

Decision No. 9169

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
CALIFORNIA-OREGON POWER COMPANY, a)
corporation, for an order readjust-)
ing and fixing its rates and charges)
for electric energy under schedule) Application No. 5895
Nos. 4, 5 and 6 under Decision 6484,)
and schedule No. 7 under Decision)
6511, and modifying certain special)
power contracts.)

Morrison, Dunne & Brobeck, by E. S. Taylor
and Tapscott & Tapscott, by James R. Tapscott,
for Applicants.

Robbins, Elkins & Van Fleet, by Carey Van Fleet,
for Big Springs Water Company & Lucerne Water
Company.

McCutchen, Willard, Mannon & Greene, by A.P. Matthew,
for Shasta River Water Association.

L. Cassidy, for Federal Land Bank of Berkeley.

H. G. Ley, for City of Yreka, Board of Trustees.

E. T. Collier, of Collier & McNamara, for
Mt. Shasta Land & Irrigation Company,
Mt. Shasta Milling Company, Montague Creamery,
Town of Montague, and Manuel Shelley.

BY THE COMMISSION:

O P I N I O N

CALIFORNIA-OREGON POWER COMPANY, hereinafter
referred to as applicant, in this application, alleges
that costs of operation and maintenance have increased
since its rates were last under review by the Commis-
sion and requests authority to increase the charges
under certain specified schedules, which cover power
service, and to modify and increase the rates for ser-

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vice supplied to certain consumers under special contracts.

Public hearings were held before Examiner Satterwhite at Yreka September 22 and 23, 1920, at which evidence was introduced and protests were heard. The matter was at that time submitted on condition that if an anticipated compromise between applicant and three of the protestants should not be reached and approved by the Commission, the proceeding would be reopened. The anticipated compromise has been effected and approved, and the matter is now ready for decision on the remainder of the application.

It was stipulated at the hearing that the annual reports of applicant filed with the Commission and certain specified additional data called for by attorneys and by the Commission should be considered in evidence.

The rates now being charged by applicant were fixed by this Commission in its Decision No. 6484, dated July 10, 1919 (Opinions and Orders of the California Railroad Commission, Vol. 17, page 23), and one schedule was slightly modified by supplemental order in the same proceeding, Decision No. 6511, dated July 18, 1919 (Opinions and Orders of the California Railroad Commission, Vol. 17, page 74). Reference is made to the first of these decisions for a general discussion of applicant's properties and their value for rate making purposes.

Applicant ~~has~~ sometime past, entered into long term contracts with Shasta River Water Association and Big Springs Water Company for supplying energy to operate their irrigation pumping plants. Not only were the

rates embodied in these contracts low, but they were based on the amount of land irrigated rather than on the amount of electrical energy consumed, and have been the source of misunderstanding and disagreement. A contract with the Lucerne Water Company entered into under somewhat similar conditions provided for the sale of electric energy at a comparatively low meter rate.

Compromise agreements reached in connection with this proceeding provide comparatively low rates, but based on energy consumed instead of on the area of land under irrigation, and relieve applicant of certain burdens in connection with the operation of consumers' pumping equipment. These contracts are satisfactory both to protestants and to applicant and have received the approval of the Commission.

Mt. Shasta Milling Company appeared to defend a special contract between it and Siskiyou Electric Power and Light Company, a predecessor of California-Oregon Power Company. The contract in question, which was introduced in evidence, was executed in 1908, and provided that applicant's predecessor should take over an electric distribution system in the town of Montague, theretofore operated by Mt. Shasta Milling Company, and in return should furnish the Milling Company power without charge, under specified limitations, until 1925. Applicant urges that this contract should be set aside and this consumer charged for power as are other similar consumers, while Mt. Shasta Milling Company contends that such action is beyond the jurisdiction of this Commission.

The Public Utilities Act, section 17(b), definitely forbids deviations from filed rate schedules, except with the permission of the Commission, and the Supreme Court of

the State has, many times, sustained the Commission in the removal of deviations and the modifications of rates specified in contracts. There is no question as to the matter of jurisdiction, and we may consider the case on its merits. That the compensation which the predecessor of California-Oregon Power Company offered Mt. Shasta Milling Company in exchange for valuable property should later be declared illegal does not alter the obligation originally incurred. The discrimination should be removed and Mt. Shasta Milling Company served at published rates, but applicant must, in some manner, complete payment for the property acquired under the terms of the contract in question.

Since the previous decision the arrangement by which California-Oregon Power Company delivers a large part of its output to the system of Pacific Gas and Electric Company at Kennett has become fully operative and applicant's plants are now well loaded. The new Copco plant should, therefore, be included in operative property and with miscellaneous additions and betterments brings the value of property, used and useful in the public service, up to \$4,427,818. as of May 31, 1920, as set forth in Applicant's Exhibit "E".

The following table compiled from applicant's exhibits, shows the result of its operations during the two years just previous to the filing of this application. The effect on the revenues of the delivery of power to Pacific Gas and Electric Company is plainly apparent:

TABLE NO. I

CALIFORNIA-OREGON POWER COMPANY

Operating Revenues and Expenses

	<u>June 1, 1918</u> to <u>May 31, 1919</u>	<u>June 1, 1919</u> to <u>May 31, 1920</u>
<u>Revenues</u>		
Light	76,310.	79,482.
Power	146,158.	437,856.
Miscellaneous	<u>2,612.</u>	<u>1,745.</u>
Total -	225,080.	519,083.

TABLE NO. 1 CONTINUED.

	<u>June 1, 1918</u> to <u>May 31, 1919</u>	<u>June 1, 1919</u> to <u>May 31, 1920</u>
<u>Operating Expenses</u>		
Production	\$ 18,842	\$ 20,402
Transmission	13,458	22,526
Distribution	9,046	14,396
Commercial	8,533	13,116
General	47,349	52,306
Taxes (prorated)	13,967	19,727
Bad Debts (prorated)	2,229	5,173
Total.....	<u>113,424</u>	<u>147,646</u>
Net for depreciation and return ...	111,656	371,437

The net revenue of \$371,437 for the year ending May 31, 1920, when compared with the capital of \$4,427,818, shows a return of 8.4% available for depreciation and interest. In the previous decision 2% was used as a reasonable and approximate allowance for depreciation on the property exclusive of the Copco development. The inclusion of the Copco development, consisting as it does of a comparatively large investment in long-lived property, would reduce the reasonable depreciation allowance to the neighborhood of 1.4% on the total capital and the net return on the value of applicant's property, after allowing for depreciation, was approximately 7%.

Operating expenses continued to increase after May, 1920, and while the present tendency is downward, the figures given do not represent the peak of costs. The item of taxes will be materially greater than indicated, one reason therefor being because the State tax on revenue from sales to Pacific Gas and Electric Company is not fully reflected. Had present conditions been fully operative, the taxes would have been approximately \$40,000.00 instead of \$19,727.00 as shown.

Applicant's rates, when compared with those charged by other utilities in other parts of the State, are found to be relatively low, and applicant can hardly be expected

to continue to earn a low rate of return while charging its consumers less than they would be charged for similar service from other utilities. On the other hand, rates which were initially established by applicant itself at low levels have been made the basis of uncompleted business operations of its consumers, and in a period of decreasing prices cannot be too sharply increased; moreover, approximately 80% of the energy delivered in California is sold to three special irrigation consumers at a low price voluntarily agreed upon, and to Pacific Gas and Electric Company at a rate limited by the value of power delivered at a remote part of its system and in competition with its own hydro-electric plants. With these limitations in mind it is plainly apparent that the revenue from consumers served under the rate schedules specified in the application cannot and should not be increased to insure the return on applicant's property which, under more favorable conditions and in a more highly developed territory, might be considered reasonable. The rates in the order which accompanies this opinion represent an increase of some 5 or 10% over the present schedules and are as high as applicant can reasonably expect to charge at this time.

O R D E R

CALIFORNIA-OREGON POWER COMPANY having applied to the Railroad Commission for authority to readjust its rates and charges for electric service, a 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 and charges heretofore

made by California-Oregon Power Company are unjust and unreasonable insofar as they differ from the rates and charges herein set forth, which are hereby found to be just and reasonable rates to be charged and collected by California-Oregon Power Company.

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

IT IS HEREBY ORDERED that California-Oregon Power Company be, and it is, authorized to readjust its schedules numbered 4, 6 and 7 by substituting for the rates heretofore charged and collected, the following schedules of rates: to be effective based on meter readings taken on and after July 15, 1921.

SCHEDULE NO. 4.

General Power Service

Applicable to service for industrial and agricultural purposes.

Territory

Applicable to entire territory in California served by the Company.

Rate

1. For connected loads of less than 5 h.p.

First	150 k.w.h. per meter per month	- 6¢ per k.w.h.
Next	350 " " " " "	- 3¢ " "
All over	500 " " " " "	- 1½¢ " "

2. For connected loads of 5 h.p. and over

Consumption per h.p. per month	Rate per k.w.h. for connected loads of						
	5 to 14 h.p.	15 to 39 h.p.	40 to 74 h.p.	75 to 149 h.p.	150 to 299 h.p.	300 to 599 h.p.	600 h.p. & over
First 50 k.w.h.	5.0¢	4.4¢	3.8¢	3.2¢	2.7¢	2.3¢	2.0¢
Next 100 "	2.7¢	2.2¢	2.0¢	1.6¢	1.4¢	1.2¢	1.0¢
All over 150 "	1.5¢	1.1¢	1.0¢	0.8¢	0.8¢	0.75¢	0.7¢

Minimum

First 4 h.p. of connected load \$1.25 per h.p. per month but not less than \$2.50 per month.

All over 4 h.p. of connected load \$1.00 per h.p. per month.

Special Conditions

(a) In the case of service for irrigation pumping or other seasonal use the minimum may, at the option of the consumer, be on an annual instead of a monthly basis, and will be payable in six equal monthly installments during six consecutive months to be chosen by the consumer.

(b) Any installation may obtain the rates for a larger installation by guaranteeing the rates and minimum applicable to the larger installation.

(c) The company will, on the request of consumers having a total connected load of 100 h.p., or more, consisting of two or more motors, install demand indicating instruments and the rate, but not the minimum charge, will be based on the maximum 15-minute average demand occurring during each month, instead of on the connected load. The maximum demand shall not be considered as less than the size of the largest motor nor less than half of the total connected load.

SCHEDULE NO. 6

Lumber Company and Box Factory Service

Applicable to installations of 300 h.p. in sawmills, box factories, etc. or over,

Territory

Entire system in California.

Rate

(a) Energy furnished at primary voltage.

First	25,000	k.w.h.	per	meter	per	month	-	1.0¢	per	k.w.h.
Next	150,000	"	"	"	"	"	-	0.85¢	"	"
All over	175,000	"	"	"	"	"	-	0.75¢	"	"

(b) Energy furnished at secondary voltage.

First	25,000	k.w.h.	per	meter	per	month	-	1.1¢	per	k.w.h.
Next	150,000	"	"	"	"	"	-	0.85¢	"	"
All over	175,000	"	"	"	"	"	-	0.75¢	"	"

Minimum Charge

First 200 k.w. of maximum demand per month - \$1.00 per k.w.h.
All over 200. " " " " " " " - 0.80 " "

But not less than \$250 per month.

Special Conditions

(a) The maximum demand herein referred to is the maximum 15-minute average demand measured in kilowatts occurring during the month for which the bill is rendered, but shall not in any case be considered as less than 50% of the capacity of transformers installed.

(b) At the option of the Company the maximum demand used in billing may be 80% of the demand measured in kilovolt amperes.

SCHEDULE NO. 7.

Gold Dredging Service

Territory

Applicable to entire territory in California served by Company.

Rate

First 100,000 k.w.h. per meter per month 1.0¢ per k.w.h.
All over 100,000 " " " " " 0.75¢ " "

Minimum Charge

\$1.00 per month per horsepower of connected load.

Special Conditions

Energy will be supplied at the primary distribution voltage of 2300, 4000, 6600 or 11000 volts, depending on locality in which service is desired.

IT IS HEREBY FURTHER ORDERED, that California-Oregon Power Company be, and it is, authorized to cancel and withdraw its Schedule No. 5 as heretofore in effect.

IT IS HEREBY FURTHER ORDERED, that California-Oregon Power Company shall, within ten days after the date of this order, file with this Commission the rates herein above set forth.

Dated at San Francisco, California, this 27th day of June, 1921.

H. P. Anderson
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Commissioners. 200