

Decision No. ✓

ORIGINAL

BEFORE THE RAILROAD COMMISSION  
OF THE STATE OF CALIFORNIA.

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CALISTOGA ELECTRIC COMPANY,  
Complainant,

vs.

NAPA VALLEY ELECTRIC COMPANY,  
Defendant.

Case No. 508.

In the matter of the investiga-  
tion into the rates of NAPA VALLEY  
ELECTRIC COMPANY for electric ener-  
gy.

Case No. 538.

THELEN, Commissioner.

OPINION ON PETITION FOR REHEARING.

In its petition for rehearing in the above entitled cases, Napa Valley Electric Company urges certain matters to which I desire to give consideration.

The point that this Commission has no jurisdiction over the rate to be charged by Napa Valley Electric Company to Calistoga Electric Company, for the reason that this rate was established by contract, has been several times decided by this Commission adversely to petitioner's contention. See Application of Murray and Fletcher, Volume 2, Opinions and Orders of the Railroad Commission of California, page 464, and Town of Ukiah vs. Snow Mountain Water and Power Company, Decision No. 1309, decided on February 27, 1914. There is no merit in petitioner's point that Calistoga Electric Company is not a public utility but is merely an agent or middleman selling electric energy on behalf of petitioner. The mere fact that it buys its electric energy from another company under a contract has no bearing on its own status which is determined by its own acts in selling electric energy for compensation to every one who wants electric energy in Calistoga. The evidence shows that under the provisions of Section 23 of Article XII of the Constitution and Section 2

of the Public Utilities Act, Calistoga Electric Company is clearly a public utility.

Petitioner complains that no specific allowance was made for cost of developing the business. I desire to draw attention to the fact that petitioner introduced no evidence whatsoever of the cost of developing the business but that this Commission, in order to be absolutely fair to Napa Valley Electric Company, estimated the return on the basis of the estimated reproduction value new of the company's property, although it is not new and although it is not operated at 100 per cent efficiency.

Petitioner alleges that it can find no allowance for the moneys expended in securing franchises. Petitioner will find a specific allowance for the proportion of franchises chargeable to the electric business set forth as item No. 2 on page 5 of the printed opinion.

There is not merit in petitioner's claim that the value of the Oak Knoll line should be considered in estimating the basis on which petitioner is to be allowed a return. Petitioner has entirely misconstrued this Commission's opinion in Application No. 83, Snow Mountain Water and Power Company, reported in Volume 1, Opinions and Orders of the Railroad Commission of California, page 784. This Commission did consider the Oak Knoll line as part of the Snow Mountain Water and Power Company's transmission capital, and for this reason it would seem obviously unfair to again include the same line as part of the capital of Napa Valley Electric Company. Napa Valley Electric Company does not own this line and is clearly not entitled to a return thereon. The company's expense in operating and maintaining the line has been included under the head of operating expenses.

With reference to the segregation of operating expenses as between petitioner's electric business and its gas business, this segregation is one which it was necessary to make and fairly represents the portions of operating expenses chargeable to each class of business, except that if any leniency has been shown it has been shown to the gas business. An analysis of this company's gas business reveals the

fact that 29.92 gallons of oil were used per thousand feet of gas manufactured in 1913, whereas the average amount should not have exceeded 13 gallons, as shown by the records of comparable gas companies in California. It may well be that the cost of oil sold by this company, as shown by its annual report, was included in the cost of oil reported for the gas business. If the normal economy of oil were shown the company would save some \$761.54 over the cost as reported for 1913. I would also suggest to petitioner that if it would reduce the price of gas and enter upon an active campaign for business, particularly fuel business, it may very well happen that this company will be able to materially increase its revenues from the gas business.

The Commission allowed a rate of return of 8 per cent on the estimated cost of reproducing the property new, which sum is fair and reasonable under the facts of this case.

If a normal increase of business is allowed for, the rate established for the street lighting service in St. Helena and for the service to the Calistoga Electric Company, would be materially in excess of the cost of service instead of being an insignificant amount less than the cost. Comparison of the consumption of the Calistoga Company for January and February, 1913, and the corresponding months of 1914, shows that whereas the consumption in January and February, 1913, was 4560 and 3360 K.W.H., respectively, the consumption during the corresponding months in 1914 had increased to 5400 and 5040 K.W.H., respectively, a very material increase. The Commission, in establishing the rate, charged no increase in business to petitioner, as it should have done if petitioner were limited to all to which it is entitled.

A normal increase in business will take care of any small items in operating expenses which may possibly have been omitted. The claim, now for the first time asserted, of \$1,000 for litigation is entirely out of the normal. A normal increase in business will take care of a proper allowance for legal expenses.

Petitioner complains that the increase which the Commission made in the rate for seasonal agricultural power will result in a loss of a considerable portion of this business. The rate established by the Commission apportioned to this business its fair share of the investment and operation and maintenance expenses. If petitioner desires to engage in this business at less than the fair return allowed by the Railroad Commission, in order to retain the business, and will file with this Commission an application for authority to reduce the rates established by the Commission, the Commission will be glad to entertain such application and to give due consideration to it.

After a careful consideration of all the grounds urged for rehearing, I find there is no merit in the application, and accordingly recommend that the application be denied.

I submit herewith the following form of order:

O R D E R .

IT IS HEREBY ORDERED that the petition of Napa Valley Electric Company for a rehearing in the above entitled cases be and the same is hereby denied.

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 11th day of July, 1914.

H. D. Loveland  
Chas. Gordon  
Max Wheeler  
Commissioners.