

Decision No. 8119

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA

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ORIGINAL

In the Matter of the Joint Applica-)
tion of THE SOUTHERN SIERRAS POWER)
COMPANY and HOLTON POWER COMPANY)
for a Revision of Rates.)

Application No. 5334

- ✓ E. B. Criddle and A. B. West, for Applicant.
- ✓ Miguel Estudillo and George A. French, for City of Riverside.
- ✓ C. L. McFarland, for Farm Bureaus of San Bernardino, Orange and Riverside Counties, Sunny Mountain Orange Company, Ennis Brothers, Liberty Ranch, Golden West Fruit Company, Granite Hill Land Company, Lemons Heights Orchard Company, D. Ormond and G. I. Lytle.
- ✓ J. S. Larew, for City of El Centro.
- ✓ E. N. Dyke, for City of Imperial.
- ✓ M. V. Oakley, for City of Holtville.
- ✓ Joe Simons, of Imperial Valley, for Manufacturers and the Common People.
- ✓ E. M. Fennemore, of Phoenix, for the Yuma Ice, Electric & Manufacturing Company.
- ✓ Ben Ferguson, for the Arizona Corporation Commission.
- ✓ James L. Allen, for the City of Brawley.
- ✓ C. C. Lantz, for Moreno Water Company Stockholders.
- ✓ Henry Goodcell, of San Bernardino, for Lytle Creek Water & Improvement Company of Rialto.
- ✓ L. A. Hazard, for Bishop Chamber of Commerce.
- ✓ P. W. Stamps, for California Central Creameries of El Centro.
- ✓ W. L. Paul, for Coachella Valley.
- ✓ S. W. McNab, for James Barnhill.
- ✓ R. E. Hodge, for City of Rialto.
- ✓ Walter S. Clayson, for Temescal Water Company.
- ✓ E. E. Myers, for City of Calipatria.
- ✓ O. B. Wyman, for California Central Creameries of El Centro.
- ✓ J. Stewart Roe, for the Imperial Irrigation District.
- ✓ Thomas C. Yeager, for S.S.M. Jennings and John von Rader of Coachella Valley.
- ✓ Elmer W. Heald, City Attorney, for City of Calipatria.
- ✓ J. S. Larew and Fred E. Smith, for all cities of the Valley.
- ✓ J. E. Simpson, for City of Holtville.
- ✓ C. R. Freeman, City Atty., for City of Corona.

BRUNDIGE, Commissioner:

O P I N I O N

The Southern Sierras Power Company and Holton Power Company, hereinafter referred to as Sierra Company and Holton Company respectively, or as applicants, filed on February 4th, 1920 a joint application with this Commission for a revision of rates. Applicants in their joint application request that this Commission determine the fair value of all properties and business of applicants, and that rates be fixed which will afford a reasonable return to them and such as will enable them to properly provide, through the regular financial channels, for future needs of the territory now served or which may hereafter be served.

Applicants state that a full and complete investigation of their rates has at no time been made; that it is desired such an investigation be made at this time by the Commission to determine a rate base and to fix reasonably permanent rates which will give them a fair return; that it is desired an appraisal of their properties be made, and that, for the purpose of this investigation, the properties of the two companies be considered as one, consideration, however, being given to the physical operating conditions. They further desire that this matter be disposed of without bringing up the feature of the separate entity of the two corporations. In this connection applicants allege that the two properties are financially controlled

by the same holding corporation and are under the same management.

Public hearing in this matter was held in the City of Riverside, May 5th and 6th, 1920. Adjourned hearings were held in the City of El Centro on June 2nd, 1920 and in the City of Riverside on June 3rd, 21st and 22nd, 1920.

Sierra Company and Holton Company formerly applied to this Commission on August 17th, 1918 for financial relief in the form of increase in rates. At that time applicants requested increase in rates due to the abnormally increased cost of operating, low rate of return earned in the past on investment, inability to finance new developments and extensions necessary to meet essential demands for power and inability to pay interest upon obligations from revenue under the existing rates. This matter was decided in Decision 6013, dated December 23rd, 1918, (Opinions and Orders of the Railroad Commission of the State of California, Vol. 16, Page 331), and it was therein ordered that certain surcharges should be applied to the then existing rates. These surcharges, together with the rates to which they were added, are at present in effect except in certain portions of the City of San Bernardino where The Southern Sierras Power Company is in competition with Southern California Edison Company and within this competitive territory the rates of the two utilities have been kept identical. In Decision 7439, dated April 19th, 1920, Sierra Company was authorized to increase its rates applicable to the competitive territory to correspond to the increase allowed the Southern California Edison Company.

At the hearing in the present proceeding extensive evidence was introduced by applicants relative to matters of valuation, revenue, and expense of the companies, history of develop-

ments and needs of companies, through direct testimony of witnesses and in the form of 19 exhibits. Evidence was introduced by protestants representing the various districts and consumers served and by the Commission's engineers, who had made extensive investigation into the valuation and operation of applicants' properties.

It was stipulated that all data and information in the files of the Commission relevant to the proceeding in question, also any further information which the Commission might request, should be considered in evidence in this proceeding.

The Southern Sierras Power Company serves electric energy in Inyo, Kern, San Bernardino, Riverside and Imperial Counties. Energy is also wholesaled to Nevada-California Power Company for resale in the State of Nevada; to the Holton Power Company for distribution in Imperial Valley; to the Yuma Gas, Light & Water Company for resale in the State of Arizona; and surplus energy is delivered to Southern California Edison Company at Colton when available and required.

Sierra Company owns and operates two hydro-electric plants on Bishop Creek, Inyo County, known as Plants Nos. 5 and 6 with a capacity of 3375 and 2000 kilowatts respectively, a steam plant of 11,000 k.w. capacity located at San Bernardino, and a small diesel engine electric plant located in the town of Blythe, which is operated for the service of the community. It operates a 90,000 volt steel tower transmission line from its Bishop Creek plants to the City of San Bernardino; a 55,000 volt pole transmission line from San Bernardino through the Coachella Valley to El Centro and thence to Yuma, and distributes electric energy for mining, industrial and agricultural power and for lighting and miscellaneous purposes

throughout the territory. The total length of applicant's transmission lines from its Bishop Creek plants to Yuma is 450 miles and may be considered as the longest operating transmission line in California.

Nevada-California Power Company, an allied corporation of applicants, owns five hydro-electric plants located in California and distributes electric energy for mining and miscellaneous purposes in the State of Nevada. The hydro-electric plants of Nevada-California Power Company consist of three plants located on Bishop Creek known as Plants Nos. 2, 3 and 4 with capacities of 6,750 k.w. each, and Rush Creek Plant and Mill Creek Plant in Mono County with capacities of 10,000 and 3,000 k.w. respectively. Plants Nos. 2 and 3 on Bishop Creek and the Rush Creek and Mill Creek plants, together with interconnecting transmission lines, have been leased to The Southern Sierras Power Company and are operated by that utility and supply the larger amount of electric energy distributed over the Southern Sierras system. Plant No. 4 is operated by Nevada-California Power Company for production of energy for its Nevada business, any additional power required for that business by that company being purchased from The Southern Sierras Power Company.

The Holton Power Company serves electric energy throughout the Imperial Valley in Imperial County, and also wholesales power to the Mexicala Water & Light Company for resale purposes in Mexico. Holton Power Company purchases the energy distributed from the Sierras Company at El Centro and also maintains at that place, for emergency purposes, a gas-electric and steam-electric plant, with a total capacity of approximately 900 kilowatts.

In 1905 the Nevada Power Mining and Milling Company was organized and constructed a power house on Bishop Creek, rendering service to Tonopah, Goldfield and other points in Nevada, and also to certain mining sections in California. In 1907 Nevada-California Power Company was incorporated and then purchased and took over the Nevada Power Mining and Milling Company. The Nevada-California Power Company realizing that its power developments would not be fully utilized in serving its Nevada load, and that a diminution of the mining load was imminent, organized and incorporated The Southern Sierras Power Company in 1911 to develop an electric power business in California. The Southern Sierras Company was assisted in its development by large advances of money for construction purposes, by the guarantee of its bonds, and further, by delivery of power to it at low cost by the Nevada Company. Sierra Company purchased Bishop Creek Plant No. 5 from Nevada-California Power Company and rights for the construction of its plant No. 6. It then commenced the construction of a transmission line to San Bernardino and a steam plant at that place, purchased certain existing local distribution systems and made additional extensions into new territory for the development of business. In 1915 Nevada-California Electric Corporation was incorporated, taking over as a holding corporation the various utility and non-utility companies allied with ^{The} Southern Sierras Power Company. Since that time the financing of new developments has in general been accomplished through the holding company.

The Coachella Valley Ice and Electric Company and allied companies in 1914 constructed a transmission line from Banning to El Centro to serve adjoining territory and also to

the Holton Power Company in Imperial Valley. Prior to 1917 The Southern Sierras Power Company or Nevada-California Power Company acquired control of the Bishop Light and Power Company, Corona Gas and Electric Company, Rialto Light, Power and Water Company, Elsinore Electric Light and Power Company, San Jacinto Electric Light Company, Hemet Fuel and Milling Company, and Coachella Valley Ice and Electric Company. In the latter part of 1917 all of these companies were merged in Southern Sierras Company.

The Holton Power Company was organized in 1903 for the purpose of supplying electric service to the growing communities of Imperial Valley. It was owned and controlled by parties directly interested in the general development of the valley and in other enterprises there. A small steam plant was constructed and later a hydro-electric plant on the Alamo River and a gas-electric plant in El Centro. Power was obtained from Coachella Valley Ice and Electric Company by a transmission line to El Centro completed in 1914. The hydro plant was later abandoned due to lack of water. The company did not develop into a prosperous utility, and, on January 1st, 1916, after eleven years of unprofitable operation, was taken over, through stock acquisition, by the Nevada-California Electric Corporation and placed under the same general management as The Southern Sierras Power Company though maintaining its separate corporate identity.

At the present time the Nevada-California Electric Corporation is the holding corporation of the Nevada-California Power Company, The Southern Sierras Power Company, Holton Power Company, as well as of several utility and non-utility companies in California and elsewhere. The three electric utilities and the several other enterprises in California are managed through

the same general offices.

The present proceeding involves not only the question of valuation and rates of the Sierra and Holton Companies, but, in turn, the reasonableness of the rental charge made to Sierra Company by Nevada Company and the pro-rating of general expense between the various enterprises.

Representatives of applicants, who are also officers of Nevada-California Power Company, contend that the latter is not a utility under the jurisdiction of this Commission as it does not sell any electric energy in California, its sale of electric energy being limited to the State of Nevada. Nevada-California Power Company leases its electric plants in California for a definite compensation per kilowatt hour to The Southern Sierras Power Company and it is necessary herein to determine the reasonableness of this charge.

Applicants herein are willing that the Commission determine the reasonableness of the rental charges and to have their costs based on the Commission's finding thereon. Under these conditions it is unnecessary to discuss the law upon which the Commission asserts its jurisdiction in the premises.

The assets and liabilities of The Southern Sierras Power Company as of December 31st, 1919 are set

forth in Table No. 1. The investment in the company's properties is represented by borrowed funds and surplus earnings rather than moneys obtained from the sale of stock. Although \$5,000,000 of stock is outstanding, practically all of the stock was issued without any cash consideration, and was issued in connection with the purchase and construction of the properties. The fixed capital accounts of the company have been revised and \$4,995,350 transferred to the account "Unamortized Discount on Stock". The company reports \$4,637,000 of bonds outstanding and accounts payable amounting to \$3,214,922.92. Part of the company's bonds were sold through the Sierras Construction Company, which built some of the company's properties. Others were issued to refund advances by the Nevada-California Power Company and the Nevada-California Electric Corporation. The accounts payable include \$1,925,320 due the Nevada-California Power Company, while the greater portion of the remaining accounts payable represent amounts due the Nevada-California Electric Corporation.

Applicant submitted an estimate prepared by F. Emerson Hoar, Consulting Engineer, of the historical cost new of the properties of Southern Sierras Power Company and also an estimate of the reproduction cost new and reproduction cost depreciated, the latter two being estimates of the properties as of December 31st, 1919 based upon prices and conditions during the years 1918 and 1919. The comparative results of these estimates are as follows:

The So. Sierras Pr. Co.
 Estimated by
 F. Emerson Hoar
 as of 12/31/19

Historical Cost New	\$ 8,186,306
Reproduction Cost New	12,590,979
Reproduction Cost Depreciated	10,961,559

These figures include estimates of water rights, development cost, material and supplies and construction work in progress as of December 31st, 1919.

R. M. Vaughan, Asst. Engineer of the Railroad Commission, reported upon the properties of the company exclusive of water rights and development cost and working cash capital, totalling \$6,727,175. A comparison of the two estimates of historical cost new are set forth in Table No. 2, and a general summary of the estimates of reproduction cost new and depreciated by Mr. F. Emerson Hoar in Table No. 3. Analysis of the estimates of historical cost show that Mr. Hoar and Mr. Vaughan are in practical agreement as to the cost of the tangible properties, Mr. Vaughan not estimating the items of water rights and development cost.

Table No. 1

THE SOUTHERN SIERRAS POWER COMPANY

Balance Sheet, Dec. 31, 1919

A S S E T S

Fixed Capital	\$6,607,566.46
Cash and Deposits	59,084.25
Notes Receivable	21,981.89
Accounts Receivable	859,815.72
Interest and Dividends Receivable	103.90
Materials and Supplies	221,065.07
Sinking Funds	151.83
Prepaid Expenses	1,138.96
Unamortized Discount on Securities and Expenses:	
Stocks	4,995,350.00
Bonds	423,654.37
Other Suspense	14,145.03
Construction Work in Progress	225,572.61
	<u>\$13,429,630.09</u>
Total Assets	

L I A B I L I T I E S

Capital Stock	\$5,000,000.00
Funded Debt	4,637,000.00
Advances from System Corporations	500,000.00
Notes Payable	19,000.00
Accounts Payable	2,714,922.92
Interest Accrued	231.16
Taxes Accrued	47,702.94
Reserves Invested in Sinking Fund	90,528.66
Other Reserves from Income or Surplus	110,682.58
Corporate Surplus Unappropriated	309,561.83
	<u>\$13,429,630.09</u>
Total Liabilities	

Table No. 2

THE SOUTHERN SIERRAS POWER COMPANY

ELECTRICAL DEPARTMENT

HISTORICAL COST NEW
12/31/19

<u>I t e m s</u>	<u>Report of F. Emerson Hoar (For Applicant)</u>	<u>Report of R. M. Vaughan (For Commission)</u>
<u>Intangible Capital:</u>		
C- 1 Organization	\$ 27,637.00	\$ 26,673.00
C- 2 Franchises	11,028.00	10,594.00
C- 4 Other Intangible Capital:		
Water Rights	314,870.00	Not Estimated.
Development Cost	896,880.00	" "
Total Intangible	<u>\$1,250,423.00</u>	<u>\$37,267.00</u>
<u>Tangible:</u>		
C- 5 Lands	180,790.00	160,557.00
<u>Production:</u>		
C- 6 Dams, Water Conduits & Penstocks	457,684.00	378,752.00
C- 7 Power Plant Bldg. & Gen. Struct.	117,936.00	99,214.00
C- 8 Hydraulic Pr. Plant Equipment	261,545.00	216,439.00
C- 9 Furnaces, Boilers & Accessories	139,224.00	118,569.00
C-10 Steam Power Plant Equipment	234,214.00	199,467.00
C-12 Gas Power Plant Equipment	12,878.00	11,273.00
C-13 Miscellaneous	13,682.00	16,916.00
Total Production	<u>\$1,237,163.00</u>	<u>\$1,040,630.00</u>
<u>Transmission and Distribution:</u>		
C-14 Poles and Fixtures	1,567,449.00	1,333,667.00
C-15 Overhead System	1,759,838.00	1,500,363.00
C-16 Underground Conduits	301.00	263.00
C-17 Substation Bldg. & Gen. Struct.	89,955.00	78,618.00
C-18 Substation Equipment	978,983.00	878,406.00
C-19 Miscellaneous Equipment	18,160.00	15,871.00
C-20 Line Transformers & Devices	256,146.00	230,534.00
C-21 Electric Services	49,160.00	44,244.00
C-22 Electric Meters	160,120.00	135,109.00
C-23 Municipal Street Lights	30,948.00	27,048.00
C-24 & 26 Miscellaneous	2,535.00	
Total Trans. and Distr.	<u>\$4,903,595.00</u>	<u>\$4,244,123.00</u>
<u>General & Miscellaneous:</u>		
C-27 General Structures	52,687.00	47,294.00
C-28 General Equipment	69,622.00	57,231.00
C-29 Telephone Lines	27,555.00	24,082.00
C-30 Roads, Trestles & Bridges	11,231.00	3,283.00
C-31 Undistributed Construct. Exp.	Included directly	758,330.00
C-32 Interest during Construct.	in various accounts	126,711.00
Total General	<u>\$ 161,095.00</u>	<u>\$1,016,931.00</u>
Total Tangible	<u>6,482,633.00</u>	<u>6,462,241.00</u>
Materials & Supplies	227,667.00	227,667.00
Working Cash Capital	225,573.00	Not Estimated
Total	<u>\$8,186,306.00</u>	<u>\$6,727,175.00</u>
GRAND TOTAL	<u>\$8,186,306.00</u>	<u>\$6,727,175.00</u>

Table No. 3

THE SOUTHERN SIERRAS POWER COMPANY

REPRODUCTION COST NEW AND DEPRECIATED

12/31/19

F. Emerson Hoar

	Reproduction Cost New	Reproduction Cost Depreciated
C- 1 Organization	\$ 119,286.00	\$ 119,286.00
C- 2 Franchises	11,028.00	11,028.00
C- 4 Water Rights	314,775.00	314,775.00
Develop. Cost (Partial)	1,078,330.00	1,078,330.00
Total Intangible	\$1,523,419.00	\$1,523,419.00
C- 5 Lands Devoted to Elec. Oper.	224,180.00	224,180.00
Production Capital	2,087,382.00	1,759,731.00
C-6 - 13		
Trans. & Distr. Capital	7,943,309.00	6,732,450.00
C-14 - 26		
General Capital	272,936.00	213,440.00
C-27 - 30		
Material & Supplies	314,180.00	282,762.00
Construction Work in Progress	225,573.00	225,573.00
	\$12,590,979.00	\$10,961,559.00

The assets and liabilities of Holton Power Company as shown by the general balance sheet as of December 31st, 1919 are set forth in Table No. 4.

The control of this company was taken over by the Nevada-California Electric Corporation on January 1st, 1916. Since that date advances by the holding company have been made as in the case of The Southern Sierras Power Company, the Holton Power Company not being in a financial position to issue further securities.

Two estimates of historical cost of the properties of Holton Power Company were introduced, one by Mr. F. Emerson Hoar for applicant and one by R. M. Vaughan for the Commission. These two estimates are set forth in Table No. 5. The two estimates are practically identical as far as tangible property is concerned. Mr. Vaughan has not, however, estimated development cost, which has been included by Mr. Hoar at \$274,681. A third estimate of historical cost of operative and useful property was submitted by engineers for the protestants of Imperial Valley. This estimate excluded certain costs on the basis that the plants were not fully efficient. The total as reported was \$827,141.12 as of 12/31/19.

An estimate of the reproduction cost new and depreciated was submitted in the case of Holton Power Company as in Sierra Company, and is set forth in Table No. 6, showing a total estimate as of December 31st, 1919 of \$1,747,522 and \$1,472,295 respectively.

Table No. 4

HOLTON POWER COMPANY

Balance Sheet, Dec. 31, 1919

A S S E T S

Fixed Capital	\$1,534,802.86
Stock of Other Companies	201,669.30
Cash and Deposits	18,283.75
Accounts Receivable	134,340.84
Materials and Supplies	86,084.41
Prepaid Expenses	2,432.76
Unamortized Discount on Securities and Expenses:	
Stocks	200,000.00
Bonds	82,875.00
Securities (Adjustment of Books)	429,081.96
Construction Work in Progress	52,743.24
Total Assets	<u>\$2,742,314.12</u>

L I A B I L I T I E S

Capital Stock	\$ 950,000.00
Funded Debt	975,000.00
Notes Payable	68,000.00
Accounts Payable	526,819.23
Interest Accrued	13,443.21
Taxes Accrued	10,354.29
Reserves Invested in Sinking Fund	75,000.00
Other Reserves from Income or Surplus	275,552.34
Corporate Surplus Unappropriated	152,163.54*
Other Suspense	308.59
Total Liabilities	<u>\$2,742,314.12</u>

* Deduct.

Table No. 5

HOLTON POWER COMPANYELECTRICHISTORICAL COST

12/31/19

<u>I t e m s</u>	Report of F. Emerson Hoar (For Applicant)	Report of R. M. Vaughan (For Commission)
<u>Intangible Capital:</u>		
C- 1 Organization	\$ 9,400.00	\$ 9,400.00
C- 2 Franchises	1,000.00	1,000.00
C- 4 Other Intangible Capital: Development Cost	274,681.00	<u>Not Estimated</u>
Total Intangible	<u>\$284,681.00</u>	<u>\$10,400.00</u>
<u>Tangible Capital:</u>		
C- 5 Lands	72,018.00	70,606.00
<u>Production:</u>		
C- 6 Dams, Water Conduits & Penstocks	-	-
C- 7 Pr. Plant Bldgs. & Gen. Struct.	59,157.00	50,875.00
C- 8 Hydraulic Pr. Plant Equipment	-	-
C- 9 Furnaces, Boilers & Accessories	14,673.00	12,619.00
C-10 Steam Pr. Plant Equipment	15,704.00	13,505.00
C-11 Gas Producers & Accessories	35,343.00	30,394.00
C-12 Gas Pr. Plant Equipment	71,151.00	61,189.00
C-13 Misc. Production Equipment	-	-
Total Production	<u>\$196,028.00</u>	<u>\$168,582.00</u>
<u>Transmission & Distribution:</u>		
C-14 Poles & Fixtures	98,306.00	84,542.33
C-15 Overhead System	102,386.00	88,051.18
C-16 Underground Conduits	-	-
C-17 Substation Bldgs. & Gen. Struct.	16,713.00	14,373.00
C-18 Substation Equipment	112,748.00	96,963.00
C-19 Miscellaneous Equipment	5,538.00	4,753.00
C-20 Line Transformers & Devices	58,978.00	50,720.57
C-21 Electric Services	25,022.00	21,519.02
C-22 Meters	66,753.00	57,407.00
C-23 Municipal St. Lighting System	36,654.00	31,522.00
C-24-25-26 Miscellaneous	-	-
Total Trans. & Distr.	<u>\$523,098.00</u>	<u>\$449,861.10</u>
<u>General & Miscellaneous:</u>		
C-27 General Structures	31,351.00	26,961.80
C-28 General Equipment	19,943.00	17,151.03
C-29 Telephone Lines	1,498.00	1,288.00
C-30 Roads, Trestles & Bridges	-	-
C-31 Undistributed Construct. Exp.	-	92,938.15
C-32 Interest during Construction	-	16,547.76
Total General	<u>\$52,792.00</u>	<u>\$154,886.74</u>
Total Tangible	<u>\$843,936.00</u>	<u>\$843,935.84</u>
Materials & Supplies	87,214.00	87,213.77
Working Cash Capital	-	-
GRAND TOTAL	<u>\$1,210,831.00</u>	<u>\$941,549.61</u>

Table No. 6

HOLTON POWER COMPANY

REPRODUCTION COST NEW AND DEPRECIATED

12/31/19

F. Emerson Hoar

	<u>Reproduction Cost New</u>	<u>Reproduction Cost Depreciated</u>
C- 1 Organization	\$ 9,494.00	\$ 9,494.00
C- 2 Franchises	2,500.00	2,500.00
C- 4 Water Rights	-	-
Develop. Cost (Partial)	<u>225,114.00</u>	<u>225,114.00</u>
Total Intangible	\$237,114.00	\$237,114.00
C- 5 Lands Devoted to Elec. Oper.	72,018.00	72,018.00
Production Capital	353,720.00	233,174.00
C-6 - C-13		
Trans. & Distr. Capital	810,764.00	665,933.00
C-14 - C-26		
General Capital	71,029.00	62,179.00
C-27 - C-30		
Materials and Supplies	87,214.00	87,214.00
Construction Work in Progress	<u>114,663.00</u>	<u>114,663.00</u>
Total	\$1,746,522.00	\$1,472,295.00

Although Nevada-California Power Company has not been made a party to this proceeding directly, it is apparent, as hereinbefore stated, that as a large portion of the power distributed by applicant, Sierra Company, is produced in plants leased from Nevada-California Power Company, it is necessary for the Commission to determine the reasonableness of the charges under that lease, especially as the price for power has been increased from time to time during the past, and the properties of Nevada-California Power Company are under the same management as Sierra Company.

Valuations of the properties of Nevada-California Power Company located in California were prepared and submitted by Mr. Hoar for applicants and by Mr. Vaughan for the Commission. The estimates of historical cost submitted by the two engineers are set forth in Table No. 7. Mr. Hoar's estimate of reproduction cost depreciated as of 12/31/19 of the Nevada-Company's properties was \$15,137,552, which includes water rights estimated at \$5,595,118.

In this valuation, as in the others preceding, there is practical agreement as to the physical properties with the exception in this case that Mr. Vaughan has included under the item of "lands" a total estimated historical cost of lands and water rights, not segregating the two.

Table No. 7

NEVADA-CALIFORNIA POWER COMPANY
12/31/19

HISTORICAL REPRODUCTION COST

Electric Properties in California
Exclusive of Transmission Lines
To Nevada

	<u>F. Emerson Hoar</u>	<u>R. M. Vaughan</u>
<u>Intangible Capital:</u>		
C- 1 Organization	\$ 59,509	\$ 25,000
C- 2 Franchises	-	-
C- 4		
(a) Water Rights	1,459,675	Not Esti-
(b) Development	710,609	mated
Sub Total	\$2,229,793	\$ 25,000
<u>Landed Capital:</u>		
C- 5 Lands & Rights-of-Way	62,875	1,046,144
<u>Production Capital:</u>		
C- 6 Dams, Water Conduits, etc.	2,759,180	2,278,932
C- 7 Power Plant Bldgs., etc.	315,647	261,211
C- 8 Hydraulic Pr. Plant Equip.	853,590	706,380
C-13 Misc. Production Equipment	31,266	25,874
Sub Total	\$3,959,683	\$3,272,397
<u>Transmission Capital:</u>		
C-14 Poles & Fixtures	154,151	132,569
C-15 Overhead System	287,994	247,673
C-17 Substation Bldgs.	12,023	10,508
C-18 Substation Equipment	8,261	7,412
C-19 Misc. Equipment	3,133	2,738
C-20 Line Transformers, etc.	664	598
Sub Total	\$ 466,226	\$ 401,498
<u>General Capital:</u>		
C-27 General Structures	658	600
C-28 General Equipment	30,437	77,048
C-29 Telephone Lines	32,018	27,983
C-30 Roads, Trestles, etc.	107,590	90,504
C-31 Undistributed Cons. Exp.	-	534,886
C-32 Interest during Construct.	-	104,043
Sub Total	\$ 170,713	\$ 835,064
Total Tangible	\$4,659,497	\$5,555,103
Materials and Supplies	49,413	-
Working Cash Capital	31,530	-
GRAND TOTAL	\$6,970,233	\$5,580,103

Applicants, through their general presentation and through the testimony of Mr. Hoar, urge that in the determination of reasonable rates the Commission should use the estimated present value of the property as compared with historical cost new.

I am not in accord with the suggestion of applicants that their rates be based upon the estimated reproduction cost depreciated or so-called "present value" of the properties. An electric utility serving under regulation and in a territory free from general competition has other and different obligations imposed upon it than those to which a non-public utility is subjected. The utility may be required to meet the demands of the territory whether costs are high or low and develop plants when necessary to provide for the needs of the public during periods of high prices as well as of low prices. Although the utility may be reluctant to construct plants during periods of extremely high costs, nevertheless its obligation is such that it cannot postpone these developments if required.

If "present values" be regarded as the proper rate base during periods of high prices, it should likewise be so regarded during periods of low prices and rates reduced accordingly. Under present conditions applicants might reap a temporary advantage were this suggestion followed. Applicants, in the past, have depended, and in the future will probably depend, largely upon borrowed moneys for their developments. The present developments made at large costs might readily, under the "Present Value" basis, shrink in "value" to an amount below that of the bonds outstanding and cause either a period of temporary inability to develop or an actual failure with the accompanying difficulties and losses. The return allowed a public utility should be placed upon a more certain basis than that suggested. The amount invested in public utility properties, if known, or if not known, the historical cost of the property, should be regarded as the

principal element in arriving at a rate base.

I must conclude, therefore, that applicant is entitled to a fair return upon its reasonable historical cost rather than upon its so-called present value. In arriving at this conclusion it is not contemplated that a utility should not be entitled to certain economies where it can be shown that its judgment and foresight have resulted in the same. Should a company develop plants during a period of low prices, when the same were not necessarily needed, and these developments become useful during a later period of high prices, it should be entitled to certain of the benefits of its foresight. On the other hand, allowance for historical investment should not be blindly followed in case a utility has unreasonably delayed in its obligation to the public by failing to develop plants at a time when they should have been developed and later constructing them under conditions of high cost of money and material. In such a case, fairness to the consumers must dictate a lesser compensation to the utility.

In this particular instance, Sierra Company and its allied interests have without question exerted all reasonable

effort to construct plants so that there would be no shortage of power, and has, during the periods of power shortage in other parts of the state, maintained a full supply to its consumers. During the years 1918 and 1919 applicants increased their plant capacity and to that extent have done more in general than other utilities in the state. I believe under the circumstances, however, that compensation for these special activities of the company should be limited to a possible leeway in return rather than upon a finding of increased value.

The estimates of historical cost submitted by Mr. Hoar and Mr. Vaughan are in practical accord with the exception of the estimates of water rights and development cost. Mr. Hoar has used a greater overhead percentage in the case of production capital and a smaller percentage in the case of distribution capital than the general overhead of 16.24% allowed by the latter. The average or total is equal except in the case of Nevada-California Power Company, where the preponderance of production capital has resulted in a greater total overhead. The correctness of the segregation of overhead charges is borne out by numerous analyses of valuations made by the Commission.

The claims to which specific attention will be given are those of estimated development costs and water rights.

The estimates of the historical cost of the water rights reported by Mr. Hoar are as follows:

Nevada-California Power Co.....\$1,459,675
 Southern Sierras Power Co.....314,870

\$1,774,545

The details of these estimates were submitted after the hearings in accordance with the request of the Commission. The water rights of Nevada-California Power Company as set up by applicants may be divided as follows:

	<u>Estimated Investment</u>
Water rights, Nevada-California Pr. Co., on Owens River	\$332,660.00
Hillside Water Co. rights, Bishop Creek including \$447,185 estimated develop- ment cost.	807,665.00
Water rights, Cain Irrigation Co., on Rush, Devining and Mill Creeks	<u>319,350.00</u>
	\$1,459,675.00

An analysis of the evidence and further information requested in accordance with the stipulation shows that the item of water rights, of \$332,660, on the Owens River is not in connection with any operative plants, and is therefore not at this time used and useful property in the service of the public. It is apparently the estimated cost of a right to use water of the Owens River, the ownership of this right being at present in dispute before the Supreme Court of the United States in a proceeding between the Nevada-California Power Company and the City of Los Angeles. It does not appear to me, therefore, that this right can be included as a part of the investment in operative property chargeable to the present service to Southern Sierras Power Company.

The item of \$807,665 is the claimed historical cost of the water rights used in connection with the Bishop Creek plants of Nevada-California Power Company and includes, as

above stated, \$447,185 estimated deficit of the Hillside Water Company from 1909 to 1919. Hillside Water Company apparently has been operated entirely separate from Nevada-California Power Company, as regards accounting at least, and there was never apparently a definite transfer of the water rights on the basis of the estimates set up as to the value or cost to the Nevada-California Power Company, although the use of the water for power purposes did result in a reduction in the value of the lands which had formerly been irrigated. Had these rights been transferred to the company which was benefitting by them such a deficit as computed would not have occurred in the case of the Hillside Water Company, and further, the question of the addition of a so-called deficit would be dependent upon the earnings of Nevada-California Power Company and not upon those of a company which had been deprived of the use of water vital to its property. It would appear very probable that the Nevada-California Power Company's earnings were such as would not have resulted in the deficit computed. Apparently the books as kept by the various allied companies were not in accordance with the present method of accounting, and what might have been a slightly reduced profit of the Nevada-California Power Company has herein been computed as a large deficit by a company that did not have the use of the rights it claimed. I believe that this claim for development cost or deficit should be excluded.

Applicant shows in its presentation a deduction in the accounts of Hillside Water Company of \$150,270 for the rights and lands for power house Number 6, which were sold to Southern Sierras Power Company by Hillside Water Company. No record apparently is available showing the transfer of the rights to Plant No. 5 to Nevada-California Power Company or any deduction for the cost. It appears that the costs of the total rights on Bishop Creek, including all purchases to December 31st, 1919

and including the value of lands, amounted to \$717,969, which includes not only rights to Plant No. 6 but also to Plant No.5. If the value of the lands without water be deducted from this price, and also the claimed price of the rights on Plants 5 and 6 totalling \$300,540, sold by the Nevada Company and the Hillside Water Company to The Southern Sierras Power Company, the balance chargeable to the net cost of water rights of the Nevada-California Power Company would be \$180,210 in place of the claimed \$807,665. No evidence appears to show that the rights to Plant 5 were ever sold or conveyed to Nevada-California Power Company.

The use of water in Plant No. 6 results in taking all of the water away from the irrigation ditches used by the Hillside Water Company, so that the use of water by Plant No.5 could not result in any further diminution of water service. Under the circumstances, it is my conclusion that there should be allowed for water rights of The Southern Sierras Power Company the sum of \$160,000, representing the cost to it for Plant No. 6 rights, and for water rights on the Bishop Creek allowable to the cost of service of Nevada-California Power Company the sum of \$340,000, covering the balance of the original cost to Hillside Water Company.

Applicant's claim of \$319,350 for water rights chargeable to the Rush Creek and Jordan plants purchased by the Cain Irrigation Company, includes the estimated cost of the rights and lands less the value of the arid lands. The present plants do not, as far as Rush Creek is concerned, materially reduce the water supply available to the lands purchased. A part of the lands purchased were irrigated from Levining Creek, on which the

company is now constructing a hydro-electric plant. It is apparent, therefore, that applicant has included an amount to cover cost of water rights materially in excess of that properly chargeable to the present operating plants, which do not materially interfere with any existing irrigation rights. I must conclude, therefore, that the amount of the water rights not chargeable to the two operating plants should not be included as a part of the rate base of Nevada-California Power Company.

Although it is not easily determinable to what extent the present operations of the plants reduce the use of water, it would appear that an allowance of \$100,000 as the cost of water rights for the Rush Creek and Jordan plants would be fair. When such other plants as are constructed are put in operation the company necessarily should be allowed the cost of the rights applicable to those plants, together with such losses as have occurred due to the holding of these rights from the time of purchase until made useful.

I find, therefore, that the item of water rights to be allowed in the case of The Southern Sierras Power Company should be \$160,000, and for the same item for Nevada-California Power Company \$440,000.

Nevada-California Power Company, in its estimated historical cost, included an item of estimated development cost of \$710,609 chargeable to the Nevada-California Power Company's system in California. Mr. Hoar apparently based this estimate upon his opinion that the cost of developing a business equivalent to that of Nevada-California Power Company would be approximately one dollar per dollar of maximum revenue obtained at the end of a 5-year development period.

Applicant submitted no records to show that Nevada-California Power Company actually incurred this amount of deficit.

Testimony of Mr. West of the company is that a large amount of the construction work of The Southern Sierras Power Company was financed out of the profits of Nevada-California Power Company and that the Nevada Company was apparently in such a financial condition as to make it possible to sell large amounts of securities for the construction of The Southern Sierras system.

Nevada Company's system was developed for the service of power to mines and its business reached a maximum in 1913, a period of approximately six years after its inception. It would appear that the business had been profitable and that any development expense incurred was readily amortized, especially in view of the fact that the service supplied was of a nature which would be considered of short life, and early losses, if any, must have been rapidly amortized. It is further to be considered that applicant was faced, in 1912 and 1913, with a possible diminution of its sales in the mining district and it was necessary for it to find another market or be in a position of having idle investments.

No allowance should be made to Nevada-California Power Company for development cost chargeable to service of The Southern Sierras Power Company based upon the evidence introduced. If the Nevada-California Power Company can, before this Commission, show that it is entitled to an additional allowance for development expense, this will be later considered.

Applicants estimated development cost incurred by The Southern Sierras Power Company, from the start of the Company to December 31, 1915, to be \$896,887.73. It is urged that the Commission include this sum in the rate base and regard it as fixed capital. This amount, according to the evidence introduced, represents the

computed deficit of Sierras Company from the commencement of its operations in 1912 to 1915 below an average return of 6-3/4% on the average money invested during the period. In arriving at the above figure Sierras Company's revenue and expenses as reported have been adjusted to include revenue for power delivered to Nevada-California Power Company and expense for power purchased from or donated by that company at a price of 5 mills per kilowatt hour.

Sierras Company's earnings have been relatively low throughout its entire period of operation from 1912 to 1920. The territory traversed by its lines and in which it has developed its business is largely barren desert except where irrigation has reclaimed the land to fertility. Long distances have been traversed to render service and necessarily earnings at the rates charged have been low. Sierras Company should be allowed a reasonable sum as a development cost to be amortized, such development costs being equivalent to the deficits incurred during the early part of the development period. To allow all deficits below a return of 6-3/4%, which appears as the approximate cost of moneys invested, would be to guarantee applicant against loss, and, if such is done, the return to be allowed should be based on such reduced hazard.

A computation of the losses of Sierras Company below a 6-3/4% return from its start to 1919, correcting applicant's estimate of cost of power from Nevada-California Power Company to 3 mills instead of 5 mills as assumed, and including other charges, shows that the total deficit to December 31st, 1919 has been approximately \$930,000. The reasonable development cost which I recommend be amortized out of earnings is the deficit incurred during the first three and one-half years of operation, totalling approx-

mately \$700,000. The deficit in excess of \$700,000 will not be allowed. As the period of low return is just passed, it does not appear reasonable to include in the cost of service at this time more than the amount necessary to amortize the sum of \$700,000 on a 20-year basis, it being understood that if conditions are more favorable the rate of amortization will be increased. The allowance per annum to be included in the cost of service on this basis will be \$66,500.

Claim of development cost by Holton Power Company, based upon historical cost, of \$274,681 was submitted as an amount to be included as part of the rate base. This amount was computed by Mr. Hoar on the basis of the computed deficit incurred by Holton Power Company during the first six years of its existence, from 1904 to 1909 inclusive. Mr. Hoar's position regarding any deficit incurred thereafter was that a reasonable development period for this company would have been approximately five years, and if the company did not earn a reasonable return thereafter that such losses should not be included in a permanent rate base, although it is urged that they be amortized in the future.

The evidence of protestants in this proceeding tends to show that Holton Power Company, when it was originally organized, was operated in connection with various other industries or developments in the Imperial Valley in connection with the promotion of land sales and other projects. The records of the company submitted by protestants show that in the early history of the company prior to 1916 a number of charges were inserted which are not applicable to utility service, and it is, in my opinion, doubtful whether the books of the company during that period can be given much weight in any determination. The Holton Power Company, according to the annual reports before the Commission and such information as was presented, has continued to operate at a return of less than 7 percent since its inception. It apparently has not been a paying proposition,

at least not one earning a reasonable return, and after practically 15 years of operation still operated at a very low rate of return upon the investment for the year 1919 when a correction for cost of power is made.

The properties of the Holton Power Company were acquired by the interests which controlled The Southern Sierras Power Company as of January 1st, 1916 and it might be reasonably assumed that at that time the property should not have been purchased at a price in excess of the historical cost of the physical property which was used and useful. This appears a logical conclusion from a study of the records of the company prior to that time and the prospects that existed at the time of the transfer. The present interests have operated the plant for approximately 5 years and possibly should be entitled to an amortization of any deficit which has been incurred during that period. Certainly the former owners of the property, who sold the same at the end of 1915, would receive no benefit from return of a deficit which was incurred and which was probably one of the reasons for their disposing of the property. To allow a large development cost either in capital or to be amortized at this time, based upon losses in 1904, would be equivalent to requiring consumers now to pay power bills which should have been paid at that time if they were reasonable.

The cost of money to applicant has been 7% or greater and this rate would appear a fair rate on which to determine deficit. Computations based upon the operations of Holton Power Company for the period 1916 to 1919 inclusive, shows that on the operation of the electric property only, assuming that

the statements of the company are correct, the company has failed to earn a return of 7% upon the property in addition to depreciation by an amount of approximately \$140,000. Applicant's earnings in 1919, if the cost of power for that year is charged at the original rate plus the surcharge, would show a net return for interest or only 4-1/2 percent.

I believe applicant is entitled to a reasonable return upon the historical cost of the physical properties at this time if the same can be obtained without the rates being unreasonable, considering not only the cost of service but also the quality of service rendered its consumers, but it does not appear that its consumers should be required to pay a return upon the deficit above computed or to amortize the same.

DEVELOPMENT COST AND
WATER RIGHT CLAIMS AND ALLOWANCE

	Applicant Claims		Commission Allowance (Historical Cost Basis)
	Historical Cost	Present Value	
Nevada-California Pr.Co.			
Development Cost	\$ 710,609	\$1,474,217	
Water Rights	1,459,675	5,595,118	\$440,000
The Southern Sierras Pr.Co.			
Development Cost	896,888	1,078,330	700,000
Water Rights	314,870	314,870	160,000
Holton Power Co.			
Development Cost	274,281	225,120	

Table No. 8 sets forth the historical cost of the production and transmission properties of the Nevada-California Power Company in California, exclusive of transmission lines to Nevada, which are involved in the service of electric energy to The Southern Sierras Power Company, and which will be used herein as the rate base.

The third column therein sets forth the historical cost of the properties included in the certain leases under which the Sierras Company operates the plants of the Nevada Company. The total figure of \$4,286,926 will be used as the basis for the determination

of the reasonable charges for service to Sierras Company *July 8*

Table No. 9 sets forth the reasonable rate base of The Southern Sierras Power Company for the year 1920. The estimate includes estimated historical cost of water rights chargeable to property, and also includes an estimate of the additions and betterments to the property for 1920. Mr. Hoar, Engineer for applicant, included in his estimate for rate base, in addition to the operative properties, the item of approximately \$225,000 as average construction work in progress. This amount is not allowed as the construction work in progress is not considered operative, interest during construction being normally capitalized on such amounts.

Table No. 10 sets forth the rate base of the Holton Power Company for the year 1920, in general on the same basis of determination as is followed in the Southern Sierras and Nevada-California Power Companies' cases.

The total capital chargeable to the electric service rendered by The Southern Sierras Power Company and Holton Power Company for the year 1920 is as follows:

Nevada-California Power Company	\$4,286,926.00
The Southern Sierras Power Company	7,618,541.00
Holton Power Company	1,111,550.00
Total	<u>\$13,017,017.00</u>

Estimates of the reasonable allowance for depreciation annuity on the systems for the year 1920 presented by Mr. Hoar are as follows:

	Annuity based on 6% S.F.
The Southern Sierras Power Company	\$169,119.00
Holton Power Company	31,000.00
Total	<u>\$200,119.00</u>

No direct estimate of the allowance for depreciation chargeable to the Nevada-California Power Company was submitted

TABLE 8
NEVADA CALIFORNIA POWER COMPANY
Electric Properties in California
Chargeable to service
 Of
SOUTHERN SIERRAS POWER COMPANY
1920 Rate Base

Item:	Total Including Plant 4	Chargeable to Plant 4	Chargeable to Sierra Co. Under Lease
<u>Intangible:</u>			
C-1 Organization	\$ 50,000.	\$ 9,000.	\$ 41,000.
C-2 Franchises			
C-4 Water Rights & Development	440,000.	110,000.	330,000.
Total Intangible.	\$ 490,000.	119,000.	371,000.
<u>Tangible:</u>			
C-5 Lands & Rights of Way	\$ 45,000.	9,000.	36,000.
<u>Production Capital:</u>			
C-6 Dams, Water Conduits, etc.	\$ 2,759,180.	471,498.	2,287,682.
C-7 Power Plant Bldgs., etc.	315,647.	96,427.	219,220.
C-8 Hydraulic Pr. Plant Eqpt.	353,590.	183,204.	669,786.
C-13 Misc. Prod. Eqpt.	31,266.	17,666.	13,600.
Total Production.	\$5,959,683.	769,395.	3,190,288.
<u>Transmission Capital:</u>			
C-14 Poles & Fixtures	\$ 154,151.	25,166.	128,985.
C-15 Overhead System	287,994.	47,016.	240,978.
C-17 Substation Bldgs.	12,023.	1,963.	10,060.
C-18 Substation Eqpt.	8,261.	1,349.	6,912.
C-19 Miscellaneous Eqpt.	3,133.	511.	2,622.
C-20 Line Transformer, etc.	664.	108.	556.
Total Transmission.	\$ 466,226.	76,113.	390,113.
<u>General Capital:</u>			
C-27 General Structures	\$ 668.	169.	499.
C-28 General Eqpt.	30,437.	4,989.	25,448.
C-29 Telephone Lines	32,018.	5,227.	26,791.
C-30 Roads, Trestles, etc.	107,590.	14,149.	93,441.
Total General.	\$ 170,713.	24,534.	146,179.
Total Tangible	\$5,131,622.	998,042.	4,133,580.
Working Cash Capital	\$ 15,000.	3,000.	12,000.
Materials & Supplies	49,413.	8,067.	41,346.
Average Ad. & Bet. 1920	100,000.		100,000.
Total	\$ 164,413.	11,067.	153,346.
GRAND TOTAL	\$5,296,035.	\$ 1,009,109.	\$ 4,286,926.

THE SOUTHERN SIERRAS COMPANY

ELECTRICAL DEPARTMENT

RATE BASE

1920

<u>I T E M S:</u>	<u>AVERAGE CAPITAL 1920</u>
Intangible Capital:	
C-1 Organization	\$ 27,637.
C-2 Franchises	10,594.
C-4 Other Intangible Capital	
Water Rights	160,000.
Development Cost	
Total Intangible	<hr/> \$ 198,231.
Tangible:	
C-5 Lands	180,790.
Production:	
C-6 Dams, Water Conduits & Penstocks	457,684.
C-7 Power Plant Bldg. & Gen. Structures	117,938.
C-8 Hydraulic Power Plant Equipment	261,545.
C-9 Furnaces, Boilers, & Accessories	139,224.
C-10 Steam Power Plant Equipment	234,214.
C-12 Gas Power Plant Equipment	12,878.
C-13 Miscellaneous	13,682.
	<hr/> \$ 1,237,163.
Transmission and Distribution:	
C-14 Poles and Fixtures	1,567,449.
C-15 Overhead System	1,759,838.
C-16 Underground Conduits	301.
C-17 Substation Bldgs. & Gen. Struct.	89,955.
C-18 Substation Equipment	978,983.
C-19 Miscellaneous Equipment	18,160.
C-20 Line Transformers & Devices	256,146.
C-21 Electric Services	49,160.
C-22 Electric Meters	150,120.
C-23 Municipal Street Lights	30,936.
C-24 & 26 Miscellaneous	2,535.
	<hr/> \$ 4,903,595.
General & Miscellaneous:	
C-27 General Structures	52,687.
C-28 General Equipment	69,622.
C-29 Telephone Lines	27,555.
C-30 Roads, Trestles & Bridges	11,231.
Total General	<hr/> \$ 161,095.
Total Tangible	6,482,643.
Average A & B 1920	500,000.
Materials & Supplies	227,667.
Working Cash Capital	210,000.
	<hr/> <hr/>
TOTAL RATE BASE....\$	7,618,541.

HOLTON POWER COMPANY
ELECTRIC DEPARTMENT

RATE BASE

1920

Average Capital 1920.

Intangible Capital:		
C-1	Organization	\$ 9,400.00
C-2	Franchises	1,000.00
	Total Intangible	<u>\$ 10,400.00</u>
Tangible Capital:		
C-5	Lands	\$ 72,018.00
Production:		
C-6	Dams, Water Conduits & Penstocks	
C-7	Pr. Plant Bldgs. & Gen. Structures	\$ 59,157.00
C-8	Hydraulic Pr. Plant Eqpt.	
C-9	Furnaces, Boilers and Accessories	14,673.00
C-10	Steam Pr. Plant Eqpt.	15,704.00
C-11	Gas Producers & Accessories	35,343.00
C-12	Gas Pr. Plant Eqpt.	71,151.00
C-13	Misc. Production Eqpt.	
	Total Production	<u>\$ 196,028.00</u>
Transmission and Distribution:		
C-14	Poles & Fixtures	\$ 98,306.00
C-15	Overhead System	102,386.00
C-16	Underground Conduits	
C-17	Substation Bldgs. & Gen. Structures	16,713.00
C-18	" Eqpt.	112,748.00
C-19	Misc. "	5,538.00
C-20	Line Transformers & Devices	58,978.00
C-21	Electric Services	25,022.00
C-22	Meters	66,753.00
C-23	Municipal St. Ltg. System	36,654.00
C-24-25-26	Miscellaneous	
	Total Trans. & Distribution	<u>\$ 523,098.00</u>
General & Miscellaneous:		
C-27	General Structures	31,351.00
C-28	" Equipment	19,943.00
C-29	Telephone Lines	1,498.00
	Total General	<u>\$ 52,792.00</u>
	Total Tangible Capital	\$ 843,936.00
	Average A. & B. 1920	100,000.00
	Materials & Supplies	87,214.00
	Working Cash Capital	70,000.00
	GRAND TOTAL	<u>\$1,111,550.00</u>

although a claim has been later submitted in connection with depreciation and a part of maintenance, amounting to \$74,532.

The depreciation annuity determined for 1918 for the combined Sierras and Holton Power Companies' systems was \$150,000. I find that a reasonable depreciation annuity for the various properties for 1920 is:

	<u>Depr. Annuity 6% S.F. Basis</u>
Nevada-California Pr. Co. properties chargeable to The So. Sierras Pr. Company deliveries	\$ 45,000
The Southern Sierras Power Company	150,000
Holton Power Company	<u>26,000</u>
Total	\$221,000

In addition to the annuity herein allowed, based on 6% S.F., which will be included in operating expenses, applicants should set aside from the return allowed interest at 6% per annum on the estimated accrued depreciation. The historical cost depreciated as estimated by the Commission's engineers was approximately \$1,000,000 less than the historical cost new in the case of The Southern Sierras Power Company, and approximately \$170,000 in the case of Holton Power Company. The accrued depreciation on a 6% sinking fund basis for these two properties would be, on December 31st, 1919, less than the above figures especially in the instance of The Southern Sierras Power Company, where considerable long life equipment exists. A reasonable estimated accrued depreciation reserve as of that date would be approximately \$750,000 in the case of The Southern Sierras Power Company and \$140,000 in the instance of the Holton Power Company.

Commencing with October 1st, 1920, The Southern Sierras Power Company should set aside in the depreciation reserve,

in addition to the annuity herein estimated, \$45,000 per year, and Holton Power Company should set aside on the same basis \$9,000 per year, plus 6% interest on additions to the reserve fund from December 31, 1919 as they accumulate.

Applicants request that rates be fixed so that the return upon the rate bases will be at least 9% per annum, if the historical cost basis is used, and, in support of this request, set forth the fact that the cost of money to them has been higher than the general cost of money to other electric utilities due to conditions surrounding the rendering of service, and also to the fact that during the past two years there has been a material increase in the cost of moneys, and further, that applicants must continue to borrow, even under the present difficult financial situation, considerable sums of money to finance additional developments and extensions for service.

Applicants are financed primarily through Nevada-California Electric Corporation, the holding company, and Nevada-California Power Company, and to a large extent moneys for development have been obtained by advances from these corporations. Practically no long term securities have been sold to the public by either of applicants since 1915, although approximately \$3,000,000 has been expended during that period in power developments and service extensions. Since 1915, however, \$2,150,000 of bonds have been issued by The Southern Sierras Power Company to these companies to refund such advances.

Applicants' development program during the present year contemplates the expenditures of \$1,500,000 on the Nevada, Sierras and Holton Companies' systems. The financial market at present time is unsteady and the rate of interest required to be paid for loans is materially higher than ~~in 1915~~ prior to war conditions. Electric utilities in the state, including applicants, have, for short term financing, been

required to pay from 8 to 10 percent, and sometimes a greater percent, for the moneys obtained. In general it may be said that interest rates at present are from 2% to 3% higher than before the war.

In the matter of return, it would appear logical to follow the same historical basis as is followed in the determination of the rate base. On this basis the company would be allowed a return that was considered reasonable on moneys invested prior to the present increased costs, and a higher return commensurate with the cost of money occurring during the existing conditions on such capital as has been invested during this period. The above is based upon the assumption that the companies have passed the development period and would, under normal conditions of cost of money and service, have earned a reasonable return.

The average cost of money expended for development of Sierras properties up to and including 1917 was approximately 7% as shown by the evidence herein. The Southern Sierras Power Company issued securities covering \$2,390,000 expenditures from 1912 to 1915 inclusive at an average cost of 7.1%, and the financing by Nevada-California Electric Corporation during 1915, 1916 and 1917 was at a cost of approximately 7%.

Financing, the larger part of which was for applicants' systems including Nevada-California Power Company, by Nevada-California Electric Corporation during 1918 and 1919 was about half by short term notes and the remainder by the sale of long term bonds at an average cost of 8.63%.

It would appear reasonable to assume that a fair return upon pre-war basis would be 8% per annum, and, from analy-

eis of the evidence, I would conclude that upon the moneys obtained by applicants and invested in property during 1918 and 1919 and the average for 1920 a fair return would be on the basis of 9-1/2%, this giving the utility a slight margin over the actual cost of the moneys invested.

The records of The Southern Sierras Power Company show an investment in additions and betterments to property during the two and one-half years of approximately \$2,000,000, and the records of Holton Power Company show, for the same period, including the estimate for 1920, the sum of \$330,000. The average rate of return to be allowed for ^{one} the two properties would be 8.4% for The Southern Sierras Power Company and 8.45% for Holton Power Company. The actual additions and betterments during the period in question made by Nevada-California Power Company are not of record. It would appear, however, that a rate of return for this property should be approximately the same.

Nevada-California Power Company, as heretofore stated, leases to The Southern Sierras Company four of its hydro-electric plants under a certain lease agreement which provides that the lessee shall operate the plants and transmission line and do all normal maintenance at its own expense, and, in addition thereto, pay to Nevada Company \$53,000 per annum commencing January 1st, 1920 for use of its transmission lines and a rate of 5 mills per kilowatt hour for all energy produced in said plants and measured at the switchboards of the same.

The charge to be paid by the Sierras Company during 1920, based upon the estimated plant outputs and under the

lease agreement, is \$596,732. Applicants estimate that the cost, in the form of taxes, general expense, depreciation and a portion of the maintenance which will have to be borne by Nevada-California Power Company, will be \$142,183, leaving a net for return upon the capital of \$454,549. This is equivalent to 10.4% upon the rate base chargeable to this service as set forth in Table No. 8.

From a study of the evidence and analysis of the various charges, a total rental of \$500,000 for the use of the plants and transmission lines I find to be a reasonable charge. The return to the Nevada Company will be as follows:

Revenue under Lease	\$500,000
Depreciation Annuity	45,000
Maintenance	29,500
General Misc. Expense, incl. Taxes .	60,000
Balance for Return	370,000
Rate	8.44%

Although the holding company is the same for both the Nevada Company and The Southern Sierras Company and financing of the two properties are carried on in common, yet I strongly recommend that the lease agreement should be modified so that the expense of The Southern Sierras Power Company for rental of plant is made to conform with the conclusions herein.

The growth of applicants' business has been steady and rapid. The prospects of future growth are also good. It is estimated that the increase in business will be at an average rate of approximately 11 percent, requiring an annual expenditure of approximately \$1,800,000.

Table No. 11 sets forth the operating statistics of applicants for the years 1915 to 1919 inclusive, showing the growth of applicants' business both as to number of consumers, sales and revenue.

Table No. 12 sets forth the number of consumers, sales and revenue for the two companies for the year 1919 segregated between the various classes of service.

Table No. 13 sets forth applicants' estimate of revenue for the year 1920. At the time of the first hearing in this proceeding applicant estimated that it would sell 30,000,000 kilowatt hours of steam produced power to Southern California Edison Company. As the hearings proceeded it appeared that due to change in conditions Southern California Edison Company would not require the 30,000,000 k.w.h. estimated, and applicants' estimate of revenue should be modified in this respect. At the last hearing it was estimated Edison Company would take 10,000,000 kilowatt hours during the year 1920, and, under the operating arrangement between the two parties, a slight profit might be expected from the sale of this power. This sale of surplus power is limited primarily to the year 1920 in view of the fact that Southern California Edison Company's steam plants can produce power at a less cost to Edison Company than the necessary purchase price of applicants.

In a proceeding in which it is attempted to fix rates of a more or less permanent nature it appears that such rates should be based as near as possible upon average conditions

rather than conditions which were below or above average. Were applicants' cost of service based upon conditions of short hydro-electric supply an unreasonably high return would result during periods of wet years, and the reverse would be true in case rates were based upon years of abundant water power supply.

The estimates of revenue and expense on which the determination of reasonable rates are herein computed are based upon the condition which would exist on a year of average precipitation. Under such conditions it does not appear that Southern California Edison Company will be in need of any material amount of steam power from applicants. Applicants may have some surplus hydro power which can be delivered at a profit. It appears reasonable, therefore, that in arriving at the estimate of revenue and expense of applicants in connection with this rate proceeding the possible sales of steam power to Southern California Edison Company be excluded.

In Table No. 14 are set forth the conclusions, based upon the evidence herein presented, of the probable sales of electric energy and the revenue under present rates for both Southern Sierras and Holton Power Companies. Sales for agricultural power have been increased over applicants' estimate owing to the fact that the sales during 1920 are less than the average as a result of the late rains in the district served. ~~It~~ Modifications of applicants' estimate of sales for the year 1920, based upon records of the company for the first six months of the year and analysis of the evidence, have been made in connection with other classes of service.

The revenue to Southern Sierras Power Company from sale of energy to Holton Power Company has been based upon a rate of 1.7 cents per kilowatt hour to conform to the original

rate plus the 2 mill surcharge authorized in 1918 by Decision No. 6013, which was applied to resale energy with the exception of Holton Power Company.

Applicants have estimated the hydro-electric plant output based upon the estimated conditions for 1920, which is admittedly a year when the water supply is below the normal or average conditions as regards water supply for power plant operation.

Table No. 15 sets forth the capacity of the various plants used in connection with the service of applicants' consumers, the output during 1919 and the estimated kilowatt hour output available from the separate plants during a year of average water conditions.

Table No. 16 sets forth the kilowatt hour sales and the plant output required for an average year, together with the estimated steam plant output and power required from leased plants. It will be noted therein that with average conditions applied to the amount of business existing in 1920 there will be a surplus of hydro-electric power during the year of approximately 25,000,000 kilowatt hours at power plant switchboard. A part of this surplus can without doubt be sold by applicants to Southern California Edison Company although it cannot be expected that the entire amount estimated will be so delivered. The revenue from this surplus hydro power is problematic. A diversity in the period of maximum hydro output occurs between The Southern Sierras Power Company's plants and Southern California Edison Company's plants, which should make possible the disposition of a large part thereof. The inclusion of at least \$50,000 as revenue from this source is justified.

Table No. 17 sets forth applicants' estimate of expenses of both The Southern Sierras and Holton Companies for

the year 1920. In these estimates are included the amount of \$550,000, being the purchase price for power under the lease agreement with Nevada-California Power Company, and an estimate of the cost of power plant operation to supply 30,000,000 k.w.h. to Southern California Edison Company. Correction in these estimates will be made to take care of the reasonable rental charge heretofore determined for the leased properties, and also to exclude from the cost of production the estimated cost of the production of power to be delivered to Southern California Edison Company.

Since the submission of this case applicant has filed a statement with the Commission showing that it has found it necessary to increase its payroll both on the Southern Sierras and Holton systems due to the steadily increased cost of living and in order to hold its employees and pay them a reasonable wage. The amount of the increase, amounting to \$53,500 on the Southern Sierras system and \$10,900 on the Holton system, should be allowed in addition to the estimated expenses previously submitted.

Other corrections have been made in the estimated operating expenses of both the Sierra and Holton systems in accordance with the evidence presented. The price of oil used in the production of power has been increased in view of the further increase in oil price and estimated increase in freight cost of oil effective. Sierras Company is required to pay 2% of its gross revenue as county and municipal franchise tax. This tax has not been in full effect in its entire territory up until 1920. This results in an additional burden to be placed on its consumers.

Evidence was presented by the cities of Imperial Valley relative to the operation of the local plants of Holton

Power Company, urging possible savings by the continued operation of the gas-electric plant or possibly the installation of a deisel engine or steam plant in the Valley. The evidence shows the gas-electric plant not capable of continuous operation. Protestants' engineers admitted that the installation of a steam plant was a very doubtful benefit in reduction of cost. The deisel engine plant is not possible from a financial standpoint.

Table No. 18 sets forth conclusions, based upon the evidence herein, as to the operating expenses of applicants' systems for the year 1920, assuming an average condition.

Table No. 19 sets forth the summary of the rate base for the two properties, the estimated gross revenue under present rates, operating expenses, depreciation and net return. It is to be noted therein that Sierra Company's earnings below an 8.4% return upon the rate base herein found to be reasonable are equivalent to approximately a 19% increase over present rates. On the Holton Power Company's system the percentage increase is relatively small, while the average increase over the entire system is approximately 16 percent.

The cost of power of the Holton Power Company has been assumed as 1.7¢ per kilowatt hour. In case this rate under normal conditions was fairly correct it is apparent that if an average increase of 19% is necessary upon the Sierra system that this increase will be reflected in the cost of service of Holton Power Company and necessitate an increase equivalent to the percentage set forth therein. At this point it is well to note that although there will be future conditions which

Table No. 11

SOUTHERN SIERRAS POWER COMPANY
and
HOLTON POWER COMPANY

GROWTH OF BUSINESS

	<u>1915</u>	<u>1916</u>	<u>1917</u>	<u>1918</u>	<u>1919</u>
<u>So. Sierras Pr. Co.</u>					
No. of Consumers	3,004	3,393	3,847	5,854	6,267
Connected Load-K.W.	10,419	15,027	29,950	34,157	40,911
Sales in K.W.H. *	17,230,938	41,455,593	54,491,500	72,761,164	84,338,089
Gross Revenue	\$528,254	\$532,573	\$750,255	\$952,387	\$1,133,681
 <u>Holton Power Co.</u>					
No. of Consumers	2,624	3,172	3,513	3,659	4,214
Connected Load-K.W.	6,784	7,110	7,736	8,909	10,611
Sales in K.W.H.	6,391,124	5,932,875	10,120,400	10,317,083	13,685,506
Gross Revenue	\$225,113	\$261,510	\$338,845	\$352,956	\$499,180
 <u>TOTAL</u>					
No. of Consumers	5,628	6,565	7,360	9,513	10,481
Connected Load-K.W.	10,419	15,027	29,950	34,157	40,911
Sales in K.W.H.	17,681,398	39,304,398	53,230,000	70,082,372	81,665,105
Gross Revenue	\$753,367	\$794,083	\$1,089,100	\$1,305,343	\$1,632,861

NOTES:

- (1) Statement of Sales excludes sales to So. California Edison Company of surplus power but includes, in the case of So. Sierras Power Company, the sales to Holton Power Company.
- (2) Statement includes operations to 1917 of:
 - (1) Corona Gas & Electric Light Co.
 - (2) Bishop Light & Power Co.
 - (3) Rialto Light, Power & Water Co.
 - (4) Coachella Valley Ice & Electric Co.

Table No. 12

SOUTHERN SIERRAS POWER COMPANY
and
HOLTON POWER COMPANY

SALES AND REVENUE
1 9 1 9

<u>So. Sierras Pr. Co.</u>	<u>No. of Consumers</u>	<u>Sales in K.W.H.</u>	<u>Revenue</u>
Residence & Com'l. Lighting	4,975	1,655,085	\$ 136,994
Municipal Lighting	11	143,111	14,488
Heating and Cooking	242	296,460	11,832
Light and Power - Blythe	229	82,007	10,547
Gen. Industrial Power	321	30,270,719	467,804
Mining Power	18	1,359,962	33,087
Agricultural Power	590	21,586,632	364,906
Municipal Power	4	1,796,681	22,474
Resale Power	4	3,854,952	68,154
Nevada-California Power Co.	1	6,933,990	44,004
Holton Power Company	1	17,358,490	260,377
Southern California Edison Co.	1	19,767,170	144,535
Total	6,397	105,105,269	\$1,579,162
<u>Holton Power Co.</u>			
Residence & Com'l. Lighting	3,891	1,907,134	\$ 199,268
Municipal Lighting	8	196,962	13,868
Heating and Cooking	120	190,098	8,843
General Industrial Power	251	10,267,802	251,482
Municipal Power	5	445,930	10,916
Resale Power	1	677,580	14,802
Total	4,280	13,685,506	\$ 499,179
Total both systems excluding inter-company business	10,677	101,432,285	\$1,817,965

Table No. 13

SOUTHERN SIERRAS POWER COMPANY
and
HOLTON POWER COMPANY

OPERATING REVENUES
1 9 2 0

Applicants' Estimate

	<u>So. Sierras Pr. Co.</u>	<u>Holton Pr. Co.</u>	<u>Total</u>
Municipal Lt. & Pr.	\$ 53,000	\$ 28,685	\$ 81,685
Res. & Com'l. Lt. & Cooking	166,500	253,400	419,900
Commercial Power	930,800	313,100	1,243,900
Resale Power:			
Holton Power Co.	294,200		294,200
Nevada-California Pr. Co.	72,000		72,000
Southern California Ed. Co.	495,600		495,600
Miscellaneous	<u>70,000</u>	<u>18,000</u>	<u>88,000</u>
Total	\$931,800	\$18,000	\$949,800
Total Direct Revenue	\$2,082,100	\$613,185	\$2,695,285
Miscellaneous Revenue	<u>5,000</u>	<u>4,500</u>	<u>9,500</u>
Total Operating Revenue	\$2,087,000	\$617,685	\$2,704,785
Excluding So. Cal. Edison Co.	\$1,591,400	\$617,685	\$2,209,085

NOTE: Holton Power Company included in So. Sierras Pr. Co. Revenue.

Table No. 14

SOUTHERN SIERRAS POWER COMPANY
and
HOLTON POWER COMPANY
1 9 2 0

ESTIMATED SALES & REVENUE UNDER PRESENT RATES

AVERAGE YEAR CONDITIONS

<u>So. Sierras Pr. Co.</u>	<u>Sales K.W.H.</u>	<u>Revenue</u>
Residence & Com'l. Lighting	1,887,780	\$ 155,700
Municipal Lighting	185,790	18,750
Heating and Cooking	386,756	15,450
Lighting and Power - Blythe	120,000	15,500
General Industrial Power	33,000,000	510,000
Mining Power	1,500,000	36,450
Agricultural Power	24,000,000	406,000
Municipal Power	2,000,000	25,000
Resale Power	4,148,480	74,000
Nevada-California Pr. Co.	11,000,000	72,000
Holton Power Co.	18,085,500	317,170
So. Cal. Edison Co.	Surplus	50,000
Total	96,314,306	\$1,696,020
<u>Holton Power Co.</u>		
Residence & Com'l. Lighting	2,479,046	\$ 258,000
Municipal Lighting	176,618	12,400
Heating and Cooking	339,162	15,800
General Industrial Power	11,860,866	290,500
Municipal Power	599,160	14,650
Resale Power	1,060,441	27,200
	16,515,293	\$ 618,550
Total including inter-com- pany transactions	112,829,599	\$2,314,570
Total excluding inter-com- pany transactions	94,744,099	\$1,997,400

Table No. 15

PLANTS USED IN SERVICE OF
SOUTHERN SIERRAS POWER COMPANY
and
HOLTON POWER COMPANY

PLANT CAPACITY AND OUTPUT
1919 and 1920

<u>P l a n t</u>	<u>Type</u>	<u>Capacity K.V.A.</u>	<u>Output in Thousands of Kilowatt hours</u>	
			<u>1919</u>	<u>Ave. Year #</u>
<u>Nevada-Cal.Pr.Co.Lessee Plants</u>				
Bishop Creek #2	hydro	6,750	31,492.1	35,000.
" " #3	"	6,750	33,943.5	35,000.
Rush Creek	"	10,000	49,552.4	53,000.
Jordan or Mill Creek	"	3,000	60.6*	12,000.
Total		26,500	115,048.6	135,000.
<u>So. Sierras Pr. Co. Plants</u>				
Bishop Creek #5	hydro	3,375	13,051.80	15,000.
" " #6	"	2,000	9,845.10	10,500.
San Bernardino	steam	11,250	4,317.70	1,500.
Blythe	deisel	65	113.53	120.
Total		16,690	27,328.13	27,120.
<u>Holton Pr. Co. Plants</u>				
El Centro #2	steam	350	12.50	
" " #4	gas	750	14.72	
Total		1,100	27.22	27.
Total		44,290	142,403.95	162,147.

* 1 Month Operation.

Available output of hydro plants if required.

Table No. 16

SOUTHERN SIERRAS POWER COMPANY
and
HOLTON POWER COMPANY

ESTIMATED POWER PLANT OUTPUT REQUIRED
1 9 2 0

(Average Year Basis)

Kilowatt-hour Sales:

So. Sierras Pr. Co. excluding Holton Power Company	78,228,806
Holton Power Company Sales	<u>16,515,293</u>
	94,744,099
Plant Output Required	132,700,000
Auxiliary and Standby Plant Output	
Blythe Plant	120,000
Holton Pr. Co. Plants	27,000
San Bernardino Steam Plants	1,500,000
	<u>1,647,000</u>
	131,053,000
So. Sierras Pr. Co. Plants # 5 and #6	<u>25,500,000</u>
Required from Leased Plants	105,553,000
Available from Leased Plants	<u>135,000,000</u>
Total Probable Surplus	29,447,000 k.w.h.

Table No. 17

SOUTHERN SIERRAS POWER COMPANY
and
HOLTON POWER COMPANY

OPERATING EXPENSES
1 9 2 0

Applicants' Estimate

	<u>So. Sierras</u> <u>Pr. Co.</u>	<u>Holton</u> <u>Pr. Co.</u>	<u>Total</u>
<u>Production:</u>			
Operations other than purchased power & oil	\$ 89,261	\$ 5,140	\$ 94,401
Purchased Power	550,000	294,200	844,200
Oil for Steam	429,404	1,043	430,447
Maintenance	<u>35,989</u>	<u>16,415</u>	<u>52,404</u>
Total	\$1,104,654	\$316,798	\$1,421,452
<u>Transmission:</u>			
Operation	40,660	-	40,660
Maintenance	<u>22,009</u>	-	<u>22,009</u>
Total	\$ 62,669		\$ 62,669
<u>Distribution:</u>			
Operation	41,123	28,874	69,997
Maintenance	<u>27,689</u>	<u>13,522</u>	<u>41,211</u>
Total	\$ 68,812	\$ 42,396	\$ 111,208
<u>Commercial</u>	\$ 66,542	\$ 34,088	\$ 100,630
<u>General & Miscellaneous:</u>			
Operation	100,052	39,045	139,097
Maintenance	<u>3,451</u>	<u>1,872</u>	<u>5,323</u>
Total	\$ 103,503	\$ 40,917	\$ 144,420
<u>Taxes</u>	<u>91,169</u>	<u>34,590</u>	<u>125,759</u>
Total Excluding Depr.	\$1,497,349	\$468,789	\$1,966,138

Table No. 18

SOUTHERN SIERRAS POWER COMPANY
and
HOLTON POWER COMPANY

REVISED ESTIMATE OF OPERATING EXPENSES
1 9 2 0

(Average Year Conditions)

	<u>So. Sierras Pr. Co.</u>	<u>Holton Pr. Co.</u>	<u>Total</u>
<u>Production Expense:</u>			
Operations other than pur- chased energy and oil	\$ 85,960	\$ 3,500	\$ 89,460
Maintenance	26,800	16,400	43,200
Purchased Energy	500,000	317,170	817,170
Oil	<u>56,500</u>	<u>3,000</u>	<u>59,500</u>
Total	\$569,260	\$340,070	\$1,009,330
<u>Transmission Expense:</u>			
Operation	40,660	-	40,660
Maintenance	<u>22,000</u>	-	<u>22,000</u>
Total	\$ 62,660	-	\$ 62,660
<u>Distribution Expense:</u>			
Operation	41,100	28,900	70,000
Maintenance	<u>27,700</u>	<u>13,500</u>	<u>41,200</u>
Total	\$ 68,800	\$ 42,400	\$ 111,200
Commercial	\$ 66,540	\$ 34,090	\$ 100,630
<u>General:</u>			
Operation	\$ 98,500	\$ 38,000	\$ 136,500
Maintenance	<u>3,450</u>	<u>2,000</u>	<u>5,450</u>
Total	\$101,950	\$ 40,000	\$ 141,950
Taxes	<u>\$ 95,000</u>	<u>\$ 34,600</u>	<u>\$ 129,600</u>
Increases-Salaries & Wages	\$ 53,500	\$ 10,900	\$ 64,400
Uncollectible Bills	<u>\$ 2,000</u>	<u>\$ 1,000</u>	<u>\$ 3,000</u>
GRAND TOTAL	\$1,119,710	\$503,060	\$1,622,770

Table No. 19

THE SOUTHERN SIERRAS POWER COMPANY
and
HOLTON POWER COMPANY

SUMMARY OF COST OF SERVICE

(Average Year)

	<u>The So. Sierras Pr. Co.</u>	<u>Holton Pr. Co.</u>	<u>Combined system</u>
Ave. Capital or Rate Base	\$7,618,541	\$1,111,550	\$8,730,091
Gross Operating Revenue	1,696,020	618,550	2,314,570
Gross Operating Expense:			
Production	669,260	340,070	1,009,330
Transmission	62,660	-	62,660
Distribution	68,800	42,400	111,200
Commercial	66,540	34,100	100,640
General	101,950	40,000	141,950
Salary & Wage Increase	53,500	10,900	64,400
Taxes	116,700	34,600	151,300
Uncollectible Bills	<u>2,000</u>	<u>1,000</u>	<u>3,000</u>
Total	\$1,141,410	\$ 503,070	\$1,644,480
Net Operating Revenue	554,610	115,480	670,090
Depreciation	150,000	26,000	176,000
Net Return	404,610	89,480	494,090
Amortization of Develop. Cost	<u>66,500</u>		<u>66,500</u>
	338,110		427,590
% Return	4.45	8.0	4.9
Reasonable Return at 8.4%	639,957	93,370	733,327
Deficit below 8.4%	301,847	3,890	305,737
Increased for Taxes	325,400	4,130	329,530
Increase from Public in %	19.2%	10.4%*	16.5%

* Based on increase of cost of power from The Southern Sierras Power Company by 19.2%.

may cause a relative reduction in the cost of service, the continued investment of large amounts of money on the basis of present high costs of material and labor must tend to offset this condition and possibly result in a still further increased cost of power delivered to applicants' consumers in the future. The cost of construction of plants has practically doubled since the commencement of the war period in 1917, and, in addition, the present cost of new money is approximately one-third ~~percent~~ in excess of that formerly effective. As long as these conditions continue it is apparent that the annual cost of serving new business has been increased practically two and one-half times what it would have been had conditions continued as they were in 1915 and 1916.

The present rates of The Southern Sierras Power Company consist of some 29 schedules covering the various classes of service, certain special contracts and the authorized surcharges which were made effective by Decision No. 6013 in Application No. 3910. (Opinions and Orders of the Railroad Commission of the State of California, Vol. 16, Page No. 331). The schedule rates to a considerable extent are the outgrowth of rates in effect on properties consolidated with The Southern Sierras Company and also the result of the ideas of the Commercial Department of the Company as to schedule necessary to meet conditions existing in connection with the development of business. To a certain extent there has been a differentiation in the schedules between the district north of the San Bernardino mountains, that territory in San Bernardino and Riverside Counties adjacent to San Bernardino and Riverside, competitive rates within the City of San Bernardino, the Coachella Valley and the town of Blythe.

The Holton Power Company's schedules in general date back to the early history of the company and are based to a

considerable extent on no very accurate study of the conditions.

Applicants' business is growing quite rapidly and it is important at this time that the rates charged be based upon a careful consideration of the cost of service and such other factors, including the value of service and special conditions affecting the rates, in order that in the future rate schedules may be effective which will not result in an unnecessary increase in cost to, or burden on, consumers.

Applicants have urged that the two systems be considered combined in the determination of rates. This request appears reasonable provided, in considering the properties combined, an allocation of costs is so made that the Holton system bears, insofar as possible, its proportion of the total cost of service, and, in case the value of the service is not sufficient to make such possible, that the difference is not placed upon the consumers of Southern Sierras Power Company.

The Cities of Rialto and Bishop have urged that separate rates be fixed for them as compared with other parts of applicants' system, alleging that a very low cost of service occurs in those communities as compared with other districts. If the request of these cities was followed out, it would necessarily lead to the fixing of a large number of individual rates, each applicable to a small community or district. This would stifle development, prevent an extension of business, and result ultimately in higher rates in these cities and similar communities than would exist under the basis herein followed.

As systems are extended or consolidated and a large territory becomes dependent upon a given utility's system for service the general result is that the average cost of rendering the service required is reduced and one district is benefited by the inter-connection with another. Under these conditions it is practically impossible to directly allocate and

determine what the actual cost of service in a given community is. It is practically impossible to so design schedules of rates that in each individual instance, or even possibly in cases of small communities, the rate of return on the investment so allocated will not be greater or less than in some other district based upon an arbitrary division of certain costs.

In this instance the schedules should be in general the same for certain extended districts and not separate rates fixed for individual communities except in the case of the City of San Bernardino, where, due to extended competition with the Southern California Edison Company, it is practically necessary that the two schedules of rates be the same.

A logical districting of the company as regards rates for lighting service would be to divide the system of Southern Sierras Power Company into five districts as follows:

- (1) The territory north of the San Bernardino mountains.
- (2) The territory south of the San Bernardino mountains excluding Coachella Valley and the City of San Bernardino.
- (3) Coachella Valley.
- (4) City of San Bernardino.
- (5) City of Blythe.

Power service should, it appears, be charged the same general schedule of rates over the entire Southern Sierras system exclusive of wholesale power at Yuma, sales to the Holton Power Company, Nevada-California Power Company and service in the City of Blythe.

The rates of the Holton Power Company must be based upon the costs and other conditions affecting the determination

of rates as they exist in the Imperial Valley.

In concluding that the rates for power service should in general be uniform over the entire Sierras system it must be borne in mind that certain districts are still in the development stage while others have been more fully developed. It would not be beneficial even to the developed districts to so increase the rates in other territory that a stifling of development occurs. The rates herein fixed will necessarily differ considerably from the schedules heretofore in effect, and, as a result, certain consumers, who, due to the form of the previous schedules, were receiving service at relatively too low a rate, will be required to pay a greater increase than the average, and, on the other hand, other consumers will, due to their more extensive and higher load factor operations and the relatively higher rates previously paid, be increased a lesser amount or possibly have a slight reduction in their charges. Modification in operations on the part of consumers whose method of operation has tended to increase the cost in the past will make possible a reduction in the resultant increases effective based on previous operations.

It is apparent that applicants should be granted relief without delay, and I recommend that, effective for all meter readings taken on and after September 20th, 1920, The Southern Sierras Power Company be authorized to charge and collect the lighting and cooking rates herein determined to be just and reasonable. In the case of the power consumers, the schedules as herein fixed are of such considerable change from the schedules formerly in effect that it appears reasonable not to make the schedules effective directly until the consumers have had at least one month's notice of the modifications. The rates for power service should, however, be increased during the in-

terim and I recommend, therefore, that The Southern Sierras Power Company be authorized to increase its charges for power service based upon all regular meter readings taken on and after September 20th and prior to November 1st, 1920 by an increase of 20 percent, to be added to the present charges based upon existing rates and surcharge; that the rates herein set forth in the Order be made effective for all meter readings taken on and after November 1st, 1920.

As regards the Holton Power Company, I find it to be just and reasonable to require the consumers of that company to pay the lighting and cooking rates as herein set forth commencing with all meter readings taken on and after September 20th, 1920, and pay an increase in power rates of 15 percent commencing with meter readings taken on and after September 20th and continuing to and including October 31st, 1920, and that charges for power service thereafter be based upon the schedules herein authorized.

The cost of service to the Holton Power Company, and therefore to its consumers, is necessarily considerably higher than on The Southern Sierras system owing to the long transmission line required in transmitting the power to Imperial Valley and the additional cost resulting therefrom. The rate herein fixed for service to the Holton Power Company is based upon consideration of the above matters.

The charge proposed to be made to Nevada-California Power Company under the lease agreement contemplates a rate of 6-1/2 mills for hydro-electric power and 9 mills for steam power. The service required by Nevada-California Power Company is largely auxiliary service, and although the lease specifies no obligation on the part of The Southern Sierras Company to supply power in case its own system demands it, it

is apparent that, due to the joint interests, The Sierra Company will exert all reasonable effort to render the service and will expend money to guarantee power on the Nevada system. The power supplied under this lease will be at a low load factor, more in the nature of standby and peak power service, the cost of which is not really measurable on the basis of kilowatt hours delivered but rather upon the demand supplied. No accurate method of measuring is at present installed to determine these sales. Sierra Company should, without delay, install such measuring device at its Control substation and Jordan plant as will determine the power delivered to Nevada-California Power Company both as to kilowatt hours and kilowatts. Pending such determination and further analysis of the matter, Sierra Company should charge Nevada-California

ifornia Power Company one cent per kilowatt hour for all energy delivered.

Applicants' consumers in Coachella Valley protested further increase in rates on the ground that the consumers could not afford to pay an additional price for the power. Certain of the consumers were willing to withdraw their protests provided they might be freed from their contractual obligations to take service in case they would benefit by installing other forms of power.

The question of the value of service is, of course, a limiting feature in the matter of rates. The evidence is not conclusive, however, that the rates as they now exist or as they may have to be increased will exceed the value of service, and it does not appear that the evidence is such as to justify the conclusion that no increase should be granted in this district. Applicants cannot expect, however, to require their consumers to continue to take service if, in individual instances, the service cannot compete with other forms of power. I would recommend that where consumers find that other forms of power are more economical, that Sierras Company waive any contractual rights.

Special complaint was made regarding the quality of service rendered in the Imperial Valley, and, at the request of representatives of that district, a special hearing was held at El Centro for the purpose of giving the people there an opportunity to present complaints regarding the service of Holton Power Company. A large amount of evidence was presented by various protestants at this hearing covering the matter of interruptions to service, poor street lighting service and difficulty of obtaining satisfactory extensions when applied for.

The California Central Creameries, operating a large creamery at El Centro, submitted an exhibit setting forth interruptions to service during the period from January 1st, 1919 to May 31st, 1920, showing that 168 service interruptions occurred which resulted in a total shutdown of the plants. The duration of these interruptions was from one-half a minute to approximately 5 hours, the majority of the interruptions, however, being from 5 minutes to one hour. The applicants submitted an exhibit, which also showed a large number of interruptions during the year and one-half under consideration. The conditions during that period were, however, somewhat better than prior to January 1st, 1919. The result of the shutdowns to the California Central Creameries is not only a loss in time occurring during the period of the shutdown but also in certain instances a loss of the product which was being handled at the time of the service interruption.

Holton Company has installed in the City of El Centro two standby plants, a gas-electric plant of approximately 750 kilowatt capacity and a steam-electric plant of 250 kilowatt capacity. For economic reasons these two plants are not kept in constant operation but are operated when a shutdown is had to work upon main transmission lines or after failure of service has occurred. Due to the type of plants and the method of operation, local service to the extent of the plant capacity cannot be rendered upon interruption due to failure of lines for from 20 to 30 minutes after the interruption occurs. As a result these plants are of little value to prevent shutdowns of shorter periods. Outside of these two auxiliary standby plants Holton Power Company is entirely dependent upon the service of Southern Sierras Power Company from its 150 mile transmission

line extending from San Bernardino to El Centro, and, necessarily, with such a long line across a desert country, interruptions of service must occur. The load on Holton Company's system is approximately 4500 kilowatts.

Conditions in Imperial Valley are not such as to make economical the continuous operation of steam-electric plants. The evidence shows that to install sufficient capacity, either in an additional transmission line or standby plant, to fully supply the load requirements in case of transmission line interruptions would require an investment in excess of \$500,000. With the exception of lighting service and certain special power requirements it is hardly probable that the need of continuous service is sufficient to justify additional cost to the company, and necessarily increased rates to the consumers, to guarantee against a reasonable number of interruptions. For economic reasons, large consumers requiring continuous service must, until the growth of load justifies it, install their own standby.

The present standby plants are not, as above stated, of such a character as to materially benefit the service except for interruptions of over 30 minutes. The service in the valley is continually growing and it is apparent that applicant should take definite steps at this time toward bettering the quality of service being rendered even if this requires considerable investment on their part. Either a standby plant sufficient to carry the essential loads, which can be put in operation at a shorter notice than the present plants, should be planned, or an additional source of power should be arranged for. Applicants owe an obligation to their consumers in Imperial Valley to take steps to this end and it will be ex-

pected of applicants that they present to the Commission not later than January 1st, 1921 a practical plan of improving the service.

Protestants urge that owing to the quality of service the rates of Holton Power Company should not be increased. If the failure to supply better service was largely due to inexcusable delay on the part of the company, or were the conditions surrounding the rendering of improved service such that the company should have done materially more than it has, protestants' suggestion would be correct. The conditions surrounding the service, however, in Imperial Valley are such that the applicants can not be greatly criticised for the quality of service rendered up to the present time, as there is a serious doubt whether the service could stand the additional cost necessary. To refuse an increase in rates at this time would in all probability result in even worse conditions of service than at present owing to the inability of applicants to obtain moneys to improve service conditions.

Relative to the complaint regarding inability to obtain extensions for service, applicant has on file in its rules and regulations, definite rules regarding the making of all extensions throughout the territory which it serves. The rule regarding the making of power extensions depends upon the ratio of the annual revenue to be derived from the extension to the total cost of the same. This rule, before filing, was given careful consideration by the Commission and it does not appear that a modification of the rule is justified at the present time due to financial difficulties existing, with the exception that, pending final decision of the Commission, Holton Power Company and Southern Sierrae Power Company should make

all extensions without charge to applicant for lighting service where the cost of the same does not exceed \$80.00 per consumer.

The demand for power developments to meet the growth of business on the company's system is taxing applicants to the full extent of their ability to cover the cost of power plant construction and general transmission and distribution additions. Under the circumstances, it is reasonable for them to call upon applicants desiring service to assist them by the advance of moneys, it being understood, of course, that where the entire cost of an extension is advanced the company will pay interest thereon in cases where the company will make the extension without advance were money available.

Data were submitted also by protestants to the effect that street lighting service rendered in certain of the towns was unsatisfactory due particularly to low voltage. As regards this matter, the evidence shows that the Holton Power Company has expended considerable sums of money in reinforcing its lines and that in general these unsatisfactory conditions have been removed. The expenditure for service improvement during the past year has been in excess of \$50,000.

The rates set forth in the order herein, which are found to be just and reasonable, are so designed as to return to applicants sufficient additional revenue to net applicants the return of 8.4% as set forth in this opinion, based upon the evidence presented in this case and upon the basis of an average condition of operation.

I recommend the following form of Order:

O R D E R

The Southern Sierras Power Company and Holton Power Company having applied jointly for a revision of their rates for electric service, hearings having been held and the matter

being submitted and now ready for decision.

The Railroad Commission hereby finds as a fact that the rates and charges for electric service now in effect are unjust and unreasonable rates and charges and that the rates and charges herein set forth are just and reasonable rates and charges for the service rendered by The Southern Sierras Power Company and Holton Power Company. The Commission further finds as a fact that The Southern Sierras Power Company and Holton Power Company should set aside in depreciation reserve the amounts herein set forth.

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

IT IS HEREBY ORDERED that The Southern Sierras Power Company be, and the same is, hereby authorized to charge and collect for electric service rendered, based on all regular meter readings taken on and after the 20th day of September, 1920, for the service for the territory as therein designated, Schedules L-1, L-2, L-3, L-4, L-5 and L-6 and Schedules C-1 and C-2, as set forth in appendix (A) attached hereto and made a part of this order.

IT IS HEREBY FURTHER ORDERED that The Southern Sierras Power Company be and the same is hereby authorized to charge and collect for electric service for general power and agricultural purposes and resale service exclusive of service to Nevada-California Power Company and Holton Power Company, based on all regular meter readings taken on and after the 20th day of September, 1920, and prior to the 1st day of November, 1920, the present rates and surcharge heretofore authorized in Decision 6013 plus an addition of 20% of the sum thereof.

IT IS HEREBY FURTHER ORDERED that The Southern Sierras Power Company be, and the same is, hereby authorized to charge

and collect for electric service rendered to Nevada-California Power Company and Holton Power Company, based upon all regular meter readings taken on and after the 20th day of September, 1920, Schedules P-8 and P-9 as set forth in appendix (B) attached hereto and made a part of this order.

IT IS HEREBY FURTHER ORDERED that The Southern Sierrae Power Company be, and the same is, hereby authorized to charge and collect for electric service rendered for general power and agricultural purposes and resale service, based upon all regular meter readings taken on and after November 1st, 1920, Schedules P-1, P-2, P-3, P-4, P-5, P-6 and P-7 as set forth in appendix (C) attached hereto and made a part of this order.

IT IS HEREBY FURTHER ORDERED that the Holton Power Company be, and the same is, hereby authorized to charge and collect for all electric service rendered, based upon all regular meter readings taken on and after the 20th day of September, 1920, for general power and resale service, and prior to the 1st day of November 1920, the present rates and surcharges heretofore authorized in Decision No. 6013 plus an addition of 15% of the sum thereof.

IT IS HEREBY FURTHER ORDERED that Holton Power Company be, and the same is, hereby authorized to charge and collect for electric service rendered, based on all regular meter readings taken on and after the first day of November 1920, for the service therein designated, Schedules P-1, P-2 and P-3 as set forth in appendix (E) attached hereto and made a part of this order.

IT IS HEREBY FURTHER ORDERED that Holton Power Company be, and the same is, hereby authorized to charge and col-

lect for electric service rendered, based on all regular meter readings taken on and after the 20th day of September 1920, for the service therein designated, Schedules L-1, L-2, and Schedules C-1 and ~~C-2~~, as set forth in appendix (D) attached hereto and made a part of this order.

IT IS HEREBY FURTHER ORDERED that The Southern Sierras Power Company submit to this Commission, prior to January 1st, 1921, a complete and definite plan for the improvement of service in Imperial Valley adequate to meet the future needs thereof.

The Southern Sierras Power Company is hereby directed to set aside in depreciation reserve commencing October 1, 1920, the sum of \$150,000 per annum plus an amount equal to 2.5% per annum on all net additions to depreciable capital made after July 1, 1920.

The Southern Sierras Power Company is hereby further directed to set aside in its depreciation reserve commencing October 1920, the sum of \$45,000 per annum plus 6% per annum on all net additions to depreciation reserve made on and after October 1920.

Holton Power Company is hereby directed to set aside in its depreciation reserve commencing October 1920, the sum of \$26,000 per annum plus an amount equal to 3% per annum on all net additions to depreciable capital made after July 1, 1920.

Holton Power Company is hereby further directed to set aside in its depreciation reserve commencing October 1920, the sum of \$9,000 per annum plus 6% per annum on all net additions to depreciation reserve made on and after October 1920.

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

16th day of September, 1920.

Edwin C. Edgerton

H. A. Loveland

Frank H. Blue

H. A. Brundage

Dwight Martin

Commissioners.

APPENDIX "A"

SCHEDULES OF LIGHTING, HEATING AND COOKING,
AND POWER RATES

L-1 to L-6 Inclusive, C-1 and C-2

for

THE SOUTHERN SIERRAS POWER COMPANY

Effective for meter readings taken on and
after the 20th day of September, 1920.

SCHEDULE L-1

GENERAL LIGHTING SERVICE:

Applicable to general domestic and commercial lighting service.

TERRITORY

Applicable throughout that territory served north of San Bernardino Mountains.

RATE

		<u>Rate per K.W.H.</u>	
		<u>Gross</u>	<u>Net</u>
First	30 k.w.h. per meter per month	13¢	12¢
Next	70 " " " " "	11¢	10¢
"	400 " " " " "		8.5¢
"	500 " " " " "		7¢
"	1000 " " " " "		6¢
All over	2000 " " " " "		5.5¢

MINIMUM CHARGE

(a) Within incorporate municipalities:

Gross: \$1.50 per meter per month
Net: 1.40 " " " "

(b) Outside incorporate municipalities:

Gross: \$1.60 per meter per month
Net: 1.50 " " " "

SPECIAL CONDITIONS

The net rate is effective providing the bill is paid within a period of 12 days from date of presentation of bill, otherwise the gross rate is effective.

SCHEDULE I-2

GENERAL LIGHTING SERVICE:

Applicable to general domestic and commercial lighting service.

TERRITORY

Applicable to service throughout that territory served south of San Bernardino Mountains, excluding the City of San Bernardino.

RATE

							<u>Rate per K.W.H.</u>	
							<u>Gross</u>	<u>Net</u>
First	30	K.W.H.	per	meter	per	month	12¢	11¢
Next	70	"	"	"	"	"	11¢	10¢
"	400	"	"	"	"	"		8.5¢
"	500	"	"	"	"	"		7¢
"	1000	"	"	"	"	"		6¢
All over	2000	"	"	"	"	"		5.5¢

MINIMUM CHARGE

(a) Within incorporate municipalities:

Gross: \$1.40 per meter per month
Net: 1.30 " " " " "

(b) Outside incorporate municipalities:

Gross: \$1.60 per meter per month
Net: 1.50 " " " " "

SPECIAL CONDITIONS

The net rate is effective providing the bill is paid within a period of 12 days from date of presentation of bill, otherwise the gross rate is effective.

SCHEDULE 1-3

GENERAL LIGHTING SERVICE:

Applicable to general domestic and commercial lighting service.

TERRITORY

Applicable within the City of San Bernardino.

RATE

						<u>Rate per K.W.H.</u>		
						<u>Gross</u>	<u>Net</u>	
First	30	K.W.H.	per	meter	per	month	11¢	10¢
Next	70	"	"	"	"	"	10¢	9¢
"	400	"	"	"	"	"		8¢
"	500	"	"	"	"	"		7¢
"	1000	"	"	"	"	"		6¢
All over	2000	"	"	"	"	"		5.5¢

MINIMUM CHARGE

Gross: \$1.35 per meter per month
Net: 1.25 " " " "

SPECIAL CONDITIONS

The net rate is effective providing the bill is paid within a period of 12 days from date of presentation of bill, otherwise the gross rate is effective.

SCHEDULE I-4

GENERAL LIGHTING SERVICE:

Applicable to general domestic and commercial lighting service.

TERRITORY

Applicable throughout the Coachella Valley.

RATE

						Rate per K.W.H.		
						<u>Gross</u>	<u>Net</u>	
First	30	K.W.H.	per	meter	per	month	13¢	12¢
Next	70	"	"	"	"	"	11¢	10¢
"	400	"	"	"	"	"		8.5¢
"	500	"	"	"	"	"		7¢
All over	1000	"	"	"	"	"		6¢

MINIMUM CHARGE

Gross: \$1.60 per meter per month
Net: 1.50 " " " "

SPECIAL CONDITIONS

The net rate is effective providing the bill is paid within a period of 12 days from date of presentation of bill, otherwise the gross rate is effective.

SCHEDULE L-5

GENERAL LIGHTING SERVICE:

Applicable to general domestic and commercial lighting service.

TERRITORY

Applicable throughout the Blythe District.

RATE

						<u>Rate per K.W.H.</u>	
						<u>Gross</u>	<u>Net</u>
First	50	K.W.H.	per meter	per month		17¢	16¢
Next	150	"	"	"	"	14¢	13¢
All over	200	"	"	"	"		10¢

MINIMUM CHARGE

Gross: \$1.75 per meter per month.
Net: 1.65 " " " "

SPECIAL CONDITIONS

The net rate is effective providing the bill is paid within a period of 12 days from date of presentation of bill, otherwise the gross rate is effective.

SCHEDULE I-6

STREET LIGHTING SERVICE:

Applicable to Municipal or Public Street and Outdoor Lighting Service.

TERRITORY:

Applicable to entire territory served.

<u>Size of Lamp</u>	<u>Annual Demand Charge per Lamp</u>		<u>Monthly Energy Charge per 100 Lamp hrs.</u>
	<u>Bracket Type Lamp</u>	<u>Mast arm or Suspension Type Lamp</u>	
<u>(a) Incandescent Lamps</u>			
40 Watt or less	\$11.00	\$13.50	\$.10
41 to 60 Watt	13.50	15.50	.15
61 " 75 "	15.00	17.00	.20
76 "100 "	17.50	20.00	.25
101 " 200 "	27.50	30.00	.50
201 " 300 "	37.50	40.00	.75
301 " 400 "	48.00	50.00	1.00
401 " 500 "	58.00	60.00	1.25
501 " 600 "	68.00	70.00	1.50
<u>(b) Arc Lamps</u>			
600 Watt		80.00	1.50

SPECIAL CONDITIONS

- (a) The annual demand charge to be paid in twelve equal monthly installments.
- (b) Above rates include installation, all maintenance and operation and lamp renewals necessary. If Company is required to provide ornamental lighting posts or standards an additional charge will be made.
- (c) All night service will be considered as 4,000 hours per year. Moonlight service will be considered as 2240 hours per year.

SCHEDULE C-1

GENERAL HEATING AND COOKING AND COMBINATION SERVICE:

Applicable to general domestic and commercial heating, cooking and water heating service and to combination lighting with heating, cooking or water heating service.

TERRITORY

Applicable throughout that territory served from the general system north of the San Bernardino Mountains, South of the San Bernardino Mountains, except in the Coachella Valley, and within the City of San Bernardino.

RATE

(a) Heating, cooking and water heating service:

First	150 K.W.H.	per meter per month	..	4.5¢	per K.W.H.
All over	150	" " " " " "	..	3.0¢	" "

(b) Combination lighting with heating, cooking or water heating service:

(Applicable to residences, flats or apartments of eight rooms or less.)

First	30 K.W.H.		(X)
Next	120	" per meter per month	4.5¢ per K.W.H.
All over	150	" " " " "	3.0¢ " "

(X) General lighting rate applicable in that territory served to apply.

MINIMUM CHARGE

\$0.75 per K.W. per month of active connected heating and cooking capacity, but not less than \$3.00 per month.

SPECIAL CONDITIONS

- (a) This schedule applies only where consumers have installed and use cooking, heating or water heating appliances other than lamp socket devices of at least 2 kilowatts capacity.
- (b) Bath rooms, halls and cellars are not classified as active rooms.
- (c) The active connected cooking, heating and water heating load shall be taken as 100 per cent of the first 2 kilo-

SCHEDULE C-1 (Cont'd.)

watts installed and 50 per cent of the connected load installed in excess of 2 kilowatts, computed to the nearest one-tenth of a kilowatt, but is never to be taken as less than 2 kilowatts. Motors and instantaneous water heaters will be rated as 100 per cent active connected load. Where the connected load is so arranged that all of it cannot be connected at one time, only the maximum load that can be connected will be used as a basis for the active load. All equipment will be assumed as operating at 100 per cent power factor.

- (d) Combination lighting service is not rendered for residences of over eight rooms.
- (e) Small power service (3 H.P. or less) may be combined with the heating and cooking schedules and in such cases the minimum charge will be \$1.50 per H.P. of such load plus the regular heating and cooking minimum.

SCHEDULE C-2

GENERAL HEATING AND COOKING AND COMBINATION SERVICE:

Applicable to general domestic and commercial heating, cooking and water heating service and to combination lighting, heating, cooking or water heating service.

TERRITORY

Applicable throughout the Coachella Valley.

RATE

(a) Heating, cooking and water heating service:

First	150 k.w.h. per meter per month	5.0¢ per k.w.h.
All over 150	" " " " " "	3.25¢ " "

(b) Combination lighting, with heating, cooking or water heating:

(Applicable to residences, flats or apartments of eight rooms or less.)

First	30 k.w.h. per meter per month	(X)
Next	120 " " " " " "	5.0¢ per k.w.h.
All over 150.	" " " " " "	3.25¢ " "

(X) General lighting rate applicable in this territory to apply.

MINIMUM CHARGE

\$0.75 per k.w. per month of active connected load but in no case less than \$3.00 per month.

SPECIAL CONDITIONS

- (a) This schedule applies only where consumers have installed and use cooking, heating or water heating appliances other than lamp socket devices of at least 2 kilowatts capacity.
- (b) Bath rooms, halls and cellars are not classified as active rooms.
- (c) The active connected cooking, heating and water heating load shall be taken as 100 per cent of the first 2 kilowatts installed and 50 per cent of the connected load installed in excess of 2 kilowatts, computed to the nearest one-tenth of a kilowatt, but is never to be taken as less than 2 kilowatts. Motors and instantaneous water heaters will be rated as 100 per cent active connected load. Where the connected load is so arranged that all of it cannot be connected at one

SCHEDULE C-2 (Cont'd.)

time, only the maximum load that can be connected will be used as a basis for the active load. All equipment will be assumed as operating at 100 per cent power factor.

- (d) Combination lighting service is not rendered for residences of over eight rooms.
- (e) Small power service (3 H.P. or less) may be combined with the heating and cooking schedule and in such cases the minimum charge will be \$1.50 per H.P. of such load plus the regular heating and cooking minimum.

APPENDIX "B"

SCHEDULES OF POWER RATES FOR THE SERVICE OF POWER

to

NEVADA-CALIFORNIA POWER COMPANY
and
HOLTON POWER COMPANY

P-8 and P-9

for

THE SOUTHERN SIERRAS POWER COMPANY

Effective for meter readings taken on and
after the 20th day of September, 1920.

SCHEDULE P-8

SPECIAL RESALE SERVICE

Applicable to resale service to the Nevada-
California Power Company.

RATE:

\$.01 per kilowatt hour.

No Minimum Charge.

SPECIAL CONDITIONS:

Energy to be delivered and measured at Control
Station or at Jordan Power House switchboard.

SCHEDULE P-9

SPECIAL RESALE SERVICE

Applicable to resale service to the Holton Power
Company at El Centro.

RATE:

(a) Demand Charge:

\$1.75 per kilowatt per month of measured
maximum demand occurring during the month or
the eleven preceding months.

(b) Energy Charge:

1.6¢ per K.W.H. per Month.

SPECIAL CONDITIONS:

Energy to be delivered and measured at 55,000
volts.

APPENDIX "C"

SCHEDULES OF POWER RATES FOR GENERAL POWER.
AGRICULTURAL AND RESALE SERVICE.

P-1, P-2, P-3, P-4, P-5, P-6 and P-7

for

THE SOUTHERN SIERRAS POWER COMPANY

Effective for meter readings taken on and
after the 1st day of November, 1920.

SCHEDULE P-1

GENERAL POWER SERVICE

Applicable to all industrial and resale power service except for such service as may be included under other schedules.

TERRITORY:

Applicable to entire territory served except in Blythe and Yuma Districts.

RATE:

(a) For service delivered at 110 - 220 or 440 volts

		<u>Rate per K.W.H. per Connected Load of</u>					
Monthly Consumption per H.P.		2 H.P.	5 H.P.	15 H.P.	30 H.P.	75 H.P.	200 H.P.
		to 4 H.P.	to 14 H.P.	to 29 H.P.	to 74 H.P.	to 199 H.P.	and Over
First	50 K.W.H.	6.5¢	5.5¢	4.5¢	3.75¢	3.25¢	3.0¢
Next	100 "	4.0¢	3.0¢	2.5¢	2.2¢	2.0¢	1.8¢
All over	150 "	1.8¢	1.7¢	1.6¢	1.5¢	1.4¢	1.4¢

MINIMUM CHARGE:

First 10 H.P. per Month \$1.50 per H.P.
 All over 10 " " " 1.25 " "
 But in no case shall the minimum be less than \$3.00 per month.

(b) For service delivered at 2200 volts or over

		<u>Rate per K.W.H. per Connected Load of</u>			
Monthly Consumption per H.P.		15 H.P.	30 H.P.	75 H.P.	200 H.P.
		to 29 H.P.	to 74 H.P.	to 199 H.P.	and Over
First	50 K.W.H.	4.0¢	3.5¢	3.0¢	2.8¢
Next	100 "	2.3¢	2.0¢	1.8¢	1.7¢
All over	150 "	1.5¢	1.4¢	1.3¢	1.2¢

MINIMUM CHARGE:

First 20 H.P. per Month \$1.25 per H.P.
 All over 20 " " " 1.00 " "

SCHEDULE P-1 (Cont'd)

SPECIAL CONDITIONS:

(a) The above rates (a) and (b) may be based on horsepower of measured maximum demand instead of horsepower of connected load providing the installation consists of at least two motors and has a total active connected capacity of at least 50 h.p., in which case the minimum monthly charge will not be less than 50% of the total active connected load and in no case less than \$50.00 per month.

(b) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be furnished and installed by the Company upon the Consumer's premises, adjacent to watt-hour meter or meters, in the 15-minute interval in which the consumption of electricity is greater than in any other 15-minute interval in the month, or, at the option of the Company, the maximum demand may be determined by test.

In the case of hoists, elevators, welding machines, furnaces and other installations where the energy demand is intermittent, or subject to violent fluctuations, the Company may base the consumer's maximum demand upon a 3-minute instead of a 15-minute interval.

(c) Option of Rate for Larger Installation. Any consumer may obtain the rates for a larger installation by guaranteeing the rates and minimum applicable to the larger installation.

SCHEDULE P-2

GENERAL POWER SERVICE

Applicable to all general industrial and resale power service except for such service as may be included under other schedules and is optional to Schedule P-1.

TERRITORY:

Applicable to entire territory served except in Blythe and Yuma Districts.

RATE:

Readiness-to-Serve Charge:

First	5 H.P. of active connected load or maximum demand	\$24.00 per H.P. per year.
Next	20 H.P. of active connected load or maximum demand	\$18.00 per H.P. per year.
Next	75 H.P. of active connected load or maximum demand	\$15.00 per H.P. per year.
All over 100 H.P. of active connected load or maximum demand		\$12.00 per H.P. per year.

But in no case will the readiness-to-serve charge be less than \$48.00 per year.

Energy Charge:

First	2,000 k.w.h. per month	1.7¢ per k.w.h.
Next	3,000 " " "	1.5¢ " "
"	10,000 " " "	1.4¢ " "
"	20,000 " " "	1.3¢ " "
"	40,000 " " "	1.2¢ " "
All over 75,000	" " "	1.1¢ " "

SPECIAL CONDITIONS:

(a) The Readiness-to-Serve Charge is based upon the total active connected load and is payable in twelve equal monthly installments or in equal installments during certain specified months as agreed upon with the Company.

SCHEDULE P-2 (Cont'd)

SPECIAL CONDITIONS: (Cont'd)

(b) The Readiness-to-Serve Charge may be based on the horsepower of measured maximum demand occurring during that month and the eleven months immediately preceding providing the installation consists of at least two motors and has a total active connected load of at least 50 h.p., in which case the horsepower upon which the demand charge will be based will be not less than 50% of the total active connected load and in no case less than \$600.00 per year.

(c) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be furnished and installed by the Company upon the Consumer's premises, adjacent to watt-hour meter or meters, in the 15-minute interval in which the consumption of electricity is greater than in any other 15-minute interval in the month, or, at the option of the Company, the maximum demand may be determined by test.

In the case of hoists, elevators, welding machines, furnaces and other installations where the energy demand is intermittent, or subject to violent fluctuations, the Company may base the consumer's maximum demand upon a 3-minute instead of a 15-minute interval.

SCHEDULE P-3

AGRICULTURAL POWER SERVICE

Applicable to general agricultural power service.

TERRITORY:

Applicable to entire territory served except in the
Yuma and Blythe Districts.

RATE:

(a) For service delivered at 110, 220 or 440 volts

Rate per K.W.H. for Connected Loads of

Monthly Consump- tion per H.P.	2 H.P. to 9 H.P.	11 H.P. and Over
First 100 K.W.H.	3.6¢	3.4¢
Next 200 "	2.5¢	2.3¢
All over 300 "	1.7¢	1.6¢

MINIMUM CHARGE:

First 5 H.P. \$12.00 per H.P. per year.
All over 5 H.P. 10.00 " " " "

But in no case will the minimum charge be less than
\$30.00 per year.

(b) For service delivered at 2200 volts or over

Rate per K.W.H. for Connected Loads of

Monthly Consump- tion per H.P.	16 H.P. to 74 H.P.	75 H.P. and Over
First 100 K.W.H.	3.2¢	3.0¢
Next 200 "	2.2¢	2.0¢
All over 300 "	1.5¢	1.4¢

MINIMUM CHARGE:

\$9.00 per horsepower per year.

SCHEDULE P-3 (Cont'd)

SPECIAL CONDITIONS:

(a) The above rates (a) and (b) may be based on horsepower of measured maximum demand occurring during that month and the eleven months immediately preceding providing the installation consists of at least two motors and has a total active connected load of at least 50 h.p., in which case the horsepower upon which the demand charge will be based will not be less than 50% of the total active connected load and in no case less than \$600 per year.

(b) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be furnished and installed by the Company upon the Consumer's premises, adjacent to watt-hour meter or meters, in the 15-minute interval in which the consumption of electricity is greater than in any other 15-minute interval in the month, or, at the option of the Company, the maximum demand may be determined by test.

(c) Minimum Charge to be paid in equal monthly installments during months of May to October inclusive.

Consumers may select, if satisfactory to the Company, other months than those stated herein for payment of minimum charge.

(d) Applicable for service rendered on and after January 2nd, 1921.

SCHEDULE P-4

AGRICULTURAL POWER SERVICE

Applicable to general agricultural power service and is optional to Schedule P-3.

TERRITORY:

Applicable to entire territory served except Blythe and Yuma Districts.

RATE:

Readiness-to-Serve Charge

First	3 H.P. of connected load...	\$20.00 per H.P. per yr.
Next	12 " " " " " " " " " "	15.00 " " " "
"	35 " " " " " " " " " "	12.00 " " " "
All over	50 " " " " " " " " " "	10.00 " " " "

In no case will the Readiness-to-Serve Charge be less than \$40.00 per year per installation.

Energy Charge

First	2,000 k.w.h. per month	1.6¢ per k.w.h.
Next	3,000 " " " " " " " " " "	1.5¢ " "
"	10,000 " " " " " " " " " "	1.4¢ " "
All over	15,000 " " " " " " " " " "	1.2¢ " "

SPECIAL CONDITIONS:

(a) The readiness-to-serve charge to be paid in equal installments during the months of May to October inclusive. No readiness-to-serve charge to be paid during the remaining months.

Consumers may, however, select, if satisfactory to the Company, other months than those stated herein for payment of readiness-to-serve charge.

(b) Applicable to service rendered on and after January 2nd, 1921.

SCHEDULE P-4 (Cont'd)

SPECIAL CONDITIONS: (Cont'd)

(c) The above rates (a) and (b) may be based on horsepower of measured maximum demand occurring during that month and the eleven months immediately preceding providing the installation consists of at least two motors and has a total active connected load of at least 50 h.p., in which case the horsepower upon which the demand charge will be based will not be less than 50% of the total active connected load and in no case less than \$600 per year.

(d) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be furnished and installed by the Company upon the Consumer's premises, adjacent to watt-hour meter or meters, in the 15-minute interval in which the consumption of electricity is greater than in any other 15-minute interval in the month, or, at the option of the Company, the maximum demand may be determined by test.

SCHEDULE P-5

GENERAL POWER SERVICE

Applicable to industrial power service and also to service for agricultural purposes in and about the town of Blythe, up to capacity of Company's plant.

TERRITORY:

Applicable throughout the Blythe District.

RATE:

						<u>Rate per K.W.H.</u>	
						<u>Gross</u>	<u>Net</u>
First	50	k.w.h.	per	meter	per	13¢	12½¢
Next	250	"	"	"	"	9¢	8¢
"	700	"	"	"	"		6¢
All over 1,000		"	"	"	"		5¢

MINIMUM CHARGE:

\$1.60 per horsepower per month but in no case less than \$3.20 per month.

SPECIAL CONDITIONS:

The net rate is effective providing the bill is paid within a period of 12 days from date of presentation of bill, otherwise the gross rate is effective.

SCHEDULE P-6

GENERAL POWER SERVICE

Applicable to general power service to Imperial Irrigation District and for resale service into Arizona.

TERRITORY:

Applicable in the Yuma District.

RATE:

Readiness-to-Serve Charge:

\$2.00 per kilowatt per month of measured maximum demand occurring during the month of the eleven months immediately preceding.

The annual Readiness-to-Serve Charge in no case to be less than \$2500.

Energy Rate:

1.7¢ per kilowatt hour per month.

SPECIAL CONDITIONS:

(a) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be furnished and installed by the Company upon the Consumer's premises, adjacent to watt-hour meter or meters, in the 15-minute interval in which the consumption of electricity is greater than in any other 15-minute interval in the month, or, at the option of the Company, the maximum demand may be determined by test.

(b) The above rate to be applied to each point at which service is delivered.

SCHEDULE P-7

INTERMITTENT OR TEMPORARY SERVICE

Applicable for industrial power service of temporary nature or service required intermittently throughout the year.

TERRITORY:

Applicable to entire territory served except in the Blythe and Yuma Districts.

RATE:

(a) Readiness-to-Serve Charge:

\$5.00 per horsepower per year.

(b) Energy Charge:

The energy charges, without the minimum charge, as set forth under Schedule P-1 applicable to General Industrial Power Service, to apply.

SPECIAL CONDITIONS:

The rate for intermittent or temporary service is the energy rates of the general industrial power schedules without the minimum charge but with a service or readiness-to-serve charge of \$5.00 per connected horsepower per year.

This service charge to be paid in five equal monthly installments, beginning with the first month after selecting such basis.

APPENDIX "D"

SCHEDULES OF LIGHTING, HEATING AND COOKING
AND POWER RATES

L-1, L-2 and C-1

for

HOLTON POWER COMPANY

Effective for meter readings taken on
and after the 1st day of November, 1920.

SCHEDULE L-1

GENERAL LIGHTING SERVICE

Applicable to general domestic and commercial
lighting service.

TERRITORY:

Applicable to entire Imperial Valley.

RATE:

		<u>Rate per K.W.H.</u>	
		<u>Gross</u>	<u>Net</u>
First 10 k.w.h. or less per meter per month		\$1.60	\$1.50
Next 90 k.w.h. per meter per month		.13	.12
" 200 "	" " " "		.10
" 300 "	" " " "		.08
" 400 "	" " " "		.07
All over 1,000	" " " "		.065

SPECIAL CONDITIONS:

The net rate is effective providing the bill is
paid within a period of 12 days from date of presen-
tation of bill, otherwise the gross rate is effective.

SCHEDULE L-2

STREET LIGHTING SERVICE

Applicable to municipal or public street and outdoor lighting service.

TERRITORY:

Applicable to entire Imperial Valley.

RATE:

Size of Incandescent Lamp	Annual Demand Charge per Lamp		Monthly Energy Charge per 100 lamp hours
	Bracket Type Lamp	Mast Arm or Suspension type lamp	
40 watt or less	\$11.00	\$13.50	\$.12
41 to 60 watts	13.50	15.50	.17
61 to 75 "	15.00	17.50	.22
76 to 100 "	17.50	20.00	.27
101 to 200 "	27.50	30.00	.55
201 to 300 "	37.50	40.00	.80
301 to 400 "	48.00	50.00	1.15
401 to 500 "	58.00	60.00	1.40
501 to 600 "	68.00	70.00	1.70

SPECIAL CONDITIONS:

(a) The annual demand charge to be paid in twelve equal monthly installments.

(b) Above rates includes installation, all maintenance and operation and lamp renewals necessary. If company is required to provide ornamental lighting posts or standards an additional charge will be made.

(c) All-night service will be considered as 4,000 hours per year. Moonlight service will be considered as 2240 hours per year.

SCHEDULE C-1

GENERAL HEATING, COOKING AND COMBINATION SERVICE

Applicable to general domestic and commercial heating, cooking and water heating service and to combination lighting with heating, cooking or water heating service.

TERRITORY:

Applicable to entire Imperial Valley.

RATE:

(a) Heating, Cooking and Water Heating Service

First	150 k.w.h. per meter per month	...	5.0¢	per k.w.h.
All over 150	" " " " " "	...	3.5¢	" "

(b) Combination Lighting, Heating, Cooking or Water Heating Service

(Applicable only to residences, flats and apartments of eight or less rooms).

First	25 k.w.h. per meter per month	...	(X)	
Next	125 " " " " " "	...	5.0¢	per k.w.h.
All over 150	" " " " " "	....	3.5¢	" "

(X) General lighting rate to apply.

MINIMUM CHARGE:

\$1.00 per kilowatt per month of active connected heating or cooking capacity but not less than \$3.00 per month.

SCHEDULE C-1 (Cont'd)

SPECIAL CONDITIONS:

(a) This schedule applies only where consumers have installed and use cooking, heating and water heating appliances other than lamp socket devices of at least 2 kilowatts capacity.

(b) Bath rooms, halls and cellars are not classified as active rooms.

(c) The active connected cooking, heating and water heating load shall be taken as 100 percent of the first 2 kilowatts installed and 50 percent of the connected load installed in excess of 2 kilowatts, computed to the nearest one-tenth of a kilowatt, but is never to be taken as less than 2 kilowatts. Instantaneous water heaters will be rated as 100 percent active connected load. Where the connected load is so arranged that all of it cannot be connected at one time, only the maximum load that can be connected will be assumed as operating at 100 percent power factor.

(d) Combination service is not rendered for residences of over eight rooms.

(e) Small power service (3 h.p. or less) may be combined with the heating and cooking schedule, and, in such cases, the minimum charge will be \$1.50 per h.p. of such load plus the regular heating and cooking minimum.

APPENDIX "E"

SCHEDULES OF POWER AND RESALE RATES

P-1, P-2 and P-3

for

HOLTON POWER COMPANY

Effective for meter readings taken on
and after the 1st day of November, 1920.

SCHEDULE P-1

GENERAL POWER SERVICE

Applicable to all general, industrial, agricultural
and resale power service.

TERRITORY:

Applicable to the entire Imperial Valley.

RATE:

(a) For service delivered at 110, 220 or 440 volts

Monthly Consump- tion per H.P.	<u>Rate per K.W.H. for Connected Loads of</u>				
	2 H.P. to 4 H.P.	5 H.P. to 14 H.P.	15 H.P. to 49 H.P.	50 H.P. to 199 H.P.	200 H.P. and Over
First 50 K.W.H.	7¢	6¢	5¢	4.5¢	4.0¢
Next 100 "	5¢	4¢	3.2¢	2.8¢	2.5¢
All over 150 "	2.5¢	2.3¢	2.2¢	2.1¢	2.0¢

MINIMUM CHARGE:

First	10 H.P. per Month	.....	\$1.50 per H.P.
All over 10	" " "	.....	1.25 " "

(b) For service delivered at 2200 volts or over

Monthly Consump- tion per H.P.	<u>Rate per K.W.H. for Connected Loads of</u>			
	15 H.P. to 49 H.P.	50 H.P. to 199 H.P.	200 H.P. to 499 H.P.	500 H.P. and Over
First 50 K.W.H.	4.5¢	4.0¢	3.8¢	3.5¢
Next 100 "	2.8¢	2.7¢	2.4¢	2.2¢
All over 150 "	2.1¢	2.0¢	2.0¢	2.0¢

MINIMUM CHARGE:

First	20 H.P. per Month	.....	\$1.25 per H.P.
All over 20	" " "	.....	1.00 " "

SCHEDULE P-1 (Cont'd)

SPECIAL CONDITIONS:

(a) The above rates (a) and (b) may be based on horsepower of measured maximum demand instead of horsepower of connected load providing the installation consists of at least two motors and has a total active connected capacity of at least 50 H.P., in which case the minimum monthly charge will not be less than 50% of the total active connected load and in no case less than \$50.00 per month.

(b) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be furnished and installed by the Company upon the Consumer's premises, adjacent to watt-hour meter or meters, in the 15-minute interval in which the consumption of electricity is greater than in any other 15-minute interval in the month, or at the option of the Company, the maximum demand may be determined by test.

In the case of hoists, elevators, welding machines, furnaces and other installations where the energy demand is intermittent, or subject to violent fluctuations, the Company may base the consumer's maximum demand upon a 3-minute instead of a 15-minute interval.

(c) Option of Rate for Larger Installation. Any consumer may obtain the rates for a larger installation by guaranteeing the rates and minimum applicable to the larger installation.

SCHEDULE P-2

GENERAL POWER SERVICE

Applicable to all general industrial, agricultural and resale power service and is optional to Schedule P-1.

TERRITORY:

Applicable to entire Imperial Valley.

RATE:

(a) Readiness-to-Serve Charge

First	5 H.P. or less	...	\$30.00	per H.P.	per year.
Next	20 H. P.	...	21.00	"	"
"	75 "	...	18.00	"	"
All over	100 "	...	15.00	"	"

But in no case shall the Readiness-to-Serve Charge be less than \$75.00 per year.

(b) Energy Charge

First	2,000 k.w.h. per month	....	2.5¢	per k.w.h.
Next	3,000 " " "	....	2.2¢	" "
"	10,000 " " "	....	2.0¢	" "
All over	15,000 " " "	....	1.8¢	" "

SPECIAL CONDITIONS:

(a) The Readiness-to-Serve Charge is to be paid as follows:

(1) Cotton Gins and Cotton Mills:

The readiness-to-serve charge to be paid in equal monthly payments during the cotton season.

(2) Ice Plants, Creameries, Resale and other Power Service:

The readiness-to-serve charge to be paid in equal monthly payments throughout the year.

SCHEDULE P-2 (Cont'd)

SPECIAL CONDITIONS: (Cont'd)

(b) The readiness-to-serve charge may, however, be paid during other months than specified above upon agreement between consumer and company.

(c) The demand charge may be based on the horsepower of measured maximum demand occurring during that month and the eleven months immediately preceding providing the installation consists of at least two motors and has a total active connected load of at least 50 H.P., in which case the horsepower upon which the demand charge will be based will be not less than 50% of the total active connected load and in no case less than \$600.00 per year.

(d) The maximum demand in any month shall be the average horsepower input (746 watts equivalent) indicated or recorded by instruments to be furnished and installed by the Company upon the Consumer's premises, adjacent to watt-hour meter or meters, in the 15-minute interval in which the consumption of electricity is greater than in any other 15-minute interval in the month, or, at the option of the Company, the maximum demand may be determined by test.

In the case of hoists, elevators, welding machines, furnaces and other installations where the energy demand is intermittent, or subject to violent fluctuations, the Company may base the consumer's maximum demand upon a 3-minute instead of a 15-minute interval.

SCHEDULE P-3

INTERMITTENT OR TEMPORARY SERVICE

Applicable for industrial power service of temporary nature or service required intermittently throughout the year.

TERRITORY:

Applicable to entire Imperial Valley.

RATE:

(a) Readiness-to-Serve Charge:

\$5.00 per horsepower per year.

(b) Energy Charge:

The energy charges, without the minimum charge, as set forth under Schedule P-1 applicable to General Industrial Power Service, to apply.

SPECIAL CONDITIONS:

The rate for intermittent or temporary service is the energy rates of the general industrial power schedules without the minimum charge but with a service or readiness-to-serve charge of \$5.00 per connected horsepower per year.

This service charge to be paid in five equal monthly installments, beginning with the first month after selecting such basis.