

BEFORE THE RAILROAD COMMISSION  
OF THE STATE OF CALIFORNIA.

In the Matter of the Application )  
of the PACIFIC GAS AND ELECTRIC )  
COMPANY, a corporation, for an )  
Order of the Railroad Commission )  
of the State of California auth- )  
orizing Applicant to Increase its )  
Rates and Charges for Electric )  
Energy. )

Application  
No. 3459.

- ✓ Charles P. Catten for Pacific Gas and Electric Co.
- ✓ Chaffee E. Hall and Guy C. Earl for Great Western Power Company.
- Harrison S. Robinson for Bethlehem Shipbuilding Corporation, Ltd., and Union Iron Works Company.
- Clarence M. Oddie for Linde Air Products Company - Pacific Coast.
- Paymaster F. P. Farquhar for United States Navy Cost Inspection Board, Bethlehem Shipbuilding Corporation, Ltd., Union Plant.
- Parcell Rowe for Reclamation District No. 501.
- J. W. Stuckenbruck for various farmers, known as Live Oak Club, between Stockton and Lodi.
- Spiro, Neylan and Ehrlich for California Federation of Farmers Co-operative Marketing Association and the Associated Dairymen of California.
- Alfred T. Cluff for Charles W. Slack, Natomas Company of California and Yuba Consolidated Gold Fields.
- Robert G. Williams for Williams Bros.
- W. J. Weyand for power users in the Dixon vicinity, Solano District.
- F. McCutchen for Standard Foundry Company, Inc.
- Wilbur Walker, Secretary of Merchants Exchange of Oakland.
- John Barry and James Hallett for certain individuals.
- D. C. Dinan for Stauffer Chemical Company and San Francisco Sulphur Company.
- H. F. Kolb for Hercules Powder Company.
- F. H. Harvey for Power Users in the Galt District.
- W. C. Housken for Power Users in the New Hope District.
- Charles Lamb for Reclamation District 348.
- Charles E. Warren for Power Users of Cupertino.

- . Heller, Powers and Ehrman for Patterson Water Company and Patterson Ranch Company.
- . Joseph E. Barry for Power Users of Santa Rosa.
- ✓ . B. D. Marx Greene for the Cities of Berkeley, Napa, Burlingame, Pittsburg, Antioch, San Rafael, San Leandro, Grass Valley, Woodland, and the City Attorney's Association of Northern California; for County of Santa Clara, on behalf of its industrial irrigation consumers, City of Santa Rosa, Town of Livermore, F. E. Booth Co., Pacific Spring Bed Co., Pacific Guano and Fertilizer Co., Philadelphia Quartz Co., Pure Carbonic Co., San Francisco Sulphur Co., Faun Concentrator Co., Standard Net Meat Co., Standard Soap Co., Solano Iron Works, Pacific Container Co., Peet Bros. Manufacturing Co., and the City of San Jose.
- . R. R. Waterbury for City of Oakland.
- W. H. Harvey for Standardized Cream Company.
- . J. F. Leurey for Sperry Flour Company and California Hawaiian Sugar Refining Company.
- . Norman A. Eisner for Leslie Salt Refining Company and United Motion Picture Industries of Northern California.
- . Thomas H. Reed, City Manager, and Earl Lamb, City Attorney for the City of San Jose.
- . F. H. Martell for California Mill Company.
- . Archibald Yell for the City of Sacramento.
- . Sanborn and Roehl and Morrison, Dunne and Brobeck for Standard Portland Cement Corporation and Santa Cruz Portland Cement Company.
- . Bishop and Bahler and R. T. Boyd for Oakland Chamber of Commerce.
- . H. E. Havens for the Town of Belvedere.
- . T. C. Judkins, Town Attorney, for the Town of Emeryville.
- . Alfred E. Clark, for the Town of Lincoln.
- . Chickering and Gregory and H. F. Jackson for Sierra and San Francisco Power Company.
- . W. P. Hendry for Central Eureka Mining Company.
- . J. W. Coleberd and B. D. Marx Greene for the City of South San Francisco.
- . Daniel V. Marceau for the City of Stockton.
- . John F. Davis for the City of Burlingame.
- . George Lull and John J. Dailey for City and County of San Francisco.
- . Archibald Yell and J. V. Hart for the City and County of Sacramento.
- . Albert Mansfield for the City of Redwood City.
- . Louis Oneal and William F. James for the City of Alviso and other concerns in the vicinity of Santa Clara County.

- .Albert Casper and Frank E. Powers for Vallejo Electric Light and Power Company.
- .A. C. Lowell for the City of Auburn.
- .Charles S. Wheeler and John F. Bowie for Universal Electric and Gas Company.
- .E. H. Armstrong for Nevada County.
- .E. A. Palm for Washington Improvement Club.

DEVILIN AND EDGERTON, Commissioners.

O P I N I O N

This is an application by Pacific Gas and Electric Company for authority to increase its rates and charges for electric energy. Pacific Gas and Electric Company alleges in effect that, due to the increased cost of labor and materials used in the construction and operation of its properties, the increased cost of oil used in the production of electricity in its steam power plants, and the shortage of hydro-electric power, its earnings have decreased to a point where it will be unable to adequately perform its service to the public and meet its obligations.

The application sets forth in some detail the existing conditions as affecting the Company's business, and prays for definite and immediate relief

in the form of a 20 per cent surcharge on all power and commercial lighting rates, except on rates for service to other electric utilities, to electric railroads and to Governmental institutions.

Various hearings were held on this application in connection with a similar application by Great Western Power System Companies. During the hearings it was agreed between all parties that by reason of the emergency that exists at the present time, and owing to the delay which would attend a complete presentation and analysis of all the testimony for the purpose of establishing a rate of a permanent nature, that the Commission should on the evidence before it and as expeditiously as conditions would permit, fix rates which are herein referred to as emergency rates, to be operative until a complete and thorough presentation and consideration by the Commission of all of the evidence necessary to the establishment of permanent rates.

During the course of the proceedings it developed that the increased cost of operation affected other classes of consumers than those originally set forth in the application, and to this extent the original prayer of the Company was amended so as to permit the Commission to grant whatever relief it deemed proper, and to distribute the added

burden of increased costs over any or all classes of consumers.

Treating this proceeding as one of emergency nature to the extent hereinbefore set forth, and in order to effectuate the necessary relief, we feel that we should, for the purpose of this proceeding and order, assume the reasonableness of existing rate schedules which, in an ordinary proceeding, would be subject to an extensive investigation and submission of evidence. In so far as existing rates are concerned, we shall therefore proceed under such assumption that in general the existing rate schedules distribute the charges in a fairly reasonable and proper manner between the several classes of consumers.

The factors contributing to the present emergency may be enumerated as follows:

1. A general increase in all operating expenses due to the rising price of materials and the necessity for increasing wages paid to employees, both to meet the increased cost of living and to meet the higher wages paid in competitive industries.
2. A period of water shortage resulting in a material reduction in the output of hydro-electric power plants and the consequent necessity for a greater production of electric energy by steam power.
3. Increases in the cost of oil used in steam power plant operation which

would in itself increase the cost of power during a normal year, but which in a year of reduced hydro-electric supply further adds to the cost of operation on account of the greater use of oil

4. A curtailment in the use of electric energy for lighting purposes and a corresponding reduction of the Company's income from this source as a result of the so-called "Daylight Saving Act".
5. The necessity for the maintenance of the financial status of public utilities during the war period in order that they obtain the funds necessary to continued expansion of facilities.

It will not be necessary to repeat at this time our position in the matter of safeguarding California utilities during the war emergency. We have set forth our views in this connection in Decision No. 5439, Application No. 3248, in which the Commission authorized an increase in the gas rates of this Company. The Company's showing as to the necessity for increased revenue is on the whole conclusive. The margin of earnings during the last eighteen months has been continually reduced, so that, unless relief is granted, the Company will be seriously embarrassed in its finances and consequently in its service to the public.

When the matter was submitted on March 15th, 1918, the price of oil had risen from 68-1/2 cents to \$1.35 per barrel. Another increase in the price

of oil, effective June 1st, 1918, which made the base price of oil at San Francisco \$1.62 per barrel, took place on May 1st, 1918. The "Daylight Saving Act" went into effect on March 31st, 1918. The Company filed supplementary evidence as to the effect of both daylight saving and the last increase in oil price upon the Company's revenue and expense. These, in accordance with stipulations made at the hearings, together with the original evidence, have been carefully reviewed and will be considered herein as bearing upon the emergency phase of the situation.

There are pending before this Commission a number of other proceedings involving the electric rates of the Pacific Gas and Electric Company, to-wit:

- Application No. 3311 - For Removal of Deviations in Alameda County District.
- Application No. 3380 - For Removal of Deviations in other Districts.
- Application No. 3381 - For Increase in Agricultural Power Rates.
- Application No. 3442 - For Changes of Electric Schedules - San Jose District.
- Case No. 840 - San Francisco Electric Rates.
- Case No. 930 - Sacramento Electric Rates.
- Case No. 996 - Grass Valley Electric Rates.
- Case No. 1155 - Berkeley Electric Rates.
- Case No. 1173 - Pittsburg Electric Rates.
- Case No. 1203 - Oakland Electric Rates.

By stipulation, all of these proceedings are herewith consolidated in so far as their subject

matter affects the relief to be granted.

The complaint of the City of San Francisco in Case No. 840 above, involves the three companies operating in San Francisco; i.e. the Pacific Gas and Electric Company, the City Electric Company and the Universal Electric and Gas Company, all of which are in active competition. The Universal Company entered its appearance when Case No. 840 was included in the scope of this proceeding, and immediately protested against having the Commission take any action at this time that would affect its rates. Nothing can be accomplished at present by intervening the Universal Company into the emergency phase of this proceeding and we do not wish to delay the granting of necessary relief by so doing. We will not, therefore, entertain at this time the motion of counsel to this effect, but will leave for a subsequent date the issues thus raised. We shall expect, however, that the rate increases hereinafter authorized shall be charged by Pacific Gas and Electric Company to all consumers, including consumers in competitive territory, without discrimination. The Pacific Gas and Electric Company entered into this proceeding with a full knowledge of the effect of possible rate increases in competitive territory, to which the Universal Company might not be subject.



The extent of the Company's electric business is set forth in Table I herewith, which shows for the years 1915, 1916 and 1917 the sales of energy in kilowatt hours, and the revenue to be obtained therefrom, together with estimates of 1918 sales and revenue under existing rates, with and without the effect of the "Daylight Saving Act". The Company presented evidence, segregating the estimated sales of energy and revenue to be derived under existing rates from each class of service in its Electric Department for the year 1918.

TABLE I.

Pacific Gas and Electric Company  
Electric Department  
Sales and Revenue under Existing Rates

<u>Year</u>	<u>Sales in K.W.H.</u>	<u>Gross Revenue</u>
1915 (Excl. Panama Pacific International Expo- sition.)	474 858 993	\$ 9 633 338
1916 Ditto	519 339 113	10 092 983
1917	584 225 935	10 859 785
1918 Estimate:		
Without Daylight Svg	642 648 529	11 615 741
With Daylight Svg.	636 873 529	11 290 741

Table II herewith shows the estimated sales and revenue under existing rates for the year 1918, segregated according to classes of service, which does not include, however, the energy used by the Gas, Railway and Water Departments of the Company. This inter-company use of electricity approximates 21,000,000 kilowatt hours per annum and the revenue thus properly due the Electric Department of the Company from the other departments is approximately \$210,000.00 per annum. In considering the Electric Department as an entity, we shall, therefore, include both the energy used by, and the revenue due, from the other departments of the Company.

The Company's figures of available electric energy for the year 1918 were made up in January and February of this year, at which time the power situation appeared very critical. As the hearings progressed, rainfall and snowfall conditions improved. However, we are of the opinion that, owing to the many variable factors, the upward trend of costs and the possibility of shortage of purchased power and probable necessity of discontinuance or curtailment of service, that the original estimate should be accepted with the modifications hereafter noted.

TABLE II.

Pacific Gas and Electric Company  
Estimated Electric Sales and Revenue  
Under Existing Rates.

	<u>Sales in</u> <u>K.w.h.</u>	<u>Gross</u> <u>Revenue</u>
<u>Lighting:</u>		
Residence	37 650 000	\$ 2 635 500
Commercial	<u>51 000 000</u>	<u>2 040 000</u>
Total	88 650 000	\$ 4 675 500
Less Daylight Saving	<u>5 775 000</u>	<u>325 000</u>
Total Lighting	82 875 000	\$ 4 350 500
 <u>Power:</u>		
Agricultural	62 940 000	\$ 1 007 040
Mining	100 000 000	810 000
Manufacturing	196 233 529	2 354 803
Commercial & Misc.	45 500 000	659 750
Temporary	<u>75 000</u>	<u>1 613</u>
Total Power	404 748 529	\$ 4 833 206
 Total Light and Power	 487 623 529	 \$ 9 183 706
 State, County & Municipal Light and Power	 21 250 000	 864 875
Electric Railway	90 000 000	910 800
Other Electric Utilities	<u>38 000 000</u>	<u>331 360</u>
	149 250 000	\$ 2 107 035
 GRAND TOTAL	 636 873 529	 \$11 290 741

Table III shows the energy requirements of the Company for the year 1917 and estimates for the year 1918. This shows an increase in sales for the year 1918 over 1917 of approximately 50,000,000 kilowatt hours after deducting the loss due to "daylight Saving". It further shows an increase of 76,000,000 kilowatt hours in the total energy required at the sources, which increase can only be supplied by an enlarged production of energy in steam power plants. The estimate shows reduction in the hydro-electric and purchased energy of 42,000,000 kilowatt hours and an increase in steam generated energy of 117,700,000 kilowatt hours.

TABLE III.

Pacific Gas and Electric Company

Energy Requirements - Electric Department

	<u>Actual 1917</u> <u>K.w.h.</u>	<u>Company's</u> <u>Estimate</u> <u>1918, K.w.h.</u>	<u>Revised</u> <u>Estimate</u> <u>1918, K.w.h.</u>
Energy required at Sources	854 099 030	939 508 933	929 742 300
Energy Generated - Hydro	478 472 679)	617 008 933	617 000 000
Energy Purchased	180 593 371)		
Energy Generated - Steam	<u>195 032 980</u>	<u>322 500 000</u>	<u>312 742 300</u>
	854 099 030	939 508 933	929 742 300

To produce the energy required in steam power plants will necessitate the consumption of 1,454,610 barrels of oil, which, if purchased at the \$1.62 base price, will amount to an expense for oil alone of \$2,360,068.00. This represents an increase in oil use over 1917 of 509,000 barrels, which, under the existing price of oil, would result in an increase of \$824,580 per year. The enormous increase in oil consumption is due partly to the increase in business and partly to the shortage of water power. In this connection, it may be pointed out that of the total consumption of oil about 300,000 barrels, costing \$486,000.00, is due to the shortage of water power below the normal average. The increase of oil from a 68-1/2 cent basis to a \$1.62 basis has increased the operating expense of the Electric Department alone by \$1,360,069.00.

From the evidence herein we have estimated the revenue under existing rates, the expenses of the Electric Department and return to the Company, as shown in Table IV. In this table we have credited the Electric Department with the revenue from all sources and have charged against this maintenance and operating expenses, depreciation, taxes and reserves, and find that under existing conditions the business of the Electric Department will show less than a 6 per cent return upon the invested capital.

It is true that in this instance we have no complete valuation of the electric properties of the Company, but in this and in many past proceedings before the Commission affecting both rates and securities, we have sufficient to deduce what may be termed a reasonable rate base. For the purpose of this proceeding alone we are, therefore, accepting as an approximate value of the Electric Department properties of the Company, including a pro-rata of the property of other departments used, which is based on the amount set forth in the Commission's Exhibit No. 1, the sum of \$59,000,000.00. It must be borne in mind, however, that we are not at this time passing finally upon the fair value of the Electric Department properties of the Company for rate fixing purposes.

TABLE IV

Pacific Gas and Electric Company

Electric Department, 1918

Revenue, Expense and Return under Existing  
Rates and Present Oil Prices.

Revenue:

Operating Revenue less Loss due to Daylight Saving	\$ 11 290 741
Inter-company Use of Electric, Gas, Railway and Water Depts.	210 000
Pole Contract Rentals	<u>20 000</u>
Total Electric Revenue	\$ 11 520 741.

Brought Forward,  
Total Electric Revenue \$ 11 520 741

Expenses:

Depreciation Allowance	1 012 000
Maintenance	625 000
Operation	1 850 000
Oil	2 360 068
Purchased Power	887 540
General Administration Expense	435 000
Fire and Casualty Insurance Reserves	52 000
Uncollectible Accounts	72 000
Taxes	<u>761 430</u>
Total Expenses	8 055 038

Net Revenue from the Electric  
Department \$ 3 465 703

*proceeding*  
It is evident from the proceeding analysis and discussion that the revenue under existing electric rates is entirely inadequate, and that relief should be granted for increases in operating costs if satisfactory service to the public is to be maintained and the financial status of the Company is to be protected.

Many consumers of the Company are enjoying electric service under rates lower than the schedules on file with the Commission. This is partly a result of competitive conditions in San Francisco, Oakland and Sacramento, and also due to the fact that many contracts, entered into before the effective date

of the Public Utilities Act, were made at rates lower than filed schedule rates and have continued in force. It may be well to point out at this time that the charges paid by consumers for electric energy are based upon three classes of rates:

1. Schedule rates on file with the Commission.
2. Special rates fixed by contracts for service to which filed schedules also apply. These are known as "deviations".
3. Rates fixed by contracts for service, the character of which places them beyond the scope of the regular rate schedules.

The larger proportion of electric consumers of this Company are served under schedule rates.

Referring to Class No. 2, the Company has applied in several instances for an order of the Commission placing consumers enjoying deviation rates under contracts which have expired, on regular rate schedules applicable to the class of service these consumers take, so that it is clearly recognized by the utility that it is discriminatory to continue such deviations. The applications on file for such removal, however, include only a small proportion of consumers who pay these favorable rates.

Evidence has been submitted showing the extent to which the Company's revenue suffers by reason of these lower rates. An analysis of the



figures submitted shows that if consumers enjoying deviation rates were placed on the regular rate schedules that apply to their class of service, the revenue of the Company would be increased approximately \$200,000.00 per annum.

The elimination of these deviations will wipe out a serious form of discrimination which unquestionably should be eradicated before the great bulk of consumers are required to pay increased rates.

It is our opinion, therefore, that, before any surcharges or other increases be placed upon existing rates, all consumers enjoying reduced rates for service where such rate is lower than the filed schedule rate for such service should be now removed from their special status and be placed forthwith in the same category as other consumers who are being charged in accordance with filed rate schedules. This applies not only to consumers to whom specific reference is directed in Applications No. 3311, No. 3380 and No. 3442, but to all consumers enjoying deviation rates, except those classes of consumers where applicant may grant free or reduced rates as previously authorized by the Commission, and as set forth in Section No. 5 of General Order No. 45 of this Commission.

We realize that in removing deviations some users of electricity will have their burdens materially increased. We cannot at this time anticipate the results of this action upon individual consumers and must consider them as in a class who are in general enjoying a privilege which discriminates as between them and other consumers.

The Commission may, if it deems advisable hereafter, order the filing of new rate schedules for certain classes of service if the carrying out of this order demonstrates the need of such action.

The small number of consumers which falls under Class No.3 above, pay rates outside the scope of the regular filed schedules which, in general, are lower than the rates of such filed schedules because of the peculiar conditions incidental to the service of these consumers, such as favorable load factor, large consumption and other factors. These consumers are not considered as deviations, and will be subject only to such general increase as may be hereinafter ordered, except, however, that we will insist that conditions of discrimination which may exist between consumers of this class shall be removed, subject to determination by the Commission.

The sum of \$200,000 per annum above mentioned is the approximate amount by which the revenue of the Company will be increased by the removal of deviations throughout its system. This in itself is insufficient to provide the Company with its needed additional revenue under present conditions. We must, therefore, look to a general increase in all rates of such a character as will most equitably absorb the added burden of costs.

The increases in the cost of service are largely of such a character as to be reflected in an increase in the cost of energy sold to consumers. The so-called fixed charges have been increased, it is true, but such have been absorbed to a large extent in the increase of business generally. We, therefore, deem it proper to assess all of the increased costs at this time in proportion to the energy consumed by various classes of users, both lighting and power. In addition, the curtailment of the use of electricity in lighting as a result of the "daylight saving" act will in itself necessitate a higher unit cost for the reduced amount of energy now used in lighting service. We believe that the rates of lighting consumers should be increased to a greater extent than should the rates of power consumers.

Applicant's original request was that rates for commercial and industrial service only should be increased. As previously stated, the request was modified to extent that the Commission grant such increases as it deemed proper. Since the application was filed conditions have materially changed, resulting in increased costs not anticipated and further increases in revenue are found necessary.

We deem it proper, under the conditions, that all classes of service should bear a portion of the increased costs, and recommend that applicant be authorized to charge and collect the surcharges set forth in the order herein, in addition to the rates and charges now in effect except where such rates and charges are hereinafter modified. The surcharges are to be in addition to the rates now charged for all classes of service, either in the form of rate schedules applicable to consumers in general, or in the form of rates provided for by contract, where the conditions of service are such that no filed schedule applies. The surcharge is to be added to the minimum charge where, under the existing rates, the bill is less than the minimum.

It is our intention that a consumer now enjoying the deviation rate shall first be placed upon a regular rate schedule and shall then pay for service, in addition to the rate set forth in such schedule, the surcharge applicable to his class of service.

Table V herewith shows the effect upon the electric revenue of the Company of the proposed surcharges and of the removal of deviations. These figures, of course, represent averages based upon the segregation of consumers and do not, in any sense, reflect the effect of surcharges upon individual consumers. This is largely a question of the particular schedule or contract in accordance with which the individual consumer's bill is determined.

Our attempt herein has been to place the Electric Department of the Company on such a basis that it will earn a compensatory return. It must be borne in mind, however, that the figures of increased revenue, which we

TABLE V

PACIFIC GAS AND ELECTRIC COMPANYEFFECT OF PROPOSED SURCHARGES ON ELECTRIC RATES

<u>Class</u>	<u>Estimated K.W.H. Sales</u>	<u>Revenue without Surcharge</u>	<u>Proposed Surcharge per K.W.H.</u>	<u>Increase in Revenue</u>	<u>Percent Increase in Rev.</u>
Lighting*	82,875,000	\$4,350,500	\$.01	\$828,750	19%
Power:					
Agricultural	62,940,000	1,007,040	.002	125,880	12.50
Manufacturing	196,233,529	2,354,803	.002	392,467	16.70
Commercial	45,500,000	659,750	.002	91,000	13.80
Mining	100,000,000	810,000	.002	200,000	24.70
Temporary	75,000	1,613	.002	150	9.30
Total Power	404,748,529	4,833,206		809,497	16.7%
State, Co. & Mun. Lt. & Pr.	21,250,000	864,875	.10%	86,875	10%
Electric Railway	90,000,000	910,800	.001	90,000	9.98
Other Elec. Corp.	38,000,000	331,360	.001	38,000	11.5
Total	149,250,000	2,107,035		214,875	
Increase by Removal of Deviations Light & Power				200,000	
Total Additional Revenue	636,873,529	11,290,741		2,053,122	18.2%

NOTE: \* Corrected for Daylight  
Saving.

have shown above, will, in all probability, not be fully attained for the reason that consumers, where possible, will endeavor to materially reduce their consumption and bills and further reduction will, in all probability, be required to conserve power and fuel. It is difficult to estimate to what extent the curtailment in the use of electricity will occur, but we have given this consideration.

The Electric Department of the Pacific Gas & Electric Company is the source of more than one-half of its gross revenue. A large portion of the remainder comes from the sales of gas and the balance from the Company's operations in connection with the supply of water for irrigation and domestic use, from the operation of a street railway system in the City of Sacramento, from the sales of steam for heating in San Francisco and Oakland, and from certain non-public utility operations. The Water and Railway Departments have never been in any sense as profitable as the Gas and Electric Departments, and the Steam Sales Department has, from its inception, been conducted with an actual operating deficit. It is doubtful whether the rates for water and railway service can be increased to such an extent as to result in earnings commensurate with those of the Gas and Electric Departments. The Steam Sales Department of the Company is not included in the scope of our jurisdiction over public utilities. We do not hesitate, however, to point out that the increase in the cost of oil has affected the operations of the Steam Sales Department to perhaps a greater extent than the expenses of any other department, for the evident reasons that oil fuel is the exclusive source of heating used in this service, and we suggest that the Pacific Gas & Electric Company modify its

rates for steam heating service so as to compensate, in part, at least, for the increased cost of fuel oil used.

In Decision No. 5439, Application No. 3248, and Decision No. 5445, Application No. 3742, and Decision No. 5440, Application No. 3300, we have already authorized the Pacific Gas & Electric Company to increase its gas rates in all territory served. Taking into consideration the additional revenue to be obtained from these increases in gas rates, and the additional revenue to be obtained from the surcharges upon electric rates herein proposed, Table VI following shows the revenue, expenses and net income from the entire Company's operations.

In making up this statement, we have carefully reviewed the expenses and revenue of all departments as set forth in the Company's exhibit, and have made certain modifications and corrections to the Company's original figures, among which may be pointed out the inclusion of \$275,000 of non-operating revenue, which was inadvertently omitted by the Company in its original statement. We have further increased the depreciation allowance of \$1,250,000 now appropriated for the Company's entire properties to a figure of \$1,700,000 which we believe to be a more reasonable figure for depreciation annuity upon the operative properties of the Company. We urge that the Company increase its annual depreciation charge to this extent. This table shows, with the increased gas rates heretofore granted, and the proposed increases in electric rates herein, with oil at the \$1.62 base price, and the business and expenses as it seems logical to assume will occur during the coming year, the Company will have earned

TABLE VI

PACIFIC GAS AND ELECTRIC COMPANY  
RESULTS OF ONE YEAR'S OPERATIONS UNDER  
INCREASED GAS AND ELECTRIC RATES

Gross Revenue:

Electric, under existing rates	\$11,290,741	
Increases herein granted	2,053,122	
Total Electric Revenue	\$13,343,863	
Gas, under existing rates	7,955,203	
Increases heretofore granted	1,012,470	
Total Gas Revenue	8,967,673	
Other Departments' Revenue:		
Water Collection	280,000	
Water Pumping	214,666	
Railway	540,000	
Steam Sales	225,000	
Total Other Depts. Revenue	1,259,666	
Total Operating Revenue	\$23,571,202	
Non-Operating Revenue - Net	275,000	
Total Revenue from all sources .....	\$23,846,202	

Operating Expenses - All Departments:

Maintenance	\$ 1,260,500	
Operation	4,019,000	
Oil	5,736,581	
Purchased Energy (Electric)	887,540	
General Administration Expense	725,000	
Fire & Casualty Insurance Reserves	120,000	
Uncollectible Accounts	120,000	
Depreciation Reserve	1,700,000	
Taxes	1,561,926	
Total Expenses	\$16,130,547	
Net Income	\$ 7,715,655	



TABLE VI.

(Cont'd.)

PACIFIC GAS AND ELECTRIC COMPANY  
RESULTS OF ONE YEAR'S OPERATIONS UNDER  
INCREASED GAS AND ELECTRIC RATES.

Net Income above		\$ 7 715 655.
Add difference between our estimated depreciation And amount actually appro- priated,	\$ 1 700 000. <u>1 250 000.</u>	 <u>450 000.</u>
Actual Cash Net		\$ 8 165 655.
Deductions from Net Income:		
Bond Interest	\$ 4 200 000.	
Note Interest	<u>100 000.</u>	
	\$ 4 300 000.	
Less Interest on Bonds held in Sinking Fund	<u>225 000.</u>	
	\$ 4 075 000.	
Amortization of Debt, Dis- count and Expense	200 000.	
Reserve ordered by Commission	<u>1 000 000.</u>	
Total Deductions		<u>5 275 000.</u>
Available for Preferred Stock Dividends		\$ 2 890 655.
Dividends on Preferred Stock		<u>1 500 000.</u>
Balance to Surplus		\$ 1 390 655.

a net income of \$8,165,655.00 over and above all operating expenses including depreciation as charged off, taxes, etc., and in addition will have sufficient net income to pay all fixed charges including bond interest and discount, note interest, the \$1,000,000.00 to be annually appropriated from income to special reserve, as ordered by this Commission in its Decision No. 3484, Application No. 2056, and will further be able to carry a balance to surplus of about \$1,390,655.00 after the payment of preferred stock dividends. This is about \$700,000.00 greater than the surplus earned for the year 1917, but approximates \$500,000.00 less than that earned during the year 1916 before increased costs affected the Company's operations.

In so far as the current year is concerned, the Company will receive at least one-half of the increased revenue from the new gas rates and the electric rates herein proposed. The last increase in oil prices was not effective until the first of June, so that the increased revenues will begin to accrue shortly after the last increase in oil, and the close of the year's operations for 1918 will show the Company as having earned a fairly substantial surplus, which will not be as large, however, as in previous years.

Protestants have made the plea that if rates are to be raised in this instance, the revenue to be

collected in excess of that obtained from existing rates should be impounded or its disbursement limited, and held subject to a final determination of reasonable rates for applicant's electric service. THE evidence herein is conclusive of the fact that additional revenue is vitally necessary for the continued conduct of applicant's electric business. To impound the moneys obtained from these rate increases and thereby prevent the Company from carrying out its obligations, would entirely defeat the purpose of the relief, and we are not in accord with this proposal. However, it was stipulated in the hearings by all parties to the proceedings that if it be determined by the Commission at some later date in connection with the final determination of just and reasonable rates, that the increase herein granted in this order is unduly high that the excess above the return in the Electric Department hereafter determined to be reasonable, be returned in such manner as the Commission may determine.

We submit the following form of order:

ORDER

The Pacific Gas and Electric Company, having applied to this Commission for authority to increase its electric rates, hearings having been held, the matter

being submitted in so far as hereinbefore set forth, and being now ready for decision, the Railroad Commission of the State of California hereby finds as a fact that the payment of rates by certain consumers other than filed schedule rates, where such filed schedules apply to their particular class of service, constitutes a discrimination against other consumers purchasing energy under filed schedule rates; that the existing rates for electricity are insufficient to provide the Pacific Gas and Electric Company with an adequate return; that the existing rates should be increased by the surcharges hereinafter set forth.

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

IT IS HEREBY ORDERED that on and after the 10th day of July 1918, Pacific Gas and Electric Company shall charge and collect for electric energy sold, only the schedule rates now on file with the Railroad Commission of the State of California, except for energy sold under special contracts to which no filed schedule of rates applies, and except for energy sold to those classes of consumers to whom applicant may grant free or reduced rates as set forth in Section No. 5 of General Order No. 45 of this Commission.

IT IS HEREBY FURTHER ORDERED that Pacific Gas and Electric Company be and is hereby authorized

to charge and collect for electric energy sold, in addition to the rates and charges established in the preceding paragraph of this order, the following surcharges applicable to the classes of service and in the amounts respectively set forth, to-wit:-

For Energy sold for Lighting Service, including domestic, commercial and municipal metered service,	1¢ per k.w.h.
For Energy sold for Power Service, including heating and cooking,	2 mills per k.w.h.
For Energy sold for Municipal Street Lighting,	10% of monthly bills.
For Energy sold to Electric Railways	1 mill per k.w.h.
For Energy sold to other Electric Corporations,	1 mill per k.w.h.

Provided, Pacific Gas and Electric Company shall, within ten days of the date of this order, file with the Railroad Commission of the State of California a statement showing the rates to which each of the surcharges hereinbefore authorized shall apply, which statement shall constitute an amendment to existing rate schedules on file, and that the Pacific Gas and Electric Company shall designate separately on the bills rendered its consumers for electric energy the amount due it

under the authorized surcharges, and further provided that this order shall not prevent Pacific Gas and Electric Company from hereafter filing new rate schedules subject to the approval of the Commission, if such new schedules shall not conflict with the purpose and intent of the provisions of this order.

IT IS HEREBY FURTHER ORDERED that Pacific Gas and Electric Company shall file with this Commission within 30 days from the date of this order, and on the 1st day of each and every month thereafter a statement of consumers receiving electric service at other than filed schedule rates, together with such other information as this Commission shall hereafter designate.

IT IS HEREBY FURTHER ORDERED that Pacific Gas and Electric Company shall file with the Commission on or before the 20th day of each month a statement covering its capital expenditures, revenues and expenses for the preceding month and for the period beginning January 1st, 1918, and such other information as the Commission may hereafter designate.

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 27<sup>th</sup> day of June 1918.

Edwin O. Edgerton  
H. H. Howard  
W. G. Gordon  
Frank DeLoe

COMMISSIONERS