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ORIGINAL

Decision No. _____

Decision No. 5445

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of)	
PACIFIC GAS AND ELECTRIC COMPANY, a)	
corporation, for an order of the)	
Railroad Commission of the State of)	
California authorizing applicant to)	Application No. 3742
increase its rates and charges for)	
gas furnished and supplied to the in-)	
habitants of the City and County of)	
San Francisco.)	

Charles P. Cutten, for Applicant
John J. Dailey, for City and County
of San Francisco.

THELEN and DEVLIN, Commissioners.

O P I N I O N

Pacific Gas and Electric Company, hereinafter re-ferred to as Applicant, asks for an order of the Railroad Commission granting it authority to increase gas rates in the City and County of San Francisco, alleging among other things an increase in the cost of oil, labor and other expenses incidental to the operation of Applicant's gas business, and the insufficiency of the revenue under existing rates to provide a satisfactory return.

A hearing was held on May 18th, 1918. The matter was submitted at that time and is now ready for decision.

Applicant has submitted evidence showing an increase of twenty-seven and one-half (27½) cents per barrel in the price of oil over and above the price heretofore paid by ap-

plicant under its oil contract. This increased price will apply to all deliveries made to Applicant in San Francisco on and after June 1, 1918. Applicant further shows substantial increases in wages paid and to be paid to its employees to meet both the increased cost of living on their part and the competitive conditions now existing in the labor market so as to hold its employees. Practically all costs incidental to the service of gas in the City and County of San Francisco, have increased in spite of Applicant's efforts to combat them.

This Commission has but recently passed upon the gas rates of Applicant in the City and County of San Francisco and in Decision No. 4736, Case No. 839, dated October 8th, 1917, we established just and reasonable rates for gas in the City and County of San Francisco, under the conditions which then existed and considering the changes contemplated only during the subsequent year. In this decision we based the cost of service upon an oil price to applicant of \$1.35 per barrel, which price has now been increased to \$1.62 per barrel. In fixing these rates, our endeavor was to allow Applicant a return of eight per cent (8%) after the deduction of all proper operating expenses, including depreciation.

The existing rates have been in effect for a period of six months, and Applicant now shows that the revenues obtained to date under these rates have been slightly less than was anticipated in our earlier decision, due principally to the fact that the increase in business in the City and County of San Francisco has been somewhat less than was to be expected from the evidence in Case No. 839.

We are not wholly satisfied that the first six months of operation under the rate therein fixed is a conclusive measure of the result of a full year's operation. We do, however, recognize that the estimated growth in business has not been attained. To this extent the rates therein fixed have not yielded the full anticipated return, and we believe that the deficiency should now be ~~met~~^{met in rates.} Further increases in the rate should be made to offset the increase in the cost of oil and the increased operating expenses of the Company.

From the figures of operating costs submitted, we observe that the maintenance of the Company's properties is being curtailed. While we recognize that under emergency conditions such as now exist, any business will endeavor to reduce its outlay to a minimum, we do not look with favor upon a policy that involves deferred maintenance, at least as long as conditions do not become such as to make such a policy necessary. Under existing conditions, we believe that the Company should adequately maintain its properties and we have, therefore, increased the maintenance allowance over and above figures submitted by the Company as representing recent expenditures for maintenance.

Practically all the causes affecting the increased cost of service are beyond the control of Applicant, and in addition to these extra burdens, we must give consideration to the emergency feature of the situation, which includes the necessity for safeguarding the financial status of this utility. We have set forth in Decision No. 5439, Application No. 3248, this day decided, the emergency conditions which must

be met, and the principles which we believe should govern the action of regulatory bodies in affording relief to utilities under such conditions.

The recent increased cost of oil will alone result in an increased cost to Pacific Gas and Electric Company of approximately 5 cents for each 1000 cubic feet of gas sold in San Francisco. Officials of the Company testified that increased wages to gas workers recently granted or anticipated during the ensuing year will add between $1\frac{1}{2}$ and 2 cents to the cost of each 1000 cubic feet of gas. Another 2 cents per thousand must be added to take care of the deficiency in revenue resulting principally from sales less than heretofore estimated. Bearing in mind these added costs, the effect of the Daylight Saving Law, and the necessity of maintaining this property both physically and financially, bearing in mind a proper capitalization, we find that it will be necessary, as long as these emergency costs continue, to add to the rates heretofore established by this Commission and now in effect in San Francisco a surcharge of 10 cents for each 1000 cubic feet of gas sold.

The relief herein requested is entirely of an emergency nature and we have no means at this time of knowing to what extent future conditions will affect Applicant's operating costs. Under the conditions which existed at the time of Decision No. 4736, the rates therein established were, in our judgment, proper and should remain in their present form as a rate structure applicable to normal conditions. We are providing for the emergency by adding a surcharge, which we suggest be shown on the bills rendered to consumers

in the following language:

"Authorized added charge to meet war conditions."

This surcharge will obviate the necessity of changing an already established rate structure and, in our judgment, will most equitably apportion the added cost of service among Applicant's consumers. If subsequent conditions render further rate modifications desirable, the surcharge may be decreased or increased to afford speedy relief.

We recommend the following form of order:

O R D E R.

PACIFIC GAS AND ELECTRIC COMPANY having applied for an order authorizing an increase in its rates for gas sold in the City and County of San Francisco, hearings having been held and the matter being now ready for decision, we find as a fact that under present conditions the existing rates are not just and reasonable rates, and that an additional charge of ten cents (10¢) per thousand cubic feet of gas sold is necessary to reimburse Applicant for its added costs of operation, and to provide Applicant with an adequate return.

Basing this order upon the foregoing findings of fact and on the findings of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that the Pacific Gas and Electric Company be and the same is hereby authorized to charge and collect for gas sold in the City and County of San Francisco the rates heretofore established in Decision No. 4736, and in addition thereto, until the further order of the Com-

mission, a surcharge of ten cents (10¢) per thousand cubic feet for all gas sold for all meter readings taken on and after the 10th day of June, 1918, provided Pacific Gas and Electric Company shall, within ten days from the date of this order, file with the Railroad Commission an amended schedule of rates which shall include both the existing rates and the surcharge herein established, and further provided Pacific Gas and Electric Company shall show separately on bills for gas rendered to its consumers the amount due it under the rate and under the surcharge herein, respectively.

The foregoing opinion and order are hereby approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 28th day of May, 1918.

Max Thelen
H. B. Loveland
Alvin G. Gordon
Edwin O. Edgerton
Frank R. Decker

Commissioners.