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Decision No. 8244

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA

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In the Matter of the Application of)
LOS ANGELES GAS AND ELECTRIC COR-) Application No. 6186
PORATION for authority to increase)
the rates charged for electricity.)

Paul Overton, for Applicant.
Jess E. Stephens and W. B. Mathews,
for City of Los Angeles.

EDGERTON, Commissioner:

O P I N I O N

Los Angeles Gas and Electric Corporation, applicant herein, requests authority of the Commission to increase its rates for electric service to the extent of approximately 12-1/2 percent.

Applicant sets forth in its petition that it has not increased its rates for electric service since prior to the commencement of the world war altho there has been a material increase in its expenses; that the increase which it requests is necessary due to further increases in cost of labor, oil and supplies; that the price it is required to pay for fuel oil will increase approximately 30 percent within a few days

due to expiration of a certain contract, and that it is expected a still further increase in the price of oil may occur during the coming year.

Applicant further states that the City of Los Angeles, in its Ordinance No. 40890 N.S., duly adopted by the Council of said City on the 5th day of October 1920, has made certain increases in the rates charged and collected by the City for electricity, effective for meter readings taken on and after October 11th, 1920, and that the rates which applicant requests be put in effect are the same rates as fixed by the City Ordinance.

Applicant set forth in its exhibits, statements of the earnings, expenses and approximate investment of the company for the years 1918, 1919 and the fiscal year ending August 31st, 1920, which show that the net earnings of applicant, after setting aside depreciation for the three years, varied from 6.49% in 1918 to 6.9% for the fiscal year ending August 31st, 1920.

Analysis of the evidence shows that applicant will be required to increase its cost of labor by approximately \$59,000 during 1921 based upon the extent of the business existing during the fiscal year above referred to. The price applicant has been required to pay for oil has increased from \$1.57, being the average for the past year, to \$2.00 per barrel at the present time, and the general prospects are that a further increase is apt to occur during the year 1921.

The increase in revenue which will result from the increase in rates requested would have amounted to approximately \$206,875 if the higher rates had been in effect for the 12 months ending August 31st, 1920. On the other hand,

had oil cost the company \$2.00 per barrel during the same period and the labor increases granted, and which it is planned to make effective during the coming year, been in effect, applicant's operating expenses would have been increased approximately \$205,000. In case the price of oil had been \$2.25 per barrel, the total increase for the items of oil and labor would have been \$289,000, and, at a price of \$2.50 per barrel, the operating expenses would have been increased \$373,000.

It is apparent from the above that without material increase in business applicant will earn no greater return than earned in 1919 and 1920 during the year 1921, even with the increase applied for, at the present price of oil, and should the price of oil further increase, as may occur, applicant's net earnings will probably be reduced.

Under Ordinance No. 40890 the City of Los Angeles fixed the rates to be charged for electric service on the system owned by itself and upon the lines of the Southern California Edison Company within the City embraced in the Purchase Agreement, dated May 26th, 1919, between the company and the City. Applicant is in direct competition with both the City and the Southern California Edison Company in practically all of the districts served, and it is apparent that the rates on its system should be the same as those existing on the competitive systems. From the evidence herein it is also apparent that the increases in rates are justified by the increases in cost of operation which applicant will incur. I find that the rates applied for by applicant,

as set forth in Exhibit "A" attached to the application herein, are just and reasonable rates to be charged. Applicant does not request an increase of certain rates where competition does not exist, or for street lighting service rendered to the city.

I recommend the following form of Order:

O R D E R

Los Angeles Gas and Electric Corporation having applied to the Commission for authority to increase its rates for electric service, hearing having been held, the matter being submitted and now ready for decision,

The Railroad Commission hereby finds as a fact that the rates and charges applied for by applicant, and as set forth in Exhibit "A" attached to the application, are just and reasonable rates to be charged for electric service by it.

IT IS HEREBY ORDERED that Los Angeles Gas and Electric Corporation be and the same is hereby authorized to charge and collect for electric service rendered, as set forth in its Schedules Nos. 1, 3, 6-a, 6-b, 6-c and 7 on file with this Commission, based upon all regular meter readings taken on and after the 18th day of October 1920, the proposed schedules of rates and charges as set forth

in Exhibit "A" attached to the application herein.

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

16th day of October, 1920.

Edwin C. Edgerton

H. D. Leonard

Frank R. Martin

J. B. ...

Commissioners.