

ORIGINAL

Decision No. 41293

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of N. E. WALTENSPIEL, an individual, doing business under the firm and style name of RUSSIAN RIVER GAS CO., for permission to increase Gas Consumer rates, in Guerneville, Guerne-wood Park and adjacent territory.

Application No. 29016

N. E. Waltenspiel, In Propria Persona.

O P I N I O N

In this application Russian River Gas Company requests an order authorizing it to increase the rates, to offset increased costs of propane, for liquefied petroleum gas distributed through mains to some 129 domestic and commercial customers in the unincorporated areas of Guerneville, Guerne-wood Park, and adjacent territory in Sonoma County.

A public hearing was held in Guerneville on February 18, 1948, at which time applicant amended its application by submitting revised rate schedules containing special conditions more nearly in conformity with the practices of this Commission. In addition, applicant furnished a financial statement and description of property which had been omitted from the original filing, together with an estimate of its operations for 1948 based on both the presently effective rates and the proposed rates. These data were filed as Exhibit No. 1 at the hearing.

The rates presently charged by the applicant are those originally filed in accordance with Decision No. 38332, dated October 30, 1945, in Application No. 26964, under which decision a certificate of public convenience and necessity was granted. At the time these rates were designed, the cost of propane to applicant, including freight thereon, was \$0.0425 per gallon. Subsequently, the applicant's propane costs were increased in January and December of 1947 and again in January 1948, resulting in present cost of \$0.0529 per gallon, representing an increase of

approximately 95% over the costs at the time applicant's rates were originally filed. As propane vapor is served exclusively to the customers by this utility, the effect of this over-all increase in propane fuel costs is a material factor in operating expenses, since the cost of gas represents about half of applicant's total operating expenses.

Rate schedules of this utility now consist of one general service schedule for seasonal customers (Schedule G-1), and a general service schedule for permanent customers (Schedule G-2). Applicant proposes certain revisions in the rates and special conditions of both of these schedules. The proposed schedules of rates and special conditions are set forth in Exhibit A attached hereto. These proposed rates are designed to reflect only the increases in the cost of propane to applicant that have occurred since the initial rates were filed. In order to automatically maintain the new rates in balance with changes in the cost of propane in the future, an escalator clause has been made a part of these proposed schedules under "Special Conditions". This escalator clause is designed to pass on to the consumer only such direct increases or decreases in the cost of propane as are experienced by applicant.

The following data for the determination of the rate base as of December 31, 1946 and December 31, 1947, together with an estimate of the rate base as of December 31, 1948, was presented by applicant at the hearing:

Item	Recorded		Estimated
	Dec. 31, 1946	Dec. 31, 1947	Dec. 31, 1948
Fixed Capital			
Franchises	\$ 133.50	\$ 133.50	\$ 134
Land	3,081.23	3,081.23	3,081
Plant	41,082.84	47,034.85	47,035
Total - Fixed Capital	\$44,297.57	\$50,249.58	\$50,250
Additions			
Materials and Supplies	\$ 619.20	\$ 649.05	\$ 2,000
Working Cash	2,500.00	2,500.00	650
Total Rate Base (Undepreciated)	\$47,416.77	\$53,398.63	\$55,400
Average Rate Base (Undepreciated)		1947	1948
		\$50,407.70	\$54,400

Results of operations for the year 1947, together with applicant's estimate for 1948 for two months' operations on the presently filed rates and ten months' operations on the proposed increased rates, based on straight line depreciation accounting which this utility uses, are tabulated below. Also included are corresponding estimated figures based on sinking fund depreciation accounting methods:

Item	Recorded		Estimated	
	Year Ending Dec. 31, 1947	Year Ending Dec. 31, 1947	(2 months present rates & 10 months proposed rates) Year Ending Dec. 31, 1948	(2 months present rates & 10 months proposed rates) Year Ending Dec. 31, 1948
	Straight Line Deprec.	5% Sinking Fund Deprec.	Straight Line Deprec.	5% Sinking Fund Deprec.
Operating Revenues	\$12,843.91	\$12,844	\$18,395	\$18,395
Expenses				
Operating Expenses	10,770.73	10,771	13,855	13,855
Depreciation Expenses	2,410.00	1,524	2,510	1,585
Total Expenses	\$13,180.73	\$12,295	\$16,365	\$15,440
Net Revenue	\$ <u>(336.82)</u>	\$ 549	\$ 2,030	\$ 2,955
Rate Base (Undepreciated)	50,407.70	50,408	54,400	54,400
Balance in Reserve for Depreciation	<u>2,411.05*</u>	-	<u>4,871*</u>	-
Rate Base (Depreciated)	\$47,996.65		\$49,529	
Rate of Return - Per Cent	<u>(0.70)</u>	1.1	4.1	5.4

* Average for year.

(Red Figure)

Twelve months' operations, using applicant's 1948 estimated sales and revenue derived from the proposed rates for the entire year, indicate a rate of return slightly in excess of 6%. Based on an increase of 20 new customers, it was estimated that 12 months' operations on the proposed rates would show an increase in gross revenues of about \$6,160, or 46.4% above the revenue that would have been realized from the presently filed rates. Increases in billings for typical consumptions have been computed from the proposed rates and are shown below. These indicate an average increase in gross revenues of approximately between 25 to 30 per cent for typical consumptions. It appears, therefore, that applicant's estimate of gross revenues is excessive,

Schedule	Per Cent Increase in Billings for Consumptions of			
	10 Therms	30 Therms	100 Therms	250 Therms
G-1, Seasonal	9.2	14.9	22.9	27.9
G-2, Permanent	24.6	34.4	33.7	33.5

For this same period applicant indicated that its operating expenses would increase about \$3,184, or only 24.2%, over the recorded 1947 expenses, the higher cost of propane fuel accounting for \$2,551, or 80.1%, of this increase.

From the facts recited herein, the Commission is of the opinion and finds that the applicant herein is in urgent need of the relief sought. Accordingly, it follows that such relief should be made effective as soon as possible. Therefore, we find that the public interest requires that this decision become effective ten days from the date hereof. Applicant will be authorized to file his tariffs reflecting the increase in rates granted herein and make the same effective upon one day's notice to the Commission and to the public.

O R D E R

N. E. Waltenspiel having filed his application requesting authority to place into effect increased rates, and it appearing from the showing made in the record in this proceeding, and the Commission hereby finding that the increases requested are justified and should be authorized, therefore,

IT IS ORDERED as follows:

1. N. E. Waltenspiel is authorized to file for publication in accordance with General Order No. 96 the schedule of rates and special conditions set forth in Exhibit A attached hereto.
2. N. E. Waltenspiel is authorized, after not less than one (1) day's notice to the Commission and to the public, to make said rates effective with meter readings taken on and after March 21, 1948.

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This Order shall become effective ten (10) days after the date hereof.

Dated at San Francisco, California, this 9th day
of March, 1948.

R. Z. Indurain
Justin J. Gallen
Wesley K. Hill
Harold P. Hule
Kenneth P. Potter

EXHIBIT A
Sheet 1 of 2

Schedule G-1

GENERAL SERVICE, SEASONAL

APPLICABILITY

Applicable to general service of propane gas for cooking, water-heating, space-heating and other domestic and commercial uses of seasonal nature.

TERRITORY

The unincorporated town of Guerneville, Guernewood Park and adjacent territory.

<u>RATE</u>				<u>Base Rate</u> Per 100 Cu. Ft.	<u>Effective</u> Rate Per 100 Cu.Ft.
First	100 cu.ft.	or less per meter per month		\$1.25	\$1.25
Next	300 "	per meter per month	1.00	1.00
Next	600 "	"	"	.75	.75
Next	1,000 "	"	"	.55	.55
Next	2,000 "	"	"	.49	.49
All Over	4,000 "	"	"	.40	.40

MINIMUM CHARGE

\$1.25 per meter per month.

SPECIAL CONDITIONS

Service under this schedule is available only on annual contracts calling for minimum monthly payments of \$1.25.

For gas used in excess of 100 cu.ft. per month, the rates in effect at any time vary with the average cost of propane delivered to all plants generating gas served under this schedule and shall be determined from the above base rates by adding or deducting, respectively, 1.0¢ for each 0.32¢ that such cost of propane is above or below 8.29¢ per gallon, change in rate to be to the nearest 0.5¢.

When a change in the price of propane occurs, the Company shall submit to the Public Utilities Commission, within a period of fifteen (15) days, an Advice Letter and appropriate tariff schedules setting forth the new effective rates and accompanied by an affidavit of such change in the price of propane. The new rate shall be effective on all regular meter readings taken on and after the thirtieth (30th) day following such change in the price of propane.

EXHIBIT A
Sheet 2 of 2

Schedule G-2

GENERAL SERVICE, PERMANENT

APPLICABILITY

Applicable to general service of propane gas for cooking, water-heating, space-heating and other domestic and commercial uses of permanent nature.

TERRITORY

The unincorporated town of Guerneville, Guernewood Park and adjacent territory.

<u>RATE</u>	<u>Base Rate Per 100 Cu. Ft.</u>	<u>Effective Rate Per 100 Cu.Ft.</u>
First 100 cu. ft. or less per meter per month	\$1.25	\$1.25
Next 300 " per meter per month75	.75
Next 200 " " "55	.55
All Over 600 " " "40	.40

MINIMUM CHARGE

\$1.25 per meter per month.

SPECIAL CONDITIONS

For gas used in excess of 100 cu.ft. per month, the rates in effect at any time vary with the average cost of propane delivered to all plants generating gas served under this schedule and shall be determined from the above base rates by adding or deducting, respectively, 1.0¢ for each 0.32¢ that such cost of propane is above or below 8.29¢ per gallon, change in rate to be to the nearest 0.5¢.

When a change in the price of propane occurs, the Company shall submit to the Public Utilities Commission, within a period of fifteen (15) days, an Advice Letter and appropriate tariff schedules setting forth the new effective rates and accompanied by an affidavit of such change in the price of propane. The new rate shall be effective on all regular meter readings taken on and after the thirtieth (30th) day following such change in the price of propane.