

Decision No. 41879

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
GARBERVILLE GAS CORP., a corporation,  
for an order authorizing increase in  
Gas Consumer Rates in Garberville,  
California; and Request for order auth-  
orizing issue of additional stock in  
the amount of \$15,000.00.

Application No. 29353

Paul F. Stewart for Garberville Gas Corp.

OPINION

In this application Garberville Gas Corp., a corporation, engaged in the business of furnishing public utility gas service in the town of Garberville, Humboldt County, and in other businesses of a non-utility nature in this same general locality, asks the Commission for authority to: (1) increase rates, to offset higher costs of propane and butane-propane mix and other increased costs in operating expenses for liquefied petroleum gas distributed through mains to some 134 domestic and commercial customers; and, (2) issue additional stock in the amount of \$15,000.

A public hearing was held in this proceeding at Garberville on June 29, 1948.

The rates presently charged by the applicant are those originally filed in accordance with Decision No. 31512, dated December 5, 1938, in Application No. 22178, 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 \$0.045 per gallon. Subsequently, the

applicant's liquid petroleum costs have increased to \$0.11 per gallon, representing an increase of approximately 144% over the costs at the time the original rates were filed. As propane vapor or butane-propane mix vapor is served exclusively to the customers of this utility, the effect of this over-all increase in liquid petroleum fuel costs is a material factor in operating expenses, since the cost of gas represents almost two-thirds of applicant's current total operating expenses.

One general service rate schedule, applicable to domestic and commercial customers, is used by this utility. Applicant proposes certain revisions in the rates and special conditions of this schedule, and other changes to reflect the characteristics of the gas actually being served, all as set forth in Exhibit A attached hereto. The presently filed rate schedule calls for the delivery of butane gas of a heating value of approximately 3200 Btu per cubic foot. Butane is in short supply and is no longer available to applicant for use as a fuel. It has therefore become necessary to use either propane of a heating value of approximately 2,500 Btu per cubic foot, generally during the winter months, or, a butane-propane mix of an average heating value of approximately 3,000 Btu per cubic foot during the summer months.

The proposed rates are designed to reflect certain general increases experienced in the cost of serving gas together with the increases in the cost of propane and butane-propane mix to applicant that have occurred since the initial rates were filed. In order that the new rates may be automatically adjusted to reflect changes in the cost of liquid petroleum in the future, an escalator clause has been made a part of the proposed schedule under "Special Conditions". This escalator clause is designed to pass on to the consumer only such

direct increases or decreases in the cost of fuel as are experienced by applicant. Although the wording of the provision with respect to the type and heating value of gas to be delivered to consumers, and the escalator clause as contained in Exhibit A, differ from those contained in the application of this utility, applicant agreed to the revised wording of Exhibit A at the time of the hearing.

The Garberville Gas Corp. was authorized to purchase from Kenneth E. Knapp the Garberville Gas Company, his public utility gas properties and business and all of his non-utility gas properties and business, such latter properties and business consisting of the sale of propane and butane in tanks and the leasing and selling of gas tanks and gas appliances, pursuant to Decision No. 41350, dated March 23, 1948, in Application No. 29131. At the time of the purchase, the books of the company were incomplete and not currently maintained. In fact, many of the original cost vouchers and other company records were no longer available and the records of even current operations were not kept. The applicant is now endeavoring to reconstruct the books of this utility. Accordingly, insufficient time has elapsed since the purchase by the Garberville Gas Corp. to obtain an accurate picture of its operating position based on recent experience. In this regard, applicant's estimate of earnings could be based only on the "Statement of Income" for April, 1948 at the time this application was filed.

Mr. Paul F. Stewart, President of the Garberville Gas Corp., testified that the capital investment chargeable to only the utility operation as of April 30, 1948, was \$40,107.46. He estimated the total operating revenue for the utility operation for a year based on present rates to be \$17,944.62, and operating expenses to be \$23,697.72, resulting in a net loss of \$5,753.10. He further

estimated the total operating revenue for a year based on proposed rates to be \$26,916.93, providing a net revenue of \$3,219.21, before taxes. However, the actual operating expenses were stated by Mr. Stewart to be running some \$1,000 per month higher than those estimated due to an excessive loss of gas in the distribution system and which had been only partially rectified by the time of the hearing. In his estimate an allowance of 10% for all distribution losses had been assumed which amount to approximately \$140 per month.

In applicant's estimate of the capital investment, certain items which are used jointly by the non-utility business were charged entirely against the utility operation. Adjusting for these items based on the extent of their use and earnings relationship as between utility and non-utility, and further, allowing for organization capital omitted and adjusting the working cash allowance to conform more nearly with past practices of this Commission, a capital investment of the utility's operation of between \$32,000 to \$34,000 appears reasonable from the testimony presented. A comparison of applicant's operating expenses with those of gas utilities of similar size and characteristics indicates that they are low. A determination of the rate of return which could be expected, based on the proposed rates from the limited operating data available at this time does not appear practicable. The schedule of rates proposed, however, compares favorably with the rates of other gas utilities of similar characteristics.

The proposed rates will bring about an estimated increase in annual revenue amounting to approximately \$9,000, or 50%. Increases in billings of typical consumptions have been computed from the proposed rates and are shown below:

<u>Per Cent Increase in Billings for Consumptions of</u>			
<u>10 Therms</u>	<u>30 Therms</u>	<u>100 Therms</u>	<u>250 Therms</u>
33.3	40.7	55.4	66.8

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. There was no protest at the hearing to the proposed increased rates. We believe it appropriate to make the following order effective on ten days' notice.

While the corporation in this proceeding has requested an order authorizing the issue of additional stock in the amount of \$15,000 par value, a similar request is pending before the Commission in Application No. 29131. The matter of the issue of such stock will be considered in a supplemental opinion and order in that earlier application and the request in the present proceeding, in this respect, accordingly will be dismissed.

ORDER

Garberville Gas Corp. having filed its 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 HEREBY ORDERED as follows:

1. Garberville Gas Corp. 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. Garberville Gas Corp. is ordered to file monthly reports showing revenues and expenses by accounts, as well as plant additions and removals by accounts, commencing with August, 1948.

3. Garberville Gas Corp. is authorized on and after the effective date of this order to file on one day's notice, Schedule No. G-1, set forth in Exhibit A attached hereto, and made a part hereof, said schedule to be applicable to all monthly bills and charges based upon meter readings taken on and after July 31, 1948.

IT IS HEREBY FURTHER ORDERED that the request of Garberville Gas Corp., made in this proceeding, for permission to issue \$15,000 of stock, be and it hereby is, dismissed.

The effective date of this Order shall be ten (10) days from and after the date hereof.

Dated at San Francisco, California, this 20<sup>th</sup> day of July, 1948.

R. E. Dutton  
Justice F. C. Brewer  
Frank Powell  
Harold Huls

Commissioners.

EXHIBIT A

Schedule No. C-1

GENERAL SERVICE

APPLICABILITY

Applicable to domestic and commercial service of propane gas of a heating value of approximately 2,500 Btu per cubic foot or butane-propane mix gas of a heating value of approximately 3,000 Btu per cubic foot, whichever gas is available, for cooling, water heating, space heating and other domestic and commercial uses.

TERRITORY

Town of Garberville.

RATES

					Base Rates Per Meter Per Month	Effective Rates Per Meter Per Month
First	50	cubic feet	or less	.....	\$1.25	\$1.25
Next	200	"	"	per 100 cu. ft. ....	1.20	1.20
Next	550	"	"	" " " " " " " " .....	.85	.85
Next	1,000	"	"	" " " " " " " " .....	.75	.75
Next	3,200	"	"	" " " " " " " " .....	.65	.65
Next	5,000	"	"	" " " " " " " " .....	.60	.60
All Over	10,000	"	"	" " " " " " " " .....	.50	.50

Minimum Charge

\$1.25 per meter per month.

SPECIAL CONDITIONS

For gas in excess of 50 cubic feet per month, the rates in effect at any time vary with the average cost of propane or butane-propane mix 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 0.30¢ that such cost of propane or butane-propane mix is above or below 11.00¢ per gallon, change in rate to be to the nearest 0.5¢.

When a change in the price of propane or butane-propane mix occurs, the corporation 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 or butane-propane mix. 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 or butane-propane mix.