

Decision No. 8870

ORIGINAL

BEFORE THE RAILROAD COMMISSION  
OF THE STATE OF CALIFORNIA

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In the Matter of the Investiga- tion of the electric rates, ser- vice and operations of SAN JOAQUIN LIGHT AND POWER CORPORATION, on the Commission's own motion.	} ) } ) } ) } ) } )	Case No. 1544.
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Edwin O. Edgerton, Jared How and  
Murray Bourne, for San Joaquin  
Light and Power Corporation.

Frank S. Brittain, for California  
Farm Bureau Federation.

Edson Abel, for Kern County Farm  
Bureau.

Irving E. Althouse, for Alpaugh  
Irrigation District.

Weely P. Grijalva, City Attorney, and  
J. A. Hinman, Mayor, for City of  
Bakersfield.

ROWELL and MARTIN, Commissioners:

O P I N I O N

This is a proceeding instituted on the Commission's  
own motion to investigate the rates and operations of the San  
Joaquin Light and Power Corporation with a view to fixing  
reasonable rates for electric service to be charged by that  
utility to its consumers.

Increased costs of operation beginning in 1918 required that the rates of this company be increased. The San Joaquin Light and Power Corporation was authorized to increase its rates in 1918 and 1919 a total of 15%. By this Commission's Decision No. 7305 in Application No. 4064, dated March 23, 1920 (Opinions and Orders of the Railroad Commission of California, Vol. 17, page 940) further increase in rates was granted and the rates for agricultural service were materially modified to meet emergency conditions existing. It was stated in the Decision that - "The rates herein fixed will be temporary rates effective for the year 1920 and subject to revision upon a basis of normal operations as soon as the present period of reduced supply of hydro-electric power ceases." With the return of practically normal water conditions, the Commission instituted this proceeding to effect the promised revision.

The San Joaquin Light and Power Corporation has, since the institution of this proceeding, filed an application (Application No. 6651), requesting a new finding of the value of its property and the fixing of definite rates. While it has not been possible at this time to make the complete investigation necessary to a final determination of all rates, it is important that the agricultural power rates now in effect be modified to suit more normal conditions. The irrigation season in the San Joaquin Valley in general commences about April 1st and it is important that any revision of schedules be made at once in order that the consumers will know what their basis of charge will be.

Preliminary hearings were held in this proceeding at Bakersfield on March 23rd, and Fresno on March 24th, 1921, at which testimony and evidence were introduced relative to the investment, earnings and expenses of the company, with special reference to the determination of agricultural rates.

San Joaquin Light and Power Corporation agrees that the agricultural rates now in effect should be modified, but desires that its total revenue be not reduced. Representatives of the consumers urge the absolute necessity of a material reduction of rates, especially to the consumers who operate steadily the larger part of the year.

The evidence introduced by the Commission's engineers tends to show that the company during 1920 earned in excess of an 8% return on the rate base heretofore found reasonable, and that, consideration being given to all matters pertaining to the operation of the company, the earnings under present operating conditions and an average production of hydro-electric energy will be in excess of 9%.

In the light of the evidence presented certain changes must be made in the estimates submitted by the Commission's engineers, but it is apparent that the earnings of the company, based on average water conditions and present cost tendencies, will be in excess of the amounts which have been found reasonable in the case of this and other similar utilities.

From the evidence presented it appears that the development of the San Joaquin Valley demands the lowest possible rate for agricultural service, commensurate with fair treatment of the utility. To continue the present rate would apparently discourage new development and seriously affect existing farmers.

While from the standpoint of the utility the maintenance of existing revenues might appear beneficial, from a broad view of the economic need of the entire valley we must conclude that a lower rate for agricultural service is reasonable even tho the final fixing of rates should require some readjustment.

San Joaquin Light and Power Corporation urges that any material reduction in its earnings, such as 5% or 10% of gross revenue, will prevent it from issuing additional bonds and will thus put a stop to construction work. Even were we to consider this an important factor in determining a rate, nevertheless, in view of the record in this case, we are unable to agree with the Company that any such reduction in its gross earnings from agricultural service for 1921, as is proposed herein, will produce the dire results that it predicts. There has been introduced in this case a letter dated February 16th, 1921, addressed to Cyrus Peirce and Company, Blyth, Witter & Company and Banks Euntley & Company, and signed by William E. Kerckhoff, President of San Joaquin Light and Power Corporation, in which this language appears:

"A careful estimate of earnings for the twelve months ending December 31, 1921, as a result of the savings in cost of operation and the connection of new consumers to its lines, indicates net earnings applicable to bond interest of not less than \$3,900,000. The total bond interest including this issue (\$7,000,000) will not exceed \$1,601,260. On this basis the corporation will be earning approximately two and a half times its bond interest. These figures are conservative and we have every reason to believe that they will be exceeded."

The figures submitted by the company's president to the Investment Bankers were not changed by any evidence.

introduced by the company in this proceeding, and it may therefore be assumed that the company regards those figures as substantially correct.

Briefs have been filed in this proceeding by Frank S. Brittain for the California Farm Bureau Federation and by Edwin O. Edgerton and Jared How for San Joaquin Light and Power Corporation. It is urged by Mr. Brittain that San Joaquin Light and Power Corporation has failed to show cause why its rates, particularly for agricultural service, should not be reduced; that the Commission in its order establishing a temporary agricultural rate should provide that if it produces an excess return before permanent rates shall be determined an equalization of such excessive return should be made in the more definite rates; that a lower rate should be made than the average now existing and that an alternative schedule should be prescribed, and further, that the order should be conditional upon satisfactory service, a definite discount being fixed in case poor service is rendered. Attorneys for San Joaquin Light and Power Corporation urged that this company has not been remiss in presenting its case; that it has asked for a definite fixing of rates and that no action should be taken which would result in a lower rate for agricultural service than the average now existing.

We believe that San Joaquin Light and Power Corporation might, in view of the previous decision, have been somewhat better prepared to present evidence in this proceeding. We conclude from the evidence, as heretofore stated, that some reduction in rates for agricultural service should be made at

this time in view of the evidence in this proceeding both as to earnings of this company and the economic conditions existing in the San Joaquin Valley. As regards the suggestion that should the company earn in excess of a return later found to be reasonable during the period prior to the final determination of this utility's rates, this excess earning should be considered in connection with the later fixing of rates, if the suggestion made by the attorney for the Farm Bureau is to be followed out, it would also be fair that if the rates herein fixed result in a lower return than hereafter found reasonable, a possibly higher rate should be fixed in the final proceeding. We do not find that it is necessary that a stipulation be entered into by the utility to the extent that any excess earnings which might occur will be considered in the final proceeding, as this is a matter for the Commission to take such action as the evidence shall justify.

Relative to the matter of adequate service, necessarily the rates authorized contemplate reasonable service. Any modification of charges in case of poor service must be subject to special investigation and cannot be determined in advance or in a general rule.

During the year 1920 the minimum charge formerly in effect was suspended to avoid difficulties in adjusting bills on account of the anticipated power shortage and to encourage conservation of power. This should not be continued under normal conditions, altho the re-establishment of the minimum charge will result in an increase to certain con-

sumers who were benefitted by its suspension.

Three schedules of rates were proposed by the Commission's Assistant Chief Engineer L. S. Ready, which, as to general form, appear to be more or less satisfactory to both the utility and the representatives of the consumers. The schedules were designated as Schedules #3, #4 and #6. The general forms of schedules proposed were two readiness-to-serve or demand-and-energy schedules and one block energy schedule with a minimum bill. These schedules were submitted for the consideration of the Commission primarily as to form and not as definite schedules to be fixed.

An analysis of the company's records made by Mr. W. J. Dodge, Assistant Engineer of the Commission, shows that the combined application of Schedules #3 and #4 to the company's operation of 1920 would result in a reduction of approximately 2% in the gross agricultural power revenue of the company, while the third schedule, #6, would give the company the same revenue as the present schedule, altho reducing the long period consumers as much as 25%.

A schedule submitted by the Farm Bureau of Kern County was in general similar to #6, but would result in an average reduction in rates of 17%.

It was urged by the San Joaquin Light and Power Corporation that if possible there should be only one schedule, as optional schedules resulted generally in confusion. San Joaquin Light and Power Corporation has suggested to the Commission a schedule which is in general a combination of the first two schedules submitted by Mr. Ready, which in

form has much in its favor. This schedule also gives a greater reduction than Schedule #4 for the long period user.

The schedule for agricultural power service herein is a combination of an energy and demand-and-energy rate and does provide for certain options on the part of the consumer. It is apparent from the evidence that possibly certain consumers will not operate their pumping plants to any great extent during the coming year owing to economic conditions, which, even aside from power rates, would make production unprofitable. It would appear under these circumstances that such consumers should be allowed the option of either operating under present commercial schedule No. 8, which requires a monthly minimum, or, should they desire to operate only intermittently during the year, that a schedule be filed by the utility for such intermittent service similar to Schedule No. P-12 made effective for Southern California Edison Company in the Commission's Decision No. 8815 in Application No. 5394. The application of this schedule herein authorized will result in an average reduction of approximately 5% in the revenue from agricultural service. Consumers operating short periods will be increased, while consumers operating from eight to twelve months continuously will be reduced materially.

This proceeding will be continued for further hearing and final submission and decision on the question of complete fixing of rates and service.

We recommend the following form of Order:



O R D E R

The Railroad Commission having instituted a proceeding on its own motion for the determination of rates and investigation of service of San Joaquin Light and Power Corporation, preliminary hearings having been held, briefs filed and the matter being submitted and ready for decision in so far as it pertains to the immediate revision of agricultural power rates,

The Railroad Commission hereby finds as a fact that the rates for agricultural power service of San Joaquin Light and Power Corporation now in effect are unjust and unreasonable in so far as they differ from the rates hereinafter set forth, which are found to be just and reasonable for this service rendered on and after April 1st, 1921.

IT IS HEREBY ORDERED that San Joaquin Light and Power Corporation be, and the same is, hereby directed to file and make effective the following schedule for agricultural power service, the same to become effective for all service rendered on and after April 1st, 1921:

SCHEDULE NO. 7

AGRICULTURAL POWER SERVICE

Applicable to general agricultural power service.

TERRITORY:

Entire territory served.

SCHEDULE NO. 7 (Cont'd)

RATE:

Annual Consumption per Horsepower	Rate per K.W.E. for Connected Loads of				
	1 H.P. to 4 H.P.	5 H.P. to 14 H.P.	15 H.P. to 49 H.P.	50 H.P. to 99 H.P.	100 H.P. and over
First 1000 k.w.h. per h.p.	(2.6¢)	2.4¢	2.3¢	2.2¢	2.1¢
Next 1500 " " "	"	"	9 mills per k.w.h.	"	"
" 2500 " " "	"	"	7½	"	"
Over 5000 " " "	"	"	5	"	"

MINIMUM CHARGE:

First 10 h.p. ... \$18.00 per h.p. per annum but not less than \$30.00  
 All over 10 h.p. ... \$15.00 " " " "

SPECIAL CONDITIONS:

(a) This rate applies to service rendered at 110, 220 or 440 volts at the option of the consumer, and all necessary transformers to obtain such voltage to be installed, owned and maintained by the Company.

(b) The annual period upon which this rate is based shall begin on April 1st of any year and end on March 31st of the succeeding year.

(c) In the case of a new consumer whose service under this rate begins at a later date than April 1st of any year, then for the remainder of the first year of service the blocks of this rate will be reduced in proportion to the whole number of months between the date of beginning of service and the following April 1st. A similar proportional reduction will be made in the minimum charge.

(d) Consumers may elect to pay the following respective amounts in six equal monthly installments during the months of May to October, inclusive, plus 9 mills per k.w.h., instead of the rates above set forth for the first 1000 k.w.h. per horsepower per year:

1 to 4 h.p.	.....	\$17.00	per h.p.
5 to 14 "	.....	15.00	" "
15 to 49 "	.....	14.00	" "
50 to 99 "	.....	13.00	" "
100 and over	.....	12.00	" "

(e) The minimum charge is payable in six monthly installments during the months of April to September inclusive.

SCHEDULE NO. 7 (Cont'd)

SPECIAL CONDITIONS: (Cont'd)

(f) Any consumer may obtain the rates for a larger installation by guaranteeing the rates and minimum applicable to the larger installation.

(g) The above rates and minimum charges may be based on horsepower of measured maximum demand occurring during the months of May to October, inclusive, instead of horsepower of connected load, providing the installation exceeds 50 horsepower or consists of two or more motors having a total capacity of 25 h.p.

(h) The maximum demand shall be the average horsepower input occurring during the months of May to October, inclusive, (746 watts equivalent) indicated and recorded by instruments to be furnished and installed by the Company on the consumer's premises, in the 15-minute interval in which the consumption of electric energy is greater than in any other 15-minute interval during the months of May to October, inclusive; or at the option of the Company the maximum demand may be determined by test.

IT IS HEREBY FURTHER ORDERED that this proceeding be continued for a definite determination of all rates of San Joaquin Light and Power Corporation.

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 7<sup>th</sup>

day of April, 1921.

Frank R. DeWitt

H. B. Roundidge

Erving Martin

Albert H. Powell