

Decision No. 7967

ORIGINAL

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA

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In the Matter of the Application)
of COAST VALLEYS GAS AND ELECTRIC) Application No. 5703
COMPANY for an order increasing)
its electric rates.)

James F. Pollard, for Applicant.
J. H. Andresen, for City of Salinas.
J. Sherman Woolf, for City of Monterey.
E. G. Jorgensen, for City of Pacific
Grove.

Hugh R. Osborne, for City of King City
and Chamber of Commerce of Southern
Monterey County and certain Farmers,
Consumers.

MARTIN, Commissioner:

O P I N I O N

Coast Valleys Gas and Electric Company herein ap-
plies for authority of the Commission to increase its rates
for electric service supplied to its consumers in the ci-
ties of Salinas, Monterey, Pacific Grove, King City and in
Monterey County.

In support of its petition applicant alleges that
the rates now in effect were fixed by the Commission based
upon the cost of power from the Sierra and San Francisco
Power Company as decided by the Commission in Decision No.
5867, dated October 22nd, 1918; that any further increase

in cost of power which may be granted to the Pacific Gas and Electric Company, lessee of Sierra and San Francisco Power Company, in connection with Application No. 5567 will result in an increased cost of operation on applicant's system, and, in consequence of this possible increase and other increases in cost of operation, applicant requests an increase in its own rates.

Coast Valleys Gas and Electric Company obtains the larger portion of its electric power from Pacific Gas and Electric Company, lessee of the former Sierra and San Francisco Power Company system, at its substation at Salinas. It also operates a steam plant, part of the cost of which operation is paid directly by the Coast Valleys Company. Energy is distributed in the cities of Monterey, Pacific Grove, King City and a number of smaller communities and in the Salinas Valley and Monterey County.

This Commission in its Decision No. 6193, dated March 12th, 1919, authorized an increase in rates on applicant's system in the form of a surcharge to be added to the bills based upon the regular schedules. This increase was granted to cover the increased operating costs of applicant which had occurred up to that time.

Applicant presented in evidence in this proceeding detailed statements of its electric operations during the past two years which are summarized in the following table. No exact estimate was submitted by applicant as to the operating conditions for the year 1920 as at the time of the hearing in this proceeding the increase in rates which it expected might be charged it by Pacific Gas and Electric Company had not been determined by the Commission.

COAST VALLEYS GAS AND ELECTRIC COMPANY

OPERATING STATEMENT

Electric Department

	<u>Year Ending</u> <u>Apr. 30, 1919</u>	<u>Year Ending</u> <u>Apr. 30, 1920</u>
Average Fixed Capital Installed	\$957,966.45	\$1,040,726.14
Material & Supplies and Working Cash Capital	<u>65,691.35</u>	<u>112,292.17</u>
Total Capital	\$1,023,657.80	\$1,153,018.31
Gross Electric Revenue	\$ 226,114.17	391,076.71
Operating Expenses & Taxes	165,509.87	274,222.37
Depreciation	16,024.86	17,409.28
Net for Return	44,579.44	99,445.06
Rate of Return on Rate Base	4.35%	8.62%

The year ending April 30th, 1919 included several months during which Coast Valleys Gas and Electric Company paid a surcharge to Sierra and San Francisco Power Company on purchased energy but received no surcharge from its own consumers, and, while the higher return the following year reflects the surcharge on applicant's system, which became effective March 20th, 1920, it is also partly due to the growth of applicant's business.

The Commission in its Decision No. 7823 in Application No. 5567 authorized Pacific Gas and Electric Company to increase the rate charged to Coast Valleys Gas and Electric Company by a 15% surcharge effective for all meter

readings taken on and after July 10th, 1920 to and including April 10th, 1921.

The cost of power to applicant for the nine months - July 1919 to March 1920 inclusive - was the sum of \$126,365.62. The 15% surcharge applied to this bill represents a total of \$18,954.84 increase in charge. Applicant's sales have increased in excess of those existing during the period above referred to, so that the increased cost due to the present surcharge of 15% upon the bills of Pacific Gas and Electric Company will result in a greater increase in applicant's costs. To offset this further increase, however, applicant's revenue, due to increase in its sales, will be proportionately greater.

Applicant directed attention to the fact that due to service troubles which interfered with the use of power by its consumers an estimated reduction of approximately \$10,000 in its revenue would result. Aside from any consideration of the justice or injustice of requiring that consumers already burdened with losses through interruptions to service and low voltage conditions compensate the utility for losses occasioned by the inadequacy of its own facilities, it does not seem that the figures of kilowatt hours actually sold support the theory of any such losses in revenue, and this subject may be dismissed without further consideration.

At the hearing held in Salinas applicant's consumers introduced extensive evidence showing that the electric service supplied by applicant was far from satisfactory, especially in the upper Salinas Valley, where energy is largely used for irrigation purposes and for general service in the City of King City. Applicant admitted that the service was not what it should be, alleging, however, that the power

delivery to it by Pacific Gas and Electric Company was not up to the standards required by the contract, and that this in turn resulted in detrimental service to its consumers.

The Commission has realized that the service of Coast Valleys Gas and Electric Company has not been standard for some time and did, in the last decision increasing applicant's rates, direct applicant to install certain equipment to improve service conditions and has from time to time taken the matter up with applicant and former Sierra and San Francisco Power Company. However, applicant has not, due to financial reasons, been able to install all of the improvements required.

An analysis of the records in this proceeding shows that applicant's service is below standard due to numerous interruptions to service and conditions of low voltage. The interruptions to service, which have been quite numerous, are partly caused by the transmission line of the former Sierra and San Francisco Power Company between Port Marion and Salinas and to interruptions upon the transmission system of applicant from Salinas to the Salinas Valley. Upon the taking over of the Sierra and San Francisco Power Company's system by Pacific Gas and Electric Company construction work on an additional circuit was commenced and is, now somewhat over half completed. With the completion of this additional line and the additional transmission line from near Salinas to Soledad under construction by Coast Valleys Gas and Electric Company a material improvement in both voltage conditions and a reduction in the number of interruptions to service should result.

It appears that the low voltage conditions existing are not due entirely to inadequacy of the transmission system

of either Sierra and San Francisco Power Company or Coast Valleys but are in part due to overloaded distribution equipment on the latter system. The growth of load on applicant's system has been rapid and applicant has attempted to serve a considerably greater load than its existing system was adequately designed for, and it will be necessary within the next six or eight months for Coast Valleys Company to expend considerable sums of money in improving service conditions before the heavy irrigation season commences in 1921, and also commence upon a definite plan for enlargement of circuits and changing of its plan of distribution in order to meet the requirements.

Investigation by the Commission's staff shows that the company's system is not sufficient to take care of the existing load or any additional service in the main Salinas Valley without material improvements. The improvements in transmission facilities which are now being carried on should materially benefit the situation and I believe that improvements so made will make possible fairly adequate service from the transmission system during the coming year or two. Applicant must expend considerable sums in plant additions to improve its service without a resultant increase in revenue, and this must be considered in this proceeding.

I believe applicant is at this time appreciative of the needs of its consumers and is attempting as best it can to render to its consumers a first-class quality of service. It has had financial difficulties in meeting the requirements but it is apparently doing everything in its power to improve service conditions so that there will not be a recurrence of the conditions which have existed

during the past few months. Applicant should submit to the Commission's engineers a complete and adequate plan for improvement of its electric service conditions for their approval. It is also necessary that it expend material sums in the strengthening of its system for service improvement even to the possible curtailment of the taking on of new business.

In Decision No. 6193, dated March 22nd, 1919, in which the present surcharges were authorized on applicant's system, the lighting rates were increased 1-1/2 cents per kilowatt hour while the power rates were increased 20% of the bills. It appears at this time that the lighting rates should not be further increased. The larger part of the increased cost is directed to a portion of the energy. An increase in the surcharge on power service from 20 to 35 percent at this time will result in an increase in revenue of approximately \$22,000 during the nine months that the increase in rates for purchased power is now authorized, sufficient to reimburse applicant for ~~the increased cost of~~ operation resulting from increased cost of power.

I recommend the following form of Order:

O R D E R

Coast Valleys Gas and Electric Company having applied to the Railroad Commission for authority to increase its rates and charges for electricity, public hearing having been held, the matter being submitted and now ready for decision,

The Railroad Commission hereby finds as a fact that the rates of Coast Valleys Gas and Electric Company for electric power should be increased by the increasing of the present surcharge from 20 to 35 percent and that the present schedules for power increased by a surcharge of 35% are hereby found to be just and reasonable.

Basing its order on the foregoing findings of fact and the findings of fact set forth in the opinion preceding this order,

IT IS HEREBY ORDERED that Coast Valleys Gas and Electric Company be, and the same is, hereby authorized to increase the temporary surcharge heretofore authorized from 20% to 35%, the 35% to be added to all bills for electric energy sold for power purposes, based upon the regular filed schedules Nos. P-1, P-2, P-3, P-4 and P-5 and special contracts for power service, effective for all regular meter readings taken on and after the 13th day of August 1920, and continue to charge and collect the surcharge heretofore authorized in Decision No. 6193 supra on bills for electric energy sold for all purposes other than power.

IT IS HEREBY FURTHER ORDERED that Coast Valleys Gas and Electric Company shall, on or before September 30th, 1920, submit to the Commission's Engineering Department complete plans for improvement of service on its system.

IT IS HEREBY FURTHER ORDERED that Coast Valleys Gas and Electric Company shall enlarge its distribution system

as shall be recommended by the Commission's Engineering Department after further investigation of its system.

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

10th day of August, 1920.

Edwin C. Ely

Francis R. Allen

Dwight Martin

Commissioners.