

Decision No. 5892

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the matter of the application
of BELL ELECTRIC COMPANY for an
order of the Railroad Commission
authorizing said company to increase
rates for electric energy sold by it.)
Application No. 3979.

Frank R. Bell for applicant.
Fred Tuttle and A. C. Lowell
for the City of Auburn.
J. D. Stewart, W. B. Lardner and
M. V. Dinkler, in propria persona.

BY THE COMMISSION:

O P I N I O N

Frank R. Bell and others, partners under
the name and style of Bell Electric Company, apply for
authority to increase rates for electric energy sold and
distributed in and about Auburn, Placer County.

A public hearing upon the application was
held by Examiner Westover at Auburn on August 30th.

It was stipulated at the hearing that
applicant would subsequently prepare and file a segregation
of certain items of expense, the city reserving the right
to cross examine or submit further evidence thereafter if
so advised. The city advised on October 26th that it would
submit the case without cross examination or testimony

and the matter is therefore now ready for decision.

The testimony shows that applicant's gross revenue has materially decreased during the past year while its operating costs have increased very greatly.

The total number of applicant's consumers in 1917 was approximately 5.75% less than its consumers for 1916; and figures for 1918 indicate a still greater percentage of reduction. Besides the loss in number of consumers, a reduction in the amount of energy consumed has resulted from governmental restrictions on the use of energy and the Daylight Saving Act, thus further reducing gross revenue.

The increase in cost of operation is due to increased costs of materials and labor. In addition to this is the increased cost of energy purchased, which became effective July 10, 1918 through the Commission's Decision No. 5519, upon Application No. 3459, by which it authorized Pacific Gas & Electric Company to increase its rates. But for this necessary increase, applicant's cost of energy purchased would be about \$600 less for 1919 than estimated hereinafter.

In the City of Auburn the residences are scattered over a relatively large territory. Records of the Commission show that applicant's expenses are noticeably higher than those of other like utilities serving a corresponding number of consumers, even after due allowance has been made for the more extensive area served.

Applicants expressed a willingness to share with their consumers the increases in costs of operation due

to the present war conditions and do not ask a full return on their investment.

Applicants are members of the family of F. H. Bell who originally established applicant's business many years ago. It is now conducted in connection with a general electric and supply business, making possible a number of economies in operation.

From a study of applicant's Exhibit No. 4, which constitutes a segregation of commercial, general and distribution expense for the year 1917, and the first six months of the year 1918, we are firmly of the opinion that many economies may be effected. It has been the practice of applicant in the past to pay a salary of \$2,400.00 per year to Mrs. Virginia J. Bell, as administratrix of the estate of F. H. Bell. Inasmuch as a fair salary is paid to Mr. F. R. Bell as manager, we do not believe that any of this annual payment to Mrs. Bell should be allowed as an item of operating costs.

Prior to the hearing in this matter, the Commission's Engineering Department made a physical valuation of applicant's electric properties, finding the reproduction cost to be \$51,527. Testimony of Mr. F. R. Bell, Manager, was to the effect that while he had not found an opportunity to make a complete check of our engineer's inventory and cost units, there were some items which he had not found listed. We believe that no items which would materially affect our conclusions in this matter have been omitted.

The following table compiled from applicant's annual reports, now on file with this Commission, and from evidence in this proceeding, sets forth capital,

operating expense and income for the years 1915-1916-1917, also an estimate for the year 1919 based on operations during the first six months of 1918, and including increased cost of purchased power. Attention is called to the estimate of capital for the year 1919, in amount \$60,000. This estimate includes, in addition to normal additions and betterments which will be required, and working capital, an amount of \$5,500.00, the estimated cost of completing the series street lighting system. This matter of street lighting will be discussed further hereinafter.

CAPITAL REVENUE AND EXPENSES
BELL ELECTRIC COMPANY.

| | 1915 | 1916 | 1917 | 1917 corrected | 1919 Es- timated present rates. |
|--|----------|----------|----------|-------------------|--|
| CAPITAL - Based on Commission's 1918 valuation, with ad- dition of \$2000.00 for working capital | \$48,980 | \$51,069 | \$52,980 | \$52,980 | \$60,000 |
| Operating revenue | 24,227 | 24,638 | 24,630 | 24,630 | 21,922 |
| Operating Expense:- | | | | | |
| Energy purchased | | | | 8,198 | 7,350 |
| Distribution | | | | 3,479 | 4,660 |
| Commercial | | | | 1,698 | 1,700 |
| General | | | | 5,656 | 7,313 |
| Taxes | | | | 1,411 | 1,420 |
| Total | 18,270 | 18,810 | 20,531 | <u>20,442</u> | <u>21,760</u> |
| Net Income | 5,957 | 5,828 | 4,099 | 4,187 | 162 |
| Earning for return and depreciation | 12.15% | 11.4% | 7.73% | 7.91% | .27% |

From the above it is seen that applicant's rate of return in 1915 and 1916, after deducting depreciation of about 3% on capital invested, was ^{at least} reasonable, while 1917 shows a marked reduction. Continued operation under present rates, according to our estimate, would bring about a very serious condition by the end of 1919. For each year above shown the \$2400 payment to Mrs. Bell has been deducted.

The rates as set forth in the order herewith are designed to give partial relief only, it being the opinion of this Commission that it is possible for applicant to effect economies which, together with the rate increases provided, will earn a reasonable amount on capital invested under the present emergency when it must be expected that all share in the burdens resulting from the war conditions.

Testimony in this matter disclosed the fact that for a period of several years the street lighting system in Auburn has been the subject of heated controversy. The system is admittedly obsolete and inadequate, energy being supplied from the general lighting system of the company. In the past the street lights have been permitted to burn 24 hours per day because of the fact that no means has been provided for switching them off without at the same time interrupting general lighting service. Mr. F. R. Bell testified that his company started about two years ago to install a modern series street lighting system and because of the fact that he could not come to an agreement with the City Trustees on a satisfactory rate for such service, he was obliged to stop construction. It is to be lamented that the matter was not placed in the hands of the Commission at that time because there is little doubt but that a rate satisfactory to all concerned could have been established, and the utility ordered to proceed with the installation.

At the hearing in this matter Mr. Bell asked that the Commission fix a rate which may be applied to that portion of the series system already installed, and to any extensions thereof which may be made in the future.

There is no question as to the desirability of such a system and we recommend that as soon as the use of materials for such work is permitted by the Federal authorities, applicant at once proceed with this work.

O R D E R

BELL ELECTRIC COMPANY having made application to the Railroad Commission of the State of California, for authority to increase its rates, a public hearing having been held, and the matter having been submitted and being now ready for decision, the Railroad Commission hereby finds as a fact that the existing rates of Bell Electric Company are unjust and unreasonable insofar as they differ from the rates herein established and that the rates herein established are just and reasonable rates.

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 that Virginia J. Bell, Frank R. Bell, Mio M. Marsh, Viola V. Yocco, Ida D. Miller and Eugene W. Bell, partners under the name and style of Bell Electric Company, are hereby authorized to charge and collect the following rates for the respective classes of electric service specified. These rates shall be applied to all meter readings taken on and after November 15, 1918.

SCHEDULE "A"

Residence and Commercial Lighting

| | | |
|----------|-----------------------|---------------|
| First | 30 k.w.h. per month | 9¢ per k.w.h. |
| Next | 70 k.w.h. per month | 8¢ per k.w.h. |
| Next | 100 k.w.h. per month | 7¢ per k.w.h. |
| Next | 300 k.w.h. per month | 6¢ per k.w.h. |
| Next | 500 k.w.h. per month | 5¢ per k.w.h. |
| All over | 1000 k.w.h. per month | 4¢ per k.w.h. |

Minimum bill \$1.00 per meter per month.

SCHEDULE "B"

General Power

| | | |
|----------|-------------------------------|----|
| First | 60 k.w.h. per h.p. per month | 4¢ |
| Next | 60 k.w.h. per h.p. per month | 2¢ |
| All over | 120 k.w.h. per h.p. per month | 2¢ |

Minimum charge \$1.00 per H.P. per month.

SCHEDULE "C"

Municipal Lighting

Multiple System

| | |
|---------------------|-----------------------|
| 32 Candlepower Lamp | \$1.00 per month each |
| 16 Candlepower Lamp | .85 per month each |

SERIES SYSTEM

| | |
|------------------------------|--|
| 40 Candlepower Lamp or less, | \$12.00 per year plus 8¢ per 100 lamp hours |
| 60 Candlepower Lamp, | \$13.40 per year plus 10¢ per 100 lamp hours |
| 80 Candlepower Lamp, | \$15.00 per year plus 15¢ per 100 lamp hours |
| 100 Candlepower Lamp, | \$18.00 per year plus 20¢ per 100 lamp hours |
| 250 Candlepower Lamp, | \$25.00 per year plus 40¢ per 100 lamp hours |

Annual charges herein payable in equal monthly installments.

SCHEDULE "D"

The Schedule "D" now on file shall remain unaltered.

The above authority is upon the condition that said applicants file the above schedules herein

designated with the Railroad Commission on or before
ten days from date hereof.

Dated at San Francisco, California, this 4th
day of November 1918.

Edwin U. Edgerton
Arthur J. ...
Stuart R. ...

Commissioners.