

ORIGINAL

Decision No. 5155

Decision No. _____

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA

---oOo---

In the Matter of the Application
of WESTERN STATES GAS & ELECTRIC
COMPANY, a corporation, for a re-
vision of its schedule of rates
charged for gas in the City of
Eureka, County of Humboldt, State
of California. }

APPLICATION

NO. 3373

Chickering & Gregory by Evan Williams
for the Applicant.

BY THE COMMISSION:

O P I N I O N

Western States Gas & Electric Company in
this proceeding applies for authority to increase
its rates for artificial gas served in its Eureka
Division to the inhabitants of Eureka and vicinity

in Humboldt County. Applicant bases its request for such increase on the fact that during the year 1918 it has already had to pay, and will probably have to continue to pay, \$1.85 per barrel for oil used in the manufacture of gas, whereas theretofore the cost of oil was \$1.00 per barrel. Applicant also alleges that the cost of labor and other materials has materially increased since the present rates were established.

A public hearing in this matter was held in Eureka before Examiner Westover on January 16th, 1918.

The matter of both gas and electric rates in the Eureka Division was carefully reviewed by the Commission in connection with Application No. 1998 and Case No. 906, which matters were disposed of on November 6th, 1916 by Decision No. 3852 (See Vol. XI, Opinions and Orders, Railroad Commission of California, Page No. 891). The rates established at that time and which are now in effect are as follows:

Gas Rates

First	1,000 cu.-ft. used per mo...	\$1.55 per 1,000 cu.-ft.
Next	1,000 " " " "...	1.30 " " "
All over	2,000 " " " "...	1.05 " " "

Minimum Monthly Guaranty - \$1.00 per Meter.

5% Discount for payment within 10 days from date of bill.

The evidence submitted in connection with aforesaid Application No. 1998 and Case No. 906 indi-

cated that the earnings of the Gas Department of the Eureka Division for the year 1915, before deducting depreciation, were slightly less than 5½ per cent of the reproduction cost of the gas properties.

In the present application Western States Gas & Electric Company asks only for sufficient increase in rates to offset increases in its cost of oil, materials and labor since the present rates were established, and does not ask for any increase in its rate of return. This position was confirmed by counsel for applicant at the hearing herein.

Prior to January 1918 applicant purchased oil under a contract at the price of \$1.00 per barrel f.o.b. Eureka. Since January 1, 1918 applicant has been unable to obtain a contract for oil under any circumstances, and the best quotation which it is able to obtain for a single cargo of 10,000 barrels is \$1.85 per barrel, f.o.b. Eureka.

Applicant's requirements are approximately 6,500 barrels of gas oil per year, and 29,531 barrels of fuel oil per year for the operation of its steam electric plant. Applicant has a total storage capacity of only 26,000 barrels.

The Commission's Engineering Department prepared an estimate of the reproduction cost of the gas properties in the Eureka Division, which is set forth in aforesaid Decision No. 3842. Bringing this estimate down to date by adding the cost of additions and

betterments since that time, it appears that the re-
production cost of the gas properties in the Eureka
Division as of December 31, 1917, ^{is} ~~as~~ as follows:

TABLE NO. I

ESTIMATED REPRODUCTION COST

EUREKA GAS PROPERTIES

WESTERN STATES GAS & ELECTRIC COMPANY

Reproduction Cost found in Railroad Commission's Deci- sion No. 3852,	\$160,638.
Additions and Betterments to December 31, 1917,	<u>3,035.</u>
Reproduction Cost Estimated as of December 31st, 1917,	\$163,673.

An analysis of operating expenses, revenue
and sales for the years 1916 and 1917 is shown in the
following table:

TABLE NO. II

OPERATING EXPENSES, REVENUE AND SALES
1916 and 1917

EUREKA GAS DIVISION

WESTERN STATES GAS & ELECTRIC COMPANY

	<u>1916</u>	<u>1917</u>
Operating Expenses exclusive of Oil	\$10,146.13	\$10,695.97

	1916	1917
Brought Forward	\$10 146 13	\$10 695 97
Oil	6 431 79	6 326 81
Steam & Electric Power	1 359 40	1 406 49
Maintenance (Labor & Material)	415 35	706 44
Taxes	1 653 80	1 860 79
Total Expenses	\$20 006 47	\$20 996 50
Gross Revenue	\$27 463 04	\$26 931 58
Net for Depreciation and Return on Reproduction Cost	\$ 7 456 57	\$ 5 935 08
Rate for Depreciation and Return on Reproduction Cost	4.56%	3.52%
Cubic Feet Gas Sold	22,939,500	20,640,700

In making an estimate of probable expenses for the year 1918, the following increases in expenses other than the cost of oil must be taken into account. Applicant testified that it has recently been compelled to increase salaries of all of its employees approximately 15 per cent, and that the cost of other material such as purification supplies, pipe and fittings have increased from 20 to 90 per cent within the last year.

The relative importance of the cost of oil in proportion to other operating expenses may be seen from the following table:

TABLE NO. III

RELATIVE COST OF OIL TO OTHER EXPENSES

PER THOUSAND CUBIC FEET GAS SOLD

EUREKA DIVISION

WESTERN STATES GAS & ELECTRIC COMPANY

	<u>1916</u>	<u>1917</u>
Operating and Maintenance Expense exclusive of Oil and Taxes	52.0¢	62.1¢
Oil	28.0¢	30.7¢
Taxes	7.2¢	9.0¢
Cost of Oil per Bbl.	\$1.00	\$1.00

The cost of oil in 1918 will be increased 85% making oil cost alone approximately 57¢ or 26.3¢ per 1,000 cubic feet sold increase over 1917 operations.

The Commission realizes the difficulty under which public utilities are laboring on account of the present abnormally high cost of labor and materials of all kinds, and is desirous of affording them such relief as appears to be fair and reasonable under all the circumstances. The utilities on the other hand should, of course, not expect the public to bear all of the burden of such abnormal conditions, and in the present instance applicant, recognizing its obligations in this regard, asks only for enough revenue to cover increased cost of oil and labor and taxes and does not expect any increase in its return on the value of its plant, although the rate of such return which it has hitherto received is con-

siderably less than what might be considered a fair return under normal conditions. The rates herein established are calculated to accomplish approximately the result applied for.

Even if the Commission were disposed to authorize still higher rates, it is very questionable as to whether the company would realize any greater net return therefrom inasmuch as the easy availability of cheap fuel in the form of waste material from the many lumber mills in the vicinity of Eureka operates as a very keen competitor with applicant's gas business. We do not believe, however, that the increase in rates herein authorized is any greater proportionately than recent increases in the cost of wood. These rates should not, therefore, result in material decreases in the amount of gas which applicant will sell during the year 1918.

The matter was submitted at the hearing with the understanding that applicant should have the privilege of filing certain additional data. This data has now been filed and the matter is ready for decision.

ORDER

Western States Gas & Electric Company
having applied for authority to increase its gas
rates in its Eureka Division and a public hearing

having been held and the matter being submitted and ready for decision, and the Railroad Commission finding as a fact that the gas rates charged by Western States Gas & Electric Company in its Eureka Division are unjust and unreasonable insofar as they differ from the rates established herein, and that the rates established herein are just and reasonable rates in view of the circumstances as disclosed by the evidence herein, and basing its order upon these findings of fact and each finding of fact set forth in the opinion preceding this order,

IT IS HEREBY ORDERED that Western States Gas & Electric Company be and ^{it} ~~the same~~ is hereby authorized to charge and collect the following rates for artificial gas in its Eureka Division:

RATE

First	.500 cu.ft.	or less per meter per month	\$1.00
Next	1,500 "	per meter per month,	
		\$1.70 per 1,000 Cu.ft.	
Next	2,000 cu.ft.	per meter per month,	
		\$1.45 per 1,000 Cu.ft.	
All over	4,000 cu.ft.	per meter per month,	
		\$1.20 per 1,000 Cu.ft.	

IT IS HEREBY FURTHER ORDERED that Western States Gas & Electric Company shall file said rates

with the Commission on or before 10 days from the date of this order, and said rates shall become effective as to the meter reading regularly taken on and after March 1st, 1918.

Dated at San Francisco, California,
this 25th day of February, 1918.

Max Thelen
H. L. Loveland
Alfred S. Brown
Frank R. DeWitt

Commissioners.