

Decision No. 9844

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation of
the gas rates, service and operations
of CENTRAL COUNTIES GAS COMPANY on the
Commission's own motion.

Case No. 1661.

J. E. Jardine and F. W. Hunter
for Central Counties Gas Co.

BY THE COMMISSION.

OPINION

A public hearing was held by Examiner Westover at Visalia in the above case, instituted upon the Commission's own motion, to determine whether or not reported material reductions in the price of crude oil had been sufficient to justify a reduction in rates charged for gas, and also to pass upon service conditions concerning which complaints had come to the Commission. At the hearing, Central Counties Gas Company filed data relative to its investment in the system, operations and expenses, and the Commission's engineers report/upon their investigation of service conditions and operation. Exhibits referred to in the testimony, embodying additional information requested by the Commission's engineers, to be submitted after the hearing, have now been received and filed and the matter is ready for decision.

The Central Counties Gas Company is a utility engaged in supplying artificial gas to the towns of Visalia, Tulare, Lindsay, Exeter, Strathmore, and Porterville, through a system of high pressure transmission lines from a central gas generating plant located at Visalia. The present rates, effective June 19, 1920, were established by Decision No. 7753 in Application No. 5550, in which the company requested an increase in rates because of increase in the price of oil and other operating expenses. The rates estab-

lished in the above decision were calculated upon a price of oil at \$1.96 per barrel. The price of fuel oil to this company has been reduced to \$1.76.

The above rates heretofore authorized were determined upon a rate base approximately equivalent to the investment in physical property as shown by the company's books, which amounts are found to be reasonable. The company submitted testimony showing its added investment since the previous hearing. The average investment in the physical property for the year ending June 30, 1922, is estimated to be \$534,300.

The estimated operating expenses for the year ending June 30, 1922, which are found to be reasonable, based on the facts submitted, are as follows:

ESTIMATED OPERATING EXPENSES

FOR YEAR ENDING JUNE 30, 1922

Production		
Oil.....	\$63,200	
Operation and Maintenance..	<u>30,500</u>	\$93,700
Transmission		
Operation and Maintenance.....		5,500
Distribution		
Operation and Maintenance.....		15,500
Commercial Expense.....		11,000
General and Miscellaneous Expense.....		13,000
Taxes.....		<u>15,300</u>
Total Operating Expenses.....		\$154,000

The estimated sales for this period is 110,000,000 cubic feet of gas. The gross revenue, which is required from these sales if it is to yield an 8% net return upon the rate base, after deductions for the above operating expenses and reasonable allowances for depreciation and uncollectible accounts, is \$210,750, as shown below.

ESTIMATED GROSS REVENUE REQUIRED

FOR YEAR ENDING JUNE 30, 1922

Operating Expenses	\$154,000
Depreciation	13,000
Uncollectible Accounts	1,000
Net for Return	42,750
Gross Revenue Required	\$210,750

Required gross revenue per 1,000 cubic feet is \$1.90

The above estimate of gross revenue required for the year ending June 30, 1922, amounts to \$1.90 per 1,000 cubic feet of gas sales, while that obtained from the present rates during the year ending June 30, 1921, was \$2.02. It is, therefore, possible to reduce the existing rates by 12 cents per 1,000 cubic feet.

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 is found advisable in this case. For this purpose a variation of three cents per 1,000 cubic feet of gas sold for each ten cents variation in the price of oil is found reasonable.

The service of this Company has been improved during the past few months. The installation of the new equipment which is at present being made should make it possible for Central Counties Gas Company to render good service. This organization, however, has not fully complied with the Commission's

service standards in those matters which require only careful supervision and not additional equipment. Upon the promise of the Company to correct these violations, the Commission feels that a reasonable time should be allowed for it to remove these violations and to install the present improvements, after which time good service should occur. The Commission is of the opinion that formal action upon service matters may be postponed at this time.

ORDER

This Commission having instituted an investigation on its own motion into the gas rates, service and operations of Central Counties Gas Company, an investigation having been made, a hearing having been held and the matter submitted,

The Railroad Commission hereby finds as a fact that the rates heretofore fixed in Decision No. 7753 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 Central Counties 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 Central Counties Gas Company charge and collect for gas served by it in the various communities for the service specified, the following schedules of rates on all regular meter readings taken on and after the 2d day of January, 1922:

SCHEDULE "A"

(570 B.T.U. Gas)

GENERAL SERVICE

<u>RATE:</u>		<u>Gross</u>	<u>Net</u>
First 500 cu. ft. or less per meter per month		\$1.25	\$1.15
		<u>Per M. Cu. Ft.</u>	
Next 2,500 cu. ft. per meter per month		\$2.00	\$1.90
" 5,000 " " " " " "			1.65
" 7,000 " " " " " "			1.45
All over 15,000 " " " " " "			1.30

The net rate is effective on all bills paid on or before ten (10) days after date of presentation.

The above rates are, upon approval of the Railroad Commission of the State of California, subject to increase or decrease on the basis of three (3) cents per thousand cubic feet for each ten (10) cents per barrel increase or decrease respectively in the price of oil above or below the price of \$1.76 per barrel f. o. b. Visalia. Change to be to the nearest one cent.

SCHEDULE "B"

(570 B.T.U. Gas)

HOTEL AND RESTAURANT SERVICE

RATE:

First 25,000 cu. ft. per meter per month...\$1.30 per M Cu.Ft.
All over 25,000 " " " " " " " ... 1.10 " " " "

Minimum bill per meter per month\$27.00

The above rates are, upon approval of the Railroad Commission of the State of California, subject to increase or decrease on the basis of three (3) cents per thousand cubic feet for each ten (10) cents per barrel increase or decrease respectively in the price of oil above or below the price of \$1.76 per barrel f. o. b. Visalia. 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, Central Counties 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, Central Counties 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. Central Counties Gas Company shall, within ten (10) days of the date of this Order, file with the Commission the schedules of rates herein set forth.

Dated at San Francisco, California, this 8th
day of December, 1921.

H. B. Brundage

H. Howard

Charles H. Rowell

J. J. [unclear]
Commissioners.