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Decision No. 42369

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Klamath Water, Light & Power Company for authority to Increase Rates	Application No. 28357

Lemuel H. Matthews for applicant; Elden N. Dye for California Farm Bureau Federation.

SUPPLEMENTAL OPINION

This proceeding relates to rates for electric service supplied to consumers at Klamath and adjacent territory in Del Norte County by Klamath Water, Light and Power Company. This utility is operated under the sole proprietorship of Clyde W. Henry, hereinafter called applicant.

By Decision No. 40504, dated July 8, 1947, in this proceeding, applicant was authorized after a public hearing to increase his rates. A schedule of rates, designated as Schedule A, was prescribed for application until October 1, 1948. A lower scale, known as Schedule B, was also prescribed to become effective on that date.

Shortly after the Schedule B rates became applicable, a First Supplemental Application was filed. It was alleged, among other things, that (a) increased operating costs had been encountered; (b) certain difficulties prevented applicant from completing a rehabilitation and construction program contemplated at the time Decision No. 40504 was rendered which included the construction of a transmission line to connect with a source of central-station

power at Crescent City; and (c) the application of the Schedule B rates would result in an out-of-pocket loss and prevent applicant from obtaining necessary capital to construct the transmission line. The Commission was asked to authorize the reinstatement of the Schedule A rates on an interim basis for a period of not less than six months beyond the date that central-station power becomes available and to make "such further findings and orders as the Commission may deem necessary under the premises."

The supplemental application was set for hearing. However, the matter was continued to a date to be fixed without receiving evidence, because of the pendency of other proceedings, hereinafter referred to, which embraced a comprehensive investigation into the public utility facilities, service and requirements in the Klamath area. By Decision No. 42765, dated April 19, 1949, applicant was authorized, pending hearings and final determination of the supplemental application, to file a schedule of electric rates at the Schedule A level effective for bills based on meter readings taken on and after May 1, 1949. These rates are presently in effect.

By Decision No. 42869, dated May 10, 1949, in Cases Nos. 4992 and 4993, the Commission found that applicant's public utility services, equipment and facilities have for several years been inadequate to meet the reasonable requirements of the community; that he failed to carry out a program for improving his utility systems at Klamath, as directed by an order in a prior proceeding decided December 23, 1946; and that in a number of respects applicant had disregarded or violated certain provisions of the Public Utilities Act as well as orders and regulations of the Commission. It was also found that public convenience and necessity require that The California Oregon Power Company be authorized and directed to extend its facilities for the transmission and distribution of electric energy so as to serve the town of Klamath and vicinity.

The Commission's order provided for the revocation of applicant's operating authority to conduct a public utility electric system. However, inasmuch as the record did not disclose the time required by The California Oregon Power Company to construct the necessary facilities to provide service to the Klamath area, the effective date of the revocation of operating authority and discontinuance of electric service by applicant was tentatively fixed as being 12:01 p.m., September 1, 1949. By Decision No. 43230, dated August 16, 1949, the order was amended by extending the time for discontinuance of electric service until 12:01 p.m., November 30, 1949. Applicant was also directed to continue to furnish service until that time, unless otherwise ordered by further supplemental order.

In a petition for rehearing of the decision of August 16, 1949, applicant alleged, among other things, that he had already taken steps to cease operations on September 1, 1949; that it would be impossible to continue service after that date under the current rates except at a substantial loss; and that if required to do so he will suffer irreparable loss and damage. Applicant urged that he be permitted to discontinue operations on September 1, 1949; and, if not authorized to do so, that such emergency orders be entered as may be necessary to permit him to continue service at revised rates or under such other conditions as will not require the furnishing of electricity at a loss. The petition for rehearing was denied by Decision No. 43286, dated September 1, 1949. In doing so, the Commission stated that it will give consideration to "any application that petitioner may file for an increase of rates or other relief to which he (applicant herein) may be entitled under the law."

Public hearings upon the supplemental application in the instant proceeding were held before Commissioner Potter and Examiner Bradshaw on September 6 and 14, 1949.

An exhibit presented by applicant purports to indicate that revenues received for electric service furnished during the first seven months of 1949 amounted to $35,599.67, while the expenses incurred were $42,340.23, thus resulting in a loss during the seven months of $6,740.56. He testified that expenses have continued to exceed revenues at about the same rate since July 31, 1949; that no salary or expenses for himself or his son have been included in the figures; and that he cannot continue to operate at a loss. Applicant also testified that the revenues for two of the months covered by the exhibit were based upon the Schedule B rates, and that of the expenses listed therein about $6,000 remain unpaid.

It was stated that to provide service applicant obtained some transformers on a temporary rental basis for $200 per month; that in view of the Commission's Decision No. 42869 the owner was informed that applicant would be able to return them on September 1, 1949; that unless these transformers can be rented for a further period which according to applicant, is uncertain, it will be necessary to purchase them; and that applicant does not have any money with which to do so.

An engineer in charge of the Commission's electric division presented evidence based upon an analysis of the data submitted by applicant and a check of his accounting records. In determining applicant's revenue position, his electric and water utility operations at Klamath were treated by the engineer as a unit. The reasons for doing so, according to the testimony, were that both properties are jointly operated, expenses for electric and water services were intermingled, the cost of electric power used for pumping water is not billed against the water department and a number of joint expenses cannot be segregated as between those allocable to the electric or water operations except on an arbitrary basis.

Applicant's revenues for the first seven months of 1949 were further adjusted to reflect the situation in the event that the Schedule A rates had been charged during the entire period. Rental received from three diesel units used by a veneer mill being of a temporary nature was deducted from revenues. The expenses for the period as set forth in applicant's exhibit were used by the engineer for the purpose of his study, except that revisions were found to be proper with respect to the amounts incurred for power purchased, insurance, taxes and depreciation. Inasmuch as rental charges incurred through the use of a diesel unit represented a temporary charge peculiar to the seven-month period studied, they were deducted from expenses. An amount was added to represent the average monthly uncollectible revenue.

According to the analysis made by the Commission's engineer, applicant's revenue for the first seven months of 1949, predicated upon conditions prevailing during September of the same year, would have amounted to $37,353.43, as contrasted with expenses of $42,546.19. It appears that included in the latter amount are items of expense aggregating $7,164.96 which are not supported by vouchers on file in applicant's office and data confirming their correctness are not available.

Applicant does not question the propriety of the methods employed by the Commission's engineer in reaching his conclusions. He contends, however, that a rental charge of $1,400 for a diesel unit should be included in the expenses, claiming that it is still necessary to rent it for use as a standby facility. Attention is called to the failure to provide an allowance to compensate applicant for his services, said to be reasonably worth $300 a month. Applicant also refers to the omission of an amount estimated at about $500 for the seven months to cover a county franchise tax of two per cent,

which has been in effect for some time but on which payments have not yet been required.

With respect to the question of relief, applicant takes the same position as he did in his petition for rehearing of Decision No. 43230 in Cases Nos. 4992 and 4993. His principal desire is to be permitted to discontinue service as soon as possible. If required to continue operations, an immediate increase in rates is declared to be essential to enable him to do so. It is contended that, in the light of the record and in order to provide a return on his investment, at least a 25% increase in rates should be authorized.

The subject of discontinuance of service is, of course, beyond the scope of this proceeding.

It appears from the record that applicant's chief concern as to his ability to continue operations until relieved from doing so by existing or further orders in Cases Nos. 4992 and 4993 arises from his uncertainty, hereinabove referred to, in being able to continue renting certain transformers. In our opinion, applicant was not justified in promising to return them to the owner on September 1, 1949. Decision No. 42869 clearly indicated that this date was simply a tentative one for the discontinuance of service by applicant and the inauguration of service by The California Oregon Power Company.

The record in this proceeding does not reveal any justification for authorizing an increase in rates of 25% - the minimum degree of relief sought by applicant. Such a proposal cannot be entertained in the absence of a comprehensive record upon an application seeking the desired authority. Furthermore, the incompleteness of

the record now before us is demonstrated by the fact that a number of expense items included in the exhibits are not supported by vouchers on file in applicant's office and data confirming their correctness are not available.

It should be obvious that no consideration can be given at this time to establishing rates to provide a return on investment. The exigencies of the situation are such that our decision must be confined to a determination of what, if any, emergency relief is necessary to insure the continuation of service on a temporary basis. In this connection, it is clear that some measure of relief in the form of higher rates is necessary until applicant can be permitted to withdraw the electric service now being operated.

In view of all the facts and circumstances of record, the Commission is of the opinion that an increase of 15% in the Schedule A rates will be necessary under present conditions. Based upon the figures appearing in the exhibit presented by the Commission's engineer, such an increase should produce an average monthly revenue of about $6,160 as compared with expenses of $6,078. It would also appear from the same data that the average monthly increase in applicant's revenues will be approximately $800 a month. The increase in rates herein authorized is hereby found to be justified.

O R D E R

Public hearings having been had upon the first supplemental application on file in the above-entitled proceeding and, based upon the evidence received and the conclusions and findings set forth in the preceding opinion,

IT IS HEREBY ORDERED that Clyde W. Henry, doing business as Klamath Water, Light and Power Company may file on or before October 20, 1949, a schedule of electric tariffs effective for bills based on meter readings taken on and after October 25, 1949 at the level of

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A-28357

rates stated in the tariffs presently effective with a surcharge of 15% for Klamath and adjacent territory, and in all other respects the same as the tariffs presently effective in said territory.

The effective date of this order shall be October 14, 1949.

Dated at San Francisco, California, this 4th day of October, 1949.

R. E. Mittelstaedt
Justus F. Craemer
Ivan D. Powell
Harold P. Huls
Kenneth Pettis
Commissioners