

# ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE  
STATE OF CALIFORNIA.

In the Matter of the Application )  
of the NEEDLES GAS AND ELECTRIC )  
COMPANY for Authority to Increase )  
Gas and Electric Rates. )

Application  
No. 3782.

R. S. Masson, for Applicant.  
Benjamin Harrison and C. H. Marks,  
for the City of Needles.

BY THE COMMISSION:

## OPINION

This is an application of Needles Gas and Electric Company requesting authority to increase its gas and electric rates to partially offset the increases in its operating expenses.

Hearings were held in Needles on June 26th, 1918, in Los Angeles on July 7th, 1918, before

Examiner Excell, and In Needles on August 14th, 1918, before Examiner Westover, the matter being submitted at the latter hearing.

Applicant operates a gas, electric and telephone system in the City of Needles, San Bernardino County. Applicant's electrical generating apparatus consists of three distillate operated units of fifty, ninety-five and one hundred and forty horsepower capacity respectively, and one 175 horsepower semi-Diesel unit. Its gas production equipment consists of two generators, one 6,000 cubic feet per hour, the other 3,000 cubic feet per hour capacity, and one 30,000 cubic foot holder.

In 1917 applicant served 507 electric consumers, who used during that time 207,900 kilowatt hours of electric energy, and served 425 gas consumers, selling to them 8,281,000 cubic feet of gas.

Applicant alleges in effect that due to the abnormal increases in the cost of fuel oil and labor, its cost for electric energy sold has increased by 1.83 cents per kilowatt hour, and the cost of gas sold has increased by 56 cents per thousand cubic feet. Applicant expresses a willingness to assume part of the burden thus created by present abnormal conditions, and asks authority to add to its present

rates only surcharges of 1.5 cents per kilowatt hour for electric energy served, and 30 cents per thousand cubic feet for gas served, so that the form of the surcharge itself shall definitely advise consumers of the extent to which present conditions have modified their rates.

Applicant submitted at the hearing a detailed valuation of the properties originally acquired as of April 1st, 1912, for which it paid \$70,000.00. Additions and betterments to January 1st, 1918, reported to have cost \$58,816.04, making a total stated investment as of January 1st, 1918, of \$128,816.04. The above figures have been carefully checked by the Commission's engineers, who report that \$128,816.04 may be considered a fair value for rate-making purposes in so far as the present application is concerned.

Applicant's revenue and expenses for the year 1917, as shown in its annual report to the Commission, are as follows:

	<u>Gas</u>	<u>Electric</u>	<u>Total</u>
Gross Revenue	\$13,921.15	\$27,473.00	\$41,394.15
Operating Expenses*	<u>10,647.83</u>	<u>18,425.20</u>	<u>29,073.03</u>
Net Operating Revenue	\$ 3,273.32	\$ 9,047.80	\$12,321.12

\* Includes taxes and excludes depreciation.

The net operating revenue for 1917, before deducting a reasonable allowance for depreciation, amounted to a return of 9.57 per cent on the above investment of \$128,816.04, or slightly over 6 per cent after deducting depreciation.

Applicant uses three grades of oil in the production of electricity and gas, the cost of each delivered at Needles having increased during this year as shown below. A large part of the increased cost is represented by freight charges to Needles, which is not easily accessible from the California oil fields.

		Per Barrel		
		Average	Since	
		1917	May 1918	Increase
Gas Oil	18° Baume	\$1.23	\$2.20	\$ .97
Semi-Diesel	28° Baume	1.50	2.51	1.01
Distillate	38° Baume	1.65	2.81	1.16

During 1917, oil for the generation of electricity cost applicant \$3,463.00, and for the manufacture of gas \$5,455.00, making a total oil cost of \$8,918.00.

Applicant testified that some reduction in sales would result from increased rates, but this would probably be offset by the normal growth

in business experienced for the last two or three years. If the sales for 1918 be the same in amount as in 1917, <sup>and</sup> the present cost of labor and materials continues through the year 1918, applicant's operating expense will be increased by \$6,700.00 additional for oil, and \$2,300.00 additional for labor, or a total increase in operating expenses of \$9,000.00. The revenue from existing rates and the increased operating expenses as shown above, would result in a net revenue for depreciation and return of only \$3,300.00, which is approximately 2 per cent upon the above stated investment.

An increase in applicant's gas and electric rates that would entirely offset its increased operating costs and allow a fair return upon the investment, would, in all probability, decrease materially applicant's sales of gas and electric energy. Realizing this condition, applicant does not ask for rate increases which will entirely offset its increased operating costs.

1.5¢ per k.w.h. for electricity,  
30¢ per M. cu.-ft. for gas,

in addition to the rates now charged, will assess applicant's consumers with only a portion of the added costs of operation, and will not result in unduly high rates under present conditions, nor will applicant's increased revenue thus produced return to applicant as much net income as it has heretofore obtained from its gas and electric business.

ORDER

The Needles Gas and Electric Company having applied to the Railroad Commission for authority to increase its gas and electric rates, public hearings having been held, the matter having been submitted and now ready for decision,

The Railroad Commission of the State of California hereby finds as a fact that applicant's rates and charges for gas and electricity increased by the surcharges set forth in this order are just and reasonable under existing conditions, and its existing rates without said surcharges are unjust and unreasonable.

Basing its order on the foregoing findings of fact and on each statement of fact contained in

the opinion which precedes this order,

IT IS HEREBY ORDERED that Needles Gas and Electric Company be and is hereby authorized to charge and collect a surcharge of 30 cents per thousand cubic feet for gas sold and delivered, in addition to its rates and charges for gas now on file with the Railroad Commission, and to charge and collect a surcharge of 1.5 cents per kilowatt hour for electric energy sold and delivered, in addition to its rates and charges for electricity now on file with the Railroad Commission, on all regular meter readings taken on and after August 26th, 1918, provided Needles Gas and Electric Company shall file within 10 days of the date of this order, amended schedules of gas and electric rates showing the surcharges herein authorized, and further provided Needles Gas and Electric Company shall indicate separately on the bills rendered its consumers of gas and electricity the surcharges herein authorized.

Dated at San Francisco, California, this  
*26th* day of August, 1918.

*Edwin O. Edgerton*  
*W. J. Loveland*  
*Alex Gordon*  
*Frank R. DeLong*

COMMISSIONERS