

ORIGINAL

Decision No. 7882

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of the)
OJAI POWER COMPANY, a corporation, for)
an order establishing just and reason-) Application No. 5723.
able rates for the sale of electricity.)

I. C. Drapeau, for Applicant.

BRUNDIGE, Commissioner.

O P I N I O N

Ojai Power Company applies herein for authority to increase its rates and charges for electricity. A hearing was held at Ventura on June 24th and the matter thereupon submitted and is now ready for decision.

Applicant is engaged in part in the distribution of electricity in the Ojai Valley in Ventura County, California, for lighting and power service. The major portion of its business, however, is in the supply of electricity for pumping purposes. Applicant formerly owned and operated a gas engine generating plant which, however, has been abandoned, and for the last two years has obtained its supply of electricity from the Southern California Edison Company. The extent of applicant's business, its revenues and expenses for the past two years are shown in the table below.

In purchasing its power from the Southern California Edison Company applicant has been subject to the increases in the rate charged it by Edison Company in accordance with the original surcharge of 1.2 mills per K.W.H. established in De-

cision No. 6000 in Application No. 3955 of the Southern California Edison Company, effective January 2, 1919, and the recent 27% surcharge authorized Southern California Edison Company in accordance with Decision No. 7424 in Application No. 5394, effective April 20, 1920. In addition to these increases in the wholesale cost of its electricity, applicant's other operating expenses have in the last two years reached a higher level.

The rates now charged by applicant for electricity for lighting and power service, although filed and accepted by the Commission, have never been formally investigated. It has therefore been necessary to make a valuation of the properties of applicant used in its electric business and to ascertain reasonable operating expenses. The appraisal made by the Commission's engineering department shows that a reasonable valuation of applicant's electric properties as of June 15, 1920 is the sum of \$39,063, which figure is based upon the estimated historical reproduction cost of the properties now used and useful in its electric business. If to this be added an allowance for material and supplies and working cash capital, and the actual cost of franchises and organization, this figure is increased to \$43,500, which from the evidence herein is a reasonable rate base.

The actual revenue and operating expenses for the year 1919 indicate that after a deduction of proper depreciation allowance, a net return of slightly over 5% was earned, which cannot be considered as excessive for a property of the size and character of applicant's. The revenue and expenses of applicant's business during the past two years and under present conditions, including the surcharge of 27% upon its purchased power, are as follows:

OJAI POWER COMPANY
ELECTRIC DEPARTMENT.

	1918 Actual	1919 Actual	1920 Estimate Present Rates.
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Revenue:			
Light	\$ 4,140.85	\$ 4,564.86	\$ 5,249.59
Power	5,638.56	11,768.81	14,122.73
Total	<u>\$ 9,779.41</u>	<u>\$16,333.67</u>	<u>\$19,372.32</u>
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Expenses:			
Production	\$5,935.86	\$9,626.47	\$13,500.00
Distribution	752.64	1,226.17	1,400.00
Misc. General Exp.	628.20	704.97	850.00
Misc. General Repairs	206.34	298.02	1,000.00
Taxes	571.28	638.49	950.00
Total	<u>\$8,094.32</u>	<u>\$12,494.12</u>	<u>\$17,700.00</u>
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Balance for Depreciation and Return	\$1,685.09	\$ 3,838.55	\$ 1,672.32
Depreciation		1,600.00	1,600.00
Balance for return		2,238.55	72.32
Rate Base		42,000.00	43,500.00
Return		5.34%	---

It will appear from the foregoing that the increase in operating expenses, due largely to the addition of the Edison Company's surcharge, has practically wiped out applicant's net income, and as its income under past operating conditions has not been in any sense excessive it appears relief in the form of higher rates is necessary if applicant is to earn a fair return upon the reasonable valuation of its properties after paying the current surcharge. In increasing the rates now charged by applicant to its consumers it appears that the present rates for lighting service are sufficiently high in themselves to require no increase at this time, and as the major portion of applicant's service is

to its power consumers its power rates should be adjusted by a surcharge to restore its earnings.

The period during which the present 27% surcharge of the Edison Company is effective extends from April 20, 1920 to January 20, 1921, and in this period of nine months the additional cost to applicant for purchased power will aggregate the sum of \$2475.00. As the Edison Company's surcharge is not permanent, it is not desirable for a purchasing company such as applicant to reflect the same except by a similar temporary increase. Applicant should be permitted to charge in addition to its present power rates a surcharge of 20% thereon for a period of twelve months after the effective date of the order herein. A surcharge of 20% on power bills for twelve months will increase applicant's revenues by \$2823, and will enable it to earn between 7% and 8% upon the rate base hereinabove set forth. This return is based upon the deduction from earnings of \$1500 per annum to be set aside as a reserve for the replacement of accruing depreciation, and it is expected that applicant will make proper use of these moneys. I submit the following form of Order:

ORDER

Ojai Power Company having applied to the Railroad Commission of the State of California for authority to increase its rates and charges for electricity, a hearing having been held and the matter submitted and now ready for decision,

The Railroad Commission of the State of California hereby finds as a fact that the rates and charges for electricity of Ojai Power Company are not just, fair and reasonable rates,

inasmuch as they do not yield applicant a fair return upon its properties and business and in so far as they differ from the rates herein established.

Based on the foregoing findings of fact and the other findings of fact in the Opinion preceding this Order,

IT IS HEREBY ORDERED that the Ojai Power Company be and it is hereby authorized to charge and collect for electricity supplied for all purposes other than lighting, a surcharge of 20% in addition to its present rates and charges for such service, which surcharge shall be effective for all regular meter readings taken on and after the 25th day of JULY, 1920 and which shall continue in effect for a period of twelve months thereafter unless otherwise ordered by this Commission.

PROVIDED, Ojai Power Company shall, within ten days of the date of this Order, file with the Railroad Commission of the State of California such amendments to its schedules of rates now on file and shall provide for the surcharge 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 22nd day of July, 1920.

Edwin O. Edgerton
H. B. Loveland
FRANK R. HORTON
H. W. Brundage
Irvine Masters
Commissioners.