

Decision No. 9089

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

In the Matter of the Application)
of Needles Gas & Electric Company)
for authority to increase its rates)
for electrical energy supplied to) Application No. 6710
its customers in the town of Needles)
and surrounding territory.)

R. S. Masson for applicant.
Benjamin Harrison for City of Needles.

By the Commission:

O P I N I O N

Needles Gas and Electric Company, hereinafter referred to as Applicant, requests authority to increase its electric rates. It alleges that on account of the increase in cost of oil it will be unable to continue to sell electric energy at the prevailing rates which do not yield it a fair return upon its investment.

Applicant further alleges that during the year 1920 it received a return of $3\frac{1}{2}\%$ upon its investment, and that during the year 1921, due to the increase in operating expenses, the return will be considerably less than this; that it has reached the point where it is no longer able to purchase materials and supplies sufficient to operate upon its own credit, and that within the past few weeks it has been able to continue operations only through the borrowing

of money by an official of the Company, Mr. K. S. Masson, upon his own personal credit and that unless the Company obtains immediate relief in the form of increased rates it will be necessary for it to request this Commission to suspend operations and to discontinue service to its consumers.

Applicant requests that the Commission make an investigation of its operations and authorize it to put into effect rates suggested in Exhibit E, attached to the application, and further that the Commission authorize Applicant to immediately put into effect a surcharge sufficient to enable it to continue its operations to such a time as a formal hearing on this matter may be held.

A hearing was held in this matter before Examiner Westover in the City of Needles on April 25, 1921, at which time evidence was taken and the matter submitted.

Applicant operates a 200 H.P. semi Diesel plant and also two gas engines of 150 and 100 horsepower capacity respectively, in the generation of electric energy, and a distribution system serving the town of Needles. In 1920 it served 602 domestic consumers, 60 commercial consumers and 17 power consumers. The total sales for 1920 amounted to 265, 612 k.w.h., from which it received a revenue of \$32,385.00.

The present rates in effect for service rendered by Needles Gas and Electric Company were fixed by this Commission on September 10, 1920 in Decision No. 8073. The Commission made a valuation of Applicant's properties as of January 1, 1920, in which it determined that the historical reproduction cost of the physical properties was \$62,833.00. Additions and betterments chargeable to the company during 1920 amounted to \$2,580.00. The estimated additions and betterments for 1921

are \$2,000.00. The rate base for the year 1921 based on the above is set forth in the following table:

TABLE NO. I

RATE BASE

Historical Reproduction Cost as of	
January 1, 1920	\$62,833
Net Additions and Betterments, 1920	<u>2,580</u>
Rate Base as of January 1, 1921	\$65,413
Additions and Betterments, 6 months	
of 1921	1,000
Material and Supplies	3,000
Working Cash Capital	<u>4,000</u>
Rate Base as of June 30, 1921	73,413

Applicant submitted evidence to the effect that there would be no increase in sales during the year 1921. From investigation of conditions at Needles it appears to the Commission that there will be some increase in sales. It is estimated that if no change is made in the present rates the sales will amount to 290,000 k.w.h. but that if the Applicant's proposed rates had been made effective the first of the year the sales for 1921 would amount to 270,000 k.w.h.

Applicant used two grades of fuel oil. In the operation of the semi Diesel engine 28° Baume' oil is used and 38° Baume' oil is required in the operation of the gas engine. The cost of fuel oil F.O.B. Needles to Applicant since 1916 has increased as follows: For 28° oil from \$1.40 to \$4.46 per barrel and for 38° oil from \$1.65 to \$7.20 per barrel. The latter figures were the effective prices to Applicant at the date of the hearing. Since then the price of oil has decreased \$.25 per barrel. This new price will not, however, affect Applicant's operation costs until July of this

year, owing to the fact that the present supply of oil on hand will supply its needs until then. In estimating Applicant's fuel oil expense this reduction in price of oil has been taken into account.

Applicant has made an adjustment in the wages paid to its employees at Needles amounting to a reduction in wages paid, but with the provision that the employees will share in the profits received by the Company. The Commission will decrease the estimated amount allowed as operation expense to cover general office salary by the same amount.

Table No. II sets forth the Applicant's operations for 1920 and also the revised estimate for 1921, based on the evidence herein, and on the condition that the present rates remain in effect for an entire year. A separate column also sets forth the effect, were the proposed rates made effective for the entire year.

TABLE NO. II

NEEDLES GAS AND ELECTRIC COMPANY
OPERATIONS FOR 1920 AND ESTIMATE FOR 1921

<u>Item</u>	1920	<u>Estimate for 1921</u>	
		Present Rate	Company's Proposed Rate
Rate Base	\$68,555	\$73,413	\$73,413
Sales - K.W.H.	265,612	290,000	270,000
Revenue	\$32,385	\$36,600	\$39,800
<u>Operating Expense:</u>			
Production			
Fuel Oil	8,280	13,380	12,460
Other Prod. Exp.	8,484	7,611	7,611
Total	\$16,764	\$20,991	\$20,071
Distribution	1,277	1,277	1,277
Commercial	1,060	1,060	1,060
General & Miscellaneous	5,636	5,636	5,636
Taxes	1,764	3,477	3,781
Total	26,501	32,441	31,825

Net for Return and Depreciation	\$5,884	\$4,159	\$7,975
Depreciation	<u>1,924</u>	<u>1,992</u>	<u>1,992</u>
Net for Return	\$3,960	\$2,167	\$5,983
Percent Return	5.77%	2.97%	8.17%

Based on the Commission's estimate, the net return on investment for 1921, after deducting depreciation, assuming the present rates to be in effect for the entire year of 1921, will be 2.97%. Assuming Applicant's proposed rates to have been in effect for the entire year 1921, the net return on investment after allowing depreciation will amount to 8.17%. In the past, in so far as records are available, Applicant has never earned an 8 per cent return upon its investment. It requests at this time that rates be fixed so that they will give not only a fair return after deducting operating expense and depreciation but an additional amount each year which will amortize over a period of years the equivalent of the amount by which its returns from past operations have fallen short of a fair return.

Considering the economic conditions existing and the rates now in effect, it is very clear that Applicant cannot at this time earn a return which normally might be considered fair. Applicant's consumers cannot, however, be required to reimburse it for amounts below a fair return unearned in the past.

It was suggested at the hearing that Applicant could possibly purchase electric energy from the Murphy Water Company at a lower figure than that at which it could generate it. This matter has been investigated by the Commission and we find that Murphy Water Company has at this time certain generating equipment which is not being used, but the Murphy

Water Company, in answer to an inquiry from the Commission, has advised that it is not at present in a position to sell electric energy to Applicant.

Applicant requests that the rates which are proposed in its Exhibit "E" be made effective. In the hearing, however, Applicant requested that if the Commission found these proposed rates to be unreasonable the Commission fix whatever rates it found to be reasonable.

From the evidence submitted in this matter, it is readily apparent that some relief must be allowed Applicant at this time. The Commission feels that if the present rates applicable to domestic lighting and electric illumination be increased as suggested by Applicant the resulting reduction in sales will more than offset the increase in revenue contemplated from the higher rates. The rates proposed by Applicant will be authorized except those applicable to domestic and residence lighting and to electric illumination. The present rates applicable to these two classes of service should be increased, but not to the extent proposed by Applicant. The rates which the Commission believes to be reasonable for these two classes of service are set forth in the Order following.

It must be borne in mind that electric service in Needles is rendered under conditions that are far more expensive than in practically any other place in California, due to its isolation and limited load, and necessary rates must be relatively high.

The rates herein will give to Applicant a net return as high as can be reasonably obtained under conditions existing, but which is less than that generally considered as reasonable under more favorable conditions.

O R D E R

Needles Gas and Electric Company having applied to the Railroad Commission for the determination of just and reasonable rates for electric service, a hearing having been held and the matter having been submitted and now ready for decision,

THE RAILROAD COMMISSION HEREBY FINDS AS A FACT that the rates now charged by Needles Gas and Electric Company for electric energy are unjust and unreasonable, and that the rates hereinafter set forth are just and reasonable for service supplied.

Basing its order upon the above findings of fact and other findings of fact contained in the opinion preceding this order,

IT IS HEREBY ORDERED that Needles Gas and Electric Company be, and it is hereby, authorized to charge and collect for electric service rendered based on regular meter readings taken on and after June 20, 1921, the following rates:

SCHEDULE NO. "A"

DOMESTIC AND RESIDENCE SERVICE:

This schedule applies to continuous service.

TERRITORY:

Entire territory served by Company.

RATE:

First 20 k.w.h. per meter per month	18¢	per k.w.h.
All Over 20 " " " " " "	13¢	" "

MINIMUM CHARGE:

\$1.50 per meter per month.

SPECIAL CONDITIONS:

Motor of 1/2 H.P. or less capacity and lamp socket appliances may receive service under this schedule.

SCHEDULE NO. "B"

COMMERCIAL LIGHTING SERVICE:

This schedule applies to continuous service.

TERRITORY:

Entire territory served by Company.

RATE:

For an amount of energy equal to or less than 75 hours use per month of the maximum demand, the rate to be 18¢ per k.w.h.

For all energy in excess of the above the rate to be 13¢ per k.w.h.

MINIMUM CHARGE:

\$1.00 per month per kilowatt or fraction thereof of the maximum demand, but in no case less than \$1.00 per month.

SPECIAL CONDITIONS:

The maximum demand shall be determined by test or inspection by the Company. The Company will notify the consumer of such test so that he may be present if he so desires.

SCHEDULE NO. "C"

ELECTRIC LIGHTING.
(Guaranteed Use)

(Limited by Contract to Hours Stated)

This rate applies when contracts are made for periods of one year for a stated amount of electricity during stated hours of each day of the term of said contract. The contract shall provide regular monthly guaranteed payments of amounts derived as follows:

Maximum demand times the unit meter rate shown below, times the number of hours per day, times the number of days in the month.

(Does not apply to consumers having maximum demand under $\frac{1}{2}$ kilowatt)

No. of Hours Use per Day Guaranteed	Cents per k.w.h for Maximum Demand of			
	$\frac{1}{2}$ kilowatt to 1 Kilowatt	1 Kilowatt to 2 Kilowatt	2 Kilowatt to 5 Kilowatt	5 Kilowatt and up
4	13 $\frac{1}{2}$ c	12 $\frac{1}{2}$ c	12 c	11 $\frac{1}{2}$ c
6	12 $\frac{1}{2}$ c	11 $\frac{1}{2}$ c	11 c	10 $\frac{1}{2}$ c
8	11 $\frac{1}{2}$ c	10 $\frac{1}{2}$ c	10 c	9 $\frac{1}{2}$ c
10	10 $\frac{1}{2}$ c	9 $\frac{1}{2}$ c	9 c	8 $\frac{1}{2}$ c
12	9 $\frac{1}{2}$ c	8 $\frac{1}{2}$ c	8 $\frac{1}{2}$ c	8 c
15	8 $\frac{1}{2}$ c	7 $\frac{1}{2}$ c	7 $\frac{1}{2}$ c	7 c

SCHEDULE NO. "D"

INDUSTRIAL POWER SERVICE:

(To apply to all power installations in which the aggregate horsepower of motors installed is $\frac{1}{2}$ or more horsepower, by manufacturers' rating.)

Charges for electricity sold for power are made up of a fixed sum called Demand Charges and a variable sum called Meter Charges.

DEMAND CHARGE

The consumer shall have the option of classifying equipment as Standard Equipment or Intermittent Equipment.

STANDARD DEMAND RATE: A charge of Four Dollars (\$4.00) per horsepower per month is made for each horsepower of Demand required by equipment classified as Standard Equipment.

INTERMITTENT DEMAND RATE: A charge of Three Dollars (\$3.00) per horsepower per month is made for each horsepower of demand required by equipment classified as Intermittent Equipment.

METER CHARGE

STANDARD METER CHARGE: For power used by one consumer on one premises for motors classified as Standard Equipment, four cents (4¢) per kilowatt hour for the first five hundred (500) kilowatt hours per month, and three and a half cents (3½¢) per kilowatt hour for all in excess of five hundred (500).

INTERMITTENT METER CHARGE: For power used by one consumer on one premises for motors classified as Intermittent Equipment, six cents (6¢) per kilowatt hour for the first five hundred (500) kilowatt hours per month, and four (4¢) per kilowatt hour for all in excess of five hundred (500).

Dated at San Francisco, California, this 9th
day of June, 1921.

H. B. Bourdige
H. B. Loveland
Orin W. Martin
D. F. Benedict
Commissioners.