

Decision No. _____

ORIGINAL

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.

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CITY OF PACIFIC GROVE,)	
)	
Complainant,)	
)	
vs.)	Case No. 684.
)	
COAST VALLEYS GAS AND ELECTRIC)	
COMPANY,)	
)	
Defendant.)	

In the Matter of the Application)	
of COAST VALLEYS GAS AND ELECTRIC)	
COMPANY for a determination of)	
the value of its properties and a)	Application No. 1876.
revision and determination of its)	
gas, electric and water rates.)	

- Chickering and Gregory, and George H. Whipple for Coast Valleys Gas and Electric Company.
- J. H. Andresen for City of Salinas.
- Carmel Martin for City of Monterey.
- H. C. Jorgensen for City of Pacific Grove.
- Hugh E. Osburn for King City.
- P. E. Zabala and F. W. Sargent for Arroyo-Seco-Todos-Santos Land and Investment Company.
- Hudson, Martin and Jorgensen for David Jacks Corporation.

DEVLIN, Commissioner.

O P I N I O N

The complaint of the City of Pacific Grove alleges that the gas rates charged by the Coast Valleys Gas and Electric Company in that City are exorbitant and unreasonable, and requests that just and reasonable rates be fixed by the Commission.

After hearings had been held in this complaint and the matter had been submitted, and before a decision could be rendered, the Coast Valleys Gas and Electric Company, hereinafter referred to as the Coast Valleys Company, filed its Application No. 1876, wherein the Commission is asked to determine the fair value of all of its properties as to both physical and intangible elements; a fair rate of return thereon; reasonable operating expenses, depreciation annuity and annual additions to sinking fund; and just and reasonable rates to be charged by Coast Valleys Company to all of its consumers for electricity, gas and water.

Extended hearings were held during which evidence was submitted covering all phases of this matter, whereupon the same was submitted on briefs, which have now been filed. By consent of all parties these proceedings were consolidated for hearing and decision, and it was stipulated that evidence taken by the Commission in previous cases should be considered in evidence herein, together with reports and data filed subsequent to the submission hereof, in so far as they may be pertinent to the present proceedings.

The subject matter of this opinion will now be considered under the following heads:

- I. COAST VALLEYS GAS AND ELECTRIC COMPANY AND ITS
PREDECESSORS.
- II. TERRITORY SERVED.
- III. STOCKS, BONDS AND NOTES.
- IV. FINANCIAL STATEMENT.
- V. ELECTRIC PROPERTIES AND CONSUMERS.
- VI. GAS PROPERTIES AND CONSUMERS:
 1. Salinas District
 2. Monterey and Pacific Grove District.
- VII. WATER PROPERTIES AND CONSUMERS:
 1. Salinas District.
 2. King City District.
- VIII. RATES:
 1. Existing Rates
 2. Rate Base:
 - a. Reproduction Cost - Electric Department.
 - b. Reproduction Cost - Gas Department.
 - c. Reproduction Cost - Water Department.
 - d. Reproduction Cost - All Departments.
 - e. Investment - All Departments.
 3. Fair Return.
 4. Operating Expenses.
 5. Depreciation Annuity.
 6. Re-adjustment of Rates:
 - a. Electric Rates.
 - b. Gas Rates.
 - c. Water Rates.

I.

COAST VALLEYS GAS AND ELECTRIC COMPANY
AND ITS PREDECESSORS.

The Coast Valleys Gas and Electric Company was incorporated under the laws of California on March 18, 1912, and is the successor of a number of public utility corporations theretofore operating in Monterey County. The first in point of time of these utilities was the Salinas City Gas and Water Company, which was incorporated on May 4, 1875, for the purpose of serving gas and water within the City of Salinas, and its activities were extended to include the service of electricity on October 1, 1888. This property was reorganized in 1896 under the name of the Salinas City Light and Water Company, and was again reorganized in 1902 under the name of the Salinas Water, Light and Power Company, which property was purchased on October 10, 1903 by the Monterey Gas and Electric Company. Monterey Gas and Electric Company had already, on September 1, 1902, acquired the properties of the Monterey Electric Light and Development Company, and on June 25th of the same year had purchased all of the stock of the Monterey and Pacific Grove Railways. The combined properties were reorganized in the latter part of 1903 under the name of the Monterey County Gas and Electric Company, the actual transfer taking place on October 10th.

In November, 1911, the water system in the City of Salinas was separated from the rest of the properties owned by the Monterey County Gas and Electric Company and was operated thereafter as the Salinas Valley Water Company. At the same time the other holdings of the Monterey County Gas and Electric Company were transferred to the California Consolidated Light and Power Company, a corporation formed on July 7, 1911, for this purpose. In March, 1912, Coast Valleys Gas and Electric Company was incorporated and took over the properties of both the Salinas Valley Water Company and the California Consolidated Light and Power Company, and in May of the same year acquired the properties of the King City Water, Light and Power Company, a utility which had been serving that community with water and electricity since October, 1908.

II.

TERRITORY SERVED.

Coast Valleys Gas and Electric Company supplies electricity in the Cities of Salinas, Monterey, Pacific Grove, King City and a number of smaller communities in the intervening territory in Monterey County, and also supplies artificial gas

in Salinas, Monterey and Pacific Grove, and water in Salinas and King City.

III.

STOCKS, BONDS AND NOTES

The articles of incorporation of the Coast Valleys Company provide for an issue of common stock of the par value of \$3,000,000. and preferred stock of the par value of \$2,000,000. All of the stock so authorized has been issued and is now outstanding. The record shows that on December 31, 1916, there were outstanding in the hands of the public as obligations against the Coast Valleys Company first mortgage, forty year, gold bonds of a total face value of \$900,000. These bonds bear interest at the rate of 6 per cent per annum. On December 31, 1916, Coast Valleys Company had outstanding notes payable of the face value of \$40,000. On the same day the Company had other current liabilities amounting to \$69,921.56. Various reserve accounts on the same day amounted to \$55,211.76.

IV.

FINANCIAL STATEMENT.

Table No. I presents the balance sheet of the Company

as of December 31, 1916, compiled from the Company's annual report to the Commission for the year ending December 31, 1916, as adjusted in accordance with the findings of the Commission's Auditing Department on fixed capital and book entries of plant appreciation, reported under date of May 31, 1916.

TABLE NO. I.

COAST VALLEYS GAS AND ELECTRIC COMPANY
COMPARATIVE BALANCE SHEET, DECEMBER 31st, 1916.

ASSETS

Fixed Assets:

Electric Capital	\$ 829 717.81
Gas Capital	194 029.71
Water Capital	86 737.83
General Capital	<u>91 093.92</u>
Total Fixed Assets	\$1 201 579.27

Intangible Assets:

Appreciation of Properties	4 593 044.08
Discount of Stock	218 633.28
Bond Discount and Expense	<u>23 832.75</u>
Total Intangible Assets	\$4 835 510.00

ASSETS (Cont'd.)

Current Assets:

Cash	\$ 22 182.01
Special Deposits	540.00
Accounts Receivable	32 834.47
Material and Supplies	26 170.54
Prepayments	2 091.30
Other Expense	<u>22 430.12</u>

Total Current Assets \$ 105 248.44

TOTAL ASSETS \$6 143 337.82

LIABILITIES

Capital Liabilities:

Capital Stock	\$5 000 000.00
Funded Debt	<u>900 000.00</u>

Total Capital Liabilities \$5 900 000.00

Current Liabilities:

Notes Payable	\$ 40 000.00
Accounts Payable	41 777.82
Interest Accrued	18 540.00
Taxes Accrued	8 853.74
Service billed in Advance	<u>750.00</u>

Total Current Liabilities \$ 109 921.56

Reserves:

Reserve for Accrued Depreciation	\$ 51 045.59
Reserve for Casualty and Insurance	<u>4 166.17</u>

Total Reserves \$ 55 211.76

Corporate Surplus:

78 204.50

TOTAL LIABILITIES \$6 143 337.82

The gross revenue, operating expenses and net income of Coast Valleys Company for the year ending December 31st, 1916, as shown in the Company's annual report to the Commission are as follows:

TABLE NO. II

RECAPITULATION OF INCOME, REVENUES AND EXPENSES

COAST VALLEYS GAS AND ELECTRIC COMPANY

1916

<u>Revenues:</u>	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Total</u>
Operating Revenue	176 047.02	52 978.28	23 002.96	
Misc & Jobbing Revenue.	<u>1 422.40</u>	<u> </u>	<u> </u>	
Total Revenue	177 469.42	52 978.28	23 002.96	253 450.66
 <u>Operating Expenses:</u>				
Production	68 688.75	22 960.55	8 858.63	
Transmission	5 174.43			
Distribution	10 448.80	5 415.61	2 392.89	
Commercial	7 080.09	2 658.24	1 797.45	
General & Misc.	503.52	5 616.66	3 510.71	
Taxes	9 700.82	2 519.56	2 284.45	
Depreciation of Capital	<u>6 664.32</u>	<u>6 238.34</u>	<u>3 159.03</u>	
Total Operating Expenses	108 260.73	45 408.96	22 003.16	175 672.85
Net Operating Revenue	69 208.69	7 569.32	999.80	77 777.81
 <u>Non-Operating Revenues:</u>				
Rents			826.65	
Dividend Revenues			44.55	
Miscell. Non-Operating Revenue			<u>141.69</u>	
Total Non-Operating Revenue				<u>1 012.89</u>
Gross Corporate Income				78 790.70
 <u>Deduct:</u>				
Uncollectible Bills			222.91	
Miscell. Non-Operating Expenses			157.05	
Interest on Funded Debt			54 000.00	
Other Interest Deductions			4 138.15	
Amortization of Debt Discount and Expense			<u>697.55</u>	
Total Deductions				<u>59 215.66</u>
Balance for Year Carried to Surplus				19 575.04

V.

ELECTRIC PROPERTIES AND CONSUMERS

The electric properties consist of a modern 1,000 kilowatt steam plant at Monterey and two small plants of 300 and 75 kilowatt capacity located at Salinas and King City respectively, and a transmission system consisting of 45.31 miles of 33 kilovolt pole line between Salinas and King City and 20.25 miles of 22 kilovolt pole line between Salinas and Monterey. Power is purchased from the Sierra and San Francisco Power Company at Salinas where a 3,000 kilowatt substation is located. The Monterey steam plant is operated as an auxiliary. The distribution system consists of 2,200 and 4,000 volt lines aggregating approximately 200 miles in length. The following table shows the number of consumers, connected load and sales for the year 1916, segregated as to classes:

TABLE NO. III

CONSUMERS' CONNECTED LOAD AND SALES ELECTRIC DEPARTMENT

	<u>Con- sumers</u>	<u>Connected Load</u>	<u>Sales 1916</u>
Residence and Commercial Lighting	3 408	2 430.3 k.w.	1 164 725 k.w.h.
Municipal Lighting	25	136.0 k.w.	271 500 k.w.h.
Industrial Power	195	2 145.6 h.p.	3 956 244 k.w.h.
Agricultural Power	88	3 618.0 h.p.	
Company Use			<u>613 297 k.w.h.</u>
Total	3 716		6 005 766 k.w.h.

VI.

GAS PROPERTIES AND CONSUMERS

1. Salinas District:

The properties used in connection with gas service in Salinas consist of an artificial gas production plant of approximately 400,000 cubic feet daily output capacity.

and a low pressure distributing system consisting of 13 miles of mains serving about 680 consumers. The sales in this district during the year 1916 were 12,639,800 cubic feet.

2. Monterey and Pacific Grove District:

The Monterey gas system consists of an artificial gas production plant located in that city, and a combination of low and high pressure distribution systems aggregating 37.5 miles of mains serving the two cities of Monterey and Pacific Grove. There were 1,212 consumers reported as being connected on December 31, 1916. This number increases materially during the summer on account of the transient consumers drawn to Pacific Grove by reason of its being a summer resort. Approximately 218 such consumers were served during the past season. The total sales during 1916 were 27,244,300 cubic feet.

VII

WATER PROPERTIES AND CONSUMERS

1. Salinas District:

This system obtains its supply from wells. Some water is pumped directly into the distribution system, but the greater part is lifted into elevated wooden tanks before being distributed. The principal pumping plant is located near the business district, two smaller plants in the outskirts of town being operated intermittently as auxiliaries. Storage is effected by means of two 50,000 gallon tanks and one 10,000 gallon tank. The distribution system consists of sixteen miles of pipe, of which nine miles are cast iron. There are 1,282 services connected, of which only 36 are metered. The original system was installed about the year 1875. This was rebuilt almost entirely in 1902. 1,035 consumers were served in 1916.

2. King City District:

Water for this system is pumped from a single well located about a mile from the town. A 50,000 gallon, wooden tank takes its supply from the general system and is generally held in reserve. There is no auxiliary pumping equipment and the tank does not fill nor empty into the system automatically. The distribution laterals are connected with the principal 6 inch main at various points and consumers are served through 204 service connections, none of which are metered. 212 consumers were served in 1916.

VIII

R A T E S

1. Existing Rates:

Some of the existing rates of the Coast Valleys Company have heretofore been established by this Commission upon complaint of the several principal municipalities which it serves. The City of Salinas called into question its rates for electric lighting and power in Case No. 495, and just and reasonable rates for this service were determined by the Commission's Decisions No. 1759 and No. 1973, Opinions and Orders of the Railroad Commission of California, Volume V, Pages No. 318 and No. 798, decided August 28, 1914, and November 30, 1914 respectively.

The complaint of the City of Monterey in regard to rates charged its inhabitants for gas, being Case No. 499, was disposed of by the establishment of just and reasonable rates for this service as set forth in Decision No. 1630, Opinions and Orders of the Railroad Commission of California, Volume IV, Page No. 1366, decided June 30th, 1914.

Similarly electric rates were established for the Cities of Monterey and Pacific Grove upon complaint of the former, Case No. 533, by Decision No. 2058, Opinions and Orders of the Railroad Commission of California, Volume VI, Page No. 23, decided January 11th, 1915.

Rates for gas service within the City of Salinas were the issue in its complaint, Case No. 648, which was disposed of by Decision No. 2212, Opinions and Orders of the Railroad Commission of California, Volume VI, Page No. 334, decided March 11th, 1915.

In its application herein, Coast Valleys Company asks that all of these matters be reconsidered at the present time and such readjustments be made as may be found to be reasonable, due regard being given to their relation to the Company's business as a whole.

2. Rate Base:

(a) Reproduction Cost - Electric Department

Mr. R. M. Vaughan, Assistant Engineer of the Gas and Electric Division of the Commission, submitted an estimate of the historical reproduction cost of the non-landed, physical electric properties, and Assistant Engineer V. C. Dickinson reported on the value of lands used by this department. A combination of these reports, together with the estimate of the reproduction cost now submitted by Coast Valleys Company, are set forth in the following table:

TABLE NO. IV

ESTIMATES OF COST TO REPRODUCE

ELECTRIC PROPERTIES

OF

COAST VALLEYS GAS AND ELECTRIC COMPANY

DECEMBER 31st, 1915

	<u>Historical Repro- duction Cost Vaughan & Dickinson</u>	<u>Reproduction Cost New Coast Valleys Co.</u>
Lands and Franchises	\$ 12,308.00	\$ 14,411.99
Production	174,190.00	185,117.57
Transmission	82,953.00	89,024.30
Distribution	276,905.00	290,399.20
Municipal Street Lighting	18,445.00	19,405.29
General	<u>24,342.00</u>	<u>26,229.95</u>
Total	\$ 589,143.00	\$ 624,588.30
Non-Operative Property	<u>18,843.00</u>	<u>19,669.63</u>
TOTAL	\$ 607,986.00	\$ 644,257.93

The main difference in these estimates lies in the amount of the overhead charges. Mr. Vaughan used an average of 15 per cent while the Coast Valleys Company's engineer used an average of 21 per cent. The latter rate is based on the assumption that the property is to be reproduced as a unit and by contract, although the unit costs to which the overhead is to be added are apparently based upon actual piecemeal construction. The overhead percentage used by the Coast Valleys Company's engineer is considerably higher than that found to be proper by this Commission in a large number of similar cases where the item is intended to cover only indirect construction charges applicable to such unit costs as

have been derived for use in these appraisals.

Subsequent to the introduction of Mr. Vaughan's appraisal, further evidence was submitted by applicant as to the actual cost of certain units of the property. A careful analysis and check of this evidence indicate that some elements of the information originally furnished to Mr. Vaughan were in error, and on this account certain additions should be made to his valuation.

The revised estimate of Historical Reproduction Cost representing fixed electric capital, exclusive of intangibles, but including an addition of \$6,000 to the material and supply account, is set forth in Table No. V.

TABLE NO. V

REVISED ESTIMATE OF
COST TO REPRODUCE
ELECTRIC PROPERTIES

of

COAST VALLEYS GAS AND ELECTRIC COMPANY

	Revised His- torical Repro- duction Cost Dec. 31, 1915	Additions & Better- ments 18 Months	Capital as of July 1, 1917
<u>Operative Property:</u>			
Real Estate, Rights-of- Way and Franchises	\$ 12,308.00	\$ 15.00	\$ 12,323.
Production Plant	178,784.00	543.00*	178,241.
Transmission Line	96,567.00	364.00	96,931.
Substation	46,952.00	2,082.00	49,034.
Distribution	248,057.00	29,733.00	277,790.
Municipal Street Lighting General (Including Material and Supplies)	18,853.00	1,058.00	19,911.
	30,342.00	264.00*	30,078.
Total	\$ 631,863.00	\$ 32,445.00	\$ 664,308.

(Brought Forward)	\$631,863.00	\$32,445.00	\$664,308.00
Non-Operative	<u>18,843.00</u>		<u>18,843.00</u>
TOTAL	\$650,706.00		\$683,151.00

NOTE: * Deduct.

b. Reproduction Cost, Gas Department:

Salinas:

Three separate estimates of the reproduction cost of the operative gas properties in Salinas were submitted, one by the Coast Valleys Company; one by Mr. W. J. Hammond of the Commission's Gas Department introduced in Case No. 648; and a third by Mr. E. S. Bryant, also of the Commission's engineering staff, which was made for the purpose of checking and revising the previous estimates. Mr. Bryant was enabled to introduce certain corrections by reason of having made a later and more complete investigation of the matter. Mr. V. C. Dickinson of the Commission's Land Department made an appraisal of the real estate. Table No. VI shows a comparison between Mr. Bryant's estimate, combined with Mr. Dickinson's, and that of the Coast Valley's Company.

TABLE NO. VI

ESTIMATED REPRODUCTION COST
OF GAS PROPERTIES IN SALINAS.

	By Coast Valleys Gas & Electric Company <u>December 31, 1915</u>	By E.S. Bryant and V.C. Dickinson <u>December 31, 1915</u>
Lands	\$ 4,937.50	\$ 1,843.00

	By Coast Valleys Gas & Electric Company December 31, 1915	By E.S. Bryant and V. C. Dickinson December 31, 1915
Lands (Brought Forward)	\$ 4,937.50	\$ 1,843.00
Production Capital	37,907.51	33,639.00
Distribution Mains	33,616.68	26,101.00
Distribution Services	7,113.76	9,216.00
Distribution Meters	4,574.15	4,975.00
General & Misc. Equipment	2,042.72	1,995.00
Material & Supplies		1,052.00
Paving over Mains and Services	<u>22,072.40</u>	<u>10,144.00</u>
Total	\$ 112,264.72	\$ 88,965.00
Non-Operative	<u>100.00</u>	<u>820.00</u>
TOTAL	\$ 112,364.72	\$ 89,785.00

The main differences in the two estimates lie in the items of land values, overhead allowances, paving estimates, cost of mains, and a small difference in the cost of a gas holder tank.

Monterey:

Two estimates of the reproduction cost of the Monterey and Pacific Grove gas properties were introduced in evidence, one by the Coast Valleys Company's engineer and one made up of the reports of the Commission's engineers, Mr. W. J. Hammond on the physical non-landed properties and Mr. V. C. Dickinson on the real properties.

The two appraisals as finally revised by the respective witnesses and exclusive of the cost of paving over mains, are summarized as follows:

TABLE NO. VII

ESTIMATED REPRODUCTION COST
OF GAS PROPERTIES IN MONTEREY
AND PACIFIC GROVE

	<u>Coast Valleys Gas & Electric Company December 31, 1915</u>	<u>W.J.Hammond and V.C.Dickinson April 1, 1915</u>
Landed Capital	\$ 8,333.00	\$ 8,333.00
Production	52,149.00	45,733.00
Distribution Mains	64,188.00	49,288.00
Distribution Services	6,852.00	11,166.00
Distribution Meters	9,364.00	11,848.00
Distribution Regulators	3,253.00	4,307.00
General Capital	2,010.00	2,211.00
Material and Supplies	1,503.00	1,504.00
	<u> </u>	<u> </u>
TOTAL	\$ 147,652.00	\$ 134,390.00

The main difference in the two valuations lies in the item of overhead, although this does not account for the wide difference in the estimated cost of mains.

The total net additions and betterments for the Salinas and Monterey gas systems which were not reported separately from April 1st, 1915 to December 31st, 1915, were as follows:

Mains	\$ 1,384.72
Services	784.33
Meters	598.56
Regulators	221.73
Miscellaneous	207.50
	<u> </u>
Total	\$ 3,196.84

I find the costs set forth in Table No. VIII below to be just and reasonable estimates of the reproduction cost of the tangible properties of the Salinas, Monterey and Pacific Grove gas system as of December 31st, 1915, with ad-

ditions and betterments to July 1st, 1917.

TABLE NO. VIII

REPRODUCTION COST NEW

	<u>December 31st, 1915</u>		<u>Additions & Betterments</u>	<u>Total Gas Properties as of July 1, 1917</u>
	<u>SALINAS</u>	<u>Monterey & Pacific Grove</u>		
Lands	\$ 1,843.00	\$ 8,333.00	\$	\$10,176.00
Production Capital	34,239.00	45,770.00	34.00	80,043.00
Distribution Mains	29,641.00	51,015.00	3,787.00	84,443.00
" Services	9,590.00	12,176.00	1,724.00	23,490.00
" Meters	4,975.00	12,235.00	1,246.00	18,456.00
" Regulators		4,529.00	576.00	5,105.00
General	1,995.00	2,211.00		4,206.00
Material and Suppl.	1,052.00	1,504.00	944.00	3,500.00
TOTAL	\$ 83,335.00	\$137,773.00	\$ 8,311.00	\$229,419.00

c. Reproduction Cost, Water Department:

Two valuations of the water properties in Salinas and King City were submitted, one by the utility and one by Messrs. V. C. Dickinson and M. H. Brinkley of the Commission's Land and Hydraulic Divisions respectively. In the estimates of reproduction cost of the gas and electric properties hereinbefore discussed, I have allowed an overhead percentage somewhat higher than that estimated by Mr. Brinkley, and for the purpose of this proceeding I believe that, inasmuch as the properties were all developed under reasonably comparable conditions, a uniform overhead percentage should be allowed throughout these estimates. For reasons already stated, I have allowed an increase in Mr. Brinkley's estimate of overhead cost, and I have also allowed for the cost of paving over water mains in Salinas the same amount as found to be

proper for the gas system in that city and a slight increase in this item in King City.

The revised estimates of reproduction cost of the tangible water properties of Coast Valleys Company are set forth in Table No. IX.

TABLE NO. IX

ESTIMATED REPRODUCTION COST OF WATER PROPERTIES

OF COAST VALLEYS GAS AND ELECTRIC COMPANY

AS OF JULY 1st, 1917.

	<u>Salinas</u>	<u>King City</u>	<u>Total</u>
Lands	\$ 2,268.00	\$ 414.00	\$ 2,682.00
Wells, Pumping Plant and Equipment	39,911.00	5,690.00	45,601.00
Distribution System	67,956.00	15,388.00	83,344.00
General Capital	1,405.00	645.00	2,050.00
Material & Supplies	<u>2,500.00</u>	<u>400.00</u>	<u>2,900.00</u>
	\$ 114,040.00	\$ 22,537.00	\$ 136,577.00

The rates hereinafter provided will be on a meter rather than a flat rate basis, which will entail a material increase in fixed capital for metering equipment not taken into account in the above table.

d. Reproduction Cost, All Departments:

TABLE NO. X

SUMMARY OF REVISED ESTIMATE OF COST TO REPRODUCE
PROPERTIES OF COAST VALLEYS GAS AND ELECTRIC COMPANY

ALL DEPARTMENTS - JULY 1st, 1917.

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Total</u>
Real Estate, Rights-of- Way and Franchises	\$ 12,323	\$ 10,176	\$ 2,682	\$ 25,181
Physical Plant	621,907	211,537	128,945	962,389
General, Including Material & Supplies	<u>30,078</u>	<u>7,706</u>	<u>4,950</u>	<u>42,734</u>
Total Operative	\$664,308	\$229,419	\$136,577	\$1,030,304
Non-Operative	<u>18,843</u>			<u>18,843</u>
GRAND TOTAL	\$683,151	\$229,419	\$136,577	\$1,049,147

In comparison with the above total of \$1,049,147 the company's claim for the reproduction cost as of December 31, 1915 plus additions and betterments to July 1, 1917 is approximately \$1,074,400.

The foregoing revised estimates of reproduction cost do not include any allowance for organization expense. The only information in the evidence relative to this item is an exhibit submitted by Coast Valleys Company which purports to set forth the actual cost of its organization and that of its several predecessor companies, as follows:

Salinas Water, Light and Power Company	\$2,399.88
Monterey Gas and Electric Company	2,163.00
Monterey County Gas and Electric Company	4,478.80
California Consolidated Light & Power Company	8,453.63
Salinas Valley Water Company	699.78
Coast Valleys Gas and Electric Company	18,702.89
King City Water, Light and Power Company	704.24
TOTAL	<u>\$ 37,602.22</u>

In view of the findings herein, it will not be necessary for the Commission to pass upon the propriety of the company's claim for organization expense at this time. It should be noted in passing, however, that the growth of these properties has been marked by one reorganization after another, each of which undoubtedly entailed some duplication of the expenses incurred in the cost of previous organizations. Before such a claim could be approved by the Commission, it would be necessary to very carefully investigate the necessity for the formation of each of the succeeding companies, and determine what benefit was thereby affected for either the utility itself or the consumers served.

If, however, as claimed by Coast Valleys Company, an allowance of \$37,602, is proper for organization expenses and if this were added to the foregoing estimate of a reproduction cost of \$1,049,147, the total including material and supplies, but exclusive of working capital, would then be \$1,086,749.

Another claim is made by Coast Valleys Company for an allowance for development expense, or in other words, the losses sustained by the various companies during the early years in which they were engaged in the development of their respective businesses. This claim is based upon a detailed computation for each company, year by year, wherein the actual net return for interest and depreciation over and above operating expenses and taxes is deducted from a so-called "fair return of 8 per cent" on the capital theretofore invested. When this computation for any year results in a deficit, it is capitalized and included in the basis of return for the succeeding year. If the net earnings

are in excess of the 8 per cent return assumed, the excess is correspondingly deducted from capital. In this way Coast Valleys Company arrives at a so-called "development expense" of \$137,268. For reasons hereinafter appearing, it will not be necessary for the Commission to pass upon this claim.

(e) Investment:

By stipulation, evidence taken by the Commission in connection with the previous rate proceedings hereinbefore mentioned, are to be considered as evidence in this proceeding.

Testifying in Case No. 495, Mr. H. F. Jackson, Coast Valleys Company's General Manager, stated that he had made an analysis of its books of account and as a result of this analysis found that all capital expenditures made by Coast Valleys Company and its predecessors for its entire property from the beginning to December 31, 1913, amounted to a grand total of \$1,093,092.00. Mr. Jackson's analysis of the capital expenditures was not segregated as between the electric, gas and water departments.

At the same time, Coast Valleys Company presented the following tabulation as showing the cost to it of the property purchased on March 18, 1912, with additions and betterments to December 31, 1913, including an allowance for interest at the rate of 8 per cent per annum on the purchase price of the stock during the period embraced between these two dates:

Underlying Bonds	\$500,000.
Floating Debt, March 18, 1912	207,000
Purchase Price of stock	400,000
Expenditures for Additions and Betterments, March 18, 1912, to December 31, 1913	286,137
Interest on \$400,000 Purchase Price of Stock from March 18, 1912 to December 31, 1913, at 8 per cent per annum,	<u>57,250</u>
T o t a l	\$1,450,387

Defendant claims to have paid \$400,000.00 for stock of its predecessor companies. Since \$500,000.00 face value of bonds and a floating debt of \$207,000.00 were outstanding on March 18, 1912, it follows that with the \$400,000.00 actually paid for the stock of the predecessor company, Coast Valleys Company paid \$1,107,000.00 for the property, which, according to Mr. Jackson's analysis, had cost at that time not to exceed \$806,955.00. Coast Valleys Company acquired this property just prior to the effective date of the Public Utilities Act.

The Commission's Auditing Department has since made a careful analysis of the fixed capital accounts of the Coast Valleys Company, as of January 1, 1913, showing in detail the book cost of the capital installed prior to that date by it and each of its predecessor companies, together with the several arbitrary appreciations added thereto by each company. The results of this analysis as reported to the Commission under date of May 21, 1916, are set forth in Table XI.

From this table it appears that the actual book cost of all of the properties installed prior to December 31, 1912, was \$1,022,598.96. Table XII shows this statement together with increases for net additions and betterments from January 1, 1913 to June 30, 1917.

TABLE XI.

SUMMARY OF THE FIXED CAPITAL ACCOUNT PRIOR TO JANUARY 1ST, 1913
AS SAME APPEARS DECEMBER 31ST, 1915, SHOWING THE BOOK COST OF THE PROPERTY
AND ARBITRARY APPRECIATIONS BY EACH COMPANY.

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>General</u>	<u>Total</u>	<u>Appreciation Not Shown Pre- vious Total</u>
Monterey Gas and Electric Company	124 723.69	29 340.32		23 482.94	177 546.95	75 000.00
Salinas Water Light & Power Co.	37 340.09	63 747.92	43 484.57	16 267.86	159 840.24	
Monterey Co. Gas & Electric Co.	321 062.39	71 908.05	28 447.47	40 601.60	462 019.51	286 552.93
Salinas Valley Water Company			2 427.10		2 427.10	
F. G. Baum	40 782.43				40 782.43	
California Cons. Light & Power Co.	12 308.65					
California Cons. King City Line	2 511.00					
California Cons. Organization				8 453.63	23 273.28	
California Cons. Good Will, Franchises, Etc.						3 750 000.00
Coast Valleys Gas & Electric Co.	<u>148 892.52</u>	<u>4 272.29</u>	<u>256.75</u>	<u>3 267.69</u>	<u>156 709.45</u>	
Total	687 620.77	169 268.58	74 615.69	91 093.92	1 022 598.96	4 111 552.93
Total Book Cost all Companies to December 31st, 1912					1 022 598.96	
Total Appreciation all Companies to December 31st, 1912					<u>4 111 552.93</u>	
Total Additions by California Consolidated and Coast Valleys Co.					5 154 151.89	
					<u>481 491.15</u>	
Balance December 31st, 1912					5 615 643.04	

TABLE XII.

BOOK COST OF THE PROPERTY OF
COAST VALLEYS GAS AND ELECTRIC COMPANY
AS OF JUNE 30TH, 1917

Fixed Capital Account

	<u>Prior to</u> <u>January</u> <u>1, 1913</u>	<u>Additions &</u> <u>Betterments</u> <u>Jan. 1, 1913</u> <u>to June 30, 1917</u>	<u>Total</u> <u>June 30, 1917</u>
Electric	\$687,620.77	\$157,400.73	\$845,021.50
Gas	169,268.58	27,543.11	196,811.69
Water	74,615.69	13,411.89	88,027.58
General	91,093.92	7,408.33*	83,685.59
T o t a l	\$1,022,598.96	\$190,947.40	\$1,213,546.36

NOTE: *Credits.

The difference between the reported investment as shown in Table XII, and the total estimate of the reproduction cost of the same properties as hereinbefore set forth, may be accounted for, in part, by the difference in material and labor costs to the several smaller companies by whom a considerable part of these properties were built, as compared to the more advantageous prices which Coast Valleys Company was enabled to obtain by reason of its larger operations. The units used in making the estimate of reproduction cost were derived from actual records of expense involved in the construction of certain typical units built by the Coast Valleys Company itself.

Having considered all the circumstances of this case, and the elements of value which attach to the properties of Coast Valleys Gas and Electric Company, as used and useful in the service of its consumers, I find that the investment of \$1,213,146.36 in fixed capital, as set forth in Table XII, is a just and reasonable basis to be used for rate-fixing purposes.

In addition to the original investment in its physical landed and non-landed properties and material and supplies, Coast Valleys Company is entitled to an allowance for working cash capital of \$26,600.00.

3. Fair Return:

I believe that Coast Valleys Company should, except for the limiting conditions now existing, be allowed a re-

turn of 8 per cent per annum for interest on its investment, as has been allowed by the Commission in many somewhat similar cases. After a careful consideration of all the evidence, however, it is clear that Coast Valleys Company is still in the development stage, and, in my opinion, it would be unreasonable for the Company to expect rates which, under present conditions, would yield a return of 8 per cent on its investment, even if it were possible to secure business under such rates. Recognizing the difficulties to be met by reason of the limitation imposed by the value of the service, the rates hereinafter established are designed to encourage a further development of new business which it is believed will eventually result in the full realization by Coast Valleys Company of the full return on its investment to which it may then be entitled.

Coast Valleys Company urges that it should be allowed, in addition to its operating expenses, sufficient revenue to amortize discount and expenses involved in obtaining money through the sale of both its own bonds and those of its predecessors in interest.

An exhibit was introduced indicating that the predecessor companies had issued a total of \$500,000 par value of bonds, and that the discount and expense in connection therewith amounted to \$47,569.00. Against this amount Coast Valleys Company has credited \$26,175.00 by saving in repurchasing the securities below par at the time they were

retired in 1912. Coast Valleys Company itself has issued \$900,000 par value of bonds, the discount and expense in connection therewith being \$52,743.00.

The Commission, after allowing maintenance and operating expenses and a reasonable annuity for the normal depreciation of the depreciable elements of a utility's properties, and a fair return on its investment, has not heretofore found it proper to allow any additional amount for the amortization of bond discount and expense. In my opinion this expense is clearly a part of the cost to the utility of obtaining its money, and is properly included in the rate of return.

A careful analysis of the financial history of the Coast Valleys Company and its predecessors indicates that the average cost of bond money, prior to the formation of the Coast Valleys Company, was 6.19 per cent, and that the average cost to the Coast Valleys Company itself has been 6.41 per cent, the average throughout the history of these properties being 6.33 per cent.

Bearing in mind the fact that it will be necessary for Coast Valleys Company to secure large additional sums of money in order to fully develop the territory served by it, and in view of the cost of bond money, I am of the opinion that the return which will be realized from the rates herein established is reasonable, and will be sufficient to enable Coast Valleys Company to obtain the additional capital necessary to carry on and develop its business.

4. Operating Expenses:

Table No. XIII shows the operating expenses of Coast Valleys Gas and Electric Company, as shown in the Company's annual reports for the years ending December 31st, 1914, 1915, 1916 and the first six months of 1917.

TABLE NO. XIII

OPERATING EXPENSES OF COAST VALLEYS GAS & ELECTRIC COMPANY - JANUARY 1, 1914 TO JUNE 30, 1917.

<u>Electric Department:</u>	<u>1914</u>	<u>1915</u>	<u>1916</u>	<u>6 Months 1917</u>
Production	\$ 62,785.82	\$ 60,205.29	\$ 68,688.75	\$ 38,437.90
Transmission	2,049.47	2,765.03	5,174.43	3,413.46
Distribution	8,021.05	8,400.96	10,448.80	7,047.18
Commercial	5,746.38	5,257.63	7,080.09	3,583.92
General**	3,007.00	* 127.61	503.52	5,866.92
Taxes	8,152.75	9,973.86	9,700.82	6,279.84
Total Elec. Dept.	\$ 89,762.47	\$ 86,475.16	\$ 101,596.41	\$ 64,629.22
<u>Gas Department:</u>				
Production	\$ 20,244.30	\$ 20,407.82	\$ 22,960.55	\$ 14,590.49
Transmission	1.50			
Distribution	3,578.91	4,340.98	5,415.61	2,227.30
Commercial	2,717.34	5,123.47	2,658.24	1,548.29
General	6,150.97	5,758.37	5,616.66	2,828.28
Taxes	2,095.81	2,681.54	2,519.56	1,652.65
Total Gas Dept.	\$ 34,888.83	\$ 38,312.18	\$ 39,170.62	\$ 22,847.01
<u>Water Department:</u>				
Pumping Expense	\$ 8,735.28	\$ 8,776.87	\$ 8,858.63	\$ 3,770.65
Distributing	1,243.87	2,391.22	2,392.89	921.19
Commercial	1,973.91	1,752.11	1,797.45	972.62
General	3,944.16	3,701.79	3,510.71	1,842.97
Taxes	1,854.79	2,284.65	2,284.45	1,190.67
Total Water Dept.	\$ 17,752.01	\$ 18,906.64	\$ 18,844.13	\$ 8,698.10
GRAND TOTAL	\$142,403.31	\$143,693.98	\$ 159,611.16	\$ 96,174.33

NOTE:

* Deduction.

** General expenses here shown appear to be abnormally low, because approximately \$11,000 per annum is credited to the Electric Department for power delivered to other departments, which credit is thrown into this account.

I find nothing in the evidence to indicate that any of the expenses as shown in this table are unreasonable.

Certain additional expenses, however, will be experienced by Coast Valleys Company in the immediate future.

Abnormally increased costs of labor, materials and fuel may be expected to materially affect operating expenses. It is, of course, impossible to predict definitely the extent of such increases. It is, however, safe to assume that this Company's expenses will probably be increased by from \$10,000 to \$15,000 during the next year.

Any increase in electric business such as it is hoped may be realized will necessitate a considerable addition to capital, inasmuch as the Company's transmission system is now practically fully loaded so that an increase in load will require the re-inforcement of its transmission lines.

In the Gas Department expenses the high prices that have recently prevailed in the fuel oil market are very seriously reflected.

The average price paid for oil purchased in 1916 was 82.3 cents per barrel at Monterey and 92.4 cents at Salinas. The company is now paying \$1.55 per barrel for oil delivered at Monterey and \$1.65 at Salinas, and even assuming a lower consumption of oil per thousand cubic feet of gas sold, which I believe the Company should be able to achieve, the increase in this item of expense alone will amount to 21 cents per thousand cubic feet in Monterey and Pacific Grove.

Since 1916 the gross revenue tax levied by the State on gas utilities has been increased from 5.25 per cent to

5.6 per cent.

To offset these increases in expense, it may be possible to effect some economies in the general administration of the Salinas Gas Department, and it should be possible for Coast Valleys Company to produce gas with a somewhat lower requirement of oil per thousand cubic feet than was indicated by its 1916 operations.

Water Department expenses will, in all probability, be increased by reason of certain improvements in service which are contemplated in the immediate future. Other capital additions will also be necessary, inasmuch as the water rates herein established are based on metered service which will require a material investment in meters.

Coast Valleys Company has drawn the Commission's special attention to certain abnormal expenses incurred in connection with appraisals of its property, and the cost of rate litigation for the amortization of which the Commission is asked to make allowance in setting up operating expenses. An examination of the Company's accounts indicates that this expense is being written off regularly in reasonable amounts, which are included in the foregoing statement of operating expenses.

With the exceptions noted, I find that Coast Valleys Company's operating expenses of the past several years may be taken as a fair indication of those that may be expected in the immediate future.

5. Depreciation Annuity:

The rates herein established should, of course, yield a revenue sufficient to enable the Coast Valleys Company to set aside a reasonable depreciation annuity.

I find that a just basis to be adopted herein for estimating this annuity, bearing in mind the rate base and ^{the} the rate of return which may be expected from/several departments, is that of the 6 per cent sinking fund for the Electric, 5 per cent sinking fund for the Water, and 4 per cent sinking fund for the Gas Departments.

Applying reasonable estimates of expected life to the various elements of the properties, I find that the sum of \$23,240.00 is a fair depreciation annuity to be allowed herein. The general items which make up this total appear in Table XIV below:

TABLE NO. XIV

DEPRECIATION ANNUITY

COAST VALLEYS GAS AND ELECTRIC CO.

ALL DEPARTMENTS

Electric Department:

Production Capital	\$ 3,030.
Transmission Capital	1,939.
Substation Capital	899.
Distribution Capital	7,760.
Street Lighting Capital	925.
General Capital	<u>630.</u>

Total Electric Capital \$15,183.

TABLE NO. XIV

(Continued)

Gas Department:

Production Capital	\$ 1,921.
Distribution Capital	4,208.
General Capital	<u>388.</u>
Total Gas Capital	\$6,517.

Water Department:

Pumping Capital	\$ 800.
Distribution Capital	630.
General Capital	<u>110.</u>
Total Water Capital	\$1,540.

TOTAL ALL DEPARTMENTS \$23,240.

6. Readjustment of Rates:

(a) Electric Rates:

An analysis of Coast Valleys Company's electric operations and revenues for the past two years indicates that it has earned somewhat less than 8 per cent on the actual investment which has been considered a proper rate base herein.

As already mentioned, the electric rates herein established will embody certain readjustments calculated to encourage increases in the Company's business,

which, we believe, will eventually be reflected in the realization by it of the full return of 8 per cent.

An optional combination lighting, cooking and heating rate will be fixed throughout the Company's territory, which should be very advantageous to residence consumers who desire cooking and heating service.

Certain realty dealers in Pacific Grove have urged the Commission to eliminate the one dollar service charge which was heretofore established by the Commission's order in a previous proceeding. This charge, which is paid by all consumers when connected to the Company's lines, and which is refunded if the consumer continues to be so connected for a period of 12 months, is designed to cover the costs to the Company of numerous connections and disconnections and special billings for transient consumers.

I am not convinced that the permanent population of Pacific Grove is desirous of absorbing this item of expense in the general rates for service in that territory, and I am still inclined to believe that it is more desirable to have this expense borne by the transient population for whose benefit it is occasioned, than through higher rates to permanent consumers. For the reasons indicated, the present charge will be retained in the rates found to be proper and reasonable herein. However, if it is the desire of the majority of those inhabitants of Pacific Grove who are users of gas and electricity to have this charge eliminated and the rates adjusted accordingly, the same may be brought to the attention of the Commission in a separate pro-

ceeding.

The "discounts for size of installation" included in the schedules of rates for power, are designed to properly allocate the saving in expense which the company realizes by being able to serve large installations at a single point.

The gross revenue discounts are designed to encourage and give proper credit for the decreased cost of a more extensive and continuous use of the company's electric service.

The "service plus energy" form of power rate herein established is materially lower under similar circumstances than the non-contract block system power rate, and in consideration of this advantage all consumers receiving service under the "service plus energy" rate will be required to sign a contract for not less than six months' service per year.

It appears that a large proportion of the territory served by Coast Valleys Company, and which lies outside of incorporated towns, is as yet sparsely settled and that unusually heavy investments must be made by Coast Valleys Company, on the average, to construct transmission and distribution lines to serve consumers located therein. Hence, it appears to be entirely reasonable that Coast Valleys Company should require the signing of a contract in the first instance by an intending consumer in unincorporated territory, unless the consumer can in some other

way adequately protect the Company against loss from an early discontinuance of the service.

One of the chief causes of complaints against the requirement of certain utilities that contracts be signed, is that consumers signing such contracts generally do not know that redress lies in an appeal to the Railroad Commission in case the terms of the contract prove to be unjust or unreasonable. In order to remove this source of complaint, Coast Valleys Company should insert in all its contracts for service, the following words:

"It is understood by and between the parties hereto that this agreement is merely in the nature of a regulation and is subject at all times, after proceedings duly had, to change or abolition by the Railroad Commission of the State of California."

The City of Salinas has recently entered into an agreement with Coast Valleys Company for service to an electrolier system of street lighting in the business district of that City, with the understanding that the rates therein contained be subject to consideration by the Commission in this proceeding. It was stipulated that any subsequent report submitted by the Commission's engineering staff should be considered in evidence. After a careful analysis of the engineer's report on these rates, I find them to be substantially in accord with the cost of the service, and they will be included among the schedules established herein.

There is a contract in effect covering street light-

ing service in King City which will expire in July, 1918. The charges thereunder are \$2.50 per month for each of 37 one hundred candle power incandescent lamps. Free service is furnished for lighting five streamers of twenty, 8 candle power lamps each, for two hours on Saturday nights. No evidence was introduced bearing specifically on this contract, but, in order to obtain uniformity, I find that this service should be furnished at the same rates as are herein established for the public outdoor lighting in other towns served by Coast Valleys Company. The streamers should be metered and charged for at regular lighting rates, or be given an equivalent flat rate if metering is not found to be feasible. The net result will be some reduction below the existing contract rates, but will provide the revenue necessary to justify the maintenance of this service.

b. Gas Rates

A study of the operations of the Coast Valleys Company's Gas Department during the years 1915 and 1916, indicates that its net return for interest on its investment in gas properties, after deducting depreciation, has been approximately 2 per cent in the Salinas District and between 4 and 5 per cent in the Monterey and Pacific Grove District.

As has heretofore been pointed out the gas business will be subject to material increases in operating expenses in the immediate future on account of the general increase in the cost of labor, fuel oil and other materials, due to abnormal conditions.

The Commission, while mindful of this fact, and giving it full consideration in considering the revision of utility rates to take care of such abnormal operating expenses brought about by the present national crisis, is convinced, however, that it is neither logical, equitable nor necessary that all of the burden so created should be shifted to the consumers, but a fair portion of such burden should be shared by the utilities. In the present case, however, I believe that the utility should be granted rates which are calculated to result in a net return which will be at least approximate to the cost of money. To accomplish this result would require an advance in the price of gas at Monterey and Pacific Grove of 10 cents per thousand cubic feet, and at Salinas of approximately 20 cents over and above such increase as is necessitated by the higher cost of oil. It is my opinion that the realization of this advance in Salinas is a commercial impossibility due to the limiting conditions imposed by the value of the service to the consumer. The rates charged heretofore by the Coast Valleys Company for gas service are as follows:

SALINAS AND PACIFIC GROVE

First	2,000	cu.ft.	per month	...	\$1.50	per	1,000	cu.ft.
Next	2,000	"	"	...	1.25	"	"	"
All over	4,000	"	"	...	1.00	"	"	"

Minimum Charge 50¢ per Meter per Month.

MONTEREY

First	5,000	cu.ft.	per month	...	\$1.30	per	1,000	cu.ft.
All over	5,000	"	"	...	1.00	"	"	"

Minimum Bill 60¢ per Meter per Month.
Connection Charge, \$1.00 - To be re-
funded in case service is continued
for 12 months.

A re-adjustment of these rates will be incorporated in the schedules established by the order herein, which will be somewhat higher and from which it is estimated that the Company will realize an average gross revenue per thousand cubic feet sold of \$1.64 in Monterey and Pacific Grove and \$1.75 in Salinas.

c. Water Rates:

An analysis of recent operating expenses in Coast Valleys Company's Water Department reveals the fact that the ratio of the cost for pumping, computed on the basis of normal commercial rates, to the total cost of operation including taxes amounted to 60 per cent in Salinas and 44 per cent in King City. Obviously a reduction of the pumping requirements will have a very material tendency to reduce the cost of operation. The quantity of water pumped per capita during the year 1915 averaged 225 gallons per day. This is excessive as compared with water used

in communities where the consumption is metered, I find, therefore, that a material reduction in water drawn, and in consequence a proportionate reduction in pumping requirements, may be expected from the installation of meters. Coast Valleys Company's management has indicated its intention of installing meters as soon as a meter rate has been established, and for this reason no changes in the present flat rates will be incorporated in the order herein, with the exception of rates for fire service. A special schedule of fire service rates will be established, which are designed to return to the Coast Valleys Company the full cost of this particular branch of its service. This rate does not include water for street sprinkling, which will be supplied at regular meter rates.

It is our understanding that Coast Valleys Company contemplates certain improvements in its equipment at King City which will eliminate the cause of the service complaints which have been brought to our attention in this proceeding, and I believe, therefore, that no order is necessary in this regard at the present time.

I recommend 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 being now ready for decision, the Railroad Commission hereby makes the following findings of fact:

1. The Railroad Commission finds that the rates, rules, regulations, contracts and practices of the Coast Valleys Gas and Electric Company are unjust and unreasonable in so far as they differ from the rates, rules, regulations, contracts and practices herein established.

2. The Railroad Commission hereby finds that the rates, rules, regulations, contracts and practices herein established are just and reasonable rates, rules, regulations, contracts 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. Coast Valleys Gas and Electric Company is hereby ordered to establish and file with the Railroad Commission, on or before November 30, 1917, the following rates for the respective classes of electric service specified, which rates are found to be just and reasonable rates. These rates shall be made effective at the next regular meter reading dates subsequent to said date of filing.

SCHEDULE "A"

LIGHTING AND SMALL MOTORS

WITHIN THE CORPORATE LIMITS OF

MONTEREY, PACIFIC GROVE AND SALINAS

Character of Service

This schedule applies to all lighting installations within the corporate limits of Salinas, Monterey and Pacific Grove, and includes all lamp socket appliances. The consumer shall have the option of combining power of less than 3 horsepower and lighting at the lighting rates and at the lighting minimum, or of requiring separate power and lighting meters for each service at the rates and minimum charges applicable thereto. In case of new customers, the Company shall have the option of supplying either single or three phase current to power installations of less than 3 horsepower.

Rates

First	20 kilowatt hours monthly	8¢ per kilowatt hour,
Next	30 kilowatt hours monthly	6¢ per kilowatt hour,
Next	300 kilowatt hours monthly	5¢ per kilowatt hour,
All over	350 kilowatt hours monthly	3¢ per kilowatt hour.

Prompt Payment Discounts - None.

Minimum Charge: \$1.00 per meter per month

Connection Charge: A connection charge of \$1.00 will be required of all applicants for service, the same to be refunded if applicant remains a customer of the Company continuously for 12 months at one location.

SCHEDULE "B"

LIGHTING AND SMALL MOTORS

OUTSIDE THE TOWNS OF

MONTEREY, PACIFIC GROVE AND SALINAS

Character of Service

This schedule applies to all lighting installations outside the Towns of Monterey, Pacific Grove and Salinas. No motor having a capacity in excess of one horsepower can be installed under this rate, which however includes all lamp socket appliances.

Rates

First	50 kilowatt hours monthly	10¢ per kilowatt hour,
Next	50 kilowatt hours monthly	9¢ per kilowatt hour,
Next	100 kilowatt hours monthly	8¢ per kilowatt hour,
Next	200 kilowatt hours monthly	7¢ per kilowatt hour,
Next	200 kilowatt hours monthly	6¢ per kilowatt hour,
Next	200 kilowatt hours monthly	5¢ per kilowatt hour,
Next	200 kilowatt hours monthly	4¢ per kilowatt hour,
All over	1,000 kilowatt hours monthly	3¢ per kilowatt hour.

Prompt Payment Discounts: A discount of 10 per cent is allowed on bills paid at Company's office before the 10th day of the month provided that no payment shall be less than the minimum.

Minimum Charge: \$1.00 per month per meter.

SCHEDULE "C"

OPTIONAL COMBINATION LIGHTING

COOKING AND HEATING RATE.

FOR ENTIRE TERRITORY

Character of Service

Applicable to all connections for domestic use in residences, flats or apartments occupied by single families where the entire service is received through a single meter. This rate shall also be applicable to commercial lighting and power consumers whose total installed capacity is not in excess of 5 kilowatts, each socket being rated at 50 watts for the purpose of determining installed capacity.

Rates

First	25 kilowatt hours per month	10¢ per kilowatt hour
All over	25 kilowatt hours per month	3¢ per kilowatt hour

Prompt Payment Discounts

A discount of 10 per cent will be allowed on all bills paid at the office of the Company on or before the 10th day of the month succeeding that for which the bill is rendered, but in no case shall the bill paid be less than the minimum.

Minimum Charge: \$2.50 per month per meter.

SCHEDULE "D"

COOKING AND HEATING RATE

FOR ENTIRE TERRITORY.

Character of Service

This schedule is applicable to all consumers who desire electricity for cooking and heating only.

Rates

First	50 kilowatt hours monthly	3-1/2¢ per kilowatt hour
All over	50 kilowatt hours monthly	3¢ per kilowatt hour

Prompt Payment Discounts: None

Minimum Charge: \$2.50 per month per meter.

SCHEDULE "E"

COMMERCIAL POWER RATES FOR ENTIRE TERRITORY

CONTRACT OR NON-CONTRACT METER RATES

(Block System)

Character of Service

This schedule is applicable to all power consumers.

Rates

First	50 kilowatt hours per month per horsepower rated capacity-
	4¢ per kilowatt hour,
Next	100 kilowatt hours per month per horsepower rated capacity-
	2¢ per kilowatt hour,
All over	150 kilowatt hours per month per horsepower rated capacity-
	1¢ per kilowatt hour.

SCHEDULE "E" (Cont'd.)

Discounts for Size of Installation

The following discounts depending upon the size of the consumer's installation, as determined by the rated capacity of operating utilization equipment, will be allowed from the foregoing rates.

First	15 horsepower or less,	no discount
Next	10 horsepower,	1% per horsepower.
Next	50 horsepower,	1% for each 5 horsepower.
Next	50 horsepower,	1% for each 10 horsepower.
Next	125 horsepower,	1% for each 25 horsepower.
Next	250 horsepower,	1% for each 50 horsepower.
Next	500 horsepower,	1% for each 100 horsepower.

Any installation in excess of 1,000 horsepower shall be considered as a case requiring the execution of a special contract, which shall be subject to the approval of the Railroad Commission.

Gross Revenue Discounts

In addition to the above discounts, the following discounts will be allowed depending upon the total gross revenue per horsepower per calendar year.

First	\$10.00 per horsepower per year	Not
Next	10.00 per horsepower per year,	10%
Next	10.00 per horsepower per year,	20%
Next	10.00 per horsepower per year,	30%
Next	10.00 per horsepower per year,	40%
Next	10.00 per horsepower per year,	50%
Next	10.00 per horsepower per year,	60%
Next	10.00 per horsepower per year,	70%
Next	10.00 per horsepower per year,	80%
All over	\$90.00 per horsepower per year,	90%

Minimum Charge: \$1.00 per horsepower per month where consumer does not sign a term contract, or \$6.00 per year per horsepower where consumer signs a yearly contract.

SCHEDULE "F"

OPTIONAL POWER SERVICE RATE FOR ENTIRE TERRITORY

CONTRACT METER RATE

(SERVICE PLUS ENERGY SYSTEM)

Character of Service

This schedule is applicable to all power consumers who sign a contract for at least six months per year.

Rates

Service charge of \$2.00 per month per horsepower of rated capacity, to which charge shall be added an energy charge of 1¢ per kilowatt hour for all electric energy supplied.

Discounts for Size of Installation

The following discounts depending upon the size of the consumers installation, as determined by the rated capacity of operating utilization equipment, will be allowed from the foregoing rates.

First	15 horsepower or less,	no discount.
Next	10 horsepower,	1% per horsepower.
Next	50 horsepower,	1% for each 5 horsepower,
Next	50 horsepower,	1% for each 10 horsepower,
Next	125 horsepower,	1% for each 25 horsepower,
Next	250 horsepower,	1% for each 50 horsepower,
Next	500 horsepower,	1% for each 100 horsepower.

Any installation in excess of 1,000 horsepower shall be considered as a case requiring the execution of a special contract, which shall be subject to the approval of the Railroad Commission.

SCHEDULE "F" (Cont'd.)

Gross Revenue Discounts

In addition to the above discounts, the following discounts will be allowed depending upon the total gross revenue per horsepower per calendar year.

First	\$10.00 per horsepower per year,	Net
Next	10.00 per horsepower per year,	10%
Next	10.00 per horsepower per year,	20%
Next	10.00 per horsepower per year,	30%
Next	10.00 per horsepower per year,	40%
Next	10.00 per horsepower per year,	50%
Next	10.00 per horsepower per year,	60%
Next	10.00 per horsepower per year,	70%
Next	10.00 per horsepower per year,	80%
All over	\$90.00 per horsepower per year,	90%

Minimum Charge: Service charge during the contract months.

SCHEDULE "G"

OPTIONAL FLAT RATE FOR POWER

FOR ENTIRE TERRITORY

Character of Service.

This schedule is applicable to all power consumers. No contract required other than written application for service.

Rates

\$10.00 per month per horsepower rated capacity for the first month's service,
7.50 per month per horsepower rated capacity for each succeeding month throughout the period that service is supplied continuously.

SCHEDULE "G"

(Cont'd.)

Discounts for Size of Installation

The following discounts depending upon the size of the consumer's installation, as determined by the rated capacity of operating utilization equipment, will be allowed from the foregoing rates.

First	15 horsepower or less,	no discount.
Next	10 horsepower,	1% per horsepower
Next	50 horsepower,	1% for each 5 horsepower,
Next	50 horsepower,	1% for each 10 horsepower,
Next	125 horsepower,	1% for each 25 horsepower,
Next	250 horsepower,	1% for each 50 horsepower,
Next	500 horsepower,	1% for each 100 horsepower,

Any installation in excess of 1,000 horsepower shall be considered as a case requiring the execution of a special contract, which shall be subject to the approval of the Railroad Commission.

Gross Revenue Discounts

In addition to the above discounts, the following discounts will be allowed depending upon the total gross revenue per horsepower per calendar year.

First	\$10.00 per horsepower per year,	Net
Next	10.00 per horsepower per year,	10%
Next	10.00 per horsepower per year,	20%
Next	10.00 per horsepower per year,	30%
Next	10.00 per horsepower per year,	40%
Next	10.00 per horsepower per year,	50%
Next	10.00 per horsepower per year,	60%
Next	10.00 per horsepower per year,	80%
Next	10.00 per horsepower per year,	80%
All over	\$90.00 per horsepower per year,	90%

SCHEDULE "H"

YEARLY RATE FOR MUNICIPAL SERIES STREET LIGHTING SERVICE

AT SALINAS, KING CITY, MONTEREY AND PACIFIC GROVE.

ALL NIGHT LIGHTING SCHEDULE - ON LAMP BASIS

Character of Service

This schedule applies to the series street lighting service on lamp basis, all night and every night lighting schedule, for the Towns of Monterey, Pacific Grove, King City and Salinas, and included all maintenance and lamp renewals necessary for such service.

Rates

All night 365 days per year

Arc Lamps 6.6 ampere series, enclosed arc lamps,
\$54.00 per lamp per year.
100 Candle Power Series Incandescent Street Lamps,
\$21.60 per lamp per year,
60 Candle Power Series Incandescent Street Lamps,
\$17.40 per lamp per year,
40 Candle Power Series Incandescent Street Lamps,
\$15.00 per lamp per year.

Prompt Payment Discounts: None.

Minimum Charge: Flat yearly rate.

Lamp Service: Company furnishes lamps free.

SCHEDULE "I"

SPECIAL RATE APPLICABLE TO SERVICE

SUPPLIED TO THE CITY OF SALINAS FOR ELECTROLIER LIGHTS

Character of Service

Company will supply all necessary distribution equipment and all labor for maintenance, operation and renewals. City will supply lamp standards and fixtures and all material required for lamp renewals. Lamps to be 600 candlepower incandescents.

Rates

Service charge \$1.00 per lamp per month, to which service charge shall be added the following energy charge for all energy supplied to the system as metered at the sub-station.

First	500 kilowatt hours per month	5¢ per kilowatt hour.
Next	500 kilowatt hours per month	4¢ per kilowatt hour.
All over	1,000 kilowatt hours per month	3¢ per kilowatt hour.

Prompt Payment Discounts: None

Minimum Charge: Service Charge.

2. Coast Valleys Gas and Electric Company is hereby ordered to establish and file with the Railroad Commission on or before November 30, 1917, the following rates for gas service, which rates are found to be just and reasonable rates. These rates shall be made effective at the next regular meter reading dates subsequent to said date of filing.

GAS RATES.

Salinas

First	500 cubic feet or less per month,	\$1.00	
Next	2,500 cubic feet per month	1.50	per 1,000 cu. ft.
Next	7,000 cubic feet per month	1.30	per 1,000 cu. ft.
Next	15,000 cubic feet per month	1.10	per 1,000 cu. ft.
All over	25,000 cubic feet per month	1.00	per 1,000 cu. ft.

Monterey and Pacific Grove

First	500 cubic feet or less per month	\$1.00	
Next	2,500 cubic feet per month	1.50	per 1,000 cu. ft.
Next	7,000 cubic feet per month	1.25	per 1,000 cu. ft.
Next	15,000 cubic feet per month	1.00	per 1,000 cu. ft.
All over	25,000 cubic feet per month	.90	per 1,000 cu. ft.

3. Coast Valleys Gas and Electric Company is hereby ordered to establish and file with the Railroad Commission on or before November 30, 1917, the following rates for water service, which rates are found to be just and reasonable rates. These rates shall become effective upon the actual installation of consumers' meters, except the flat rates for fire service which shall become effective at the next regular billing day following the aforesaid date of filing. Existing flat rates shall remain in effect pending the actual installation of meters.

SALINAS WATER SYSTEM

Monthly Flat Rates

Fire Service:		
a. General Charge		\$100.00 per month.
b. Additional for each hydrant owned by Company		.50 " "

Meter Rates

General Use

First	500 cubic feet used per month	\$.20 per 100 cubic feet,
Next	2,500 cubic feet used per month	.15 per 100 cubic feet,
For use above	3,000 cubic feet per month	.06 per 100 cubic feet.

Irrigation Use

For gardens, fruit or field crops alone or combined with household use.

First	500 cubic feet used per month,	\$.20 per 100 cubic feet.
Next	500 cubic feet used per month,	.15 per 100 cubic feet.
For use above	1,000 cubic feet per month,	.06 per 100 cubic feet.

Monthly Minimum for Each Service Metered

5/8 inch Meter	\$1.00
1 inch Meter	1.50
1-1/2 inch Meter	2.25
2 inch Meter and larger,	3.00

KING CITY WATER SYSTEM

Monthly Flat Rates

Fire Service:	
a. General Charge	\$25.00 per month
b. Additional for each hydrant owned by Company	.50 per month.

Meter Rates

Same as in Salinas.

By reason of the rates herein established, which rates modify conditions under which all classes of electric service will be supplied by the Coast Valleys Gas and Electric Company, the Company shall submit to the Commission revised rules and regulations to conform with the findings herein, and with the rules laid down by the Commission in its Decision No. 2879, Volume VIII, Opinions and Orders of the Railroad Commission of California, Page No. 272.

4. Coast Valleys Gas and Electric Company is hereby directed to prepare and file with the Railroad Commission on or before December 20, 1917, revised rules and regulations in accordance with the findings contained in this order, in the opinion preceding this order, and in Decision No. 2879, and satisfactory to the Railroad Commission.

5. Coast Valleys Gas and Electric Company is hereby directed to prepare and file with the Railroad Commission on or before December 20, 1917, revised application forms and revised forms of contracts applicable to each class of service in connection with which contracts are specifically permitted in this order.

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 November, 1917.

Max Thelen
J. H. Leonard

Edwin O. Edgerton
Francis R. Perdue

Commissioners.