

Decision No. 6992

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the matter of the application)
of the SIERRA AND SAN FRANCISCO)
POWER COMPANY for authority to)
increase rates.)

Application No. 3958.

H. F. Jackson, for Sierra and San
Francisco Power Company.
S. Waldo Coleman and F. Emerson Hoar,
for Coast Counties Gas and Elec-
tric Company.

DEVLIN, Commissioner:

OPINION ON SUPPLEMENTAL APPLICATION

In this proceeding the Commission is asked by Sierra and San Francisco Power Company to establish the proper surcharge to be applied to the rate which it now charges the Coast Counties Gas and Electric Company for electric energy, and to adjudicate the amount of compensation which Sierra and San Francisco Power Company shall pay to Coast Counties Gas and Electric Company for the right to supply electricity to the Old Mission Portland Cement Company.

The parties involved herein having been unable to reach an agreement upon these matters, the issues were thereupon submitted to the Commission and a hearing held. The evidence being fully before us, the matter is now ready for

decision.

Sierra and San Francisco Power Company supplies Coast Counties Gas and Electric Company with a certain portion of its energy requirements, and, in addition, supplies the Old Mission Portland Cement Company, both from its San Juan substation, in San Benito County. The present arrangements grew out of a dispute between the parties as to territorial rights in San Benito County, which were treated at length in Case No. 1015 and Applications Nos. 2624 and 2626 before this Commission. Decision No. 4116 established the respective rights of these utilities, following which a joint Memorandum of Agreement was drawn up by them, dated March 17, 1917, which was submitted to the Commission, and the two utilities were thereupon authorized to carry out this agreement in Decision No. 4253 dated April 17, 1917.

The above mentioned joint memorandum of March 17, 1917 is the working agreement between the Sierra Company and the Coast Counties Company and provides, among other things, for the rate to be charged by Sierra Company to Coast Counties Company for electricity, and further provides that:

"For a period of three years from the date when Old Mission Portland Cement Company first takes power from the San Juan substation, Sierra Company shall furnish Old Mission Portland Cement Company, direct, with all of its power requirements through the San Juan substation, paying to Coast Counties Company 5 per cent of all the bills which Sierra Company may collect from Old Mission Portland Cement Company for energy supplied to the latter."

In the original proceeding, to which the present action is supplemental, the Commission authorized the Sierra

and San Francisco Power Company, by Decision No. 5867, dated October 22, 1918, to charge and collect certain surcharges in addition to the rates set forth in its schedules and contracts. At the time the original proceeding was heard and the decision therein handed down Coast Counties Gas and Electric Company was not a consumer of Sierra and San Francisco Power Company although the above mentioned joint memorandum of March 17, 1917 was in effect and the parties thereto were engaged in carrying out terms of their agreement.

In Decision No. 5867 the Commission established a surcharge of $2\frac{1}{2}$ mills per kilowatt hour for energy sold to the Coast Valleys Gas and Electric Company and a surcharge of $1\frac{1}{2}$ mills per kilowatt hour for energy sold to other electric utilities. These surcharges could not then and do not now apply to the Coast Counties Gas and Electric Company inasmuch as the specific service to the Coast Counties Company was not considered by the Commission and that company was not a consumer of the Sierra Company at the time these matters were first heard and decided. Service was first supplied to the Coast Counties Company on or about May 29, 1919.

It is clear that the purpose and intent of the order in Decision No. 5867, in authorizing a higher surcharge for the Coast Valleys Gas and Electric Company than for the other utilities supplied by the Sierra Company, was not only to provide the additional necessary revenue but also to remove an obvious discrimination as between the low rate charged to the Coast Valleys Company as compared with the rates charged to other public utilities.

It is shown by the evidence herein that the rate charged by Sierra Company to Coast Counties Company, here under

consideration, is, under actual conditions of delivery, at least as low as, if not less than, the rate charged the Coast Valleys Company. If the Coast Counties Company had been an actual consumer of the Sierra Company at the time the surcharges were originally established, there is no doubt in my mind but that the 2½ mill surcharge authorized for Coast Valleys Company would have been likewise applied to the Coast Counties service.

The increased costs of operation which prevailed at the time of the original establishment of the surcharges in this proceeding now hold at least to the same degree as then and have been in effect at all times and at such times as Coast Counties Company has received this service.

The conclusion is evident then, that the proper surcharge applicable to the rate charged by Sierra Company to Coast Counties Gas and Electric Company is 2½ mills per kilowatt hour, and I shall recommend that the same be made effective from and after the date that the Coast Counties Company first regularly received electric service from the Sierra Company.

The payment to Coast Counties Company of 5 per cent of all the bills which Sierra Company collects from Old Mission Portland Cement Company is clearly in the nature of payment for the interim surrender of territorial rights by Coast Counties Company to Sierra Company.

The bills for energy paid by the Old Mission Portland Cement Company to the Sierra Company now include a surcharge authorized by this Commission. If the Coast Coun-

ties Company had been permitted to serve the Old Mission Portland Cement Company, it would have received additional revenue in the form of surcharges on this service, for the Commission has already authorized it to collect such surcharges. To this extent the business of the Old Mission Portland Cement Company, which it has temporarily released to the Sierra Company, represents a greater gross loss to it under present conditions than at the time the service was originally established, and it is proper that it should, under present conditions, receive from the Sierra Company a greater compensation for such release.

The joint memorandum of March 17, 1917 between the parties is clear and definite as to the amount involved in this 5 per cent and I conclude that the said 5 per cent of all bills applies to both the rate and the surcharge which the Old Mission Portland Cement Company pays to the Sierra Company.

Both Sierra Company and Coast Counties Company have introduced into the present proceeding other issues which I do not deem relevant at the present time. Such issues affect the relative cost of energy to be supplied by the Sierra Company as compared with the cost of the other energy which the Coast Counties Company purchases from Pacific Gas and Electric Company. That the payment of the $2\frac{1}{2}$ mill surcharge on the Sierra Company's rate makes it more economical for the Coast Counties Company to purchase from the Pacific Gas and Electric Company is an issue which I think has but remote bearing upon the question of the proper surcharge under existing facts. If the action of this Commission produces such an effect, the recourse of the Coast

Counties Company is a matter subsequent to and not correlated with the fixing of the surcharge. While able briefs are submitted by both parties upon the main and other issues, the Commission's attention is more properly confined to the disposition of the two main issues hereinabove set forth.

I recommend the following form of Order:

O R D E R

Sierra and San Francisco Power Company having applied to the Railroad Commission for the establishment of a surcharge to apply to the rate now charged by it to Coast Counties Gas and Electric Company, and to ascertain the compensation to be paid to Coast Counties Gas and Electric Company by Sierra and San Francisco Power Company for service to the Old Mission Portland Cement Company,

The Railroad Commission of the State of California, following the usual hearing and submission of evidence, hereby finds as a fact that, under present conditions, a surcharge of $2\frac{1}{2}$ mills is a proper surcharge for the Sierra and San Francisco Power Company to add to the rate now charged by it to Coast Counties Gas and Electric Company, and that Sierra and San Francisco Power Company should pay to Coast Counties Gas and Electric Company five (5) per cent of the bills which Sierra and San Francisco Power Company collects from the Old Mission Portland Cement Company, including 5 per cent of the surcharge applicable thereto.

Based on the foregoing findings of fact and on the other findings of fact contained in the Opinion preceding this order,

IT IS HEREBY ORDERED that Sierra and San Francisco Power Company be and it is hereby authorized to charge and collect, in addition to the rate set forth in the agreement of March 17, 1917, a surcharge of $2\frac{1}{2}$ mills per kilowatt hour for all energy sold to Coast Counties Gas and Electric Company from and after the date of the first regular deliveries of energy to Coast Counties Gas and Electric Company.

IT IS HEREBY FURTHER ORDERED that the payments by Sierra and San Francisco Power Company to Coast Counties Gas and Electric Company for the right to supply the Old Mission Portland Cement Company be in accordance with the hereinbefore stated findings of this Commission, from and after such time as the surcharge of Sierra and San Francisco Power Company was first added to the bills of the Old Mission Portland Cement Company.

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 27th day of December, 1919.

Elwin O. Edgerton
H. S. Loveland
Frank R. H. H. H.
Dwight M. M. M.
Commissioners.