

Decision No. 5869-

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA.

In the Matter of the Application)
of VACAVILLE WATER AND LIGHT COM-)
PANY for Authority to Discontinue)
Flat Rate Service of Electricity,)
and for an Order establishing)
Electric Rates.)

Application
No. 3960

W. Z. McBride, for Applicant,
T. E. Reynolds, for Town of Vacaville.

BY THE COMMISSION.

OPINION

This is an application of Vacaville Water and Light Company requesting authority to discontinue flat rate service of electricity, and for an order of the Commission fixing rates for the sale of electricity in its territory.

A hearing was held at Vacaville on August 19th, 1918, before Examiner Encell. Evidence was introduced and the matter submitted, and is now ready for decision.

Vacaville Water and Light Company is engaged in the distribution of electricity and the pumping and distribution of water in and around the Town of Vacaville, Solano County. In this proceeding we are concerned only with applicant's electric business, except the apportionment of the cost of electricity to its water pumping plants, which are electrically operated.

Applicant operates no electric generating plants of its own, but purchases its entire supply of electricity at wholesale from Pacific Gas and Electric Company. In the past, applicant paid to Pacific Gas and Electric Company for all power received according to an existing contract, a sum equal to one-half of the electric operating revenue of applicant, and in addition a fixed sum of \$450.00 per annum for power used for operating its water pumping plants. This contract having expired and the rates of Pacific Gas and Electric Company having been modified by Decision No. 5519 of this Commission, applicant's rates for wholesale power were changed and applicant

is now required, and will hereafter be required, to pay to Pacific Gas and Electric Company for all power purchased for resale and for pumping in accordance with Schedule No. 189 of Pacific Gas and Electric Company, and in addition thereto a surcharge of 1 mill per kilowatt hour.

A large proportion of applicant's electric consumers have been purchasing power from it under flat rates, and now that applicant is required to pay for power on a metered basis it is both necessary and desirable that the remaining flat rate consumers of applicant be placed upon such rate schedules that will require them to pay according to their actual use of electricity, which will thereby eliminate the wasteful and extravagant use of electricity that always exists where flat lighting rates are in effect. Applicant serves about 500 consumers, of which about 470 are lighting consumers, and the remainder are power users. There remain on applicant's system about 100 flat rate consumers. Applicant purchases from Pacific Gas and Electric Company about 650,000 kilowatt hours per annum, of which 128,000 kilowatt hours are used in the operation of its water pumping plants.

Table I following shows applicant's actual electric operating revenues and expenses for the years 1916 and 1917 and an estimate, based on the the evidence herein, for 1918, as if the former contract with Pacific Gas and Electric Company were still in effect. In this table the item "Production Expense" is the cost of power at wholesale and is an amount equal to one-half the operating revenues, with some minor bookkeeping adjustments.

TABLE I.

VACAVILLE WATER AND LIGHT COMPANY

ELECTRIC DEPARTMENT

REVENUE AND EXPENSES.

Year ended December 31st,	<u>1916</u>	<u>1917</u>	<u>Estimated 1918</u>
Electric Operating Revenues	\$14 092.44	\$14 501.30	\$15 000.00
Operating Expenses:			
Production	7 054.81	7 235.80	7 500.00
Distribution	1 867.05	1 405.37	1 600.00
Commercial	517.50	540.00	540.00
General & Misc.	1 655.76	1 771.27	1 720.00
Taxes	765.73	785.00*	870.00
Uncollectible Accts. (Est.)	<u>150.00</u>	<u>150.00</u>	<u>150.00</u>
Total Operating Expenses	\$12 010.85	\$11 887.44	\$12 380.00
Net Revenue for Return and Depreciation	\$ 2 081.59	\$ 2 613.86	\$ 2 120.00

* Corrected Item. Actual Taxes reported as \$505.52 obviously in error.

Under existing conditions, however, with Schedule No. 189 and its surcharge in effect, applicant will pay for all power it receives from Pacific Gas and Electric Company the sum of \$8,210.00 per annum. From this should be deducted the sum of \$1,440.00 for power used in the operation of its water pumping plants, leaving a sum of \$6,770.00 as the cost of power chargeable against its electric operations.

To change over from flat rate to metered service, applicant will be required to install approximately 100 electric meters and therefore carry an additional expense for the maintenance of these meters and the reading thereof, and some additional expense incidental to the keeping of such extra accounts. The metering of the remaining flat rate consumers will, in all probability, somewhat curtail the use of electricity by such affected consumers, and to this extent applicant's revenues will be correspondingly reduced. Taking into consideration these various factors, it appears that applicant's revenues and expenses, under the new conditions thus resulting, will be as follows:-

TABLE II.

VACAVILLE WATER AND LIGHT COMPANY

ELECTRIC DEPARTMENT

REVENUE AND EXPENSES

Based on New Schedule Rate for Purchased
Power and Elimination of Flat Rate
Consumers.

	<u>Under Existing Rates</u>	<u>Under Rates Hereinafter Established</u>
Operating Revenue	\$ 14 500	\$ 15 400
Operating Expenses:		
Production	6 770	6 770
Distribution	1 800	1 800
Commercial	800	800
General & Misc.	1 900	1 900
Taxes	840	940
Uncollectible Accts.	<u>150</u>	<u>150</u>
Total Operating Expense	\$ 12 260	\$ 12 360
Net Revenue for Return and Depreciation	\$ 2 240	\$ 3 040

The increase in operating expenses incident to these changes is offset by the reduction in the cost of power obtained at wholesale, so that applicant's net revenue under existing rates will be slightly improved. The increases in operating

expenses considered above included certain increases in labor costs which applicant will be required to meet in the operation of its plant and system.

A valuation of applicant's electric properties was made by the Engineering Department of the Commission, and from the inventory and investigation by Mr. W. M. McKay (Exhibit No. 1 of the Railroad Commission) we find that the sum of \$30,705.00 represents a reasonable valuation of applicant's electric system as of July 15th, 1918. To this should be added the sum of \$1,500.00 for the necessary investment in additional meters occasioned by the removal of flat rates, and the further sum of \$2,000.00 for materials and supplies and working capital, making a total valuation of \$34,205.00.

Using the above valuation of \$30,705.00 as a basis, and the net additions and betterments to applicant's electric properties for the years 1916, 1917 and the first six months of 1918, the average capital for these years may be obtained. A comparison of these figures with the net revenue earned for each year is given in the following table:-

TABLE III.

VACAVILLE WATER AND LIGHT COMPANY

ELECTRIC DEPARTMENT

NET REVENUE FOR RETURN AND DEPRECIATION.

<u>Year</u>	<u>Average Capital</u>	<u>Net Revenue</u>	<u>Percent</u>
1916	\$ 25 409	\$ 2 082	8.20
1917	28 892	2 614	9.03
1918 Under Exist- ing Rates	34 205	2 240	6.55
1918 Under Rates hereinafter established	34 205	3 040	8.90

This table indicates that although applicant's net revenue for 1918, under present conditions, is improved by the reduction in its cost of wholesale power, it will not obtain the return on its capital which its business for the past two years has shown it capable of earning.

Applicant's present rates for power, heating and cooking on file with the Commission appear to be sufficient. On the other hand, its metered lighting rates on file are low when the character

of applicant's business and the costs of serving communities of this size and character are considered. We are of the opinion that applicant's revenue should be increased so that it will earn a return on its capital comparable with its earnings in 1916 and 1917.

The rates set forth in the order herein will increase applicant's electric revenue by the sum of \$900.00 per annum and will provide it with a net revenue of \$3,040.00 per annum, which is 8.90 per cent on the average capital for the current year for depreciation and return. The depreciation in electric properties such as applicant's amounts to 3 per cent per annum, so that the actual return from the rates hereinafter established is less than 6 per cent on the value of applicant's electric properties.

ORDER

Vacaville Water and Light Company having applied to the Railroad Commission of the State of California for authority to discontinue flat rate service of electricity and for an order establishing electric rates, the Railroad Commission finds as a fact that applicant's existing rates are not just or reasonable rates in that under present conditions they do not provide applicant with sufficient income, and in so far as they differ from the rates hereinafter established, which rates are found to be just

and reasonable rates for electricity sold by applicant.

Basing its order upon the foregoing findings of fact and upon the other findings of fact contained in the opinion which precedes this order,

IT IS HEREBY ORDERED that Vacaville Water and Light Company be and the same is hereby authorized to discontinue all flat rates for the sale of electricity, and to place all consumers heretofore receiving service under flat rates upon the metered schedules hereinafter established.

IT IS HEREBY FURTHER ORDERED that on and after the 5th day of ~~September~~^{November} 1918, Vacaville Water and Light Company shall charge for electricity in accordance with the following rate schedules, to-wit:-

SCHEDULE "A"

General Lighting Rate

First	30 kilowatt hours per month, 9¢ per kilowatt hour.
Next	70 kilowatt hours per month, 7¢ per kilowatt hour.
Next	100 kilowatt hours per month, 6¢ per kilowatt hour.
All over	200 kilowatt hours per month, 5¢ per kilowatt hour.

Minimum Charge: \$1.00 per meter per month.

SCHEDULE "B"

Heating and Cooking Rate

First 100 kilowatt hours per month,
4¢ per kilowatt hour.
All over 100 kilowatt hours per month,
3¢ per kilowatt hour.

Minimum Charge: \$2.50 per meter per month.

SCHEDULE "C"

General Power Rate

First 300 kilowatt hours per month,
4¢ per kilowatt hour.
Next 700 kilowatt hours per month,
3¢ per kilowatt hour.
Next 1 500 kilowatt hours per month,
2½¢ per kilowatt hour.
All over 2 500 kilowatt hours per month,
2¢ per kilowatt hour.

Minimum Charge: \$1.00 per month per horse-
power of connected load.

Where light and power are supplied from one
meter, the first 30 kilowatt hours per
month shall be charged for at the lighting
rate, and the remainder at the power rate.

SCHEDULE "D"

Agricultural Power Rate

First	300 kilowatt hours per month, 4¢ per kilowatt hour.
Next	700 kilowatt hours per month, 3¢ per kilowatt hour.
Next	1 000 kilowatt hours per month, 2½¢ per kilowatt hour.
All over	2 000 kilowatt hours per month, 2¢ per kilowatt hour.

Minimum Charge: \$6.00 per year per horse-power of connected load.

IT IS FURTHER ORDERED that Vacaville Water and Light Company shall, within 10 days of the date of this order, file with the Railroad Commission the schedules of rates for electricity herein established, which rates shall be effective for all regular meter readings taken on and after the 5th day of November, 1918.

Dated at San Francisco, California, this
28th day of ~~September~~ ^{October} 1918.

Edwin O. Edgerton
H. S. Stovall
John R. Miller

COMMISSIONERS