

Decision No. 31264

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the Sacramento River Farms, Ltd. for an Order increasing its electric rates.

Application No. 21812.

ORIGINAL

In the Matter of the Investigation on the Commission's own motion into the reasonableness of the rates, rules and regulations and practices or any of them of the Sacramento River Farms, Ltd.

Case No. 4325.

BY THE COMMISSION:

O P I N I O N

In the above-entitled application, the Sacramento River Farms, Ltd., a corporation, engaged, among other things, in the business of distributing water and electricity in the unincorporated Town of Hamilton City, Glenn County, asks the Railroad Commission for permission to establish a new Standby Rate to prevent loss on the sale of electric energy to the Holly Sugar Corporation.

A notice of the date set for first hearing was mailed to all consumers. The consumers apparently misconstrued the wording of the notice as meaning an increase in all rates, and as a result they circulated, signed and filed with this Commission a petition protesting any increase in rates. As a result of this petition and in order that a more comprehensive review might be made, the Commission instituted an investigation upon its own

motion into the reasonableness of the rates, rules and regulations and practices of this utility.

A public hearing was held in Hamilton City on June 9, 1938, before Examiner C. C. Brown.

Brief Historical Statement

The Applicant Company is essentially a farming and real estate organization and the utility business is incidental to these other activities. In fact, the predecessor companies, The Alta California Beet Sugar Company and the Sacramento Valley Sugar Company, began the service of water and electricity to their employees, out of necessity, around their beet sugar mill, out of which has grown the present Hamilton City.

Their operations were started in 1906. In 1908 the name was changed to the Sacramento Valley Sugar Company and in 1931 to that of the Applicant Company. At the present time electric service is rendered to about 120 customers.

Service Investigation

Prior to the hearing a general study was made of the Company's operations by the Commission's engineering staff.

Mr. M. W. Edwards⁽¹⁾ testified that he had made a field survey as to the voltage and service conditions and found them generally of good character, except that the system is approaching an age when some rebuilding will be necessary in order to continue to give satisfactory service.

The electric distribution system was first built in 1906 and then rebuilt in 1925. A program of maintenance is recommended that will rehabilitate the present system during the next ten years. A plan should be drawn to gradually replace

⁽¹⁾ Electrical Engineer on the Commission's staff.

inefficient transformers and small conductors. Provision should be made for replacing about 15 poles per year. At least the annual amount set aside for depreciation should be reinvested annually in replacements, renewals or held in a fund until replacements are needed. The Order will provide for a rehabilitation program to be outlined. All system reconstruction shall be done in accordance with the prescribed California "Rules for Overhead Electric Line Construction."

Earning Position

The annual reports to the Commission were reviewed beginning with the year 1912. From these the capital, revenues, expenses and incomes were tabulated.

In using these figures and others developed, certain adjustments were made to more properly reflect correct charges to capital and expense, as well as to bring about a more equitable division of the management expenses as between the different departments. The provision here made assigns 60 per cent of the latter to the Electric Department.

The following tabulation summarizes the Rate Base Revenues, Operating Expenses, Net for Return and Rate of Return for the calendar year 1937:

RATE BASE

Average Capital	\$11,245.15
Working Cash Capital	1,230.00
Materials and Supplies	<u>524.85</u>
Total Rate Base	\$13,000.00

GROSS REVENUE

Domestic Service	\$ 3,441.11
Commercial Lighting	3,366.00
Power	2,520.79
Heating and Cooking	<u>146.53</u>
Total Revenue	\$ 9,474.43

OPERATING EXPENSES

Purchased Energy	\$ 3,340.10
Distribution	1,200.00
Commercial	750.00
General Office	1,700.00
Insurance	245.02
Miscellaneous General	200.00
Depreciation	<u>472.00</u>
Subtotal	\$ 7,907.12
Uncollectibles	100.00
Taxes	<u>91.84</u>
Total Operating Expenses	\$ 8,098.96

NET OPERATING INCOME \$ 1,375.47
RATE OF RETURN 10.6%

The rate of return is higher than normally allowed and some reduction of rates is accordingly in order. The record shows, based upon the study made by the Commission's engineers, that some downward revision in the electric rates charged domestic and commercial users is justified, and further that the power service furnished the sugar factory is not paying its full costs.

Cost to Serve Holly Sugar Factory

The Sacramento River Farms produces no electric energy but purchases all from the Pacific Gas and Electric Company on that Company's Resale Schedule P-6. The amount paid the Pacific Company for such service not only depends upon the kilowatt hours taken but also upon the demands established. Holly Sugar generates a substantial part of their own requirements and uses Sacramento River Farms' service as Standby and for seasonal usage. As a result, Holly Sugar creates substantial demands upon Sacramento River Farms with small kilowatt hour usage. Under the tariff (P-15) such service is now being billed the records show at less than out-of-pocket costs.

Rate Adjustments

Unquestionably the serving of Holly Sugar at the present rate is not warranted as long as the present type of usage at low load factor continues. The order will provide for a new rate of the demand and energy form to more properly give weight to the character of use and return to the utility the fair costs of rendering that service.

With this type of rate the bill will be increased for low load factors (below 20%), but for higher load factors the cost will be less than under P-15 rate. The demand interval will be changed to 30 minutes from the present 15-minute interval which will be to the advantage of Holly Sugar. The demand provision will be altered to take into account sixty per cent of the highest demand in the preceding eleven months, which will in turn compensate Sacramento River Farms for any high seasonal demands that

are reflected in their power bill for eleven months thereafter. Energy is to be metered at 2300 volts, and if the consumer desires other voltage the same is to be furnished through its own transformers.

Some reduction in the commercial light rate and domestic rate will be provided for in order to adjust the rate of return to the proper level. The cooking and heating rate will be altered to give a more attractive rate for consumptions in excess of 1000 kilowatt hours per month. The following tabulation shows the estimated net amount of the rate adjustments.

<u>Schedule</u>	<u>Annual Reduction</u>	<u>Per Cent</u>
L-3 Commercial Lighting	\$538	-16
D-1 Domestic Service	206	- 6
P-3 Primary Industrial Power	+ 400	+28
Total Estimated Reduction	\$344	

These reductions coupled with estimated increases in maintenance expenses, incident to the rebuilding program, should leave this utility in an earning position which is both fair to itself and the consumers it serves.

The granting of a standby rate, like Schedule P-12 per the instant application, will in this case raise the minimum without providing a means whereby Holly Sugar could improve their load factor and thus earn a better rate. Large power rates should be so designed as to encourage customers to earn lower rates by improving their load factors and operating conditions in such manner that the cost to serve by the power company is reduced.

To this end the rate revisions here authorized will provide for a more equitable distribution of charges among the various classes of consumers based on the cost to serve electrical energy.

O R D E R

A public hearing having been held in the above-entitled matter before Examiner Brown, the matter having been further submitted on briefs filed subsequent to date of hearing and the Commission having carefully considered the evidence presented;

IT IS HEREBY FOUND AS A FACT that the rates now charged by the Sacramento River Farms, Ltd., for electric service supplied to its consumers are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates to be charged for the services rendered and, basing its Order upon the foregoing finding of fact and upon the statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Sacramento River Farms, Ltd., a corporation, be and it is hereby authorized and directed to file with the Railroad Commission, within thirty (30) days from the date of this Order the schedule of rates, as set forth in Exhibit "A," attached hereto and made a part hereof, to be charged for all electric service supplied to its consumers indicated by meter readings taken on and after the 29th day of September, 1938.

IT IS HEREBY FURTHER ORDERED that Sacramento River Farms, Ltd., a corporation, be and it is hereby directed to submit a plan of distribution system rehabilitation as outlined in the foregoing Opinion.

IT IS HEREBY FURTHER ORDERED that Sacramento River Farms, Ltd., a corporation, be, and it is, hereby directed to report prior to June 1 of each year, for a period of five years, the actual work performed and the amount of money expended in carrying out any maintenance and replacement work required to be done as directed in the preceding paragraph of this Order; an amount of money, not less than the annual depreciation expense provision of \$472, shall be set aside in a fund to carry out this program, and any monies not expended in the current year shall be carried over to augment future years' expenditures.

For all purposes the effective date of this Order shall be fifteen (15) days from and after the date hereof.

Dated at San Francisco, California, this 12th day of September, 1938.

Paul J. ...
Leon ...
Frank ...
Ray & Riley
Commissioners

EXHIBIT "A"

ELECTRIC RATE SCHEDULES

SACRAMENTO RIVER FARMS, LTD.

EXHIBIT "A"

SCHEDULE L-1

LIGHTING AND SMALL POWER

Description of Service

This schedule is applicable to lighting service, including lamp socket appliances, and at the consumer's option, to single phase service for power (5 H.P. or less) and heating alone or combined with lighting on the same meter.

Territory

The entire territory served by the company.

Rates

Service Charge - Per meter per month.70¢

Energy Charge (to be added to Service Charge)

First 50 Kw-h per meter per month . . . .	.5.0¢	per Kw-h
Next 150 Kw-h per meter per month . . . .	.4.0¢	per Kw-h
Next 800 Kw-h per meter per month . . . .	.3.4¢	per Kw-h
Next 2000 Kw-h per meter per month . . . .	.2.7¢	per Kw-h
Next 7000 Kw-h per meter per month . . . .	.2.2¢	per Kw-h
All excess Kw-h per meter per month . . . .	.2.0¢	per Kw-h

Special Conditions

(a) For seasonal consumers this schedule is applicable only on annual basis, the service charge for entire year being payable in advance.

SCHEDULE C-1

HEATING AND COOKING

Description of Service

This schedule is applicable to general domestic and commercial heating and cooking service, having a permanently installed capacity of 2 Kw. or more, and to single phase power service of 5 H.P. or less when combined therewith on the same meter.

Territory

The entire territory served by the company.

Rates

First 150 Kw-h per meter per month	3.5¢ per Kw-h
Next 850 Kw-h per meter per month	1.5¢ per Kw-h
All excess Kw-h per meter per month	1.0¢ per Kw-h

Minimum Charge - Monthly Basis

\$3.00 per month for the first 7 Kw. or less of the connected load, plus 25¢ per Kw. per month for any additional connected load provided, however, that space heating appliances shall not be considered as active connected load in computing bills on meter readings subsequent to May 1 and prior to November 1.

Optional Annual Minimum Charge

Upon application by the consumer, the company will put the minimum charge on an annual basis of \$36.00 per annum for the first 7 Kw. or less of connected load, plus \$3.00 per annum for each additional kilowatt, provided the consumer signs a contract for service for a period of not less than one (1) year. The company reserves the right to bill the annual minimum charge proportionately throughout the year.

Special Conditions

(a) Service will normally be 115/230 volt three wire alternating current.

(b) Connected load will be taken as the nameplate rating of all apparatus which may be connected at any one time, computed to the nearest one-tenth of a Kw.; a rating of Kv-a., or in volts and amperes, or in horsepower being converted to Kw. at one Kv-a., or 1 H.P. per Kw.

SCHEDULE D-1
DOMESTIC SERVICE

Description of Service

This schedule is applicable to domestic lighting in combination with heating, cooking and/or single phase domestic power (5 H.P. or less) when supplied to single family dwellings or flats, or apartments separately metered.

Territory

The entire territory served by the company.

Rates

Service Charge - Per meter per month 70¢

Energy Charge (to be added to Service Charge)

First	40 Kw-h per meter per month	5.0¢ per Kw-h
Next	160 Kw-h per meter per month	2.5¢ per Kw-h
	All excess Kw-h per meter per month	1.2¢ per Kw-h

Special Conditions

(a) For summer cottage and seasonal consumers this Schedule is applicable only on annual basis, the service charge for entire year being payable in advance.

SCHEDULE P-1

GENERAL POWER: CONNECTED LOAD BASIS

Description

This schedule is applicable to alternating current used in motors, heating and cooking devices, and rectifiers for battery charging, X-rays, etc.; but is not applicable to current used for lighting, either directly or through transforming or converting equipment.

Territory

The entire territory served by the company.

Rates:

Hp. of Connected Load	Rate per Kwh. for monthly consumption of			
	First 50 Kwh.	Next 50 Kwh.	Next 150 Kwh.	All over 250 Kwh.
	Per hp.	Per hp.	Per hp.	per hp.
2 - 9 Hp. - - - - -	3.9¢	2.1¢	1.2¢	.9¢
10 - 24 Hp. - - - - -	3.4	2.0	1.1	.9
25 - 49 Hp. - - - - -	2.9	1.9	1.0	.8
50 Hp. and over - - -	2.5	1.7	1.0	.75

Minimum Charge: \$2.00 per month for the first 2 Hp., plus \$1.00 per Hp. per month for the next 48 Hp., plus 65¢ per Hp. per month for any excess; provided, however, that when the primary use of power is seasonal or intermittent, the minimum charge may, at the option of the consumer be made accumulative over a 12-month period.

Special Conditions

(a) Voltage: Single-phase or polyphase service at any available standard distribution voltage the consumer may choose (but not more than one) will be supplied under this schedule subject to the rules and regulations of this company governing service.

(b) Connected Load, for the purpose of this schedule, is the sum of the rated capacities of all of the consumer's equipment that may be connected to the company's lines at the same time. Motors will be counted at their name plate ratings in horsepower and other devices at their name plate ratings converted to horsepower at 1 kva. per hp. Where such equipment includes a transformer used to supply other devices, the rating of such transformer will be used in lieu of the devices supplied by it. Where the original name plate of any motor or device has been removed or altered, the manufacturer's catalogue rating will be used, or the capacity may be determined by test.

SCHEDULE P-1 (Continued)

GENERAL POWER: CONNECTED LOAD BASIS

(c) Guarantee Load: Any consumer may obtain the rate for a larger horsepower of connected load or billing demand by guaranteeing the rate and minimum charge applicable to such larger horsepower of connected load or billing demand.

(d) X-Ray Apparatus when separately served may be classed as power equipment except that a special minimum charge of \$0.50 per kilowatt of X-Ray capacity, or \$0.50 per kilowatt of special transformer capacity required for service will be made; provided that in no case shall the minimum be less than \$3.50 per month per meter.

SCHEDULE P-2INTERMITTENT POWER SERVICEDescription of Service

Optional with Schedule P-1 for general power service and suitable for intermittent or seasonal use of energy.

Territory

The entire territory served by the company.

RateDemand Charge

First 10 Hp. of connected load \$5.00 per Hp. per year
All over 10 Hp. of connected load. . . . 3.50 per Hp. per year

Energy Charge

The energy charges are the rates without the minimum charges as set forth under Schedule P-1.

Special Conditions

(a) Total Charge: The total charge is the sum of the demand and energy charges stated above.

(b) Payment of Demand Charge: The demand charge is payable in five equal installments during the first five months after the date service is first rendered. The consumers may select, if satisfactory to the company, other months in which to pay the demand charges.

(c) Adjustment of Bills: At the end of each year's service period a consumer operating under this schedule and whose total charges for service for the past year would have amounted to less under Schedule P-1 will have the charges for this service adjusted to the lower charges.

SCHEDULE P-3

PRIMARY INDUSTRIAL POWER

Description of Service

This schedule is applicable to electrical energy supplied at a standard voltage of 2300 volts used in industrial plants for power, heat and incidental lighting.

Territory

The entire territory served by the company.

Rate

Demand Charge

First 30 Kw. or less of maximum demand . . .	\$50.00 per month
Next 170 Kw. of maximum demand	1.50 per Kw.
All excess Kw. of maximum demand	1.00 per Kw.

Energy Charge (to be added to the demand charge)

First 150 Kwh. per Kw. per month . . . . .	.3¢ per Kwh.
Next 170 Kwh. per Kw. per month . . . . .	.6¢ per Kwh.
All over 320 Kwh. per Kw. per month . . . . .	.5¢ per Kwh.

Special Conditions

(a) The maximum demand in any month will be the average kilowatt delivery of the thirty-minute interval in which the consumption of electric energy is greater than in any other thirty-minute interval in the month. The maximum demand on which the demand charge and energy block will be based will not be less than 60 per cent of the greatest maximum demand occurring during the eleven preceding months.

(b) Off Peak Demands occurring between the hours of 11:00 P.M. and 6:00 A.M. of the following day will not be considered in computing the charges under this schedule.

(c) Incidental lighting, for the purpose of this schedule, is any lighting on the premises of an industrial (as distinguished from commercial) plant operated by power supplied on this schedule, except lighting in dwellings or in buildings used primarily for trade or for any purpose not essential to the operation of such plant.

(d) Power Factor: The total charge for any month as computed on the above rates will be decreased or increased, respectively, by 0.25% for each 1% that the average power factor of the customer's load in that month was greater than 80%, or less than 70%; such average power factor to be computed (to the nearest whole number) from the ratio of lagging kilovolt-ampere-hours to kilowatt-hours consumed in the month.

(e) Voltage: This schedule of rates will apply to service rendered at the standard nominal potential of 2300 volts in accordance with the rules and regulations of the company. All necessary transformers to obtain any other voltage will be supplied, owned and maintained by the consumer.