

Decision No. 7305

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Supplemental)
Application of the SAN JOAQUIN) Supplemental Application
LIGHT AND POWER CORPORATION for) No. 4064
authority to increase rates.)

Short & Southerland and Murray Bourne for
Applicant.

Evarts & Ewing, By D. S. Ewing for
Fresno Traction Company.

J. A. Hinman, for City of Bakersfield.

L. L. Cory, for City of Fresno

Callagher & Simpson, by W. E. Simpson, for
City of Clovis.

C. E. Beaumont, for County of Fresno.

James F. Farragher, S. I. Merrill, Andrew
Hancock and J.B. Ely for Kern County
Farm Bureau.

C. E. Holley, for San Joaquin Valley
Public Utility Association.

J. J. Duell, for Kern County Farm Bureau.

R. Lovick, for Merced County Farm Bureau.

DEVLIN, Commissioner:

O P I N I O N

San Joaquin Light and Power Corporation, hereinafter
designated as applicant, asks authority to increase its electric
rates so that it may earn a reasonable return upon its investment.

In its petition applicant states that it is not
able to meet the demands upon its system for electric power due
to continued water shortage; that the cost of operation of its
system has been greatly increased by the necessity of producing
a large portion of its electric energy by steam plants and by
purchase of electric energy from other utilities, and further;

from the increase of cost of labor, material and supplies; that it has now under construction a hydro-electric plant known as the Kerckhoff plant, located on the San Joaquin river, with a maximum capacity of 30,000 k. w., which should be in operation by October 1st, 1920, and an additional steam unit of 12,500 k. w. installed in its Bakersfield steam plant, which should be in operation June 1st, 1920.

Applicant further states that upon the completion of the hydro-electric plant and steam developments above referred to, its present need for power will be supplied, but, due to continued growth of demand for power in the district which it serves, it will require in the future large sums of money, the greater part of which must be secured from the issue and sale of securities, in order to meet its requirements, and that it can neither issue nor find a market for such securities unless its earnings shall be such as to have heretofore been adjudged to be proper by this Commission.

Applicant requests that the 15 per cent surcharge which was authorized in this Commission's Decision No. 6095 in this matter be continued pending final decision in this application; that its rates be increased and that modifications be made in its rates as may appear just and reasonable.

Hearing in this matter was held on January 5, 1920 in Fresno, at which time applicant submitted exhibits covering the matters set forth in this application. The adjourned hearing was set for February 3rd at Fresno for completion of the introduction of evidence and cross examination.

At the first hearing it was agreed by all parties present that the Commission should issue an ad interim order extending the existing surcharge of 15 per cent until further decision of the Commission. The Commission, under date of January 10, 1920, issued an ad interim order in Decision No. 7023, in this application extending the 15 per cent surcharge until ^{its} further order.

Due to the influenza epidemic existing in the San Joaquin Valley at the time set for the adjourned hearing it was impossible to hold the hearing in Fresno, and, in view of the necessity that the matter be carried to completion without further delay, the hearing was transferred to the Commission's office in San Francisco. It was realized that by changing the place of hearing certain inconveniences would result, particularly to those consumers, who for various reasons, could not attend the hearing in San Francisco. In order that all parties unable to appear in San Francisco might not be deprived of their rights, it was stipulated and agreed by the representatives of both the consumers and the utility that ten days be allowed following the final hearing for the filing of the protests and evidence in documentary form with the Commission, and that this information be considered by the Commission. It was further stipulated that all evidence in former proceedings affecting the San Joaquin Light and Power Corporation, and general data on file with the Commission, including data referring to natural gas supply, would be considered in evidence.

Protests and statements in the form of briefs or documents submitted at the hearing and also during subsequent period referred to above are as follows:

1. Protest of Fresno Traction Company filed January 5, 1920 and amended January 7, 1920.
2. Protest and answer jointly filed on February 16, 1920 by:
 - Kern County Farm Bureau,
 - Board of Supervisors of Kern County,
 - Tulare County Farm Bureau,
 - Tulare Branch San Joaquin Valley
Public Utility Association,
 - R. Lovick for Farm Bureau of Merced,
and Madera Counties,
 - J. F. Farragher and E. I. Feemster.
3. Protest by R. Lovick for Farm Bureaus of Kern, Monterey, Merced, Madera, Kings, Fresno and Tulare Counties and State Farm Bureau Federation.

4. Analysis of evidence by C. E. Holley for San Joaquin Valley Public Utilities Association.
5. Transcript setting forth series of questions and answers between Mr. J. F. Farragher and fourteen power consumers of San Joaquin Light and Power Corporation and Mt. Whitney Power and Electric Company.

Protest of Fresno Traction Company is to the effect that its rates should not be increased owing to the fact that its revenue is limited and further increase will only increase its loss.

Protest of Kern County Farm Bureau et al is in general to the effect that the corporation is not entitled to the present surcharge; that agricultural rates are unfair and result in agricultural consumers bearing more than their just proportion of cost while oil service bears relatively less. It is also claimed that part of the transmission system should be charged to oil consumers; that Betteravia steam plant of applicant should be charged to the operation of Midland Counties Public Service Corporation, and, further, that it is the belief of protestants that applicant could have obtained a lower oil contract, and, or, used natural gas to a greater extent.

The evidence herein shows that if the pre-war rates were made effective for the present, applicant would probably be forced into bankruptcy. The rates now in effect should be modified to equalize certain unfairness between schedules and this will be done in this proceeding. I agree in part with protestants relative to the Betteravia steam plant. This plant is largely used for the benefit of the Midland Counties and Public Service Corporation service ~~XX~~ its consumers, the plant being located at the end of that utility's transmission line. It is also partly a standby plant for the San Joaquin Light and Power Corporation. The fixed charges and operating ex-

penses, other than fuel cost at this plant, should be paid by the Midland Counties Public Service Corporation in addition to the cost of power purchased. As to the west side transmission line, this is useful not only for service to the oil industries but also as a part of the general transmission system, and I do not concur with protestants that this should be segregated to the oil business.

Protect on part of Merced-Madera Farm Bureaus ^{and} claims that public attitude of corporation is unsatisfactory. Although this item cannot be readily considered in determining the fair rate for power service, this Commission is vitally concerned in the matter of service. Applicant must render service in the broadest sense and cannot neglect courtesy and fair treatment if it expects to be prosperous. Protestants urge representation in Companies Board of Directors. The question is one of company policy and not a matter under the Commission's jurisdiction.

San Joaquin Valley Public Utility Association, besides submitting analysis of exhibits, also presents data comparing cost of service. These matters have been given careful consideration.

San Joaquin Light and Power Corporation operates an electric production, transmission and distribution system in the Counties of Merced, Fresno, Madera, Tulare, Kings and Kern, and supplies Midland Counties Public Service Corporation, which supplies the Counties of San Luis Obispo and the northern portion of Santa Barbara County.

The existing power plants of the San Joaquin Light and Power Corporation consist of 7 hydro-electric plants with a total rated capacity of 32,750 kilowatts, and 3 steam

plants with a total rated capacity of 17,250 kilowatts. Applicant has purchased, under agreement, surplus power from the Southern California Edison Company and Mt. Whitney Power and Electric Company and it is expected that connections will be made with Pacific Gas and Electric Company by May 1st, 1920 by which some additional power may be obtained from that system.

The business of San Joaquin Light and Power Corporation for the year 1919, consisted of service to 29,000 consumers with a total energy sale of 183,600,000 k.w.hours. Of this total there were 24,600 domestic and commercial lighting consumers using 17,500,000 k.w.hours; approximately 2800 irrigation consumers using 46,000,000 k.w.hours; 1600 industrial power consumers using 21,000,000 k.w.hours; oil field consumers using approximately 30,000,000 k.w.hours, and approximately 400 miscellaneous and substation consumers using 40,000,000 k.w.hours, this latter including wholesale energy to Midland Counties Public Service Corporation and Mt. Whitney Power and Electric Company at Hanford. For the year 1919 San Joaquin Light and Power Corporation had a total capital investment of approximately \$14,502,013, the gross revenue for the year being \$2,965,244.

San Joaquin Light and Power Corporation has experienced a very rapid growth of business during the last two or three years, due to the rapid development of the agricultural and oil industry in the San Joaquin Valley. During this period of growth, which has been from 25 to 40 per cent per annum, San Joaquin Light and Power Corporation has experienced deterring influences in its developments. The year 1918 was during the period of the war, when it was practically impossible for the public utilities to finance increased developments or obtain material for additional power plants. It

face of this San Joaquin Company did, however, develop two small plants, but, due to the short water period of the year, was forced to produce a large amount of power from steam and also purchase power from other companies. Increased demands for business continued in 1919, resulting in a further material increase in its power business. That year was still shorter in rainfall and caused a further reduction in the output of power from the hydro-electric plants, so that the purchase of power from Southern California Edison Company during that year increased from 13,000,000 k.w.hrs. in 1918 to in excess of 50,000,000 in 1919, and the business of the company increased from an output of 188,000,000 k.w.hrs. in 1918 to 239,000,000 k.w.hrs. in 1919.

Early in 1919 San Joaquin Light and Power Corporation took active steps to increase its plant capacity sufficient to meet the growing demands on its system, but, in view to protecting its existing consumers, refused taking on additional pumping plants and other new industrial plants, application for which was made after March 15, 1919.

Applicant has under construction ~~the~~ two plants ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ the Kerckhoff plant of 30,000 k.w.hrs. capacity, costing approximately \$5,000,000. and the additional steam unit of 12,500 k.w. installed in the Bakersfield steam plant costing approximately \$1,000,000. In addition to this, applicant will have expended during 1919 and 1920 an additional sum of from \$2,000,000 to \$3,000,000 in extending its transmission and distribution facilities. Neither of these developments will be in operation early enough in this year to adequately supply the full demands of existing consumers due to the exceedingly short rainfall conditions and the lack of surplus power on interconnected systems.

It is apparent that applicant is exerting every reasonable effort to meet the demands of its consumers, and,

were it not for the continued drought over which it has no control, it would be fully supplying the requirements of its system. In the two years of 1919 and 1920 applicant will have expended an amount in excess of 50 per cent. of its total electrical investment existing on January 1, 1919. This is a greater relative activity than any other similar utility in the state is undertaking, and it is apparent that in view of this effort, careful consideration should be given to insuring that the developments be completed and the service to the Valley be not curtailed by failure of applicant to receive a reasonable return.

Applicant, through its witness, Mr. C.R. Kenney, submitted in its Exhibit No. 4, statement of the valuation of its electric properties based upon the Commission's valuation in Decision No. 3241 plus capital expenditures to November 1, 1919, together with estimate of expenditures to June 30, 1920, showing a total estimated investment as of June 30, 1920, of \$22,278,605. Details of this estimate are set forth in Table No. I, following:

In preparing this estimate of expenditures, which has been used by applicant as the rate base for the year 1920 in its computations of earnings, etc., applicant has added, for the year 1919, and for the first six months of 1920, the actual and estimated expenditures for new developments regardless of whether or not the same have become operative. In the case of substation, distribution and extension to transmission line it appears that this method may be considered as correct as these extensions and additions become operative in a very short period after construction has commenced, and, in determining the rate base for 1919 and 1920, hereinafter set forth, I have in general allowed the expenditures as submitted, making correction, however, for the fact that new business will not be added to any great extent upon the company's system due to the power shortage.

TABLE NO. 1
SAN JOAQUIN LIGHT & POWER CORPORATION PROPERTIES
VALUATION AS OF JUNE 30, 1920
AS ESTIMATED BY SAN JOAQUIN LIGHT & POWER CORP.

	Valuation as of Dec. 31, 1918**	Additions and Betterments 1919***	Valuation as of Dec. 31, 1919	Additions and Betterments 6 mos. 1920	Valuation as of June 30, 1920
Intangible	\$ 86,071.00	\$	\$ 86,071.00	\$	\$ 86,071.00
Production	5,247,220.63	3,283,770.83	8,512,991.46	2,442,186.37	10,955,177.83
Transmission *	1,763,649.04	333,851.26	2,097,500.50	224,881.21	2,322,381.51
Substation	827,799.08	153,439.12	980,238.20	292,989.63	1,273,227.83
Distribution	4,598,733.61	690,053.59	5,288,787.20	820,000.00	6,108,787.20
General	358,378.68	52,116.31	410,494.99	72,464.67	482,959.66
Total	\$12,861,852.04	\$4,512,231.11	\$17,376,083.15	\$3,852,521.88	\$21,228,605.03
				Working Cash Capital	200,000.00
				Materials and Supplies	750,000.00
			Total		\$22,278,605.03

* Includes Telephone Capital Chargeable to Electric Dept.

** C.R.C. Valuation as of Dec. 31, 1915 plus additions and betterments for 1916, 1917 and 1918.

*** Additions and betterments for November and December estimated.

Applicant sets forth a total expenditure for production capital of \$5,283,771 for the year 1919 plus \$2,442,186 for the six months ending June 30th, 1920. This total sum of \$5,725,957 covers the installation of the 12,500 k.w. steam turbine, costing approximately \$1,000,000, to be installed in the Bakersfield steam plant, and the sum of \$750,000 for the development of the Kerckhoff plant on the Kings River.

The Commission has, in the past, and it appears to be the proper basis in determining the return to be allowed, to use as the rate base the investment in operative property. The evidence shows that the steam plant at Bakersfield will not be in until June 1st, 1920 and that the Kerckhoff hydro-electric plant will not be in operation before October 1st, 1920. In view of these facts it does not appear that the total investment, a large portion of which is under construction at this time and on which interest is capitalized during the construction period, should be considered as a part of the rate base until the same does become operative. Proceeding on this basis, it appears that the increase in the production capital for the year 1919 to be considered as part of the rate base should be the sum of \$400,000, and the item of transmission capital should be \$250,000, instead of \$3,283,771 and \$333,851, respectively, included in applicant's Exhibit No. 4.

In Table No. 2 there is set forth the original estimate of the valuation of the San Joaquin Company's property by the Commission as of December 31st, 1915, segregated into the items of intangible capital, production, transmission, substation, distribution and general. To these figures have been added the additions and betterments by years for the years 1916, 1917 and 1918, which gives a total figure for investment other than working cash capital and material and supplies the sum of \$12,881,852 as of December 31st, 1918. The Additions and betterments set forth for the year 1919 represent the expenditures

TABLE NO. 2
C.R.C. DETERMINATION OF RATE BASE OF SAN JOAQUIN LIGHT & POWER CORP.
AS OF JUNE 30, 1920, INCLUDING ADDITIONS AND BETTERMENTS
FOR 1916 TO JUNE 30, 1920.

	Original Valuation of C.R.C. as of Dec. 31, 1915	Additions and Better- ments 1916	Valuation as of Dec. 31, 1916.	Additions and Better- ments 1917	Valuation as of December 31, 1917	Additions and Better- ments 1918	Valuation as of December 31, 1918.	Additions and Better- ments (Operative): 1919	Valuation as of December 31, 1919	Estimated Operative Additions and Better- ments 1920.	Estimated Operative Valuation as of June 30, 1920
Original	\$ 86071.00	\$	\$ 86071.00	\$	\$ 86071.00	\$	\$ 86071.00	\$	\$ 86071.00	\$	\$ 86071.00
Provision	4295463.00	163734.56	4459197.56	360506.33	4819703.69	431516.74	5251220.63	400,000.00	5651220.63	1735000.00	7386220.63
Commission*	1490188.00	34603.71	1624791.71	177708.18	1702499.69	61149.15	1763649.04	250,000.00	2013649.04	300000.00	2313649.04
Depreciation	517410.00	38293.84	555703.84	85789.88	641493.72	186305.36	827799.08	165,030.91	992829.99	200000.00	1192629.99
Contribution	2476095.00	448644.38	2924739.38	968145.13	3692884.51	705849.10	4598733.61	716,086.11	5314619.72	400000.00	5714619.72
Total	287404.00	37502.25	324906.25	16716.03	341622.28	16756.40	358378.68	51,205.07	409583.75	40000.00	449583.75
Total	\$9152631.00	\$722778.74	\$9875409.74	\$1608665.55	\$11484275.29	\$1401576.75	\$12865852.04	\$1,582,322.09	\$14468174.13	\$2675000.00	\$17143174.13
									Material & Supplies		600000.00
									Working Cash Capital		300000.00
									Rate Base - 1920		\$18043174.13

* Includes Telephone Capital
chargeable to Electric Department.

during 1919 for the property which has been placed in operation. These additions total \$1,582,322 for the year as against applicant's figure of \$4,512,231. Applicant's figure includes certain items for which money has been expended which will be allowed by the Commission when such property becomes operative.

Referring to the year 1920; the new unit in the Bakersfield steam plant will be in operation on June 1st. The investment in this unit, approximating \$1,000,000, will be operative for 7 months of the year. On this basis there should be allowed for the steam unit \$585,000 in the rate base for the year 1920. In the same manner the additions and betterments, upon which interest should be paid by the consumers, for the Kerckhoff plant will be allowed at \$1,150,000, based upon three months' operation of the plant. The sum of these two items, \$1,735,000, is the figure which appears to be the correct amount to be added to the rate base of San Joaquin Light and Power Corporation for production capital during the year 1920.

Table No. 2 above referred to sets forth the capital as of December 31st, 1915, 1916, 1917, 1918, 1919 and June 30th, 1920, corrected as heretofore referred to. Table No. 3 sets forth the reasonable rate base by years as determined above for the years 1916 to 1920 inclusive, representing the average operative capital for each of those years. This shows a total rate base for 1920 of \$18,043,174.13 as compared with the company's figure of practically \$22,278,605.03.

TABLE NO. 3

AVERAGE CAPITAL OF ELECTRIC DEPARTMENT
1916 to 1919 and C.R.C. Estimates for 1920.

	1916	1917	1918	1919	Est. 1920
Intangible	*	*	\$ 86,071.00	\$ 86,071.00	\$ 86,071.00
Production	\$4,377,330.28	\$ 4,639,450.72	5,035,462.26	5,451,220.63	7,386,220.63
Transmission	1,509,689.85	1,615,845.80	1,733,074.46	1,888,649.04	2,313,649.04
Substation	521,449.92	583,491.78	734,646.40	910,314.53	1,192,829.99
Distribution	2,718,086.34	3,426,481.10	4,245,809.06	4,956,776.66	5,714,819.72
General and Un- distributed	393,696.62	442,143.76	350,000.48	383,981.21	449,583.75
Total	\$9,520,253.01	\$10,707,413.16	\$12,185,063.66	\$13,677,013.08	\$17,143,174.13
Material and Supplies	328,624.00	396,389.00	464,154.00	525,000.00	600,000.00
Working Cash Capital	133,500.00	133,500.00	211,217.97	300,000.00	300,000.00
Total	\$9,982,377.01	\$11,237,302.16	\$12,860,435.63	\$14,502,013.08	\$18,043,174.13

* Intangible items included with tangible items.

short year following a period of prosperous operating conditions of the company little relief would appear to be necessary. However, prior to the series of dry years which have occurred since 1918 applicant's earnings only slightly exceeded an 8% return. During 1918 and 1919 applicant's earnings have been 1.28% and 2.46% below an 8% return and were the present rates continued for 1920 a further failure to earn 8%, of \$366,000, would occur, making a total deficit of 5.77% or an average return of 6.08%.

The money necessary to develop the power plants of applicant is costing it in excess of 7% per annum, and, in the present case, where applicant is expending, during the years 1919 and 1920, in excess of 50% of the capital previously invested, it is very apparent that applicant's consumers cannot and should not expect to receive service at rates which will not make possible payment by applicant of its cost of money and something additional as compensation for the effort exerted to serve the public.

It is well to emphasize in connection with the matter of increase in rates for electric service that even with the increases herein authorized the percentage of increase in cost of electric service over pre-war conditions will be materially lower than the general increase in the cost of labor and supplies which applicant has had to pay, and is less in general than the increase in the price received by applicant's consumers for their products, whether the same be labor, manufactured products or products of the farm. Applicant's agricultural consumers are, in general, receiving prices for their products approximately 100% in excess of those received prior to the war, and the price of labor and supplies have also increased from 50 to 100 percent.

Applicant's oil consumers have received an increase in the price of oil from 100 to 200 percent since applicant's rates were fixed in 1916. Applicant is, to a certain extent, dependent upon oil as a fuel for producing power and it would appear that applicant's oil consumers should be ready to pay any increase in rates found necessary.

I feel certain that applicant's consumers will gladly meet their responsibility by paying the increased rates when they realize that it is vitally essential to the prosperity of the Valley that the San Joaquin Light and Power Corporation be granted an increase in rates in order that it continue to serve its patrons adequately and meet the increasing demands for power which are continually being made upon its system.

The rate of return herein authorized is based upon applicant's investment and not upon any estimated present value of the properties, which would be in general a materially greater amount. This should be given consideration in comparing the return which applicant receives with that received by other industries.

It is very apparent that an emergency exists in the form of a shortage of power which will require curtailment in the use of power probably to the extent of from 10 to 30 percent during the year by consumers now on San Joaquin Company's system. This amount of curtailment on a system such as San Joaquin Light & Power Corporation is a very serious one as a large portion of the output is for irrigation purposes. Special consideration of rates must be made.

The existing rates of San Joaquin Light and Power Corporation are of such form that it would be almost impossible to correct the charges for service where curtailment of use occurs, the rates for agricultural and industrial service being either a flat rate or demand-and-energy form.

This also applies to substation and wholesale consumers.

Reduction in use of consumers must be accompanied by a reduction in charge whether the rate be a flat or strictly an energy charge form of rate. The general consensus of opinion of the Commission's engineers, after quite extended conferences with representatives of the consumers and of the utilities, is to the effect that, were conditions such that no curtailment of power was required, the form of rates to be charged on this system and also that of the Mt. Whitney Power and Electric Company should be, for industrial purposes, a block, load factor schedule with minimum bill, and a demand-and-energy form of rate; that for agricultural and substation use a demand and energy form of rate would be advisable. In view of the shortage, however, it is very apparent, in order that the cost of service be equitably divided between the consumers and that those who use the power will pay their just portion of the cost and those who curtail the use of power will be proportionately relieved of the charges, an energy form of rate should be adopted especially in the case of agricultural consumers. The rates set forth in the order herein are made to take care of this condition. This form of rate will necessarily increase certain consumers to a greater extent over present rates than the average increase required. Consumers who now operate on a long period use at high load factor will necessarily have greater increased rates. This must be expected as the main increase in cost of service has been in the production of energy. However, in view of the conditions as they exist at the present time it appears advisable that this form of rate be used and consumers charged according to the energy consumed.

The rates set forth in the order herein contemplate the conditions existing under the power shortage and are figured to give a net return of 8% to San Joaquin Light and Power Corporation based upon the total sales of 208,000,000 kilowatt hours, with a less return in case reduction of load is necessary.

San Joaquin Company's substation and transmission rates have been in the form of demand-and-energy rate, the energy rate being small. The consumers on these rates, in general, have been paying less than 1¢ per kilowatt hour - in fact, the rate to Midland Counties Public Service Corporation has averaged approximately 7.5 mills per kilowatt hour, which is relatively too low compared with the cost of service at this time. The rates herein fixed for substation and transmission service will be based on energy consumption regardless of load factor conditions and with no minimum charge.

Rates for oil well service have been determined based upon the fact that the oil well service in general has a lower power factor than other classes of service and cost of either correcting this power factor or the increased operation due to this low power factor should be borne by the oil well consumers. In addition, the probable length of the period of this service is less than other service. This fact is considered in connection with the rates fixed.

The rates herein fixed will be temporary rates effective for the year 1920 and subject to revision upon a basis of normal operation as soon as the present period of deduced supply of hydro-electric power ceases.

I recommend the following form of Order:

O R D E R

San Joaquin Light and Power Corporation having filed herein its supplemental application asking authority to increase its rates charged for electric energy, public hearings having been held, this proceeding having been submitted and 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 together with the surcharge now authorized 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 on the other findings of fact contained in the Opinion preceding this Order,

IT IS HEREBY ORDERED that all electric rates and surcharges now charged by San Joaquin Light and Power Corporation be and the same are hereby cancelled, effective for all electric service rendered, based on meter readings taken on and after April 1st, 1920.

IT IS HEREBY FURTHER ORDERED that San Joaquin Light and Power Corporation be and the same is hereby authorized to charge and collect for all electric service rendered, based upon meter readings taken on and after April 1st, 1920, and upon all flat rate service rendered on and after April 1st, 1920, the following rates:

San Joaquin Light and Power Corporation, through its engineer Mr. G. R. Kenny, submitted an estimate of depreciation based upon 6 per cent sinking fund but with much shorter lives than formerly found by this Commission to be reasonable in its decision in 1916 and as allowed in its decisions in 1918 and 1919. The estimate of Mr. Kenny for 1920 is \$453,948, based upon the total capital as submitted by him. Compared with this figure, the depreciation annuity, based upon the total rate base as found herein to be reasonable and on rates of depreciation used by this Commission in its former decision, would be \$270,000. The difference is accounted for partly by increased capital but mostly by shorter lives as used by the company. No definite supporting data was submitted by Mr. Kenny to justify the change in estimate formerly used by the Commission and it is my opinion that the former depreciation allowance should be continued unless definite and complete proof is shown that it is inadequate. I am, therefore, using the annuity allowance computed in the Commission's former decision.

San Joaquin Light and Power Corporation, according to its Exhibit No. 10, had, on December 31st, 1919, a total depreciation reserve of \$1,711,404 covering all departments. The prorata of reserve for the Electrical Department is \$1,585,000. Mr. Kenny computed the total reserve for depreciation, based upon his estimated lives, at \$2,405,823.70 as of December 31st, 1919. Based upon the life table as used by the Commission the depreciation reserve to be set aside as of December 31st, 1919 should be, on a comparative basis, approximately \$2,000,000.

I desire to point out at this time that in addition to the depreciation annuity of \$270,000 herein allowed appli-

cant should add to its reserve during the year 1920 the sum of 6 per cent upon the actual reserve of \$1,585,000, or \$95,100, and that as soon as its earnings are sufficient it should set aside, in order that the accrued depreciation will not increase more rapidly than the reserve, 6 per cent on approximately \$2,000,000. The total addition to reserve for the year 1920 should be, therefore, \$365,100, of which \$270,000 should be considered as operating expenses.

The growth of business of San Joaquin Light & Power Corporation has been very rapid during the past four years and the following table shows the output and sales for the years 1916 to 1919 together with an estimate of the sales for 1920 based upon conditions as were estimated the first of February, and also an estimate of the probable output and sales which may be expected for the year 1920 under the conditions as they appear at the present time:

<u>Year</u>	<u>Total Production and Purchase</u>	<u>Total Sales</u>	<u>% of Increase</u>
1916	110,920,900	80,602,700	
1917	143,129,600	110,278,900	37%
1918	188,616,300	144,821,000	31%
1919	239,664,200	183,622,300	27%
1920 (January Est.)	298,500,000	229,480,000	25%
1920 (Est. Based on present cond.)	270,000,000	208,000,000	13%

The above figures show the very rapid growth of power business of San Joaquin Light & Power Corporation during the past, and shows that even with a material curtailment in the taking on of new business during 1919, due to the refusal to extend for new agricultural and industrial business where appli-

cation was made after March 15th, 1919, the increase for 1919 was 27 per cent over the previous year. Due to the continued power shortage and the critical condition existing during the present year and the fact that San Joaquin Light and Power Corporation cannot take on any material amount of new business and will, from present indications, be required to materially curtail the use of power during the present summer, it has been ^{the} conclusion of the Commission's Electrical Division, after careful analysis of all evidence, that the sales for 1920 cannot be expected to exceed 208,000,000 k.w.hrs., which amount appears to be practically the maximum sales that can be carried with the existing plants, the new developments as they come in, and from maximum purchase of power from other systems and without curtailment of load. From present indications the supply of hydroelectric power on applicant's system will not exceed that of 1919 for the existing plants, if, in fact, this is equaled. On this basis the output, including all sources of power, should be 270,000,000 k.w.hrs.

The estimated gross revenue of San Joaquin Light and Power Corporation's electric properties for 1920, based upon the sale of 208,000,000 K.W.Hrs. for the year and the present rates and surcharges, is as follows:

Gross Revenue from direct electric business	\$3,360,000
Misc. Revenue and power delivered to other departments	<u>30,000</u>
Total	\$3,390,000

Table No. 4 sets forth the earnings and expenses of applicant for the years 1916, 1917, 1918 and 1919 and the estimated operating expenses for the year 1920 upon the basis of the sales as heretofore estimated. In this table there is also set forth a rate base, heretofore found to be reasonable,

TABLE NO. 3
EARNING EXPENSES AND RETURNS OF SAN JOAQUIN
LIGHT & POWER CORPORATION FOR 1916 to 1919
AND AN ESTIMATE FOR 1920.

	1916	1917	1918	1919	O.R.C. Estimate 1920 (Present Rates)
Rate Base	\$9,982,377.01	\$11,237,302.16	\$12,860,435.63	\$14,502,013.07	\$18,043,174.13
Plant K.W.H. Output	110,920,694	143,129,568	188,616,265	239,664,228	270,000,000
K.W.H. Sales	80,602,724	110,278,839	144,821,025	183,622,339	208,000,000
Revenue	\$1,560,951.07	\$ 1,776,261.62	\$ 2,326,928.20	\$ 2,965,244.47	\$ 3,390,000.00
<u>Operating Expenses</u>					
Production:					
Fuel Oil & Gas	21,985.65	63,725.37	418,286.52	434,750.00*	685,000.00
Purchased Energy		64.88	103,174.55	596,000.00	200,000.00
Other Expenses	57,553.88	77,048.07	115,870.64	179,270.00	183,800.00
Total	\$79,539.53	\$140,838.32	\$637,331.71	\$1,210,020.00	\$1,068,800.00
Transmission	34,680.57	33,213.10	33,100.90	36,350.00	40,800.00
Distribution	109,273.69	120,808.14	155,964.26	215,725.00	239,500.00
Commercial	85,632.91	103,657.56	106,376.31	118,350.00	130,000.00
General & Miscellaneous	148,964.07	180,697.55	207,400.52	227,050.00	273,000.00
Increase in Payroll					85,000.00
Taxes	88,091.52	99,608.53	125,573.95	133,000.00	200,000.00
Uncollectible Bills	4,800.00	4,729.07	4,800.00	4,800.00	5,000.00
Total	\$550,982.29	\$683,552.27	\$1,270,547.65	\$1,945,295.00	\$2,042,100.00
Return for Int. & Deprec.	\$1,009,968.78	\$1,092,709.35	1,056,380.55	1,019,949.47	1,347,900.00
Depreciation	146,641.00	166,453.00	192,300.00	216,000.00	270,000.00
Return for Interest	863,327.78	926,256.35	864,080.55	803,949.47	1,077,900.00
Percent for Interest	8.65%	8.24%	6.72%	5.64%	5.97%

*Expenses for Nov. and Dec. 1919 estimated.

for each year, the gross revenue, operating expenses segregated to the different general accounts, the estimated depreciation and net earnings and total in percent of investment.

Referring to the estimated operating expenses, the Commission's Electrical Division has checked the estimated cost of fuel for the production of power by applicant, as set forth in applicant's Exhibit No. 11, and is of the conclusion that this represents a fair estimate of the cost of power from the steam plant altho the operating costs of the Betteravia steam plant show low efficiency. The estimate set forth by Mr. Kenny is based upon larger sales than herein estimated but it is to be noted that the increase in sales estimated was based upon a greater amount of power from hydro-electric and not from steam plants, the latter being operated to full capacity.

It is urged by protestants that large amounts of natural gas have been and are available in the oil fields of Kern County which applicant could have purchased for a price of from 5 to 10 cents per thousand cubic feet and that applicant has been negligent in not contracting for this gas in place of purchasing oil at present prices.

The Commission has been in touch with the gas situation in the oil fields mentioned for the past several years and does not find that there has been an available surplus supply of natural gas which could have been made available to applicant until after July 1919, when a large gas well was brought in in the Elk Hills field. For some months it was not definitely assured that this field was dependable enough to justify a large investment. However, applicant is constructing a 12,500 kilowatt steam unit in its Bakersfield plant which will be operated by the use of gas produced

from this field and transmitted to Bakersfield by Midway Gas Company. to be sold to applicant at 10 cents per thousand cubic feet. Applicant is now contemplating a steam plant in Elk Hills field, which cannot be in operation however during this year.

Large steam plants cannot be constructed in much less than 12 months and investment in electric plants in the gas fields cannot be justified without assurance that a gas supply will be maintained for several years.

Protestants also urged applicant could have obtained oil for a long term contract at a low price. Investigation of contracts for oil does not show that applicant could have obtained such a contract. I do not believe that protestants' criticism of applicant in this respect is well founded.

Mr. Kenny has set forth various estimates of the cost of purchased power, these estimates varying with the different assumptions as to the total sales and estimated purchases. From analysis of these estimates it appears that the conditions which will exist in 1920 have not been fully considered and that the net purchase of power during the year will be greater than heretofore estimated and at a cost in excess of that computed by Mr. Kenny. The transfer of power between utilities has been put under the control of the Railroad Commission by the utilities. Although the exact cost of purchased power cannot be definitely determined it appears that even with the additional power plants installed by San Joaquin Light and Power Corporation the net cost of purchased power will be approximately \$200,000.

Relative to estimates of other operating expenses, analysis of the exhibits and comparison of the operating costs in the past with those now in effect, considering increased

extent of business of the company and also the increased cost of labor, material, etc., it appears that the estimates submitted by Mr. Kenny are, in general, to be considered as reasonable. I have, however, reduced the commercial expense in view of the fact that practically no new business will be taken on during the present year.

At the final hearing in this proceeding applicant's General Manager Mr. A. G. Wishon testified that the Board of Directors was considering an increase of salaries to all employees except the General Manager and Asst. General Manager of the Company. Following the hearing San Joaquin Company advised the Commission that, commencing with February 1st, the company had authorized an increase in wages and salaries of 15 per cent, this being necessary due to the increased cost of living of its employees, and the necessity of maintaining efficient and adequate help.

It appears that the increase of 15 per cent in the wages and salaries of the Electrical Department chargeable to operation for the eleven months would represent a total increase of approximately \$85,000. The Commission has not in the past questioned the wages and salaries of the employees of a utility, and, in view of a general check made by the Commission's staff as to the salaries and wages paid by this company, it appears that this increase should be allowed as a part of the operating costs of the company.

The estimate of taxes set forth in Applicant's exhibit No. 11 has been increased from \$150,000 to \$200,000. Applicant is required to pay 5.6% of its gross revenue as taxes. The obligation to pay these taxes is incurred during the year the revenue is obtained and is a direct operating charge, and, in the determination of rates, the taxes being

based upon the revenue for the year for which rates are considered, state taxes being 5.6% of the gross revenue and 2% of the gross revenue where city and county franchise taxes are required. It appears, on this basis, that the taxes chargeable to operation on San Joaquin system for the year 1920 will be \$200,000.

From the above it appears that the rate of return to be obtained by applicant during the year 1920, based upon the present rates, will be approximately 5.97% of the rate base representing the average operative property for the year; that to obtain a total return of 8% upon the capital for the year 1920 would require an increase in rates of \$366,000, or approximately 10.5 % increase over the present rates including the surcharge. It is well to note that under conditions of a normal or average year of rainfall and precipitation the output of applicant's hydro-electric plants would be approximately 50,000,000 k.w.hrs. in excess of that based upon the above estimate, and were average conditions in effect the company's earnings would be increased, due to both the increase in sales and the reduced use of steam and purchased power, to the amount of \$300,000 to \$400,000, or, under average conditions, the present rates would result in a net return of 8%.

Considering now the question of what rate of return applicant should be allowed during the present year, the Commission has to consider not only the general question of the average rate which the company should earn over a period of years, but, in this particular instance, consideration must be given to the effect of a seriously reduced earning power during the present year upon the ability of applicant to complete the present developments and meet the requirements of the Valley for power. Were this a single short year or the second

SCHEDULE NO. 1

(Cancelling Schedule No. 1 now in effect)

GENERAL DOMESTIC AND COMMERCIAL LIGHTING

TERRITORY:

Applicable to the entire territory served by the Company.

RATE:

First	20	k.w.h.	per	meter	per	month	....	9¢	per	k.w.h.
Next	80	"	"	"	"	"	....	6¢	"	"
"	200	"	"	"	"	"	....	5¢	"	"
All over	300	"	"	"	"	"	....	4¢	"	"

MINIMUM CHARGE:

\$1.00 per Meter per Month.

SCHEDULE NO. 2

(Cancelling Schedule No. 2 now in effect)

COMMERCIAL LIGHTING SERVICE

TERRITORY:

Applicable to the entire territory served by the Company.

RATE:

(a) Readiness to Serve Charge:

First 4 kilowatts of maximum demand or less per month	....	\$10.00
All in excess of 4 kilowatts of maximum demand per month	....	\$ 2.00 per k.w.

(b) Energy Charge:

First 1,000 k.w.h. per meter per month	..	2½¢	per	k.w.h.
All over 1,000 " " " " "	..	2¢	"	"

SCHEDULE NO. 2 (Cont'd)

SPECIAL CONDITIONS:

(a) The total monthly charge is the sum of the Readiness-to-Serve and Energy Charges.

(b) Under this schedule watt demand indicators and watt-hour meters will, in all cases, be installed and maintained by the company and at the company's expense.

(c) The maximum demand shall be the greatest average kilowatt demand registered during any 15 minute interval during the month.

SCHEDULE NO. 3

(Cancelling Schedule No. 3 now in effect)

PUBLIC OUTDOOR LIGHTING SERVICE

Applicable to all street, highway and other public outdoor lighting service.

TERRITORY:

Applicable to the entire territory served by the Company.

RATE:

	<u>Type of Lamp</u>	<u>R a t e</u>	
		<u>Annual Demand Charge per each lamp</u>	<u>Charge per each 100 lamp hours</u>
<u>Arc Lamps</u>			
(1)	6.6 Ampere Enclosed Alternating Current	\$38.00	\$.55
(2)	6.6 Ampere Luminous	43.70	.60
(3)	4.0 " "	39.50	.55
<u>Incandescent Lamps</u>			
(4)	400 W. multiple or 600 c.p. series	\$35.40	\$.70
(5)	500 W "	36.40	.85
(6)	300 W "	33.85	.60
(7)	250 W " " 400 c.p. "	32.40	.50
(8)	150 W " " 250 c.p. "	27.60	.35
(9)	100 W "	22.40	.25
(10)	80 W " " 100 c.p. "	19.40	.18
(11)	60 W " " 80 c.p. "	16.10	.12
(12)	40 W " " 60 c.p. "	13.80	.10
(13)	" " 32 c.p. "	13.20	.10

SCHEDULE NO. 3 (Cont'd)

SPECIAL CONDITIONS:

- (a) The demand charge to be paid in twelve equal monthly payments throughout the year.
- (b) The total charge for any month is to be one-twelfth of the annual demand charge plus the lamp-hour charge for that month.
- (c) All-night lamps will be considered as burning 4000 hours per year.
- (d) Under the above schedule the company bears the installation, maintenance and operating expense and provides all necessary lamp renewals.
- (e) Where the Company is required to provide ornamental lighting posts or standards an additional charge will be made for the same.

SCHEDULE NO. 4

(Cancelling Schedule No. 3-A now in effect)

ELECTROLIER SYSTEM SERVICE

Applicable to electrolier systems used for street and other outdoor illumination receiving energy at a central point and at a primary voltage of the Company's distributing mains prevailing in that district in which the electrolier system is located.

TERRITORY:

Applicable to the entire territory served by the Company.

RATE:

<u>Consumption per kilowatt of maximum demand per month</u>	<u>Rate per K.W.H.</u>
First 50	4.8¢
Next 75	2.4¢
All over 125	1.2¢

SCHEDULE NO. 4 (Cont'd)

MINIMUM CHARGE:

\$36.00 per year per kilowatt of installed capacity.

SPECIAL CONDITIONS:

The maximum demand shall be the greatest average kilowatt demand registered during any 15 minute interval during the month.

SCHEDULE NO. 5

(Cancelling Schedules Nos. 14 and 14-A now in effect)

DOMESTIC HEATING, COOKING and COMBINATION
LIGHTING, HEATING or COOKING SERVICE

Applicable to domestic service using heating and (or) cooking equipment of 3 kilowatts or more capacity.

TERRITORY:

Applicable to the entire territory served by the Company.

RATE:

First	30	k.w.h.	per	meter	per	month	...	9¢	per	k.w.h.
Next	130	"	"	"	"	"	...	4¢	"	"
All over	160	"	"	"	"	"	...	1 ¹ / ₂ ¢	"	"

MINIMUM CHARGE:

\$.75 per active kilowatt per month but not not less than \$2.50 per month.

SPECIAL CONDITIONS:

In determining the heating and cooking capacity lamp socket devices such as flatirons, toasters, etc. shall not be included.

SCHEDULE NO. 6

(Cancelling Schedules Nos.14 and 14-A now in effect)

COMMERCIAL HEATING AND COOKING SERVICE

Applicable to commercial heating and (or) cooking service excluding all lighting service and all lamp socket devices.

TERRITORY:

Applicable to entire territory served by Company.

RATE:

First 150 k.w.h. per meter per month 4¢ per k.w.h.
All over 150 " " " " " 1 1/2¢ " "

MINIMUM CHARGE:

\$.75 per kilowatt of active connected heating and cooking capacity per month but not less than \$2.50 per month.

SPECIAL CONDITIONS:

Heating and cooking service to be delivered over a circuit and measured by a meter separate from the lighting circuit and meter.

SCHEDULE NO. 7

(Cancelling Schedules Nos.4,5,6-A,6-B,now in effect)

AGRICULTURAL SERVICE

Applicable to all service rendered for agricultural purposes.

TERRITORY:

Applicable to the entire territory served by Company.

SCHEDULE NO. 7 (Cont'd.)

RATE:

<u>Consumption per H.P. per month.</u>	<u>Rate per K.W.H. of connected loads of</u>	
	<u>3 H.P. to 6 H.P.</u>	<u>7 H.P. and over</u>
First 125	2.4¢	2. ¢
All over 125	1.4¢	1.4¢

MINIMUM CHARGE:

No Minimum Charge. (During 1920)

SPECIAL CONDITIONS:

Installations of less than 3 H.P. used for agricultural purposes;

- (a) May receive service under this schedule on the basis of a 3 H.P. installation, or
- (b) May be classified as industrial service and receive service under the general industrial service schedule of rates.

SCHEDULE NO. 8

(Cancelling Schedules Nos. 7, 8, 9-A, 9-AA, 9-B, 9-C, 9-D and 13 now in effect.)

GENERAL INDUSTRIAL POWER SERVICE:

Applicable to all general power service and to agricultural installations of less than 3 H.P. capacity.

TERRITORY:

Applicable to entire territory served by Company.

RATE:

(a) Installations of less than 5 H.P. capacity:

First	200	k.w.h. per meter per month	..	6¢	per k.w.h.
Next	200	" " " " " "	..	3¢	" "
All over	400	" " " " " "	..	1 1/2¢	" "

SCHEDULE NO. 8 (Cont'd)

RATE:

(b) Installations of 5 H.P. or over:

		<u>Rate per K. W. H. of active loads of</u>				
<u>Consumption</u>		<u>5 H.P.</u>	<u>10 H.P.</u>	<u>25 H.P.</u>	<u>50 H.P.</u>	<u>100 H.P.</u>
<u>per H.P. of</u>		<u>to</u>	<u>to</u>	<u>to</u>	<u>to</u>	<u>and</u>
<u>active loads</u>		<u>9 H.P.</u>	<u>24 H.P.</u>	<u>49 H.P.</u>	<u>99 H.P.</u>	<u>over</u>
First	50 K.W.H.	4.4¢	3.6¢	3.2¢	3.0¢	2.8¢
Next	50 "	2.0	2.0	1.9	1.8	1.8
All over	100 "	1.3	1.2	1.1	1.0	1.0

MINIMUM CHARGE:

\$1.00 per horsepower of active connected load.

SPECIAL CONDITIONS:

(a) Upon application of the consumer, or at the option of the company, the block and minimum charges may be based upon the maximum demand for installations exceeding 25 H.P., in which case the maximum demand shall not be less than 50% of the rated capacity of the connected load and not less than 25 H.P.

The maximum demand shall be determined to the nearest even 5 H.P.

(b) In case the consumer requests the installation of a demand meter the Company shall charge a rental charge of \$3.50 per year for the use of such meter.

(c) The maximum demand shall be the greatest average kilowatt demand registered during any 15 minute interval during the month.

SCHEDULE NO. 9

(Cancelling Schedules Nos. 7 and 7-A now in effect)

OIL FIELD SERVICE

Applicable to all power service supplied to equipment used for pumping of oil wells, operating and gathering pumps, lease line pumps and dehydrating plants, in connection with the production of oil.

SCHEDULE NO. 9 (Cont'd)

TERRITORY:

Applicable to the entire territory served by company.

RATE:

1.4¢ per kilowatt hour.

MINIMUM CHARGE:

No Minimum Charge.

SCHEDULE NO. 10

(Cancelling Schedule No. 10 now in effect)

SUBSTATION SERVICE

Applicable to installations receiving service directly from the Company's substation or directly from the Company's primary distributing line at the voltage of such substation or distributing line.

TERRITORY:

Applicable to the entire territory served by the Company.

RATE:

(a) Oil Field Service 1.10¢ per k.w.h.

(b) Resale and Industrial Service:

First	100,000	k.w.h.	per meter	per month	..	1¢	per k.w.h.
All over	100,000	"	"	"	..	0.95¢	"

MINIMUM CHARGE:

\$12.00 per year of Substation capacity used, or, in case of purchase from primary distributing line \$1.00 per month per kilowatt of highest 15 minute maximum demand accruing during the month or 11 preceding months.

SCHEDULE NO. 11

(Cancelling Schedule No. 11 now in effect)

TRANSMISSION SERVICE

Applicable to installations receiving service directly from the Company's transmission line at the transmission line voltage.

TERRITORY:

Applicable to the entire territory served by the Company.

RATE:

0.9¢ per kilowatt hour.

MINIMUM CHARGE:

\$1.00 per month per kilowatt of highest 15 minute maximum demand occurring during the month or preceding 11 months.

SCHEDULE NO. 12

(Cancelling Schedules Nos. 12 and 15 now in effect)

SPECIAL POWER SERVICE

<u>Service to</u>	<u>Rate</u>
(a) Fresno City Water Company	2½¢ per k.w.h.
(b) Electric Railway Service	1¢ per k.w.h.

MINIMUM CHARGE:

No Minimum Charge.

IT IS HEREBY FURTHER ORDERED that electric energy to the Midland Counties Public Service Corporation shall be ren-

dered under the rate herein set forth as Transmission Rate, Schedule No. 14, applicable to Resale and Industrial Service, and, further, that such electric energy to that company shall be delivered and measured at San Joaquin Light and Power Corporation's Henrietta Substation and at Betteravia Steam Plant.

IT IS HEREBY FURTHER ORDERED that San Joaquin Light and Power Corporation shall charge Midland Counties Public Service Corporation for the total cost of operating Betteravia steam plant, including interest, depreciation, maintenance and operating expenses except fuel expense, in addition to the cost of electric energy delivered.

IT IS HEREBY FURTHER ORDERED that San Joaquin Light and Power Corporation shall file with the Railroad Commission of the State of California, on or before the 31st day of March 1920, the rates herein established.

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 13th
day of March, 1920.

Edwin D. Edgerton
H. D. Loveland
Frank P. Miller
H. B. Brundage
Irving Mattson
Commissioners.