

ORIGINAL

Decision No. _____

Decision No. 5729

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA

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In the Matter of the Application of	}	<u>APPLICATION</u>
MT. WHITNEY POWER & ELECTRIC COMPANY		
for authority to increase its elec- tric rates.		
		<u>NO. 3891</u>

- Harry J. Bauer for Applicant.
- Frank Lamberson, District Attorney of Tulare County, for Tulare County.
- Power & McFarzean for Visalia Electric Railway Company.
- William Burchett for Delano.
- E. C. Eaton for Lindsay.
- Guy Knupp, City Attorney of Porterville, for City of Porterville.
- Middleseff & Peemstor, for Tulare County Power Users Assn.
- J. A. Hinman for Board of Supervisors of Kern County.
- J. H. Althouse, for Terra Bella Irrigation District.
- Frank Gianini in propria persona.
- J. W. Cate for users of Earlimart and vicinity.

GORDON, Commissioner.

O P I N I O N

Mt. Whitney Power & Electric Company asks authority to increase its rates for electric energy by reason of increased operating expenses, due to increased labor and

material costs, shortage of water for generation of hydroelectric energy and the increased cost due to large amount of purchased energy required.

Applicant requests a definite increase of rates amounting to a surcharge of 10 per cent on each and every bill for electric service until otherwise ordered by the Commission.

The rates of applicant were fixed by this Commission in its Decision No. 3242 in Application No. 1673, issued April 6th, 1916, (Opinions and Orders of the Railroad Commission of the State of California, Vol. 9, Page 628).

The rates so fixed or as later slightly amended are on file with the Commission and were, at the time of the decision, determined to be just and reasonable under conditions then existing. These rates are in all practical respects identical with those fixed at the same time on the San Joaquin Light & Power Corporation's system in surrounding territory for similar service. The increase herein requested by applicant is the same as this Commission authorized San Joaquin Light & Power Corporation to charge, as set forth in Decision No. 5449, issued the 26th day of May 1918, and which is now being charged on that system.

The Commission, in the above referred to application, after thorough investigation of the evidence, found that the San Joaquin Light & Power Corporation would probably earn not to exceed 7 per cent on its reasonable investment and that it was necessary that a greater return be obtained in order that the company might meet the large demands for electric power made upon it and

adequately serve the public. The Commission fixed the surcharge on a basis to net 8 per cent return on the rate base.

The electric service supplied by applicant is largely used for pumping water for irrigation, and the continuance and extension of this service is absolutely essential to the production of food so necessary at this time.

The evidence shows that applicant expended during 1917 over \$300,000 in the extension and enlargement of its system to more adequately serve the territory, and that practically all of this was for extensions to serve necessary agricultural plants. The expenditures required in 1918 will equal or exceed this amount. Over 6,000 horsepower more of power motors, mostly for pumping water, will operate in 1918 than in 1917 on applicant's system.

The evidence introduced in this application shows conclusively that applicant's net earnings are low. Exhibit No. 3 of applicant herein shows the following for the years 1916, 1917 and 1918 based on present rates:

	: 1916 :	1917 :	1918 :
	: <u>Actual</u> :	: <u>Actual</u> :	: <u>Estimated</u> :
Gross Receipts	\$760,855	\$805,537	\$1,055,000
Operating Expense	340,835	492,856	705,000
Net from Operation	420,020	312,681	350,000
Net Non-Operating Revenue	13,075	6,038	12,000
Total For Fixed Charges	433,095	318,719	362,000
Depreciation	85,830	96,144	104,000
Balance for Return on Investment	347,265	222,575	258,000
Investment	4,464,351	4,918,130	5,313,000
Rate of Return	7.77%	4.52%	4.85%

The above estimate appears from analysis of the evidence to be practically correct. The greatly increased

cost of operation is due primarily to the greatly increased amount of electrical energy purchased.

The addition of the 10 per cent surcharge requested would in 6 months increase the net return upon the investment to 5.8 per cent, and if effective for a full year, would result in an estimated net return of 6.61 per cent upon the total capital invested.

Considering the rate of interest which public utilities are required to pay to obtain money for extensions and betterments at this time it is very apparent that it would be unfair not only to the utility but detrimental to the development of territory served by applicant not to grant the relief requested, for it is obvious the food production of the district would be curtailed and the prosperity of the territory as a whole decreased.

Applicant has applied for authority to purchase the H. G. Lacey Company, operating an electric distribution system serving the City of Hanford and contiguous territory, (App. 3890). Hearing in that application was held at Visalia in conjunction with this application and it was stipulated the evidence in either should be considered in so far as relevant in the other.

Mt. Whitney Company requests that the 10 per cent surcharge applied for be applied to the H. G. Lacey Company's system, which, if authority be granted for the purchase, would become part of the applicant's property. With a few exceptions the rates of the Lacey Company are the same as the rates existing on the Mt. Whitney Power & Electric Company's system.

There is at present pending before this Commission Case No. 1232, involving the rates and service on

the H. G. Lacey Company's system. I believe that the decision on the rates of the Mt. Whitney Power & Electric Company should not be held up pending decision on the application of Mt. Whitney Company to purchase the H. G. Lacey Company or hearing in the rate case now pending, and I therefore recommend that the order herein be issued and that the question of rates in Hanford be not decided at this time.

O R D E R

Mt. Whitney Power & Electric Company having filed herein its petition asking authority to increase its rates charged for electric energy by the addition of a temporary surcharge of 10 per cent on all bills, a public hearing 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 Mt. Whitney Power & Electric Company are, under existing conditions, unjust and unreasonable and that the rates herein established are just and reasonable rates.

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

The Railroad Commission hereby authorizes Mt. Whitney Power & Electric Company to charge and collect a temporary surcharge of ten (10) per cent on each and every bill for electric service rendered from its existing system or extensions made thereto, effective for all

bills rendered on meter readings taken on and after September 15, 1918, where metered service is rendered, and effective for all flat rate service rendered on and after September 1, 1918, on the following conditions:

- (1) This order shall not be construed as disturbing the structure of rates established by this Commission in Decision No. 3242, to be charged by Mt. Whitney Power & Electric Company, 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."

- (2) On or before the twentieth day of each month, Mt. Whitney Power & Electric Company 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 of said preceding month.

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

29th day of August, 1918.

E. O. Edgerton
H. H. Howard
H. G. Gordon

Commissioners