

ORIGINAL

Decision No. 5202

M.

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA.

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W. B. EWALT et al,

Complainant,

-vs-

MIDLAND COUNTIES PUBLIC
SERVICE CORPORATION et al,

Defendant.

Case No. 1159.

Louis Cohen, for Complainants,
W. A. Sutherland and Murray Bourne,
for Defendant.

BY THE COMMISSION

O P I N I O N

As originally filed this was the complaint of W. B. Ewalt and 125 other residents of that portion of San Luis Obispo County known as the Atascadero Colony, against the Midland Counties Public Service Corporation and the San Joaquin Light and Power Corporation. Subsequent to the hearing in this case, complainants submitted the petition of 18 other residents of the same locality and asked that they be included with the other complainants herein.

The complaint alleges in effect that during the past two years the Colony Holding Corporation of Atascadero had carried on negotiations with the Midland Counties Public Service

Corporation on behalf of the complainants, in an endeavor to secure the extension of electric service generally for the inhabitants of this colony.

The complaint further alleges that the cost to the defendant of acquiring such of the present lines as they do not now own, and of constructing the additional lines necessary to serve complainants will be \$24,911.39, and that the probable gross revenue to be realized from all of the consumers served by this system will be \$12,804.00 per annum.

Attached to the complaint is a map entitled Exhibit "A", which shows the location of the respective homes of complainants, the present 10 k. v. lines owned by defendant, the present secondary lines installed and owned by the Colony Holding Corporation, the present transformers installed and owned by Colony Holding Corporation and the proposed distribution system to be built.

Defendants in their answer deny that San Joaquin Light and Power Corporation has any interest in this matter whatsoever. Defendants claim that the total cost of all lines involved in this matter will be in excess of \$28,000.00 instead of \$24,911.00 as set forth in the complaint, and that the revenue will probably be not in excess of \$8,000.00 per annum. Defendants allege that the permanency of this colony is extremely doubtful and that it would therefore be unreasonable and unjust to require defendant to extend its lines without some special guaranty that its investment will be protected and a reasonable revenue will be assured.

Defendant, Midland Counties Public Service Corporation further alleges in its answer that if complainants,

or the Colony Holding Corporation, will advance the money necessary to make the desired extensions and purchase the present equipment of the Colony Holding Corporation, the defendant, Midland Counties Public Service Corporation, will repay the amount so advanced by crediting to the consumers receiving service an amount equal to 25 per cent of the gross earnings from the system so purchased, until the whole amount so advanced is repaid, provided that no such credits or payments shall be made beyond the term of 15 years. Defendant, Midland Counties Public Service Corporation under such a plan would be willing to pay interest at the rate of 6 per cent after five years, provided that 50 per cent of the total amount shall have been repaid within that time.

Defendants ask that the complaint be dismissed.

A hearing was held in this matter before Examiner Excell at Atascadero on December 21, 1917, at which time the matter was submitted with the understanding that certain further information would be filed with the Commission, which data has now been received, and given the following exhibit numbers:

Complainant's Exhibit No. 2 - Detailed Estimate of Revenue from the Distributing System prayed for herein.

Complainant's Exhibit No. 3 - A List of those Complainants who have paid for their property in full and amounts so paid.

Complainant's Exhibit No. 4 - An Estimate of Labor and Material required to furnish Additional Light and Power demanded since Complaint was filed, the total amount being \$739.40.

Complainant's Exhibit No. 5 - A List of those complainants who are employed either by the Colony Holding Corporation or one of its Subsidiary Enterprises.

Complainant's Exhibit No. 6 - A List of those Complainants whose names were added after the hearing, who are employed by either the Colony Holding Corporation or one of its Subsidiary Enterprises.

Defendant's Exhibit No. 1 - A Statement of the Monthly Consumption of each Consumer served in this territory since the first lines were installed in April 1914.

No evidence was offered connecting San Joaquin Light and Power Corporation with any interest in any of the matters involved herein. The complaint as to them should therefore be dismissed.

Hereafter in the opinion and order we shall refer to Midland Counties Public Service Corporation as "defendant."

The defendant in its answer alleges that the revenue which it received from its present consumers in the Atascadero Colony has been steadily decreasing for the past twelve months, and defendant therefore concludes that the annual gross income to be realized from the proposed system, if completed, will not exceed \$8,000.00. No detailed study or other evidence was introduced at the hearing in support of this contention. On the other hand, complainants introduced evidence to show that with certain additional load, which is in immediate prospect, the annual gross revenue to be expected is \$18,615.00.

The following table prepared by the Engineers of the Commission is a comparative estimate of the annual cost to serve complainants as based upon the figures contained in defendant's answer and the complainant's exhibits offered in evidence.

	<u>Defendant's Basis</u>	<u>Complainant's Basis</u>
Investment	\$28 150.00	\$ 25 651.00
Gross Revenue	8 000.00	18 615.00
Annual Depreciation and Maintenance at 4%	1 126.00	1 026.00
Consumer Costs - 150 Con- sumers at \$5.10	765.00	765.00
Taxes at 5.6% of Gross Income	448.00	1 042.00
Energy, 508,387 k.w.h. at 1.94¢	9 863.00	9 863.00
Interest on Local invest- ment at 8%	2 252.00	2 052.00
Total Annual Cost	\$14 454.00	\$ 14 748.00
Net Revenue	6 454.00 (Deficit)	3 867.00

The defendant introduced no evidence to indicate the probable consumption in k. w. h. and the figure used in both cases in the above table is derived from complainant's Exhibit No. 2. The estimated cost per kilowatt hour of energy delivered to complainants' meters and the consumer costs as used in this computation are derived from the average experience of Midland Counties Public Service Corporation as shown by its 1916 annual report to the Commission.

It appears that if the facts are as stated in the complainant's testimony the distribution system proposed herein is entirely justifiable from an economic standpoint. The principal difference of opinion lies in the probable gross revenue, which, as herein before stated, was fully substantiated on the part of complainants by their sworn witnesses, defendants introducing no testimony in support of their estimate.

Defendant claimed that it should not be required to make extensions of this nature because of the fact that they involve the use of money and material which at the present time is required for service of the necessary war industries. In this connection it appears that the war industries referred to

consist of agricultural and oil well pumping business, for which the prospective consumers are unable to obtain delivery on electric motors. In the face of the inability to render service to such war industries it is difficult to understand how the use of line material of the Midland Counties Company for the service of complainants herein will interfere with the development of the said war industries. Defendants further allege that on account of the difficulty in obtaining delivery of such materials it would be impossible in any event to construct the proposed extensions within 6 months from the date of hearing. The principal items of material required are poles, wire and transformers. Mr. Frank Martin, electric superintendent for the Colony Holding Corporation, testified that the Colony had twelve transformers which could be turned over to the Midland Counties Company, and which would be sufficient to serve practically all of the proposed consumers. In this connection it might be said that Pacific Telephone and Telegraph Company is at present engaged in the extension of its service throughout the Colony, and it is suggested that defendants endeavor to arrange with the Telephone Company for joint use of its poles.

Defendant further urged that it should not be required to furnish the proposed extensions on the ground that the most remunerative portion of the load is already being served with the present lines, in which defendant has an investment of only \$3,870.00, and that the additional business which will be acquired by the expenditure upon the completion of the rest of the system is principally that to be derived from approximately 100 residence consumers, and in itself would

not justify the additional investment.

A study of the history of this service indicated that defendant has been fully reimbursed for its investment in the existing service facilities. The Commission has always taken the position that public utility companies should properly be expected to combine the less remunerative services with those that are very profitable, and in this instance it is our opinion that all of the business involved herein, as set forth in complainant's Exhibit No. 2, should properly be considered as a unit.

Some question was raised by defendants as to the possibility of the premature abandonment of this Colony. Complainants are at the present time bona fide residents of this territory and the commercial enterprises are active going concerns, and under these circumstances we do not believe defendants' contention in this regard is material to the matter herein.

O R D E R

W. B. EWALT and others having filed with this Commission a complaint against the Midland Counties Public Service Corporation, and the Midland Counties Public Service Corporation having filed with the Commission its answer, and a hearing having been held, and the Commission finding that defendant should extend its electric distribution lines in

that portion of San Luis Obispo County known as the
Atascadero Colony,

IT IS HEREBY ORDERED that the defendant,
Midland Counties Public Service Corporation, be and the
same is hereby ordered, within 60 days from the date of
this order, to serve with electric energy the persons
desiring the same and residing in that portion of San
Luis Obispo County known as the Atascadero Colony, as
delineated in Exhibit "A", attached to the complaint
herein, which exhibit is hereby referred to and made a
part hereof.

Dated at San Francisco, California,
this 13th day of March, 1918.

Max Shelton

H. J. Sturtevant

Edwin O. Edgerton

Commissioners.