

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the matter of the application of SOUTHERN SIERRAS POWER COMPANY for authority to file and make effective new schedules providing for an emergency increase of electric rates.

Application No. 10187.

- A. B. West, )
- E. B. Criddle, ) for Applicant.
- Henry W. Coll, )
- George A. French, for City of Riverside.
- William Guthrie, for City of San Bernardino.
- Charles L. Childers, for Imperial Irrigation District.
- W. I. Wilson, for City of Brawley.
- Walter S. Clayson, for City of Corona.
- William E. Ginder, for City of Calexico.
- N. C. Kelley, for Riverside County Farm Bureau.
- M. H. Jameson, Cornna.
- J. B. Dunbar, for Yuma Ice, Electric and Manufacturing Company.
- B. W. Dent, ) for U. S. Bureau of Reclamation,
- E. J. Preston, ) Yuma Project.
- W. H. Pawson, for Fruitvale Mutual Water Company, San Jacinto.
- C. D. McFarland, for Riverside Portland Cement Company.
- LeRoy Edwards, for Southwestern Portland Cement Company.
- A. S. Chapman, for Mexicali Light and Water Company.
- Paul Steindorf, for Calexico Chamber of Commerce.
- C. C. Jenkins, for Imperial County Farm Bureau.
- Robert Hayes, ) for Associated Chambers of Commerce
- Charles E. Scott, ) of Imperial County.
- J. J. Deuel, for California Farm Bureau Federation.
- J. S. Larew, for City of El Centro.
- R. W. Blackburn, for Coachella Valley County Water District and Coachella Valley Farm Center.
- Charles E. Scott, for El Centro Chamber of Commerce, and City of Holtville.
- D. B. Roberts, for City of Holtville.
- H. W. Postlethwaite, for Coachella Valley Farm Center.
- James E. Barker, for American Trona Corporation.
- Thomas C. Yager, for Coachella Valley County Water District.

SEAVEY, COMMISSIONER:

## O P I N I O N

This is an application of Southern Sierras Power Company for authority temporarily to increase its rates for electricity in order partially to offset the increase in operating expenses brought about by an unusual deficiency in rainfall and corresponding increased use of steam and purchased power to make up the deficiency in the production of hydro-electric power. The Company presented testimony and exhibits to show that, for the sixteen months' period from January 1, 1924 to May 1, 1925, the cost of production would be \$745,000 more than it would have been had the normal amount of water power been available. It estimates that, during the year 1924, it will earn a net revenue of \$538,000, which it claims is a return of but 4.34 per cent upon the reasonable investment in its property. No material increase in the production of hydro-electric power can be expected until the melting of the snow in the spring. Unusual production expenses must, therefore, be met during the first few months of 1925, with a corresponding reduction in net revenue for that year as well as for 1924. Figures submitted by the Company show that the rate of return earned on the combined properties of Southern Sierras Power Company and Holton Power Company was 7.52 per cent in 1921, 7.83 per cent in 1922 and 7.79 per cent in 1923.

There is some question as to the use as a basis in this application of a sixteen months' period that is probably the worst that could be chosen and which includes two winter seasons during which the revenue from agricultural power service is at a minimum. While we do not fully accept the figures submitted, there can be no doubt that this Company's production expense will be very seriously increased by the dry year conditions and that during the two years in question its net revenues will be very considerably

less than under normal conditions. Aside from this question, however, and any question as to the extent to which such unusual expenses should be made up by consumers, there exists in this case a more important question as to the extent to which it is possible to offset these unusual expenses by an increase in rates.

The rates as a whole of Southern Sierras Power Company were last before this Commission formally in Application No. 5334 and in Decision No. 8119, dated September 16, 1920 (18 CRC 818), a complete schedule of electric rates was fixed. Although the rates so provided did not yield the net return found reasonable in the above decision, the Company has found it necessary for various reasons voluntarily to reduce certain of these rates, in order to prevent loss of business. In at least one instance such a voluntary reduction was accompanied by an actual increase in gross revenue received. To quite an extent this Company is now supplying electricity in close competition, either actual or potential, with other sources of electric energy or other forms of power. Under such conditions an increase in rates would probably result in loss of business and reduction rather than increase in resulting revenue. Careful consideration shows that it would be possible to increase rates in only a limited portion of the territory served, if at all.

From these practical considerations, it appears that it would be impossible and inadvisable to make effective the increase in rates that would be necessary even partially to offset the unusual expenses that must be met.

I submit the following form of Order.

#### O R D E R

Southern Sierras Power Company having applied to the

Railroad Commission for authority temporarily to increase its electric rates partially to offset the effects of increased operating expenses. public hearing having been held, the matter being submitted and now ready for decision.

THE RAILROAD COMMISSION HEREBY FINDS AS A FACT that, under all of the conditions and circumstances, the existing rates of Southern Sierras Power Company are just and reasonable.

Basing its Order on the foregoing finding of fact and upon the findings of fact preceding this Order,

IT IS HEREBY ORDERED that the application of Southern Sierras Power Company for authority temporarily to increase electric rates be and it is hereby denied without prejudice.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 8<sup>th</sup> day of December, 1924.

W. C. Seavey

Egerton Shaw

J. T. Whittington

Commissioners