

Decision No. 5770

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application )  
of the WESTERN STATES GAS AND )  
ELECTRIC COMPANY for authority to ) Application No. 3947.  
Increase its Electric Rates in )  
Humboldt and Trinity Counties. )

Chickering and Gregory by Evan Williams for  
Applicant.  
J. J. Cairns for the City of Eureka.  
Perry W. Stamps for California Central Creameries.

LOVELAND, Commissioner.

OPINION.

The Western States Gas and Electric Company requests the Commission to increase its rates for electric energy by reason of the increased charge which the applicant has to pay for oil, increased cost in wages, increased taxes, and increased price of material.

The applicant does not ask for a return of 8 per cent plus depreciation charge on the investment as it realizes that the utility should bear a portion of the burden. It contends, however, that if conditions continue as at present the Company will earn little more than the operating charges.

The electric rates of applicant were fixed by the Commission in its decision No. 3852, Application No. 1998, issued November 6, 1916, Opinions and Orders of the Railroad Commission of the State of California, Volume 11, Page 891. The rates therein fixed were based upon the then existing normal operating conditions. It was not expected that the rates then fixed would net applicant 8% on its investment. The rates for lighting

service fixed by the Commission were later reduced by the Company in so far as they apply in the incorporated territory of Eureka, owing to threatened competition by a municipal system.

The applicant now asks that the rate be readjusted so that it may be permitted to earn, as far as possible, a reasonable rate of return on its investment in its electric department in said division, and also that an increased rate or surcharge be allowed sufficient to reimburse applicant for the extraordinary operating expenses incurred by it due to increase in the cost of labor and material and due to the present shortage of electricity caused by deficiency in water power.

The evidence in this proceeding shows that applicant has been required to increase salaries and wages to its employees in amount equal to \$1500 per month or \$18,000 per year, over those in 1916 at the time the rates were fixed.

The price of fuel oil used in applicant's steam plant has increased from \$.902 per barrel to \$1.77, resulting, according to testimony of applicant, in an increase, based upon past operations, of \$13,328 per annum. This should be corrected somewhat for conditions as they will probably exist in the future when normal operations return. Due to the purchase of power from the Northern California Power Company and the more continuous operation of the transmission system I believe an estimate of \$10,000 would be a fair figure for this increased cost.

The present year has been one of short rainfall, resulting in a materially smaller hydro-electric output of applicant's plant at Junction City. In connection with Application No. 1998 above referred to, the Commission therein recommended that a connection be made between the Western States Company and the Northern California Power Company as a possible solution of the problem of production cost. This recommendation was accepted by the Company, a connection was completed at a cost of approxi-

mately \$100,000 and power supplied to Western States Company at \$.006 per kilowatt hour.

Applicant commenced purchasing power from Northern California Power Company in the fall of 1917. A shortage of power exists over the entire northern and central part of the State and it has been necessary to pool all electric power on the systems of the interconnected electric utilities in the northern and central parts of the State and to distribute it under the direction of a power administrator. Power Administrator H. G. Butler ordered delivery of power to applicant from Northern California Power Company suspended on July 20, 1918, and the steam plant in Eureka put into operation, in order to make possible the continuance of service to industries in other parts. The operation under this order will probably continue until the winter rainfall occurs and in the following estimates it has been assumed that the purchase of power from the Northern California Power Company will recommence on December 1st, 1918. A resultant increase in cost from the full operation of the steam plant will result for which applicant must be compensated.

The values of the electric properties as fixed by the Commission as of March 31, 1916, was as follows:

Electrical Properties Operative	\$1,192,165.00
Non-Operative	130,342.00
	<u>\$1,322,507.00</u>

The evidence introduced in this application shows conclusively that applicant's net earnings are low and are as follows:

	<u>Year</u> <u>1916</u>	<u>Year</u> <u>1917</u>	<u>6 Mos.</u> <u>1918</u>
Gross Receipts	187,397.27	193,664.06	104,669.00
Operating Expense	<u>101,248.85</u>	<u>115,527.10</u>	<u>58,853.72</u>
Net from Operation	86,148.42	78,136.96	45,815.28
Depreciation	29,944.68	33,000.00	17,600.00
Balance for Ret. on Inv.	56,203.74	45,136.96	28,215.28
Investment (Operative)	1,192,165.00	1,239,306.00	1,394,300.00
Net Add. & Bettermt's	<u>47,141.00</u>	<u>154,994.00</u>	<u>29,918.00</u>
	<u>1,239,306.00</u>	<u>1,394,300.00</u>	<u>1,424,218.00</u>
Rate of Return	4.7%	3.4%	2.0%

The net earning at present rates will be materially less during the last half of the present year than the first half due to greater steam power required.

The estimated kilowatt hour requirements for the last six months of 1918 based upon production by hydro and purchase of energy are as follows:

	<u>Kilowatt Hours</u>
July	682 000
August	675 000
September	709 000
October	733 000
November	730 000
December	774 000
Total	4 303 000
Monthly Average	717 166

The hydro-electric plant at Junction City is at present generating 300 kilowatts. The records for a normal year indicated that the average monthly output for the last six months in the year will be 67% of the August capacity, or 200 k.w., making a possible 144,000 k.w.h. monthly.

Under normal conditions 10,000 kilowatt hours would be generated monthly from the Company's steam Station "B" located at Eureka and the remainder of the power not generated at their hydro-electric plant would be purchased from Northern California Power Company. Under the Power Administrator's orders, this must be produced by steam.

Estimate of Average Monthly Power Supply

Last six months of 1918

Average Monthly k.w.h. Requirement	717 166 K.W.H. per mo.
Output of Hydro Plant	144 000
Steam Produced or purchased	<u>573 166</u>
Line Loss at 9%	51,585
Steam Production Requirements	<u>521 581</u>
Normal Stand-By Production at Sta. "B"	10 000
Extra to be generated by " "	<u>511 581</u> " " "

Applicant introduced the following evidence to show the cost of generating at Steam Plant "B", operating under Power Administration orders from July 20, 1918 to August 10, 1918, inc.

Kilowatt Hours generated at Steam Plant "B"		347,700
Production Cost:		
Steam Generator Labor	\$	585.42
Fuel Oil, 2,414.1 bbls. at \$1.77		4,272.95
Steam Generator Supplies		42.68
Maintenance		68.64
	Total Cost	<u>\$4,969.69</u>
	Cost per K.W.H.	.0143

The above calculation is subject to a correction owing to a constant stand-by cost at Station "B" under normal conditions of operation which has been accounted for above. This item for the 20 day period is estimated at \$549.72, leaving a net increased cost due to the additional operation of the steam plant of \$4,419.97 for 20 days.

Based upon the kilowatt hours generated, the operating cost of energy from the steam plant for additional production will be as follows:

K.W.H. Generated	347,700	
Corrected Cost per K.W.H.		\$.0127
K.W.H. Cost on N.C.P.CO. Rate		<u>-.0066</u>
Increased cost per K.W.H. under present operating conditions		\$.0061

The operation of the steam plant under the Power Administrator's orders for the remainder of the period to December 1st will cause an increase in the cost of operation on the above basis over that which would have occurred had the order not been made of \$15,600

Had applicant been able to purchase all current required from Northern California Power Company there would still have been an abnormal increased cost due to water conditions amounting to .6¢ per K.W.H. for energy purchased, which normally would have been generated by the hydro plant. The exact amount of this is difficult of determination, but represents an increased cost of approximately \$6,000 for the year.

The main item of increased expense for the year commencing July 1, 1918, may be summarized as follows:

Increased Labor	\$18,000
" Oil for Stand-by	10,000
" Cost due to Low Water	6,000
" due to Power Adminis. Order	15,600
" Taxes	<u>3,000</u>
Total .....	\$52,600

Of the above, the cost of power due to shortage of water may be considered such as on an average of a period of years will be offset by greater hydro-output on year of high rainfall.

It is apparent from the above that relief must be granted applicant in the form of increased rates.

Applicant requests first an increase of the rates to cover apparent permanent increased costs and, in addition, a surcharge to cover increased costs of a less permanent nature. In general, changes in the rate structure at this emergency time are not advisable except where it appears, from an analysis of the situation, that an adjustment of the rate form is necessary to remove existing inequalities.

As mentioned in the preceding part of this opinion, the rates for lighting service as fixed by the Commission in Decision No. 3852 were later reduced in the incorporated territory of Eureka owing to threatened competition by a municipal system, thereby reducing the revenue materially. Had this not been the case, it would not now be necessary to add so large a surcharge as has been found to be necessary.

I believe that the lighting rates for the entire Eureka division should be readjusted to conform in general to that authorized in the previous decision, with some slight changes, before any increase is added in the form of a surcharge.

The applicant has two power schedules effective which differ widely. From an analysis it would appear that the costs are not fairly distributed by these rates. Schedule No. 4 is a block rate, varying from 6¢ per K.W.H. for the first 100 K.W.H. per month to 1½¢ per K.W.H. for all over 20,000 K.W.H. per month, with a minimum of \$1.00 per horsepower per month. Schedule No. 5 is in the form of a service-plus-energy rate of \$1.00 per month per horsepower plus 1½¢ per K.W.H. for energy consumed for motors of less than 50 horsepower and 1½¢ per kilowatt hour for motors of larger

capacity. It is my opinion that these two rates are not of such form as to reasonably divide the cost and that any uniform surcharge would not be applicable to both. The power rates set forth in the order herein are recommended as just and reasonable rates for power service.

Other rates of applicant, including sign lighting, municipal contract street lighting and heating and cooking should continue as they now are, subject to such surcharge as ordered. This refers also to the special rate charged the Valdor Dredging Company.

The effect of the change of rates herein ordered will be to increase the annual revenue of the company approximately \$14,000, leaving increase in cost not so covered of \$38,600.

The surcharge herein authorized will add to the company's revenue \$37,500 per year, making the total increase slightly less than the estimated increase in operating expenses.

I recommend the following form of Order:

#### O R D E R

WESTERN STATES GAS AND ELECTRIC COMPANY having applied to the Railroad Commission for an order fixing electric rates, a hearing having been held and the matter having been submitted and being now ready for decision,

THE RAILROAD COMMISSION HEREBY FINDS AS A FACT that the rates now charged for electric service by applicant are insufficient to provide applicant with an adequate return and also do not equally divide the cost of service, and in so far as they differ from the rates herein established, the existing rates of applicant are not just and reasonable rates, and, further, that the rates herein established, together with the surcharges applicable, are just and reasonable rates and surcharges for service under conditions existing.

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

IT IS HEREBY ORDERED that Western States Gas and Electric Company establish and file with the Railroad Commission the following rates for electric service in its Eureka Division, to be effective for all bills rendered on regular meter readings taken on and after September 20, 1918:

SCHEDULE NO. 1.

Residence and Commercial Lighting Service.

All Territory.

<u>RATE:</u>							<u>Rate per K.W.H.</u>	
							<u>Gross</u>	<u>Net</u>
First	50	K.W.H.	per	Meter	per	Month	10¢	9¢
Next	50	"	"	"	"	"	9¢	8¢
"	100	"	"	"	"	"		7¢
"	300	"	"	"	"	"		6¢
"	500	"	"	"	"	"		5¢
"	1,000	"	"	"	"	"		4¢
All Over	2,000	"	"	"	"	"		3¢

Minimum Bill \$1.10 gross - \$1.00 net per Meter per month.

DISCOUNT:

Net rate applies if bill is paid within ten (10) days of date of presentation.

SCHEDULE NO. 2.

General Power Service.

All Territory.

For Installation of 1 H.P. to 4 H.P.

First	25	K.W.H.	per	H.P.	per	Mo.	.6¢	per	K.W.H.
Next	50	"	"	"	"	"	.4¢	"	"
"	100	"	"	"	"	"	.2¢	"	"
All Over	175	"	"	"	"	"	.17¢	"	"



For Installation of 5 - 19 H.P.

First	25	K.W.H.	per	H.P.	per	Mo.	. . . . .	.5¢	per	K.W.H.
Next	50	"	"	"	"	"	. . . . .	.3¢	"	"
"	100	"	"	"	"	"	. . . . .	.2¢	"	"
All Over	175	"	"	"	"	"	. . . . .	.1¢	"	"

For Installation of 20 - 39 H.P.

First	25	K.W.H.	per	H.P.	per	Mo.	. . . . .	.4¢	per	K.W.H.
Next	50	"	"	"	"	"	. . . . .	.3¢	"	"
"	100	"	"	"	"	"	. . . . .	.2¢	"	"
All over	175	"	"	"	"	"	. . . . .	.1¢	"	"

For Installation of 40 - 74 H.P.

First	25	K.W.H.	per	H.P.	per	Mo.	. . . . .	4¢	per	K.W.H.
Next	50	"	"	"	"	"	. . . . .	2 3/4¢	"	"
"	100	"	"	"	"	"	. . . . .	2¢	"	"
All Over	175	"	"	"	"	"	. . . . .	1 1/2¢	"	"

For Installation over 75 H.P.

First	25	K.W.H.	per	H.P.	per	Mo.	. . . . .	3 1/2¢	per	K.W.H.
Next	50	"	"	"	"	"	. . . . .	2 1/2¢	"	"
"	100	"	"	"	"	"	. . . . .	1 3/4¢	"	"
All over	175	"	"	"	"	"	. . . . .	1 1/2¢	"	"

Minimum Bill \$1.00 per H.P. of active connected load per month but not less than \$1.50 per month.

SCHEDULE NO. 3.

Optional Power Schedule.

RATE:

Service Charge: Five (\$5.00) Dollars per month plus \$1.00 per horsepower per month for each horsepower of active connected load in excess of five(5) horsepower plus.

Energy Rate:

First	400	K.W.H.	per	Month	. . . . .	.2¢	per	K.W.H.
Next	1,600	"	"	"	. . . . .	.2¢	"	"
"	18,000	"	"	"	. . . . .	.1 1/2¢	"	"
All Over	20,000	"	"	"	. . . . .	.1 1/4¢	"	"

IT IS HEREBY FURTHER ORDERED that Western States Gas and Electric Company be and the same is hereby authorized to charge and collect in addition to the above schedules and those others designated as Schedules Nos. 2, 3, 6, 7, 10, 11 and "J" in Western States Gas and Electric Company's regular filed Tariffs, the following surcharges applicable to the classes of service in amounts respectively set forth:

For energy sold for lighting service,  
including domestic, commercial and  
municipal service..... $1\frac{1}{2}$ ¢ per K.W.H.

For energy sold for power service,  
including heating and cooking.....5 mills per K.W.H.

For municipal street lighting service..15% of monthly bills.

For energy sold to Electric Railways.. 2 mills per K.W.H.

The above surcharges shall apply on all regular meter readings taken on and after the 20th day of September, 1918.

PROVIDED, Western States Gas and Electric Company shall, within ten (10) days of the date of this order, file with the Railroad Commission of the State of California the rates herein fixed and a statement showing the surcharges herein authorized and the rates to which each is applicable, which statement shall constitute an amendment to the regular rate schedule, and that Western States Gas and Electric Company shall set forth on the bills rendered its consumers the surcharge herein authorized.

IT IS HEREBY FURTHER ORDERED that Western States 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 1, 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 18th day of September, 1918.

Edwin C. Colquhoun  
W. H. Howard  
Alfred Gordon  
Frank R. DeWitt  
Commissioners.