

Decision No. 14190

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application
of ONTARIO POWER COMPANY for an
order authorizing a surcharge
of 10 per cent.

Application No. 10,166.

ORIGINAL

Glenn D. Smith, for Applicant.

J. J. Deuel, for California Farm Bureau Federation.

E. H. Jolliffe, for City of Ontario.

BY THE COMMISSION:

OPINION

In this application, as amended, Ontario Power Company which supplies electricity for lighting, power and other purposes in the cities of Ontario and Upland and adjacent rural territory asks authority to add a surcharge of 10 per cent. to all bills based on meter readings taken after July 6, 1924, and before May 6, 1925.

A public hearing was held at Ontario on July 15, 1924, at which the Company introduced evidence to show that the output of its hydro- electric plants on San Antonio Creek would be greatly reduced as a result of drought and low stream flow, and that the consequent increase in operating expenses through the purchase of an unusual amount of energy would seriously affect its net revenue for the year. An examination of the Company's figures has been made, from which it appears that the Company has probably over-estimated the demands which will be made upon it for energy during

the year, and that certain other slight modifications should reasonably be made in the Company's estimates for 1924. It further appears that some reduction should be made in the depreciation allowance charged to operating expenses. Depreciation is allowed for on the sinking fund basis, and only the annuity should be included in operating expenses. The interest on the accumulated reserve must come out of the fair return earned on the property in which the reserve is invested. A comparison of the actual operations of 1923 with the figures of the Company and of those considered reasonable for 1924 is shown in the following table:

OPERATING REVENUES AND EXPENSES
OF
ONTARIO POWER COMPANY

Actual for 1923 and as Estimated for 1924

	1923	1924	
		Company's Estimate	Estimated as Reasonable
<u>Gross Revenue:</u>	\$344,739.	\$408,375.	\$413,295.
<u>Operating Expense:</u>			
Operating costs	90,008.	100,775.	101,540.
Taxes	29,354.	36,750.	36,750.
Depreciation	31,200.	36,000.	26,000.
Purchased power	95,697.	194,290.	190,500.
<u>Total Operating Expenses</u>	<u>\$246,259.</u>	<u>\$367,815.</u>	<u>\$354,790.</u>
<u>Net Revenue</u>	<u>\$ 98,480.</u>	<u>\$ 40,560.</u>	<u>\$ 58,505.</u>

Ontario Power Company has presented a statement of investment in properties which may be accepted for the purposes of this decision only. This statement shows a total investment of \$1,227,000.00 for 1924. The probable net revenue for the year 1924, as shown in the previous table, of \$58,505., would result in a return on this investment of about 4.8 per cent.

In Decision No. 14,170, dated October 11, 1924, the commission made its findings in the application of the southern Cal-

ifornia Edison Company for authority to increase its rates, Application No. 10,143, concluding that although the Edison Company's earnings during the present year will be only approximately 4.8 per cent, this year should be considered with other years in determining the average condition on which rates are to be based and that, in view of all the circumstances and conditions existing, no increase in rates should be granted to Southern California Edison Company at the present time.

After considering the evidence in this proceeding, it appears that the net earnings of the Ontario Power Company for the year 1924 will be approximately 4.8 per cent, that the effect of the drought of this year on the Company and its consumers is, in general, the same as on the Edison Company and its consumers; that, although this utility is much smaller, it is in a reasonably sound condition and that the two utilities are serving adjacent and comparable territory. We, therefore, find that the Ontario Power Company is not entitled to an increase in rates in view of all the evidence before us.

O R D E R

Ontario Power Company having applied to this Commission for an order authorizing a surcharge of 10 per cent on its electric rates, a public hearing having been held and the matter submitted, and the Railroad Commission being of the opinion that the authority applied for should not be granted,

IT IS HEREBY ORDERED that the application of the Ontario Power Company be and it is hereby denied.

Dated at San Francisco, California, this 22^d day of
October, 1924.

Ch. Seaver

Egerton Shore

F. J. Whittelsey
Commissioners

APPLICATION NO. 10,165.

COMMISSIONERS BRUNDIGE AND MARTIN, DISSENTING:

In this proceeding, as in the proceeding involving the rates of the Southern California Edison Company, Application No. 10,143, Decision No. 14,170, it appears that there is no general difference of opinion between ourselves and the majority of the Commission relative to the facts regarding the earnings of applicant.

It is apparent that the Ontario Power Company will, under the conditions of a very extreme dry year, earn approximately 4.8 per cent on its investment. The Company has been required to expend large amounts of money in purchasing power to meet the deficiency on its own system and has met to the limit of its ability the abnormal demand for service put upon it by its consumers.

The conditions are similar in many respects to those existing in the case of the Southern California Edison Company and we believe the same principles should apply to this case as are set forth in our dissenting opinion in Decision No. 14,170. For the same reasons as were set forth in that decision, we dissent from the conclusions contained in the majority opinion in this proceeding.

Dated at San Francisco, California, this 22nd day of October, 1924.

H. P. Brundige
Dwight Martin
 Commissioners.