

ORIGINAL

Decision No. \_\_\_\_\_

Decision No. 5449

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application )  
of SAN JOAQUIN LIGHT AND POWER )  
CORPORATION for authority to ) Application No. 3531.  
increase its electric rates. )

Short and Sutherland, by W. A. Sutherland, and  
Murray Bourne, for San Joaquin Light and  
Power Corporation.

B. D. Marx Greene for cities and towns of Bakers-  
field, Coalinga, Fowler, Fresno, Kingsburg,  
Madera, Maricopa, Sanger, and Selma, and  
the counties of Fresno, Kern and Madera, and  
their inhabitants.

Henry E. Barbour for City of Fresno.  
E. J. Emmons for City of Bakersfield.  
C. L. McCray for County of Merced.  
Everts and Ewing for Fresno Traction Company.  
Sanborn and Roehl for Rosenberg Brothers & Company.  
Johnson and Jones for Fresno Rock Products Company.  
P. W. Stamps for California Central Creameries.

THELLEN, Commissioner.

O P I N I O N.

San Joaquin Light and Power Corporation asks authority  
to increase its rates for electric energy by reason of increased  
operating expenses, due principally to the shortage of water for  
the generation of hydro-electric energy and to increased costs of  
fuel oil, labor and materials.

The company does not ask a permanent increase in the  
rates established by this Commission, after exhaustive inquiry,  
by Decision No. 3241, made on April 6, 1916, (Vol. 9, Opinions  
and Orders of the Railroad Commission of California, p. 542) but  
asks permission to make a temporary surcharge, to remain in ef-  
fect only as long as necessary to take care of the company's

additional cost of service, thus leaving intact as a basic rate structure the rates established by this Commission in said Decision No. 3241.

With the exception of the substantial shortage in snow and rainfall on the water sheds from which the company secures the water used by it in the generation of hydro-electric energy, the company's increased operating expenses are principally due to the war.

Public hearings herein were held in Fresno on April 8 and 9, and in San Francisco on May 1 and 2, 1918. Additional data to be supplied by the company have now been filed and the proceeding is ready for decision.

The documents to which exhibit numbers were assigned at the hearings herein have all been filed. In addition thereto, it was stipulated that all documents which might have been filed herein by the parties subsequent to the hearings should be given appropriate exhibit numbers and considered as evidence herein. The following documents have thus been filed, have been given the exhibit numbers indicated and under the stipulation will be considered as part of the evidence herein:

Additional Exhibits of San Joaquin Light  
and Power Corporation.

Exhibit No. 23 - Letter from G. R. Kenny to Railroad Commission, dated May 7, 1918 - ~~Continuation work on proposed~~  
~~January 1, 1916.~~ Capital expenditures June 1, 1915 to January 1, 1916.

Exhibit No. 24 - Copy of contract between California Natural Gas Company and San Joaquin Light and Power Corporation, dated April 19, 1911.

Exhibit No. 25 - Copy of fuel oil contract between General Petroleum Corporation and San Joaquin Light and Power Corporation, dated January 31, 1918.

Exhibit No. 26 - Copy of fuel oil contract between Shell Company of California and San Joaquin Light and Power Corporation, dated February 4, 1918.

Exhibit No. 27 - Copy of letter from General Petroleum Corporation to San Joaquin Light and Power Corporation, dated April 30, 1918, announcing increased price of fuel oil.

Exhibit No. 28 - Estimate of cost of 6-inch natural gas pipe line.

Exhibit No. 29 - Estimate of cost of installing gas burners and boilers at Bakersfield steam plant.

Exhibit No. 30 - Fuel used at steam plants, April, 1918.

Exhibit No. 31 - Total plant output and interchange of power, March and April, 1918.

Exhibit No. 32 - Letter from G. R. Kenny to Railroad Commission, dated May 13, 1918, enclosing statement of electric earnings of San Joaquin Light and Power Corporation for April, 1918.

Exhibit No. 33 - Letter from G. R. Kenny to Railroad Commission, dated May 17, 1918, giving data as to construction expenditures and earnings.

Subsequent to the hearings herein, the company and Mr. B. D. Marx Greene, representing various cities and counties and their inhabitants, filed memoranda, as authorized at the hearing.

I shall consider the subject matter of this opinion under the following heads:

- I. Rate Base.
- II. Depreciation Annuity.
- III. Operating Expenses.
  - (1) Production necessary for 1918.
  - (2) Cost of fuel.
  - (3) Other operating expenses.
  - (4) Taxes.
  - (5) Total operating expenses.
- IV. Return on rates now in effect.
- V. Rates herein established.
- VI. Rules and Regulations governing extensions.
- VII. Informal Complaints.

I.

RATE BASE.

In Decision No. 3241, this Commission established the rate base of \$10,054,540 as being proper for the year 1916. This sum included an item of \$264,485, being the assumed total cost of the transformers to be purchased by the company from its consumers, which payment, as a matter of fact, was only partially made in 1916, and has not as yet been entirely consummated. The total sum also included an item of \$175,300, being the assumed amount of construction capital for one-half of the year 1916.

In the present proceedings, it will be necessary to make allowance for additions and betterments made subsequent to Decision No. 3241, and also for capital expenditures to be made in 1918.

Table I shows the average capital for the years 1916 and 1917, and an estimate believed to be reasonable for the year 1918.

TABLE NO. I.

AVERAGE CAPITAL - ELECTRIC DEPARTMENT

1916, 1917, 1918. (Estimated)

<u>Intangible and Tangible Capital.</u>	<u>1916</u>	<u>1917</u>	<u>1918 Estimated</u>
Production	\$4,377,330.28	\$4,639,450.72	\$4,991,703.89
Transmission	1,509,689.85	1,615,845.80	1,729,699.89
Substation	521,449.92	583,491.78	676,386.72
Distribution	2,718,086.34	3,426,481.10	4,260,553.51
General	386,846.62	413,189.76	427,399.28
Undistributed	<u>6,850.00</u>	<u>28,954.00</u>	<u>64,208.00</u>
Total	\$9,520,253.01	\$10,707,413.16	\$12,149,951.29
Working Capital	133,500.00	133,500.00	150,000.00
Material and Supplies	<u>328,624.00</u>	<u>396,389.00</u>	<u>464,154.00</u>
Grand Total	9,982,377.01	11,237,302.16	12,764,105.29

In the foregoing table, the sum of \$100,000 has been deducted from the expenditure estimated by the company for distribution capital in 1918, for the reason that it appears improbable that the full amount of extensions estimated by the company for 1918 will be made.

## II.

### DEPRECIATION ANNUITY

In estimating the depreciation annuity to be allowed herein, it will be assumed that the company has assumed as of May 1, 1916, the depreciation to occur on all the transformers to be purchased from consumers on the basis of a total cost to the company of \$264,485. Additional depreciation has accordingly been allowed on transformers not at the time actually purchased by the company.

To the estimated depreciation annuity as of June 30, 1918, there should be added an item by reason of amortization of the gas main which the company is installing from the main of the Midway Gas Company, in the Midway Field, to the company's steam plant in Bakersfield, for the purpose of utilizing natural gas in the steam plant and thus reducing operating expenses from what they would be if fuel oil alone were utilized. I believe it reasonable to assume a 15-year life of the gas main for this purpose. An additional sum of \$2480.00 should be added on account of this main, under the head of amortization, in addition to the allowance for depreciation.

Table II shows the depreciation annuity to be allowed for 1918, estimated on the 6 per cent sinking fund basis and on the lives ~~not~~ determined by this Commission in Decision No. 3241.

TABLE II

DEPRECIATION ANNUITY - ELECTRIC DEPARTMENT -1918.

	<u>Percent Depreciation</u>	<u>As of June 30th, 1918</u>
Production	0.6179	\$50,844
Transmission	1.7600	30,443
Substation	1.828	12,329
Distribution	2.335	99,475
General	3.4360	14,685
Additional Depre- ciation on Trans- formers not Pur- chased	\$264,485 x 2.72% less payment = .85	985
Additional amortization of Pipe Line		2,480
<hr/>		
<u>T O T A L</u>		\$191,241
Undistributed Expenditures	1.65	1,059
<hr/>		
TOTAL ANNUAL DEPRECIATION		\$192,300

The total allowance for depreciation annuity for 1918 will be \$192,300. On the same basis, the depreciation annuity as of June 30, 1916, was \$146,641, and as of June 30, 1917, \$166,453.

### III.

#### OPERATING EXPENSES.

##### 1. Production necessary for 1918.

The company's sales in K.W.H., for the years indicated, are as follows:

1916 sales	83,886,520 K.W.H.
1917 sales	110,278,839 "
1918 sales, as estimated by the company,	135,340,000 "

Apart from the effect of the Daylight Saving Act, to which I shall refer shortly, and with the exception of the sales of agricultural power, I believe that the company's estimate of sales for 1918 may be accepted as being substantially correct.

I am satisfied, however, that the sales of agricultural power will be greater than estimated by the company. As shown in the company's Exhibit No. 12, the average connected load in 1916 was 9110 h.p. and in 1917, 13,023.5 h.p. In 1916, the company sold 2095 K.W.H. per h.p. of average connected load and in 1917, 2430 K.W.H. The company reports an average connected load of 15,793.75 h.p. of agricultural power on December 31, 1917, and estimates extensions for 1918 totalling in cost practically the same as those installed in 1917. By reason of delay in securing equipment and difficulty in securing labor and material, it is hardly probable, however, that the horse-power connected agricultural load added in 1918 will be as great as that added in 1917. On its priority list, filed herein as its Exhibit No. 22, the company shows applications for agricultural service



for 1918, amounting to 4396 h.p., some of which extensions, however, will not be made owing to excessive cost. Assuming that the amount of connected load of agricultural power added to the system in 1918 will be two-thirds as large as was added in 1917, the average agricultural connected load for 1918 would amount to 17,872 h.p. Assuming the same K.W.H. consumption per h.p. as occurred in 1917, the agricultural requirements will be 43,430,000 K.W.H. as compared with the company's estimate of 40,140,000. The figure of 43,430,000 K. W. H. will be used herein.

On March 19, 1918, the President signed S. 1854, providing for the saving of daylight and the establishment of a standard time for the United States. This act is generally known as the "Daylight Saving Act."

The Act provides that from March 31, 1918, at two o'clock A.M., until October 27, 1918, at two o'clock A.M., all clocks shall be set ahead one hour. The effect of the Act will be to give one more hour of daylight during the ordinary working hours of the day in the period specified.

By reason of this Act, it will be necessary to make an adjustment in the estimated quantity of electric energy which would have been sold for residence and commercial lighting in the absence of this Act.

The company presented in its Exhibit No. 13 an estimate of assumed reduction in revenue, to result from the Daylight Saving Act, amounting to 15 per cent in the total anticipated revenue from residence and commercial lighting, or a total amount of \$50,993.70. This estimate was based on the statement of an eastern engineer that he expected a 15 per cent reduction in revenue and was not based on an analysis of local conditions affecting the company.

Mr. J. E. Barker, representing the cities and counties which appeared herein, submitted as their Exhibit No. 2, an

estimate of reduced gross revenue amounting to \$22,820. This estimate was based on a comparison of the estimated lighting revenue for March and May, 1918. The time of sunset being practically one hour later in May than in March, Mr. Barker assumed that the difference in lighting revenue for these two months would represent approximately the result of the setting of the clocks ahead one hour for one month. From the result thus obtained, he deducted 30 per cent to represent the assumed additional use of electricity during the earlier morning hours and also a possible further use in the evenings.

Mr. L. S. Ready, this Commission's Acting Gas and Electrical Engineer, has made an independent estimate, based on the approximate difference in hours of darkness which occurred during various months in the summer of 1917, and has reached the conclusion that if the Daylight Savings Act had been in operation in 1917, the company would have suffered a reduction of \$30,000 in its residence and commercial lighting revenue, less such additional use of electricity as might occur in the mornings. Assuming a correction factor of 20 per cent by reason of the increased morning lighting, and bearing in mind increased sales in 1918, I find that it would be reasonable to assume a reduction of \$28,000 in residence and commercial lighting in 1918, due to this factor. This reduction in revenue from this class of business will represent a reduction in K.W.H. sales of 620,000 K.W.H., which amount will be apportioned herein between residence and business lighting respectively estimated for 1918.

Table III shows actual sales in K.W.H. from each class of the company's electric business during 1916 and 1917, together with the company's estimate for 1918, and this estimate as revised with respect to agricultural power and residence and business lighting, as herein indicated.

TABLE III

SALES IN K. W. H. - 1916, 1917 and 1918 (Estimated)

	<u>1916</u>	<u>1917</u>	1918 (esti- mated by company)	1918 (revised estimate)
Municipal Street Lighting	2,499,883	2,248,121	2,500,000	2,500,000
Municipal Lighting Misc.)		1,085,671	1,667,000	1,667,000
Business Lighting	7,238,368	8,980,296	10,722,000	10,287,000
Residence Lighting	3,241,849	3,898,810	4,556,000	4,371,000
Municipal Power	814,750	1,278,365	1,500,000	1,500,000
Industrial Power	24,576,424	26,827,888	31,000,000	31,000,000
Agricultural Power	19,086,776	31,711,200	40,140,000	43,430,000
#Oil Well Power	14,714,571	16,463,144	19,755,000	19,755,000
Railway Power	3,925,707	4,179,254	5,000,000	5,000,000
Other Electric Corp'ns	<u>7,788,192</u>	<u>13,546,090</u>	<u>18,500,000</u>	<u>18,500,000</u>
	83,886,520	110,278,839	135,340,000	138,010,000

# First four months of 1916 no separate record: arbitrarily assumed same rate of consumption as last eight months.

The estimate of sales herein used for 1918 is 138,010,000 K.W.H. On the assumption that the losses will amount to 30 per cent of the sales, this being the situation in 1917, it will be necessary for the company, in order to sell 138,010,000 K.W.H., to produce 179,500,000 K.W.H.

## 2. Cost of Fuel.

It will now be necessary to estimate how much of the electric energy needed in 1918 will be produced from water power and how much from steam power and to determine the cost of fuel.

Several estimates of the amount of electric energy to be produced by the company in 1918 were submitted herein, as follows:

Company's revised estimate, (Exhibit No.20)	121,782,404 K.W.H.	
James E. Barker's estimate,	144,628,399	"
L. S. Ready's estimate,	129,560,000	"

The company's estimate was based on certain measurements of snow on its water shed and on a number of assumptions as to the amount of runoff, further rainfall and other factors. Mr. Barker's estimate was based on similar factors, including an assumed heavy rainfall during the remainder of the year. Mr. Ready's estimate was based on an interpolation from actual stream flow and runoff of the records during the last several years.

It is impossible for any human being to determine accurately the amount of water which will flow into the company's <sup>Valley</sup> Crane Reservoir and other <sup>streams</sup> ~~reservoirs~~ during the remaining portion of this year. The best that can be done in this proceeding is to make as close an approximation as possible and then to take care of the situation as it actually develops by either lengthen-

ing or shortening the period during which the "surcharge" shall remain in effect. For the purposes of this proceeding, I shall assume a hydro-electric output by the company of 126,500,000 K.W.H. in 1918.

It was urged by the representatives of the cities and counties that correction should be made for hydro-electric power delivered by the company to Southern California Edison Company, under an interchange agreement, during March and April, 1918. In view of the fact that it is impossible at this time to determine the results of the interchange arrangement, I believe that this factor should not be considered at this time. This matter also may be hereafter considered in determining the time at which the "surcharge" should cease.

Assuming that 126,500,000 K.W.H. of the company's electric energy in 1918 will be secured from water power, there remain 53,000,000 K.W.H. which it will be necessary for the company to generate in its steam plant. The necessary steam will be generated in the company's Bakersfield steam plant, partly from natural gas and partly from fuel oil.

Assuming an average efficiency of 200 K.W.H. from each barrel of fuel oil and a standby requirement of 10,000 barrels for the year, it will be necessary to burn 275,000 barrels of fuel oil, or its equivalent in natural gas.

As already indicated, the company is constructing a six-inch natural gas main from the main of Midway Gas Company, in Midway Field to the company's steam plant in Bakersfield. The company estimated that the line would be completed by September 1, 1918. The cities and counties urged that it should be completed by July 1, 1918. For the purpose of this proceeding, and bearing in mind the possibility of crowding the work, I shall assume ~~for the purpose of this proceeding~~ that the line will be

completed by August 1, 1918.

The company has estimated a 100 per cent load factor on this pipe line during each month, with a delivery of 6,000,000 cubic feet per day in Bakersfield. I do not believe that this degree of perfection will be realized. I believe that the following estimate of natural gas purchased by the company for delivery through this pipe line during the months indicated, bearing in mind also the utilization of some natural gas from Valley Natural Gas Company at Bakersfield, may be reasonably used for the purpose of this proceeding:

August,	160,000 M cubic feet
September,	180,000 M " "
October,	180,000 M " "
November,	180,000 M " "
December,	<u>100,000 M</u> " "
Total,	800,000 M " "

Assuming a purchase of 800,000 M cubic feet and a use at the plant of 760,000 M cubic feet and an oil equivalent of one barrel of oil to 5500 cubic feet of natural gas, the natural gas to be secured by the company through this pipe line would take the place of 138,000 barrels of oil. The company will pay for this natural gas at the rate of 14 cents per 1000 cubic feet.

The estimated cost to the company of fuel for 1918 is as follows:

Natural gas - 800,000 M cu.ft. at 14¢, .....	\$112,000.00
Fuel oil - January, February and March, 40,136 bbls., .....	51,918.50
Fuel oil - April estimate, 2000 bbls. at \$1.40, .....	2,800.00
Fuel oil - remainder of year, 94,864 bbls. at \$1.65. ....	<u>156,525.60</u>
Total cost of fuel,	\$323,244.10

For the purpose of this proceeding, I shall assume an expenditure of \$325,000.00 in 1918 for fuel.

On April 30, 1918, the company received notice from General Petroleum Corporation, from which company it has been purchasing its fuel oil, that on May 1, 1918, an increase of 25 cents per barrel became effective in the Standard Oil Company's quotations for oil in the Midway Field, of the quality used by the company, and that the price charged by General Petroleum Corporation to the company will accordingly be increased in the same amount, as provided in the contract between these two companies, a copy whereof is in evidence herein as the company's Exhibit No. 25. The price to the company of fuel oil during the remaining months of 1918 is accordingly estimated at \$1.65 per barrel.

The increased cost of fuel oil is by far the largest additional expense which the company will incur in 1918. This item alone will increase from \$63,725.37 in 1917 to \$325,000.00 herein allowed, <sup>for 1918.</sup> The cause for this very great increase is a combination of deficiency of snow and rainfall on the company's water shed and the increased cost of fuel oil. If it were not for the action of the company in bringing natural gas to its steam plant at Bakersfield, the increased cost of operation would be even greater than herein indicated.

3. Other operating expenses.

Company's Exhibit No. 15 contains a detailed statement, by accounts, of operating expenses actually incurred in 1916 and 1917 and all such expenses estimated for the year 1918 by Mr. Kenny. Mr. Kenny testified at considerable length, account by account, with reference to the estimated increased operating expenses for 1918. His testimony appears on page 292 to 353, of the transcript herein.

Table IV shows a summary, by accounts, of the operating expenses of 1916 and 1917, and the Company's estimate for 1918.

TABLE IV.

OPERATING EXPENSES - ELECTRIC DEPARTMENT

1916, 1917 and 1918 (Estimated)

	<u>1916</u>	<u>1917</u>	<u>1918</u> (Estimated by Company)
Production Exp.-Fuel	\$ 21,985.65	\$ 63,725.37	\$377,417.59
Other than Fuel	<u>57,553.88</u>	<u>77,112.95</u>	<u>111,050.00</u>
Total	\$ 79,539.53	\$140,838.32	\$488,467.59
Transportation Exp.	\$ 34,680.57	\$ 33,213.10	\$ 37,640.00
Distribution Exp.	109,273.69	120,808.14	140,217.00
Commercial Exp.	85,632.91	103,657.56	116,250.00
General & Misc. Exp.	148,964.07	180,697.55	217,000.00
Taxes	<u>88,091.52</u>	<u>99,608.53</u>	<u>125,000.00</u>
Total Excl. of Fuel	\$524,196.64	\$615,097.83	\$747,157.50
TOTAL	\$546,182.29	\$678,823.20	\$1,124,575.09
Uncollectible Bills	<u>4,800.00</u>	<u>4,729.07</u>	<u>5,000.00</u>
Total Expense..	\$550,982.29	\$683,552.27	\$1,129,575.09



Referring now to the estimates for items other than the cost of fuel, the company's estimated operating expenses appear, in general, to be fairly reasonable and such as might be expected if the company were preparing a budget of expenses for the year. It is probable, however, that some items can be reduced without greatly impairing the efficiency of the company's operations.

Based on the expense for the last three months of 1917 and the first three months of 1918, it would appear that the estimate for Account No. 12--electric plant labor, should be reduced from \$30,000 to \$28,000. Account No. 15--general labor and supplies, amount \$12,000, seems a little out of line with past experience. Under Account No. 20, repairs to steam power plant equipment, the company has estimated \$11,000, being estimated cost of reblading the steam turbines at Bakersfield. The testimony shows that in all probability, this expenditure will not occur more than once in four or five years. It seems proper to pro rate this item over five years, allowing \$1000 for regular repair work and \$2000 for one-fifth of the estimated cost of reblading the turbines.

I believe that Account No. 70, Railroad Commission Expense, can be reduced by at least \$2000, for the reason that the expense chargeable to this account should be less this year than during the last few years.

Repairs to telephone lines should be reduced \$1000.

In other respects, the estimates for 1918 should be allowed for the purpose of this proceeding.

#### 4. Taxes.

The company presents an estimate of \$125,000 for taxes for the year 1918, which sum is allowed herein.

5. Total Operating Expenses.

Table V shows the operating expenses for 1918, as estimated and allowed herein.

TABLE V.

OPERATING EXPENSES- ELECTRIC DEPARTMENT

ALLOWED FOR 1918.

Production other than Fuel .....	\$ 100,550.00
Fuel .....	325,000.00
	<u>425,550.00</u>
Transmission .....	37,640.00
Distribution .....	140,217.00
Commercial .....	116,250.00
General .....	214,000.00
Taxes .....	<u>125,000.00</u>
Total other than Fuel .....	\$733,657.00
TOTAL .....	\$ 1,058,657.00
Uncollectible Bills .....	<u>5,000.00</u>
	\$ 1,063,657.00

The company's estimate for operating expenses

for the same accounts was .....\$ 1,129,975.04

IV.

RETURN ON RATES NOW IN EFFECT.

The company estimates that at the rates now in effect, it will secure in 1918, a gross revenue of \$2,022,905.78 from its electric business. This estimate is based on assumptions of sales during each month in the year. The sales for the months of January, February, March and April have slightly exceeded the company's estimate of sales, although the excess has not been sufficient to justify a definite conclusion as to the extent to which the estimated sales and revenues of the company may be exceeded throughout the year.

Table VI shows the actual sales in K. W. H. for each class of business in 1917, together with the 1918 sales in K.W.H., as herein assumed, and the total revenues therefrom, by classes of business, assuming the same average rate per K.W.H. as in 1917.

TABLE VI

SALES AND REVENUE, in K.W.H. - 1917 and 1918 (Estimated)

	<u>Actual 1917 Sales K.W.H.</u>	<u>1918 Sales K.W.H. as estimated herein</u>	<u>Revenue per K.W.H. 1917</u>	<u>Revenue 1918</u>
Municipal St. Ltg.	2,255,643	2,500,000	\$0.02306	\$57,650.00
Municipal Ltg. Misc.	1,085,671	1,667,000	0.02426	40,441.00
Business Ltg. (a)	4,813,491	5,757,000	0.04834	278,293.00
(b)	3,785,930	4,530,000	0.02202	99,751.00
Residence Ltg.	3,946,392	4,371,000	0.06897	301,468.00
Municipal Power	1,275,823	1,500,000	0.02005	30,075.00
Industrial Power	14,333,761	17,997,000	0.01773	319,087.00
Agricultural Power	30,774,015	42,119,000	0.01260	530,699.00
Oil Well Power	14,606,784	17,527,000	0.00963	168,785.00
Wholesale Power	31,922,343	38,158,311	0.00853	329,306.00
Misc. Power	1,070,085	1,466,000	0.00826	12,109.00
Company Use	<u>417,689</u>	<u>417,689</u>		
	110,287,627	138,010,000	1.573	\$2,167,664.00
Madera and Selma Water Works				<u>6,000.00</u>
				\$2,173,664.00

I shall assume herein that if the existing rates continued in effect, the company would secure from its electric sales a gross revenue of \$2,150,000.00, in 1918.

Table VII shows the return secured from the company's electric department in the years 1916 and 1917 and the returns for 1918, as estimated at existing rates by the company and by the Commission herein.

TABLE VII

## RETURNS FROM ELECTRIC DEPARTMENT

1916, 1917 and 1918 (Estimated)

<u>Account</u>	<u>1916</u>	<u>1917</u>	<u>1918</u> (Company's Estimate)	<u>1918</u> (As herein Estimated)
Capital	\$9,982,377.01	11,237,302.16	12,659,640.93	12,764,105.29
Operating Revenue	1,560,951.07	1,776,261.62	2,022,905.78	2,150,000.00
Operating Expenses:				
Production	79,539.53	140,838.32	488,467.59	425,550.00
Transmission	34,680.57	33,213.10	37,640.00	37,640.00
Distribution	109,273.69	120,808.14	140,217.50	140,217.00
Commercial	85,632.91	103,657.56	116,250.00	116,250.00
General & Miscellaneous	148,964.07	180,697.55	217,000.00	214,000.00
Taxes	88,091.52	99,608.53	125,000.00	125,000.00
Uncollectible Bills	4,800.00	4,729.07	5,000.00	5,000.00
Total Operating Expenses	550,982.29	683,552.27	1,129,575.59	1,063,657.00
Net Revenue	1,009,968.78	1,092,709.35	892,330.69	1,086,343.00
Annual Depreciation	146,641.00	166,453.00	203,075.83	192,300.00
Net Return	\$ 863,327.78	926,256.35	689,254.86	894,043.00
Rate Return	8.65%	8.24%	5.36%	7.00%

Table VII shows that in 1916, the company received a return of 8.65 per cent and in 1917, 8.24 per cent. The company's estimated return for 1918, on the basis of the rates now in effect, is 5.36 per cent, while on the basis of the estimates herein made, the return would be 7 per cent.

If 1918 had been normal in the amount of snow and rainfall on the company's water sheds and if the price of fuel oil had not advanced, the company would have received a return, even at present rates, in excess of 8 per cent on its electric business, after paying increased costs of labor and materials and increased taxes.

V.

RATES HEREIN ESTABLISHED.

In Decision No. 3241, this Commission allowed a return of 8 per cent on the rate base therein established. On the rate base herein established, the company will receive a return, at existing rates, of 7 per cent.

In determining the rate of return to be allowed to a public utility, careful consideration must be given, among other matters, to the ability of the utility to secure additional funds needed for extensions, betterments and improvements. The company serves exclusively an empire in the San Joaquin Valley and is being constantly called upon to make large numbers of extensions to meet the additional requirements of this territory. At the present time, the company is confronted with large numbers of applications for extensions, particularly for pumping to irrigate lands for the production of food stuffs and for oil well pumping.

Both these requirements are vital at this time. The company should be kept in sound and healthy condition, so that it can secure the additional funds needed by it for the construction of extensions and for the development of additional hydro-electric energy.

Mr. A. C. Balch, the company's Vice-President, testified that if the company were permitted to charge such rates as would enable it to receive a return of 8 per cent on its investment in the electric department, the company will be able to meet the requirements of its deed of trust or mortgage with reference to the issue of additional bonds. He also testified that in that event, he felt confident that the company would be able to sell additional securities, even during this time of war, in amounts sufficient to enable the company to complete its construction programme for 1918, involving an expenditure of approximately \$1,554,556.61.

Although the company is confronted with an abnormal condition and although on the basis of the snow and rainfall of a normal year the company would not be entitled to an increase in rates, I am strongly of the opinion that in view of the necessity of maintaining the company's financial stability, this Commission should, without hesitation, enable the company to meet the actual conditions with which it is confronted this year.

I see no reason for reducing the return of 8 per cent which this Commission allowed in Decision No. 3241, even though operating expenses will very largely increase this year.

In order to realize the 8 per cent return, it will be necessary for the company to secure a gross revenue of approximately \$127,000, in addition to the gross revenue of \$2,150,000, herein estimated under existing rates. This sum amounts to 5.9 per cent of the sum of \$2,150,000 and approximately 10 per



cent on the gross revenue which the company may expect to realize during the last six and one-half months of this year. Approximately 60 per cent of the company's revenue is received during the last six and one-half months of the year, and it is to this revenue alone that a surcharge may now be made applicable.

The rates heretofore established by this Commission and now in effect on the company's system, were, to the best of the Commission's ability, made just and reasonable and non-discriminatory. The rate structure thus established should be allowed to remain intact and the necessary additional revenue should be secured by applying a surcharge of 10 per cent on all bills for all classes of service. In this way, this war burden will be borne with exact equality by all classes of the company's business.

If the estimates herein made prove to be in all respects correct, the "surcharge" will meet this year's obligations by the end of 1918. If the revenues should prove to be greater or the cost of service less than herein estimated, the surcharge can be remitted prior to December 31, 1918, while, if the contrary should prove to be true, it can be permitted to remain in effect for such time as may be necessary subsequent to December 31, 1918. In this way, a flexible system will be provided by which, whenever 1918's obligations have been met, the surcharge will be automatically terminated. For the purpose of keeping advised with reference to the company's business, so that the period of the termination of the surcharge can be definitely and promptly ascertained, this proceeding will be kept open and the company will be directed to file herein, month by month, statements showing in such detail as may be requisite, the results of its electric operations for the month under consideration and also for the total period from January 1, 1918.



## VII.

### INFORMAL COMPLAINTS.

A number of consumers and intending consumers of the company testified herein with reference to their desire to secure extensions and service from the company and with reference to other matters.

At the suggestion of the company, it was stipulated herein that all informal complaints against the company for extensions of service, now pending before this Commission, might be considered in evidence herein and that the Commission should herein make its ruling as to what disposition the company should make in each/<sup>such</sup>instance. Most of these informal complaints will be automatically taken care of by the rules and regulations for extensions set forth in the order herein.

#### 1. Fresno Rock and Products Company.

This matter was testified to at the hearing in Fresno on April 8, 1918. This company has expended, according to its testimony, \$75,000 on its plant. Negotiations for service were entered into in September, 1917. To serve this consumer would require a change of location of a portion of the existing line and the installation of transformers. If it has not already done so, the company should serve this consumer without delay.

#### 2. S. L. Heisinger.

Mr. Heisinger testified on April 8, 1918, and presented a complaint against a charge for service while his motor was disconnected. The company has agreed to adjust this consumer's bill in accordance with its general practice and the consumer has been so advised. Final adjustment awaits the receipt of further information from the company.

3. S. K. Hillhouse.

Mr. Hillhouse testified on April 8, 1918, that he desires service for a five horse-power motor for irrigation near Porterville. He should be served in his order, as set forth on the priority list.

4. Sharp and Fellows Contracting Company.

Testimony concerning this company's operations at Piedra was presented herein on April 8, 1918, by the company's Superintendent, Mr. N. J. Gannon. The company complains concerning the rate for power served to its rock crusher near Piedra. The plant was originally installed to crush rock for The Atchison, Topeka and Santa Fe Railway Company and is of large capacity, requiring approximately 200 K.W. to operate. During the last two years or so, the plant has been operated intermittently for small contracting business and at a low load factor. The company's difficulty arises from the low load factor at which its plant is operated and the high demand which it requires. In 1917, based upon 200 K.W. maximum demand, the company's load factor was five per cent and the average rate 2.67¢ per K.W.H. For the load factor conditions, this is not an exorbitant rate. Under the circumstances, I can not advise that any adjustment be made for this consumer.

5. I. C. 13371 - Chris Laugesen, et al., Del Rey.

Extension for lighting service in unincorporated territory. Estimated cost of extension, \$870.00. Estimated annual revenue, \$108.00. These consumers should comply with the 33 1/3% rule if they desire service.

6. I.C. 13406 - E.E. Keyes, Chowchilla.

Line extension. This extension ~~should be made~~ has been made, as themselves applicants placed ~~therein~~ within the 33 1/3% rule.

7. I. C. 13435 - J. S. Chambers, et al., Fowler.

Thirty-six H.P. motors. Estimated cost, \$4,400. Estimated annual revenue, \$700.00. The company is to submit a revised estimate. Extension should be made if applicants bring themselves within rules for extensions herein established.

8. I. C. 13472 - Orval M. Davis, Fairmead.

Request for line extension. The company reported on May 7, 1918, that at the present rate of progress, this extension should be installed by May 25, 1918.

9. I. C. 13488 - A. Costello, Route D, Box 189, Fresno.

Extension for lighting service in rural territory. Estimated cost to company, \$172.00 and estimated cost on private property, \$193.00. This extension should be made if the consumer advances the cost on private property.

10. I. C. 13518 - W. R. Van Noy, Dinuba.

35 1/2 H.P. motor. Auxiliary service to irrigation ditch water. Estimated cost \$9650.00. Estimated annual revenue approximately \$938.00. Applicant has been advised that extension is not justified.

11. I. C. 13524 - F. H. Bear, Orange Cove.

Line extension. Application for service was made in November or December, 1917, and company has agreed to give applicant revised priority listing accordingly. Extension will be made in revised turn.

12. I. C. 13727 - J. E. Johnson, Kingsburg.

Lighting service in Kingsburg. The company reports that this extension will be made but requests delay while extensions for irrigation consumers are made. Service should be rendered in accordance with priority list, unless priority is waived.

13. I. C. 13921 - W. L. Olinger, et al., Del Rey.

Extension for lighting purposes in rural territory. Estimated cost of extension, \$1655.00; estimated annual revenue, \$180.00. This extension is not justified by the revenue and applicant has been so advised.

14. I. C. 13982 - Paul Zscheile, Chowchilla.

Extension for irrigation pumping service. This applicant has been placed on the priority list and will receive service in order.

15. I. C. 14003 - Duncan MacLerman, Jr., Bakersfield.

Extension for lighting service. Estimated cost, \$134.00; estimated annual revenue, \$9.00. Extension within city limits of Bakersfield. Extension should be made in accordance with Rule 15, established by Decision No. 2879, in Case No. 683, (Vol. 8, Opinions and Orders of the Railroad Commission of California, p. 372, 381.) unless company shows good reason to the contrary.

16. I. C. 14080 - Charles E. Lamberson, Corcoran.

Extension for agricultural service five miles south of Corcoran. The company has approved the extension but the application was not made until April 8, 1918, and applicant's priority number is 540.

While the order herein will not specifically refer to the informal complaints and to the complaints presented at the hearings, herein set forth, the company will be expected to dispose of them in accordance with the suggestions herein made. The company has a large number of applications for extensions on its priority list and will be entitled to commendation for making these extensions as promptly as possible. The increase of rates herein authorized is being granted largely on the assumption that the company will thereby be enabled to proceed promptly to make the extensions for irrigation, oil well pumping, and other services which have been requested of it, as well as the additional hydro-electric development contemplated.

I submit herewith the following form of order:

O R D E R.

SAN JOAQUIN LIGHT AND POWER CORPORATION having filed herein its petition asking authority to increase its rates charged for electric energy by making a temporary surcharge, as indicated in the opinion which precedes this order, public hearings having been held, this proceeding having been submitted and being now ready for decision,

THE RAILROAD COMMISSION HEREBY FINDS AS A FACT that the existing rates for electric energy sold by San Joaquin Light and Power Corporation are under existing conditions unjust and unreasonable and that the rates herein established are just and reasonable rates.

Basing its order on the foregoing finding of fact and on the other findings of fact which are contained in the opinion which precedes this order,

THE RAILROAD COMMISSION HEREBY AUTHORIZES San Joaquin

Light and Power Corporation to charge and collect a temporary surcharge of ten (10) per cent on each and every bill for electric service, effective for all meter readings taken on and after June 15, 1918, where metered service is rendered, and effective for all flat rate service ~~rendered~~<sup>billed</sup> on and after June 1, 1918, on the following conditions:

1. Said surcharge is to be charged only until San Joaquin Light and Power Corporation has been enabled to meet its 1918 expenses in connection with its electric business to such an extent as to enable the company to receive an eight (8) per cent return on the rate base established in the opinion which precedes this order.

2. This order shall not be construed as disturbing the structure of rates established by this Commission in Decision No. 3241, to be charged by San Joaquin Light and Power Corporation; but said corporation, in addition to showing on its bills for electric energy the amount due under the rates heretofore established by this Commission in said decision, shall also show separately the surcharge herein authorized, together with a note referring to said surcharge, in substantially the following language:

"Additional charge to cover present increased cost of operation-10 per cent."

3. On or before the 20th day of each month, San Joaquin Light and Power Corporation shall file with the Railroad Commission herein, reports in such form as may be prescribed by the Commission, showing the results of its operations from its electric business during the preceding month and during the period from January 1, 1918. to the last day/<sup>of said</sup> preceding month.

4. This proceeding is hereby kept open and the Railroad Commission hereby retains jurisdiction to issue a supplemental order terminating said surcharge whenever the revenues of San Joaquin Light and Power Corporation received thereunder shall be



sufficient for the purpose specified in the opinion which precedes this order, and to make such <sup>other</sup> order or orders as may seem just and proper.

IT IS FURTHER ORDERED that San Joaquin Light and Power Corporation be and the same is hereby authorized to make effective the following rules and regulations applicable to the making of extensions for electric service:

(1) The company will at its own expense make all extensions in cases in which the annual gross revenue equals or exceeds  $33 \frac{1}{3}$  per cent of the cost of the extension.

(2) Where the annual gross revenue to be secured from any extension is less than  $33 \frac{1}{3}$  per cent but more than 20 per cent of the cost of the extension, the company will make the extension provided that the applicant advances the entire cost of the extension to be refunded upon the basis of 20 per cent of the monthly bills. The applicant, however, may at his own cost construct sufficient of said extension so that the amount to be expended by the company shall not exceed three times the annual gross revenue or may contract, in form satisfactory to the company, to take such service that the annual gross revenue paid by him shall be equal to  $33 \frac{1}{3}$  per cent of the cost of the extension to the company, whereupon Rule I shall apply.

(3) Until the further order of the Railroad Commission, applications for service in which the annual gross revenue will be less than 20 per cent of the cost to the company of the extension need not be accepted by the company.

(4) Extensions within incorporated cities or towns shall be made as provided in Rule 15 of the Rules and Regulations established by the Railroad Commission on November 5, 1915 in Decision No. 2879, in Case No. 683.

IT IS FURTHER ORDERED that all extensions made by San Joaquin Light and Power Corporation within one year prior to the date of this order shall be adjusted if requested by the consumer within 90 days from the date of this order, on the basis of the rules and regulations herein established. San Joaquin Light and Power Corporation is directed to send a copy of this order within 30 days from the date of this order, to each consumer for whom an extension has been constructed subsequent to January 1, 1918.

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 28<sup>th</sup> day of May, 1918.

Max Thelen  
H. D. Lovins  
Alfred Gordon  
Edwin O. Edgerton  
Frazer R. DeWitt

Commissioners.