

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Investigation)
of the electric rates, service and)
operations of Coast Counties Gas)
and Electric Company on the Commis-)
sion's own motion.)

CASE 1851.

ORIGINAL

Leo H. Sussman, Coast Counties Gas and Electric Company.
F. S. Brittain and T. C. Nelson for the California Farm
Bureau Federation and San Bonito County Farm Bureau.

Martin - Commissioner.

O P I N I O N

This proceeding is an investigation initiated by the Railroad Commission on its own motion into the rates and operations of Coast Counties Gas and Electric Company for the primary purpose of determining whether and to what extent increases in rates authorized during the period of high prices should be continued.

The electric rates of this company have been before the Commission upon one occasion only, in 1918, when application was made for authority to increase rates on account of increased cost of operation. At that time the Commission did not go into the details of valuation and past operations nor did it consider the character of the company's rate schedules and the relation of the charges to various consumers and for various classes of service. Attention was confined to the effect of increased prices on the cost of operation and such increases in the existing rates were authorized as would offset the increased costs. (Dec. 5768, Sept. 17, 1918, 16 C.R.C. 57).

Many of the rates in effect at that time had existed for many years and were continued with no other modification than the authorization of surcharges. The result was that the present rate structure of the company is substantially that of 1912, and certain of the schedules now in effect have been rendered partially or wholly obsolete by changes in conditions and by subsequent filings of new schedules.

Coast Counties Gas and Electric Company was organized in 1912, taking over the properties of Coast Counties Light and Power Company and Davenport Light and Power Company. The earliest history of the Company, apparently, dates back to the year 1871, when Watsonville Maxim Gas Company was organized. Since that date various gas and electric properties in Santa Cruz, Monterey, Santa Clara, San Benito and Contra Costa Counties have been slowly grouped and finally merged into the one system which is operating today. The Company now serves electricity in the cities of Santa Cruz, Watsonville, Gilroy and Hollister and the surrounding territory, and intervening towns in Santa Cruz, Monterey, San Benito and Santa Clara Counties. Gas is supplied in the same cities and in Martinez, Concord and Pittsburg in Contra Costa County.

A small hydro electric plant located on Big Creek, Santa Cruz County, and steam plants in Santa Cruz and in Watsonville were at one time the chief source of energy. At the present time the great bulk of energy is purchased from Pacific Gas and Electric Company, supplemented by whatever power is generated at the hydro plant. The two steam plants have now become standbys, operating only during storms, time of line trouble, and in the case of the Watsonville plant, when necessary to better voltage conditions during the heavy summer load. Purchased energy is received at Morgan Hill, San Juan and Davenport. A 22,000 volt transmission line links these points together, passing through Santa Cruz, Watsonville and Gilroy with a

branch extending from San Juan to Hollister. Distribution lines radiate from the necessary substations installed at load centers.

The chief source of revenue is the lighting load. Agricultural and commercial power rank next, being of almost equal importance. In addition to these general classifications, energy is wholesaled to several small distributing companies in Santa Cruz County, and to the Union Traction Company in Santa Cruz.

Hearings in the present case were held in Santa Cruz on February 15, 1923, and May 14, 1923, testimony being introduced, and at the latter hearing the matter was submitted for decision. At the closing of the case it was stipulated that certain information requested of the company by the Commission would be prepared and submitted at a later date. This data relates to kilowatt hour sales and revenues from various classes of consumers necessary for a proper rate determination and to a depreciation reserve study. Both of these subjects have now been extensively investigated by the Commission's engineering department.

The company introduced, through its engineer, F. Emerson Hoar, an estimate of the historical reproduction cost of its tangible electric properties as of December 31, 1920, this estimate being subsequently brought up to date as of December 31, 1922, by the inclusion of book additions and betterments to capital during the latter two years. The company also made certain claims for cost of organization, water rights and franchises. According to Mr. Hoar's testimony the claims for organization and water rights represent actual historical cost to the company or its predecessors, and the amount for franchises is an estimate of the probable expenditures in connection with the acquisition of franchises.

Mr. Grunsky, of the Commission's engineering department, made a partial check of Mr. Hoar's historical reproduction cost estimates exclusive of lands and intangibles, and testified that with

certain deductions, Mr. Hoar's estimate of historical reproduction cost was reasonable.

The two sets of figures are summarized in the following table:

TABLE I.

ELECTRIC CAPITAL, COAST COUNTIES GAS AND ELECTRIC COMPANY

<u>Intangible Property</u>	Historical Company (Dec. 31, 1922)	Estimated Reproduction Cost Commission (Jan. 1, 1923)
	\$	\$
Organization	7,718.23)
Water Rights	19,904.52)
Franchise Values	3,400.00)
Total Intangibles	<u>31,022.75</u>	
<u>Tangible Property</u>		
Lands	46,231.98	37,444.00
Production Capital	584,949.85	540,527.92
Transmission Capital	241,343.13	233,722.85
Distribution Capital	1,111,588.67	1,106,670.67
General Capital	78,285.25	77,527.50
Total Operative Tangible Property	<u>2,062,398.88</u>	<u>1,995,892.94</u>
Total Operative Capital	2,093,421.63	
Non-Operative Capital	<u>6,105.05</u>	<u>49,526.93</u>
Total Electric Capital	\$2,099,526.68	

The deductions from Mr. Hoar's figures recommended by Mr. Grunsky total approximately \$66,500. consisting of errors, improper inclusions, expenditures for property not yet operative, and the retirement of certain non-operative property in the Santa Cruz steam plant. There is included in this amount a deduction of

\$8,787.98 in the land accounts recommended by E. P. McAuliffe, the Commission's land expert. Land value appraisals were based on present value rather than on historical cost.

The company also submitted a summary of the actual cash investment as shown by available records. From Mr. Hoar's testimony it appears that this summary is compiled from the books of the present and predecessor companies, by eliminating entries not representing cash expenditures. The total figure of \$2,130,604.93 is a fairly close check of Mr. Hoar's historical reproduction cost appraisal.

Some question as to the degree of usefulness of the steam plants in the present system was brought up at the first hearing with a view to the possibility of excluding all or some part of this capital from consideration in the rate base. It developed through the testimony of Mr. Grunsky that capital to the extent of \$29,426. representing certain equipment in the Santa Cruz steam plant, is now non-operative, but that the balance of steam plant equipment will be necessary for the protection of service until the company increases the capacity of its transmission lines. The amount of \$29,426. is included in the deductions which have been made in arriving at a rate base. The balance of steam plant capital will be considered as operative at the present time, but the company must anticipate an early increase in transmission capacity and the abandonment of the steam plants which the continued increase in load will soon render entirely inadequate.

Investigation of the company's books and accounting methods shows that almost no attempt has been made to allocate the cost of management between operating expenses and capital in proportion to the division of the time and attention of the management officials. Practically all of the cost of supervision is charged to operating expenses. The cost of the engineering and supervision devoted to construction

work is just as much a part of the capital charge as the labor and material. The practical result of the accounting methods of the Company has been the inclusion of a part of the cost of construction work in operating expenses. The effect of this on operating expenses will be considered at another point in this decision.

In connection with the capital charges, Mr. Nelson, representing the Farm Bureau, urges that inasmuch as these overhead costs have been charged to operating expenses, a corresponding revision should be made in the overhead percentages included in the valuation. If, after paying these excessive operating expenses, properly maintaining its system, and setting aside a full allowance for depreciation, the company had earned in excess of a reasonable return this contention would be entitled to serious consideration. The studies presented in the present case indicate that during certain years the company's books show a net revenue somewhat in excess of what might be considered a reasonable return on the capital invested. It is also shown that an adequate annuity has not been set aside for depreciation, and that during recent years maintenance has been insufficient.

Had the full amount of maintenance work been done each year, and had a full depreciation annuity been set aside, it is doubtful if more than a reasonable return would have been earned. If the consumers are protected against any necessity of making up any deficiency in the depreciation reserve or against the payment for maintenance work which should have been done in previous years, no injustice results. Provision will be made for such protection and, therefore, detailed consideration need not be given to the legal questions involved in such a modification of the valuation.

While the appraisal by the Commission's valuation department is not complete, the figures presented by the company have been

very carefully checked and compared with the results of a partial field appraisal. With the modifications already discussed the result will be accepted by the Commission as reasonable. For the purpose of this case only, we will use the figure of \$31,023. for intangible property and \$1,995,893. for tangible property, a total valuation for the electric department of \$2,026,916. as of January 1, 1923. In the determination of a rate base for the year 1923, there will be included the capital becoming operative during the year 1923, giving due consideration to the portion of the year it will be in operation, as well as a reasonable amount for materials and supplies kept on hand for operating purposes and a reasonable allowance for working cash capital. As the revised schedules of rates provided in the order accompanying this opinion contemplates the ownership by the company of all transformers, there will also be allowed the amount of additional capital represented by this equipment which is now used but not owned by the company. Consideration will also be given to the money which consumers have advanced to the company and on which no interest is paid.

The company has prepared an estimate of the new capital which will become operative during 1923, totalling \$188,552.67. Using these figures as a basis, our engineering department estimates \$103,400. to be the equivalent amount of new capital operative throughout the entire year of 1923.

The company claims the amount of \$50,281.63 for materials and supplies on hand. As this amount is for both its gas and electric departments and includes supplies for construction work as well as for the operation of the system, it cannot be accepted for the present purpose. The amount of \$25,000. is considered reasonable and will be used.

The allowance for working cash capital will be based on the cost of purchased power for one month and of other operations, exclusive of taxes and depreciation, for two months. These items, as included in our estimates for 1923 approximate \$37,300. Under the method of accruing taxes used as a basis for estimates elsewhere in this decision, the company is accruing from earnings money which is paid out at intervals of six months instead of monthly, as in the case of other expenses. Under this method of monthly accrual and semi-annual payment, there will be on hand an average of one-quarter of the total state tax, and this amount will be deducted from the necessary amount of working cash capital. State tax for the year 1923 will approximate \$44,000. and a deduction of \$11,000. will therefore be made, leaving a net allowance for working cash capital of \$26,300.

The engineering department of the Commission estimates that the company will be required to spend \$7,500. in taking over transformers now owned by consumers or in providing its own equipment in lieu thereof, and this amount will be allowed in the rate base. Advances made by consumers for line extensions totalled \$16,711.75 on December 31, 1922. This amount is properly deductible in the determination of a rate base, and will be deducted accordingly.

The following table gives a summation of the items entering into the rate base for the year 1923, as used in this decision:

TABLE 2.

SUMMATION OF ITEMS ENTERING INTO RATE BASE

FOR YEAR 1923.

Capital as of January 1, 1923,	\$2,026,916.00
Average net additions and betterments for 1923,	103,400.00
Material and supplies	25,000.00
Working cash capital	26,300.00
Purchase of transformers	<u>7,500.00</u>
Total	\$2,189,116.00
Advances by consumers for line extensions...	<u>16,712.00</u>
Grand Total for 1923 Rate Base	\$2,172,404.00

The proper rate of return to be allowed upon this rate base cannot be determined by any mathematical calculation. A reasonable rate of return is one which, when applied to a group of utilities, with due allowance for the special conditions involved in each case, will be sufficient to encourage the investment of requisite additional capital to enable the business as a whole to expand and keep pace with the demands upon it. The financial requirements of each individual concern enter into this consideration only as they affect the whole and as they indicate special circumstances which must be given weight.

Ten years ago this Commission allowed 8 per cent upon a reasonable estimate of investment as a fair return in certain cases, and subsequent developments have confirmed the reasonableness of such a figure from the standpoint of both the utility and the consumers. Since that time the business of generating and distributing electricity has vastly increased in extent and importance. Weaker companies have been eliminated by consolidation and destructive com-

petition has almost disappeared. Conservative financing under public control and increased recognition of the importance of utility service to the community have increased the confidence of the investor. All these things tend to make possible a reduction in the rate of return which must be allowed in order that electric utilities may secure the capital necessary to their growth. On the other hand, interest rates and the return on capital invested in other lines of endeavor are higher than formerly and the necessity for expansion during the period of even higher interest rates than those now prevailing has resulted necessarily in an increase in fixed charges. The particular utility now before us is not an unusually large company and serves no large cities. Its securities do not have the broad market and wide reputation of the larger companies. After a due consideration of all factors the Commission believes that in this instance a net return of 8 per cent after the payment of federal income tax is reasonable.

For the year 1922 the company set aside for the electric department only, a depreciation annuity of \$45,587. Such evidence as was presented regarding this item indicated it to be reasonable. Since the submission of the case, a more careful estimate has been made by the Commission's engineering department, and for the year 1923 an annuity of \$50,000. is considered reasonable for the electric department.

In line with former decisions, it is the position of the Commission that this utility should account for such reasonable depreciation reserve as should exist at the present time, as well as for the depreciation annuities which it will be permitted to collect from rates in the future. This also applies to interest upon the accumulated reserve which must supplement these annuities if

they are to be adequate.

Any estimate of the depreciation reserve which should now exist involves the present condition of various elements of the property and their degree of usefulness to the system as well as the past earnings. Only that property which is herein treated as operative will be considered, and no property being classified as non-operative can be retired by the company from the amount which is now found to be a reasonable depreciation reserve as of December 31, 1922.

The actual book reserve reported by the Company as of December 31, 1922, is \$250,735. The engineering department of the Commission has made an independent estimate of the reserve that should now exist for property of the character in point which closely agrees with the foregoing figures. After due consideration the Commission deems that the amount shown by the company's books may be accepted as reasonable, applying only to operative property as classified herein.

The chief evidence in regard to operating expenses was an analysis of expenses during 1922, as prepared and testified to by Mr. Grunsky of the Commission's engineering department. Exclusive of taxes and depreciation, the expenses reported by the company were \$293,664.79 and as found to be correct by Mr. Grunsky, \$266,564.79, or a reduction of \$27,100. Of this amount \$1,275. was improperly charged through clerical error and need not be discussed. A further amount of \$10,000. was that portion of the 1922 operating expenses which Mr. Grunsky estimated was more properly chargeable to capital account.

As previously stated herein, officials of the company whose salaries have been charged entirely to operating expenses, devote at least a portion of their time to the planning and super-

vision of construction work, and a corresponding portion of the cost of management and general supervision should be charged to capital account. The bookkeeping methods of the company do not make this segregation, and the present deduction is a correction on this account. Such costs have been and in the future will continue to be included by the Commission in appraisals of the fixed capital in the form of overhead allowances and should not be duplicated by being included in operating expenses. The remaining deduction, \$15,825, Mr. Grunsky estimates to be the amount by which 1922 operating and maintenance expenses were above normal, due to the extensive rebuilding and repairing which was done during that year.

Our examination of the company's past operations showed that in common with many other utilities of the State it had deferred maintenance work which should normally have been done during past years. This practice has been more or less general, and appears to have been due in varying proportions to the difficulty of obtaining labor and material, to high prices and, in some instances, to a lack of money for carrying on the work. In the case of this company the reason can hardly be ascribed to a lack of earnings because in the electric department, at least, the net earnings have been entirely adequate, and in some years more than reasonable. As the company earned sufficient revenue in the past to have taken care of this work in a normal manner, it cannot ask that the cost be included in estimates of future operating expenses to be made up out of rates. We will, therefore, allow as operating expenses as a basis for rates our best estimate of the cost of the maintenance of the electric system normally necessary from year to year. The company, nevertheless, will be required to bring its system up to standard and to maintain adequate service.

In setting up its statement of taxes for the year 1922, the company has shown the amount of state taxes computed upon 1922 gross revenue, but which will not be payable until July 1923 and January 1924. The inclusion of taxes upon this basis would result in the accrual of tax installments practically one year in advance of their payment. A more reasonable method is to allow the state tax upon each year's gross receipts in operating expenses for the following year. This results in the accrual of each installment of taxes during the six months preceding its payment. This is the procedure which is uniformly adopted by the Commission and will be followed in this case. The Commission finds that \$44,172. is a reasonable estimate of state taxes for the year 1923.

In a number of past decisions, we have held that the federal income tax based upon a percentage of net revenue after the payment of bond interest, should be excluded from operating expenses, on the ground that a corresponding deduction is made from the income tax of the individual stockholders. A recent decision of the United States Supreme Court (Georgia Railway and Power Company vs. Railroad Commission of Georgia, decided June 11, 1923) indicates that in the opinion of that tribunal this tax is a proper operating expense. This tax may logically be considered as one of many items that stand between the gross revenue collected from consumers and the net compensation which the investor receives for the use of his money in providing a service for these consumers. If this tax is included in operating expenses that fact must be considered in determining the reasonableness of the return which remains after operating expenses are paid, while if the tax be excluded from operating expenses, it must be remembered that it must just as surely be paid before the investor receives his return. In keeping with the above mentioned decision the federal income tax chargeable to the electric department estimated at \$18,000. for 1923, will be included in the operat-

ing expenses used as a basis of reasonable rates. Local franchise taxes and capital stock tax, estimated at \$2,658.00 for 1923, bring the total for taxes up to \$64,830.00.

The following is a tabulation of operating expenses for the year 1922 as reported by the company, as modified by the Commission's engineering department, and as estimated for the year 1923.

Table 3.

Operating Expenses - Coast Counties Gas and Electric Company.

Electric Department - Exclusive of Depreciation.

	Reported by Company for Year 1922	Corrected by Commission Engineering Department Year - 1922	Estimate by Commission Engineering Department Year - 1923
Production:			
Purchased energy	\$ 126,233.43	\$ 126,233.43	\$ 138,000.
Other operation	13,072.30	11,172.30	10,340.
Maintenance	<u>7,116.66</u>	<u>4,022.61</u>	<u>3,900.</u>
	146,422.39	141,428.34	152,240.
Transmission:			
Operation	11,123.19	9,567.24	10,500.
Maintenance	<u>14,999.87</u>	<u>11,074.87</u>	<u>11,120.</u>
	26,123.06	20,642.11	21,620.
Distribution:			
Operation	35,322.62	29,447.62	31,400.
Maintenance	<u>26,833.16</u>	<u>20,833.16</u>	<u>24,440.</u>
	62,155.78	50,280.78	55,840.
Commercial expenses	32,406.99	30,056.99	31,350.
General expenses	29,884.48	28,384.48	36,100.
General repairs	1,983.43	1,083.43	650.
Expense transferred	(5,311.34)	*Cr. (5,311.34)*Cr.	(5,000.) *Cr.
Taxes	<u>66,525.94</u>	<u>61,531.95</u>	<u>64,830.</u>
TOTAL	\$360,390.73	\$328,096.74	\$357,630.

* Credit item (principally electricity used in other departments).

Gross operating revenue was, for the year 1922, the amount \$593,307.21, or an increase over 1921 revenue of 12 per cent. This per centage is somewhat less than prevailed for several years previous, and may be even slightly below normal for this company. The Engineering Department of the Commission has estimated that the present rates, if continued throughout the remainder of 1923, could be expected to yield a total gross revenue of \$666,000. This is in line with the testimony of Mr. Cardiff of the company who expected a normal increase in load for the year 1923.

Considering the amounts already found reasonable for return upon investment, depreciation, and operating expenses, we may build up the total gross revenue reasonably necessary for the year 1923, as shown in Table 4 following.

Table 4

REASONABLE GROSS OPERATING REVENUE FOR YEAR 1923

ELECTRIC DEPARTMENT - COAST COUNTIES GAS AND ELECTRIC CO.

Rate Base (Table 2)	\$2,172,404	
Return at 8%	173,790	
Depreciation	<u>50,000</u>	
Total reasonable net revenue		\$223,790.
Operating Expenses (Table 3)	357,630	
Reserve for bad debts	<u>2,900</u>	
Total operating expenses		\$360,530.
Total reasonable gross revenue		\$584,220.
Estimated Revenue from present rates		\$666,000.
Reasonable reduction in rates		81,680.

The above table indicates the possibility of a reduction in gross revenue amounting to approximately 12 per cent.

of that estimated for the year 1923. The rate schedules set forth in the order accompanying this opinion have been drafted with the intention of causing such a reduction, bearing in mind, however, that the business is constantly growing, and that the effect of rate reductions will not be fully reflected for some months. It is also to be expected that the present modifications in rates will encourage the growth of business, and this factor has been given due consideration.

Mention has already been made of the fact that some of the present schedules have been in effect for over ten years with no modification except for the addition of surcharges, and some of them have been rendered partially or entirely obsolete by new filings. The growth of this company's business and the development of the territory which it serves have brought about changes in conditions which have not been properly met by changes in the rate structure. In arranging new schedules, consideration has been given to cost of service to various classes of consumers.

Existing rates for power service apparently result in charges somewhat out of proportion to the cost of service, as compared with that to other classes of consumers. New schedules are provided which are more flexible and uniform, and at the same time will result in a substantial reduction in cost to consumers.

Complaint has been heard regarding the method of charging for agricultural service. A modification has therefore been made in the time of payments under this rate and not only has the previously authorized surcharge been entirely eliminated but a further reduction has been made in the rate to larger installations. A new schedule for domestic service provides for the combination of lighting, cooking, heating and small power services upon one meter, and uniform rates are fixed for street lighting service, supplementing a number of special agreements now in effect. In a number of instances the character of street equipment installed and the

quality of service supplied are not up to generally recognized standards and as standard rates are not fairly applicable to such installations provision will be made for the continuation of existing rates.

I recommend the following form of order:-

O R D E R

The Railroad Commission having instituted an investigation on its own motion into the electric rates, service and operations of Coast Counties Gas and Electric Company, public hearings having been held the matter being submitted and now ready for decision,

The Railroad Commission hereby finds as a fact that the electric rates of Coast Counties Gas and Electric Company are unjust, unreasonable and discriminatory insofar as they differ from the electric rates hereinafter set forth, which are declared to be just and reasonable rates.

Basing its order on the foregoing finding of fact and on the findings of fact in the opinion preceding this order,

IT IS HEREBY ORDERED THAT

1. Coast Counties Gas and Electric Company charge and collect for electric service now supplied under filed schedules the rates set forth in Exhibit "A" attached hereto and made a part hereof.

Such rates to be filed with this Commission on or before December 1, 1923 and to become effective for metered service with bills based upon regular meter readings taken on and after December 1, 1923 and for flat rate service delivered on and after December 1, 1923.

2. Coast Counties Gas and Electric Company charge

and collect for street lighting service now supplied under special agreements either the rates specified in such agreements including surcharges heretofore authorized and now in effect or the rates set forth in Exhibit "A" as the consumers may elect.

3. Each year beginning with the calendar year 1923 Coast Counties Gas and Electric Company account to its Reserve for Accrued Depreciation of Electric Department Property for an annuity calculated in accordance with the principles followed in the opinion preceding this order and also for interest at the rate of six per cent. per annum upon the balance of the Reserve for Accrued Depreciation on the first day of each year. Such Reserve for Accrued Depreciation shall be applicable to the retirement of only that property considered in the decision preceding this order as operative in the electric department.

4. On or before January 1, 1924, Coast Counties Gas and Electric Company shall file for the approval of this Commission, a statement of the uniform conditions under which it will purchase transformers now owned by its consumers and used in the delivery to them of electric energy by Coast Counties Gas and Electric Company.

5. The effective date of this order shall be December 1, 1923.

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 27th day of October, 1923.

[Handwritten signatures of Commissioners]
Commissioners

EXHIBIT 1A

SCHEDULE L-1

(Cancelling Schedules A, B, C, E, K & Z)

GENERAL LIGHTING SERVICE:

Applicable to general domestic and commercial lighting service, including household appliances and single phase motors not exceeding 3 H.P. total capacity.

TERRITORY:

Applicable to service in entire territory served within incorporated limits.

RATE:

First	10	KWH	or less	per meter	per month	\$1.00	per month
Next	40	"	"	per meter	per month	7¢	" KWH
Next	150	"	"	"	"	6¢	" "
Next	800	"	"	"	"	5¢	" "
All over	1000	"	"	"	"	4¢	" "

SPECIAL CONDITIONS:

(a) A connection charge of \$1.00 will be required of all applicants for service under this schedule, the same to be refunded if applicant remains a consumer of the Company continuously for twelve (12) months at the same location.

SCHEDULE L-2

(Cancelling Schedules A, B, C, E, K, & Z).

GENERAL LIGHTING SERVICE:

Applicable to general domestic and commercial lighting service, including household appliances and single phase motors not exceeding 3 H.P. total capacity.

TERRITORY:

Applicable to service in entire territory served, outside of incorporated limits.

RATE:

First	10	KWH	or less	per meter	per month	\$1.25	per month
Next	40	"	"	per meter	per month	7¢	" KWH
Next	150	"	"	"	"	6¢	" "
Next	800	"	"	"	"	5¢	" "
All over	1000	"	"	"	"	4¢	" "

SPECIAL CONDITIONS:

(a) A connection charge of \$1.00 will be required of all applicants for service under this schedule, the same to be refunded if applicant remains a consumer of the Company continuously for twelve (12) months at the same location.

SCHEDULE L-3

(Cancelling Schedule Z)

STREET AND HIGHWAY LIGHTING:

Applicable to service to street, highway and other public outdoor lighting installations, using bracket, mast-arm, or center suspension construction, and supplied from overhead lines where the Company owns and maintains the entire equipment.

TERRITORY:

Applicable to entire territory served by the Company.

RATE:

<u>Arc Lamps - Luminous - Pendant Type</u>	<u>Monthly Charge per lamp. All night service.</u>	<u>Reduction in Monthly Charge per Lamp for each hour reduction in nightly service.</u>
4 Ampere	\$4.75	12 cents
<u>Incandescent Lamps</u>		
25 Watt Multiple	1.10	1 cent
40 " "	1.40	2 cents
50 " "	1.55	2 "
60 " " or 80 c.p. series	1.70	3 "
80 " " or 100 c.p. series	2.00	4 "
100 " "	2.50	5 "
150 " " or 250 c.p. series	3.20	7 "
200 " "	3.75	9 "
250 " " or 400 c.p. series	4.00	11 "
300 " "	4.40	13 "
400 " " or 600 c.p. series	4.80	17 "
500 " "	5.25	20 "

SCHEDULE L-3 (Continued)

SPECIAL CONDITIONS:

(a) All night service is equivalent to 4000 hours per year. When all night service is not desired the rate will be that shown for all night service, modified by the reductions appearing in the last column.

(b) Under the above schedule the Company bears the installation, maintenance and operating expenses and provides all necessary lamp renewals.

(c) Where the Company is required to furnish lamps with other than its standard equipment an additional charge may be made. For concentric band refractors, or diffusing globe, or special reflectors supplied with incandescent lamps, the extra charge will be 15 cents per lamp per month.

(d) For service to an installation of less than 10 lamps, the charges set forth above will be increased by 10 per cent.

SCHEDULE L-4

ELECTROLIER SERVICE:

Applicable to energy supplied to electrolier systems.

TERRITORY:

Applicable to entire territory served by the Company.

RATES:

First 100 KWH per K.W. of lamp capacity per month 5¢ per KWH
All over 100 KWH " " " " " " " " " " 2¢ " "

MINIMUM CHARGE:

\$36.00 per year per K.W. of lamp capacity, but not less than \$10.00 per month at each point of delivery.

SPECIAL CONDITIONS:

This rate covers only electrical energy delivered at one or more central points.

When the Company owns all or any part of the electrolier and underground system, or furnishes maintenance, lamp renewals, or similar service, an extra charge, appropriate to the service rendered, will be made in addition to the charge for energy.

SCHEDULE C-1

(Cancelling Schedules J and Z)

GENERAL HEATING AND COOKING SERVICE:

Applicable to general domestic and commercial heating, cooking, and/or water heating service.

TERRITORY:

Entire territory served by the Company.

RATE:

Heating, Cooking and/or Water Heating Service.

First 150 KWH per meter per month	4.0 cents per KWH
All over 150 " " " " "	2.5 " " "

MINIMUM CHARGE:

First 5 KW or less of connected capacity	\$3.00 per month
over 5 KW of connected capacity	.75 per KW per month

SPECIAL CONDITIONS:

(a) Service will normally be 110/220 volt three wire single phase alternating current.

(b) Minimum charges are based on the total load which may be connected at any one time.

(c) Connected load will be taken as the name plate rating of all heating and cooking apparatus permanently installed and which may be connected at any one time computed to the nearest one-tenth of a kilowatt. All equipment assumed as operating at 100% power factor.

(d) Single phase motors aggregating 5 H.P. or less may be combined with cooking or heating under this schedule, in which case each horsepower shall be considered equivalent to one kilowatt of connected load in determining the minimum charge.

SCHEDULE C-2

(Cancelling Schedules J and Z)

COMBINATION DOMESTIC SERVICE:

Applicable to combination domestic lighting, heating, cooking and small power service.

TERRITORY:

Entire territory served by the Company.

RATE:

* First	30	KWH	per	meter	per	month	(x)
Next	150	"	"	"	"	"	4.0 cents per KWH
All over	180	"	"	"	"	"	2.5 " " "

* For residences, flats, or apartments of more than 8 rooms add 5 KWH per additional room to the first block.

(x) Charge for first 30 KWH of the effective lighting schedule.

MINIMUM CHARGE:

First 5 KW or less of connected capacity exclusive of lighting and lamp socket devices \$3.00 per month

Over 5 KW of connected capacity exclusive of lighting and lamp socket devices \$.75 Per KW per month.

SPECIAL CONDITIONS:

(a) Service will normally be 110/220 volt three wire single phase alternating current.

(b) Minimum charges are based on the total connected load, exclusive of lighting and lamp socket devices which may be connected at any one time.

(c) This rate applies only where a domestic consumer installs and uses appliances other than lamp socket devices of at least 2 KW capacity for residences, flats or apartments of 8 rooms or less and 5 KW for residences, flats and apartments of 9 rooms or more.

(d) Bathrooms, halls and cellars are not classified as rooms.

(e) Connected load will be taken as the name plate

SCHEDULE C-2 (Continued)

SPECIAL CONDITIONS (Continued):

rating of all heating and cooking apparatus permanently installed and which may be connected at any one time computed to the nearest one-tenth of a kilowatt. All equipment assumed as operating at 100% power factor.

(f) Single phase motors aggregating 5 H.P. or less may be combined with cooking and heating under this schedule, in which case each horsepower of connected load shall be considered equivalent to one kilowatt of connected load in determining the minimum charge.

SCHEDULE P-1

(Cancelling Schedules D-1, D-2, D-3, E and Z)

GENERAL POWER SERVICE:

Applicable to general commercial and industrial power service, to commercial heating and cooking service and to rectifier service. For such service this schedule is optional with Schedule P-2.

TERRITORY:

Entire territory served by the Company.

RATE:

Rate Per KWH for Monthly Consumptions of

Horsepower of Connected Load	First 50 KWH per H.P.	Next 50 KWH per H.P.	Next 150 KWH per H.P.	All over 250 KWH per H.P.
2 - 9 H.P.	4.5¢	2.5¢	1.5¢	1.2¢
10 - 24 H.P.	4.2	2.3	1.5	1.2
25 - 49 H.P.	3.8	2.2	1.4	1.1
50 - 99 H.P.	3.3	2.1	1.3	1.0
100 - 249 H.P.	2.8	2.0	1.2	.9
250 - 499 H.P.	2.5	1.8	1.1	.8
500 H.P. and over	2.2	1.6	1.0	.7

MINIMUM CHARGE:

\$1.00 per H.P. of connected load per month, but in no case less than \$2.00 per month.

When the consumer signs a contract for service for a period of one year the minimum charges will be made accumulative for the service year. The minimum charges are payable in monthly installments until such time as the accumulative energy charges equal the annual minimum charge.

SPECIAL CONDITIONS:

(a) Voltage

The above rates apply to service rendered at voltage of 110 and 220 volts under the provisions of Rule and Regulation No. 2.

SCHEDULE P-1 (Continued)

SPECIAL CONDITIONS (Continued):

(b) Credit for Ownership of Transformers by Consumer.

The Company will ordinarily install, own and maintain transformers, but where the consumer owns the transformers or receives energy at primary voltage there will be allowed an annual discount from both minimum and energy charges of \$1.75 per horsepower for the first 15 horsepower of connected load plus \$.90 for each additional horsepower.

(c) Measurement of Connected Load.

The connected load will be taken as the horsepower rating of the equipment used, which may at any one time be connected to the Company's line, but in no case less than 2 horsepower.

(d) Maximum Demand.

The above rates and minimum charges may at the option of the consumer be based on the horsepower of measured maximum demand instead of horsepower of connected load, in which case the demand on which the rates and minimum charges will be based will be not less than fifty per cent of the connected load, and the minimum bill will be not less than \$50.00 per month.

The maximum demand in any month will be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be supplied, owned and maintained by the Company and at the Company's expense, in the fifteen minute interval in which the consumption of electric energy is more than in any other fifteen minute interval in the month or at the option of the Company the maximum demand may be determined by test.

In the case of hoists, elevators, welding machines, furnaces and other installations where the energy demand is intermittent or subject to violent fluctuations, the Company may base the consumer's maximum demand upon a five minute interval instead

SCHEDULE P-1 (Continued)

SPECIAL CONDITIONS (Continued):

of a fifteen minute interval.

Demands for installations in excess of 250 horsepower of connected load occurring between the hours of 11:00 p.m. and 6:00 a.m. of the following day will not be considered in computing charges under this schedule.

(e) Optional Rate for Larger Installations.

Any consumer may obtain the rates for a larger installation by guaranteeing the rates and minimum charges applicable to the larger installation.

(f) Rectifier, Heating and Cooking Service.

Mercury arc rectifiers and commercial heating and cooking installations may obtain service under this schedule. For the purpose of determining rates and minimum charges, each kilowatt of connected load will be considered as equivalent to one horsepower.

SCHEDULE P-2

INTERMITTENT POWER SERVICE:

Optional to Schedule P-1 and applicable especially to packing houses, canneries and so forth where the use of power is intermittent or seasonal.

TERRITORY:

Entire territory served.

RATE:

Demand Charge

First 10 h.p. of connected load \$5.00 per h.p. per year
Each additional horsepower 3.50 " " " "

Energy Charge

The energy charges are the rates without the minimum charges set forth under Schedule P-1.

The total charge is the sum of the Demand and Energy charges.

SPECIAL CONDITIONS:

The demand charge is payable in five equal monthly installments during the first five months of each service year.

SCHEDULE P-3

(Cancelling Schedules F, G, G-2, H, I, L, M and Z)

AGRICULTURAL POWER SERVICE:

Applicable to general farm use including domestic heating service but excluding domestic cooking and lighting service.

TERRITORY:

Entire territory served by the Company.

RATE:

Demand Charge

For the first	5 h.p.	of connected load	\$8.00	per h.p.	per yr.
" "	next 45	" " " " " "	6.00	" " " "	" "
" "	all over 50	" " " " " "	4.00	" " " "	" "

Energy Charge

For the first	3 000	k.w.h.	per year	2.0¢	per k.w.h.
" "	next 27 000	" " " "	" "	1.5	" " " "
" "	all over 30 000	" " " "	" "	1.25	" " " "

Total Charge

The total charge is the sum of the demand and energy charges.

SPECIAL CONDITIONS:

(a) Payment.

The demand charge is payable in six equal monthly installments with bills for energy used during the months of April to September, inclusive. The energy charge is payable monthly as energy is used.

(b) Service Year.

All meters billed at this rate will be read by the Company between March 20 and April 1 of each year and the charges will apply to service supplied between such readings of consecutive years.

(c) Charges for service begun or Discontinued during the service year.

SCHEDULE P-3

SPECIAL CONDITIONS (Continued):

(c) (Continued)

When the service is first begun or permanently discontinued during the service year the demand charge will be pro-rated according to the proportion of the six months season from April 1 to September 30 during which service is taken.

Adjustment for permanent increase or decrease in load will be made upon the same basis, considering the old load as discontinuing and the new load as beginning service.

Such adjustments apply only to the permanent discontinuance of service or to the beginning of new service and will not be made when installations shut down only for a few months, or for the balance of a season.

(d) Connected Load.

The above rates and annual charges will be based on the total horsepower rating of all equipment that may be connected to the line at any one time.

(e) Credit for Service at Primary Voltage.

The Company will ordinarily own and maintain any necessary line transformers and supply energy at secondary voltages in accordance with Rule and Regulation No. 2. When the consumer owns the transformers, or otherwise accepts service at the primary voltage of the company's distribution lines, there will be allowed a discount from the annual charge of \$1.75 per horsepower for the first 15 horsepower of connected load plus \$.90 for each additional horsepower.

(f) Application of Schedule to Consumers on former Schedule M.

The existing surcharge will not apply to bills

SCHEDULE P-3 (Continued)

SPECIAL CONDITIONS (Continued):

(f) (Continued).

based on meter readings taken on and after November 1, 1923.

The installment of the demand charge for the quarter ending December 31, 1923 will be payable as provided in Schedule M.

No demand charge will be payable for the quarter ending March 31, 1924.

For the purpose of calculating energy charges all agricultural years terminating after November 1 will be considered as extended to the beginning of the new service year described in Special Condition (b).

From the commencement of the new service year both demand and energy charges will apply as provided in this schedule.

(g) Application of Schedule to Consumers Heretofore Billed on Agricultural Schedules other than Schedule M.

Consumers heretofore billed on agricultural schedules other than Schedule M will be transferred to this schedule with the first regular meter reading on or after November 1, 1923 and considered as new consumers under Special Condition (c).

SCHEDULE P-4.

SERVICE TO X-RAY OR RADIO APPARATUS

TERRITORY

Applicable to entire territory served by the Company.

RATE

Where X-Ray or Radio apparatus is separately served it shall be classed as power equipment and service will be rendered in accordance with the rates for general power service; except that the horsepower minimum provision of any such rate shall be modified as provided below.

At the consumer's option, service to X-Ray/^{or Radio} apparatus may be rendered at the lighting rate, in which case it may be combined (where physically practicable) on the same meter with regular lighting service; provided that the minimum provisions specified below will apply in all cases.

MINIMUM CHARGE:

Where the Company finds it necessary to install any special equipment, other than the customary meter and service, in order to render service to X-Ray or Radio apparatus, the minimum monthly charge shall be \$.50 per Kilowatt of X-Ray or Radio Apparatus capacity, or \$.50 per Kilowatt of special transformer capacity required to serve same, but in no case less than \$1.00 per month.

Where service to an X-Ray or Radio apparatus does not require the installation of any special equipment, no horsepower (or Kilowatt) minimum shall apply, and only the meter minimum specified in the rate used need be considered.

SCHEDULE P-5.

RAILWAY SERVICE:

Applicable to service to Union Traction Company
at Santa Cruz.

RATE:

A. C. Service

1.20¢ per KWH

MINIMUM CHARGE

None.

SPECIAL CONDITIONS:

The same division of operating expenses between
the Company and the Union Traction Company as has existed
in the past will apply.

SCHEDULE P-6

(Cancelling Schedule N)

RESALE POWER SERVICE

Applicable to electric service to other electric utilities and to municipalities for distribution and resale. Service to be supplied at standard voltages of 2200 volts or over.

TERRITORY

Entire territory served.

RATE

(1) Demand Charge

First	10 KW or less of maximum demand	\$20.00 per month
All over	10 " of maximum demand	1.50 " "

plus.

(2) Energy Charge

First	100 KWH per KW per month	1.5¢ per KWH
All over	100 " " " " "	1.0 " "

SPECIAL CONDITIONS:

(a) Total Charge

The total charge is the sum of the demand and energy charges given above.

(b) Voltage

Service under this Schedule will be supplied by the Company at standard voltages of 2200 volts or more as available.

(c) Demand

The maximum demand in any month will be the average kilowatt delivery of the fifteen minute interval in which the consumption of electric energy is greater than in any other fifteen minute interval in the month. The maximum demand on which the demand charge and energy block will be based will not be less than 10 Kilowatts during any month.

(d) Optional Rate

Service may be taken under Schedule P-1 at the option of the consumer.