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ORIGINAL

Decision No. 8178.

BEFORE THE RAILROAD COMMISSION
OF THE STATE OF CALIFORNIA

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In the Matter of the Application of)	
the MIDDLE YUBA HYDRO-ELECTRIC POWER)	
COMPANY for an order of this Commis-)	Application No. 5925.
sion authorizing it to increase its)	
rates for electric energy.)	

Nilon and Nilon, by Frank W. Nilon,
for Applicant.

BY THE COMMISSION:

O P I N I O N

In this application Middle Yuba Hydro-Electric Power Company, hereinafter referred to as applicant, alleges that it purchases its entire supply of electric energy from Pacific Gas and Electric Company; that rates at which this energy is sold by Pacific Gas and Electric Company have been increased by 15%, and unless a corresponding increase of 15% in applicant's rates be authorized it will suffer great loss and will be unable to continue in business.

A public hearing held before Examiner Satterwhite at Grass Valley on August 13th, 1920, was attended by a number of consumers, and although no direct protest was made against such

increase in rates as might be found proper by the Commission, several consumers protested that on account of the short notice of the hearing, and the inaccessibility of their mines and places of business, they had had no opportunity of preparing a presentation of their side of the case. Applicant introduced its testimony and the matter was submitted with the understanding that any consumer so desiring, was to be furnished with copies of applicant's figures and would have the opportunity of filing written answer or of demanding further hearing. One consumer has taken advantage of this opportunity and has filed a written protest against certain parts of applicant's evidence. Copy of this protest has been furnished applicant and a copy of its answer thereto has been furnished the consumer and filed with the Commission. The matter is now ready for decision.

In Decision 5482 in Application 3701 (Opinions and Orders of California Railroad Commission, Vol. 15, Page 837), is set forth in full the character of applicant's business and the history of its past operations. In Application No. 4140, a valuation was made by the Commission of the property used and useful in the business as now conducted, and in Decision No. 6066 in this proceeding (Opinions and Orders of California Railroad Commission, Vol. 16, Page 412), a schedule of rates was established which was based upon this valuation and upon the operating expenses as they existed at that time. The results of applicant's operations under this schedule of rates during the year 1919 and the first six months of 1920 are set forth in the following table, together with a statement of the results of continuing operations for another year with present rates and with costs which the evidence in this case shows will exist:

Table No. 1

MIDDLE YUBA HYDRO-ELECTRIC POWER COMPANY
CAPITAL, REVENUE AND EXPENSES

	<u>1919</u>	<u>1/1/20 to 6/30/20 incl.</u>	<u>Year 1920-21 under exist- ing conditions</u>
Additions & Betterments	\$ 1,180.42		
Fixed Capital Dec. 31st	62,062.42		
Average Capital	61,472.21		
Material & Supplies and Working Cash	6,000.00		
Capital	67,472.00		
Revenue - Lighting	\$ 1,463.80	\$ 690.28	\$ 1,560.00
Power	21,797.82	14,521.70	24,200.00
Edse. & Jobbing	3,391.51	718.96	1,500.00
Total	\$26,653.13	\$15,930.94	\$27,260.00
Expenses - Purchased Energy	\$13,115.56	\$ 8,168.76	\$16,800.00
Other Oper. Exp.	9,525.80	3,661.67	9,550.00
Taxes	1,290.94	1,102.98	1,450.00
Total	\$23,932.10	\$12,933.41	\$27,800.00
Net for Depre. and Return	\$ 2,721.03	\$ 2,997.53	\$ * 540.00
Depreciation	1,600.00	800.00	1,600.00
Net for Return	1,121.00	2,197.00	*2,140.00
Rate of Return	1.67%	6.55%	

* Deficit.

This table shows a marked increase in business during the first six months of 1920 as compared with the year 1919. A study of past operations shows a steady decline in the amount of current sold, beginning early in 1917 and continuing thru the summer of 1918. From that time until the fall of 1919 applicant's business has been fairly uniform. Since then the business has been increasing and while a forecast of any business connected with an industry such as mining is very difficult, 1920 and the ensuing years promise to be more comparable with 1918. The operating expenses other than cost of purchased energy, shown for the first six months of 1920, are subject to slight question as the figures submitted were not properly segregated between operating expenses and capital expenditures. As the evidence shows that no lines have been built nor power consumers connected during this period any additions to capital must have been of a minor nature and their inclusion in operating expenses is negligible. Applicant includes among its expenses certain interest payments which are more properly a part of the return on the investment than operating expenses and are not considered herein as the latter.

The last column of this table shows that relief is necessary if applicant is to earn its operating expenses and a reasonable allowance for depreciation, without reference to return on the investment. Applicant's lighting rates are already as high as those which prevail in any part of the state, and as the income from lighting service is only about 6% of the total operating revenue, an increase in lighting

rates which might prove burdensome to its consumers would be of little benefit. The increase of 15% asked for by applicant if applied to its power rates will result in an increased revenue of approximately \$3,600 per year. Increased by this amount, the net income available for depreciation and return will not exceed 7% on applicant's capital. It is, therefore, apparent that applicant's request for a 15% increase in rates is not unreasonable and that any further increase in return thru more than anticipated increases in business cannot possibly result in an unreasonably large income.

The 15% surcharge on the rates at which electricity is sold by Pacific Gas and Electric Company to applicant is effective on meter readings taken after July 10th, 1920, and before April 10th, 1921, and applicant asks that the increase in its rates be made effective for the same time. As the granting of this part of the petition would involve re-billing consumers and collecting from them additional amounts covering service supplied during three months already passed, it seems advisable that the increase in applicant's rates be not made retro-active, but that the necessary increase should be made effective for such time in the future as will enable applicant to meet the present increased cost of power.

O R D E R

Middle Yuba Hydro-Electric Power Company having applied to the Railroad Commission for authority to increase its rates 15%, a public hearing having been held, the matter submitted and being now ready for decision,

The Railroad Commission of the State of California hereby finds as a fact that the rates now charged by Middle Yuba Hydro-Electric Power Company for electricity are unreasonable and inadequate, and that the rates hereinafter established are, under present conditions, fair and reasonable rates.

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

IT IS HEREBY ORDERED that Middle Yuba Hydro-Electric Power Company be, and it is hereby authorized to charge and collect, in addition to the rates and charges for power service set forth in its schedules of rates on file with the Railroad Commission, a surcharge of 15% on all bills based on power schedules Nos. 3 and 4, which surcharge shall apply on all bills based on regular meter readings taken on and after the 10th day of October, 1920, and before the 10th day of July, 1921, unless otherwise ordered by this Commission.

Dated at San Francisco, California, this 1st day of October, 1920.

Edwin C. Ege
H. H. Loveland
Frank R. Miller
J. H. B. B. B.

Commissioners.