

ORIGINAL

Decision No. 834

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BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

V. A. SOLARI, et al,
Complainants,

vs.

TUOLUMNE COUNTY ELECTRIC POWER
AND LIGHT COMPANY,

Defendant.

Case No. 372.

J. C. Webster and Rowan Hardin for complainants.
J. B. Curtin for defendant.

THELEN, Commissioner.

OPINION.

This is a complaint by more than twenty-five residents of Jamestown, Stent and Quartz, in Tuolumne county, California, against the Tuolumne County Electric Power and Light Company, complaining principally of the rates of said company.

The complaint alleges that the defendant is a California corporation engaged in supplying electricity for general domestic and commercial uses in Tuolumne county; that defendant's rates are unjust and unreasonable; that defendant purchases its electric energy from the Sierra and San Francisco Power Company at a cost of not to exceed three quarters of one cent per K.W.H.; that the value of defendant's distributing system is not in excess of the sum of \$10,000; that defendant has refused to install meters on demand; and that defendant's flat rates are unreasonably high as compared with its meter rates. The complainants pray that this Commission establish reasonable rates and charges for defendant's service and that defendant be required to serve electric energy to all consumers upon like terms and to install meters for the use of all of its patrons.

The answer denies that the cost of electric energy to defendant does not exceed three quarters of one cent per K.W.H.,

and alleges that the cost is 1 1/4¢ per K.W.H.; denies that the value of defendant's distributing system does not exceed the sum of \$10,000, and avers that its value is in excess of the sum of \$40,000; denies that its rates are unjust or unreasonable, and avers that they yield defendant no more than a fair compensation; denies that defendant has refused to install meters, and avers that it prefers to have its customers metered rather than on flat rates; and avers that all of the complainants who are its customers, except one, are supplied with a meter, and that this one customer prefers flat rates.

A public hearing in this proceeding was held in Jamestown on June 9, 1913. Both sides presented evidence, and Mr. G. R. Kenny, one of this Commission's engineers, presented an exhaustive report which had been prepared by himself and Mr. Arthur R. Kelley, another of this Commission's engineers. The Commission has given careful consideration to ^{all} the evidence and has been materially assisted ~~xxxx xxx xxx~~ ^{and has been materially assisted} by Mr. F. Emerson Hoar, of the Commission's rate department.

The defendant's principal place of business is in Sonora, Tuolumne county, California. Defendant furnishes electric energy for residence, store and street lighting in the city of Sonora and the unincorporated towns of Jamestown, Quartz, Stent and Columbia, all in Tuolumne county. Defendant purchases its electric energy from the Sierra and San Francisco Power Company at the rate of 1 1/4¢ per K.W.H. The energy is delivered to the defendant at Sonora at 2500 volts pressure and distributed at this voltage in Sonora, and by means of a 2500 volt transmission line, a distance of five miles in a general northwesterly direction to Columbia and by a similar line in a general southwesterly and southerly direction, a distance of some four miles to Jamestown, and thence a few miles beyond to Quartz and Stent.

The defendant was incorporated in 1896. At this time a 160 K.W.H. hydro-electric plant was constructed on the Stanislaus River, about 2 1/2 miles northwest of Columbia. Electric energy

was delivered from said plant to a mine at Rawhide, to a marble quarry near the plant and to a few inhabitants in the town of Columbia. The Columbia Marble Company, which operates the quarry, was at that time and still is owned in part by the same people who own the stock in the defendant company. In 1897 or 1898 the line to the Rawhide mine was taken up and moved, in order to extend the service to Sonora, where an old lighting system had been bought from local people. Thereafter, the line to Jamestown, Quartz and Stent was built. The contract with the Sierra and San Francisco Power Company was entered into on August 10, 1910. At or about the time the defendant began securing its power from the Sierra and San Francisco Power Company, it sold its hydro-electric plant on the Stanislaus River to the Columbia Marble Company. The transmission line from this plant to Columbia is still maintained, although it has not been used for ~~approximately three years.~~ about three years.

Defendant furnishes electric energy for street lighting in Sonora and to a lighting district in Jamestown. The municipalities pay for the lamps and connections to the defendant's system. The approximate population in the district served is 3350, and the number of customers served on or about June 6, 1913, was 506. During the year 1912, defendant purchased 431,920 K.W.H. of electric energy from the Sierra and San Francisco Power Company.

There is no satisfactory evidence of a refusal on the part of defendant to furnish meters on demand. While a meter was removed from certain premises in Jamestown belonging to Mrs. L. L. Coffey, it appears that this was done because the house became vacant and because the owner was unwilling to continue paying the \$1.00 minimum per month. There is no evidence that a tenant has been secured for the premises or of any demand upon the defendant to restore the meter.

With reference to the alleged discrimination between the flat rates and the meter rates, the testimony shows that the defendant

is abolishing all its flat rates as speedily as possible and that within the course of a few months none of them will be remaining. It accordingly becomes unnecessary to consider this aspect of the case.

This leaves for consideration the main question in the case, which is the reasonableness of the existing rates.

The present meter rates of the defendant are as follows:

Lighting - Meter Rates:

| | | | |
|------------------------------|-------|-------|------------|
| 0 - 200 K.W.H. | ----- | \$.10 | per K.W.H. |
| 200 - 300 " | ----- | .09 | " " |
| 300 - 400 " | ----- | .085 | " " |
| 400 - 500 " | ----- | .07 | " " |
| 500 - 600 " | ----- | .06 | " " |
| 600 - 800 " | ----- | .055 | " " |
| 800 - 1000 " | ----- | .05 | " " |
| Minimum Rate Residence | ----- | 1.00 | " month |
| " " Business | ----- | 1.50 | " " |
| Lamp Renewals, carbon catch | ----- | .25 | " " |
| " " Tungsten, regular prices | ----- | | " " |

Cooking and Small Power Meter Rates:

| | | | |
|---|-------|------|---------------------------------|
| Per K.W.H. | | .06 | |
| For cooking. To be used only between 6 a.m. | | | |
| and 5:30 p.m. | | | |
| Power, To be used only between 7 a.m. | | | |
| and 5 p.m. | | | |
| Minimum rate for cooking | ----- | 5.00 | per month |
| " bill for power | ----- | 1.00 | per h.p. |
| | | | per ratings of meter per month. |

Discounts:

A discount of 5% on bills of \$5.00 and less, and 10% on bills of over \$5.00 if paid within 10 days of date of bill.

Deposit on meters:

On all installations of 7-16 c.p. lamps a deposit of \$5.00 will be required, same to be returned when service is discontinued.

On ~~all~~ installations of 8-16 c.p. lamps no deposit will be required.

Defendant has never sold any current under its cooking rate.

Neither has it supplied any power. Notwithstanding the discount for prompt payment, there are outstanding bills amounting to \$7,132.46 unpaid. It is evident that the defendant has not made the proper effort to collect its accounts and that it should exert itself to

secure a more prompt payment of the bills owing to it. While the defendant's rates include an item of deposit for meters, the practice of charging a deposit was abolished on January 1, 1913. The defendant's rate schedule should be changed so as to show the facts.

I shall now consider the proper value to be assigned to defendant's property for rate fixing purposes, and shall also analyze the defendant's operating expenses and examine such other facts as may be necessary to determine the just and reasonable rates to be charged by the defendant company for its service. In reaching my conclusion I shall examine the system as a whole, for the reason that, in my opinion, this is the only fair way to handle the problem in this case.

The annual report filed by defendant with this Commission for the year ending December 31, 1912, shows that defendant has an authorized stock issue of 100,000 shares, of the par value of \$10.00 per share, and that all the stock has been issued. It is now owned

as follows:

| | | | |
|-------------------|----------------|---------|---|
| Amanda C. Crooke, | 99,975 | shares, | " |
| J. C. Crooke, | | | " |
| David Hearfield, | | | " |
| F. D. Madison, | | | " |
| Platt Kent, | | | " |
| W. D. Bannister, | | | " |
| | <u>100,000</u> | | " |

The report claims income account for the year 1912, as follows:

| | |
|----------------------------|--------------------|
| Operating revenue----- | \$20,746.28 |
| Operating Expenses----- | 18,471.22 |
| Net operating revenue----- | <u>\$ 2,275.06</u> |
| Dividend,----- | 2,250.96 |
| Profit and loss,----- | <u>\$ 24.10</u> |

The report states the value of defendant's equipment to be \$42,652.42, and claims an additional \$500.00 for real estate, which real estate, as shown by the testimony, is not used by defendant in connection with its public utility business. The report also shows unamortized discount on capital stock amounting to \$952,073.30. An item of \$853.64 was claimed for depreciation. All of the foregoing items, in so far as material, will hereinafter be analyzed and scrutinized.

1. ORIGINAL COST.

There is no satisfactory evidence with reference to the original cost of defendant's property. Defendant's manager, Mr. H.J. Coffill, testified that in an inventory of cost to reproduce the property which he presented to the Commission he had used original costs in so far as possible. These costs, however, apply only to material and labor of the last few years. There is no record of the cost prior to such time.

2. REPRODUCTION COST.

Mr. H. J. Coffill presented an inventory of the defendant's property with value representing the cost to reproduce the property under similar circumstances to those under which it was originally produced. The total amount, as reported by Mr. Coffill, is \$46,398.68, consisting of the following items:

| | |
|--|-------------|
| Sonora equipment----- | \$22,899.95 |
| Tools at Sonora----- | 403.20 |
| Merchandise at Sonora----- | 3,302.06 |
| Columbia equipment----- | 1,475.20 |
| Line from Sonora to Columbia----- | 4,368.13 |
| Line Columbia Junction to river plant----- | 3,622.12 |
| Jamestown equipment----- | 4,567.07 |
| Line Sonora to Jamestown----- | 3,203.06 |
| Quartz equipment----- | 789.79 |
| Line Jamestown to Quartz----- | 842.26 |
| Stent equipment----- | 457.40 |
| Line Quartz to Stent----- | 470.54 |
| Total,----- | \$46,398.68 |

In order to ascertain the property used and useful for the public service, deductions and additions should be made to this total as follows:

Deductions:

| | |
|----------------------------|-------------|
| Error in labor item----- | \$1110.00 |
| Store room stock----- | 3298.56 |
| Error in tools----- | 404.20 |
| Merchandise at Sonora----- | 3302.06 |
| | ----- |
| | \$ 8,114.82 |

Additions:

| | |
|--------------------------|-------------|
| Stores and supplies----- | \$ 456.00 |
| | ----- |
| | \$38,739.86 |

Deductions:

| | |
|----------------------------|-------------|
| Stanislaus River Line----- | \$ 3,622.12 |
| | ----- |
| | \$35,117.74 |

The labor item, amounting to \$1110.00, should be deducted for the reason that the total for labor is by that amount in excess of what Mr. Coffill meant to claim, as is shown by page 139 of the transcript. The item of \$5296.56 for store room stock should be deducted for the reason that it is already included in the total of \$22,699.95 for Sonora equipment. The item of \$404.20 for tools should be deducted for the same reason. The item of \$3302.06 for merchandise at Sonora should be deducted for the reason that that this^{is} merchandise carried in a general electric equipment and supply business which defendant conducts at its store in Sonora. This business has no necessary connection with defendant's duty as a public utility and for that reason defendant is not entitled to rates on this portion of its business. Both the receipts and expenditures from this business should be considered separately from defendant's business as a public utility. The sum of \$456.00, however, should be added to cover the item of such stores and supplies as must be kept on hand in connection with defendant's duty as a public utility.

As has hereinbefore been stated, the Stanislaus River line has not been used by defendant since it began to receive its electric energy from the Sierra and San Francisco Power Company. The testimony shows that while defendant maintains this line as an emergency source of supply, it will not have to rely on the line unless both the hydro-electric operations of the Sierra and San Francisco Power Company above Sonora and its steam plant in San Francisco should become unavailable at the same time. Those two conditions have not as yet concurred and the possibility of their doing so seems entirely too remote to justify the continued inclusion of this line in capital account on which the defendant may justly claim to be entitled to a fair and reasonable return. It seems fair, however, to permit the defendant during each of the ensuing ten years to collect rates high enough to permit it to charge off such sum on

its books that by the end of the ten years the principal so charged off, together with the interest, shall have amounted to the entire value of the line at the present time. I believe that it will be very liberal on the part of rate fixing authorities to permit this to be done.

It thus appears that the net result of the foregoing deductions and additions shows a total estimated reproduction cost of its property ~~now~~, according to the defendant's claim, amounting to \$55,117.74. The Kelley-Kenny report, which was prepared after a careful inspection and inventory of the property on the ground, shows a cost to reproduce the property now amounting to \$38,022.00.

This amount includes, ^{as a portion of} ~~in addition to~~ the cost of reproducing the physical plant, the following items:

- 10% of the physical plant to cover engineering, organization, legal expenses and supervision during construction of the plant;
- 5% of physical plant and engineering and superintendence to cover omissions and unforeseen contingencies;
- 3% of the preceding items to cover interest on money tied up during construction period, on the assumption that one year would be required to build the plant and that all the money would be in use half of the time with interest at 6% per annum;
- Stores and supplies amounting to \$456.00, covering construction material on hand on January 1, 1923;
- And one month's operating expenses, amounting to \$1375.00 as a working cash fund to carry the current expenses.

While not passing directly on these items, they are here stated to show that the Commission's engineers were liberal in making their estimate. It will be noted that their estimate is \$2904.26 in excess of the defendant's own estimate.

Neither of these items includes an allowance for right of way. The testimony shows that defendant's lines are built partly on public streets and highways and partly over private land and that no right of way was ever purchased. A few dollars, however, were paid here and there for the privilege of erecting a pole on private property.

3. DEPRECIATED REPRODUCTION VALUE.

The defendant claims that the present value of its system

is a full 100% of the cost to reproduce the property. While large expenditures have recently been made for maintenance, it is clear that there are portions of the plant which are not covered by maintenance and repairs and that these portions have depreciated in value, and that the per cent value of defendant's plant is by no means as great as the cost to reproduce it new.

The Kelley-Kenny report shows a depreciated reproduction value, leaving out the Stanislaus River line, of \$26,157.00, which amount is almost \$9,000 less than the amount claimed by the defendant. This result was secured by estimating the life of each portion of defendant's system, ~~xxxxxxxxxxxx~~ ^{estimating} the percentage of depreciation on a straight line basis as to each item and then multiplying the average annual percentage of depreciation as to each item by the number of years the item has been in service. The Commission's engineers report an average life of items of 5.2 years and an average condition per cent of 67%. On the sinking fund theory of depreciation, assuming an average life of 20 years and a sinking fund basis at 4%, the present condition of the property, assuming, however, that the average of defendant's property is 5 years old, would be about 62%, which percentage applied to the Kelley-Kenny estimate of cost to reproduce new would be \$51,276.04. In estimating the depreciated reproduction value, it should be borne in mind that the defendant has incurred unusually large expenditures for maintenance and repairs during the last few years and that it has rebuilt considerable portions of its system.

After a careful consideration of all the facts proper to be considered in this connection, I find as a fact that the fair value of the property of the defendant used and useful for the public service as disclosed by the evidence in this proceeding, is not to exceed the sum of \$52,500.00. It should be noted that this amount is within \$2,600.00 of the defendant's estimate to reproduce the property new, and that it is over 92% of said amount and over 65% of the Kelley-Kenny estimate to reproduce the property new.

To the amount so found should be added a further sum to cover the cost of meters which defendant is installing so as to do away with the flat rates. At the time of the hearing in this proceeding, defendant had 156 flat rate customers. Assuming an allowance of \$12.50 to meter each customer, which is a liberal allowance, I find that the sum of \$1,975.00 should be added to the sum of \$32,500.00 hereinbefore allowed, making a total sum of not to exceed \$34,475.00 on which defendant is entitled to earn a reasonable return in connection with its public utility business.

This brings me to a consideration of the amount of return to be allowed to the defendant on this investment. In this connection I desire to quote from a portion of this Commission's opinion in the case of City of Palo Alto vs. Palo Alto Gas Company, Case No. 288, Decision No. 499, decided March 12, 1913, as follows:

"No fixed percentage applicable to all cases and all classes of utilities can be established by this Commission. Each case must be judged on its own merits. It may well be that a utility in one community will be entitled to one rate of return while a similar concern in another community would be entitled to a different rate. It may be that a large and solidly established utility will not be entitled to as high a return as a smaller utility which is struggling against adverse circumstances. The most that can be said by way of general principles is that the return should be at least the average return which is earned by other classes of business of the same degree of hazard in the same community. California needs development by public utilities, and this Commission's policy should be a broad and liberal one, so as to encourage capital to develop the state by legitimate public utility enterprises where needed. The Commission should be careful not to permit an inflation of prices in ascertaining the value of the property of a public utility used and useful for the public purpose, but should be liberal in establishing the rate of return on that value."

The evidence in this proceeding shows that the prospect for an increase in business in the territory served by the defendant is not bright. It shows also that during the last year, by reason of the restriction of the hours during of the night during which saloons may remain open, and other causes, defendant has actually been losing business. It appears also, that during the year 1911, the defendant decreased its top rate for lighting purposes from 15¢ to 10¢ per K.W.H., and that it has suffered a loss of revenue by

reason of this decrease. Bearing in mind these facts, as well as all the other facts shown by the evidence in this case, I am of the opinion that a rate of return of 3% on the value of defendant's property used and useful for the public ~~xxxxxxxx~~ purpose, as fixed herein, is a fair and equitable rate of return. As will hereinafter be shown, the rates established by this Commission in this proceeding, unless there is further loss of business, will yield a return of about 12 6/10%.

I shall now consider the charges against defendant's system.

Defendant has prepared a statement of disbursements year by year for the years 1910, 1911 and 1912, which statement is as follows:

Disbursements:

| | 1910 | 1911 | 1912. |
|---------------------------------|-----------------|-----------------|-----------------|
| Salaries and wages, | 6058.90 | 4784.00 | 5595.00 |
| Maintenance and repairs, | 3991.67 | 2310.68 | 3159.08 |
| General Expense, | 1101.73 | 1252.45 | 790.20 |
| Electric power, | 4753.77 | 5699.51 | 5398.99 |
| Office rent, | 240.00 | 350.00 | 360.00 |
| Livery, | 482.29 | 1694.45 | 448.55 |
| Supplies, | 3455.33 | 3339.85 | 3521.39 |
| Lamps, | 687.21 | 893.12 | 858.12 |
| Taxes and licenses, | 608.73 | 717.48 | 1226.53 |
| Equipment, | 1227.65 | 1499.59 | 671.77 |
| Stationery, | 157.49 | 49.44 | 105.74 |
| Office furniture, | 302.65 | 227.50 | 5.50 |
| Legal expenses, | 9.75 | 100.00 | 29.78 |
| Insurance, | 31.70 | 35.00 | 183.60 |
| Miscellaneous, | 143.90 | 255.00 | 10.00 |
| Paid Mrs. J. J. Crooks (profit) | 5799.50 | 5890.50 | 2150.96 |
| cash on hand December 31st, | 1493.06 | 78.22 | 427.27 |
| | <u>30725.47</u> | <u>29457.09</u> | <u>26101.76</u> |

I shall now proceed to analyze these expenditures item by item, with particular attention to expenditures for the year 1912,

1. SALARIES AND WAGES:

The item of \$6595.00 for salaries and wages for the year 1912 is made up as follows:

| | |
|-----------------------------|------------------|
| President's salary----- | \$2000.00 |
| Manager's "----- | 1500.00 |
| Bookkeeper's "----- | 600.00 |
| W. D. Bannister----- | 300.00 |
| Harry Comstock (labor)----- | 900.00 |
| Miscellaneous (labor)----- | 695.00 |
| Total,----- | <u>\$6595.00</u> |

The evidence shows that the president of the company

performs but slight services and that a salary of \$2000 is entirely too large, if regarded as salary. Mr. Crooks, the president, and his wife together own 99 98/100% of the outstanding capital stock. The larger portion of the president's salary should more properly be regarded as a dividend, to be added to the amount of \$2150.96, being the next to the last item in the foregoing statement of disbursements and representing the dividend for the year 1912.

As the president of the company performs some slight services, I am allowing \$200.00 per year for his salary. The salaries of manager and bookkeeper are reasonable and will be allowed. The salary of \$900.00 for W. D. Bannister should not be allowed in fixing rates for the reason that any compensation due to the Columbia Marble Company is liberally repaid by the business transacted for the Marble Company by the defendant's manager. The items of \$900.00 and \$695.00 for labor include a sum of \$545.55 in connection with the company's supply business. I shall nevertheless allow the sum of \$1500.00 for labor. In addition to this sum, I shall allow \$190.00 to cover extra labor necessary for the installation ^{and care} of meters to take the place of the existing flat rates, making a total allowance of \$1690.00 for labor. X

2. MAINTENANCE AND REPAIRS.

The defendant shows a total of \$3159.06 for maintenance and repairs for the year 1912. This item includes heavy expenditures in reconstructing portions of defendant's system and representing largely items which are not items of annually recurring expense. The sum also includes certain small items for extensions properly chargeable to capital account. An allowance of 3% of the present value of the property, amounting to \$1034.25, will be made. A further allowance of the same amount will be made under the head of depreciation, as will hereinafter appear, so that a total for these two items will be \$2068.50.

3. GENERAL EXPENSES.

The defendant claims a general expense, in addition to office rent, insurance, livery, stationery and office supplies, and legal expenses of \$790.20. This item, besides the expense of men when working on the line, includes a considerable item for freight and merchandise shipped to the store at Sonora. I shall allow \$600.00 in addition to items for office rent, insurance, livery, stationery and office supplies, and also add thereto an amount of \$126.00 to cover additional expenses incidental to the elimination of flat rates, making a total of \$726.00 for miscellaneous general expenses other than the items hereinbefore stated.

4. ELECTRIC POWER.

In the year 1912, defendant paid \$5396.99 for electric power. It is evident that when all of the consumers have been metered, the amount of electric energy consumed will be considerably less than at present, so that the amount to be paid by defendant for electric energy will correspondingly decrease. On the basis of the electric energy now metered, the present flat rate customers will, when metered, consume 6693 5/10 K.W.H. monthly. Adding this amount to the present metered consumption, aggregating an average of 15,530 K.W.H. monthly, gives a total of 22,223 5/10 K.W.H. monthly or 266,682 K.W.H. per year of electric energy to be sold by defendant. Allowing a loss of 25%, the amount to be paid for by defendant will be about 355,576 K.W.H. per year. At the rate of 1 1/4¢ per K.W.H., being the price paid by defendant to Sierra and San Francisco Power Company, the defendant's current would cost \$4,444.70, which amount I have allowed as the probable annual expenditure for this purpose.

5. OFFICE RENT.

The item of \$360.00 includes the rent of the sales room for the defendant's supply business, and also such local space as is required by the Columbia Marble Company. I am allowing \$200.00 for defendant's utility business, which allowance I believe to be liberal.

6. LIVERY.

The item of \$443.55 seems to be reasonable. I am allowing \$450.00.

7. SUPPLIES:

These are supplies used by defendant in its supply business. As before indicated, the item is not a proper one to be considered in connection with defendant's utility business. An allowance of \$456.00, however, has heretofore been made under the head of capital investment, to take care of such supplies as are necessary in connection with defendant's utility business.

8. LAMPS.

This item refers also to defendant's supply business and is not proper to be considered in connection with defendant's business as a public utility.

9. TAXES AND LICENSES.

Defendant claims for the year 1912 an expenditure for taxes and licenses amounting to \$1226.33, which amount is over \$500 more than was paid in 1911, and over \$400 more than was paid in 1910. If applicant is paying taxes on its supply business, it has good ground for asking from the State Board of Equalization a reduction in future years. I have estimated state taxes at the rate of 4 6/10% of the gross allowable income of defendant for the ensuing year, amounting to \$744.90, and Federal corporation tax of 1% of the gross allowable income in excess of \$5000 per year, amounting to \$113.65, thus giving a total of \$858.55. The evidence showed that a merchandise license of \$40.00 per year is paid by defendant to the city of Sonora.

This item again is in connection with defendant's supply business and not its utility business.

10. EQUIPMENT.

This item also is in connection with the supply business.

11. STATIONERY AND OFFICE FURNITURE.

In 1912 the defendant expended \$111.24 on these items. While a portion of these expenditures were doubtlessly incurred in connection with the supply business, I am allowing \$100.00.

12. LEGAL EXPENSES.

Defendant's legal expenses, amounting to \$9.75 in 1910, \$100.00 in 1911, and \$29.78 in 1912, have been considerably less than they might reasonably be. I am allowing \$200.00 for this item.

13. INSURANCE.

Defendant's insurance charge was \$31.70 for 1910, \$35.00 for 1911, and \$183.60 for 1912. Defendant claims that the increased charge in 1912 is due to accident insurance resulting from the Employer's Liability Law of this State. The amount doubtlessly includes insurance on defendant's supplies, but I have no way of segregating the amount, and for that reason I am allowing the entire amount.

14. CASH ON HAND.

This item clearly is not a disbursement.

It now becomes necessary to consider two additional items for which allowance should be made.

15. DEPRECIATION.

Defendant's statement contains no allowance for depreciation except in so far as it is covered by the item of maintenance and repairs. Under all the circumstances surrounding this plant, I consider that it would be fair to allow defendant an annual depreciation item of 3% on the value of the property as hereinbefore found. I am accordingly allowing the sum of \$1034.25.

16. AMORTIZATION OF STANISLAUS RIVER LINE.

As hereinbefore indicated, defendant will be permitted to charge off the present value of its Stanislaus River line during the next ten years. Estimated on the percentage of value hitherto allowed in this proceeding, the present value of this line, based on the reproduction value estimate of the defendant, is \$3,166.91. On a 4% sinking fund basis, the amount of \$263.77 should be allowed each year during the next ten years.

The following table shows reconstructed disbursements proper to be allowed to the defendant:

| | | |
|---|--------------|-----------|
| Interest on investment ----- | | \$2756.00 |
| General officers' salaries----- | | 2300.00 |
| Labor----- | | 1690.00 |
| Maintenance and repairs----- | | 1034.25 |
| Electric Power purchased----- | | 4414.70 |
| <u>General Expenses-----</u> | | |
| Office rent, \$200.00 | | |
| Livery, "50.00 | | |
| Stationery and | | |
| Office supplies, 100.00 | | |
| Insurance, 153.60 | | |
| Miscellaneous gen- | | |
| eral expenses, 726.00 | | |
| | | 2659.60 |
| Legal expense----- | | 2000.00 |
| Depreciation----- | | 1034.25 |
| Amortization-Stanislaus River Line----- | | 267.77 |
| Taxes----- | | 859.55 |
| | Total, ----- | \$5624.12 |

It now becomes necessary to establish the rates which shall yield a return not less than the above amount and which shall be fair and reasonable as between different amounts of electric energy consumed and different classes of consumers.

The Kelley-Kenny report shows that with reference to the electric energy sold through meters during the year 1912, the following average conditions prevailed:

- Approximately 27 $\frac{1}{4}$ % ^{of} all metered energy sold to consumers whose average December consumption was about-----54 K.W.H.
- Approximately 15 $\frac{1}{2}$ % of all metered energy sold to consumers whose average December consumption was about-----108 K.W.H.
- Approximately 20 $\frac{3}{4}$ % of all metered energy sold to consumers whose average December consumption was about-----206 K.W.H.
- Approximately 15 $\frac{3}{4}$ % of all metered energy sold to consumers whose average December consumption was about-----366 K.W.H.
- Approximately 17 $\frac{3}{4}$ % of all metered energy sold to consumers whose average December consumption exceeded -----500 K.W.H.

Under the conditions shown in the foregoing table, assuming annual sales amounting to 266,682 K.W.H., and allowing an ample margin of safety, we can be reasonably certain that the actual annual consumption of electric energy through meters will fall within the "blocks" shown in the following table:

| | |
|--|----------------------|
| Less than 50 K.W.H. per month | 72,671 K.W.H. |
| From 50 K.W.H. to 150 K.W.H. per month | 49,336 K.W.H. |
| " 150 " " 300 " " " | 55,337 K.W.H. |
| " 300 " " 500 " " " | 42,002 K.W.H. |
| Over 500 " " per month | <u>47,336 K.W.H.</u> |

266,682 K.W.H.

as

The rates which will be allowed in the order herein/applied to these "blocks" will show the following results:

| | | | |
|--------------|---------------|-------|-----------------|
| First block | 72,671 K.W.H. | at 8¢ | \$5,813.70 |
| Second block | 49,336 " | " 7¢ | 3,453.50 |
| Third block | 55,337 " | " 6¢ | 3,320.20 |
| Fourth " | 42,002 " | " 5¢ | 2,100.10 |
| Fifth " | 47,336 " | " 4¢ | <u>1,893.45</u> |
| | | | \$ 16,580.95 |

In other words, under the rates which this Commission will establish in this case, the defendant will receive from the sale of its electric energy an annual sum not less than \$16,580.95. By reason of the fact that the usual minimum charge of \$1.00 per month per meter will be allowed, the top rate of 8¢ per K.W.H. will actually result in an average rate for the first "block" of approximately 8 9/10¢ per K.W.H., for the reason that a number of consumers will not consume as much as 12½ K.W.H. each ~~xxx~~ month per meter. This increase would accordingly cause an increase of about \$654.00 in the actual return to be received by the defendant, making a total revenue of \$17,234.95. As the total revenue hereinbefore estimate to be derived by the company was only \$16,244.12, it is evident that the rates herein established will yield to the company a revenue of \$990.83 in excess of the amount to which the company is clearly entitled, on the assumption that its business will not show a [further] decrease. This would represent a net return on the basis allowed for fixing of rates of over 10 8/10%. The margin of safety of 2 8/10% will

take care of unusual operating expenses and of a possible decrease in business. It is an unusually large margin but is granted so as to be sure that the Commission's order is fair to the defendant.

The rates established in the order establish a price for an initial amount consumed and a smaller price for additional "block" consumed. The application of these rates to the amounts of energy consumed is estimated to yield the revenue of \$16,360.95, heretofore referred to, with the additional sums from the minimum.

The schedule established for street lighting will decrease the rate to be paid by the Jamestown/^{lighting} District from \$1.00 to 85¢ per lamp per month.

I submit herewith the following form of order:

ORDER.

The complaint and answer having been filed in the above entitled proceeding, and a public hearing having been held thereon, the Commission finds as a fact that:

1. The present rates charged by defendant for electric energy are excessive in so far as they exceed the rates hereinafter established; and
2. The rates hereinafter established to be charged by defendant for electric energy supplied in the territory served by it outside of the incorporated limits of the city of Sonora are just and reasonable rates.

Based on its order on the foregoing findings of fact and on the additional findings which appear in the opinion which precedes this order,

IT IS HEREBY ORDERED that within twenty (20) days from the date of service upon it of a copy of this opinion and order, the defendant shall give to this Commission written notice of its consent to the rates herein established and shall put such rates into full force and effect. The rates of charges to be charged by

defendant outside of the incorporated limits of the city of Sonora
are as follows:

SCHEDULE "A"

Applicable to all energy consumed for lighting or power not otherwise specifically classified.

C.R.C. CLASSIFICATION: SERVICE 1111; Rate 0021; Serial No.130703-1

| | | | | | |
|-------|-----------|-----------|-----------|----|------------|
| First | 50 K.W.H. | per month | per meter | 2¢ | per K.W.H. |
| Next | 100 | " | " | 3¢ | " " |
| Next | 150 | " | " | 4¢ | " " |
| Next | 200 | " | " | 2¢ | " " |

Minimum charge: \$1.00 per month per meter.

SCHEDULE "B"

Applicable to general lighting or power service not otherwise specifically classified.

C.R.C. CLASSIFICATION: SERVICE 1111; Rate 0011; SERIAL No.130703-2

If consumption through one meter during any month exceeds 500 K.W.H. the rate shall be 4¢ per K.W.H.

SCHEDULE "C"

Applicable to general commercial and industrial off-peak power.

C.R.C. CLASSIFICATION: SERVICE 1571; RATE 0025; SERIAL No.130703-3

| | | | | | |
|----------|------------|----------|-----------|----|------------|
| First | 50 K.W.H. | per H.P. | per month | 6¢ | per K.W.H. |
| Over | 50 | " | " | 4¢ | " " |
| All over | 100 K.W.H. | per H.P. | per month | 2¢ | " " |

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

SCHEDULE "D"

Applicable to "all night" street lighting only

C.R.C. Classification: Service 1255; Rate 0200; Serial No.130707-1

| Connected Load | Rate per year per watt connected |
|---------------------------------|-------------------------------------|
| Less than 1/4 K.W. | 20¢ |
| 1/4 K.W. and less than 1/2 K.W. | 19¢ |
| 1/2 K.W. and less than 1 K.W. | 18¢ |
| 1 K.W. and less than 2 K.W. | 17¢ |
| 2 K. W. and less than 4 K.W. | 16¢ |
| 4 K. W. and less than 6 K. W. | 15¢ |
| 6 K. W. and over | 14¢ |

No bill to be rendered for less than \$12.00 per year.
Service to be paid for monthly.

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 29th day of July, 1913.

John M. Callahan
Max. Behm
Edwin A. Edgerton

Commissioners.