

Decision No. _____

ORIGINAL

Decision No. 5483

BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA

In the Matter of the Application of)
WESTERN STATES GAS AND ELECTRIC COM-)
PANY, a corporation, for a Revision) Application No. 3605
of its Schedules of Gas Rates in and)
about the City of Stockton.)

Nutter and Hancock, by W. B. Nutter, and
Chickering and Gregory, by Allen Chickering,
for Applicant.
Daniel V. Marceau, City Attorney, for the
City of Stockton, Protestant.

GORDON, Commissioner.

O P I N I O N.

This is an application by the Western States Gas and Electric Company for a revision of its schedule of gas rates in the City of Stockton, and vicinity, occasioned by increases in the cost of oil, materials and labor, which have been reflected in its operating expenses.

Applicant serves a mixture of artificial and natural gas to its consumers in the City of Stockton and vicinity. Applicant owns natural gas wells, a gas manufacturing plant, distribution system and other properties incidental to service of gas in the territory mentioned.

A hearing was held at Stockton on May 1st, 1918, evidence introduced and the matter submitted for decision.

The rates now charged by applicant for gas service in the City of Stockton are set forth in Table I herewith:

The price paid by applicant for oil used in gas manufacture has increased from 73.5¢ in 1915 to \$1.605 at the present time, and in addition practically all other operating costs of applicant have been materially affected by the rising prices of materials, and by higher wages paid its employees. To some extent, however, the increase in expenses has been absorbed by the growth in the volume of the business handled, so that under these conditions the necessary reimbursement to applicant does not cover the entire increase in expense.

Table III herewith shows statistical data and operating expenses for the years 1915, 1916 and 1917 and an estimate for the year 1918, based on a normal increase in applicant's business. From this table it will be noted that the cost of oil per thousand cubic feet of gas sold has increased from 7.60¢ per thousand to 17.536¢ per thousand, while the total operating expenses have increased from 42.179¢ per thousand in 1915 to an estimated total operating expense of 58.553¢ per thousand in 1918. In spite of the increase in the volume of business and investment in properties, the net income of applicant has been reduced from \$115,368.75 for the year 1915 to \$105,852.00, estimated for 1918.

The Company introduced in evidence a valuation of its properties used in the service of gas, which valuation, however, is excessive in many instances, and is subject to revision of both the unit costs used therein and the overhead percentages applied to the same. It would be desirable to make a complete valuation of applicant's property herein if this were an ordinary rate proceeding, but the evidence presented on both sides clearly indicates that the existing rates will not yield applicant a reasonable return upon a minimum figure that might be used as a rate base.

TABLE III.

WESTERN STATES GAS & ELECTRIC CO.
 STOCKTON - GAS STATISTICS AND EXPENSE.

	<u>1916</u>	<u>1916</u>	<u>1917</u>	<u>1918</u> <u>Estimated</u>
Average Number of Consumers	7 237	7 798	8 522	9 453
Sales of Gas - M.Cu.Ft.	218 049	236 761	287 779	304 901
Natural Gas Produced - M.Cu.Ft.	139 987	165 055	179 257	188 108
Artificial - Manufactured M.Cu.Ft.	107 362	116 116	148 889	163 565
Barrels of Oil Used in Gas Mfr.	22 547	23 819	30 511	33 313
Cost of Oil per Bbl.	\$ 0.735	\$0.914	\$1.208	\$1.605
Gross Operative Revenue	\$ 207 339.48	224 258.20	262 610.30	284 381.00
Operating Expenses:				
Production - Oil	16 573.33	21 762.85	36 856.59	53 467.00
Other	<u>19 065.60</u>	<u>21 293.89</u>	<u>28 052.02</u>	<u>37 445.00</u>
TOTAL	35 638.93	43 056.74	64 908.61	90 912.00
Distribution	11 142.17	14 207.21	14 626.67	18 293.00
Commercial	9 742.25	8 130.63	9 176.38	10 140.00
General, Taxes, Insurance	<u>36 447.38</u>	<u>38 329.89</u>	<u>45 875.13</u>	<u>59 184.00</u>
Total Expenses	91 970.73	103 724.47	134 586.79	178 529.00
Net income for depreciation & return	115 368.75	120 533.73	128 023.51	105 852.00

It was stipulated by applicant and by protestant, the City of Stockton, that the Commission fix a temporary rate increasing the existing rates of applicant by not more than 10¢ per thousand cubic feet of gas until such time as a proper valuation of applicant's properties is made and a complete rate investigation be carried out.

From the evidence submitted, I am satisfied that an increase of 10¢ per thousand cubic feet in the rates now charged by applicant will compensate in part for the increased cost of operation, and also that the added revenue to be thus derived will not yield applicant in excess of a reasonable return. I therefore recommend that applicant be authorized to add a surcharge of 10¢ per thousand cubic feet to existing rates for gas sold in and about the City of Stockton.

I submit the following form of order:

O R D E R

Western States Gas and Electric Company having applied to the Railroad Commission for a revision of its schedule of gas rates in and about the City of Stockton, a hearing having been held, and the matter submitted, and being now ready for decision, I find as a fact that the rates now charged by applicant for gas service in and about the City of Stockton are unjust, and unreasonable rates in so far as they differ from the rates hereinafter established.

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

IT IS HEREBY ORDERED that the Western States Gas

and Electric Company be and is hereby authorized to charge and collect for gas sold in the City of Stockton, and vicinity, the rates now on file with the Commission, and in addition thereto, a surcharge of 10¢ per thousand cubic feet on all gas sold for all regular meter readings taken on and after the 28th day of June 1918, provided Western States Gas and Electric Company shall, within ten days from the date of this order, file with the Railroad Commission an amended schedule of rates for the City of Stockton and vicinity in conformity with the order herein, and further provided that the Western States Gas and Electric Company shall indicate on the bills rendered its consumers for gas service in the City of Stockton and vicinity, the amount due it under the surcharge.

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 18th day of June, 1918.

Edwin D. Egerton

Alvin Gordon

Frank R. DeWitt

Commissioners.