

Decision No. 9836

ORIGINAL

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 Operations)	Case No. 1653
of CONTRA COSTA GAS COMPANY, on the)	
Commission's Own Motion.)	

BY THE COMMISSION:

OPINION ON PETITION FOR REHEARING

Contra Costa Gas Company has filed, under date of November 17th, 1921, a petition for rehearing in connection with Decision No. 9725 in the above entitled matter.

Petitioner for rehearing alleges in effect that the rates fixed in the Commission's Decision No. 9725 are unreasonably low and confiscatory; that at no time since its inception has the Company earned a fair and adequate return upon its investment; that only since the recent reduction in the price of oil would it have an opportunity of obtaining such a return provided the existing rates remain effective; that the reduced rates as ordered in Decision No. 9725 would deprive the Company of the opportunity of earning a reasonable return and compel it to render service to the public at a rate less than fair and less than the service furnished is reasonably worth.

Petitioner contends in general that there are three factors to be considered in connection herewith - first, the

value of the property of the Contra Costa Gas Company used and useful in serving the public; second, the rate of return which it should be permitted to earn over and above operating expenses; third, the reasonableness of the rates charged by the Company for service to its consumers.

Applicant introduced a statement of investment totaling approximately \$8,600 in excess of the total figure of \$362,500 allowed by the Commission. In this figure applicant has included in working cash capital an amount based upon operating expenses including taxes and fuel oil, the first of which has not been found to be reasonably included in determining working cash capital, and the second was considered an allowance made under the item of materials and supplies. It does not appear that this contention regarding a higher investment figure is reasonable.

Certain reductions were made in the operating expenses below the estimate submitted by the Company, mainly in the items of production repairs, distribution and commercial expense. A re-analysis of the evidence shows that the production repairs estimated by petitioner were based upon abnormal conditions of repairs and that as to future conditions this item should be reduced, especially in view of the tendency to reduced output of gas. Distribution expense estimates as made in the Commission's decision appear reasonable at this time as well as when applied to future conditions especially when it is considered that distribution and operating expenses have been abnormally high. We do not find that there should be any modification in the Commission's former estimates of operating expense.

Relative to the rate of return which applicant contends is below what is reasonable, it appears from the evidence as pre-

sented in the original case that there has been a reduction in the use of gas by consumers, altho only a small reduction in the number of consumers, owing to the economic depression existing in the territory served. Applicant has not received a full return upon its investment in the past due to various causes, an important one being the quality of service rendered, which has caused considerable complaint and delayed increasing rates when they would otherwise be justified. The value of service does not appear to be worth more than the rates heretofore fixed in Decision No. 9725. Without a building up of better service quality and public relations the Company cannot expect a greater return, but with a continued good service condition an increase in return should occur under existing rates.

We find no good reason for granting a rehearing in this matter.

O R D E R

Contra Costa Gas Company having filed a petition for rehearing in the above entitled matter and the Commission finding that no good reason exists justifying a rehearing,

IT IS HEREBY ORDERED that the petition of Contra Costa Gas Company for rehearing is hereby denied.

Dated at San Francisco, California, this 31
day of December, 1921.

H. B. Boudiege
H. D. Lovelock
George W. Martin
Robert J. Hoover
J. P. Anderson
Commissioners.