

BEFORE THE RAILROAD COMMISSION OF THE STATE
OF CALIFORNIA

ORIGINAL

In the matter of the application of :
R. A. ROSE, an individual doing :
business under the fictitious name :
of Fair Oaks Electric Company, for an : Application No. 6001
order of the Railroad Commission to :
establish a rate for electric service, :

R. A. Rose in propria persona.

By the Commission:

O P I N I O N

In this application R. A. Rose, doing business under the fictitious name of Fair Oaks Electric Company, hereinafter referred to as applicant, alleges that the rates which he has been charging for electric service have been unchanged for four years, that they do not allow a reasonable return on his investment, that the return will be still further reduced by the 15% increase recently authorized in the rates of Great Western Power Company from which the applicant purchases electricity, and asks that the Commission make the necessary investigation and fix such rates as it may find just and reasonable.

A public hearing was held before Examiner Satterwhite at Fair Oaks on August 14, 1920, and although all consumers had been properly notified no protest was made against any increases in rates found proper by the Commission.

Applicant's distribution system was originally built in connection with the marketing of lands, and was acquired from the land company by Mr. Rose. Power is purchased wholesale from Great Western Power Company and distributed to approximately 142 lighting consumers and about 40 H.P. in motors. The territory served is entirely rural in character and there is no town distribution whatever. Mr. Rose is an experienced lineman and does all

of the work in connection with the operation of his system with the exception of making out bills which is handled by a clerk, and such of the heavy construction work in which he must necessarily have assistance. The operation of the system takes but part of his time and examination by the Commission's engineers shows that charges made against the utility business for his services are entirely reasonable.

No valuation of the property has been made by the Commission, but the applicant's claim for its value is the price for which he purchased the properties, (which was considerably less than the original cost of construction) plus such additions and betterments as have been made under his ownership. The value claimed is but \$65.00 per consumer, which is low for lines serving a rural territory such as that under consideration. The evidence shows however, that certain of the new consumers have aided in the construction of lines to serve them by advancing money which is being returned to them in discounts on light and power bills. The amount due consumers is reported by applicant as \$2,305.00 on June 30, 1920, which should be deducted in arriving at applicants investment. As the lines in question will eventually become applicant's property, and as he must maintain them, no deduction is made on this account from operating expense, or from the allowance for depreciation.

The results of applicants operations during the past 2 1/2 years are shown in the following table together with a statement of the income and expenses shown to be reasonable for the ensuing year. The latter include the increased cost of wholesale power, but are based on the present rates now charged applicant's consumers.

TABLE NO. 1
R. A. ROSE, (FAIR OAKS ELECTRIC CO.)
INVESTMENT OPERATING REVENUE AND EXPENSES

	1918	1919	Jan-June 1920	Full Year Under Existing Conditions
Additions and Betterments	257.38	3186.50	973.51	800
Fixed Capital End of Period	8557.96	11744.26	12717.77	13500
Average Capital	8429.27	10151.11	12231.01	13100
Material & Supplies & Working Cash	600.00	650.00	800.00	800
Advances by Consumers		1931.25	2305.06	2000
Investment	<u>9029.27</u>	<u>8870.11</u>	<u>10725.95</u>	<u>11900</u>
Revenue				
Lighting	1800.75	2024.90	1314.59	2625
Power	645.80	1022.47	628.98	1250
Total	<u>2646.55</u>	<u>3047.37</u>	<u>1943.57</u>	<u>3875</u>
Expenses-				
Purchased Energy	1392.32	1441.21	850.32	2100
Other	777.34	957.99	407.88	1100
Total	<u>2169.66</u>	<u>2399.20</u>	<u>1258.20</u>	<u>3200</u>
Net for Depreciation and Return	476.89	648.17	685.37	675
Depreciation	220.00	265.00	160.00	350
Net for Return	256.89	383.17	525.37	325
Rate of Return on Investment	2.85%	4.32%	9.8%	2.73%

From this table it appears that past earnings as related to investment have not been at all excessive and except for the first six months of the current year have not approached a fair return. The figures in the last column clearly show that if a reasonable return is to be maintained, additional revenue must be forthcoming.

Investigation shows that flat rate consumers have not in the past been meeting their just proportion of the cost of operation and purchased energy. While it is admitted that the flat rate system cannot furnish a satisfactory basis for charges, it does not appear possible for applicant to immediately install meters for all consumers, and it is therefore necessary to make temporary provision for flat rate service. The revised schedule of flat rates hereinafter set forth is designed to take care of a fair proportion of the costs of operation and purchased energy used by flat rate consumers.

It also appears that power consumers have been paying a minimum charge of \$5.00 per month regardless of the size of installation, and in certain cases where power is used for seasonal service in packing houses or canneries this has resulted in an unduly low rate. If such low rates to certain consumers were maintained, other consumers who are already paying their share of the costs of service would have to bear an additional increase. Accordingly more rational minimum charges for power service are included.

It was further shown that consumers using electricity for heating, cooking or power purposes are receiving current for lighting at the power rate, the result being that these consumers get lighting service at a much lower rate than do their neighbors who use current for lighting only. This is corrected by including in the rate for combined lighting and cooking service a block at the standard lighting rate which will cover the consumption for lighting purposes.

With these changes in the present system of rates it will be possible for applicant to secure sufficient revenue without marked increases in the rates paid by regular consumers. The rates hereinafter set forth will produce a gross annual revenue of \$4,500 which after deducting operating expenses, costs of purchased energy and a reasonable allowance for depreciation will leave a net revenue of \$1,000 per year, or approximately 8% return on the investment.

O R D E R

R. A. Rose, an individual doing business under the fictitious name of Fair Oaks Electric Company, having applied to the Railroad Commission for an order establishing reasonable rates to be charged for electricity, a public hearing having been held, the matter having been submitted and being now ready for decision,

The Railroad Commission of the State of California hereby finds as a fact that the rates now charged by R. A. Rose for electricity are unjust, unreasonable and inadequate in so far as they

differ from the rates and charges hereinafter set forth, which are found to be just and reasonable rates.

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

IT IS HEREBY ORDERED that R. A. Rose be and he is hereby authorized to charge and collect the following rates for electricity, effective for flat rate service rendered on and after October 1, 1920, and for meter service based on regular meter readings taken on and after October 25, 1920, to wit:

SCHEDULE L-1

General Lighting and Small Motors - Metered:

11¢ per K.W.H.

Minimum Bill \$1.50 per meter per month.

SCHEDULE L-2

Domestic Lighting - Flat Rate:

This rate will only be granted pending meter installation by the Company. Any consumer on this schedule may, on application, have a meter installed and be charged under Schedule L-1.

For residences of 4 rooms or less.....	\$1.75	per mo.
" each additional room25	" "
" each electric iron, toaster, percolator or other appliance consuming 500 watts or more50	" "

SCHEDULE C

Combined Lighting, Cooking, Heating and Small Single Phase Power (3 H.P. or less)

For the first 30 k.w.h. per meter per month ..	11¢	per k.w.h.
All over 30 " " " " " " ..	4¢	" "

Minimum bill: \$5.00 per meter per month.

When no lighting service is supplied the rate will be 4¢ per k.w.h. for all current consumed.

SCHEDULE P

Power Service:

4¢ per K.W.H.

Minimum Charge: \$1.00 per month per horsepower connected, but not less than \$5.00 per month.

For service to packing houses and other seasonal industries where power is used during not to exceed six months per year:

Minimum Charge: \$6.00 per H.P. per year, but not less than \$30.00 per year.

PROVIDED that R. A. Rose shall, within ten days of the date of this order, file with the Railroad Commission the schedules of rates herein established.

Dated at San Francisco, California, this 11th day of October, 1920.

Edwin O. Edgerton
H. H. Hayward
H. H. Bondage
Dwight Martin
Commissioners.