

ORIGINAL

Decision No. 7540

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of )  
the MIDLAND COUNTIES PUBLIC SERVICE )  
CORPORATION for authority to increase ) Application No. 5535.  
electric rates. )

Murray Bourne, for Applicant.

BRUNDIGE, Commissioner.

O P I N I O N

In this proceeding Midland Counties Public Service Corporation, engaged primarily in the business of distributing electricity in certain portions of Fresno, Monterey, San Luis Obispo and Santa Barbara Counties, asks that the Commission establish a fair value of its electric properties as a basis for rates and that adequate and sufficient rates for electricity be authorized it. At this time, however, it confines its request to the authority to increase its rates for power supplied for oil field service to the extent of cancelling its present schedules for such service and to hereafter charge a rate of 1.4¢ per K.W.H.

A hearing was held in San Francisco on April 10, 1920, and, although notice was served upon all consumers affected by the proposed increase for oil field service, no protestants appeared. The matter is now submitted and ready for decision.

The Commission's consideration of this proceeding will be confined at this time to that portion of applicant's request seeking authority to increase its oil field rates, and such temporary relief as is found proper herein will be granted at this time. In so far as the other issues raised by applicant do not require the immediate attention of the Commission, they will be reserved for a future hearing and findings.

Applicant is exclusively a transmission and distributing utility, obtaining its supply of energy by purchase from the San Joaquin Light & Power Corporation at Henrietta and at Betteravia, the two points being at the extreme northerly and southerly end, respectively, of its transmission line. In Decision No. 7305 in Application 4064, decided March 23, 1920, San Joaquin Light & Power Corporation was required to charge Midland Counties Public Service Corporation for energy delivered to it at Henrietta and Betteravia, a rate of 9 mills per K.W.H., and, in addition thereto, to charge Midland Counties Public Service Corporation the interest, depreciation and operating costs of the Betteravia steam plant owned and operated by San Joaquin Light & Power Corporation, which by virtue of its location and use is maintained exclusively for the benefit of Midland Counties Public Service Corporation.

The effect of the higher charge for power purchased by applicant from San Joaquin Light & Power Corporation is to increase the rate from 7.2 mills per K.W.H. to 10.42 mills per K.W.H., or a total increase of \$110,000 in operating expenses for the amount of power to be supplied during the year 1920. Other than this one item, applicant shows only nominal increases in its operating expenses. The following table submitted by applicant shows a summary of its operations, revenues

and expenses for the year 1919 and estimates for the year 1920.

MIDLAND COUNTIES PUBLIC SERVICE CORPORATION

SUMMARY OF ELECTRIC OPERATIONS

	1919	Estimated 1920
K.W.H. Purchased . . . . .	29,784,300	37,220,000
K.W.H. Sold, Total . . . . .	24,375,538	30,250,000
K.W.H. Sold to Oil Field Serv. . . . .	13,045,821	17,000,000
Gross Revenue (present rates)	\$462,175.02	\$537,800.00
 <u>Operating Expenses</u>		
Production (Purchase of power)	\$213,633.17	\$355,000.00
Transmission	3,915.57	4,155.00
Distribution	37,020.75	40,020.00
Commercial	21,386.49	22,260.00
General & Miscellaneous	32,634.10	30,215.00
Taxes	15,438.47	32,000.00
Total Operating Expenses	\$324,028.55	\$484,650.00
Net Income	\$140,836.84	\$ 53,150.00
Depreciation		<u>30,363.82</u>
Balance for Return		\$ 22,786.18

If applicant's present rates were continued in effect, its income after the payment of operating expenses and depreciation would be reduced to an amount which would reflect but little return upon its investment.

Approximately 55% of applicant's sales of electricity are to its oil field consumers and the present rate now charged by it for such service is less than the wholesale cost of electricity to applicant. If consideration be given to the cost of transmitting and distributing the energy supplied to its oil field

consumers, the disparity between the cost and selling price of energy becomes still greater. Applicant cannot continue to supply so large a proportion of its business at a low rate without serious embarrassment to its earnings. The Commission has recently established a rate of 1.4¢ per K.W.H. for oil field service supplied by San Joaquin Light & Power Corporation and has found such to be a fair and reasonable rate for such service. The character and extent of service supplied by applicant herein to its oil field consumers is identical with that supplied by San Joaquin Light & Power Corporation, and a rate of 1.4¢ per K.W.H. for such service is equally applicable to applicant's system as to the same class of service supplied by San Joaquin Light & Power Corporation. A comparison of applicant's rates for service, other than to its oil field consumers, shows that its other rates now in effect compare favorably with the rates for similar service recently authorized by the Commission to cover present increased costs of service.

For this reason I believe applicant's request to confine its rate adjustments at this time to its oil field service is entirely proper and the order herein will provide only for such adjustment. The rates charged for other classes of service do not appear to require modification at this time. However, it is the purpose of the proceeding now before us to carry out a complete investigation of applicant's entire electric business and to subsequently readjust all of its rates upon a permanent basis. Although applicant submits details of a valuation of its electric properties, we do not find such of moment in disposing of the issues immediately before

us, as the proposed increase in applicant's oil field service rates will not produce in excess of a reasonable return upon the property and business of Midland Counties Public Service Corporation.

I submit the following form of Order:

### O R D E R

Midland Counties Public Service Corporation having applied to the Railroad Commission for authority to increase its rates and charges for oil field service, a hearing having been held, and the Commission finding that the rate hereinafter established for such service is, under present conditions, a just, fair and reasonable rate,

IT IS HEREBY ORDERED that Midland Counties Public Service Corporation be and it is hereby authorized to cancel its electric schedules Nos. 11 to 18, inclusive, and to charge the following rate for oil field service, based upon all regular meter readings taken on and after the 15th day of May, 1920:

#### OIL FIELD SERVICE RATE

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.

#### Territory:

Applicable to entire territory served by Midland Counties Public Service Corporation.

Rate:

1.4¢ per K.W.H.

Minimum Charge:

\$1.00 per installed horsepower per month.

PROVIDED, Midland Counties Public Service Corporation shall within ten days of the date of this Order file with the Railroad Commission the schedule of rates herein established.

Dated at San Francisco, California, this 13<sup>th</sup> day of May, 1920.

Edwin O. Engle

H. S. Leonard

H. V. Brundage

Commissioners.