

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

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ORIGINAL

In the Matter of the Application of)
Tuolumne County Electric Power and)
Light Company, a corporation, for) Application No. 6734
increase in rates.)

J. B. Curtin for applicant,
J. T. B. Warne, City Attorney, for City
of Sonora.

MARTIN, Commissioner:

O P I N I O N

Tuolumne County Electric Power and Light Company, hereinafter referred to as Applicant, requests authority to charge for electric service delivered to its consumers the same rates that are now in effect on the system of Pacific Gas and Electric Company, lessee, in adjacent territory; alleging as sufficient reason for the increase that its rates were last fixed in 1913 and that since that time the rate which it pays for electric power purchased, the rate of taxation and the salaries and wages of its employees, have all been increased.

Tuolumne County Electric Power and Light Company purchases electric energy wholesale at Sonora from the system of Sierra and San Francisco Power Company, now operated under lease by Pacific Gas and Electric Company, and serves some seven hundred and fifty retail consumers in Sonora, Jamestown,

and vicinity. This territory is in the original mining district of California and although agricultural and lumbering industries have been developed to quite an extent Applicant's business still varies considerably with the operation of the mines. The depression in the mining industry of the past few years now appears to be passing and a corresponding increase is shown in Applicant's gross revenue in the first six months of the current year as compared with the corresponding period of the previous year.

The rates of Tuolumne County Electric Power and Light Company were last before the Commission in Case No. 372, V. A. Solari, et al, vs. Tuolumne County Electric Power and Light Company, decided July 29, 1913, (Decision No. 834, Volume 3, Page 188, Opinions and Orders of the Railroad Commission). This decision contains a full description of Applicant's property, a discussion of its value and of reasonable operating expenses under the conditions then existing. The rates established in that decision are still in effect, Applicant having refrained from applying for authority to increase them in the hope that conditions would return to normal and an increase would not be necessary.

The rate which Applicant paid for purchased energy was at the time of the previous decision 1.25 cents per kilowatt hour. In 1918 Sierra and San Francisco Power Company was authorized to increase this rate by the addition of a surcharge of 1.5 mills per kilowatt hour and in 1920 Pacific Gas and Electric Company, which had in the meantime leased the property of Sierra and San Francisco Power Company, was

authorized to further increase the rate by fifteen per cent. Effective April 10, 1921, this last increase was reduced to six per cent, making the rate now paid slightly less than 1.5 cents per kilowatt hour. The net result based on applicant's 1920 consumption is an increase in operating expenses of about \$1200.00 per year.

Increases in taxes since the previous decision have further increased the operating expenses by about \$750.00 a year.

Operating as it does a comparatively small system consisting of a distribution system only, applicant has a total of but nine employees and personal contact between the management and the employees and the friendly relations maintained made possible the postponement of salary and wage increases long since necessary in the case of larger utilities. Small increases in salaries and wages were made at various times until about August, 1920, when it became necessary to bring the amounts paid more nearly in line with the wages paid by other utilities and in other industries. While the wages and salaries now in effect are about 75 per cent higher than at the time of the previous decision, comparison with similar payments in other localities shows them to be very reasonable. In connection with its public utility business applicant operates a contracting and merchandise business and as the same men engage

in the work of both departments only part of the increase in wages will fall on the utility business.

In the previous decision the value of Applicant's system for rate making purposes was found to be \$34,475 which included an allowance of \$1975.00 for the purchase of electric meters which would be required to completely eliminate the flat rate system then partially in effect. In Exhibit 2, filed in this proceeding, Applicant shows an additional investment totaling \$14,346.17. An examination of the books by an engineer of the Commission shows that many items which might properly have been considered as charges to capital were treated as replacements of property and entirely included in operating expenses, with the result that this figure for additional investment is undoubtedly too low. However, as all of the items charged to maintenance are included in operating expenses and are covered by rates, no injustice to Applicant will result from the use of the book figure for the increase in capital. The resulting figure for the fair value of the property as of December 31, 1920, is \$46,846.00. At the time of the last decision a net revenue of \$3,792.00 was found reasonable to cover interest and depreciation and under ordinary conditions this sum could now be increased substantially in proportion to the increase in capital. As above pointed out, however, many items covering replacements of property which would ordinarily be charged to capital and to depreciation reserve are on Applicant's books charged entirely to maintenance. The evidence clearly shows that although the Commission in fixing the existing rates made what it considered a proper allowance for the building up of a depreciation

reserve charges are seldom, if ever, made against such a reserve. While this is to a certain extent a matter of accounting detail it is evident that if operating expenses are allowed as they appear in Applicant's records and at the same time the allowance for depreciation as heretofore made is continued there will be a duplication of charges against Applicant's consumers. The full allowance for depreciation as made in the past need not be continued and it is my conclusion that a net annual revenue of \$5000 may, for the purposes of this proceeding, be considered as ample for depreciation and return. In addition, the sum of \$263.77 per year allowed in the previous decision for the amortization over a ten year period of the value of the line from an abandoned generating plant should be continued.

The following table, compiled from figures submitted by Applicant shows the effect of the increase in its expenses and also the revenues and expenses which the evidence shows are likely to obtain in the immediate future:-

TABLE I

TUOLUMNE COUNTY ELECTRIC POWER & LIGHT COMPANY

Revenues and Expenses - Actual & Estimated.

	Jan - Jun 1920	Jan - Dec 1920	Jan - June 1921	Est. for one year
Revenue	\$12,628.17	\$26,155.70	\$13,684.17	\$28,200.00
Expense				
Elec. Energy	3,565.80	7,389.20	4,150.78	8,070.00
Supt. & Labor	1,650.00	3,800.00	2,200.00	4,400.00
Repairs & Maint.	2,585.74	5,278.24	3,015.43	6,025.00
Misc. Gen. Exp.	1,505.27	2,898.06	1,638.71	3,275.00
Taxes	789.26	1,437.32	1,034.40	2,225.00
Gen. Officers Sal.	100.00	200.00	100.00	200.00
Insurance	101.08	202.16	98.45	200.00
Legal Expense	175.00	350.00	125.00	250.00
Total	10,472.15	21,554.98	12,362.77	24,645.00
Net for Depr. & Return	2,156.02	4,600.72	1,321.40	3,555.00

From the above it will be noted that in spite of an increase in investment of about 50 percent the net earning available for depreciation and return will be less than that allowed nine years ago, and falls about \$1500 short of the amount already found reasonable. This is a time when any modification in prices is expected to be downward, but it must be remembered that the general decrease in prices is occasioned entirely by the passing of the high prices which prevailed during the war and the period of inflation immediately following, while in the case of this Applicant there has been no increase in rates since 1913. The prices of but very few commodities have remained at pre-war levels and the price of Applicant's service could hardly have done so except for the unusual circumstances which existed.

Careful consideration of Applicant's probable revenues and expenses and the effect of a change to the present rates of the Pacific Gas and Electric Company, lessee, shows that the entire amount of increase applied for will not be required. A large proportion of Applicant's revenue comes from the sale of electricity for lighting and the rate schedule in the order which accompanies this opinion while lower than that applied for is designed to afford all necessary relief. This schedule provides a rate of nine and a half cents per kilowatt hour for the first thirty kilowatt hours per month, as compared with the rate of eight cents per kilowatt hour for the first fifty kilowatt hours per month now in effect on Applicant's system and the corresponding rate of ten and six-tenths cents on the system of The Sierra and San Francisco Power Company.

I recommend the following form of order.

O R D E R

Tuolumne County Electric Power and Light Company having applied to the Railroad Commission for authority to increase its rates for electric service, a public hearing having been held, the matter having been submitted and being now ready for decision,

The Railroad Commission hereby finds as a fact that Schedule "A" of Tuolumne County Electric Power and Light Company is unjust and unreasonable in so far as it differs from the rate herein set forth, which is hereby found to be a just and reasonable rate for electric lighting service supplied by Tuolumne County Electric Power and Light Company.

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

IT IS HEREBY ORDERED that Tuolumne County Electric Power and Light Company be, and it is, authorized to cancel its existing Schedule "A" and in lieu thereof to charge and collect for electric lighting service the following rate, effective for bills based on meter readings taken on and after October 25, 1921:-

SCHEDULE "A"

GENERAL LIGHTING SERVICE.

Applicable to general residence and commercial lighting service in the entire territory served by the Company.

The first 30	K.W.H. per meter per month.....	9.5¢	per K.W.H.
" next 120	" " " " " "	7¢	" "
" " 150	" " " " " "	5¢	" "
All over 300	" " " " " "	3¢	" "

MINIMUM CHARGE:

In the City of Sonora.....	\$1.00	per meter per month
Outside of " " " " " "	1.25	" " " "

The foregoing opinion and order are approved and ordered filed as the opinion and order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 20th day of September, 1921.

H. S. Loveland

Irving Martin

Charles H. Frazier

J. H. Mendick
Commissioners.