

ORIGINAL

Decision No. _____

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

E. T. GUISLER, et al.,
Complainants,

vs.

CALIFORNIA TELEPHONE AND LIGHT
COMPANY,
Defendant.

Case No. 917.

In the matter of the application
of CALIFORNIA TELEPHONE AND LIGHT
COMPANY for a general determination
and adjustment of rates to be
charged by it.

Application No. 2171.

- J. D. Brower for the town of Potter Valley
- I. N. Cable for Sebastopol Berry Growers
- J. C. P. Cutten and L. E. Susman for California Tele-
phone and Light Company
- J. M. Dougherty for the town of Monte Rio
- E. T. Guisler, in propria persona and for com-
plainants

GORDON, Commissioner.

O P I N I O N.

This is a complaint by E. T. Guisler and twenty-four other residents of Geyserville and vicinity against the California Telephone and Light Company alleging excessive rates for electric service and questioning various practices of the company. The complaint was filed February 5, 1916, and assigned Case No. 917. Following the answer to this complaint, the California Telephone and Light Company made formal application for a general deter-

mination and adjustment of its rates, under date of March 28, 1916. These two proceedings were consolidated for hearing and decision.

Hearings were held at Santa Rosa, March 29, 1916, and September 23, 1916, and at San Francisco December 14, 1916, and February 6, 1917.

The California Telephone and Light Company, hereinafter designated as applicant, is engaged in supplying electricity to the following towns and communities, and to the inhabitants thereof: Eldridge, Warfield, Glen Ellen, Kenwood, Cotati, Fulton, Forestville, Korbell, Guerneville, Monte Rio, Duncan's Mills, Mesa Grande, Occidental, Camp Meeker, Windsor, Lytton, Geyserville, Asti, Cloverdale and Preston, all in the County of Sonoma, and suburban territory adjacent to said towns and communities; and Potter Valley and Talmage in the county of Mendocino and territory surrounding said places. For operating purposes the territory supplied by applicant company with electricity is divided into five districts described as follows, to wit:

RUSSIAN RIVER DISTRICT: From Cotati to Forestville and all surrounding territory, thence along the Russian River to Duncan's Mills.

SONOMA VALLEY DISTRICT: From Vineburg to Kenwood, and all surrounding territory including Sonoma City.

CLOVERDALE DISTRICT: From Windsor to Preston including Cloverdale City.

UKIAH DISTRICT: The entire Ukiah Valley excepting Ukiah City.

POTTER VALLEY DISTRICT: The entire Potter Valley.

Applicant company owns and operates telephone exchanges and furnishes telephone service in the same general territory in which it supplies electricity.

The California Telephone and Light Company was organized November 23, 1911 and is a consolidation of the following companies: Northwestern Telephone and Telegraph Company, Clear Lake Telephone and Telegraph Company, Northwestern Electric Company, Gold Ridge Improvement Company, Healdsburg Telephone Company, Clear Lake Consolidated Telephone and Telegraph Company, Russian River Light and Power Company, Sonoma Valley Light and Power Company and Cloverdale Light and Power Company. The properties and business of these subsidiary companies were acquired on March 18, 1912, excepting the Cloverdale Light and Power Company which was merged with the California Telephone and Light Company on June 17, 1913.

The growth of the company has been steady. On December 31, 1916, applicant was serving 2421 electric consumers and 1771 telephone subscribers, a total of 4192 consumers in both departments, as compared with 3262 consumers at the close of the year 1913. The telephone and electric business are operated under one management and in many cases its facilities are jointly used for both services. On December 31, 1916, the company had outstanding 7660 shares of common stock of a par value of \$100 per share, 3445-13/15 shares of preferred stock of a par value of \$180 per share, and \$472,000 of first mortgage six per cent gold bonds. In accordance with the order of this Commission in Decision No. 721, Application No. 498 (Opinions and Orders of the Railroad Commission of the State of California, Vol. 2, page 1002) applicant is required to set aside a fund out of earnings in the sum of \$2500 per annum for a period of 10 years ending 1924, said

fund to be used in improvements to its system.

A valuation of applicant's properties was made by the Engineering Staff of the Commission as a result of an extended investigation, and the report of the Engineering Department shows the estimated reproduction cost new and the estimated reproduction cost new less depreciation of the electric properties used and useful in the service of the public as of June 30, 1916, to be as follows:

California Telephone and Light Company
Electric Properties as of June 30, 1916

Valuation by Engineering Department of
California Railroad Commission

	Reproduction Cost New	Reproduction cost less de- preciation
Operative Properties Electric	\$425,181.	\$334,332.
Non-operative Property Electric	8,410.	
Total Electric Properties	\$433,591.	

A careful investigation into the revenue and operating expenses of applicant's electric business, covering the period from consolidation to the end of the year 1916, shows that applicant's business does not appear to be reasonably remunerative and that during this period the net earnings from the electric service have not been enough to provide for a reserve to offset the depreciation of its electric properties and to cover the requirements for bond interest and sinking fund.

It is evident that the territory served by the applicant company is in what may be termed a development period in so far as electric utility service is concerned. The more thickly populated territory occupied by the applicant is shared with other larger electric utilities who have possessed themselves of the more remunerative portions thereof. Applicant's electric business, therefore, is confined to the smaller communities and suburban territory, none of which is at the present time productive of much business, nor is there any reasonable expectation that the business in applicant's territory will increase at a greater rate than the investment needed to supply it.

Applicant is not in the business of generating electric energy for its own purposes. It purchases its supply of electricity from the Pacific Gas and Electric Company at Sonoma and Sebastopol and from the Snow Mountain Water and Power Company at Asti and Ukiah, and pays to these companies for its wholesale supply of electricity from 1¢ to 1½¢ per kilowatt hour.

Applicant's pole lines and distribution system are scattered over a wide territory, as result of which applicant is required to sustain a heavy line loss in delivering its energy to consumers. The main office of the company is located in Santa Rosa, while its electric lines extend from Potter Valley on the north, Russian River summer resorts on the west, Cotati on the south and Sonoma and Glen Ellen on the south and east. As a result of this widely scattered condition the company's expenses are ordinarily high, and it must be expected that its consumers should be required to bear part of the extra burden necessitated by the peculiar conditions necessary to their

service. A large part of the development of the company in its electric department has been of a pioneering nature which has afforded to communities and districts the advantages of electric service which even today they might otherwise be without.

Table I herewith shows the revenue, operating expenses and income of the company from its electric business for the years 1914, 1915 and 1916.

TABLE NO. I
CALIFORNIA TELEPHONE AND LIGHT COMPANY
ELECTRIC INCOME STATEMENT 1914 - 1916 INCLUSIVE

	<u>1914</u>	<u>1915</u>	<u>1916</u>
Gross Revenue	\$69,819.47	\$73,535.68	\$78,962.47
Operating expenses (including taxes).....	37,064.75	43,727.93	45,299.51
Net operating revenue.....	32,754.72	29,807.75	33,662.96
Interest Revenues		160.91	449.03
Total Net Revenue	32,754.72	29,968.66	34,119.99
Uncollectible bills deduct	530.00	.469.80	1,545.00
Net Income - Electric	\$32,224.72	\$29,498.86	\$32,574.99

From the preceding table it will be noted that the total net income of the Electric Department of the applicant available for bond interest, sinking fund, reserve, depreciation and surplus was \$33,574.99 for the year 1916. The estimated reproduction cost of the electric properties as of June 30, 1916, from the appraisal by the Commission's engineering department, was \$425,181.00, upon which valuation the net income above for the year 1916 is a return of 7.65 per cent. The annual requirement for depreciation reserve on the electric properties of applicant should, under the special conditions existing, be in the neighborhood of 3.50 per cent or an amount approximately \$15,000.00 per annum. This will leave for its proportion of bond interest and dividends \$17,574.99 or 4.15% on the estimated cost of applicant's electric properties.

The company has not made in the past, and is not at the present time making any appropriation from income to offset the depreciation of its electric properties, although it is charging to operating expenses the depreciation of its transportation equipment and extraordinary repairs to its distribution system, which latter does not cover in any sense an amount equivalent to the annual deterioration of its properties.

These proceedings were submitted for decision with the understanding that certain statistical information relating to the telephone rates and business of applicant was to be filed later, and considered in evidence. Unavoidable delays have occurred in the preparation of these telephone statistics, and the desirability of placing in effect at an early date the electric rates hereinafter fixed has been established to the satisfaction of this Commission, in a communication from applicant dated June 20, 1917.

In this opinion and order, therefore, I shall deal only with the issues affecting the electric rates and business of applicant, and reserve decision in the matter of telephone rates and service until a later date at which time a supplemental opinion and order will be issued covering the telephone rates and business of applicant.

The rates in force for electric service have largely been handed down through the former constituent companies and vary somewhat in the several districts served.

If applicant's electric rates in this instance were to be fixed on such basis as to yield the company theoretically an adequate return comparable with larger utilities, after the payment of all necessary operating expenses and depreciation, such a rate would be prohibitive to the consumers and would² affect a material decrease in the company's business.

The lighting business is characterized by a large number of very small consumers, many of whom would not under any conditions use electricity to an amount in excess of a minimum charge. These people are enjoying the advantages of such service but are not employing it to a sufficient extent to reduce the cost of serving them.

The problem of adjusting the electric rates of this company is one of removing discriminations and establishing and uniformity, at the same time revising the existing rates so that the several classes of business connected will bear their equitable proportion of the cost of serving.

The Gas and Electric Division of this Commission has analyzed the electric business of this company and has given consideration to all the factors involved in connection with the readjustment of rates. From the evidence in this case I find the following rates to be fair and reasonable rates for electric service in the territory served by the California Telephone and Light Company.

SCHEDULE NO. 1

GENERAL LIGHTING RATE.

Based on the monthly consumption per meter

10¢ per kilowatt hour for the first 100 kilowatt hours
5¢ per kilowatt hour for all over 100 kilowatt hours

Note: Motors of 1 horsepower and less may
be included in this schedule.

MINIMUM CHARGE

Minimum monthly charge \$1.50 per meter

TERRITORY

This rate applies in all territory served with the
following exceptions:

Potter Valley District
Russian River District south of and including Mills Station
Sonoma Valley District south of and including Glen Ellen.

SCHEDULE NO. 2

GENERAL LIGHTING RATE

Based on the monthly consumption per meter

10¢ per kilowatt hour for the first 100 kilowatt hours
5¢ per kilowatt hour for all over 100 kilowatt hours

Note: Motors of 1 horsepower and less may be
included in this schedule.

MINIMUM CHARGE

Minimum monthly charge \$1.00 per meter

TERRITORY

This rate applies in the following territory:

Russian River District south of and including Mills Station
Sonoma Valley District south of and including Glen Ellen

SCHEDULE NO. 3

GENERAL LIGHTING RATE

Based on the month consumption per meter

10¢ per kilowatt hour for the first 100 kilowatt hours
5¢ per kilowatt hour for all over 100 kilowatt hours

Note: Motors of 1 horsepower and less may be included in this schedule.

MINIMUM CHARGE

Minimum monthly charge 50¢ per meter

Note: As soon as 24 hour service is established the minimum charge shall be increased to \$1.50 per month.

Present hours of service 7 to 12 o'clock a.m.
5 to 10 o'clock p.m.

TERRITORY

This rate applies in the Potter Valley District only.

SCHEDULE NO. 4

SUMMER COTTAGE LIGHTING RATE

For all territory served

10¢ per kilowatt hour.

MINIMUM CHARGE

\$ 9.00 in advance for six months service
\$12.00 in advance for twelve months service

SCHEDULE NO. 5

SIGN LIGHTING RATE

For all territory served

This special rate applies to electrical energy supplied for illuminated signs equipped with time clocks; bill to be computed on basis of hours of burning and number and size of lamps used.

RATE

7¢ per kilowatt hour

SCHEDULE NO. 6

MUNICIPAL STREET LIGHTING

This schedule of rates applies to all street, highway and other public outdoor lighting and includes installation and all maintenance, operation and lamp renewals necessary for such service in all territory served.

All night schedule - 4000 hours burning per annum

RATE

\$1.75 per month for each 40 Watt or 60 candle power lamp
\$2.00 per month for each 60 Watt or 80 candle power lamp
\$2.25 per month for each 80 Watt or 100 candle power lamp
\$3.50 per month for each 150 Watt or 250 candle power lamp

SCHEDULE NO. 7

GENERAL POWER RATE

For all territory

Based on the monthly consumption per meter

6¢ per kilowatt hour for the first 15 kilowatt hours per horsepower installed
3¢ per kilowatt hour for the next 30 kilowatt hours per horsepower installed
2¢ per kilowatt hour for all over 45 kilowatt hours per horsepower installed

DISCOUNT

A discount of 10 percent will be allowed if consumer owns transformers and is metered on primary side.

MINIMUM CHARGE

Minimum monthly charge \$1.00 per horsepower installed for one horsepower and over.

SCHEDULE NO. 8

SEASONAL POWER RATE

For all territory

The following rate applies to electrical energy supplied for seasonal power purposes; i. e. Wineries, water systems, irrigation, rock crushers, mines, summer resorts, etc.

RATE

Based on the yearly consumption per horsepower installed

Meters to be read and consumers billed monthly

6¢ per kilowatt hour for the first 150 kilowatt hours per horsepower installed
3¢ per kilowatt hour for the next 300 kilowatt hours per horsepower installed
2¢ per kilowatt hour for all over 450 kilowatt hours per horsepower installed

DISCOUNT

A discount of 10 percent will be allowed if consumer owns transformers and is metered on primary side.

MINIMUM CHARGE

\$9.00 per horsepower per year but not less than \$27.00 per year.

SCHEDULE NO. 9

COMBINATION COOKING, HEATING, INCUBATING, BROODING and DOMESTIC POWER RATE

For all Territory

Motors of 3 horsepower and under used for pumping, cutting,

grinding, mixing and other domestic purposes may be installed under this rate providing the cooking or other appliances have a rating of 3 kilowatts or more.

RATE

Based on the monthly consumption per meter

4 ¢ per kilowatt hour for the first 50 kilowatt hours
3 ¢ per kilowatt hour for the next 50 kilowatt hours
2 ¢ per kilowatt hour for the next 100 kilowatt hours
1³/₄ ¢ per kilowatt hour for all over 200 kilowatt hours

MINIMUM CHARGE

\$1.00 per month for the first ⁵ kilowatts installed, exclusive of motors
1.00 per month for each additional 1 kilowatt installed, exclusive of motors plus \$1.00 per horsepower of motors installed

SCHEDULE NO. 10

PRIMARY SERVICE RATE

For all territory served

This rate applies to electrical energy supplied at Primary voltage where consumer owns and maintains his own distribution system and transformers; all energy to be measured at Primary voltage at point where consumer's line connected with the company's line.

RATE

Based on the monthly consumption per horsepower of the total connected load.

5.0¢ per kilowatt hour for the first 15 kilowatt hours per horsepower
2.5¢ per kilowatt hour for the next 30 kilowatt hours per horsepower
1.5¢ per kilowatt hour for all over 45 kilowatt hours per horsepower

MINIMUM CHARGE

Minimum yearly charge \$9.00 per horsepower of the total connected load, provided the connected load is in excess of 75 horsepower, the minimum yearly charge shall be based on a connected load of 75 horsepower.

Several of the new rates herein established are of such form as to encourage the addition of business, principally in connection with seasonal power, and to enable the company to build up its business in this direction. Several of the rates are of such form as will slightly increase the bills of certain consumers, some of whom may not continue the service under these conditions so that the net effect of these new rate schedules will not materially affect the present revenue of the company. Applicant's future lies entirely in the intensive development of the territory it occupies to the greatest extent that such development, from a standpoint of utility service, is possible.

The existing electric rates of the applicant company have not been uniformly applied throughout its territory. A large number of deviations from filed schedules are in effect, having been continued from the former constituent companies as they existed prior to the consolidations in 1912 and 1913. It is the purpose of this opinion and order to remove all such deviations from regular non-discriminatory rate schedules, with the exception of certain large contracts in force, namely, between the applicant company and the City of Cloverdale for energy supplied to the municipal pumping plant; between applicant and the City of Healdsburg for off-peak power for the municipal lighting plant; between the applicant company and the Glen Ellen State Home for its power supply.

I submit the following form of order:

O R D E R

Public hearings having been held in the above

entitled proceedings and said proceedings having been submitted and now being ready for disposition insofar as the electric service and rates of the applicant are concerned, the Railroad Commission hereby makes the following findings of fact:

(1) The Railroad Commission finds that the electric rates, rules, regulations and practices of the California Telephone and Light Company are unjust and unreasonable insofar as they differ from the rates, rules, regulations and practices herein established.

(2) The Railroad Commission finds that the rates, rules, regulations and practices herein established are just and reasonable rates, rules, regulations and practices.

Basing its order on the foregoing findings of fact and on each statement of fact contained in the opinion which precedes this order, it is hereby ordered as follows:

(1) California Telephone and Light Company is hereby ordered to establish and file with the Railroad Commission of the State of California on or before July 10, 1917, the rates for the respective classes of service specified in the opinion herein as Schedules 1 - 10, inclusive, which rates are found to be just and reasonable rates.

(2) California Telephone and Light Company is hereby directed to prepare and file with the Railroad Commission of the State of California on or before -----July 10----, 1917, rules and regulations for the service of electricity in its territory which shall be acceptable to this Commission.

The foregoing Opinion and Order is 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 28th
day of June, 1917.

Max Thelen

Alfred Gordon

Edwin O. Engstrom

Commissioners.