

Decision No. 6462

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

ORIGINAL

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

Chickering and Gregory by Evan Williams
for Defenadant
J. J. Cairns for City of Eureka.
G. H. Burchard for City of Arcata.

BY THE COMMISSION.

OPINION .ONL ORDER TO SHOW CAUSE

A further and supplemental investigation in the above entitled proceeding was initiated on the Commission's own motion ordering the Company to show cause why the surcharge for electric service authorized in this Commission's decision No. 5770 in the above entitled matter, dated September 18, 1918 should not be reduced.

A public hearing upon this order to show cause was held in Eureka, March 20, 1919, before Examiner Bancroft.

The Commission in its decision No. 3852, issued November 6th, 1916, Opinions and Orders of the Railroad Commission of the State of California, Volume 11, page No. 891, in Connection with Application No. 1998, and Case No. 906, revised the rates of the Company on the then operating conditions. The rates thus fixed did not grant an 8 per cent.

return on the investment, and were not intended to do so, owing to conditions existing. They did, however, afford the Company relief from an unfortunate condition inherited with the properties, resulting in inequalities and discriminations but which were beyond the control of the Company.

The Commission established rates for all classes of service, but the Company, owing to threatened competition, did not adhere to the lighting rate so granted, in so far as the incorporated territory of Eureka was concerned.

The Commission also in its opinion in Decision No. 3852 recommended that an interconnection be made with the transmission system of the Northern California Power Company as a means of reducing the operating expense. This recommendation was accepted by the Company and a tie line constructed at a cost of approximately \$100,000.00. An advantageous contract was secured under which the Northern California Power Company supplied energy to applicant at a rate of 6 mills per kilowatt hour.

Applicant commenced purchasing power under this agreement in the fall of 1917. Owing to shortage of hydro power and war needs in 1918, Power Administrator, H. G. Butler, on July 20, 1918 ordered the delivery of power by the Northern California Power Company suspended, and applicant's steam plant in Eureka put into operation. This order in a slightly modified form continued in force until October 3rd, 1918. In consequence of this order applicant's operating costs were increased, due to the high cost of fuel oil. Further increases in operating expense had occurred due to the general increases in cost of labor and supplies entering into the operation of the system.

In July 1918 the Company, through Application No. 3947 requested the Commission to grant temporary relief by increasing its rates for electric energy in order to take care of this increased charge which applicant was compelled to meet in its operation. Applicant's request was limited to sufficient increase to cover additional operating expenses, as it realized that it could not expect to increase its net return during the war.

In Decision No. 5770 supra, the Commission re-established the lighting rate as granted in Decision No. 3852, also made certain changes in the power schedules, and in addition granted certain surcharges, which were calculated to meet the increased cost of operation. Applicant at the time expressed its intention to remove the surcharge at such a time as operating expenses should again become normal, provided that the earnings would not be jeopardized by such removal.

At the hearing on the order to show cause evidence was introduced by Western States Gas and Electric Company regarding its revenues, operating expenses and net returns during the period in which the surcharge was applicable and the estimates of conditions for the year 1919. Table No. 1 herein sets forth a statement of the actual earnings and expenses for the year 1918, during which period the surcharge was applicable for approximately four months, together with an estimate by applicant of the probable revenues and expenses for the year 1919 if the rates and surcharge now in effect were continued for the entire year.

T A B L E 1.

Comparison of the Actual Results Obtained in 1918
And Forecast for 1919

	<u>Actual</u> <u>1918</u>	<u>Forecast</u> <u>1919</u>
Gross Earnings from Basic Rates	\$215,791.00	\$206,123.00
Surcharges	<u>13,209.00</u>	<u>35,926.00</u>
Total Gross Earnings	229,865.00	242,049.00
Total Operating Expenses	<u>137,939.24</u>	<u>139,256.00</u>
Net Operating Revenue	91,925.76	102,793.00
 Operating Expenses:		
Net Hydro & Steam Production	49,461.94	47,254.00
Transmission Expense,	13,625.74	11,990.00
Distribution Expense,	23,640.61	27,670.00
Commercial Expense	7,987.26	8,755.00
General and Miscellaneous Expense	<u>43,223.69</u>	<u>43,587.00</u>
Total Operating Expense	137,939.24	139,256.00

From the evidence introduced it appears that there has been a slight reduction in the cost of producing electric energy due to the fact that during the year 1919 the operation of the steam plant under the Power Administrator will in all probability be not required; also that there will be some additional hydro-electric power available due to greater precipitation. A condition slightly offsetting this reduction in expense is the increase of 10 per cent in the cost of energy purchased from Northern California Power Company. A large part of the increase which made necessary the surcharge is the cost of labor, which not only failed to decrease but shows a tendency to further increase for the year 1919. There has been a slight reduction in cost of materials and supplies but not sufficient to result in a material change in the cost of operation.

The cessation of the war is resulting in a reduction of the business of Western States Gas and Electric Company due to the closing down or curtailment of certain industries which were operating on war demands.

During the year 1918 the net rate of return upon the historical cost of the property was only 3.9 per cent. It is estimated that if the present surcharge be continued for the entire year 1919 the return would be approximately 5.2 per cent. This rate of return is slightly in excess of the average rate of return earned by applicant's Eureka Division during pre-war conditions. Although this is a low return, present conditions under which applicant is operating are such that a greater return cannot be expected.

There does not appear to be any prospect of a material reduction in the cost of operations in the near future, and accordingly we are of the opinion that new rates should be established.

in lieu of the present combination of basic rates and surcharges. This does not mean that the fixing of a total rate, excluding the surcharge, will prevent a modification in case conditions change.

The rates set forth in the order herein are a modification of the existing rates, being approximately equivalent to the rates now in effect plus a one cent (1¢) surcharge for lighting and 2 to 5 mill surcharge for general power, which will result in a slight reduction to consumers.

The Valdor Dredging Company, located near the hydro-electric plant of applicant, has been served under a special contract rate of 7/8-ths of a cent per kilowatt hour plus a surcharge of one mill per kilowatt hour. The rate herein established is 9.75 mills per kilowatt hour.

The rate for power to the Humboldt Transit Company has been 1.25¢ per kilowatt hour plus 2 mills surcharge. The rate herein established for this service is 1.35¢ per kilowatt hour.

Table No. II herein sets forth the estimated revenue, expense, net revenue and rate of return on the Western States Gas and Electric Company's Eureka properties for the year 1919 with the present basic rates, these rates plus the surcharge, and with the proposed rates herein determined to be just and reasonable.

TABLE II

Estimated Rate of Return for 1919

	1919- Present Rates With- out Surcharges	1919 : Present : Rates With : Surcharges	1919 : Proposed : Rates
Gross Receipts	\$ 216 725	\$ 252 651	\$ 239 283
Operating Expense	<u>139 256</u>	<u>139 256</u>	<u>139 256</u>
Net from Operation	77 469	113 395	100 027
Depreciation	<u>36 451</u>	<u>36 451</u>	<u>36 451</u>
Balance for Return on Investment	41 018	76 944	63 576
Investment	\$1 481 256	\$1 481 256	\$1 481 256
Rate of Return	2.77%	5.19%	4.29%

O R D E R

The Commission having instituted on its own motion an investigation into the reasonableness of the rates and surcharge established by this Commission in its Decision 5770 in Application 3947 of Western States Gas and Electric Company, a public hearing having been held and the matter being ready for decision:

The Commission hereby finds as a fact that the rates and charges of Western States Gas and Electric Company heretofore established are not, under present conditions, just and reasonable, and that the rates and charges herein established are just and reasonable.

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

IT IS HEREBY ORDERED that all of the basic rates and surcharges for electric service of applicant, now effective in its Eureka Division, be superseded, as of July 20, 1919, by the rates hereinafter authorized:

IT IS HEREBY FURTHER ORDERED that Western States Gas and Electric Company be and the same is hereby ordered to charge and collect for all electric service rendered, based upon meter readings taken on and after the 20th day of July, 1919, the following rates, applicable to the respective classes of service specified therein.

SCHEDULE NO. 1

Lighting Service

Applicable to domestic and commercial lighting service.

Territory

Eureka Division.

Rate

						<u>Rate per K.W.H.</u>	
						<u>Gross</u>	<u>Net</u>
First	50	k.w.h.	per meter	per month		11¢	10¢
Next	50	"	"	"	"	10¢	9¢
"	400	"	"	"	"		7.5¢
"	500	"	"	"	"		6.0¢
All over	1000	"	"	"	"		4.5¢

SCHEDULE NO. 1 (continued)

Minimum Charge

Minimum charge per meter per month \$1.20 gross \$1.10 net

Special Conditions

The net rate is effective when bill for electric service is paid within 10 days of date of presentation, otherwise the gross rate is effective.

SCHEDULE NO. 2

Heating and Cooking Service

Territory

Eureka Division.

Rate

First 150 KWH per meter per month	3.5¢ per KWH
All over 150 KWH per meter per month	2 ¢ per KWH

Minimum Charge

First 7 KW or less of active connected load per month	\$3.00
All over 7 KW of active connected load per month	\$1.00 per KW

Special Conditions

- (1) The consumer's wiring for electric heating and cooking service must be separate and distinct from that supplying other service, and no lighting, power etc. will be permitted under this service, except indicating or pilot lights used in connection with heating and cooking appliances.
- (2) This schedule is not intended to cover auxiliary cooking and heating devices, such as percolators, toasters, chafing dishes, heaters etc. but said auxiliary devices may be attached to a circuit supplying an approved electric range if consumer has one; otherwise said auxiliary devices must be supplied from regular lighting circuit.
- (3) A single 110 volt appliance not in excess of 2 kilowatt capacity must be wired for 2-wire, 110 volt service. Installations of 110 volt appliances exceeding a combined connected load of more than 2 kilowatts must be wired for 3-wire, 220 volt service and balanced as nearly as possible on each side of neutral conductor, the unbalancing in any event not to exceed 1800 watts. Installations of straight 220 volt appliances must be wired for 220 volt, 2-wire service.

SCHEDULE NO. 3

Sign Lighting

Applicable to sign lighting service controlled by the company.

Territory

Eureka Division

Rate

7¢ per kilowatt hour

Minimum Charge

\$1.10 per meter per month.

SCHEDULE NO. 4

General Power Schedule

Applicable to general power service and to service to tailor shops, laundries, etc. where electric irons are used commercially.

Territory

Eureka Division.

Rate

(a) For connected loads of less than 5 horsepower:

First	100 k.w.h. per month	6¢ per k.w.h.
Next	200 " " "	4 " "
"	200 " " "	3 " "
All over	500 " " "	2 " "

(b)

Consumption per Horse Power per Month	k.w.h.	Rate per k.w.h. for Connected Load of			
		5 h.p. : to 19 h.p.	20 h.p. : to 39 h.p.	40 h.p. : to 74 h.p.	75 h.p. : to over
First	50	5¢	4½¢	4¢	3½¢
Next	50	3	2½	2½	2½
"	100	2	2	2	2
All over	200	1½	1½	1½	1½

Minimum Charge

Applicable to rate (a) and (b).
\$1.00 per h.p. of connected load per month but not less than \$1.50 per month.

Special Conditions

(1) Any installation may obtain the rate for larger size installation by guaranteeing the minimum and rates under the larger installation.