

Decision No. _____

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

J. P. Melcher, et al.,
Complainants,

vs.

MT. WHITNEY POWER AND ELECTRIC
COMPANY,

Defendant.

Case No. 654.

A. C. ROSENTHAL, et al.,
Complainants,

vs.

MT. WHITNEY POWER AND ELECTRIC
COMPANY,

Defendant.

Case No. 750.

In the Matter of the Application of MT. WHITNEY POWER AND ELECTRIC COMPANY for an order establishing just and reasonable rates, rules, regulations, contracts and practices to be charged and observed by said company.

Application No. 1673.

George H. Woodruff and C. L. Russell for complainants.
Farnsworth & McClure for Mt. Whitney Power and Electric Co.

THELEN, Commissioner.

OPINION.

These proceedings place in issue all the rates, rules, regulations, contracts and practices of Mt. Whitney Power and Electric Company. By consent of all parties, these proceedings were consolidated for hearing and decision.

The amended complaint in Case No. 654 is signed by 41 consumers or intending consumers of electric energy from Mt. Whitney

Decision No. 3242

Power and Electric Company, hereinafter called the Mt. Whitney Company. Complainants allege that they are using or intend to use electric energy from the Mt. Whitney Company for the purpose of pumping water for irrigation. Twenty-five complainants live in and about McFarland, Kern County, five in and about Delano, Kern County, and eleven in Los Angeles and other places. The complaint alleges, in effect, that the Mt. Whitney Company has compelled all of its patrons of electric energy for pumping water for agricultural purposes to sign five year contracts as conditions precedent to service; that the present flat rate of \$50.00 per horse power per year for electric energy used for pumping water for agricultural purposes, as well as the other flat rates and meter rates of the Mt. Whitney Company are unjust and unreasonable; that the method of measuring the maximum demand of pumping installations as prescribed by the contracts of the Mt. Whitney Company is unjust and unreasonable; that the provisions of the contracts of the Mt. Whitney Company with reference to waiver of damages by the consumer are unjust and unreasonable; that the provisions of the contracts of the Mt. Whitney Company for limiting the use of electric energy sold to the consumer by the Mt. Whitney Company are unjust and unreasonable; and that the provisions of the contracts of the Mt. Whitney Company providing that a prospective consumer must pay the expense of installing and maintaining all transformers are unjust and unreasonable. The complaint asks this Commission to make its order compelling the Mt. Whitney Company to reduce its rates; to establish just and reasonable rules for the sale and measurement of electrical power and the standard of service furnished; to take measurements, at any time, upon demand, of the amount of electric energy being furnished to its agricultural power consumers; to limit its right to shut off power, without the necessity of a rebate, to not more than 40 hours, in the aggregate, in any one month; to permit its agricultural power consumers to

use electric energy, when not needed for pumping water for irrigation, for other purposes in connection with their farms and households; and to install and maintain, at its own expense, all transformers. The answer denies that any of the rates, rules, regulations, contracts or practices of the Mt. Whitney Company are unfair, unjust or unreasonable.

The complaint in Case No. 750 is signed by twenty-seven customers of the Mt. Whitney Company who are engaged in farming in Tulare County. Twenty-three of the complainants reside in and about Tulare; three in and about Waukena; one at Tipton and one at Porterville. The complaint complains of each of the matters set forth in the complaint in Case No. 654, and also of a number of additional matters. The additional matters, in so far as any evidence was presented, refer to the provisions in the agricultural power contracts of the Mt. Whitney Company providing that unpaid bills shall bear interest at the rate of 1% per month, compounded monthly; granting the Mt. Whitney Company a right of way over the lands of the consumer beyond his installation; creating a lien on a designated portion of the land and installation of the consumer for unpaid bills; and providing, in effect, for 6-year terms for the agricultural power contracts. The complainants allege that no contract having a term in excess of 2 years should be permitted. The answer denies that any of the rates, rules, regulations, contracts or practices of the Mt. Whitney Company are unjust or unreasonable.

Subsequent to the filing of the complaints in Case No. 654 and Case No. 750, and after the first hearing thereon, the Mt. Whitney Company filed its petition in Application No. 1673. The Mt. Whitney Company asks this Commission to fix and determine the just and reasonable rates, rules, regulations, contracts and practices to be charged, observed and maintained by petitioner for each class of service rendered by it in each locality served by it.

While all the rates, rules, regulations, contracts and practices of the Mt. Whitney Company are at issue in these proceedings, the burden of the complaints was directed almost entirely to the agricultural power business of the Mt. Whitney Company.

Public hearings in these proceedings were held in Tulare, Visalia and San Francisco. Briefs have been filed and these proceedings are now ready for decision.

At the time these proceedings were submitted, the following exhibits had been filed by the respective parties:

1. Complainants--Exhibits Nos. 1 to 5, inclusive.
2. The Mt. Whitney Company--Exhibits Nos. 1 to 44, inclusive.
3. Railroad Commission--Exhibits Nos. 1 to 7, inclusive.

It was stipulated that the following documents should be considered as being in evidence without the assignment of a formal exhibit number: all rates, rules and regulations of the Mt. Whitney Company on file with the Railroad Commission, including all deviations; the annual reports of the Mt. Whitney Company and of the Tulare County Power Company, on file with this Commission; all filings made with this Commission by the Mt. Whitney Company and the Tulare County Power Company under this Commission's General Order No. 38; the report filed by the Tulare County Power Company in February, 1915; the deeds of trust or mortgages of the Mt. Whitney Company on file with this Commission; the contract and supplemental contract between San Joaquin Light and Power Corporation and Tulare County Power Company and all documents in connection therewith on file with this Commission; the report of the J. G. White Engineering Corporation on the properties of the Mt. Whitney Company, filed with this Commission in Application No. 1394; the 13th United States Census and the official reports of the State Board of Equalization and of the State Board of Agriculture, in so far as they bear on the growth of the territory served by the

Mt. Whitney Company; and data to be supplied by the San Joaquin Light and Power Corporation in the matter of distribution losses to agricultural power consumers.

It was further stipulated that such documents as might be filed by the parties subsequent to the last hearing in these proceedings should be considered as evidence herein. The following documents were filed subsequent to the submission of these proceedings, have been given the exhibit numbers indicated and will be considered as being in evidence herein:

- Exhibit No. 45 - Capacity of storage reservoirs and number of consumers as of August 31st, 1915.
- Exhibit No. 46 - Connected load by months, June to July, 1915.
- Exhibit No. 47 - Capital expenditures of the Tulare County Power Company for 1912, 1913, 1914 and the first 7 months of 1915.
- Exhibit No. 48 - Consumers and connected load for each substation and each month from January 1st, to August 31st, 1915.
- Exhibit No. 49 - Detail of certain items of intangible capital, as of 1910 and June 30th, 1915, respectively.
- Exhibit No. 50 - Data on efficiency of hydro-electric plants, actual capacity of the same and hourly load curves for one day of each month during the year 1915; monthly generator output curves for each plant and the system for 1915; monthly connected load curves by classes for 1915; and connected load by years from 1899 to 1915, inclusive.
- Exhibit No. 51 - Monthly output curve Kaweah No. 1 for 1915 - a correction to substitute for a similar curve submitted in Exhibit No. 50.
- Exhibit No. 52 - Corrections to statements of reservoir capacities and output of all substations by months from July to December, inclusive, 1915.
- Exhibit No. 53 - Stream flow curves for each hydraulic electric plant up to and including 1915, and statement of the period during the years 1910 to 1915, inclusive, when the storage lakes were being drawn upon.

- Exhibit No. 54 - Data on consumption of flat rate pumping consumers.
- Exhibit No. 55 - Detail of Railroad Commission expenses from January 1st, 1915 to January 31st, 1916.
- Exhibit No. 56 - Classification under which the company kept its accounts prior to the institution of the Railroad Commission's classification.
- Exhibit No. 57 - Comparative statement of operating and maintenance expenses by accounts for the months of November and December, 1915 and January, 1916.
- Exhibit No. 58 - Statement in regard to failure of consumers' transformers.
- Exhibit No. 59 - Statement of the operating revenues and expenses of Tulare County Power Company by accounts and months for the year ending July, 1915.
- Exhibit No. 60 - Detailed statement of operating expenses of Mt. Whitney Power and Electric Company for the last 6 months of 1915 and detail of these for the year 1914.

The annual report of the Mt. Whitney Company for the year ending December 31, 1915, filed on February 11, 1916, will also be considered as being in evidence in these proceedings.

The subject matter of this opinion will now be considered under the following heads:

- I. Mt. Whitney Power and Electric Company and its predecessors.
- II. Property of Mt. Whitney Power and Electric Company.
- III. Territory and consumers served.
- IV. Stocks, bonds and notes.
- V. Financial statement.
- VI. Contracts.
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 3. Liens on land.
 4. Rights of way.
 5. Waiver of damages.
 6. Purposes for which electric energy may be used.
 7. The maximum demand system.
 8. Interest on unpaid bills.
 9. Transformers.
- VII. Service and extensions.
- VIII. Rates.
 1. Existing rates.
 2. Value of property.
 - (a) Investment.
 - (b) Estimated reproduction cost new.
 - (c) Estimated cost of reproduction new less depreciation.
 - (d) Franchises.
 - (e) Going concern.
 - (f) Water rights.
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 3. Operating expenses.
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 6. Rates established.
- IX. Rules and regulations.

I.

MT. WHITNEY POWER AND ELECTRIC COMPANY
AND ITS PREDECESSORS.

The beginnings of the Mt. Whitney Power and Electric Company are to be found in a partnership formed by W. H. Hammond and A. G. Wishon, apparently a few years prior to 1898. After considerable difficulty in securing funds, the sum of \$200,000 was advanced by John Hays Hammond and Leopold Hirsch, of London. The construction of the hydro-electric plant known as Kaweah No. 1 was commenced in 1898. The plant was completed and placed in operation in June, 1899. At this time, transmission lines comprising about one half the present system were constructed. These lines transmitted electric energy to Visalia, Tulare, Lindsay and Porterville. The partnership owned distributing systems in each of these towns except Tulare, to which town electric energy was wholesaled.

On January 23, 1899, shortly prior to the completion of the system just described, Hammond and Wishon acquired the distribution system of Visalia Gas Light and Heat Company for the sum of \$24,000.

On December 26, 1899, the Mt. Whitney Power Company was incorporated with an authorized capital stock of \$300,000, of which amount stock of the par value of \$250,000 was issued. The Company acquired all the properties of Hammond and Wishon.

The hydro-electric plant known as Kaweah No. 2 was commenced in 1904, and completed in the spring of 1905.

The auxiliary steam plant at Visalia was constructed in 1905 and 1906. The distribution system of Tulare Gas and Light Company, located in Tulare, was purchased in 1909 for \$7,000.00.

In 1904, the Mt. Whitney Power Company purchased the capital stock of Globe Light and Power Company, which company

had located certain water rights on the Tule River. No physical property was acquired. The sum of \$6,861.70, being the purchase price, was paid solely for water rights of Globe Light and Power Company.

The hydro-electric plant known as Tule No. 1, was constructed in 1909.

On November 8, 1909, Mt. Whitney Power and Electric Company, the present utility, was incorporated under the laws of California. On the same day, all the property of the Mt. Whitney Power Company was transferred to the new corporation.

The hydro-electric plant known as Kaweah No. 3, was constructed in 1912. From 1912 until August 1, 1915, the Mt. Whitney Company competed with the Tulare County Power Company for business in and about Lindsay and Tulare.

On August 1, 1915, the Mt. Whitney Company acquired the properties of Tulare County Power Company for the sum of \$550,000 (Volume 7, Opinions and Orders of the Railroad Commission of California, pages 703 and 714).

II.

PROPERTY OF MT. WHITNEY POWER AND ELECTRIC COMPANY.

The production system of Mt. Whitney Power and Electric Company consists of three hydro-electric plants on the Kaweah River and one hydro-electric plant on the Tule River, all in Tulare County, supplemented, principally for stand-by purposes and to insure continuity of service, by a steam plant located in Visalia. Through the recent purchase of the property of Tulare County Power Company, the Mt. Whitney Company also became the owner of a steam plant in Tulare.

Kaweah Power House No. 1 is located immediately below the confluence of the East Fork and the Middle Fork of the Kaweah River. The plant secures its water supply from the East

Fork, near the headwaters of which are located four small storage lakes. These four lakes are the only water storage owned by the Mt. Whitney Company and are insignificant in comparison with the system load. The installed capacity of this plant is 1350 K.W., consisting of 3 units of 450 K.W. each.

Kaweah Power House No. 2 is located on the Middle Fork of the Kaweah River. It has no storage. The plant has an installed capacity of 1700 K.W., consisting of one 500 K.W. unit and one 1200 K.W. unit.

Kaweah Power House No. 3 is located on the Middle Fork of the Kaweah River just outside the Sequoia National Park. The plant draws its water supply from the Middle Fork and the Marble Fork of the Kaweah River. The plant has no storage capacity. The capacity of the plant is 2800 K.W., consisting of 2 units each having a capacity of 1400 K.W.

The Tule River Power House is located on the Middle Fork of the Tule River, and secures its water supply from the North Fork and the South Fork of the Middle Fork. The capacity of this power plant is 2,000 K.W., consisting of 2 units of 1,000 K.W. each.

The Visalia steam plant is located at Visalia, and is used as a stand-by for the whole system. The plant has a capacity of 5750 K.W., consisting of one 1,000 K.W. unit, one 750 K.W. unit and one 4,000 K.W. unit.

The Tulare steam plant, formerly owned by the Tulare County Power Company, has an installed capacity of 1200 K.W.

In addition to these plants, the Mt. Whitney Company has done preliminary construction work in connection with the hydro-electric plant to be known as Kaweah Power House No. 5, which will be located in the Sequoia National Park, on the Marble Fork of the Kaweah River. The plant is to secure its water supply from the Middle and the Marble Forks of the Kaweah River, above

the point where the conduit leading to Kaweah Power^{House} No. 3 takes out its water. When the water has gone through proposed Kaweah Power House No. 5, it will be delivered to the main flume of the Kaweah Power House No. 3 system and again utilized.

The Mt. Whitney Company has also done preliminary work in connection with the proposed construction of a reservoir to be known as Wolverton Reservoir, and to be located on the headwaters of the Kaweah River, in the Sequoia National Park. The Mt. Whitney Company is now seeking to adjust the claims of lower riparian owners and appropriators, and in the meantime is holding in abeyance further construction work in connection with this project.

Electric energy is transmitted from generating stations and between substations at 33,000 volts, 3-phase. The annual report of the Mt. Whitney Company for the year ending December 31, 1915, shows that 216.3 miles of high tension transmission lines have been constructed. The Mt. Whitney Company has employed a figure eight loop system, which includes twelve of the company's fifteen substations. The other three substations are on short spurs and are fed from this loop. The figure eight is approximately forty miles long by eighteen miles wide.

The Mt. Whitney Company reports 1421.6 miles of primary distribution lines and 64.76 miles of secondary distribution lines. For the greater part the company's earlier distribution system, which forms the major portion of the company's business, is operated at 6600 volts, 3-wire, 2-phase.

The Mt. Whitney Company maintains street lighting systems in all the principal cities and towns in its territory.

The Mt. Whitney Company owns a main office building and a garage in Visalia and an office building in Tulare. In Delano, Porterville, Lindsay and Exeter the local offices are located in the front part of the substation buildings.

III.

TERRITORY AND CONSUMERS SERVED.

The Mt. Whitney Company is engaged in no utility business other than the generation and sale of electric energy. Hence, the company's entire business is under review in these proceedings.

The territory served by the Mt. Whitney Company consists of Tulare County (excepting a small portion thereof in the northern portion of the county in the vicinity of Dinuba, Orosi and Stone Corral and a small portion of the county in the southwest portion thereof in the vicinity of Angiola); about six and one half townships in the middle northerly portion of Kern County; and a small part of the easterly portion of Kings County, east of Cross Creek. Within this territory, the company serves the incorporated cities of Visalia, Tulare, Porterville, Lindsay and Exeter, in Tulare County; the Towns of Lemon Cove, Woodlake, Venice Hill, Klink, Farmersville, Tipton, Earlimart, Richgrove, Ducor, Terra Bella, Poplar, Plano, Strathmore, Globe and Springville, in Tulare County; and the Town of Delano, in Kern County. The Mt. Whitney Company supplies electric energy for residence, commercial, municipal and other lighting purposes and for agricultural, industrial, street railway and other power purposes.

The Mt. Whitney Company's principal business, as will hereinafter appear, is the sale of electric energy for pumping water for irrigation. The following table shows the number of the Mt. Whitney Company's consumers connected in December, 1913, December, 1914 and specified months in 1915, with certain data as to the number of consumers connected to the system formerly owned and operated by the Tulare County Power Company:

TABLE NO. I

CONSUMERS CONNECTED - MT. WHITNEY POWER AND ELECTRIC COMPANY
AND FORMER TULARE COUNTY POWER COMPANY

MT. WHITNEY POWER AND ELECTRIC COMPANY

	Dec. 1913	Dec. 1914	1915								
			<u>Jany.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>*Aug.</u>	<u>*Dec.</u>
Residence Light	2 814	2 731	2 763	2 738	2 739	2 738	2 737	2 697	2 698	2 884	3 153
Commercial "	1 035	809	895	884	876	878	881	863	846	977	1 023
Municipal "	10		20	20	20	20	20	20	20	21	17
All Other "	100	131	122	127	130	133	136	125	134	142	160
Industrial Power	192	265	253	254	253	254	261	252	256	298	327
Agricultural "	1 456	1 273	1 274	1 276	1 283	1 302	1 306	1 328	1 328	1 785	1 698
All Other "	244	602	632	634	637	636	632	628	631	734	746
Geo. R.R.			<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	
Total	5 851	5 811	5 960	5 934	5 939	5 962	5 974	5 914	5 914	6 842	7 124

TULARE COUNTY POWER COMPANY

Residence Light	221	207								62	
Commercial "		62								81	
Municipal "	1									2	
All Other "										9	
Industrial Power	22	16								46	
Agricultural "	532	584								466	
All Other "										102	
Geo. R.R.											
Total	766	869								768	
GRAND TOTAL	6 617	6 680								6 842	7 124

NOTE: * Includes Tulare County Power Company System.

The following table shows the number of K.W.H. of electric energy sold under meter measurement to the respective classes of the Mt. Whitney Company's consumers during the year ending December 31, 1915:

TABLE NO. II.

Residence lighting	553,907 K.W.H.
Commercial lighting	611,067 "
Municipal lighting	0 "
All other lighting	71,596 "
Industrial power	2,132,776 "
Agricultural power	4,780,893 "
All other power	1,258,331 "

Attention should be drawn to the fact that the foregoing table does not include any electric energy sold under flat rates. The Mt. Whitney Company has no meters on its agricultural flat rate consumers.

The Mt. Whitney Company reports in its Exhibit No. 37 that with reference to its electric energy sold for power purposes, 81.8% is for pumping water to irrigate land, 4.3% for domestic plants, mostly located on farms, 9.5% for industrial purposes and 4.4% for miscellaneous purposes. The company concludes that approximately 90% of all its electric energy sold for power is used on farms or in connection with farms.

The following table shows the power consumption for the various classes of the Mt. Whitney Company's business, including the business acquired from Tulare County Power Company, in accordance with surveys made in 1914 and 1915:

TABLE NO. III.

DATA CONSUMPTION BY CLASSES OF CONSUMERS.

<u>Class</u>	<u>Number Of Motors</u>	<u>Total Horse-Power</u>	<u>% of Total No.</u>	<u>% of Total Horse-Power</u>
Agricultural	1 666	14 316	66.5	81.8
Domestic	495	758	19.8	4.3
Industrial	298	1 654	11.9	9.5
Railroad	2	375	-	2.1
Miscellaneous	44	397	1.8	2.3

The irrigation plants under the Mt. Whitney Company's system irrigate 67,481 acres of land planted to the following crops:

TABLE NO. IV.

CROPS AND LAND IRRIGATED BY

MT. WHITNEY POWER AND ELECTRIC COMPANY.

Citrus Orchards:

Bearing	13 498 Acres	
Non-Bearing	14 272 Acres	
Total	27 770 Acres	41.2% of Total Acreage

Olive Orchards:

Bearing	392 Acres	
Non-Bearing	2 641 Acres	
Total	3 033 Acres	4.5% of Total Acreage

Alfalfa	28 891 Acres	42.8% of Total Acreage
Miscellaneous Orchards	1 156 Acres	1.7% of Total Acreage
Peaches	1 155 Acres	1.7% of Total Acreage
Vineyards	1 018 Acres	1.5% of Total Acreage
Miscellaneous Field Crops	4 458 Acres	6.6% of Total Acreage
Total Acreage	67 481 Acres	

The average operation of pumps for the irrigation of lands under the Mt. Whitney Company's system is a continuous period of seven months. The ratio of the average demand to the rated capacity of the motors is 94.3%. The annual input per horse power installed is 3,595 K.W.H. At the standard rate of \$50.00 per horse power per year, the farmers pay 1.391¢ per K.W.H. On the assumption that the over all efficiency from generator to consumer is 60%, the Mt. Whitney Company secures a revenue of .8345¢ for each K.W.H. produced in connection with its agricultural pumping business.

In addition to the power consumers shown in Table II, the Mt. Whitney Company serves electric energy for power purposes to the Visalia Electric Railway, the Visalia City Water Company and the cities of Exeter, Lindsay, Porterville and Tulare.

IV.

STOCKS, BONDS AND NOTES.

The Mt. Whitney Company has an authorized issue of \$3,200,000 of common capital stock of the par value of \$100 per share. Of the amount thus authorized, common capital stock of the par value of \$2,625,000 was issued and outstanding on December 31, 1915. This stock, with the exception of 9 shares to qualify directors, is all owned by Mt. Whitney Power and Electric Corporation of New York, the holding company.

Mt. Whitney Power Company, the immediate predecessor of the present utility, had an authorized capital stock of the par value of \$300,000, of which amount capital stock of the par value of \$250,000 was issued. This stock represented \$200,000 paid in cash by John Hays Hammond and Leopold Hirsch, \$120.00 paid for 12 shares by three directors and \$49,880.00 issued to W. H. Hammond and A. G. Wishon, apparently for their services in the promotion of the company. On April 25, 1904, the authorized capital stock was increased from \$300,000 to \$1,000,000. On

May 5, 1904, a stockholders' dividend of 200%, amounting to \$500,000, was declared. Of this \$500,000, \$135,839.91 represented the accrued surplus of the company to December 31, 1903, and \$364,160.09 was charged to plant as an increment in the value of the property. This sum is treated by this Commission's auditing department as a stock discount.

On November 8, 1909, the Mt. Whitney Power and Electric Company, the present utility, issued \$1,874,500 in common stock and \$750,000 in preferred stock, in exchange for the property of its predecessor, the Mt. Whitney Power Company. The Mt. Whitney Power Company was dissolved on December 16, 1912. Of the stock thus issued by Mt. Whitney Power and Electric Company, this Commission's auditing department reports the sum of \$2,039,330.50 as being properly a stock discount. In 1915, under authority from this Commission, the Mt. Whitney Company retired its outstanding preferred stock and issued in lieu thereof its common stock of the par value of \$750,000, so that at the present time the company's outstanding capital stock is confined to common stock of the par value of \$2,625,000 (Volume 6, Opinions and Orders of the Railroad Commission of California, p. 50). The Mt. Whitney Company has authorized and issued its first mortgage 6% gold bonds of the total face value of five million dollars. Of the amount thus authorized, bonds of the face value of \$3,110,000 were outstanding in the hands of the public on December 31, 1915. The company has sold bonds of the total face value of \$3,162,000, and has received therefor the sum of \$2,897,800 in cash. All the bonds sold since November, 1911, have been sold at 95% or 96% of their face value. The company has retired bonds of the face value of \$52,000, thus leaving outstanding on December 31, 1915, bonds of the face value of \$3,110,000.

On December 31, 1915, the Mt. Whitney Company had outstanding promissory notes of the face value of \$108,874.71. On the same day it had accounts payable amounting to \$13,560.59, a depreciation reserve of \$429,919.58, a bad debt reserve of \$60,805.88, an item for notes payable which were cancelled by the holding company and returned to the Mt. Whitney Company of \$237,392.09, and a surplus of \$317,852.88.

V.

FINANCIAL STATEMENT.

This Commission's auditing department reports book assets and liabilities of the Mt. Whitney Company on December 31, 1915, as follows:

TABLE NO. V.

ASSETS AND LIABILITIES OF
MT. WHITNEY POWER AND ELECTRIC COMPANY ON
December 31, 1915.

A S S E T S

Total Capital Expenditures to June 30, 1915,
as per report September 23, 1915.

Plant as per detail in report to June 30, 1915,	\$5,721,577.42	
Work in Progress	338.06	\$5,721,915.48
<u>Add</u>		
Tulare Co. Power Purchase	550,000.00	
Additions	16,881.56	
Work in Progress (mostly Tulare Co. Plant)	15,127.92	
	582,009.28	
	11,624.79	
<u>Less retirement, as per report September 23, 1915</u>		570,384.49
		<u>6,292,299.97</u>
 Total Capital Investment December 31, 1915		
Cash	\$60,818.38	
Notes Receivable	85,269.27	
Accounts Receivable	193,802.17	
Material and Supplies	57,307.42	
Prepaid Expenses and Suspense	71,064.65	
Total Current Assets		468,261.89
Bond Discount and Expense		<u>251,860.53</u>
Total Assets December 31, 1915		<u>\$7,012,422.39</u>

L I A B I L I T I E S

Capital Stock--Common	\$ 2,625,000.00	
Bonds	3,110,000.00	
-Total Capital Liabilities		5,735,000.00
December 31, 1915		
Notes Payable	108,874.71	
Accounts Payable	13,560.59	
Meter Deposits	1,466.85	
Bond Interest Accrued	46,650.00	
Other Interest Accrued	899.81	
Total Current Liabilities		171,451.96
Depreciation Reserve	489,919.58	
Bad Debt Reserve	60,805.88	
Notes Payable Cancelled and returned to Company	237,392.09	
Surplus	317,852.88	
Total Reserves		<u>1,105,970.43</u>
Total Liabilities December 31, 1915		<u>\$7,012,422.39</u>

The following table shows the income account of Mt. Whitney Company for the year ending December 31, 1915, as reported by this Commission's auditing department:

TABLE NO. VI.

INCOME ACCOUNT FOR YEAR ENDING DECEMBER 31, 1915.

MT. WHITNEY POWER AND ELECTRIC COMPANY.

<u>EARNINGS</u>		
Power	\$ 598,594.30	
Light	146,546.72	
	<u>745,141.02</u>	
<u>Less Discounts and Rebates</u>	<u>9,831.90</u>	\$ 735,309.12
 <u>OPERATION EXPENSES</u>		
Generation	98,647.12	
Transmission	13,833.69	
Distribution	53,652.07	
Commercial	41,218.69	
General	76,194.74	
Royalty for use of Line	<u>66.77</u>	<u>283,613.08</u>
Gross Gain from Operation		\$ 451,696.04
 <u>Deduct</u>		
Taxes	32,474.26	
Depreciation	67,055.38	
Lost Accounts	8,017.19	
Fire Loss	<u>106.82</u>	<u>107,653.65</u>
		\$ 344,042.39
 <u>Add</u>		
Job Work and Sales	244.08	
Rentals (Non Operating)	311.83	
Interest Received	<u>14,232.65</u>	<u>14,788.56</u>
		358,830.95
Bond Interest	165,528.19	
Other Interest	6,346.91	
Amortization Debt Discount	<u>11,131.51</u>	<u>183,006.61</u>
Net Addition to Surplus for Year		<u><u>\$175,824.34</u></u>

VI.

C O N T R A C T S .

1. Propriety of.

The Mt. Whitney Company uses four forms of contracts in connection with the sale of its electric energy for the pumping of water for irrigation, and also has a number of special contracts with various municipalities and Visalia Electric Railroad Company, all as shown in the company's Exhibits Nos. 4 and 5. The four agricultural power contracts are known as C-1-1912, being the standard flat rate contract; C-2-1912, being a meter rate contract with a minimum monthly charge on all size motors of \$1.00 per horse power installed capacity; C-3-1912, being known as the combination contract and providing for a flat rate of \$25.00 for each horse power of current furnished at the time of the purchaser's maximum consumption from February 1st to July 1st of each year and a meter rate of 3¢ per K.W.H. of current furnished during the remaining months of the year; and C-4-1912, being a meter rate contract with a minimum yearly charge on all size motors of \$24.00 per horse power of installed capacity.

In the San Joaquin Light and Power Corporation cases, this day being decided, the general question whether a public utility should have the right to require the signing of a contract as a condition precedent to service is fully discussed. As is there pointed out, while the general rule is that public utilities should not have the right to require the signing of contracts as conditions precedent to service, there may be exceptional cases or classes of cases in which justice to the utility may justify the signing of contracts or some other means to secure the utility against large losses which would ensue if a consumer who required the expenditure of a comparatively large amount of money to serve him, should discontinue his service shortly after its installation,

without any obligation on him to make any further payment to the utility. The Mt. Whitney Company claims in its Exhibit No. 37 that while it costs only from \$3.00 to \$5.00, in addition to the meter, to take care of an average consumer within an incorporated city or town, it costs the Mt. Whitney Company about \$300.00 per consumer to construct the necessary distributing lines to serve its agricultural power consumers in unincorporated territory.

Considerable complaint has heretofore been made by consumers of the Mt. Whitney Company with reference to the requirement that a contract be signed as a condition precedent to service of power for pumping water for irrigation. The Mt. Whitney Company has accordingly established a monthly non-contract rate for power sold for pumping purposes, which rate appears as Schedule E in the company's rates on file with this Commission. The non-contract rate, however, is considerably higher than the contract rate and but few customers have availed themselves of this rate.

Under the conditions as they at present exist with reference to the agricultural power consumers in the territory served by the Mt. Whitney Company, in view particularly of the comparatively heavy cost to serve each of these consumers, I am of the opinion that for the present the Mt. Whitney Company should be permitted to continue the practice of requiring the signing of contracts as conditions precedent to this class of service, provided that the changes in the terms of such contracts in this opinion specified be made.

As pointed out by this Commission in Decision No. 516, in Application No. 347, Oro Electric Corporation, decided on April 29, 1913, (Volume 2, Opinions and Orders of the Railroad Commission of California, pp.748, 766) one of the chief complaints

which arises in connection with the signing of contracts by the patrons of public utilities is that such patrons, generally not understanding their legal rights, believe that they have no right to ask for any variation in the terms of such contract during its life. The consumers do not generally know that redress lies by appeal to the Railroad Commission in case the terms of such contract should prove unjust or unreasonable. In order to meet this condition, the Mt. Whitney Company has inserted in all its contracts entered into subsequent to October 1, 1912, the following language:

"It is understood by and between the parties hereto that this agreement is merely in the nature of a regulation and subject at all times, after proceedings duly had, to change or abolition by the Railroad Commission of the State of California." (Vol. 1, Opinions and Orders of the Railroad Commission of California, p.646).

The Mt. Whitney Company's contracts should all continue to include this language.

The Railroad Commission reserves the right to authorize the cancellation of any contract upon just and equitable terms, under which the Mt. Whitney Company will secure the protection to which it is entitled in connection with its investment made to serve the discontinuing consumer.

No complaint was made with reference to the practice of requiring the signing of contracts as conditions precedent to service to municipalities. In so far as street lighting contracts are concerned, the practice of signing such contracts has uniformly obtained in this state and I am not satisfied, at the present time, that the practice is unreasonable.

In so far as all classes of service, apart from the agricultural power business and municipal street lighting are concerned, the Mt. Whitney Company should discontinue the practice of requiring the signing of contracts as a condition precedent to service. I understand that the Mt. Whitney Company has re-

quired the signing of contracts to only a slight extent in cases other than the service of agricultural power and municipal street lighting.

2. Term of.

The agricultural power contracts of the Mt. Whitney Company, like those of the San Joaquin Light and Power Corporation, are for 5-year terms. The business of these two corporations simultaneously has grown up ~~xxxxxxxx~~ and in many respects their contracts and practices have been similar. Considerable complaint having arisen that it is unjust to compel a consumer to sign another 5-year contract after the expiration of the first 5-year contract, the Mt. Whitney Company, in the case of Seaman vs. Mt. Whitney Power and Electric Company, decided June 29, 1914, (Vol. 4, Opinions and Orders of the Railroad Commission of California, p.1362) offered to insert in all its contracts the following paragraph, which is now regularly incorporated in all of the Mt. Whitney Company's agricultural power contracts:

"Upon the expiration of the term herein provided for, there shall be deemed to be a renewal of the term of this contract from year to year for the same price and on the same terms and conditions as in this contract now stated; provided, however, that said purchaser may cease to take current hereunder at the end of any such yearly renewal by notifying said company in writing at least thirty days before the expiration of any such yearly renewal to discontinue service of current under such contract at the end of such yearly renewal; and provided, further, that upon current being discontinued hereunder at the instance of the purchaser, as herein provided, such purchaser shall thereafter be required to again obtain service of current by said company in accordance with the schedule of rates and contracts of said Mount Whitney Power and Electric Company then on file with the Railroad Commission of the State of California."

The complainants in Case No. 750 allege that under this language it is not possible for the consumer to cancel the contract at the end of the first five-year term but that the term runs for six years with the possibility of discontinuance by thirty days' notice only at the end of the sixth year. While I am not certain that such was the intention of the parties, I am inclined to believe that these complainants are correct under the language of the paragraph hereinbefore quoted.

The complainants in Case No. 750 urged that the contracts for agricultural power should not extend beyond a two-year term. The Mt. Whitney Company, in its brief, contends "that the term of the contract should be not less than three years, provided that the contract would continue in force from year to year at the expiration of the three years without the necessity of being renewed unless the contract is terminated by the consumer as now provided under Decision No. 1628 in the case of F. E. Seaman et al v. Mt. Whitney Power and Electric Company."

After a careful examination of the average cost to the Mt. Whitney Company of constructing distributing lines to serve its agricultural power customers and of the average revenue secured from such extensions, I am of the opinion that the term of the agricultural power contracts should be reduced from five years to three years, that the consumer should have the right to discontinue service at the end of the third year upon giving thirty days' notice in writing prior to the expiration of the three years and that if he does not give such notice, the contract may be deemed to continue, from year to year, without the signature of a new contract but with a right on the part of the consumer to discontinue the contract at the end of any year by thirty days' notice in writing, as provided in Decision No. 1628. The Mt. Whitney Company should revise its contracts accordingly.

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3. Liens on Land.

The Mt. Whitney Company's agricultural power contracts all provide that unpaid bills shall constitute a lien and charge "upon and against the motor, transformers, agricultural and other machinery, plant and apparatus connected therewith, installed upon the purchaser's said lands hereinabove described, and affixed thereto and sufficient of said lands for the use thereof, with the right to removal thereof in case of default in the payment of said sums, which lien may, in case of default in the payment of any of said sums, be foreclosed by the company in the manner provided by law for the foreclosure of mortgages upon real estate."

As far as I know, only one or two electric utilities other than the Mt. Whitney Company and the San Joaquin Light and Power Corporation have undertaken to make unpaid bills a lien on the consumer's premises. Even these utilities do not claim a similar right with reference to any other class of their consumers. The practice is clearly a discrimination against the agricultural power consumers, in addition to being unreasonable per se and should be discontinued.

4. Rights of Way.

The agricultural power contracts of the Mt. Whitney Company all provide that the purchaser grants to the utility not merely the right to erect and maintain its lines to the consumer's motor, but also beyond the motor over the consumer's lands to the lands of other people. The consumer is thus compelled, as a condition of securing service for himself, to grant a property right in his land in connection with an entirely disconnected service to other people. This provision is unreasonable and should be eliminated in so far as it refers to a right of way beyond the consumer's own installation, or to a right of way to the consumer's installation extending beyond the use of the service by the consumer.

5. Waiver of Damages.

The agricultural power contracts of the Mt. Whitney Company contain a number of provisions by which the consumer is compelled to waive claims for damages which he might otherwise have against the utility. As pointed in the San Joaquin Light and Power Corporation cases, this day being decided, such provisions are not properly a part of the rules and regulations of a public utility and should not be made a part of any contract of service. The parties should be left to the usual rules of law applicable to such circumstances and the utility should not try to make the consumer, as a condition of service to him, waive such rights as the law would otherwise give him.

The provisions with reference to the waiver of damages should be eliminated from the Mt. Whitney Company's contracts.

6. Purposes for which energy may be used.

In the matter of the purpose for which the agricultural power consumers of the Mt. Whitney Company may use the electric energy, the contract of the Mt. Whitney Company provides as follows:

"The Purchaser may, if the Purchaser choose (but only after giving written notice to the Company of said Purchaser's intention to do so) use, without additional charge, the current received hereunder for illuminating the houses and buildings on the Purchaser's above described premises, but not otherwise, provided such current is not used in excess of the amount normally required to run said motor, and provided the operation of said motor, and the use of current thereon, are suspended during the time that any of the current is being so used for illuminating purposes. All switches and other apparatus necessary to effect the cutting out of the said motor prior to the cutting in of said lights (and vice versa) shall be installed on said premises by the Company, but at the Purchaser's cost and expense."

It will be noted that the consumer, may, under the conditions specified in the paragraph above quoted, use the electric energy, without additional charge, for illuminating the house and buildings on the consumer's premises, provided that the

operation of the pumping motor and the use of current for illumination are not carried on at the same time. The testimony shows that this provision was inserted before the farmers desired to use the electric energy for the operation of small motors for various purposes and that at the present time many of the farmers desire to use the electric energy, when their pumping motors are not in operation, for the cutting of alfalfa or other feed, the grinding of corn, the operation of cream separators and the pumping of water for domestic purposes or for stock. The complainants ask that this privilege be accorded to them at times when their motors for pumping water for irrigation are not in operation. The Mt. Whitney Company, on the other hand, contends in its brief that the practice of permitting the electric energy to be used for illuminating purposes when the motors for pumping water for irrigation are not in use "has been the cause of more complaints than all others combined, as numerous patrons think they have the right to bridge the switch and use the current all the time for all purposes, power, lighting, heat, cooking and the operation of numerous other small motors for domestic and farming purposes." The Mt. Whitney Company suggests that the existing provision permitting the use of the electric energy for illuminating purposes be eliminated and that no use be permitted for any purpose in addition to the pumping of water for irrigation.

The mere fact that a privilege may be abused, is, of course, no convincing reason for the withdrawal of the privilege. It is difficult to understand why a farmer who pays for a certain amount of electric energy which he may use for pumping water during every minute of a specified time, should not have the right, if he does not need the energy for pumping water for irrigation, to use it during such time for other purposes. The Mt. Whitney Company seems to have recognized the justice of this contention when

it permitted the use of the electric energy by the farmers for illuminating their houses and buildings. The logic of the situation applies as well to the use of the electric energy for small motors for the other purposes herein referred to, which uses have grown up subsequent to the drafting of the agricultural power contracts used by the Mt. Whitney Company.

The contracts of the Mt. Whitney Company should be modified so as to permit the consumer to use the electric energy for the purposes herein^{before}/specified, at times when the motor for pumping water for irrigation is not operating. The utility has the right, of course, to insist that the terms of the contract as thus modified shall not be violated and that the electric energy shall not be used for the purposes herein specified except at times when the motor is not in operation for pumping water. If the Mt. Whitney Company has any suggestions to offer for protecting itself against possible abuses of the right herein granted, the company may submit such suggestions to this Commission, to be embodied, if approved, in the company's contracts.

7. The Maximum Demand System.

A large number of complaints by consumers of the Mt. Whitney Company's agricultural power service were directed against the method followed by the Company in determining the maximum demand. The complainants drew attention to the fact that considerable variation exists from month to month in the actual demand created by the operation of the consumer's installations and urge that it is not fair to the consumer to measure his demand at a time in the year when the demand is at its maximum and base the charges for the entire year on tests so made, when as a matter of fact for the greater part of the time during which the consumer's installation is operated the demand may be much less.

The maximum demand system of rating as applied by the Mt. Whitney Company is confined to installations operating under flat rates. The method used in ascertaining the maximum demand is described on Sheet No. 24 E of the Mt. Whitney Company's rate schedules, as follows:-

"The amount of electric current furnished by the Company hereunder, during each year of said term, shall be ascertained and determined by measurements thereof made by the Company at such time or times as the Company may elect; and the maximum amount of electric current furnished at any time during each year of the term (when determined by such measurements) shall be deemed to be the amount of current furnished throughout such year; and the maximum amount of current furnished, when so ascertained and determined as to any year of the term, shall be deemed to continue throughout the succeeding years of the term, until and unless the maximum of such succeeding years shall have been measured and determined as aforesaid. When the maximum amount of current furnished hereunder during any year shall have been measured and determined as aforesaid, the Company shall notify the Purchaser of the results of such measurement, by written notice to the Purchaser deposited in any U.S. Post-office in California, postage prepaid, and addressed to the Purchaser at (his address) and notice so given shall be deemed sufficient notice."

This matter has been given very careful consideration both in these proceedings and in connection with the San Joaquin Light and Power Corporation cases, and I am convinced that the contention of the complainants is well founded and that the rates, at least for the smaller installations, should be based on the connected load and not on the maximum demand as hitherto ascertained. In view of the fact that the present practice of the Mt. Whitney Company is to measure the consumer's maximum demand at or about the beginning of the irrigating season instead of during the period of the Company's maximum system peak, it would appear as though little consideration has been given to the question of the effect of these demands upon the peak load capacity of the Company's system. Under

such conditions rates based on the connected load, considering the fact that the operating characteristics of the company's agricultural power business are well known, would be at least as reasonable, in addition to having the advantage of being much simpler and less expensive to maintain.

There are undoubtedly certain conditions under which a demand rate would be more reasonable than a rate based upon the connected load, particularly in the case of large installations or where several motors are in use, but in all such cases the demand should be regularly and constantly measured by some fixed instrument located at the point where the service is delivered to the consumer. There are several types of satisfactory combination demand indicators and integrating watt-hour meters now on the market, and where conditions are such as to require or make advisable a rate based on the maximum demand, such rate should contemplate the installation of such meter recording the maximum demand over a period of not less than fifteen minutes.

Where the consumer desires to use one or more motors, or motors and other electrical equipment which are not intended to operate simultaneously, and the maximum demand is controlled by means of a double throw switch or other approved demand limiting device, the connected load should be taken as the maximum load which can be connected at one time to the Company's system.

The rates herein established are based on the methods herein above described.

8. Interest on unpaid Bills.

The Mt. Whitney Company's agricultural power contracts provide that interest shall accrue on all unpaid bills at the rate of 1% per month, compounded monthly. No similar provision applies with reference to any other class of the Mt. Whitney Company's consumers. No reason occurs to me why the farmer alone should pay

such heavy rate of interest. The provision is clearly a discrimination against the Mt. Whitney Company's agricultural consumers and should be eliminated.

9. Transformers.

The Mt. Whitney Company's "Standard Terms and Conditions of Service" as filed with the Commission gives the classes of consumers who are required to furnish their own transformers, as follows:

"Under all forms of contract, and also under non-contract rates, the consumer installs and maintains his electric motor, with suitable transformers, machinery and other appliances, including all necessary protective appliances and all wiring, suitable for the operation of the same by the current of the Company, except that two horse power motors, or smaller, single phase 110 or 220 volts, may be connected to the Company's lighting transformers on the non-contract rates."

In Mt. Whitney Company's Exhibit No. 24 is shown a list of 21,422 K.W. in distribution transformers owned by consumers, but the figure, compared with a total connected motor load of 17,500 K.W. appears excessively high. If the figure is correct, it indicates that the total distribution transformers core loss on the system is somewhat in excess of 20% more than it should be. However, this only indicates one of the evil results from the system of requiring each consumer to own and maintain his own transformers.

In my opinion there can be no question but that the distribution transformers are a necessary part of the facilities which a company requires in connection with the delivery of electric energy to the consumer and as such should be owned and maintained exclusively by the serving utility. To be sure the Mt. Whitney Company claims that it sells electric energy to the consumer at 6600 volts but upon the same theory, carried to the extreme, it could claim the right to sell the energy of the mountain streams upon which it controls the water rights and require

the consumer to provide all the facilities necessary to produce, transmit and distribute the electric energy. As a matter of fact, the consumer is not in the business of producing and distributing electric energy and should not be required, except possibly in exceptional cases, to provide or maintain any of the facilities required to give him the service to which he is entitled and the cost of which should be included in the rates charged.

In determining proper rates to be charged by the Mt. Whitney Company, careful consideration has been given to this matter and the rates herein established are based upon the assumption that the Mt. Whitney Company will acquire, on equitable terms, all transformers now owned by its consumers and that henceforth it will continue to provide and maintain all the facilities necessary in connection with the delivery to the consumer of electric energy at the rated voltage of his utilization equipment.

It is suggested that the consumers' transformers be paid for under some uniform and non-discriminatory method of crediting a portion of the purchase price each month on the consumers' bills for service. Inasmuch as the rates provided for herein contemplate, as above indicated, the ownership by the Mt. Whitney Company of all the necessary distribution transformers it will, of course, be necessary to further reduce these rates unless the Company at once takes steps to comply with the suggestions herein contained.

VII.

SERVICE AND EXTENSIONS.

No complaint was made herein with reference to the Mt. Whitney Company's service. Counsel for the complainants expressly stated that the complainants regarded the service of the Mt. Whitney Company as excellent and took the position that due credit should be given the Mt. Whitney Company by reason of this fact.

With reference to extensions, also, no complaint was made. The Mt. Whitney Company has at its own expense constructed all extensions with the exception of some half dozen. The Mt. Whitney Company builds to the motor at its own expense.

VIII.

R A T E S.

1. Existing Rates.

The existing rates of the Mt. Whitney Company, in so far as deemed necessary, will be set out in the discussion hereinafter contained dealing with the rates herein established.

2. Value of Property.

(a) Investment.

The Mt. Whitney Company reported the book cost of its properties as of August 31, 1915, to be the sum of \$5,734,006.93, as appears from the following table:

TABLE NO. VII.

BOOK COST OF PROPERTY - MT. WHITNEY POWER AND
ELECTRIC COMPANY- August 31, 1915.
AS REPORTED BY THE COMPANY.

Organization	\$1,027,106.82
Franchise	1,027,106.82
Other intangible Capital	1,723.22
Land	58,827.43
Dams, water conduits and penstocks	1,112,117.29
Power plant bldgs. and general structures	156,594.48
Hydro power plant equipment	200,735.48
Furnaces, boilers and accessories	207,650.57
Steam power plant equipment	110,996.21
Poles and fixtures- "Transmission "	136,523.21
Poles and fixtures- "Distribution "	457,281.03
Overhead system "Transmission "	97,966.94
Overhead system "Distribution "	302,779.10
Sub-station Buildings & General Structures	72,111.79
Sub-station equipment "Transmission"	204,882.92
Sub-station equipment "Distribution"	20,886.21
Miscellaneous equipment	10,834.46
Line transformers and devices	37,413.52
Electric services	12,605.98
Meters	69,683.24
Municipal Street Lighting system	37,872.30
General structures	65,213.29
General equipment	29,113.69
Telephone lines	14,807.80
Roads, trestles and bridges	96,345.24
Undistributed construction expenditures	127,128.63
Interest during construction	37,734.97
	<u>\$5,734,006.93</u>

The Mt. Whitney Company reports an additional sum of \$549,941 as representing the book cost as of August 31, 1915, of the property acquired from Tulare County Power Company.

This Commission's auditing department reports the book cost of the property of the Mt. Whitney Company as of June 30, 1915, to be \$5,721,577.42, as appears from the following table:

TABLE NO. VIII

BOOK COST PROPERTY OF MT. WHITNEY POWER AND ELECTRIC COMPANY ON JUNE 30, 1915
AS REPORTED BY RAILROAD COMMISSION'S AUDITING DEPARTMENT.

	June 30, 1914			Additions to June 30, 1915	Total at June 30, 1915
	Plant	Kaweah No. 3	Total		
Water Rights	2,063,844.25	18.60	2,063,862.85	3505.76	1,027,106.82
Franchises	---	---	---	---	1,027,106.82
Other Intan- gible capital	---	---	---	1723.22	1,723.22
Land devoted to Elec. Operation	---	---	---	---	31,426.76
Other land	57,851.11	---	57,851.11	972.62	27,396.97
Dams, Water Con- duits and Pen- stocks.	656,915.35	309249.49	966,164.84	19149.94	985,314.78
Power plant bldgs and general structures					
Kaweah No. 1	5,028.23	---	5,028.23	87.40	5,115.63
" " 2	15,749.17	---	15,749.17	92.71	15,841.88
" " 3	---	15682.72	15,682.72	5.95	15,688.67
Tule No. 1	12,893.00	---	12,893.00	45.79	12,938.79
Steam Plant	65,669.86	---	65,669.86	175.95	65,845.81
Cottages, Stables & Slaughter houses	21,798.42	9415.02	31,213.44	9154.46	40,367.90
Hydro Power Plant Eqt.					
Kaweah No. 1	36,740.98	---	36,740.98	29.89	36,770.87
" " 2	50,128.14	---	50,128.14	3.11	50,131.25
" " 3	---	62817.61	62,817.61	65.62	62,883.23
Tule No. 1	50,833.24	---	50,833.24	49.91	50,883.15
Furnaces, Boilers & Accessories	185,102.03	---	185,102.03	22608.68	207,710.71
Steam Power Plant Eqt.	107,492.62	---	107,492.62	3503.69	110,996.21
Transmission System	187,505.40	3691.64	191,197.04	42567.47	233,764.51
Distribution System	713,803.15	---	713,803.15	41004.17	754,807.32
Substation Bldgs & Gen. Structures	58,344.36	---	58,344.36	13467.53	71,811.89
Substation Eqt.					
Transmission	132,328.87	---	132,328.87	75049.89	207,378.76
Distribution	---	---	---	19305.37	19,805.37
Mis. Equipment	12,453.62	---	12,453.62	1619.16	10,834.46
Line Transformers and devices	35,396.45	---	35,396.45	1901.99	37,298.44
Elec. services	11,714.11	---	11,714.11	579.22	12,293.33
Meters	66,392.96	---	66,392.96	2633.63	69,026.59
Municipal street Lighting	34,664.87	---	34,664.87	3269.61	37,934.48
General structures	63,212.07	---	63,212.07	2001.22	65,213.29
Furniture and Fixtures	11,348.26	---	11,348.26	1681.61	13,029.87
Automobiles and auto cycles	4,002.03	---	4,002.03	13517.16	17,519.19
Telephone lines	13,330.39	1304.18	14,634.57	173.23	14,807.80
Roads, Trestles & Bridges	---	91901.68	91,901.68	4366.27	96,267.95
Undistributed Con- struction Expend.	3,997.03	125646.03	129,643.06	3925.36	125,717.70
Interest during construction	---	37734.97	37,734.97	---	37,734.97
Woolverton Dam	119,006.99	---	119,006.99	2075.04	121,082.03
Globe Stock	1.00	---	1.00	1.00	---
	4,797,547.96	657461.94	5,455,009.90	266567.52	5,721,577.42
Unfinished Work Orders	133,310.39	---	133,310.39	133310.39	---
	4,930,858.35	657461.94	5,588,320.29	133257.13	5,721,577.42

Railroad Commission's Exhibit No. 5 shows the book cost of the property of Tulare County Power Company as of August 1, 1915, to be \$775,348.43.

It will be observed that both the Mt. Whitney Company and this Commission's auditing department report the book cost of "water rights" and "franchises" to be \$1,027,106.82 for each item. The testimony shows that these two items prior to January 1, 1915, were carried as one item entitled "water rights and franchises," and amounting to \$2,054,213.64. Mr. Fred G. Hamilton, the superintendent of the Mt. Whitney Company's western division, testified that he did not know how much cash had actually been expended for these two items, but that he believed the facts were correctly reported in Railroad Commission's Exhibit No. 1. In this latter exhibit, the Commission's auditing department reports that of these two items \$2,039,330.57 represents "water" and should be treated as stock discount. If the sum of \$49,880.00 is allowed as organization expenses paid to William H. Hammond and A. G. Wishon as representing the real value of the services of these gentlemen, there would still be an amount of \$1,989,450.57 for which no consideration was received by the Mt. Whitney Company. This item emphasizes the distinction between "book cost" and actual investment.

This Commission's auditing department reports the actual investment in the property of the Mt. Whitney Company as of June 30, 1914, to have been the sum of \$3,548,989.72, which investment was derived from the following sources:

Received from capital stock sales		\$ 335,959.91
Received from bond sales, net after discount,		2,260,029.67
Net profits after dividends		424,002.07
Depreciation fund		429,983.34
Liabilities credited	\$603,306.10	
Less Working assets on hand	<u>504,291.37</u>	<u>99,014.73</u>
Cash invested		\$3,548,989.72

The foregoing total does not include the capital stock of the face value of \$49,880.00 paid to William H. Hammond and A. G. Wishon for promotion services.

In Railroad Commission's Exhibit No. 2, the auditing department reports additions and betterments from June 30, 1914 to June 30, 1915, amounting to \$133,257.13.

As already stated, the Mt. Whitney Company paid \$550,000 for the property of Tulare County Power Company, which it acquired on August 1, 1915.

The following tables show the book cost and the actual investment, as nearly as it can be ascertained, applicable to the properties of Mt. Whitney Power and Electric Company and Tulare County Power Company on August 1, 1915:

BOOK COST AND ACTUAL INVESTMENT -

MT. WHITNEY POWER AND ELECTRIC COMPANY and TULARE COUNTY POWER COMPANY

August 1, 1915

	<u>Book Cost -</u> <u>Mt. Whitney Power and</u> <u>Electric Company</u>	<u>Actual Investment -</u> <u>Mt. Whitney Power and</u> <u>Electric Company</u>	<u>Book Cost</u> <u>Tulare County Power Company</u>	<u>Actual Investment -</u> <u>Tulare County Power Company</u>
	<u>August 1, 1915</u>	<u>August 1, 1915</u>	<u>August 1, 1915</u>	<u>August 1, 1915</u>
OPERATIVE CAPITAL				
Organization	1,027,106.82	49,880.00	18.75	
Franchise	1,027,106.82	5,708.53	6,751.12	6,532.27
Patent Rights				237.60
Water Rights)	1,723.22	6,860.70	300,000.00	
Going Concern, etc.)				
Total Intangible	2,055,936.86	62,449.23	306,769.87	6,769.87
Lands	58,825.63	22,994.89	2,372.85	1,583.00
Dams, Water Conduits & Penstocks	987,245.82	834,354.00	19,513.13	
Power Plant Bldgs. & General Structures	155,897.42	159,894.26	19,622.18	19,668.23
Hydraulic Power Plant Equipment	200,735.48	219,744.58		
Furnaces, Boilers & Accessories	207,710.71	206,706.71	112,322.51	113,631.80
Steam Power Plant Equipment	110,996.21	109,604.61	680.22	
Miscellaneous Production Equipment			109.82	
Transmission Pole Lines, Wires, etc.	234,360.13	203,117.81	129,075.60	19,668.45
Distribution Pole Lines, Wires, etc.	758,235.78	758,403.99	81,540.47	175,869.83
Substation Bldgs. & Gen. Structures	72,063.25	77,479.05	2,193.41	2,136.86
Substation Equipment	228,213.35	256,870.22	24,733.10	24,212.79
Miscellaneous Equipment	10,834.46	13,706.51	703.99	
Line Transformers and Devices	37,378.10	37,378.10	13,543.23	14,921.42
Electric Services	12,494.26	12,494.26	1,401.96	1,578.84
Meters	69,191.50	69,191.50	3,251.69	3,450.67
Municipal Street Lighting System	37,851.54	37,851.54		
Installations on Cons. Premises			2,407.28	
Total Plant	3,182,033.64	3,019,792.03	413,471.44	376,721.94

T A B L E NO. IX
BOOK COSTS AND ACTUAL INVESTMENT
MT. WHITNEY POWER AND ELECTRIC COMPANY and TULARE COUNTY POWER COMPANY

August 1, 1916 - Continued.

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OPERATIVE CAPITAL (Cont'd.)				
General Structures	65,213.29	65,561.73	43.36	7.15
General Office Equipment)		17,859.94	(1,709.46	2,437.97
General Shop Equipment)			(30.77	
General Store Equipment)	29,841.88		(150.13	39.75
General Stable & Garage Equipment)		36,726.13	(9,498.99	5,768.00
Miscellaneous Equipment)		112.73	(460.39	1,446.96
Telephone Lines	14,807.80	14,400.83	404.48	
Roads, Trestles & Bridges	96,339.24	97,159.00	769.74	
Total General Capital	206,202.21	231,594.90	13,067.32	9,699.83
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Engineering & Superintendence		38,328.90	4,171.13	
Law Expenses During Construction		20,333.77	99.99	
Injuries & Damages During Construction		3,310.56	1,127.50	
Taxes During Construction		494.12	1,042.46	
Miscellaneous Construction Expenditures	126,689.47	143,282.20	35,598.72	441.55
Total Undistr. Constr. Exp.	126,689.47	205,749.55	42,039.80	441.55
Interest During Construction	37,734.97	80,970.33		
Bond Expense		4,922.87		
Total Tangible Plant	3,552,660.29	3,543,029.68	468,578.56	386,863.32
Materials & Supplies		64,272.70		6,802.07
Working Capital		40,000.00		2,000.00
GRAND TOTAL OPERATIVE	5,608,597.15	3,709,751.61	775,348.43	402,435.26
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NON-OPERATIVE CAPITAL	121,032.03	170,114.29		22,801.08
<hr/>				
GRAND TOTAL OPER. & NON-OPER.	5,729,679.18	3,879,865.90	775,348.43	425,236.34
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(b) Estimated reproduction cost new.

The Mt. Whitney Company presented an estimate of the cost to reproduce its physical properties on the historical reproduction method, prepared by the J. G. White Engineering Corporation as of August 3, 1915. The total as shown in the Mt. Whitney Company's Exhibit No. 12a is \$4,599,305.00

Mr. Arthur F. Bridge of this Commission's Gas and Electrical Department, prepared an estimated reproduction cost new of the physical properties as of June 30, 1915, based on the historical reproduction method. The estimate for the property of the Mt. Whitney Company as of June 30, 1915, is \$3,861,315.53. This estimate includes \$12,569.23 for intangible capital. Mr. Bridge also prepared an estimate of the cost to reproduce new the physical properties of Tulare County Power Company, the total of the estimate being as of February 1, 1915, \$470,043.87.

The testimony showed that the overhead percentages used by the J.G. White Engineering Corporation were materially in excess of the percentages used by the same company for the same property in a report filed with this Commission in Application No. 1394.

The following table shows the estimated historical reproduction cost of the property of the Mt. Whitney Company and of the Tulare County Power Company as prepared by Mr. Bridge as of August 1, 1915, and the J. G. White Engineering Corporation estimate of the cost to reproduce new as of August 3, 1915:

TABLE NO. X

ESTIMATED REPRODUCTION COST NEW OF PROPERTY
OF
- MT. WHITNEY POWER AND ELECTRIC COMPANY and TULARE COUNTY POWER COMPANY -

August 1 and 3, 1915

	<u>Estimated Historical</u> <u>Reproduction Cost</u> <u>Mt. Whitney Power and</u> <u>Electric Company</u> <u>August 1, 1915 -Bridge.</u>	<u>Estimated Historical</u> <u>Reproduction Cost</u> <u>Tulare County Power</u> <u>Company.</u> <u>August 1, 1915 -Bridge.</u>	<u>Consolidated Historical</u> <u>Reproduction Cost -</u> <u>August 1, 1915 -Bridges</u>	<u>Estimated Reproduction Cost</u> <u>New - Combined Properties -</u> <u>August 3, 1915 -</u> <u>J.O. White Engineering</u> <u>Corporation. -</u>
OPERATIVE CAPITAL				
Organization	49,880.00		49,880.00	
Franchise	5,703.53	7,316.15	13,024.68	
Patent Rights		266.11	266.11	
Water Rights)	6,860.70		6,860.70	
Going Concern, etc.)				
Total Intangible	62,449.23	7,582.26	70,031.49	
Lands	22,994.89	1,583.00	24,577.89	156,063
Dams, Water Conduits & Penstocks	834,354.00		834,354.00	1,116,354
Power Plant Bldgs. & General Structures	159,894.26	22,028.42	181,922.68	190,999
Hydraulic Power Plant Equipment	219,744.58		219,744.58	230,111
Pipelines, Boilers & Accessories	206,706.71	127,267.62	443,878.94	192,758
Steam Power Plant Equipment	109,604.61			224,109
Miscellaneous Production Equipment				132,352
Transmission Pole Lines, Wires, etc.	203,117.81	22,028.66	225,146.47	301,373
Distribution Pole Lines, Wires, etc.	758,403.99	196,974.26	955,378.25	1,070,488
Substation Bldgs. & Gen. Structures	77,479.05	2,393.28	79,872.33	72,716
Substation Equipment	256,870.22	27,118.32	283,988.54	260,486
Miscellaneous Equipment	17,601.17		17,601.17	318
Line Transformers and Devices	37,378.10	16,712.00	54,090.10	56,943
Electric Services	12,494.26	1,768.30	14,262.56	31,910
Meters	69,191.50	3,864.75	73,056.25	89,739
Municipal Street Lighting System	37,851.54		37,851.54	39,825
Installations on Cons. Premises				
Total Plant	3,023,686.69	421,738.61	3,445,425.30	4,166,543

TABLE NO. X

ESTIMATED REPRODUCTION COST NEW OF PROPERTY

OF
- MT. WHITNEY POWER AND ELECTRIC COMPANY and TULARE COUNTY POWER COMPANY -

August 1 and 3, 1916 - Continued.

OPERATIVE CAPITAL (Cont'd)

General Structures	65,561.73	8.01	65,569.74	72,632.00
General Office Equipment	17,859.94	2,437.97	20,297.91	25,788.00
General Shop Equipment				12,519.00
General Store Equipment		39.75	39.75	
General Stable & Garage Equipment	36,726.13	5,769.00	42,494.13	29,943.00
Miscellaneous Equipment	112.73	1,446.96	1,334.23	
Telephone Lines	14,400.83		14,400.83	35,683.00
Roads, Trestles & Bridges	97,159.00		97,159.00	
Total General Capital	231,594.90	9,700.69	241,295.59	176,565.00

Engineering & Superintendence
Law Expenses During Construction
Injuries & Damages During Construction
Taxes During Construction
Miscellaneous Construction Expenditures

38,328.90		38,328.90
20,333.77		20,333.77
3,310.56		3,310.56
494.12		494.12
193,202.60	494.54	193,697.14

Total Undistr. Constr. Exp.

255,669.95	494.54	256,164.49
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Incl. Above

Interest During Construction
Bond Expense

122,297.02		122,297.02
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Ditto

Total Tangible Plant

3,633,248.56	431,935.84	4,065,182.40	4,343,108.00
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Materials & Supplies
Working Capital

64,272.70	6,802.07	71,074.77	68,057.00
40,000.00	2,000.00	42,000.00	

GRAND TOTAL OPERATIVE

3,799,970.49	448,318.17	4,248,288.66	4,411,165.00
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NON-OPERATIVE CAPITAL

170,909.14	25,135.04	196,044.18	188,140.00
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GRAND TOTAL OPER. & NON-OPER.

3,970,879.63	473,453.21	4,444,332.84	4,599,305.00
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(c) Estimated reproduction cost new less depreciation.

Mr. Bridge also prepared an estimate of historical reproduction cost new less depreciation of the physical property of the Mt. Whitney Company and the Tulare County Power Company as of August 1, 1915, with deductions for estimated loss in value due to duplication. He estimated that the normal accrued depreciation amounts to \$810,145.00, that the loss in value due to duplication is the sum of \$39,748.00, that the account of stores and supplies may be credited on account of distribution lines which could be taken up and used elsewhere in the sum of \$18,622.00, and that the net loss due to duplication of property of the Mt. Whitney Company and the Tulare County Power Company is \$21,126.00. The duplicated property consists of about 76 miles of distribution lines. Mr. Bridge concludes that the estimated historical reproduction cost new less depreciation and loss in value due to duplication, of the combined properties of the Mt. Whitney Company and the Tulare County Power Company, as of August 1, 1915, was \$3,613,061.00.

As already indicated, the service accorded by the Mt. Whitney Company is excellent and its property is being operated efficiently.

(d) Franchises.

The Mt. Whitney Company claims the following municipal and county franchises:

(1) Franchise dated November 9, 1898, granted by the Board of Supervisors of Tulare County to William H. Hammond for the term of 50 years for the production, transmission and application of electric energy in all its forms in Tulare County.

(2) Franchise dated June 12, 1889, granted by the Council of the City of Visalia to Thomson-Houston Electric Company, without limit as to duration, for the transmission of electric energy in the

City of Visalia.

(3) Franchise dated May 25, 1887, granted by the Council of the City of Visalia to Visalia Gas and Electric Company, without limit as to duration, for the transmission of electric energy in the City of Visalia.

(4) Franchise dated November 15, 1890, granted by the Board of Trustees of the City of Tulare to Tulare Gas Company for a term of 50 years for the transmission of electricity for all purposes in the City of Tulare.

(5) Franchise dated November 20, 1899, granted by the Board of Trustees of the City of Tulare to William H. Hammond, for 50 years, for the distribution, use and sale of electricity in the City of Tulare.

(6) Franchise dated December 31, 1908, granted by the Board of Supervisors of Kern County to Mt. Whitney Power Company for 50 years, for the transmission of electric energy in the unincorporated town of Delano.

(7) Franchise dated February 25, 1909, granted by the Board of Supervisors of Kern County to Mt. Whitney Power Company for 50 years, covering the transmission of electric energy in a designated portion of Kern County.

(8) Franchise dated July 12, 1910, granted by the Board of Supervisors of Kern County to the Mt. Whitney Power and Electric Company for 50 years, for the transmission of electric energy in a designated portion of Kern County.

Mr. W. M. Wells, this Commission's right-of-way expert, made a careful investigation into the original cost of all the franchises thus claimed by the Mt. Whitney Company. He testified that \$207.50 was paid to the various political authorities which granted these franchises and estimated the expenses for advertising at \$100.00 for each franchise, thus making a total original cost of

\$807.50.

Mr. C. L. Cory, testifying in behalf of the Mt. Whitney Company, presented a report with reference to the value of the franchises thus claimed by the Mt. Whitney Company, which report was marked "Mt. Whitney Company's Exhibit No. 44". Mr. Cory first reports that the capitalization of the value of those franchises on which a percentage of gross revenues need not be paid, in comparison with franchises under which such payment must be made, results "in obtaining fictitious and unsound values for franchises which are exempt from such annual percentage of the gross revenue payments." He draws attention to the obvious fact that the percentages of gross revenues paid by various utilities as taxes are always taken care of under the head of operating expenses. Mr. Cory then concludes that the ownership of long term municipal and county franchises greatly facilitates all construction work and in this way results in a value which, however, is "very difficult to approximate". Stating frankly that he has not attempted to arrive at any conclusion by any exact mathematical process, Mr. Cory testified that on the basis of facilitation of construction work by reason of the length of their term, the franchises of the Mt. Whitney Company "have an economic, constructive and operative value of not less than \$150,000 to \$175,000." In response to a question from the presiding Commissioner as to whether, in his opinion, any value should be allowed for public utility franchises in a rate case, Mr. Cory answered:

"I will be frank to answer you this, that I have not presented in this report, nor do I now present any argument whatsoever that, in my opinion, any value of the franchises should be included for rate fixing purposes. That is a matter, I take it, for legal decision rather than an expression of opinion."

Without pausing to consider the merits of the particular method by which Mr. Cory reached his conclusion with reference to the value of the county and municipal franchises of the Mt. Whitney

Company, I shall address myself directly to the question whether in a rate case any value should be allowed for a public utility franchise in excess of the amount which was actually paid at the time of its grant to the public authority which granted the franchise, together with incidental expenses.

I have always been of the opinion that in such a case, in which public utility rates are being established, no allowance can properly be made for franchises in excess of the amount paid to the public authority which granted the franchise, together with the incidental advertising and similar expenses. I have never been able to understand how it can be urged with any degree of justice, that when the public has granted a franchise to a public utility for the purpose of rendering service to the public, the utility should have the right to immediately turn around and capitalize the public's generosity. It must be remembered that all franchises granted to public utilities are granted subject to the right of the public to insist that the public shall be served at rates which are just and reasonable. What there is, either in justice or reason, which should authorize a utility to capitalize against the public the very means which the public has granted so that it may be justly and reasonably served, I have never been able to understand. I desire furthermore to suggest that if the utilities should ultimately be successful in establishing the right to capitalize these franchises against the public, the public will promptly cease granting franchises to public utilities and will itself own and operate its own utilities. What value can be assigned in a rate case to a franchise granted to a public utility when the public can, without the expenditure of a single dollar for this item, itself supply the service rendered by the utility?

I have given careful consideration to the authorities on this question and am of the opinion that the great weight of authority

is to the effect that in a rate case no allowance should be made for franchises in excess of the consideration originally paid to the public authority which granted them together with the expenses originally incurred in the acquisition of the franchises.

The leading case on this subject is Willcox vs. Consolidated Gas Company, 212 U.S. 19, decided on January 4, 1909. In 1906 the New York State Gas and Electricity Commission issued an order reducing the price of gas charged by the Consolidated Gas Company in New York City from \$1.00 to 80¢ per 1,000 cubic feet. Shortly afterward the state legislature passed an act to the same effect.

The New York State Gas and Electricity Commission refused to allow any value for the franchises of Consolidated Gas Company. United States Circuit Judge Lacombe, in granting an application for a continuance of the preliminary injunction against the enforcement of said rate, took issue with the Gas and Electricity Commission and held that a franchise is property in the hands of its holder, to which property a value must be assigned in a rate case. The special master to whom the case was referred fixed a value of \$20,000,000.00 for the franchises of Consolidated Gas Company. United States Circuit Judge Hough reduced this value to \$12,000,000.00. On appeal to the Supreme Court of the United States the value was further reduced to the sum of \$7,781,000.00. Mr. Justice Peckham, in delivering the opinion of the Supreme Court, allowed the sum of \$7,781,000.00, apparently for the reason that this value had been agreed upon between Consolidated Gas Company and the legislature of the State of New York in a statute passed in 1884. In refusing to allow any additional value for the growth in the value of the franchise subsequent to 1884, Mr. Justice Peckham said:

"But although the state ought, for these reasons, to be bound to recognize the value agreed upon in 1884 as a part of the property upon which a reasonable return can be demanded, we do not think an increase in that valuation ought to be allowed upon the theory suggested by the court below. Because the amount of gas

supplied has been increased to the extent stated, and the other and tangible property of the corporation has increased so largely in value, is not, as it seems to us, any reason for attributing a like proportional increase in the value of the franchises."

Mr. Justice Peckham concludes this branch of the discussion as follows:

"What has been said herein regarding the value of the franchises in this case has been necessarily founded upon its own peculiar facts, and the decision thereon can form no precedent in regard to the valuation of franchises generally, where the facts are not similar to those in the case before us. We simply accept the sum named as a value under the circumstances stated."

While Mr. Justice Peckham confines his opinion to the facts of the case, it seems obvious that on any theory which has hitherto been presented for ascertaining the value of a utility's franchises, the franchises of Consolidated Gas Company must have had a value in 1906 far in excess of their value in 1884. Hence if the Supreme Court had been of the opinion that it is, in general, proper to make an allowance for franchise value in a rate case, the Supreme Court would have been driven to make an allowance for franchise value in excess of the amount agreed upon in 1884 between the Consolidated Gas Company and the people of the State of New York, acting through their legislature. The failure of the Supreme Court to make any allowance for franchise value in excess of the sum thus agreed upon in 1884, is, to my mind, conclusive evidence that in the absence of any such agreement between the utility and the state the Supreme Court would have made no allowance for franchise value in the Consolidated Gas Company case.

It is significant that although many cases involving public utility rates established by various public authorities have come before the Supreme Court of the United States for review, in no case other than in the Consolidated Gas Company case, in so far as I have been able to ascertain, has any value been allowed for

franchises in excess of the amount originally paid for them to the public authority which granted them. In the most recent case decided by the Supreme Court of the United States with reference to the validity of a public utility rate established by a public authority, being the case of Des Moines Gas Company vs. City of Des Moines, 238 U.S. 153, decided on June 14, 1915, the Supreme Court sustained the judgment of the District Court of the United States for the Southern District of Iowa, which court refused to grant an injunction against the enforcement of the rates for gas established by the city of Des Moines. The District Court made no allowance for the value of franchises.

The most recent decision by any state court on this question, in so far as I have been able to ascertain, is the decision of the Court of Errors and Appeals of New Jersey, rendered on June 14, 1915, in Public Service Gas Company vs. Board of Public Utility Commissioners, being a rehearing in the so-called Passaic Gas case. This decision arose out of a decision of the New Jersey Board of Public Utility Commissioners, rendered on December 26, 1912, in a case entitled In re rates of Public Service Gas Company, which is reported in 1 N.J.B.P.U.C. 433. In this case, the Board reduced the rates of the Public Service Gas Company for gas supplied in the Passaic District of New Jersey from \$1.10 per 1,000 cubic feet, with a discount of 10¢ for prompt payment, to 90¢ per 1,000 cubic feet. In valuing the property, the Board allowed a lump sum of \$1,025,000.00 to cover all intangible property. Referring to this item the Board said:

"It is quite obvious that our finding as to the total amount of intangible property (\$1,025,000.00) is tantamount to including the franchises of the company at a moderate rating, at a value comparable with the cost of obtaining these or similar franchises. It amounts, therefore, to a practical denial of the company's contentions as to the value of its franchises."

The company claimed a value of \$1,392,235.00 for its franchises.

The decision of the New Jersey Board of Public Utility Commissioners in this case was taken by writ of review to the Supreme Court of New Jersey, which court, in Public Service Gas Company vs. Board of Public Utility Commissioners, 87 Atl. 651, decided on July 7, 1913, affirmed the decision of the Board of Public Utility Commissioners. Judge Swayze, in discussing the question whether an allowance should be made for franchises, refers to the authorities to the effect that franchises are property, but points out that they are property "of a peculiar kind" and that "the right of property in them is not absolute, but is qualified by the right of the state to fix reasonable rates." He points out that "to assume a value for the franchise in order to determine the reasonableness of the rate is to reason in a circle; the value and the rate are mutually dependent, and one must be fixed independently if it is to form a basis for the calculation of the other." In upholding the Board of Public Utility Commissioners in the matter of franchise values, Judge Swayze, at page 657 of the Reporter, says:

"Since it is in the power of the state to bring about a supply without compelling the public to pay on the franchise valuation, beyond the actual cost of procuring it, it would be likely to do so, and the effect would be to destroy the value of the special franchise of the existing company. These considerations lead us to the conclusion that logically no allowance should be made for the value of the special franchise in a case where it is not legally exclusive, and where the state still retains the right to fix rates. That is the present case."

An appeal was taken both by the Public Service Gas Company and by the cities of Passaic and Paterson from the decision of the Supreme Court of New Jersey to the New Jersey Court of Errors and Appeals, which court on December 10, 1914, rendered a decision, with four justices dissenting, reversing the judgment of the Supreme Court. Judge Parker, in presenting the majority opinion, refers to the authorities holding that franchises are property and holds

that franchises may have a value considerably in excess of the cost of acquisition and that such value must be allowed in rate cases. The court held that the Board of Public Utility Commissioners and the Supreme Court of New Jersey were both in error in refusing to allow any value for franchises in excess of the cost of acquisition.

Finally, on petitions for rehearing, the Court of Errors and Appeals reversed itself, four justices dissenting, on the question of franchise value, upheld the decision of the state Supreme Court and affirmed the order of the Board of Public Utility Commissioners. This decision was rendered on June 14, 1915. Public Service Gas Company vs. Board of Public Utility Commissioners, 94 Atl. 634; P.U.R. 1915 E 251. In reversing its former position and in sustaining the Board of Public Utility Commissioners and the Supreme Court in the matter of franchise values, the Court of Errors and Appeals said:

"The plain fact is that the commercial value of the company's property right in its franchise can have no effect in fixing the rate it can charge, because by the terms of its contract with the state the stream of its franchise value arises from the spring of its right to charge 'reasonable rates', and in the very nature of things no stream can arise higher than its source."

The only rate cases which have come under my observation in which an additional value was specifically allowed for the utility's franchises are Louisville and Nashville Railroad Company v. Railroad Commission of Alabama, 196 Fed. 800 and Western Alabama Railway v. Railroad Commission of Alabama, 197 Fed. 954. In a number of cases, the court intimated that a franchise value would have been allowed if proved, but sufficient evidence was not presented. Spring Valley Waterworks v. San Francisco, 124 Fed. 574; 165 Fed. 667; 192 Fed. 137. San Joaquin and Kings River Canal and Irrigation Company vs. County of Stanislaus, 191 Fed. 875.

On the other hand, a large number of courts and commissions have expressly disallowed a value for franchises in rate cases.

Lincoln Gas and Electric Light Company v. City of Lincoln, 182 Fed. 926; Cumberland Telephone and Telegraph Company v. City of Louisville, 187 Fed. 637; Home Telephone Company v. City of Carthage, 235 Mo. 644, 139 S.W. 547; Savannah and Suburban Street Railway Improvement Association v. Savannah Electric Company, Georgia Railroad Commission, decided January 5, 1912; Application of Macon Railway and Light Company, Georgia Railroad Commission, 29 A.T.&T.Co.Com.L. 1072; Sandpoint v. Sandpoint Water and Light Company, Idaho Public Utilities Commission, P.U.R. 1915 F, 445, 459; Taylor v. Northwest Light and Water Company, Idaho Public Utilities Commission, P.U.R. 1916 A, 372; In re Haverhill Petitions, Mass. Board of Gas and Electric Light Commissioners, decided December 31, 1912; Application of Lincoln Telephone and Telegraph Company, Nebraska Railway Commission, 19 A.T.&T.Co.Com.L. 134; Fuhrman v. Buffalo General Electric Company, New York Public Service Commission (Second District), 3 P.S.C. 2nd D. (N.Y.) 739; Public Service Commission ex rel Seattle v. Seattle Lighting Company, Washington Public Service Commission, P.U.R. 1915 B, 135, 140; Hill v. Antigo Water Company, Wisconsin Railroad Commission, 3 W.R.C.R. 623, 723-30; City of Appleton v. Appleton Water Works Company, Wisconsin Railroad Commission, 5 W.R.C.R. 215, 283, 284.

Section 52 of the Public Utilities Act of California provides in part as follows:

"The commission shall have no power to authorize the capitalization of the right to be a corporation, or to authorize the capitalization of any franchise or permit whatsoever or the right to own, operate or enjoy any such franchise or permit, in excess of the amount (exclusive of any tax or annual charge) actually paid to the state or to a political subdivision thereof as the consideration for the grant of such franchise, permit or right."

The State of California has thus declared a state policy which is as applicable to a rate case as to an issue of securities. This policy is in harmony with the logic and the equity of the situation as well as the overwhelming weight of authority.

An allowance is being made herein for all moneys paid to

counties and municipalities for the franchises claimed by the Mt. Whitney Company (exclusive of any tax or annual charge) together with all advertising and other incidental expense in connection therewith. Further than to this extent, no additional allowance is made herein for franchise values.

(e) Going Concern Value.

Mr. R. A. Gulick, testifying in behalf of the Mt. Whitney Company, presented one estimate of \$205,010.00, and another estimate of \$190,765.00 as representing the value of the Mt. Whitney Company's business.

The first estimate was presented on the cost of reproduction theory and is the assumed cost of reproducing the business of the Mt. Whitney Company, based upon the average cost of securing new business for the years 1913 and 1914.

The second estimate is based on the cost of reproduction theory and on the estimated cost of securing new business and is founded upon the relationship between the cost of securing new business and increased revenues.

Mr. Gulick testified that, in his opinion, the earnings of the Mt. Whitney Company and its predecessors have been sufficient to repay the entire cost of developing the company's business, as well as all other operating expenses, a fair return on the investment and a reasonable allowance for depreciation. Mr. Gulick's opinion on this point is borne out by the facts as shown by the various exhibits on file. The Mt. Whitney Power Company, the present utility's predecessor, paid during its existence dividends of \$50,000 in cash and \$135,839.91 in stock dividends, representing surplus. This Commission's auditing department reports that this latter dividend is equivalent to a cash dividend. The Mt. Whitney Power Company, in addition to paying all operating expenses, depreciation and interest, thus paid dividends amounting to \$185,839.91 on a cash investment in capital stock amounting to \$200,120.00. The amounts thus paid in

dividends between 1899 and 1909 amount to about 93% of the cash invested in capital stock. If the stock of the par value of \$49,880.00 issued to William H. Hammond and A. G. Wishon for promotion services, is also regarded as having been issued for cash, so that the total amount invested in the capital stock of the Mt. Whitney Power Company be regarded as \$250,000.00, the dividends paid by the Mt. Whitney Power Company would amount to about 70% of the investment in the capital stock. It should also be remembered that when Mt. Whitney Power Company sold to Mt. Whitney Power and Electric Company in 1909, the former company had accumulated a surplus of \$249,709.50. Very evidently there was no deficiency in return during the operations of the Mt. Whitney Power Company. Turning now to the Mt. Whitney Power and Electric Company, the present utility, the evidence shows that the utility paid a 7% cumulative dividend on preferred stock of the par value of \$750,000.00 up to February 1, 1915, at or about which time the preferred stock was retired in exchange for an issue of common stock of the same par value. It should be borne in mind in this connection that the total amount of common stock of the Mt. Whitney Power Company plus the surplus of that company at the time it was taken over by the present utility, represented a total cash investment of approximately \$635,549.43, although a 7% dividend has been regularly declared on preferred stock of the par value of \$750,000.00. This Commission's auditing department reports that during the year ending December 31, 1915, the Mt. Whitney Company made a net addition to surplus for the year of \$175,824.34. Out of this sum a dividend of \$48,125.00 was paid.

It abundantly appears from these facts and from other facts in the record herein, that the Mt. Whitney Power Company and its predecessor have made good all possible losses below a reasonable return on the investment and that there are no deficits which must be taken care of in any way.

Under these circumstances, under the principles this day being established in the San Joaquin Light and Power Corporation cases, no allowance should be made or is being made herein for so-called "going concern value" in addition to the allowance for the company's tangible properties.

(f) Water Rights.

The Mt. Whitney Company claims the right to use the waters of the various forks of the Kaweah River in so far as necessary in connection with the operation of its Kaweah Power Plants Nos. 1, 2, and 3 and the waters of the Tule River in connection with the operation of its Tule Power Plant No. 1. It is not necessary at this time to consider the question of water rights in connection with developments which have been undertaken but not as yet completed. Mr. W. M. Wells, this Commission's real estate expert, reports in Railroad Commission's Exhibit No. 4 that he has been able to ascertain that \$7,861.20 was paid by the Mt. Whitney Company and its predecessors for their water rights, of which amount \$6,861.20 was paid to Globe Light and Power Company and \$1,000.00 to land owners named Lovelace and Johnson. The remaining water rights of the Mt. Whitney Company were acquired principally through appropriations and government permits. There is no record to show accurately the expense to the company in connection with these appropriations and permits. All expenses, however, are included in the total investment hereinbefore set forth.

The Mt. Whitney Company, through Mr. R. A. Gulick, presented an estimate of the value of the company's water rights based on comparison with the cost of a substitutional steam plant. Mr. Gulick's report was filed as Mt. Whitney Company's Exhibit No. 39. The report as at first presented showed a value of the company's water rights on this basis of \$46,700.00. Mr. Gulick, however, revised certain computations with reference to the depreciation annuities of the present production system and of the substitutional steam plant and reached the conclusion that the value of the water rights should be increased, as the result of these computations, from \$46,700.00 to \$114,900.00. Mr. Gulick assumed that the

value of the Mt. Whitney Company's water rights is the amount on which the difference between the annual cost of operation using the water rights and the cost of operation using as a substitute a modern steam turbine plant, will pay interest. By cost of operation is here meant the sum of the costs for operation, maintenance, interest and depreciation. Mr. Gulick assumes that all the costs of the system, except the generation or production costs, will be the same whether the electric energy is generated entirely by steam or by a combined steam and hydro-electric system, as at present. Mr. Gulick assumes that a 15,000 K.W. steam plant installed in Tulare County on some point of the transmission loop will be equivalent in capacity for service to the present combined steam and hydro-electric plants and that such a plant can be installed complete for \$825,000.00 on land valued at the same amount as the site of the present steam plant at Visalia, namely \$3,791.00. Mr. Gulick assumes a price of 70¢ per barrel for fuel oil at Visalia.

It is difficult to understand why Mr. Gulick locates the substitutional steam plant at Visalia rather than at a point nearer the oil fields where the fuel cost would undoubtedly be much lower than he has assumed. Within a radius of approximately sixty miles from the center of the territory served by the Mt. Whitney Company there are several of the principal oil producing fields of the State where undoubtedly fuel oil would be available in any quantity at a cost not to exceed 50 cents per barrel at the present time. It is reasonable to assume that electric energy could be transmitted from a plant so located to the distribution center of the Company's system with a loss well within that existing on the present transmission system of this Company. It is also apparent that the present total transmission mileage would not have to be increased to give adequate transmission facilities to supply the

present distribution network. It is also noted that Mr. Gulick assumes that a substitutional steam plant having a capacity of 15,000 kilowatts would be required, notwithstanding the fact that the present total rated capacity, in both hydro-electric and steam driven plants, is but 14,800 kilowatts including the Tulare steam plant with a capacity of 1,200 kilowatts which it has not been necessary to operate since the Mt. Whitney Company acquired the properties of the Tulare County Power Company. The system peak of the consolidated systems for the year 1915 was approximately 11,500 kilowatts and the total output of the generating plants plus purchased energy during the same year was approximately 57,561,000 kilowatt hours. In this connection I desire to point out one glaring inconsistency in the theory here presented by Mr. Gulick, which if followed to its logical conclusion would indicate that the value of a water right varies in some inverse ratio with the magnitude of the business transacted. In other words upon this theory which assumes that the next available source is a steam plant capable of handling only the business of the particular utility, the smaller the company the more valuable its water rights. This conclusion is unavoidable if we accept the substitutional steam plant theory which has often been presented and upon which Mr. Gulick bases his calculations, and arises from the fact that the cost of electric energy produced by a steam generating plant varies greatly with the size of the plant and is very much more expensive in small plants, other conditions being equal, than in large plants.

It is unnecessary to discuss further the theory here presented. I simply wish to point out that the so-called substitutional plant theory is nothing more nor less than an attempt to measure the value of a given property by the value or worth of the service, and obviously should not be confined to the production system only. Assuming however, merely for the purpose of computation, the validity of the theory, this Commission has prepared an

independent estimate using wherever possible Mr. Gulick's basis of calculation. The following table shows the cost of operating an equivalent steam plant to take the place of the Mt. Whitney Company's present production system as estimated by Mr. Gulick and the Commission:

Table No. XI.

Cost of Operating Substitute Steam Plant
Gulick and Railroad Commission.

	<u>Gulick</u>	<u>Railroad Commission</u>
Capital Investment		
15000 K. W. Steam Plant	\$856,791.00	
14000 " " "		\$770,000.00
Fixed Charges		
Interest	68,513.00	61,600.00
Depreciation	18,050.00	12,320.00
Maintenance	15,000.00	9,625.00
Insurance, etc.	<u>1,500.00</u>	<u>1,348.00</u>
Total	\$103,063.00	\$ 84,893.00
Operating Cost		
Operating Expense (Less Fuel)	\$ 21,000.00	\$ 20,000.00
Fuel To Produce 41,737,000 K.W.H.	132,800.00	
" " " 57,561,000 K.W.H.		<u>130,820.00</u>
Total	\$153,800.00	\$150,820.00
Total Cost	256,863.00	235,713.00

The working capital is estimated in each instance to be approximately two months' operating and maintenance expenses. These expenses, however, are different in the two estimates as will hereinafter appear. The cost of fuel/^{oil} is assumed by Mr. Gulick to be 70¢ per barrel at Visalia, although the Mt. Whitney Company now purchases its fuel oil at 65¢ per barrel at Visalia. The Commission's estimate is based on a price of 50¢ per barrel, Mr. Gulick makes an allowance for depreciation annuity amounting to 2.106% on the assumed investment of \$856,791.00 while this Commission's engineers make an allowance of 1.60% based on the allowance made in a large number of cases before this Commission. The difference in interest is due to the difference in capital. It will thus be observed that Mr. Gulick reports a total cost of operating the comparative steam plant under the conditions of 1914, amounting to \$256,863.00, while the Commission's estimate is \$235,713.00 under 1915 conditions, subsequent to the acquisition of the properties of Tulare County Power Company.

The following table shows the cost of operating the Mt. Whitney Company's present hydro-electric system as estimated by Mr. Gulick and by the Railroad Commission:

Table No. XII.

Cost of Operating Present Hydro-Electric System
of Mr. Whitney Power and Electric Company.
Gulick and Railroad Commission.

	<u>Gulick</u>	<u>Railroad Commission</u>
Reproduction Cost		
Kaweah #1	\$ 195,229.00	\$ 195,229.00
" #2	274,097.00	274,097.00
" #3	664,247.00	674,211.00
Tule #4	385,537.00	385,537.00
Steam Plant at Visalia	407,975.00	418,174.00
" " " Tulare		149,296.00
General Production Capital	4,190.00	4,295.00
Telephone Lines, etc.	14,401.00	
Operative Lands Production	13,155.00	18,150.00
Rights of Way Transmission	3,865.00	
29% of Total Transmission Capital used to deliver Power from Hydro- Plants to Valley Loop.	54,576.00	
Estimated Working Capital (Approximately 2 mo. opera- tion & Maintenance)	8,000.00	16,150.00
Total	\$2,025,272.00	\$2,135,139.00
Expenses of Operation and Main- tenance		
Operation & Maintenance for 1914	56,128.00	
" " Maintenance for 1915		96,893.00
25% of Transmission Expense Chargeable to Hydraulic Power Houses	4,879.00	
Interest at 8% on Total Capi- tal Involved	162,022.00	170,811.00
Estimated Depreciation Annuity		
Kaweah #1	3,417.00)	
" #2	3,180.00)	34,677.00
" #3	3,321.00)	
Tule #4	7,441.00)	
Visalia Steam Plant	6,722.00)	
Tulare Steam Plant		2,788.00
Transmission Lines	1,062.00	
Telephone System	444.00	
Correction to above	38.00	
Insurance on Steam Plants at .175%		993.00
Total Annual Cost of Operation of Present System.	\$248,654.00	\$306,162.00

Mr. Gulick estimates an investment in the Kaweah Plant No. 3 amounting to \$664,247.00, while this Commission estimates an investment of \$674,211.00. The reason for the increased estimate of the Railroad Commission is due to the fact that the Commission has added an amount for general administration expense chargeable to capital, while Mr. Gulick's estimate is based on a preliminary report which did not contain this item. The same fact accounts for the difference in assumed investment in the steam plant, and general production equipment. The Commission's estimate on operative lands used in production, is in excess of Mr. Gulick's estimate for the reason that Mr. Gulick has omitted the item of \$3,791.00 for lands appurtenant to the Visalia steam plant, and \$1,204 for lands appurtenant to the Tulare steam plant.

The Commission's larger estimate for working capital is due to a larger estimate for operating expenses, as appears later in the table. The difference in depreciation annuity results from a difference in assumed life of the various portions of the property. The Commission's engineers have applied an annuity of 1.780% to the assumed investment in the hydro-electric plants and the steam plants. In view of the fact that Mr. Gulick has allowed an item of \$1,500.00 for insurance for the comparative steam plant, being .175% on the \$856,791.00 invested, the Commission has made an allowance on the same basis for insurance on the present steam plants amounting to \$993.00. This has been done to make the two estimates comparable.

The following table shows in summary form the comparison between the estimates of Mr. Gulick and of the Railroad Commission:

TABLE NO. XLII

COMPARISON OF WATER RIGHT VALUES ON COMPARATIVE
STEAM PLANT BASIS. OF MT. WHITNEY POWER
AND ELECTRIC COMPANY --GULICK AND
RAILROAD COMMISSION.

	<u>Gulick</u>	<u>Railroad Commission.</u>
Annual Expenses of an Equivalent Steam Plant	\$256,863.00	\$235,713.00
Annual Expense of the Present Hydro-Electric System	<u>248,654.00</u>	<u>306,162.00</u>
Saving due to Operation of Hydro-Electric System	8,209.00	70,449.00
Value of Water Rights Based on above Saving as an 8% Return	102,613.00	880,613.00

It will be observed that while on the basis of Mr. Gulick's estimates the water rights of the Mt. Whitney Company have a value of \$102,613.00 based on a capitalization of the assumed saving on an 8% basis, the Railroad Commission's estimate, on the same theory, results in a negative value of \$880,613.00, with fuel oil at 50¢ per barrel. This negative value will be decreased as the price of fuel oil increases. The principal points of difference, as will no doubt have been observed, is in the cost of fuel oil and in the allowance for depreciation annuity.

The differences between the estimate of Mr. Gulick and this Commission, each applying the same theory, create considerable doubt with reference to the validity of a method of ascertaining water right values, based upon this theory. Furthermore, while today the fuel market might be such as to give an affirmative value to a utility's water rights, the quotations of next month might reduce such value to less than nothing. Stability of rate regulation under such conditions would of course be impossible.

In my opinion we should not speculate in futures in ascertaining water right values. At the present price of oil the Mt. Whitney Company's water rights, under Mr. Gulick's own computations, have a value considerably less than nothing. Hence I am unwilling to add to the investment in property an allowance for water right values in excess of what has been paid for them.

(g) Fair return.

The following table shows the fair value of the property of the Mt. Whitney Company, including the property owned by Tulare County Power Company, as of June 30, 1915, for the purpose of these proceedings, with the necessary additions for additions and betterments for one year, the necessary sums to be added to capital account in connection with the reconstruction of transmission and distribution lines under Chapter 499 of the Laws of 1911 and Chapter 600 of the Laws of 1915, and the necessary cost of taking over the transformers hitherto owned by the Mt. Whitney Company's consumers, together with a reasonable depreciation annuity:

TABLE XIV.

FAIR VALUE OF PROPERTY OF
MT. WHITNEY POWER AND ELECTRIC COMPANY
TOGETHER WITH REASONABLE DEPRECIATION ANNUITY

		<u>Fixed Capital</u>	<u>Depreciation Annuity</u>
<u>INTANGIBLE CAPITAL:</u>			
C - 1	Organization	\$ 51 127	\$
C - 2	Franchise	1 628	6
C - 4	Other Intangible Capital	<u>7 924</u>	<u>—</u>
	TOTAL INTANGIBLE CAPITAL	\$ 60 679	\$ 6
<u>TANGIBLE CAPITAL:</u>			
<u>Landed Capital:</u>			
C - 5	Land Devoted to Electric Operation		
	a. Land Devoted to Production Operations	\$ 15 882	
	c. Land Devoted to Distribution Operations	17 273	
	e. Land Devoted to Other Oper'n.	<u>15 040</u>	
	Total Land Devoted to Electric Operations	\$ 48 195	
<u>Production Capital:</u>			
C - 6	Dams, Water Conduits & Penstocks	\$1 004 508	\$ 10 319
C - 7	Power Plt. Bldgs. & Genl. Str.	214 858	4 572
C - 8	Hydraulic Power Plant Equip't.	265 091	7 206
C - 9	Furnaces, Boilers & Accessories	308 970	5 632
C - 10	Steam Power Plant Equipment	<u>203 358</u>	<u>3 707</u>
	Total Production Capital	\$ 1 996 785	\$ 31 436
<u>Transmission & Distribution Capital:</u>			
C - 14	Poles and Fixtures		
	a. Transmission	\$ 132 486	\$ 3 602
	b. Distribution	547 984	14 899
C - 15	Overhead System:		
	a. Transmission	97 128	872
	b. Distribution	387 362	3 476
C - 17	Substation Bldgs. & Genl. Str.		
	b. Distribution	82 853	471

TABLE XIV. (Cont'd)

FAIR VALUE OF PROPERTY OF

MT. WHITNEY POWER AND ELECTRIC COMPANY

TOGETHER WITH REASONABLE DEPRECIATION ANNUITY

		<u>Fixed Capital</u>	<u>Depreciation Annuity</u>
C -18	Substation Equipment		
	b. Distribution	\$ 289 032	\$ 7 857
C -19	Miscellaneous Equipment		
	b. Distribution	18 129	643
C -20	Line Trans. & Devices	301 394	8 193
C -21	Electric Services	14 429	620
C -22	Meters	74 618	3 206
C -23	Municipal St.Light.System	<u>39 072</u>	<u>1 679</u>
	Total Transmission & Distri- bution Capital	\$1 984 487	\$ 45 518
	<u>GENERAL CAPITAL:</u>		
C -27	General Structures	\$ 68 356	\$ 442
C -28	General Equipmont	66 252	8 750
C -29	Telephone Lines	14 833	480
C -30	Roads,Trestles & Bridges	<u>99 516</u>	<u>18</u>
	Total General Capital	\$ 248 957	\$ 9 690
	Total Tangible Capital	\$4 278 424	\$ 86 644
	Material & Supplies	\$ 78 540	
	Working Capital	58 333	
	Construction Capital	<u>410 221</u>	\$ <u>10 689</u>
	GRAND TOTAL	\$4 886 197	\$ 97 339

66 1/2

I recommend that a return of 8 per cent on the above fair value of the property of the Mt. Whitney Company be allowed in this proceeding. Railroad Commission's Exhibit No. 3 shows that the average cost of bond money to the Mt. Whitney Company and its predecessor has been 6.8668 per cent. The margin herein allowed above the cost of money to the Mt. Whitney Company will be sufficient to induce such capital as may be necessary for additions, betterments and extensions, to seek investment in the property of the Mt. Whitney Company.

I find as a fact that the sum of \$387,295.76 is a just and reasonable annual allowance for return on the fair value of the property of the Mt. Whitney Company, ^{as herein found,} used and useful in its service to the public.

3. Operating expenses.

The following table shows the operating expenses of the Mt. Whitney Company for the year ending December 31, 1914; and operating expenses for the Tulare County Power Company for the same year; the sum of the operating expenses of the two companies for 1914; the operating expenses for the Mt. Whitney Company for the year ending December 31, 1915; the operating expenses for Tulare County Power Company from January 1, 1915 to August 1, 1915; the sum of the operating expenses of the two companies for the year 1915 and reasonable annual operating expenses to be incurred by the Mt. Whitney Company as shown by the evidence in these proceedings:

TABLE XV.
OPERATING EXPENSES OF
MT. WHITNEY POWER & ELECTRIC COMPANY
FOR THE YEARS ENDING DECEMBER 31st, 1914 and 1915
AND REASONABLE OPERATING EXPENSES HEREIN DETERMINED

Account	Mt. Whitney Pr. & Elec. Company 1914	Tulare Co. Pr. Company 1914	Total Both Companies 1914	Mt. Whitney Pr. & Elec. Company 1915	Tulare Co. Pr. Company 1915 (7 Mos.)	Total Both Companies 1915	Operating Expenses Used in Rate Determination
PRODUCTION EXPENSES:							
1. Superintendence	\$ 116.60	\$ 1 645.71	\$ 1 762.31	\$ 2 990.09	\$ 1 079.60	\$ 4 069.69	\$ 3 000.00
2. Water Collec. Labor & Expense	3 225.93		3 225.93	7 237.90		7 237.90	11 000.00
3. Steam Generation Labor	1 250.64	2 502.54	3 753.18	2 837.40	1 601.97	4 439.37	3 000.00
4. Fuel for Steam	7 657.05	33 538.34	41 195.39	29 686.33	23 879.59	53 565.92	47 525.00
5. Steam Generator Supplies	512.05	1 429.87	1 941.92	1 302.42	748.80	2 051.22	1 500.00
6. Electric Plant Labor	12 519.33	962.43	13 481.76	10 311.55	645.92	10 957.47	11 300.00
7. Electric Plant Supplies	979.98		979.98	584.12		584.12	600.00
8. Elec. Energy from Other Sources		37 352.35	37 352.35	17 922.16	15 679.70	33 601.86	
9. General Labor & Supplies	5 259.75	114.33	5 374.08	7 113.57	52.51	7 166.08	4 100.00
Total Operating Prod. Expenses	\$ 31 521.33	\$ 77 545.57	\$ 109 066.90	\$ 79 985.54	\$ 43 688.09	\$ 123 673.63	\$ 85 025.00
10. Repairs to Dams, Water Con. & Penstocks	8 849.05		8 849.05	7 680.03		7 680.03	7 800.00
11. Repairs to Pr. Plt. Bldgs. & General Structures	1 750.55	4.34	1 754.89	2 143.66		2 143.66	2 600.00
12. Repairs Hydraul. Pr. Plt. Equipt.	8 953.44		8 953.44	5 080.44		5 080.44	6 800.00
13. Reprs. Boilers, Furn. & Access.	2 818.82	2 609.62	5 428.44	1 630.31	508.98	2 139.29	4 135.00
14. Reprs. Steam Pr. Plt. Equipt.	679.56	902.58	1 582.14	1 411.14	1 222.90	2 634.04	2 145.00
15. Reprs. Misc. Prod. Equipt.	1 564.56		1 564.56	660.14		660.14	660.00
Total Maintenance Prod. Exp.	\$ 24 615.98	\$ 3 516.54	\$ 28 132.52	\$ 18 605.72	\$ 1 731.88	\$ 20 337.60	\$ 24 140.00
TOTAL PRODUCTION EXPENSES	\$ 56 137.31	\$ 81 062.11	\$ 137 199.42	\$ 98 591.26	\$ 45 419.97	\$ 144 011.23	\$ 109 165.00

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TABLE XV.
OPERATING EXPENSES OF
MT. WHITNEY POWER & ELECTRIC COMPANY
FOR THE YEARS ENDING DECEMBER 31st, 1914 and 1915
AND REASONABLE OPERATING EXPENSES HEREIN DETERMINED

t.	Account	Mt. Whitney Pr. & Elec. Company 1914	Tulare Co. Pr. Company 1914	Total Both Companies 1914	Mt. Whitney Pr. & Elec. Company 1915	Tulare Co. Pr. Company 1915 (7 Mos.)	Total Both Companies 1915	Operating Expenses Used in Rate Determination
<u>TRANSMISSION EXPENSES:</u>								
4.	Superintendence				\$ 707.47	\$ 69.67	\$ 777.14	\$ 707.00
5.	Inspecting and Patrolling	\$ 372.87	\$ 3.16	\$ 376.03	680.34	1.72	682.06	700.00
6.	Substation Labor	7 830.24	807.67	8 637.91	2 030.07	466.91	2 495.98	2 200.00
7.	Substation Supplies & Exp.	875.07	1.30	876.37	521.56		521.56	500.00
8.	Gen'l Labor & Supplies	875.07		875.07	524.10		524.10	500.00
	Total Operating Trans. Exp.	\$ 9 953.25	\$ 812.13	\$10 765.38	\$4 463.54	\$ 537.30	\$ 5 000.84	\$4 607.00
9.	Reprs. Ov'hd. Trans. System	4 575.71	73.33	4 649.04	7 567.27	19.07	7 586.34	6 100.00
1.	Reprs. Substa. Bldgs. & Gen'l Structures	458.51	6.50	465.01	11.21		11.21	200.00
2.	Reprs. Substa. Equipment	3 967.23		3 967.23	1 838.46		1 838.46	1 500.00
3.	Reprs. Misc. Trans. Equipt.				9.07		9.07	10.00
	Total Maintenance Trans. Exp.	\$ 9 001.45	\$ 79.83	\$ 9 081.28	\$9 426.01	\$ 19.07	\$ 9 445.08	\$7 810.00
	TOTAL TRANSMISSION EXPENSES	\$18 954.70	\$ 891.96	\$19 846.66	\$13 889.55	\$ 556.37	\$14 445.92	\$12 417.00

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TABLE XV
OPERATING EXPENSES OF
MT. WHITNEY POWER & ELECTRIC COMPANY
FOR THE YEARS ENDING DECEMBER 31st, 1914 and 1915
AND REASONABLE OPERATING EXPENSES HEREIN DETERMINED

Account	Mt. Whitney Pr. & Elec. Company 1914	Tulare Co. Pr. Company 1914	Total Both Companies 1914	Mt. Whitney Pr. & Elec. Company 1915	Tulare County Pr. Co. 1915 (7 Mos.)	Total Both Companies 1915	Operating Expenses Used In Rate Determination
Distribution Expenses							
Superintendence	\$ 4 256.38	\$ 1.85	\$ 4 258.23	\$ 3 104.30	\$ 113.66	\$ 3 217.96	\$ 3 100.00
Substation Labor	2 005.88	1 069.51	3 075.39	9 232.77	497.65	9 730.42	9 200.00
Substation Supplies & Expenses	2 005.88	88.84	2 094.72	3 413.95	183.34	3 597.29	3 400.00
Setting & Removing Transformers and Meters	5 516.56	153.65	5 670.21	4 655.07	199.51	4 854.58	10 000.00
Inspecting and Patrolling	1 200.00	134.58	1 334.58	2 197.52	7.18	2 204.70	1 500.00
Electric Meter Operations	3 750.35	4.90	3 755.25	4 970.40		4 970.40	5 000.00
Com'l Incan. Lamp Install. & Renewals	411.99		411.99	432.04		432.04	400.00
Inspection & Repairs of Con- sumer's Installations	9 792.02	4 548.55	14 340.57	7 100.59	1 967.49	9 068.08	7 100.00
Mun. St. Arc Labor	1 318.76		1 318.76	1 383.51		1 383.51	1 380.00
Mun. St. Arc Supplies	1 318.77		1 318.77	1 135.08		1 135.08	1 150.00
Gen'l Labor & Supplies	2 005.89	1.25	2 007.14	2 200.63		2 200.63	2 200.00
TOTAL OPER. DIST. EXP.	32,758.50	6,003.13	38,761.63	38,961.78	2,968.83	41,930.61	43,630.00
Repairs Substa. Bldgs. & Gen. Str.				112.06		112.06	100.00
Repairs to Substa. Equipment		49.76	49.76	3,019.20		3 019.20	2 200.00
Repairs to Ov'hd Dist. System	9 350.42	2 037.48	11 387.90	10 247.86	728.27	10 976.13	17 572.00
Repairs to Line Trans. & Devices	232.37	131.60	363.97	366.67	128.69	495.36	4 220.00
Repairs to Electric Services	326.61	17.91	344.52	114.68	60.94	175.62	125.00
Repairs to Electric Meters	200.00	47.89	247.89	154.38	13.63	168.01	170.00
Repairs to Mun. St. Light. System	547.25		547.25	668.37		668.37	670.00
Repairs to Com'l Arc Lamps		10.76	10.76				
Repairs to Inst. on Con's Premises				3.73		3.73	
Repairs to Misc. Dist. Equip.				3.34	514.13	517.47	
TOTAL MAIN DIST. EXP.	\$ 10,656.65	\$ 2,295.40	\$12,952.05	\$ 14,690.29	\$ 1,445.66	\$16,135.95	\$ 25,057.00
TOTAL DIST. EXPENSES	\$ 43,415.15	\$ 8,298.53	\$51,713.68	\$ 53,652.07	\$ 4,414.49	\$58,066.56	\$ 68,687.00

TABLE XV
OPERATING EXPENSES OF
MT. WHITNEY POWER & ELECTRIC COMPANY
FOR THE YEARS ENDING DECEMBER 31st, 1914 and 1915
AND REASONABLE OPERATING EXPENSES HEREIN DETERMINED

Acct. No.	Account	Mt. Whitney Pr. & Elec. Company 1914	Tulare Co. Pr. Company 1914	Total Both Companies 1914	Mt. Whitney Pr. & Elec. Company 1915	Tulare Co. Pr. Company 1915 (7 Mos.)	Total Both Companies 1915	Operating Expenses Used In Rate Determination
COMMERCIAL EXPENSES:								
E-60.	New Business Expenses	12 057.17	758.00	12 815.17	4 726.74	71.95	4 798.69	5 800.00
E-61.	Free Installation Expenses	184.70	152.99	337.69	442.82	323.86	776.68	450.00
E-62.	Commercial Department Salaries & Exps.	2 006.35	2 247.55	4 253.90	6 698.92	1 669.41	8 368.33	11 200.00
E-63.	Commercial Department Indexing	9 379.30	974.09	10 353.39	8 308.66	468.05	8 771.71	3 000.00
E-64.	Commercial Department Collections	12 765.60	1 027.98	13 793.58	18 323.31	575.91	18 899.22	7 500.00
E-65.	Miscellaneous Commercial Expenses		92.10	92.10	2 743.24	49.00	2 792.24	3 150.00
	Total-Commercial Expenses	36 393.12	5 252.71	41 645.83	41 233.69	3 168.18	44 401.87	31 100.00
GENERAL & MISCELLANEOUS EXPENSES								
E-66.	Salaries of General Officers	19 655.00	5 906.98	25 561.98	18 814.51	3 644.18	19 458.69	17 000.00
E-67.	Salaries of General Office Clerks	18 297.00	2 172.82	20 479.82	11 034.92	1 578.70	12 713.62	13 550.00
E-68.	Miso. Gen'l Office Supplies & Exps.	13 491.27	4 826.02	18 317.29	18 913.70	2 006.59	20 920.29	19 500.00
E-69.	Law Expenses-General	2 176.88	1 148.23	3 324.61	1 618.39	760.60	2 378.99	2 000.00
E-70.	Railroad Commission Expenses				13 891.12	172.95	14 064.07	1 000.00
E-71.	Injuries and Damages	4 300.09	783.88	5 083.97	2 974.87	7.50	2 981.87	3 400.00
E-72.	Relief Department and Expenses							
E-73.	Electric Franchise Requirements	241.82		241.82	309.73		309.73	310.00
E-74.	Other General Expenses	27 545.23		27 545.23	1 895.48		1 895.48	2 250.00
E-75.	Insurance	8 966.46	1 979.67	10 946.13	8 719.98	657.51	9 377.49	9 000.00
	Total-Gen'l Operating Expenses	94 673.25	16 817.60	111 490.85	75 172.20	8 928.03	84 100.23	68 010.00

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TABLE XV (Continued)
OPERATING EXPENSES
MT. WHITNEY POWER & ELECTRIC COMPANY
FOR THE YEARS ENDING DECEMBER 31st, 1914 and 1915
AND REASONABLE OPERATING EXPENSES HEREIN DETERMINED

Acct. No.	Account	Mt. Whitney Pr. & Elec. Company 1914	Tulare Co. Pr. Company 1914	Total Both Companies 1914	Mt. Whitney Pr. & Elec. Company 1915	Tulare Co. Pr. Company 1915 (7 Mos.)	Total Both Companies 1915	Operating Expenses Used In Rate Determination
GENERAL & MISCELL. EXPS. (Cont.)								
E-76.	Repairs to General Structures	234.24	34.21	268.45	99.77	-	99.77	100.00
E-77.	Repairs to Gen'l Equip.-Ofc. Equip.				119.24		119.24	120.00
E-78.	Repairs to Gen'l Equip.-Shop Equip.				27.05		27.05	27.00
E-79.	Repairs to Gen'l Equip.-Store Equip.				.57	37.89	38.46	
E-80.	Repairs to Gen'l Equip.-Stable & Garage		2 573.18	2 573.18	69.00	2 058.02	2 147.02	80.00
E-81.	Repairs to Gen'l Equip.-Miscellaneous		22.29	22.29	411.78		411.78	400.00
E-82.	Repairs to Telephone Lines	641.20	36.92	678.12	499.15	14.47	513.62	600.00
E-83.	Repairs to Roads, Trestles & Bridges					10.50	10.50	
E-86.	Undistributed Adjustments-Balances				239.02		239.02	
E-87.	Extraordinary Repairs							
E-88.	Repairs Charged to Reserve-Cr.							
	Total Gen'l Maintenance Expenses	875.44	2 666.60	3 542.04	1 007.54	2 120.88	3 128.42	1 337.00
	TOTAL GEN'L AND MISC. EXPENSES	95 546.69	19 484.20	115 032.89	76 179.74	11 048.91	87 228.65	69 347.00

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TABLE XV

OPERATING EXPENSES OF MT. WHITNEYPOWER & ELECTRIC COMPANYFOR THE YEARS ENDING DECEMBER 31st, 1914 and 1915AND REASONABLE OPERATING EXPENSES HEREIN DETERMINED

Account	Mt. Whitney Pr. & Elec. Company 1914	Tulare Co. Pr. Company 1914	Total Both Companies 1914	Mt. Whitney Pr. & Elec. Company 1 9 1 5	Tulare Co. Pr. Company 1915 (7 Mos.)	Total Both Companies 1915	Operating Expenses Used In Rate Determination
<u>TAXES:</u>							
Taxes	\$ 24 028.37	\$ 5 318.67	\$ 29 347.04	\$ 32 474.26	\$ 3 847.55	\$ 36 321.81	\$ 43 850.00
<u>GENERAL AMORTIZATION OF CAPITAL</u>							
Amortization of Capital	48 242.09	7 200.00	55 442.09	67 055.38	4 200.00	71 255.38	97 339.00
<u>RECAPITULATION OF EXPENSES</u>							
Production Expenses	56 137.31	81 062.11	137 199.42	98 591.26	45 419.97	144 011.23	109 165.00
Transmission Expenses	18 954.70	891.96	19 846.66	13 889.55	556.37	14 445.92	12 417.00
Distribution Expenses	43 415.15	8 298.53	51 713.68	53 652.07	4 414.49	58 066.56	68 687.00
Commercial Expenses	36 393.12	5 252.71	41 645.83	41 233.69	3 168.18	44 401.87	31 100.00
Gen'l and Misc. Expenses	95 548.69	19 484.20	115 032.89	76 179.74	11 048.91	87 228.65	69 347.00
Taxes	24 028.37	5 318.67	29 347.04	32 474.26	3 847.55	36 321.81	43 850.00
Gen'l Amortization of Capital	48 242.09	7 200.00	55 442.09	67 055.38	4 200.00	71 255.38	97 339.00
TOTAL OPERATING EXPENSES	\$ 322 719.43	\$ 127 508.18	\$ 450 227.61	\$ 383 075.95	\$ 72 655.47	\$ 455 731.42	\$ 431 905.00
Uncollectible Bills	7 575.54	4 702.57	12 278.11	5 602.75	1 200.00	6 802.75	12 424.00
<u>GRAND TOTAL EXPENSES</u>	\$ 330 294.97	\$ 132 210.75	\$ 462 505.72	\$ 388 678.70	\$ 73 855.47	\$ 462 534.17	\$ 444 329.00

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The Commission, in making its estimate of reasonable maintenance and operating expenses, has increased the expenses heretofore obtaining in order to provide for the maintenance and operation of transformers and also to provide the necessary maintenance expenses in ~~connection~~ connection with the reconstruction of transmission and distribution lines under the provisions of Chapter 499 of the Laws of 1911 and Chapter 600 of the Laws of 1915.

A reduction in operating expenses will result from the elimination of the maximum demand system in connection with agricultural power rates, and also from the elimination of the purchase of electric energy from the San Joaquin Light and Power Corporation.

4. Depreciation annuity.

A reasonable depreciation annuity appears in Table XIV, hereinabove appearing. The depreciation annuity has been determined on the 6 per cent sinking fund basis.

5. Cost of service.

The following table shows the cost of service of the Mt. Whitney Company as deduced from the evidence in these proceedings:

TABLE NO. XVICOST OF SERVICEMT. WHITNEY POWER & ELECTRIC CO.

Capital	\$4,986,197
Interest at 7%	342,034
Dep. Ammity	97,339
Operating Expenses	290,716
Sub- Total	\$ 730,089
Uncollectible Bills	11,645
Sub-Total	\$ 741,734
Taxes $5\frac{1}{4}\%$	41,099
Total Cost	782,833
Profit (Based on 8% Return)	\$ 48,862
Adjustment for Uncollectible Bills	779
Sub- Total	49,641
Adjustment for Taxes	2,751
Profit adjusted for Uncollectible Bills and Taxes	52,392
<u>TOTAL COST</u> Plus Profit-	\$835,225

6. Rates established.

The Mt. Whitney Company has established rates for power service, general lighting, miscellaneous lighting and municipal lighting. Under the head of power rates, the company has four standard forms of contracts, as well as a monthly non-contract rate and a few miscellaneous power rates. The Mt. Whitney Company's four standard agricultural power contracts, known respectively as C-1-1912, C-2-1912, C-3-1912 and C-4-1912, have already hereinbefore been referred to.

No complaint was made in these proceedings of any of the rates of the Mt. Whitney Company except the agricultural power rates. A large number of farmers under the system of the Mt. Whitney Company made insistent ~~repeated~~ complaint against the company's agricultural power rates, particularly the standard \$50.00 per horse power of maximum demand annual rate. Considerable testimony was offered to show that unless a reduction in the agricultural power rates is made, a considerable portion of the agricultural power business of the Mt. Whitney Company may be lost to the competition of gasoline engines. This general situation has been discussed in some detail in the decision this day being rendered in the San Joaquin Light and Power Corporation cases, to which decision reference is hereby made.

I find that it will be very much to the interest of the farmers under this system to have established a seasonal rate, so that those farmers who need power only during say seven to nine months may secure a more reasonable rate than that which they necessarily must pay if the Mt. Whitney Company must stand ready to serve them during each day of the year, as is now done under the standard \$50.00 per horse power maximum demand contract.

I am of the opinion that the farmers will find that most of them can use such seasonal rates, with substantial advantage to them. Fair and reasonable seasonal rates are being established herein.

A careful consideration of the evidence herein convinces me that the general lighting rate of the Mt. Whitney Company is in excess of a reasonable rate. The Mt. Whitney Company has been charging a flat rate of 10 cents per K.W.H., with certain discounts on monthly bills in excess of \$20.00, with a minimum charge of \$1.00 per month for all residence lighting service. The minimum should be reduced from \$1.00 to 75 cents per meter per month.

I find as a fact that the rates which are set forth in the order herein are just and reasonable rates to be charged by the Mt. Whitney Company for the respective classes of service designated.

IX

RULES AND REGULATIONS

In as much as the rates and principles herein established will modify the conditions under which service is rendered, it will be necessary that the Mt. Whitney Power & Electric Company revise all of it's present rules and regulations, particularly those pertaining to Contracts, Waiver of Damages, Transformers, etc.

Mt Whitney Power & Electric Corporation^{Company} accordingly shall submit to the Commission revised rules and regulations to conform with the findings herein and the rules set forth by this Commission in it's Decision No.2879 in Case No. 653 683

(AS) The following rules and regulations which have been considered in connection with the establishment of the rates herein prescribed are found to be just and reasonable. The same shall be incorporated by Mt. Whitney Power & Electric Company in it's filing regarding the terms and conditions of service above referred to and submitted to this Commission as herein provided.

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TABLE

RULES AND REGULATIONS

1. Application for Service: The Company will require each prospective consumer to make application in writing for the service desired, such application setting forth the location of the premises to be served, the purpose for which the service is to be used, a description of the electrical equipment installed, the name and address of the person responsible for the payment of the bills and whether applicant is the owner, agent or tenant of the premises upon which the service is to be used.
2. Contracts: Contracts for a period of three years will be required in the first instance for agricultural service under conditions which require a material investment by the company in service facilities.
3. Rates: The rates to be charged by and paid to the company for electric energy and service shall be the rates legally in effect and on file with the Railroad Commission. Complete schedules of all rates legally in effect will be kept at all times in each of the company's local offices where they will be available for public inspection. Where there are two or more rates or schedules applicable to any class of service the consumer, at the time he makes application to the company for service, must designate which rate or schedule he desires, and the rate or schedule so designated shall remain in effect until changed by thirty days written notice by the consumer specifying which new rate or schedule is desired. The rates and minimum charges set forth in the effective rate schedules are based upon the load connected to the company's supply system through one meter. Where sub-meters or secondary meters are desired by the consumer such meters will be charged for separately on the monthly rental basis.
4. Limitation of Demand: Double throw switches or other approved demand limiting devices will be permitted to limit the demand which can be created at any one time on the company's supply system through the operation of the consumer's electrical equipment.

RULES AND REGULATIONS

5. Meters: All meters will be furnished and installed by the company at its own expense without any additional charge from the rates set forth in its effective rate schedules, except in cases where special metering facilities are desired by the consumer. All meters will be tested at the time of their installation and no meter will be placed in service or allowed to remain in service which has an error of registration in excess of two per cent under the conditions of normal operation. Upon giving the company at least five days notice, the consumer shall have the right at any time to require the company to test his service meter in his presence, or, if he so desires, in the presence of an expert or other representative appointed by him, provided, however, that if special tests are required by the consumer more often than once in six months, a reasonable charge shall be made for such additional tests.

I submit the following form of order:

O R D E R.

Public hearings having been held in the above entitled proceedings and said proceedings having been submitted and being now ready for decision;

The RAILROAD COMMISSION hereby makes the following findings of fact:

(1) The Railroad Commission finds that the rates, rules, regulations, contracts and practices of the Mt. Whitney Power and Electric Company are unjust and unreasonable in so far as they differ from the rates, rules, regulations, contracts and practices herein established.

(2) The Railroad Commission hereby finds that the rates, rules, regulations, contracts and practices herein established are just and reasonable rates, rules, regulations, contracts and practices.

Basing its order on the foregoing findings of fact and on each statement of fact contained in the opinion which precedes this order;

IT IS HEREBY ORDERED AS FOLLOWS:

1. Mt. Whitney Power and Electric Company is hereby ordered to establish and file with the Railroad Commission on or before April 20, 1916, the following rates for the respective classes of service specified, which rates are found to be just and reasonable rates:

SCHEDULE No. 1

GENERAL DOMESTIC LIGHTING RATE

Metered Service

Applicable to domestic and small commercial lighting, heating and power installations of less than five kilowatt capacity.

First 20 kilowatt hours per Mo. 8¢ per K.W.H.

Over 20 kilowatt hours per Mo. 4¢ per K.W.H.

Minimum Monthly Charge \$.75 per Meter.

SCHEDULE No. 2

GENERAL COMMERCIAL LIGHTING RATE

Metered Service

Applicable to all commercial, industrial, sign outline and other lighting installations and to small power and appliances used in connection with lighting service.

\$2.25 per Mo. per kilowatt of measured maximum demand, to which charge shall be added an energy charge of one (1) cent per metered kilowatt hour for all electric energy consumed.

Minimum Monthly Bill - \$2.50

Watt demand indicators and watt hour meters will in all cases be installed and maintained by the Company at its own expense under this rate.

SCHEDULE No. 3.

PUBLIC OUTDOOR LIGHTING SERVICE

This schedule of rates applies to all street, highway and other public outdoor lighting coming under the following classes of service and includes installation and all maintenance and operation and lamp renewals necessary for such service.

1. LUMINOUS ARCS: RATE
\$33.00 per lamp per year plus 45¢ per 100 lamp hours;
Payable monthly.
2. INCLOSED CARBON ARCS: RATE
\$31.80 per lamp per year plus 45¢ per 100 lamp hours.
3. SERIES OR MULTIPLE 100 WATT TUNGSTEN INCANDESCENT LAMPS
\$16. 20 per lamp per year plus 15¢ per 100 lamp hours;
Payable monthly.
4. SERIES OR MULTIPLE 60 WATT TUNGSTEN INCANDESCENT LAMPS
\$13.40 per lamp per year plus 10¢ per lamp hour;
Payable monthly.

SCHEDULE NO. 4

AGRICULTURAL SERVICE

CONTRACT FLAT RATES

Applicable to all agricultural or rural power and other service limited only by the demand upon the Company's system. Service will normally be supplied at 110 or 220 volts

One Month's Service	\$ 7.00 per H.P.		
Two Month's Service	12.15	"	"
Three Month's Service	16.45	"	"
Four Month's Service	20.25	"	"
Five Month's Service	23.65	"	"
Six Month's Service	26.80	"	"
Seven Month's Service	29.75	"	"
Eight Month's Service	32.50	"	"
Nine Month's Service	35.10	"	"
Ten Month's Service	37.60	"	"
Eleven Month's Service	40.00	"	"
Twelve Month's Service	42.30	"	"

The above flat rates are based upon the connected load in motors or other utilization equipment which can be connected at any one time to the Company's supply system. Under normal conditions meters will not be installed by the Company on strictly flat rate business but at the consumer's request demand indicating and watt-hour meters will be supplied at a charge of \$7.50 per year or fraction thereof and the flat rate charges per horsepower of connected load will be readjusted on the basis of 94% demand factor.

The minimum bill under those rates will be the flat rate for one horsepower.

SCHEDULE NO. 5
AGRICULTURAL SERVICE
NON-CONTRACT FLAT RATES

Applicable to all agricultural or rural power and other service limited only by the demand upon the Company's system. Service will normally be supplied at 110 or 220 volts

1st Month's Service	\$7.00	per H.P.
2nd Month's Service	5.15	" "
3rd Month's Service	4.30	" "
4th Month's Service	3.80	" "
5th Month's Service	3.40	" "
6th Month's Service	3.15	" "
7th Month's Service	2.95	" "
8th Month's Service	2.75	" "
9th Month's Service	2.60	" "
10th Month's Service	2.50	" "
11th Month's Service	2.40	" "
12th Month's Service	2.30	" "

The consumer taking service under these rates will be required to pay for the cost of the initial service connection and also the cost of any subsequent disconnections or reconnections made at his request.

The above flat rates are based upon the connected load in motors or other utilization equipment which can be connected at any one time to the Company's supply system. Under normal conditions meters will not be installed by the Company on strictly flat rate business but at the consumer's request demand indicating and watt-hour meters will be supplied at a charge of \$7.50 per year or fraction thereof and the flat rate charges per horsepower of connected load will be readjusted on the basis of 94% demand factor. The minimum bill under these rates will be the flat rate for one horsepower.

SCHEDULE NO. 6

AGRICULTURAL SERVICE

METER RATES

Applicable to all agricultural or rural power and other service limited only by the demand upon the Company's system. Service will normally be supplied at 110 or 220 volts.

CONTRACT BASIS

Demand Charge For One Month's Service					\$ 4.50 per H.P.	
"	"	"	Two	"	"	7.50 " "
"	"	"	Three	"	"	9.80 " "
"	"	"	Four	"	"	11.75 " "
"	"	"	Five	"	"	13.45 " "
"	"	"	Six	"	"	15.00 " "
"	"	"	Seven	"	"	16.40 " "
"	"	"	Eight	"	"	17.70 " "
"	"	"	Nine	"	"	18.90 " "
"	"	"	Ten	"	"	20.00 " "
"	"	"	Eleven	"	"	21.05 " "
"	"	"	Twelve	"	"	22.05 " "

To the demand charge, which is payable in equal monthly installments, shall be added the following energy charges:

ENERGY CHARGE, \$.005 per Kilowatt-hour.

NON-CONTRACT BASIS

Demand Charge For 1st Month's Service						\$4.50 per H.P.	
"	"	"	2nd	"	"	3.00	" "
"	"	"	3rd	"	"	2.30	" "
"	"	"	4th	"	"	1.95	" "
"	"	"	5th	"	"	1.70	" "
"	"	"	6th	"	"	1.55	" "
"	"	"	7th	"	"	1.40	" "
"	"	"	8th	"	"	1.30	" "
"	"	"	9th	"	"	1.20	" "
"	"	"	10th	"	"	1.10	" "
"	"	"	11th	"	"	1.05	" "
"	"	"	12th	"	"	1.00	" "

To the demand charge shall be added the following energy charge:

ENERGY CHARGE, \$.005 per kilowatt-hour.

The Consumer taking service under Non-Contract rates will be required to pay for the cost of the initial service connection and also the cost of any subsequent disconnections or reconnections made at his request.

The Demand charges under this schedule are based on the connected load in motors or other utilization equipment which can be connected at any one time to the Company's supply system, and the meters regularly supplied are of the recording watt-hour type. At the consumer's request, however, the company will furnish and install demand indicating instruments at a rate of \$3.00 per year or fraction thereof, and base the demand charge upon the measured monthly maximum demand, in which case the demand charges will be readjusted on the basis of 94% demand factor.

The minimum bill will be the demand charge for one horse power.

SCHEDULE No. 7.

GENERAL POWER RATE

Metered Service

Applicable to all industrial, commercial and other power installations of not more than twenty (20) horsepower installed capacity receiving energy at 110 or 220 volts at the consumer's option. Single phase or three phase service at option of company.

4¢ per kilowatt hour for first 200 kilowatt hours consumed during any month.

2¢ per kilowatt hour for all energy used during any month in excess of 200 kilowatt hours.

Minimum monthly charge \$1.00 per horsepower.

Minimum monthly bill \$1.00

SCHEDULE 8

INDUSTRIAL POWER RATES

METERED SERVICE

Applicable to all classes of power installations not otherwise specifically provided for in separate schedules.

INSTALLATIONS OF LESS THAN 20 H.P.

\$1.50 per month per horsepower connected to which charge shall be added an energy charge of one half (1/2) cent per kilowatt hour for all electric energy supplied.

Minimum monthly bill, \$5.00.

INSTALLATIONS IN EXCESS OF 20 H.P.

\$2.50 per month per kilowatt of measured maximum demand, to which charge shall be added an energy charge of four-tenths of one cent (\$.004) per kilowatt hour for all energy supplied.

Minimum monthly bill, \$20.00.

On small installations where the demand charge is based on the connected load ordinary recording watt-hour meters are regularly supplied by the Company. At the consumer's request, however, demand indicating instruments will be supplied at an additional charge of \$.25 per month in which case the rate will be based on the measured monthly maximum demand and the demand charge will be readjusted on the basis of 79% demand factor.

SCHEDULE No. 9.

SUBSTATION SERVICE RATE

Metered Service

Applicable to large consumers receiving energy directly from the Company's substations.

\$2.70 per month per kilowatt of measured maximum demand to which charge should be added an energy charge of one-quarter (1/4) cent per kilowatt hour for all electric energy supplied.

Monthly minimum charge- \$50.00

Under this rate, watt demand indicators, graphic recording meters, or other demand indicating or recording instruments and watt hour meters will in all cases be installed and maintained by the Company at the point of delivery.

SCHEDULE No. 10.

TRANSMISSION SERVICE RATE

Metered Service

Applicable to large consumers receiving energy directly from the Company's transmission lines at the transmission line voltage.

\$2.50 per month per kilowatt of measured maximum demand, to which charge shall be added an energy charge of two-tenths (2/10) cent per kilowatt hour for all electric energy supplied.

Monthly minimum charge- \$1.00

Under this rate watt demand indicators, graphic recording meters or other demand indicating or recording instruments and watt hour meters will in all cases be installed and maintained by the Company at the point of delivery.

2. Mt. Whitney Power and Electric Company is hereby directed to prepare and file with the Railroad Commission on or before April 20, 1916, revised forms of agricultural power contracts complying with the directions contained in the opinion which precedes this order.

3. Mt. Whitney Power and Electric Company is hereby ordered to establish and file with the Railroad Commission on or before April 20, 1916, rules and regulations in accordance with the directions contained in the opinion which precedes this order.

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 6th day of April, 1916.

Max Thelen
H. H. H. H. H.
Edwin O. Edgerton
James R. Decker

Commissioners.