

Decision No. 43425

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

IN THE MATTER OF THE APPLICATION  
OF BIG BEAR LAKE GAS COMPANY, A  
CORPORATION, FOR PERMISSION TO  
INCREASE GAS CONSUMER RATES IN BIG  
BEAR LAKE, CALIFORNIA, AND ADJACENT  
TERRITORY.

Application No. 30377

Carl I. Benson and William A. Betterley  
for applicant.

O P I N I O N

In this application Big Bear Lake Gas Company requests an order authorizing it to increase the rates for propane gas (liquid hydrocarbon gas) supplied by it in the community of Big Bear, San Bernardino County. A public hearing was held in this matter on September 19, 1949, at Big Bear, before Commissioner Huls and Examiner Crenshaw.

For a number of years applicant has supplied propane gas service in this area under a certificate granted by this Commission in Decision No. 33839, dated January 28, 1941.

According to applicant, the principal reason for requesting an increase in rates for the gas service is that the price of liquid hydrocarbon gas has more than doubled in the cost per gallon from July, 1946, to November, 1948, as shown by the following table:

<u>From</u>	<u>To</u>	<u>Cost per Gallon</u>
July 1946	Sept. 1946	4.0¢
Sept. 1946	Jan. 1948	6.0¢
Jan. 1948	Feb. 1948	7.4¢
Feb. 1948	Nov. 1948	8.8¢
Nov. 1948		9.8¢

It will be noted from the above table that the cost per gallon has increased from four cents in July, 1946, to 9.8 cents per gallon in

November, 1948. Since the cost of gas represents approximately 60% of the operating expenses, any change has a material effect upon applicant's earnings. Due to the increase in the cost of propane gas and other expenses, applicant's net profit for the year ending December 31, 1948 amounted to \$108.73, after allowance for taxes and depreciation, as shown in the statement of income expense set forth in its application. The present rates were established at the time applicant began operations in 1941, and there has been no change in the rates since that time.

Applicant submitted proposed schedules of rates and special conditions, as set forth in Exhibit "B", attached to and made a part of the application. In its application an escalation clause was proposed to be incorporated with the new rates. The only increases proposed by applicant would be in the blocks of the commercial rate over 500 pounds per month to compensate for the increase in the cost of propane.

The following table sets forth a summary of applicant's actual operations for the year 1948 and its estimate under the new rates for the same year:

	<u>1948</u>	
	<u>Actual</u>	<u>New Rates</u>
Sales	\$25,790.44	\$29,412.91
Operating Expenses	<u>25,681.71</u>	<u>25,754.16</u>
Net Profit	108.73	3,658.75

In the above table the actual net profit recorded was \$108.73, and under the proposed rates the net profit is estimated to be \$3,658.75.

Subsequent to the filing of this application there were two reductions in the price of propane, one effective July 15, 1949, at which time the cost of propane was reduced to 8.8 cents per gallon, and again on August 20, 1949, when the price of propane was further reduced another cent to 7.8 cents per gallon.

Mr. E. L. Gates, Associate Utilities Engineer for the Commission, presented a summary of earnings showing for the year 1948 the rate of return on the recorded earnings, the company's proposal, and the Commission staff's proposal. In addition, the summary shows estimates for the year 1949, based upon the present rates, the company's rates with escalation, the company's rates without escalation, and the Commission staff's proposed rates, all of which are predicated upon a base cost of 7.8 cents per gallon, as follows:

	<u>Operating Revenue</u>	<u>Operating Expenses</u>	<u>Net Revenue</u>	<u>Rate Base Deprec.</u>	<u>Rate of Return</u>
<u>1948</u>					
Present Rates Recorded	\$25,790.44	\$25,681.71	\$ 108.73	\$20,710	.53%
Company Proposal	29,412.91	25,754.16	3,658.75	20,710	17.66
Staff Rates using 7.8 cents per Gal.	26,528.00	24,099.93	2,428.07	20,710	11.72
<u>1949</u>					
Present Rates	24,640.00	23,910.00	730.00	20,330	3.59
Proposed Rates					
By Company with Escalation	24,710.00	23,927.00	783.00	20,330	3.85
By Company without Escalation	28,440.00	24,868.00	3,572.00	20,330	17.57
By Staff	25,680.00	24,172.00	1,508.00	20,330	7.42

It will be noted from the above table that, based upon the recorded earnings of the company for 1948, a rate of return of .53% was earned by the company, while under the company's proposed rates the estimated rate of return would be 17.66%. The proposed rates submitted by the Commission's staff, using a base cost for propane of 7.8 cents per gallon, adjusted to 1948 conditions, would yield an estimated return of 11.72%.

The 1949 estimates show a rate of return from 3.59% under the present rates to 17.57% under the company's proposed rates, without escalation, and 7.42% by using the rates proposed by the Commission's staff. If the escalation clause submitted by applicant were applied to

its proposed rates, the rate of return for the 1949 estimate would be 3.85%. However, at the hearing applicant stated that the estimate of earnings presented by Mr. Gates did not make any allowance for additional help for maintenance work and that the estimate for general and miscellaneous expenses was too low, which was supported by testimony by applicant.

It appears from the record that there is some merit to applicant's claim and an additional allowance of \$275 will be made to take care of the above-mentioned items. A corresponding increase in the gross revenue to offset this increase in operating expenses will be made in the proposed rates of the Commission's staff. Under the revised estimate the rate of return would be 7.44% instead of 7.42% for the year 1949.

The proposed rates submitted by the Commission's staff, as adjusted for the above change, will result in an increase of \$1,320 per year, or 5.4%. These rates appear to be reasonable when consideration is given to the fact that applicant is a small company supplying a resort area and must compete with other types of fuel.

From the facts recited herein, the Commission is of the opinion and finds that applicant is in need of the relief sought. Accordingly, it follows that such relief should be made effective as soon as possible, due to the narrow margin of profit which now exists under the present rates. Therefore, we find that the public interest requires that the decision become effective ten (10) days from the date hereof.

#### O R D E R

Big Bear Lake Gas Company having applied to this Commission for an order authorizing increases in rates, a public hearing having been held, and the matter having been submitted for decision,

## Schedule D

GENERAL SERVICEAPPLICABILITY

Applicable to domestic and commercial gas service.

TERRITORY

Within the vicinity of Big Bear Lake Village, San Bernardino County.

DESCRIPTION OF SERVICE

Propane (liquid hydrocarbon gas) containing approximately 21,000 Btu per pound.

RATES

	<u>Per Meter</u> <u>Base</u> <u>Rates</u>	<u>Per Month</u> <u>Effective</u> <u>Rates</u>
First 100 lbs. per pound .....	\$ 0.055	\$ 0.055
Next 100 lbs. per pound .....	.050	.050
Next 300 lbs. per pound .....	.044	.044
Over 500 lbs. per pound .....	.033	.033
Minimum Charge .....	1.50	1.50

The above effective rates are based upon a cost of propane of 1.84 cents per pound delivered to the company's storage tank.

SPECIAL CONDITIONS

1. The above rates per pound vary directly with the current purchase price of propane. For each increase or decrease of 0.1 cent per pound in the purchase price the above base rates, exclusive of the minimum charge, will be increased or decreased 0.1 cent per pound. Calculations will be made to the nearest 0.1 cent per pound. The base rates have been established on a purchase price of 1.84 cents per pound computed on the basis of 4.23 pounds per gallon.

When a change in cost of propane occurs, the company shall submit to the Public Utilities Commission of the State of California, 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 purchase price of propane. The new rates shall be effective beginning with the bill based on the first regular monthly meter reading, for billing purposes, which is taken on and after the thirtieth (30) day following such change in the cost of propane.

2. The multiplier for conversion of cubic feet to pounds is .1162.

Schedule C

COMMERCIAL SERVICE

APPLICABILITY

Applicable to commercial gas service only.

TERRITORY

Within the vicinity of Big Bear Lake Village, San Bernardino County.

DESCRIPTION OF SERVICE

Propane (liquid hydrocarbon gas) containing approximately 21,000 Btu per pound.

RATES

	<u>Per Meter Per Month</u>	
	<u>Base</u>	<u>Effective</u>
	<u>Rates</u>	<u>Rates</u>
First 250 lbs. per pound .....	\$0.044	\$0.044
Next 250 lbs. per pound .....	.039	.039
Next 250 lbs. per pound .....	.033	.033
Next 750 lbs. per pound .....	.028	.028
Over 1,500 lbs. per pound .....	.025	.025
Minimum Charge .....	3.00	3.00

The above effective rates are based upon a cost of propane of 1.84 cents per pound delivered to the company's storage tank.

SPECIAL CONDITIONS

1. The above rates per pound vary directly with the current purchase price of propane. For each increase or decrease of 0.1 cent per pound in the purchase price the above base rates, exclusive of the minimum charge, will be increased or decreased 0.1 cent per pound. Calculations will be made to the nearest 0.1 cent per pound. The base rates have been established on a purchase price of 1.84 cents per pound computed on the basis of 4.23 pounds per gallon.

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2. The multiplier for conversion of cubic feet to pounds is .1162.

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified; therefore,

IT IS HEREBY ORDERED as follows:

1. That applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, the schedules of rates shown in Exhibit A, attached hereto, and, after not less than ~~five~~ (8) day# notice to the Commission and the public, to make said rates effective for all meter readings taken on and after ~~December 1, 1949~~, 1949.
2. Concurrently therewith, to withdraw and cancel superseded propane gas service tariffs, Original C.R.C. Sheet No. 1, and Original C.R.C. Sheet No. 2.
3. That applicant, within forty (40) days from the effective date of this order, shall file with this Commission four copies of an appropriate map or sketch drawn to an indicated scale upon a sheet 8½ x 11 inches in size, showing the location of existing gas mains and service connections.

The effective date of this order shall be ~~twenty~~<sup>ten</sup> (10) days after the date hereof.

Dated at San Francisco, California, this 18<sup>th</sup> day of October, 1949.

R. E. J. J. J.  
Justus J. Calver  
Frank H. Kull  
Harold H. Kull  
Kenneth P. Potter  
Commissioners.