

Decision No. 9146

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of)
THE LIGHT AND POWER UTILITY for re-) Application No. 6248
vision of rates.)

C. H. L. Ghriest for Applicant.
Frank L. Miller for City of Banning.

BY THE COMMISSION:

O P I N I O N

The Light and Power Utility requests an increase in its rates for electric energy served in Banning, Riverside County, urging as reasons therefor that it is not receiving a fair return upon the actual capital invested and that due to the increased cost of materials and purchased energy an increase in its rates is necessary in order that it may continue to furnish adequate service, but it does not request a definite amount of increase nor suggest a schedule of rates. A hearing was held upon the Application by Examiner Westover at Banning.

Applicant operates an electric distribution system in Banning, power being purchased from the Southern Sierras Power Company. Applicant produced no engineering testimony at the hearing and it developed that its records were incomplete, and its system of accounting inadequate. The Commission's engineers

were therefore unable to produce from its records any appraisal showing actual cost and were obliged to use estimates in some instances.

In June 1919 this Commission made an inventory and appraisal of Applicant's properties in connection with Application 4609, in which matter the Commission fixed the just compensation to be paid to Applicant by the City of Banning. This inventory and appraisal shows a cost to reproduce new of \$18,414.00 and a cost to reproduce new less depreciation of \$13,833.00. Both of these figures are as of May 24, 1919. In Commission's Decision No. 8564, in Application 4609, the just compensation to be paid for the properties as of May 24, 1919 was found to be \$14,000.00.

In connection with the fixing of the present rates by Decision No. 3463, of June 27, 1916, the Commission determined the historical reproduction cost of the properties to be \$9,178.45 as of April 30, 1916. (See Opinions and Orders of the Railroad Commission, Vol. 10, Page 480.)

The Commission's engineers estimate with the aid of Applicant's records that additions and betterments from April 30, 1916 to January 1, 1921 have amounted to approximately \$7,800.00. Additions and betterments for 1921, as estimated by the Commission's engineers will amount to \$2,000.00. On the basis of the valuation of April 30, 1916 plus additions to capital from April 30, 1916 to January 1, 1921, one-half of estimated additions for 1921, \$500.00 for material and supplies and \$1,000.00 for working cash capital, the rate base as of June 30, 1921, amounting to \$19,027.54 will be used in this proceeding.

The additions and betterments since May 24, 1919 plus working cash capital and material and supplies as above found reasonable, brings the total based on the finding of \$14,000.00 as the just compensation of the properties of Applicant to \$19,700.00 as of June 30, 1921.

Table No. 1 below shows the statistical data regarding the operations of The Light and Power Utility for the year 1920, together with the Commission's estimate for 1921.

TABLE No. 1
ELECTRICAL OPERATIONS
THE LIGHT AND POWER UTILITY
Application 6248.

<u>ITEM</u>	<u>1920</u>	<u>C.R.C. Estimate 1921</u>
Purchased Energy - K.W.H.	184,180	224,500
Total Sales - K.W.H.	134,606	168,200
Cost per K.W.H. of Purchased Energy	2.22¢	1.825¢
<u>No. of Consumers</u>		
Res. Lighting	260	305
Com. " "	80	95
Heating and Cooking	13	15
Industrial Power	11	12
Total	564	427
<u>K.W.H. Sales</u>		
Res. Lighting	51,957	65,000
Com. " "	36,699	45,800
Heating & Cooking	25,467	31,800
Industrial Power	20,485	25,600
Total	134,606	168,200

Operating expenses and revenue from sales as estimated herein for the year 1921, are shown in detail in Table No. 2:

TABLE NO. 2
OPERATING EXPENSES, REVENUE AND RETURN
THE LIGHT AND POWER UTILITY

Revenue based on present rates.	C.R.C. Est. 1921.
Res. Lighting	\$5,550
Con. " "	5,670
Heating & Cooling	1,120
Industrial Power	1,455
Total.....	\$11,795
<u>Operating Expenses</u>	
Purchased Energy	4,106
Dis. Exp. & Repair	350
Commercial Exp.	150
Salaries and Gen. O.E.	4,500
Misc. Gen. Exp.	250
Misc. Gen. Repair	15
Other Expense	15
Taxes	1,048
Total.....	\$10,264
Net Revenue for Return and Depreciation	\$ 1,561

Applicant purchases its energy at 2200 volts from The Southern Sierras Power Company at Banning. Prior to the Commission's Decision No. 8119, dated September 16, 1920, (Opinions and Orders of the Railroad Commission of the State of California, Vol. 18, page 818), fixing the rates of The Southern Sierras Power Company, The Light and Power Utility was paying The Southern Sierras Power Company a rate of 2¢ per kilowatt hour plus a surcharge of 2 mills per kilowatt

hour. In this Decision the Commission fixed Schedule P-1 applicable to resale service. Applicant stated that The Southern Sierras Power Company's Schedule P-1 had resulted in an increase. During the months of November and December the actual charges for purchased energy amounted to \$340.37 and \$383.17, for a consumption of 18,130 kilowatt hours and 20,440 kilowatt hours respectively, resulting in an average charge of 1.87¢ per kilowatt hour, a reduction of 15.7% over the former rate. Based on the sales as estimated in Table No. 1 the purchased energy for the year 1921 will amount to 224,500 kilowatt hours. The Commission estimates that the total cost to Applicant for purchased power from The Southern Sierras Power Company for the year 1921 will amount to \$4,106, an average of 1.825¢ per kilowatt hour, which will result in a reduction of 17.8% over the former rate paid by Applicant.

Applicant has not according to the evidence paid its state taxes in the past. In this decision the proper state and city taxes will be included as a part of operating expenses, it being understood that said taxes will be assessed and paid.

Applicant estimated that the sales for 1921 would not be increased over those resulting in 1920. From a study of the conditions existing at Banning, the Commission is led to believe that the sales for 1921 will be at least 25% above those occurring during 1920. This figure has been used in determining the above estimate for this year and the amount of energy necessary to be purchased from The Southern Sierras Power Company.

The revenue for 1921 based upon existing rates should amount to \$11,795.

In this proceeding the Commission will allow 3% on operative capital for depreciation, amounting to \$526.00. The return on investment after deducting operating expenses of \$10,234.00 and depreciation will, for the year 1921, amount to \$1,034.00 or 5.4% on the rate base allowed.

Applicant's lighting rates are a maximum of 8 cents per kilowatt hour as compared with 11 cents per kilowatt hour charged for similar service by The Southern Sierras Power Company in comparable territory. It would therefore appear that the present rates charged are not high. The lower rate is possible owing to the limited territory served by applicant, which excludes the surrounding less remunerative territory.

There is and has been in the past, (and the same condition exists at present), a general complaint by applicant's consumers regarding the attitude and manner of applicant in carrying on its business which prevents its proper and natural development. The Commission has urged applicant from time to time to improve these conditions for the betterment of service to consumers and increase of business to applicant. It is the firm conviction of the Commission's engineers that applicant's business could be increased to a point where it would pay an adequate return under present rates. Under these conditions the Commission does not feel justified in authorizing an increase in rates at this time and that the return as estimated above is fair considering the service given.

The rates now in effect are not of such form as will allow a combination of domestic lighting, cooking and heating services. As such a combination appears to be advisable and

of material aid in developing the business, a schedule allowing a consumer to obtain domestic lighting, heating and cooking service or a combination of two services through one meter and on a combination rate is set forth in the order following. This new schedule will be an optional rate to the present lighting schedule and heating and cooking schedule applicable to domestic service. If in the future Applicant shows to the Commission's satisfaction that it has made suitable changes to improve conditions and/^{has} made a sincere and intelligent effort to properly develop the business but that an increase in rates is still needed to provide an adequate return the matter may again be brought to the Commission's attention by the filing of a new application.

O R D E R

A hearing having been held upon the above application and the matter having been submitted and now ready for decision,

The Railroad Commission hereby finds as a fact that the present rates charged for electric service are just and reasonable rates for the service rendered but that it should file a schedule of rates for combination service, as herein provided.

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

IT IS HEREBY ORDERED that the application for an increase in rates be and it is hereby denied.

IT IS HEREBY FURTHER ORDERED that The Light and Power Utility be and it is hereby ordered to charge and collect for energy sold for combination domestic lighting, heating and/or cooking service, based on regular meter readings taken on and after July 15th, 1921, the following rate:

SCHEDULE "E"

Combination Lighting, Heating and/or Cooking Service.

(Applicable to Residence, Flat or Apartments of eight rooms or less.)

TERRITORY.

Applicable to entire territory.

RATE.

First	30	k.w.h.	per	meter	per	month...	.8¢	per	k.w.h.
Next	70	"	"	"	"	"	...4¢	"	"
All over	100	"	"	"	"	"	...3¢	"	"

MINIMUM CHARGE.

\$2.00 per meter per month.

SPECIAL CONDITIONS.

This rate is applicable where the consumers have installed and use cooking or heating appliances other than lamp socket devices of at least two kilowatts.

IT IS HEREBY FURTHER ORDERED that The Light and Power Utility shall file with this Commission on or before July 15th, 1921, the schedule of rates herein established.

Dated at San Francisco, California, this 24th
day of June, 1921.

H. B. Richardson
H. D. Leland

J. H. Benedict
Commissioners.