC SERVICE.

RATE:

	<u>Gross</u>	<u>Net</u>
First 400 cu.ft. or less per meter per month	\$1.25	\$1.15
Next 3600 " " per meter per month, per M cu.ft.	2.25	2.15
" 4000 " " " " " " " " " " " "	1.90	1.80
" 7000 " " " " " " " " " " " "		1.55
All over 15000 " " " " " " " " " " " "		1.30

The net rate is effective if the bill is paid at the office of the Company on or before the tenth day of the month next succeeding that for which the bill is rendered. Otherwise the gross charge applies.

The above rates are subject to increase or decrease on the basis of three (3) cents per thousand cubic feet for each ten cents per barrel increase or decrease respectively in the price of oil above or below the price of \$1.64 per barrel upon approval of the Railroad Commission of the State of California. Change to be to the nearest one cent.

SCHEDULE NO. 2

PREPAYMENT METER SERVICE.

RATE:

\$2.25 per 1,000 cubic feet.

Minimum Charge \$1.15 per meter per month.

SCHEDULE NO. 3

HOTELS, RESTAURANTS AND BAKERIES

RATE:

	<u>Gross</u>	<u>Net</u>
Rate per 1,000 cu. ft. per meter per month	\$1.30	\$1.25
Minimum weekly charge per meter	8.00	7.50

The net rate is effective if the bill is paid at the office of the Company within four (4) days after the presentation of the weekly bill. Otherwise the gross charge applies.

The above rates are subject to increase or decrease on the basis of three (3) cents per thousand cubic feet for each ten cents per barrel increase or decrease respectively in the price of oil above or below the price of \$1.64 per barrel upon approval of the Railroad Commission of the State of California. Change to be to the nearest one cent.

IT IS HEREBY FURTHER ORDERED that, (1) in case of a reduction in the price of oil at any time, Contra Costa Gas Company shall file within ten (10) days thereafter an affidavit setting forth the new price of oil and shall thereafter, upon supplemental order of the Commission in this proceeding, charge the reduced rates as determined under the schedules herein set forth; (2) should at any time an increase in the price of oil occur, Contra Costa Gas Company may, after filing affidavit of such increase and receiving a supplemental order from this Commission so authorizing, charge the increased rates as determined under the schedules herein set forth; (3) Contra Costa Gas Company shall, within ten (10) days of the date of this order, file with the Commission the schedules of rates herein set forth.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 5th day of November, 1921.

H. B. Brundage
H. D. Loveland
Waring Martin
Robert J. [unclear]
J. J. [unclear]
Commissioners.