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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 Energy

Case No. 538

CALISTOGA ELECTRIC COMPANY,
Complainant,

-vs-

NAPA VALLEY ELECTRIC COMPANY,
Defendant.

Case No. 967

Milton U'Ren, for Napa Valley Electric Company.
and D.L. Beard)
J. C. Meyerstein, for Calistoga Electric Company.

BY THE COMMISSION.

O P I N I O N

On May 21st, 1914, by Decision No. 1530, Vol. 4,
Opinions and Orders of the Railroad Commission of the State
of California, Page 1061, this Commission in fixing the rates
to be charged by Napa Valley Electric Company authorized that
Company to charge Calistoga Electric Company for electric
current at the rate of 3¢ per K.W.H.

Case No. 967 is brought by Calistoga Electric Company
for the purposes, among others, of having this rate materially

modified and of having this Commission declare null and void two instruments signed by complainant, one being a contract for the purchase of energy by Calistoga Electric Company from Napa Valley Electric Company, the other a purported option executed by complainant in favor of defendant. Napa Valley Electric Company has, on its part, filed a petition for a supplemental order under Cases Nos. 508 and 538, praying that said contract for the purchase of power from defendant by Calistoga Electric Company, at the rates hereinafter set forth, be approved by this Commission.

A public hearing was held at San Francisco, August 25th, 1916, at which time all the above-mentioned cases were consolidated, with the consent of the interested parties.

From the evidence it appears that in 1914, soon after defendant's rates had been determined by this Commission, complainant and defendant signed a contract fixing the rates for electric energy furnished complainant by defendant as follows:

For lighting	2.4¢ per K.W.H.
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For power	1.75¢ per K.W.H.
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As will be seen this rate was considerably lower than that fixed by the Commission, but the agreement contained a provision that commencing with May 1st, 1916, the said rates should be based upon the annual minimum consumption by complainant of 180,000 K.W.H. for lighting and 60,000 K.W.H. for power. The agreement further provided that the rate so fixed should be subject to the approval of the Railroad Commission and it was further agreed between the parties that complainant should take the necessary steps for obtaining such approval. It was the intention of the parties that this rate was to date back to May 1st, 1914, and defendant, accordingly, proceeded to charge complainant at the rate set forth in said contract for all energy

furnished complainant between May 1st, 1914 and June 26th, 1916.

The total amount collected from complainant during this period upon the basis of the reduced rate was \$7,210.65, whereas defendant would have been entitled under the 3¢ rate established by the Commission to \$9,613.59, or \$2516.15 over the amount actually collected.

No steps were taken for obtaining the approval of this Commission to the proposed contract until about January 15th, 1915, when complainant and defendant filed an informal application, asking that the Commission approve the new rates set forth, together with the annual minimum consumption guaranteed by said contract. The application further stated, among other matters that it was the intention of the parties that the provision regarding minimum consumption should become effective May 1st, 1916. The Commission never either approved or disapproved said contract, and as it was a modification of the rate formally established by the Commission, and a modification which might result in either decreasing or increasing the legal rate according to the amount of energy consumed by complainant, the modified rates thus sought to be established, but which were never approved by the Commission, never became effective; and we find that the legal rate which complainant should have paid defendant for all electric energy obtained from defendant since the effective date of Decision No. 1530 (supra) is 3¢ per K.W.H.

Complainant now finds that its business has not increased as rapidly as it expected it would at the time it signed the above-mentioned contract. Instead of using 240,000 K.W.H. during the twelve months commencing with May 1st, 1916, complainant is apparently using only about 170,000 K.W.H. If it should now pay defendant for its energy upon the basis of the

minimum consumption guaranteed by said contract, it would have to pay a total minimum of \$5,370.00 per year, which under the present estimated consumption gives an average cost to complainant for this year of \$.0316 per K.W.H.

It would obviously not be fair to defendant to permit complainant to enjoy the advantages under the aforementioned contract and then to relieve it from the burdens now that the time for the guaranteed minimum consumption has arrived, but as the contract was never binding upon the parties, owing to their failure to have obtained the approval of this Commission, there is no reason to prevent this Commission from determining a just rate for the electric energy to be furnished complainant henceforth, upon the distinct understanding that complainant shall reimburse defendant for the difference between the amount paid under the agreed rate and the amount to which defendant was entitled under the legal rate of 3¢ per K.W.H.

Complainant's request for a modification of the rate established by this Commission in 1914 is entirely reasonable, as both defendant's business and complainant's consumption has increased materially since that time.

Arthur F. Bridge, one of the Commission's engineers, has compiled an estimate of the reproduction cost new of that portion of defendant's property, used in its electric business, by adding to his appraisal as of March 1st, 1914 (introduced at the former hearing of Cases 508 and 538) the book figures for additions and betterments to capital, obtained from the annual reports of defendant on file with this Commission. This estimate is as follows:

Account		As of Mar. 1, '14 Assumed same 1/1/14	Add. & Bett. Jan. 1, '14 To Dec. 31, '15	Total Jan. 1, '16
C -2	Franchise (Electric)	\$ 305.00		\$ 305.00
C- 5	Land Devoted to Elec. Operations			
	B. Land Devoted to Trans. Operations	1 900.00		1 900.00
	C. Land Devoted to Dist. Operations	476.00	\$ 3.00	479.00
C-14	Poles and Fixtures			
	B. Distribution -	13 765.89	10 680.02	24 445.91
C-15	Overhead System			
	B. Distribution -	8 779.55	2 741.38	11 520.93
C-17	Substation Bldgs. & Gen'l Struc.			
	A. Transmission	1 375.00		1 375.00
C-18	Substation Equipment			
	A. Transmission	6 329.81		6 329.81
C-20	Line Transformers & Devices	4 318.96	3 929.71	8 248.67
C-21	Electric Services	2 008.64		2 008.64
C-22	Meters	7 281.28	2 103.16	9 384.44
C-23	Municipal St. Lighting System	1 154.63	113.87	1 268.50
C-28	General Equipment			
	A. General Office Eqp.	374.43	417.79	792.22
	B. General Shop Equip.		612.12	612.12
	D. General Stable & Car. Equip.	1 969.69		1 969.69
	E. Misc. Equipment	303.81	550.41	854.22
	Total Fixed Capital			\$ 71 494.15
	Material & Supplies	1 054.29	Pres. Bal. Sheet Figure	282.11
	Sub-Total	51 396.98		\$ 71 776.26
	Working Cap. & Mos. Op. Exp.			1 600.00
	\$9,676.57/6			
Total				\$ 73 376.26

The total depreciation upon this property amounts to \$2433.00 per year, while interest at the rate of 8% would amount to \$5870.00 per year. From the foregoing table and from the information on file with this Commission in its annual reports, we find the fixed cost of defendant's service to complainant, including interest, depreciation and operating expenses exclusive of energy cost, to amount, for the year 1916, to approximately \$1,002.00, to which must be added the energy

cost, including losses and taxes of 1.298¢ per K.W.H.

Under all the circumstances we find that the following would be reasonable rates to be charged complainant by defendant:-

For the first 15,000 K.W.H. per month,	2 ¢ per K.W.H.
For all energy in excess of 15,000 K.W.H. per month	1.7¢ per K.W.H.

The application of the above rate to defendant's 1915 operations would yield it a total revenue of \$3221.00 for energy furnished complainant, as compared with a total cost for said service of approximately \$3100.00, including interest at 8% and a liberal allowance for depreciation.

As to complainant's request to have this Commission declare null and void the purported option signed by complainant, the relief prayed for is entirely outside of this Commission's jurisdiction.

ORDER

A public hearing having been held in the above-entitled cases, at which oral and written evidence was introduced by the respective parties, and the matters being now ready for decision, the Railroad Commission hereby finds that the legal rate for electric energy furnished by defendant from May 1st to June 1st, 1914 was 4.25¢ per K.W.H. and that the legal rate for said energy from June 1st, 1914 to date was and is 3¢ per K.W.H.

The Commission further finds that under present conditions the existing rate is excessive and unreasonable, and that the rates hereinafter authorized are just and reasonable. Basing its decision upon the foregoing findings of fact and upon the other findings contained in the opinion which precedes this order;

It is hereby ordered that Napa Valley Electric Company shall establish and file with this Commission the following rates for its electric service to Calistoga Electric Company:

For the first 15,000 K.W.H. per month, 2 ¢ per K.W.H.
For all energy in excess of 15,000 K.W.H. per month,
1.7¢ per K.W.H.

The rates herein established shall become effective on December 1st, 1916.

Dated at San Francisco, California, this 15th
day of November, 1916.

W. H. Donald
W. H. Gordon

Frank R. Butler

Commissioners.