

Decision No. ²⁸⁹
BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application :
of the Snow Mountain Water Company, :
a corporation, for permission to :
charge rates different from the : Application No. 83.
rates specified in schedule on :
file with the Commission. :

F. D. Madison, representing applicant.

O P I N I O N.

LOVELAND, Commissioner.

The hearing on this application was held September 17, 1912, and the matters involved in the application were thoroughly gone into.

It appeared from the testimony that the principal business of the Snow Mountain Water & Power Company was to furnish electric energy in a wholesale way to other companies, which companies in turn distribute the energy to consumers for heat, light, power and such other purposes as electricity is used for. In this way applicant disposes of a very large percent of its electric energy to the Pacific Gas & Electric Company. It also sells electric energy in a wholesale way to the Mt. Konocti Light & Power Company, the Cloverdale Light & Power Company, and the Kapa Valley Electric Company.

Applicant has contracts with all these companies entered into previous to the effective date of the Public Utilities Act, copies of which are on file with this Commission, which contracts and the conditions under which they were made, were thoroughly explained and gone over at the hearing.

With the Pacific Gas & Electric Company, applicant has a contract entered into on the 25th day of August, 1908, for a period of twenty years, the terms of which are reciprocal to the extent that each company agrees to buy from or sell to the other as the necessities of each require, electric energy at .505¢ per K.W.H. The practical operation under this contract has been that during certain seasons of the year the Snow Mountain Water & Power Company has sold to the Pacific Gas & Electric Company a very large percent of its output, so large

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that figured by the year it amounts to 73% of the output of the Snow Mountain Water & Power Company.

In response to a letter from the Commission to the Snow Mountain Water & Power Company, wherein applicant was advised of the necessity of filing its rates with the Commission, an informal letter was received from the Snow Mountain Water & Power Company stating that its rates were 1¢ per K.W.H.; subsequently, when copies of its contracts with other companies were filed, it developed that applicant was charging different rates to different customers. To the Pacific Gas & Electric Company its price was as above stated, .505¢ per K.W.H.; to the Cloverdale Light & Power Company its price was 1¢ per K.W.H.; to the Mt. Konocti Light & Power Company, during a brief period when that company was getting started, its price was six-tenths of a cent per K.W.H. but after May 1st, 1915, the Mt. Konocti Light & Power Company is to pay under the contract 1¢ per K.W.H. The Snow Mountain Water & Power Company also supplies the City of Ukiah, Mendocino County, California, and the Mendocino State Hospital under contract, charging each of these customers \$4.00 per horse power per month which is considered a fair rate, as under the circumstances in each case, applicant is required to put in a sub-station at a considerable expense to reduce the current from the voltage of 55,000 volts, which its transmission line carries, to 2500 volts, required by the City of Ukiah and the Mendocino State Hospital. As shown by the testimony, the consumers of electric energy for domestic purposes in Ukiah are now paying 10¢ per K.W.H. where previous to this arrangement with the Snow Mountain Water & Power Company they were paying 15¢ per K.W.H. and that a corresponding saving has been made by the Ukiah State Hospital. These two contracts under the testimony require no further consideration in this opinion.

Coming now to the contract of the Snow Mountain Water & Power Company with the Kaga Valley Electric Company we find that a different condition exists.

On the 25th day of June, 1907, the Kaga Valley Electric Company entered into a contract with the Snow Mountain Water & Power Company for a period of forty years by the terms of which contract the Kaga Valley Electric Company agreed to purchase from the Snow Mountain Water & Power Company electric energy on a load factor basis. Upon this basis the testimony showed that the Kaga Valley Electric Company was paying considerably more than 1¢ per K.W.H., in fact an average of 1.61¢ but the Snow Mountain Water & Power Company sought to justify this charge because of its having built its main line south from St. Helena through the Kaga Valley to Oak Knoll, at which place the sub-station of the Kaga Valley Electric Company is located, and also a line from Fulton just above San ta Rosa to St. Helena at an expense of \$60,000. which line it had turned over to the Kaga Valley Electric Company without charge, the only cost to the Kaga Valley Electric Company other than the contract price for electric energy per K.W.H. being the up-keep of the main line from St. Helena to Oak Knoll and from Fulton to St. Helena.

At first glance it would appear that there was something in this contention, but a close analysis of all the circumstances leads me to disregard the fact of applicant having built the two lines referred to as a reason for discriminating in its price for electric energy between the Kaga Valley Electric Company and the Cloverdale & Mt. Monocti Companies.

With due regard for the interests of the Snow Mountain Water & Power Company and the Kaga Valley Electric Company, there is still an important matter which merits the consideration of the Commission and that is the interests of the public; and

there seems to be no question but what the Napa Valley Electric Company can purchase electric energy to supply its consumers in the neighborhood of 1¢ per K.W.H. so while Mr. Beard, the president of the Napa Valley Electric Company, has not at any time asked for a change or modification of the contract which his company entered into with the Snow Mountain Water & Power Company, we nevertheless considered that it was our duty at the hearing in the interest of the public to consider the rates paid by the Napa Valley Electric Company to the Snow Mountain Water & Power Company. During this consideration, Mr. W. S. Graham, president of the Snow Mountain Water & Power Company, voluntarily expressed his opinion as to the granting of a less rate to the Napa Valley Electric Company as follows:

"I would like to say further- the benefit of the Snow Mountain Water & Power Company would receive if it did make a lesser rate to the Napa Valley Electric Company, in all probability, an increase in the consumption of current in that territory. I understand there are parties there now who desire to take current from the Napa Valley Electric Company if the Napa Valley Electric Company will agree to give it to them at a lesser rate than it has offered to them up to this time. Now it might be better for all concerned, the consumer, the Napa Valley Electric Company and this company, if everything considered, considering all the facts the investment there, the Napa Valley's investment there, if a lesser rate could be given them and that is under advisement at this time and has been for just about a week."

The case was submitted upon the understanding that the opinion and order would be reserved for a short time to give the parties an opportunity to come to an amicable adjustment of the rates to be paid by the Napa Valley Electric Company.

At the request of the president of the Snow Mountain Water & Power Company, Mr. F. E. Hoar, the Commission's Expert in the Division of Electricity and Gas, assisted in the consideration of the matter of rates to be charged the Napa Valley Electric Company, but before doing so specifically stated to the Snow Mountain Water & Power Company that the

participation of the Rate Expert of the Commission was at the request of applicant and that any conclusion to which he assisted in arriving at would not necessarily be binding upon the Commission; that inasmuch as the Rate Department of the Commission would base its investigation more or less upon the reports and data filed by applicant and from testimony introduced at the hearing by applicant, the rate arrived at (if approved by the Commission) would be subject at any time to re-consideration and re-adjustment upon complaint or upon the Commission's initiative.

The investigation by the Rate Department comprehended a careful analysis of applicant's general financial condition, total investment, income, etc. It also comprehends a segregation of investment, showing what part of the total investment is required to carry out the conditions of Applicant's contract with the Pacific Gas & Electric Company and what part of the total investment is used in its contract with other customers. This segregated analysis is used as a means of arriving at a fair rate for the Napa Valley Electric Company based upon load factor as provided in the contract between the Snow Mountain Water & Power Company and the Napa Valley Electric Company, such rate varying from 1.25¢ per K.W.H. when 16 $\frac{1}{2}$ % of load factor is used to 1¢ per K.W.H. when the consumption reaches 53% load factor or more.

As the testimony in the hearing shows that with the addition of a few customers the Napa Valley Electric Company can easily reach 53% load factor, I have no hesitation in recommending that this scale of rates worked out by the president of the Snow Mountain Water & Power Company, and our Rate Department, be approved as a fair rate for the Napa Valley Electric Company. Having arrived at this amicable reduction in rates for the Napa Valley Electric Company, it is in my judgment the further duty of the Commission to see that the customers of the Napa Valley Electric Company receive the benefit of this reduction.

After careful consideration of the relations of the

Snow Mountain Water & Power Company with its various customers I find upon evidence now before the Commission that the Snow Mountain Water & Power Company should be authorized to continue deviation as prayed for in this application with the following customers, to wit: The Pacific Gas & Electric Company, The Mt. Konocti Light & Power Company, the Cloverdale Light & Power Company, the City of Ukiah/ California, and the Mendocino State Hospital. That as to the scale of prices to be charged by the Snow Mountain Water & Power Company for electric energy to the Napa Valley Electric Company, such scale as arranged by the president of the Snow Mountain Water & Power Company and the Rate Department of the Commission shall be put into effect.

I recommend the following order.

O R D E R.

WHEREAS, the Snow Mountain Water & Power Company has applied to this Commission to continue to charge rates for electric energy different from the rates filed with this Commission,

AND WHEREAS, the reasons for such deviation from the rates filed with the Commission have been carefully analyzed and considered, and an amicable adjustment arrived at as to the rates to be charged to the Napa Valley Electric Company, reducing said rate from 1.81¢ to 1.25¢ maximum and .1¢ minimum per K.W.H. and the Commission finding upon the evidence before it that the Snow Mountain Water & Power Company should be authorized to continue such deviations with respect to the Pacific Gas & Electric Company, the Mt. Konocti Light & Power Company, the Cloverdale Light & Power Company, the City of Ukiah, California, and

the Mendocino State Hospital,

IT IS HEREBY ORDERED, that the said Snow Mountain Water & Power Company be and it is hereby authorized to continue such deviations. With respect to the rates to be charged by the Snow Mountain Water & Power Company and the Napa Valley Electric Company,

IT IS HEREBY ORDERED, that the Snow Mountain Water & Power Company be and it is hereby authorized to put into effect and charge the Napa Valley Electric Company the scale of rates agreed upon by the president of the Snow Mountain Water & Power Company, assisted by the Rate Department of this Commission, such assistance having been requested by the Snow Mountain Water & Power Company and accepted as in no way binding upon the Commission, to wit:

Up to and including	16 $\frac{1}{2}$ %	load factor	1.25¢	per K.W.H.
"	17 $\frac{1}{2}$ %	"	1.24¢	"
"	18 $\frac{1}{2}$ %	"	1.22¢	"
"	19 $\frac{1}{2}$ %	"	1.20¢	"
"	20 $\frac{1}{2}$ %	"	1.18¢	"
"	21 $\frac{1}{2}$ %	"	1.16¢	"
"	22 $\frac{1}{2}$ %	"	1.145¢	"
"	23 $\frac{1}{2}$ %	"	1.130¢	"
"	24 $\frac{1}{2}$ %	"	1.115¢	"
"	25 $\frac{1}{2}$ %	"	1.100¢	"
"	26 $\frac{1}{2}$ %	"	1.0875¢	"
"	27 $\frac{1}{2}$ %	"	1.075¢	"
"	28 $\frac{1}{2}$ %	"	1.0625¢	"
"	29 $\frac{1}{2}$ %	"	1.05¢	"
"	30 $\frac{1}{2}$ %	"	1.0375¢	"
"	31 $\frac{1}{2}$ %	"	1.025¢	"
"	32 $\frac{1}{2}$ %	"	1.0125¢	"
"	33 $\frac{1}{2}$ %	and over	.1¢	"

That the attention of the Napa Valley Electric Company be directed to the necessity of immediately giving to its consumers the benefit of this reduction and thereby endeavoring to increase its consumption so that it may receive the lowest rate agreed upon in the above schedule.

That if this suggestion is not acted upon by the Napa Valley Electric Company, the Commission of its own initiative will call into question the rates of the Napa Valley Electric Company.

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, 1912.

John M. Cushman

W. D. Rowland

Alex Gordon

Max Thelen

Edwin O. Edgeston
Commissioners.