

Decision No. 8006

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
CALIFORNIA TELEPHONE AND LIGHT COM-)
PANY for authority to increase its)
rates and charges for electric ser-)
vice.)

Application No. 5768.

Leo H. Sussman, for applicant.
Fred W. McConnell, for City of Healdsburg.
W. F. Clewe and A. J. Martinson, for
Sonoma Business Mens Association.

MARTIN, Commissioner.

O P I N I O N

In this application California Telephone and Light Company, hereinafter referred to as applicant, alleges that its operating expenses will be largely increased thru the increased costs of materials and supplies, including electricity purchased and thru increases in wages and salaries already granted and asks the Commission to authorize such increases in the rates charged for electric service as shall be found just and reasonable.

In connection with Case 917 and Application 2171, which were consolidated for hearing and consideration, the Commission made a thorough examination of applicant's affairs and Decision 4433, dated June 28, 1917 (Opinions and Orders of the Railroad Commission of California, Vol. 13, page 450) established a schedule of rates, which at that time was found just and reasonable. These rates were modified in Decision 5711, dated August 26, 1918, (Opinions and Orders of the Railroad Commission of California, Vol. 15, page 1100) by the addition of certain surcharges.

Applicant submitted in evidence in the present proceeding a statement of its past operations and an estimate for the year 1920 on the basis of present rates and the expenses as have existed up to the present time which, by comparison with data in the files of the Commission, is shown to be reasonable and which is summarized in the following table:

TABLE 1

CALIFORNIA TELEPHONE & LIGHT COMPANY
ELECTRIC DEPARTMENT.

	1917	1918	1919	1920
Additions and Betterments	\$ 16,649.78	\$ 46,238.60	\$102,184.23	\$ 14,337.83*
Valuation, Dec. 31	448,627.18	494,865.78	597,050.01	611,387.84*
Average for the Year	440,302.29	471,746.48	545,957.89	611,387.84
Working Cash Capital	12,020.42	12,909.06	17,710.52	20,000.00
Total Capital	452,322.71	484,655.54	563,668.21	631,387.84
Gross Revenue	87,470.65	107,999.50	118,394.34	138,361.58
Operating Expenses	51,764.06	64,747.82	71,465.17	80,557.44
Net Operating Revenue	35,806.59	43,251.68	46,929.17	57,804.14
Depreciation 3.5%	15,820.00	16,975.00	19,740.00	22,085.00
Net for Return	19,986.59	26,276.68	27,189.17	35,719.14
Return on Average Capital	4.42%	5.42%	4.82%	5.67%

* Includes estimated additions and betterments to June 30, 1920 only.

California Telephone and Light Company is a consolidation of a number of separate systems, each of which was built to supply the need for telephone and electric service in communities which the large utility companies had not found it profitable to enter. The territory in which it operates is widely scattered and, from a public utility standpoint, relatively unremunerative. As has been pointed out by this Commission in previous decisions, applicant cannot expect to earn a normal return under present conditions and its logical hope for the future is in the encouragement of business on existing lines and the development of the territory served. It must, of course, be recognized that consumers living in a territory where utility service is expensive must expect to pay higher rates.

but the extent to which applicant's rates can be raised is largely limited by the value of the service and the danger of imposing charges that will unduly limit future growth. Consideration is herein given to the reimbursement of applicant for increases in its expenses, rather than to increasing its earnings to a point that might be considered normal under more favorable conditions.

The greatest increases in applicant's operating expenses will be in the item of Purchased Power, and in labor charges. Increases in wages and salaries already granted will amount to approximately \$9,700 per annum and on the basis of 1919 consumption the recently authorized rates of Pacific Gas and Electric Company for electricity sold to applicant would have increased its bills by approximately \$2,500, making a total increase in these two items or slightly over \$12,000 per year. To only a small extent do these increases appear to be temporary, and in my opinion the increased cost of operation should be reflected in a permanent modification of rate schedules rather than in further continuation of temporary surcharges.

Representatives of the City of Healdsburg appeared at the public hearing to protest any increase in the wholesale rate charged the City on the ground that by purchasing directly from the 60 k.v. line of Snow Mountain Power Company, which passes within 800 feet of the City's substation, instead of thru the intermediate system of California Telephone and Light Company, the service to the City would not be affected by increase of applicant's expenses. In considering this argument it must be remembered that in order to secure service in this way, it would be necessary for the City to install a transformer substation and guarantee a suitable minimum charge, and that in providing transformer capacity and combining the business of the City of Heald-

burg with its other business applicant is rendering a service for which it is entitled to reasonable compensation. Rates hereinafter set forth to be paid by City of Healdsburg have been established with these considerations in mind.

A committee from the Sonoma Business Mens Association, present at the hearing, called attention to the differential between the rates now charged by applicant in the City of Sonoma and by Great Western Power Company in adjacent territory and urged that rates now effective in Sonoma be not increased. While this contention has considerable merit, it must not be forgotten that the rates of Great Western Power Company in the territory adjacent to Sonoma would not, in all probability, be justified by a consideration of the business in this territory if segregated from the rest of the company's system and are apparently possible only because Great Western Power Company's operations cover a large territory, in much of which its business is more remunerative. As hereinafore pointed out, the territory in which applicant operates is in general more expensive to serve than the territory covered by the systems of larger utilities which serve large cities and towns and the application of the rates of such utilities to California Telephone and Light Company could result only in the impairment and possible ultimate elimination of service in much of the territory now served. The rates herein authorized are such as to absorb the increased costs incurred by applicant.

I recommend the following form of Order:

O R D E R

California Telephone and Light Company having applied to the Railroad Commission for authority to increase its rates and charges for electric service, a public hearing having been held, the matter submitted and being now ready for decision,

The Railroad Commission of the State of California hereby finds as a fact that the present rates and surcharges of California Telephone and Light Company are unreasonable, unjust and inadequate in so far as they differ from the rates hereinafter set forth, which are hereby found to be just and reasonable rates.

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

IT IS HEREBY ORDERED that California Telephone and Light Company be and the same is hereby authorized to charge and collect for electric service the following rates effective based on all regular meter readings taken on and after the 24th day of August 1920,

PROVIDED that California Telephone and Light Company shall on or before that date file with the Railroad Commission the schedules of rates for electric service herein established.

PROVIDED, FURTHER, that in cases where former flat rate schedules are cancelled by meter rate schedules, California Telephone and Light Company shall charge the existing flat rates until necessary meters can be installed, but for not over 60 days.

SCHEDULE I-1

Cancels former schedules 1,2,3 and 5 and Schedules A, B, C, D and E of former Mt. Konocti Light and Power Company.

General Lighting

For the first 100 k.w.h. per meter per month	.	12 ¹ / ₂	per	kwh.
For all over 100	"	"	"	"
		6 ¹ / ₂	"	"

SCHEDULE L-1 (Cont'd.)

Minimum Charge

In incorporated cities --- \$1.00 per meter per month.
Outside of incorporated cities \$1.50 per meter per month.

Where the company is required to maintain a special transformer to serve one lighting consumer outside of incorporated cities the minimum charge shall be \$2.00 per month.

SCHEDULE L-2

Cancels former Schedule No. 4.

Summer Cottage Lighting

Applies in the Russian River and Sonoma Valley districts to summer cottages and to resort hotels, bowling alleys, ice cream stands and similar business establishments of a seasonal character --- 12¢ per k.w.h.

Minimum Charge

\$12.00 per year, payable in advance. Where the company is required to maintain a special transformer to serve one lighting consumer outside of an incorporated city the minimum shall be \$18.00 per year payable in advance.

SCHEDULE L-3

Cancels former schedules Nos. 6 and 11.

Street Lighting Service

Includes installation and maintenance of all lamps and equipment and current for all night operation.

40 watt multiple or 60 c.p. series lamps	..	\$2.00	per lamp per mo.
60 " " " 80 " " "	..	2.25	" " " "
80 " " " 100 " " "	..	2.50	" " " "
150 " " " 250 " " "	..	3.75	" " " "

SCHEDULE C-1

Cancels former schedule No. 9 and schedules M and N of former Mt. Konocti Light and Power Company.

SCHEDULE C-1 (Cont'd.)

Heating and Cooking

Applicable to cooking, heating, incubating, etc., and to residence lighting in combination with cooking or heating and to single phase motors not exceeding a total of 3 H.P. used in connection therewith, where cooking devices or incubators having a capacity of 2 k.w., exclusive of lamp socket devices, are installed and used. When no lighting service is included -

For the first 100 k.w.h. per meter per mo. 4.5¢ per kWh.
 For all over 100 " " " " " 2.3¢ " "

When lights are supplied thru the same meter -

For the first 30 k.w.h. per meter per mo. 12¢ per kWh.
 For the next 70 " " " " " 4.5¢ " "
 For all over 100 " " " " " 2.3¢ " "

Minimum Charge

For the first 5 k.w. of connected load \$2.50 per meter per mo.
 For each additional k.w. of connected load 50¢ per meter per mo.

Each horsepower of motor capacity shall be considered as equivalent to one kilowatt.

SCHEDULE P-1

Cancels former schedules Nos. 7, 8 and 10 and schedules I and J of former Mt. Konocti Light and Power Company.

General Power

	When the connected load is	
	Less than 10 H.P.	10 H.P. or over
For the first 20 kWh. per h.p. per mo.	6 1/2¢ per kWh.	6¢ per kWh.
For the next 30 " " " " "	4¢ " "	3¢ " "
For all over 50 " " " " "	2 1/2¢ " "	2¢ " "

Minimum Charge

\$1.00 per horsepower per month, but in no event less than \$2.00 per month.

Special Conditions

- At the option of the consumer, and on the signing of a contract for a term of not less than one year, the minimum charge will be \$12.00 per horsepower per year and the rate will be:

SCHEDULE P-1 (Cont'd.)

	When the connected load is	
	Less than 10 H.P.	10 H.P. or over
For the first 200 kwh per h.p. per year	6 ³ / ₄ ¢ per kwh	6¢ per kwh
For the next 300 " " " " "	4¢ " "	3¢ " "
For all over 500 " " " " "	2 ³ / ₄ ¢ " "	2¢ " "

2. When energy is metered at the primary voltage and the consumer owns all necessary transformers and distributing lines, a discount of 15% will be allowed on all bills under this rate.

SCHEDULE P-2

For Service to the City of Healdsburg

For the first 10000 k.w.h. per month . . .	2.75¢ per k.w.h.
For the next 10000 " " " . . .	2.25 " "
For the next 10000 " " " . . .	2.00 " "
For all over 30000 " " " . . .	1.75 " "

Minimum Charge

\$3000 per year.

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 26th day
of August, 1920.

Edwin A. Edgerton
Frank D. DeWitt
H. B. Boudiege
Livingston Martin
 Commissioners.