

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application :
of HALF MOON BAY LIGHT AND POWER :
COMPANY for permission to increase : Application No. 672.
its agricultural and power rates :
for electric power service. :

J. O. McElroy, for Applicant.

LOVELAND, Commissioner.

O P I N I O N

The Half Moon Bay Light and Power Company, applicant herein, was organized in May, 1911 for the purpose of furnishing electric energy for heat, light and power purposes to consumers of such energy in that portion of San Mateo county extending from the southerly line of the city and county of San Francisco along the coast to the town of Purissima.

The Half Moon Bay Light and Power Company filed the rates with the Commission which it proposed to charge to its consumers for electrical energy for heat, light and power purposes and the application came on regularly for hearing on July 31, 1912. This application was opposed by the Pacific Gas and Electric Company, which company was serving a small section in the northern part of San Mateo county through a subsidiary company known as the South San Francisco Power and Light Company. On the day previous to the hearing, the Half Moon Bay Light and Power Company filed an amended application asking for permission to reduce its rates for agricultural and power purposes formerly filed with the Commission, but limiting the area to be served at such reduced rates to Jefferson School District, San Mateo county, claiming that the density of population in that section justified applicant in giving the lower rate asked for.

In its Opinion and Order, dated August 7, 1912, the Com-

mission granted the application of the Half Moon Bay Light and Power Company to exercise its franchise rights, but made it a condition of that Order that the lower rates asked for in its amended petition should apply to all of the territory served by it.

Applicant does not generate the electric energy which it sells, but purchases same from the Great Western Power Company.

In its present application, permission is asked to increase the rates of the Half Moon Bay Light and Power Company for agricultural and power purposes, the rates which applicant desires to put into effect being as follows:-

Power Service

This schedule is for all power installations of three horse power or over, and is based upon K.W.E. consumer per H. P. installed.

If K.W.E. consumed in one month per H.P. is equal to

	<u>54</u>	<u>108</u>	<u>162</u>	<u>216</u>	<u>270</u>
3 H.P. and not over 25 H.P. installed..	4¢	3 ² / ₄ ¢	3 ² / ₄ ¢	3 ² / ₄ ¢	3¢
Over 25 H.P. and not over 50 H.P. installed.....	4¢	3-5/8	3 ² / ₄ ¢	2-7/8	2 ² / ₄ ¢
Over 50 H.P. and not over 100 H.P. installed.....	3 ² / ₄ ¢	3-1/8¢	2 ² / ₄ ¢	2-3/8¢	2¢

A minimum charge of One Dollar (\$1.00) per month, per Horse Power installed on all power load other than Agricultural power, where the minimum charge will be on an annual basis of Twelve Dollars per Horse Power installed.

Each of applicant's patrons who would be affected by the proposed advance in agricultural and power rates was notified of the request of applicant to raise its rates, and at the hearing of the application, regularly held at the office of the Commission, on August 13, 1913, and at the adjourned hearing on Saturday, August 23, 1913, about twelve of such consumers or patrons were present. Most of them were foreigners and but three could speak English. These testified, as will be set forth later, and the others,

after having the testimony explained, agreed in all important points with the testimony given by the three who were witnesses.

Applicant testified that its desire to increase its rates, as prayed for, and the necessity for such increase arose from the fact that, at the time its rates were first filed with the Commission, such rates were based upon the cost of the electric energy which it was purchasing and distributing to its patrons or consumers, such cost being based upon the readings of the meters installed at the time the plant of the Half Moon Bay Light and Power Company was put in operation. Being unfamiliar with conditions incident to the transmission and distribution of electric energy, applicant testified that it made no allowance for loss in such transmission and distribution but, figuring upon what it paid for the current, applicant believed that it could reduce its rates for agricultural and power purposes, and, accordingly, made such reductions.

Some time afterwards, applicant discovered that there was a substantial loss in the receipt and delivery of the electric energy and that, at the rates which it had voluntarily put into effect, it was losing money in the operation of its plant.

In the meantime, applicant had induced several farmers to exchange their gas engines with applicant for electric motors and had agreed verbally, with promise of written contract later, to furnish them electric energy at the reduced rates which it had voluntarily made. No written contracts were executed, as applicant soon learned of the loss above referred to and filed its present application to advance its agricultural and power rates.

At the time the application first came on for hearing, applicant presented the testimony of Mr. B. B. Beckett, engineer for applicant, to support its allegation as to loss incident to receipt and delivery of electric energy by the plant of applicant, and the testimony of its vice-president and manager, Mr. J. J. Gomes.

and of its engineer in charge of plant, Mr. J. L. Posey, to substantiate the further allegation that, at the reduced rates, the operation of the plant would not pay expenses.

The consumers above referred to were given an opportunity to testify and the three who could speak English, namely; Mr. R. Schenone, Mr. Arthur Quillioi and Mr. F. Martini, were sworn and gave testimony, the two first named at the first hearing, and Mr. Schenone and Mr. Martini at the second hearing, the effect of which testimony was that they believe that the present rates of applicant are high enough and that they and others would not have exchanged their gas engines for motors and substituted electricity for gas engine power had they known that applicant's rates would be raised.

The testimony offered by applicant and that of the consumers who testified showed that the expense to farmers of pumping water for irrigation by electricity at applicant's present rates or by gas engine was practically the same, the present rates by electricity, if anything, being a trifle lower. Under the rates asked for, the cost for pumping by electricity would be higher than by gas engine, although it was admitted that the convenience of pumping by electricity was much greater.

An adjournment was taken to permit Mr. Bridge, the assistant electrical engineer of the Commission, to check the statement presented by applicant's engineer as to loss of energy and the reasons therefor, and to prepare and present to the Commission his study and analysis of applicant's plant and the operation thereof.

At the adjourned hearing, further testimony was offered by applicant's engineer and the report of the Commission's assistant electrical engineer was filed and testimony in explanation and support thereof given by Mr. Bridge.

In general, and particularly as to loss incident to the receipt and delivery of electrical energy by applicant, the report and testimony of the Commission's assistant electrical engineer agreed with that of applicant's engineer. Both agreed that such loss was normal and incident to the operation of a plant like that of applicant.

Testimony was introduced by applicant to show that, although, as stated, the proposed rates which it asked permission to install, are a little higher than the cost of pumping for irrigation by gas engine, several of applicant's consumers have expressed their satisfaction with the proposed rates.

Mr. J. J. Gomes, vice-president of applicant, testified that if the Commission granted permission to applicant to install the proposed rates for agricultural and power purposes, applicant would agree to replace the gas engines and take back the electric motors from any of its consumers who had exchanged their gas engines for electric motors with applicant and now desired to re-install the gas engines, such exchange to be without cost to the consumer, and after the hearing Mr. Gomes also agreed for his company that if any of his consumers who had purchased electric motors without exchanging any gas engine for the same, desired, he would take such motors off their hands at the cost thereof.

Under all of the facts of the case, and in consideration of the former willingness of applicant to voluntarily reduce its rates when it believed it could afford to do so, and in view of the fact that applicant's claim as to loss and that present rates are unremunerative is substantiated by the testimony of Commission's assistant electrical engineer, who testified directly that, in his opinion, applicant was not paying expenses at present rates (see transcript, page 95, hearing August 23, 1913), and in view of the stipulation by applicant that it will take back its elec-

tric motors and replace the gas engines which it took from its consumers when asked to do so, I believe and I find as a fact:-

First: That the present agricultural and power rates of the Half Moon Bay Light and Power Company are too low:

Second: That applicant is entitled to an increase in rates and that the rates herein set forth are just and reasonable rates;

Third: That the Commission should accept the stipulation of applicant to replace the gas engines taken from its consumers upon request and should make the continued effectiveness of the Order herein contingent upon the carrying out of that stipulation by applicant, provided that nothing in this Opinion and Order shall be considered as in any way releasing applicant from its contractual relations with the E. B. and A. L. Stone Company.

The rates which the Commission permits applicant to put into effect differ from those asked for in that they are based on the cost of service including fixed and variable charges, whereas the rates prayed for do not attempt to remunerate the utility for its investment in the plant required to serve the consumer. The Commission has heretofore recognized the justice of a demand charge to protect the power company and the other consumers from loss in case the service provided upon request is not utilized by a consumer. (See rates established by Commission in case of Northern California Power Company.)

In this case- where the investment per horsepower is large and the actual energy cost is a small part of the total- it is essential that the rate should cover both, especially as the consumption per unit connected is extremely variable and of limited duration. The rates which the Commission prescribes as reason-

able in this application are based on the above considerations, and applicant will be required to put them into effect for a period of six months, at the expiration of which time the Commission can permit such changes as the equities of the case may demand.

I recommend the following Order:-

ORDER

The Half Moon Bay Light and Power Company, applicant herein, having applied to this Commission for permission to increase certain agricultural and power rates now charged to its consumers for electrical energy; and a hearing having been regularly held; and the circumstances, making for and against the granting of an increase in rates, thoroughly investigated, as set forth in the foregoing Opinion; and the Commission having found that said application should be granted in part;

IT IS HEREBY ORDERED: That Half Moon Bay Light and Power Company be and it is hereby granted permission to substitute for its present rates now on file with this Commission the following rates, to-wit:-

SEASONAL POWER RATES APPLICABLE TO AGRICULTURAL SERVICE

Demand Charge- One Dollar (\$1.00) per horsepower per month, plus energy charge $2\frac{1}{2}$ cents per kilowatt hour.

Bill to be rendered only during irrigation season (normally five months).

POWER RATES APPLICABLE TO SMALL INDUSTRIAL POWER SERVICE (0-50 H.P.)

Demand Charge- One Dollar (\$1.00) per horsepower per month, plus energy charge $2\frac{1}{2}$ cents per kilowatt hour.

BE IT FURTHER ORDERED: That the granting of this permission is based in part upon the promise of the applicant to replace the gas engines which it has taken from some of its consumers in exchange for electric motors, and that, upon proof being furnished to the Commission that applicant has not kept said stipulation af-

tor being requested to do so, this Order will be rescinded and present rates restored until the conditions of said stipulation have been complied with.

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 30th day of August, 1913.

H. S. Lovland
Alex. Gordon
Max Theiler

Commissioners.