

Decision No. 11310

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Joint Application of THE SOUTHERN SIERRAS POWER COMPANY and HOLTON POWER COMPANY for a review of rates.

ORIGINAL
Application No. 5334

BY THE COMMISSION:

FIRST SUPPLEMENTAL ORDER

In a supplemental petition filed in the above entitled matter The Southern Sierras Power Company and Holton Power Company allege that because of business conditions prevailing in the territory served by them, they have been unable to realize sufficient revenue under the rates established by Decision No. 8119, as amended, to set aside for depreciation the amounts directed in the decision without seriously affecting their financial condition and that inasmuch as a large part of their property is of long-lived construction, the order in Decision No. 8119 may be modified with safety. Applicants request such modification of the order in said decision as the Commission may find meet and just.

The Commission has heretofore, because of economic conditions, reduced some of the rates established by Decision No. 8119, but has made no adjustment in the allowance for depreciation.

Reports filed by applicants show that they are not earning the amount estimated in Decision No. 8119. Upon further

investigation of the evidence in this proceeding and a review of the information before the Commission in connection with the general investigation of applicants' properties, it appears that the depreciation annuity which The Southern Sierras Power Company was directed to set aside in Decision No. 8119 may be reasonably reduced from the amount of \$150,000.00 plus two and one-half per cent. (2½%) per annum on all net additions and betterments made after July 1, 1920, to \$115,500.00 per annum plus one and seven tenths per cent. (1.7%) on all net additions to depreciable capital made after July 1, 1920, and that the depreciation annuity for Holton Power Company may reasonably be reduced from \$26,000.00 per annum plus an amount equal to three per cent. (3%) per annum on all net additions to depreciable capital after July 1, 1920, to \$21,500.00 per annum plus two and one-half per cent. (2½%) per annum on all net additions to depreciable capital made after July 1, 1920.

We have calculated the depreciation annuities of both companies on the foregoing bases and find that as of January 1, 1922 the depreciation annuity of The Southern Sierras Power Company is \$127,150.00 and that of the Holton Power Company \$25,250.00.

Applicants also urge that they should not be required to set aside interest on the accrued depreciation as provided in Decision No. 8119. The depreciation annuities referred to are calculated on a six per cent. (6%) sinking fund basis. For applicants not to set aside the interest would result in an anomalous situation. A modification of the amount on which the six per cent. (6%) is calculated is provided in this order to correct for the larger annuity required during 1920 and 1921.

In Decision No. 8119 the Commission included in the estimate of reasonable operating expenses of The Southern Sierras

Power Company \$500,000.00 as rental for The Nevada-California Power Company plants. Statements filed by The Southern Sierras Power Company indicate that the rental paid for such plants has not been adjusted to conform with the Commission's decision. Such adjustments should be made forthwith, and until this is done, no relief other than that herein granted will be accorded to applicants in so far as depreciation adjustments are concerned.

The Commission has considered applicants' requests, and it appearing that this is not a matter on which a public hearing is necessary.

IT IS HEREBY ORDERED, that the provisions of the Commission's order in Decision No. 8119, reading -

"The Southern Sierras Power Company is hereby directed to set aside in depreciation reserve commencing October 1, 1920, the sum of \$150,000 per annum plus an amount equal to 2.5% per annum on all net additions to depreciable capital made after July 1, 1920.

"The Southern Sierras Power Company is hereby further directed to set aside in its depreciation reserve commencing October 1920, the sum of \$45,000 per annum plus 6% per annum on all net additions to depreciation reserve made on and after October, 1920.

"Holton Power Company is hereby directed to set aside in its depreciation reserve commencing October, 1920, the sum of \$26,000 per annum plus an amount equal to 3% per annum on all net additions to depreciable capital made after July 1, 1920.

"Holton Power Company is hereby further directed to set aside in its depreciation reserve commencing October, 1920, the sum of \$9,000 per annum plus 6% per annum on all net additions to depreciation reserve made on and after October, 1920."

be, and they are hereby modified and amended so as to read -

The Southern Sierras Power Company is hereby directed to set aside to depreciation reserve, commencing January 1, 1922, the sum of \$127,150.00 per annum plus one and seven tenths per cent. (1.7%) per annum on all net additions to depreciable capital made after January 1, 1922.

The Southern Sierras Power Company is hereby further directed to set aside to its depreciation reserve, commencing January 1, 1922, in addition to the above amount, the sum of \$54,000.00 per annum plus six per cent. (6%) per annum on all net additions to depreciation reserve made on and after January 1, 1922.

Holton Power Company is hereby directed to set aside to its depreciation reserve, commencing January 1, 1922, the sum of \$25,250.00 per annum plus two and one-half per cent. (2½%) per annum on all net additions to depreciable capital made after January 1, 1922.

Holton Power Company is hereby further directed to set aside to its depreciation reserve, commencing January 1, 1922, in addition to the above amount, the sum of \$9,150.00 per annum plus six per cent (6%) per annum on all net additions to depreciation reserve made after January 1, 1922.

IT IS HEREBY FURTHER ORDERED, that the order in Decision No. 8119, dated September 16, 1920, as amended, shall remain in full force and effect, except as modified by this First Supplemental Order.

Dated at San Francisco, California, this 10th day of November, 1922.

H. B. Brundage

Dwight Martin

J. F. Brundage

Commissioners.