

Decision No. 38206

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

EARL C. COOPER, CECIL C. BAKER, C. L. CLOTHIER,
 J.M. CORDER, H. W. SWASBY, MRS. FRED LUCAY,
 G. H. WHEAL, R. A. ZICK, MRS. JOHN SCIOE,
 WILLIAM E. BAILEY, ALFONSO J. HAVELLY,
 C. F. WALSINGHAM, E. H. BRADLEY, ROBERT C.
 HORTON, H. T. SCHISLER, FRED FRAY, W. E. MURRAY,
 L. O. WOLF, FRANK CAMPOY, JR., THOMAS A. BILLARD,
 LUCY H. GERHARDT, HAZEL L. HOSIN, ROBERT R.
 HINSSEY, CARL L. LLOYD, AND ROY W. PETERSON,

Complainants,

vs.

PACIFIC GAS AND ELECTRIC COMPANY, a corporation;
 Defendant.

Case No. 4750

A. J. Harder, for Complainants
 George Sehlmeier, for California State Grange
 J. J. Deuel and Edson Abel, for the California
 Farm Bureau Federation
 Martin McDonough, for Sacramento Municipal Utility District
 R. W. DuVal, for Defendant

COMMISSIONER ROWELL:

O P I N I O N

Complainants, Earl C. Cooper, and the twenty-four others above named, reside in unincorporated areas adjacent to the City of Sacramento and are electric customers of Pacific Gas and Electric Company under its domestic service Schedule D-6. Complainants allege that when the Company in September, 1942, filed with the Commission a tariff rule providing that meters would thereafter be read once each two months instead of monthly, but did not at the same time reduce its rates to reflect the savings in meter reading and collection expenses presumably accruing from the application of such rule, its continued application of the rate schedule theretofore in effect has resulted in unlawful overcharges for which reparation should now be made.

Hearings were had in this matter on March 8 and May 4, but prior to the second hearing the complaint was amended to eliminate the prayer for a reparation award, it seemingly being conceded by counsel for Complainants that the Commission would be without power to make such an order.

The bi-monthly meter reading rule referred to is set forth in the margin. (1) Most utilities in this State were permitted by the Commission to file a similar rule. Such step was occasioned by labor shortage and by restrictions upon the use of motor vehicles then being urged by other agencies in furtherance of the war effort.

The evidence indicates that approximately one-fourth of the Company's electric customers have been placed on a bi-monthly billing basis. The contention of Complainants is that one-fourth of all the expenses incurred by the Company that are assignable to its accounts 925 to 932 under the head of Customers Accounting and Collection Expense would therefore represent the average cost of billing those customers whose meters have been read bi-monthly only, and that at least one-half this amount must be taken to have been saved

(1)

EMERGENCY RULE AND REGULATION A-2
BI-MONTHLY METER READING AND BILLING

In order to conserve rubber tires and man power during the war emergency, the special rules set forth below on this sheet are established, and any other rule or regulation, rate, or contract, of this Company on file with the Railroad Commission and inconsistent herewith shall be taken as suspended or modified to the extent necessary to remove such inconsistency.

1. For all customers served by the Company, except customers for whom demand meters are used, electric meters may, at the option of the Company, be normally read at intervals of approximately two months instead of one month.
2. The charge for service rendered in each two-month period will be computed at the applicable filed rate schedule by doubling the monthly service charge, demand charge, or minimum charge, and the number of kilowatt-hours to which each block rate is applicable on a monthly basis.
3. Bills for service supplied during each such two-month period shall be rendered promptly after the close of such period and shall be payable in the same manner as monthly bills heretofore rendered.
4. Where bi-monthly meter reading is established, opening and closing bills and bills for irregular periods will be computed in accordance with Rule and Regulation No. 9, except that periods of 54 to 66 days, both inclusive, will be considered as two months.

by the Company after adoption of the bi-monthly rule. It is argued that all such savings should have been passed on to customers in the form of decreased rates. Testifying in his own behalf, Complainant Cooper, estimated the saving accruing to the Company to have averaged at least \$3.70 per customer for each two-months since bi-monthly meter reading was introduced.

Although this in brief is the theory upon which the filed complaint is founded, the testimony given by complainant Cooper reveals that his estimate of the claimed overcharge was arrived at by a very different reasoning process. What he asks, in effect, is that the Company be required to compute bi-monthly bills in a manner that would give each customer the benefit of the lowest energy charge that would have been applicable had his electric use over the two-months' period in fact been used in one month only. This claim can best be illustrated by the following computation of charges under the D-6 Schedule, as explained by Mr. Cooper.

(2)
Computation of Asserted Minimum Overcharge
Based Upon
Assumed Bi-monthly Consumption of 400 Kwhr

	(1)	(2)	(3)
		:Bi-Monthly:	According to Sched. D-6
		: Bill	:& Rule & Regulation A-2
		:Mr. Cooper's Monthly	: Bi-Monthly
		: Basis	: Bases (3)
Service Charge per meter per month	\$1.20	\$.60	\$1.20
Energy Charge			
1st 40 kwh per meter per month at 4.5¢	1.80	1.80	3.60
Next 60 kwh " " " " 3.0¢	1.80	1.80	3.60
Next 100 kwh " " " " 2.5¢	2.50	2.50	5.00
Next 200 kwh " " " " 1.2¢	2.40		
Total Bi-monthly Bill 400 kwh	<u>9.70</u> (4)	<u>6.70</u> (4)	<u>13.40</u> (4)
Asserted Overcharge (\$13.40 - \$9.70)	3.70		

(2) The terminal rate for the months October to May is .9¢ instead of 1.2¢ increasing the asserted overcharge under the same theory to \$4.30 for the bi-monthly period.

(3) See Section 2 of Rule and Regulation A-2. Supra

(4) 200 kwh usage in one month (col.2) - billing \$6.70, 2 months at 200 kwh each 2 x \$6.70 or \$13.40. The \$13.40 billing is that required under bi-monthly billing procedure as set forth in col. 3. This \$13.40 compares with the \$9.70 (col. 1) urged by complainants. If the consumption of 400 kwh were all in one month, the bill would be \$.60 less than col. 1, or \$9.10.

It is evident from the method of computation that the \$3.70 represents nothing more than a 200 kwhr consumption price at the terminal rate of 1.2¢ rather than at the rates specified in the first three energy blocks. That this concept is entirely inconsistent with the design of the schedule is at once clear when one realizes that this differential is included in the schedule on a monthly basis as compensation in part for the annual fixed charges associated with all of the facilities and activities necessary to render the service. If it were collected only six times a year instead of twelve, the Company would not be fully compensated on an annual basis. (5) This principle was recognized in the terms of Rule and Regulation A-2 heretofore quoted. It is apparent from the testimony that such savings as may have been made as a result of the bi-monthly billing practice are relatively insignificant. Complainants originally estimated that 1/8 of the average cost of customer accounting and collection expense represented a saving, when reduced to a customer basis, which amounted to approximately 10¢ per month. Eliminating the increase in other expenses, the Company estimated the saving to be something in the nature of 50¢ to \$1.00 a year. Evidence further showed, however, that such savings as initially arose as a result of the practice have been largely offset by increases in other costs. The following tabulation prepared from Defendant's Exhibit 3 indicates the trend of the average cost per customer for customer accounting and collection expense:

<u>Average Cost Per Customer</u>						
<u>Customers Accounting and Collecting Expense - Total</u>						
<u>Area</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>
System	2.82	2.81	2.84	2.92	2.77	2.87
San Francisco Divn.	1.86	1.89	1.90	1.92	1.84	2.00
Shasta Divn.	6.40	6.11	6.62	6.90	7.08	7.62
Sacramento Divn.	3.31	3.43	3.41	3.60	3.52	3.57
<u>Average Cost Per Customer</u>						
<u>Meter Reading - Collecting - Billing and Accounting - Only</u>						
Sacramento Divn.	2.49	2.58	2.56	2.77	2.67	2.68

(5) The inequality of Complainants' method may be further illustrated if it be assumed that meters be read and billing be made less frequently, once in six months or even but once a year; in the latter case, following Complainants' method, billing would be reduced from \$80.40 to \$33.10 or more than 58% (on basis of 200 kwh per month), though if it be assumed all customer accounting and collection expense be saved, that is, include no charge at all, such expenses would perhaps amount to less than 5% of the total expenses exclusive of a return on the investment.

It will be noted from the table that while the average cost during 1943 indicates a reduction in these average costs which may be partly due to the operation of bi-monthly billing practice throughout that year, it is also true that in the aggregate these costs have risen and that the average cost for 1944 exceeds comparable figures for 1941, which was the first full year in which Schedule D-6 in its present form was effective.

It is further true that in establishing rates this Commission looks first to the over-all net revenues of the utility. From a consideration of the expenses necessary to operate, the requisite gross revenues can then be determined. These gross revenues are in turn allocated to the various classes of service, and further subdivided into zone classifications for certain classes. In making these allocations a great many factors are involved. Among the more important are the history of the rate, cost to serve and the general load characteristics of each of the principal classes of service. Under the circumstances, therefore, it would be idle to attempt to reflect in the rate schedules such minor fluctuations in cost as are here involved, especially during a period in which other and more important costs of operation have been sharply upward.

Complainants have been led into error, first, by assuming that relatively minor fluctuations of individual costs, either increases or decreases, can be immediately reflected in appropriate rate schedule revisions; second, in attempting to evaluate assumed savings arising from a bi-monthly practice by means of a method which is not only diametrically opposed to the basis upon which the rate schedule is predicated, but which resulted in an estimated saving which exceeded by 70% the total of all of the costs, a part of which were assertedly saved.

I recommend the following form of Order:

O R D E R

Public hearings having been held on this complaint, the matter having been submitted, and the Commission being fully advised in the premises;

It is Hereby Found that the complaint and the matters complained of are unwarranted and without foundation either in theory or in fact, and that as to the matters complained of, Defendant, Pacific Gas and Electric Company, has in all respects duly complied with its filed tariff Schedule D-6 and its filed Emergency Rule and Regulation A-2.

IT IS HEREBY ORDERED that the complaint of Earl C. Cooper, et al, shall be and is hereby dismissed.

For the purpose of filing a petition for rehearing, the effective date of this order shall be the twentieth day from and after the date hereof.

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

Dated at San Francisco, this 12th day of September, 1945.

David Anderson
Justin J. Anderson
Edward J. Anderson
Edward J. Anderson
Commissioners