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Decision No. _____.

ORIGINAL

Decision No. 2910

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

In the matter of the application)
of H. O. KOELER and A. SCHWARTZ)
for a certificate of public con-)
venience and necessity and for)
the establishment of rates.)

Application
No. 2578.

F. T. Nilon for applicants.

BY THE COMMISSION.

O P I N I O N

The applicants herein seek the order of this Commission that present and future public convenience and necessity require the exercise by them of certain franchise rights granted by the Board of Supervisors of Nevada County on the fourth day of October, 1916, which said franchise grants to the applicants herein the authority to maintain and operate a power plant and water system in and about the town of Washington, Nevada County.

A public hearing in this proceeding was held at Washington, Nevada County, on November 17, 1916. Evidence was presented in behalf of applicants and prospective consumers.

The Pacific Gas and Electric Company serves the territory contiguous to the Town of Washington and was given notice of the application made herein and of the hearing thereon. No appearance, however, was made by that corporation, and at the hearing the attorney for applicants made the statement that Pacific Gas and Electric Company offered no protest to the application herein.

In addition to the application for a declaration of this Commission that public necessity and convenience require the exercise of the franchise rights hereinabove enumerated, applicants also seek to have this Commission fix a schedule of rates to be charged for the service to be rendered by them, both as an electric and a water utility.

The cost of the system, as presented by applicants, amounted to \$4,725. In addition to this amount, further expenditures will have to be made for an electric distribution line, the estimated cost of which will amount to \$550. No estimate of reproduction cost was presented but according to testimony it would be greater than actual cost to the present owners, since they made use of an abandoned mining ditch, which was cleaned out and reconstructed at a comparatively small outlay.

Applicants testified that the probable cost of operation and maintenance of ditch and forebay would amount to \$392. per year. Adding \$300, the cost of operation of the plant, as suggested by Milo H. Brinkley, one of the Commission's engineers, and \$50. for repairs to plant, would give a total of \$742. per year, which amount we believe a reasonable sum allowable to applicants for maintenance and operation of the system.

No estimate of annual depreciation was presented at the hearing, but, according to the calculations of the Commission's engineers by the straight line method, it appears that \$211. per year is a reasonable amount to allow for annual depreciation. Taxes have been estimated at \$50. per year.

It is probable that fifteen consumers of water and light will be the maximum number served at the present time. This was testified to by applicants, who recognized the fact that rates sufficient to pay operating expenses, depreciation and interest on the investment would be prohibitive to consumers. Under the circumstances, they only desired a rate which would attract consumers and at the same time give a maximum amount of revenue. The system was built with the expectation that returns would not be compensatory but on account of the property interests which the applicants have in the town. The desire appears to be to hold the present population, make the community more attractive and take a chance on an increase in the number of consumers through its growth.

We believe that the rates as set out in the order accompanying this opinion are as high as the consumers should be required to pay. It is our opinion, judging from the evidence in this case, that greater revenue through higher rates would be uncertain on account of the probability that some consumers could not afford to take service with such rates in effect. These rates will yield a gross revenue which will compensate for operating expenses, annual depreciation and taxes as set out above, amounting to a total of \$1,003. per year. For returns in excess thereof sufficient for interest on investment, the applicants must necessarily be dependent on growth of business.

O R D E R

E. O. KOHLER and A. SCEWARTZ having applied to the Railroad Commission for a certificate that public convenience and necessity require the exercise by them of the franchise rights granted to them by the Board of Supervisors of the County of Nevada, State of California, to operate and maintain a power plant and water system in and about the town of Washington, Nevada County, California, and to sell power for lighting purposes and water for irrigation, fire and domestic purposes in and about the same locality,

And a public hearing having been held there-
on,

THE RAILROAD COMMISSION OF CALIFORNIA HEREBY
DECLARES that public convenience and necessity require
the exercise by H. O. Kohler and A. Schwartz, a co-part-
nership, of the rights and privileges conferred by the
Order granting permit to said H. O. Kohler and A. Schwartz,
a co-partnership, adopted at the regular session for
the month of October, 1916, of the Board of Supervis-
ors of Nevada County, California, provided that the
said H. O. Kohler and A. Schwartz, a co-partnership,
shall first have filed with the Railroad Commission a
stipulation declaring that the said H. O. Kohler and
A. Schwartz, a co-partnership, their successors and
assigns, will never claim before the Railroad Commis-
sion or any court or other public body a value for
said rights or privileges in excess of the actual
cost to the said H. O. Kohler and A. Schwartz, a co-
partnership, of acquiring said rights and privileges,
and shall have received from the Railroad Commission
a supplemental order declaring that such stipulation,
in form satisfactory to the Railroad Commission, has
been filed with the Railroad Commission.

THE RAILROAD COMMISSION HEREBY FINDS AS A
FACT that the rates hereinafter set forth for water
and electric energy are just and reasonable.

IT IS HEREBY ORDERED that H. O. Kohler and
A. Schwartz, a co-partnership, from and after the ef-

fective date of this order, as hereinafter provided,
charge and collect for water and electric energy sold
by them in the town of Washington the following rates:

WATER SERVICE

Monthly Flat Rates.

1. Residences, butcher shops and stores	\$1.00
2. Saloons	2.50
3. Livery stables and feed yards, per av- erage number of stock fed, each	.20
per average number of vehicles, each	.20
4. Private barns per animal	.20
5. Bathtubs	.20
6. Lawns, shrubbery and gardens during months of irrigation per 100 sq. ft.	.02

LIGHTING SERVICE

Monthly flat rates.

Commercial and residence:

First light	\$.75 per month
Second light	.50 per month
All over two lights	.25 per month each.

Hotel:

Lights in rooms	.10 per month each.
All other lights	same as commercial rate.

Public Hall or Lodge Room:

Each light per meeting05

Above rates figured on a 40 watt lamp basis.

IT IS FURTHER ORDERED that H. O. Kohler and
A. Schwartz, a co-partnership, shall file with the
Railroad Commission, within twenty (20) days from
the effective date of this order, as hereinafter

provided, a schedule of rates as hereinbefore set forth, and that the rates herein established shall be effective fifteen (15) days after the Railroad Commission shall have made and filed a supplemental order declaring that the stipulation hereinabove required by the said H. O. Kohler and A. Schwartz, a co-partnership, to be filed has been filed with the Railroad Commission, in form satisfactory to the Railroad Commission.

Dated at San Francisco, California, this 20th day of December, 1916.

Max Thelen
H. S. Howard
Alfred Gordon
Edwin O. Edgerton
Commissioners.