Decision No. 26083.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of J. A. WALDTEUFEL, JOE VILLANOVA, GEO. H. HOAG, JOSEPH POMA, FRED DeCARLI, W. K. FORD, H. E. WILLIAMS, LAWRENCE SIMONS, H. J. MATHEWS, GUILESEPPE CANTARONI, EMMA J. MEYERS, C.H. SMITH, B. E. McMASTERS for Certificate of Public Convenience and Necessity and Order Directing Extension of Electric Power Line.	Case No. 3356.

Keith V. Eversole, for Complainants.
McClymonds & Wells, by W. S. Wells, for Defendant.

BY THE COMMISSION:

O P I N I O N

In this proceeding complainants allege that defendant, Central Mendocino County Power Company, has refused to build an electric distribution system from its nearest existing facilities into that area known as Redwood Valley, in accordance with agreements entered into with complainants, and asks that this Commission order defendant to build said system in accordance with those agreements.

A public hearing was held before Examiner Johnson at Willits on January 27, 1933, at which time and place testimony was received and the matter submitted.

Complainants introduced testimony to show that defendant's former manager, Mr. A. L. Woodhouse, had upon request canvassed the area in question, ascertained the requirements of the interested parties, estimated the cost of the line and other facilities and executed individual service agreements with twelve residents and property owners including complainants. The building of this extension was premised upon these agreements and the further general agreement that the applicants for service would furnish and install

the necessary poles and defendant would furnish and install all other needed facilities. The estimated length of this line was 4.2 miles, the estimated cost of the materials for defendant's portion $1,259.50, and the probable annual revenue $576.00.

Defendant admitted these activities on the part of its former manager but sought to prove that his estimate was totally inadequate for such a line and that the revenue estimate was an assumption wholly out of line with its previous experience with such service and, furthermore, that Mr. Woodhouse had acted without authorization or knowledge of his directors in signing the agreements and otherwise committing the company to an unwarranted expenditure. Defendant's present manager estimated the cost of materials at $1,858.70 and specifically pointed out the added labor, freight and construction costs to be considered in connection therewith, which would result in an over-all cost of $3,534.64. He also estimated the probable annual revenue at $267.84, assuming an average of $1.86 per month per consumer, based on the results observed in a similar line built into rural territory east of Willits.

In addition to attempting to show the unreasonableness of the proposed undertaking, defendant alleged that it was unable to finance any construction work of this magnitude. Mrs. Amy Requa Long, President of defendant company, acknowledged under examination that she would attempt the building of the line if a sufficient revenue could be assured.

Subsequent to this hearing complainants made written request that the matter be reopened to enable them to introduce further evidence. The request was granted and a further hearing held before Examiner Johnson at Willits on May 5, 1933.

At this hearing complainants introduced a bid of R. A. Enright in which he proposed, for $2,647.79, to install the necessary transformers, primary line, meters and switches, exclusive of poles, guy poles, secondary wires and labor of placing poles in ground, under the same conditions as those previously agreed upon, namely, the applicants to furnish and install poles and guy poles and the company to furnish all other work and materials.

Mr. Enright, under examination, admitted that the bid did not include secondary service taps and that no allowance had been made for clearing right of way and further admitted that he had never seen the upper portion of the route where clearing will be necessary. He stated that he would, however, include the clearing in his bid as he was in error in ignoring it. He expressed himself as being thoroughly familiar with the requirements of the Commission's General Order No. 64-A and stated that the line in question would cost not less than $1,000. a mile if the furnishing and installing of poles were included.

Defendant introduced figures taken from its 1932 operations which indicated the average annual revenue per rural domestic "consumer" to be $27.27 for its entire system.

Complainants' counsel at this point asked that he be allowed to introduce evidence not connected with this bid in an effort to prove that, by the building of an additional one-half mile of line, the extension would afford a tie-in with Pacific Gas and Electric Company's facilities and thus assure the people of Willits a continuity of service in the event of the failure of the transmission line from the Snow Mountain Water and Power Company's power house in Potter Valley, which is now the source of supply. This testimony, with some exceptions, was admitted

for such general value as it might have.

Mr. Enright testified to the feasibility of this tie-in stating that the running of another wire at a cost of $100.00 per mile would partially serve this purpose, but admitted that the proposed construction was not heavy enough nor the poles high enough to carry 23,000-volt service as supplied by Pacific Gas and Electric Company at its substation and further admitted that additional transformers and sub-station equipment would be necessary to make the plan feasible. In fact the proposed facilities could not be used for the purpose suggested.

In summarizing the testimony in this case it is obvious, in view of complainants' subsequent submission of a bill more than 100 per cent higher than their original figure, that the original figure is entirely out of line and should be disregarded. It is evident also that the use of this line as a tie-in with facilities of Pacific Gas and Electric Company is impossible and that further consideration need not be given to this proposal.

The issues before us are therefore the relation of expected revenue to the cost of facilities and in giving consideration to this final phase of the question we must not lose sight of the fact that the entire proposal made to these people is irregular and not in accord with defendant's regularly authorized rules and regulations governing extensions and extension agreements.

This extension rule, which is of the type now generally accepted as being most fair and practicable, provides that the utility shall install the necessary transformers, meters and service wires and, in addition thereto, definite lengths of line based upon the nature and capacity of the loads to be served. It further provides that the cost of any line in excess of the warranted free length shall be advanced by the applicant at the average

rate of fifteen (15) cents per lineal foot. Any advances thus made are subject to refund over a period of not more than ten (10) years on the basis of new business subsequently connected to the line and a percentage of the annual bills of those making such advances. Had the present negotiations been based upon this rule, the warranted construction at company expense would have been not to exceed one-half mile of line, leaving an excess length of approximately 3.7 miles with a consequent advance of approximately $2,900.00.

The probable cost of the line based upon the filed bid of complainants with an allowance of $50.00 for services, as estimated by defendant's manager in the testimony, can be taken in round numbers at $2,700.00. The probable annual revenue to be derived from twelve domestic consumers is approximately $330.00. This figure is based upon 1932 operations in which the average annual revenue per domestic consumer was $27.27. Approximately eight horsepower of motor loads have been indefinitely mentioned and their inclusion would add a minimum of $100.00 to this amount resulting in a total of $430.00. For the purpose of these negotiations Mr. Woodhouse assumed an annual revenue of $48.00 per consumer or a total of $576. The origin of this assumed figure cannot be determined but approximating as it does the average revenue usually obtained from domestic combination lighting and cooking service by other utilities, where such service is more general, it is obviously too high to be used in these calculations.

Experience has shown that, for the purpose of justifying extensions on the systems of minor electric utilities, a ratio of three to one between cost and revenue must be maintained and accordingly for an annual revenue of $430.00 an investment of not more than $1,290.00 would be justified. This is less than 50 per

cent of the estimated cost of $2,700.00. Even if Mr. Woodhouse's figure be accepted, the warranted investment would fall almost $1,000.00 short. In view of these extreme variances, it is impossible to justify the desired extension.

There remains but one further issue in this matter, namely, the obligation of defendant to fulfill the agreements entered into and build the required extension regardless of the irregularities connected therewith or the insufficiency of the probable revenue to be derived therefrom.

It is the duty of this Commission to develop and authorize just and equitable rules for the goverance of the relations between utilities and their consumers and to require that these rules be applied without discrimination to all concerned. A definite rule has been provided for the problem before us and a departure therefrom is now being sought without regard to its effect upon other consumers. To grant this request is merely to transfer to defendant's consumers as a whole the effect of a revenue deficit for which they are in no way responsible and to extend service to a limited number of applicants under conditions which cannot be accorded to future applicants in general.

In fairness to defendant's consumers who have heretofore had to meet the conditions of the regularly established rule governing extensions and to applicants who will hereafter be required to meet the same conditions to obtain service the request herein made should not be granted.

O R D E R

Public hearings in the above entitled complaint having

been held, the matter having been submitted and now being ready for decision;

IT IS HEREBY ORDERED that it be, and it is, hereby dismissed without prejudice.

Dated at San Francisco, California, this 19th day of June, 1933.

Commissioners.