

Decision No. 13025-

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

A. G. POPLIN et al.)

vs.)

OJAI POWER COMPANY)

Case No. 1941.

ORIGINAL

Hollingsworth and Henderson, for Complainants.

Earl E. Moss, for Ojai Power Company.

BY THE COMMISSION:

O P I N I O N

This proceeding is an investigation into the electric rates of the Ojai Power Company, initiated upon the complaint of A. G. Poplin and other consumers, and directed particularly against the alleged excessive rates charged for agricultural and lighting service.

The Ojai Power Company was organized in 1912, and now supplies electricity for lighting and power service in the Ojai Valley, and water in the town of Ojai. All energy is purchased from the Southern California Edison Company at Ojai. Its electric rates have been formally before the Commission upon one occasion only, in 1920, when application was made for authority to increase rates on account of increased cost of operation. At that time a surcharge of 20% was authorized to continue in effect for a period of one year (Decision No. 7882, 18 C.R.C. 580).

Hearing in the present case was held at Ojai on November 26, 1923, before Examiner Williams, testimony being introduced and the matter being submitted for decision.

An estimate of historical reproduction cost of physical properties as of September 30, 1923, was introduced by Mr. Charles Grunsky, of the Commission's Engineering Department, this estimate being accepted by both the company and the complainants. Mr. Phillips, of the company, testified as to the value of intangibles, franchise, organization, and possible additions and betterments during the year 1924. The following table gives the valuation of physical properties as appraised by Mr. Grunsky:

TABLE I
HISTORICAL REPRODUCTION COST APPRAISAL
OJAI POWER COMPANY - ELECTRIC DEPT.
PHYSICAL PROPERTIES AS OF SEPT. 30, 1923

Land	\$350.00
Poles and Fixtures	16,003.00
Overhead System	9,082.00
Substation Bldg. & Genl. Structures	2,300.00
Substation Equipment	4,022.00
Transformers and Line Devices	19,314.00
Services	2,051.00
Meters	5,217.00
Municipal St. Lighting System	77.00
General Equipment	<u>1,841.00</u>
Total these accounts	\$60,257.00
Overhead - 8% (except land)	<u>4,792.00</u>
	\$65,049.00
Interest during construction, 2%	<u>1,301.00</u>
Total Physical Properties	\$66,350.00

As both the company and the complainants have accepted the figure \$55,350 as found by Mr. Grunsky for the historical reproduction cost of the physical electric properties, this amount will be used in the determination of a rate base for 1924. To this figure must be added a reasonable amount for franchise, organization expense and the capital becoming operative subsequent to September 30, 1923, and prior to December 31, 1924, giving due consideration to the portion of the year it will be in operation, as well as a reasonable amount for working cash capital and for material and supplies kept on hand for operating purposes. Consideration will also be given to the money which consumers have advanced to the company, and on which no interest is paid.

The company estimates that \$17,500 must be expended for necessary additions and betterments to place its lines in satisfactory operating condition. While this amount will probably be spent eventually to better service conditions, it is in excess of the reasonable amount to be included in the rate base for the year 1924. Consideration must be given to the fact that a portion of such expenditures would have been made in prior years if the capacity of the system had been kept abreast of the demands for service, and to the further fact that the expenditure now about to be made will make some excess capacity available for future growth. The amount of \$8,000 is considered reasonable for this item, and will be used.

It appears from Mr. Phillips' testimony that the book figures for franchise represent the actual cost of this item. The amount included under intangibles should be classified as physical property. The item for organization, as shown by the company's testimony, should be reduced to \$973.00 on account of stock selling expense included.

The inventory of materials and supplies, for both construction and operation, totals \$3689. A reasonable allowance for purposes of operation is \$1000., which figure 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 found reasonable for 1924 approximate \$2000.

The following table gives the summation of the items entering into the rate base for 1924, as used in this decision:

<u>TABLE 2</u>	
<u>Summation of Items Entering Into Rate Base</u>	
<u>For Year 1924</u>	
Franchises	232.
Organization	973.
Physical Properties	<u>66,820.</u>
Capital as of Sept. 30, 1923,	\$68,025.
Allowance for additions and betterments to December 31, 1924,	8,000.
Materials and Supplies	1,000.
Working Cash Capital	<u>2,000.</u>
Total -	<u>\$79,025.</u>
Advances by consumers for line extensions,	<u>1,450.</u>
Grand Total for 1924 rate base,	\$77,575.

Since 1920 the company has been setting aside a depreciation annuity approximating 4% of electric capital. Testimony in the present case by Mr. Grunsky is to the effect that a depreciation annuity based on 2.6% of operative physical capital is reasonable. By applying this percentage to the physical property as contained in the set-up of rate base, the reasonable figure for depreciation annuity for 1924 is found to be \$1950, and this figure will be used.

In line with former decisions, it is the position of this Commission that this utility should account 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.

Operating expenses, exclusive of taxes and depreciation, for the year 1924 are estimated by Mr. Grunsky to be \$19,300, while the estimate of Mr. Phillips for the same accounts was \$19,344. Mr. Phillips uses a somewhat lower figure for cost of purchased power, and a higher figure for miscellaneous and general expense. It would appear that either of the above figures might be used without injustice to either the company or consumer, and the estimate of \$19,300 will therefore be used.

Taxes have been estimated by both Mr. Grunsky and Mr. Phillips at \$4000 for 1924. Based upon a gross revenue of \$38,000 for 1923, which revenue will probably be realized, the state tax for 1924 would be \$2850. Franchise tax would similarly be \$760. Federal income and capital stock tax should approximate \$800. It appears therefore that the estimates submitted are somewhat low, and an allowance of \$4,400 will be used.

The following is a tabulation of operating expenses for the year 1924 as they will be used in this decision:

Table 3

Estimated Operating Expenses - Exclusive of Taxes and Depreciation

Ojai Power Company - Elec. Dept.

Year 1924

Production - Purchased Energy	\$14,500.
Distribution Expense	1,700.
Commercial Expense	950.
General and Miscellaneous Expense	<u>2,150.</u>
Sub Total	\$19,300.

Gross operating revenue for the year 1922 was \$29,719, a 4 percent increase over the previous year, and an actual growth of about 14 percent if the effect of the surcharge during the first seven months of 1921 are eliminated. Revenue for the year 1923 will be very close to \$38,000, an increase of 28 percent over 1922 revenue. Testimony was given by Mr. Phillips that this has been a year of abnormally light rainfall, and therefore has required more than the usual amount of irrigation on the part of the agriculturists. It appears that the use of energy for irrigation during 1923 has exceeded that during 1922 by about 50 percent and that gross revenue from irrigation power service for 1923 exceeds that of the previous year approximately 35 percent. Based on a study of each class of service, and giving consideration to the natural yearly increase, and the unusual use of power for irrigation in 1923, the Commission's engineering department estimates gross revenue for 1924 under present rates to be \$35,000. This estimate appears reasonable and will be used.

The following Table No. 4 sets forth the revenue and return which should result assuming the present rates to apply to the conditions as herein estimated for the year 1924:

TABLE 4
ESTIMATED REVENUE, EXPENSE, AND NET RETURN
OJAI POWER COMPANY
1924 ESTIMATE

Revenue Electric Operations	\$35,000
Operating Expenses - Table 3	\$19,300.
Taxes	<u>4,400.</u>
Total Expenses	23,700
Depreciation	<u>1,950</u>
	\$25,650
Net for Return	\$ 9,350
Rate of Return on Rate Base of \$77,575.	12. %

It appears from the above table that the present rates, if continued in effect, would result in more than a fair return. The Commission has held in a number of instances that 8 percent. was a reasonable return on capital investment. This company serves a small and relatively undeveloped territory, and has not the opportunity of balancing lean territory with rich territory which the larger companies enjoy. It is believed that rates yielding an 8 percent. return would be higher than the consumers could reasonably be expected to pay, and therefore a return of 8 percent. can not be expected in this particular case.

The rate schedules set forth in the order accompanying this opinion will result in a rate of return of somewhat less than 8 percent., but bearing in mind that the present reduction in rates will encourage the growth of business, and the limitations of the territory served, they are found to be reasonable.

Existing rates for lighting and power service are somewhat out of proportion to the cost of service. New schedules for lighting and agricultural power will result in a substantial reduction in cost to consumers. Heating and cooking rates have been simplified, but no reduction to this class of service is contemplated. General power service rates have been designed to encourage more continuous use of smaller installations by the inclusion of a minimum charge depending upon the load connected such as is made by practically all other companies throughout the state. In view of the unfairness of this rate which does not charge low load factor consumers their reasonable share, there will be both reductions and increases to the individual consumers, and a slight reduction to this class of consumers as a whole.

O R D E R

The Railroad Commission, having made, upon complaint of certain consumers, an investigation into the electric rates of the Ojai Power Company, public hearing 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 the Ojai Power Company are unjust, unreasonable

and discriminatory in so far 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 the findings of fact in the opinion preceding this order,

IT IS HEREBY ORDERED that --

(1) Ojai Power 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 February 1, 1924, and to become effective for metered service with bills based upon regular meter readings taken on and after Feb. 1, 1924, and for flat rate service delivered on and after Feb. 1, 1924.

(2) Each year beginning with the calendar year 1924 Ojai Power 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 percent. per annum upon the balance of the Reserve for Accrued Depreciation on the first day of each year.

(3) That the effective date of this order be Feb. 1, 1924.

Dated at San Francisco, California, this 10th
day of ~~December~~ ^{January}, 1924.

C. Seely
H. B. Gooding
J. W. Madson
Everton Shore
J. Whittier
Commissioners.

EXHIBIT "A"

SCHEDULE L-1

(Cancelling Schedule A)

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.

RATE:

First	10	KWH	or less	per meter	per month	\$1.50	per month
Next	40	"		per meter	per month	.09	" KWH
Next	150	"	"	"	"	.07	" "
All Over	200	"	"	"	"	.06	" "

SPECIAL CONDITIONS:

When a transformer is required for a single consumer on lines in excess of 5000 volts a minimum charge of \$2.50 per month will be made.

SCHEDULE L-2

STREET AND HIGHWAY LIGHTING

Applicable to service to electrolier or other lighting service where consumer owns and maintains the equipment, and the company supplies energy at one or more central points. Optional, for such service, to Schedule L-1.

RATE:

First 100 KWH per month per KW of connected lamp capacity	8¢ per KWH
All over 100 KWH per month per KW of connected lamp capacity	4¢ per KWH

SPECIAL CONDITION:

The above rate covers only electrical energy delivered at one or more central points and contemplates the ownership and maintenance of regulating equipment by the Company and of the electrolier and underground system by the consumer. When the Company owns all or any part of the electrolier or underground system or furnishes lamp renewals, globes, maintenance, etc., an extra charge appropriate to the service rendered will be made in addition to the energy charge.

SCHEDULE C-1

(Cancelling Schedules C, D, E, F and H)

GENERAL HEATING AND COOKING SERVICE:

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

RATE:

Heating, Cooking and/or Water Heating Service.

First	220	KWH	per	meter	per	month	3.0¢	per	KWH
All over	220	"	"	"	"	"	2.0¢	"	"

MINIMUM CHARGE:

First	7	KW	or	less	of	connected	capacity	\$3.50	per	month		
Over	7	KW	of	connected	capacity	per						
						KW	per	month	-	.50	"	"

SPECIAL CONDITIONS:

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

(b) 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.

(c) 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 C, D, E, F and H)

COMBINATION DOMESTIC SERVICE:

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

RATE:

* First	30 KWH	per meter	per month	11.0¢	per KWH
Next	220 "	"	"	3.0	" "
All over	250 "	"	"	2.0	" "

* For residences, flats, or apartments of more than 7 rooms add 5 KWH per additional room to the first block.

MINIMUM CHARGE:

First 7 KW or less of connected capacity exclusive of lighting and lamp socket devices \$3.50 per month

Over 7 KW of connected capacity exclusive of lighting and lamp socket devices .75 per KW per MO.

SPECIAL CONDITIONS:

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

(b) 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 eight rooms or less and 5 KW for residences, flats and apartments of nine rooms or more.

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

(d) 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.

(e) 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 Schedule B)

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.

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 100 KWH per H.P.	All Over 200 KWH per H.P.
2 - 4 H.P.	5.0¢	2.7¢	1.4¢	1.2¢
5 - 9 H.P.	4.1	2.5	1.3	1.1
10 - 24 H.P.	3.6	2.4	1.2	1.0
25 - 49 H.P.	3.2	2.3	1.1	.9
50 H.P. and Over	2.7	2.0	1.0	.8

MINIMUM CHARGE:

First 50 H.P. of connected load \$1.00 per H.P. per month
 All Over 50 H.P. " " .50 " " "
 But in no case shall total minimum charge be less than \$2.00 per month.

SPECIAL CONDITIONS:

(a) This schedule applies to service rendered at 110 and 220 volts. All necessary transformers to obtain such voltage will be installed, owned and maintained by the company.

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

(c) The minimum charge may, at the option of the consumer, be made accumulative over a twelve-months period, in which case a contract for not less than one year may be required.

SCHEDULE P-2

INTERMITTENT POWER SERVICE:

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

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 after the date service is first rendered.

SCHEDULE P-3

(Cancelling Schedule G)

AGRICULTURAL POWER SERVICE:

Applicable to agricultural power service

RATE:

Consumption per H.P. per Year.	Rate per K.W.H. for Connected Loads of			
	1. HP to 4 HP	5 HP to 14 HP	15 HP to 49 HP	50 HP and Over.
First 400 K.W.H. per HP	3.6¢	3.0¢	2.8¢	2.6¢
Next 600 " " "	2.0	1.8	1.6	1.4
All over 1000 " " "	1.4	1.3	1.2	1.1

MINIMUM CHARGE:

Per HP per Year	\$10.00	\$9.00	\$8.00	\$7.50
	But not less than \$20.00 per year.			

SPECIAL CONDITIONS:

(a) This rate applies to service rendered at 220 or 440 volts at the option of the consumer. All necessary transformers to obtain such voltage to be installed, owned and maintained by the company.

(b) The annual period upon which this rate is based shall begin with the first regular meter reading taken on and after April 1st and ending with the corresponding meter reading of the succeeding year.

(c) The minimum charge is payable in six monthly installments during the months of May to October, inclusive.

(d) For consumers first starting service, or permanently discontinuing service, the minimum will be adjusted in proportion to that portion of the six months period from May 1st to October 31st over which service is actually rendered.