

Decision No. 39178

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
PACIFIC GAS AND ELECTRIC COMPANY, a)
corporation, for an order of the)
Railroad Commission of the State of)
California granting and conferring)
upon applicant all necessary permis-)
sion and authority to consummate, in)
accordance with its terms, a written)
agreement with FEATHER RIVER PINE)
MILLS, INC., dated March 26, 1946.)
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ORIGINAL

Application
No. 27459

R. W. DuVal, for applicant.

O P I N I O N

This is an application by Pacific Gas and Electric Company, hereinafter referred to as "Pacific", for an order of the Railroad Commission granting and conferring on applicant all necessary permission and authority to consummate an agreement, dated March 26, 1946, with Feather River Pine Mills, Inc., hereinafter referred to as "Lumber Company", in which agreement provision is made, among other things, for the purchase by Pacific of certain electric lines and facilities now owned and operated by Lumber Company; for the supply by Pacific of public utility electric service in the areas in which said electric lines and facilities are situate; for the sale by Pacific of electric energy to Lumber Company; and for the purchase by Pacific from Lumber Company of so-called excess electric energy and standby service.

A public hearing on the application was held before Examiner Fankhauser in San Francisco on June 3, 1946, after

notice of said hearing had been given by publication and by posting in the lumber camps and plants of Lumber Company and in the post office at Feather Falls. No one entered an appearance to protest the granting of the application.

Lumber Company is engaged in the business of logging and manufacturing lumber and chemical products from wood waste in its plant in Butte and Plumas Counties, California, in the vicinity of the Town of Mooretown (Feather Falls Post Office). In connection therewith it owns and operates certain electric facilities including a generating plant of approximately 3000 kw which is operated by waste fuel from the logging and manufacturing business, an 11 kv transmission line extending from Mooretown to its outlying camps, and four small distribution systems, largely constructed since 1937, which facilities are used to supply electricity to the lumber plant and to the company's employees and certain tenants located on its lands. The Lumber Company has never acknowledged that it was conducting public utility operations and, it so appears from this application, has not held itself out, and does not now hold itself out, as being ready or willing to furnish public utility electric service.

The application shows that Lumber Company does not desire to continue in ownership of, or to operate and maintain, the electric transmission line and distribution systems and that, accordingly, it has entered into an agreement, dated March 26, 1946, a copy of which is filed in this proceeding as Exhibit "A", whereby it has agreed to sell to Pacific for the sum of \$40,000, electric properties and rights of way described as follows:

(a) All of the electric transmission line of lumber company extending from the lumber mill of lumber company to

Camp 18, and all of the said electric distribution systems of lumber company situate in the four locations hereinafter mentioned, together with all necessary rights of way for said transmission line and said distribution systems at their present locations, for the repair, maintenance, operation, and replacement thereof, also all fixtures and appliances affixed or appurtenant to, or used in connection with, said transmission line and distribution systems, which line and systems are located on lands of lumber company in Butte County, and which distribution systems are more particularly located as follows: (1) in and about the unincorporated Town of Mooretown (Feather Falls Post Office), adjacent to said lumber company's lumber mill, (2) in and about Camp 1 situate approximately three miles easterly of the Town of Mooretown, (3) in and about the Town of Rogersville situate approximately one-half mile east of said Camp 1, and (4) in and about Camp 18 situate approximately four miles easterly of said Town of Rogersville,

(b) All necessary rights of way that may hereafter be required by Pacific over any lands of lumber company in said Counties of Butte and Plumas for the purpose of installing, operating, maintaining, repairing, and replacing additional electric transmission and distribution lines to supply electric energy to such new consumers as may hereafter be located upon the lands of lumber company, desiring electric service from Pacific, and shall qualify to receive such service pursuant to Pacific's rules and regulations on file with the Railroad Commission of the State of California, provided that Pacific shall pay lumber company at current prices for all stumpage of timber removed for the purpose of exercising every such right of way required.

The properties include an 11 kv line and four distribution systems serving communities known as Mooretown, Camp 1, Rogersville and Camp. 18. Generally, such properties consist of 429 poles, approximately 188,000 feet of line wire, constituting some 11 miles of line, 26 transformers in service, 235 services, 162 meters and a small amount of street lighting conductor and fixtures.

In addition, Lumber Company agrees to sell and deliver to Pacific for a term of five years from and after the date of conveyance of the properties referred to herein, all excess electric energy, up to a maximum of 1500 kilowatts, as it shall be able to produce from its generating plant by use of available

waste fuel therein derived from its logging and manufacturing business, over and above its requirements of electric energy to operate its logging and manufacturing business, and, at all times during said five year term, to have available for Pacific, standby service in the amount of 500 kilowatts. It is agreed that Pacific will pay Lumber Company for all such excess electricity at the rate of three mills per kilowatt hour and shall pay for such standby service the sum of \$375 a month, provided that in the event the Lumber Company shall not have sufficient waste fuel derived from its logging and manufacturing business to generate the quantity of electricity required by Pacific under said standby service, then Lumber Company may use such quantity of fuel oil in its generating plant as shall be necessary to supply Pacific's requirements.

The cost to Lumber Company of constructing the electric properties to be transferred is not available. Applicant has introduced into the record, as Exhibit 3, an appraisal of the properties showing the estimated cost to reproduce the properties as of November, 1945, at \$46,186, the estimated accrued depreciation at \$20,607, and the estimated depreciated cost at \$25,379. The estimates, it is reported, were based on price levels prevailing during the period from 1938 to 1941 with labor costs based on the experience of Pacific in similar construction. Upon recording the acquisition of the properties, Pacific should charge to account 303--Miscellaneous Intangible Capital--the difference between the purchase price of the properties and the estimated depreciated cost of the properties.

Upon acquiring the properties Pacific proposes to spend an additional sum of \$46,152 to rehabilitate the system and to

provide adequate service. Of this amount \$19,000 is reported necessary to replace decayed poles, correct infractions of General Order No. 95, standardize operating and service conditions and provide metering facilities. The sum of \$7,000 is estimated as necessary to rehabilitate the present 44 kv line from Big Bend to Mooretown, which will be the principal source of power, and to underbuild it with a 12 kv line for local distribution; and the remaining sum of \$20,152 is estimated to provide for the installation of substation transformers at Mooretown. The total cost to Pacific of purchasing the properties and of the rehabilitation and additional improvements will aggregate \$86,152.

The agreement of March 26, 1946, makes provision for the sale and delivery by Pacific to Lumber Company, for a term of five years from and after the conveyance of the properties referred to herein, of all electric energy which shall be required by Lumber Company for the operation of its electrical machinery and apparatus in excess of the energy which it shall generate from its own generating plant, fueled exclusively by waste fuel supplemented only by such quantities of fuel oil as may be necessary to enable it to burn said waste fuel when green or damp. For all electric energy delivered by Pacific to Lumber Company at its Camps 1 and 18, Lumber Company will pay Pacific therefor at the rates set forth in Pacific's filed schedules applicable to that type of service. For all electric energy delivered to

Lumber Company at its lumber mill it will pay Pacific, ⁽¹⁾ subject to authorization of the Commission, in accordance with rates and charges which are substantially the same as applicant's P-30 schedule.

As to the other customers on the lines it proposes to purchase, Pacific desires to make effective for the electric services to be rendered by it, the rates and charges contained in

(1)

The rates to be charged Lumber Company are set forth in the agreement as follows:

Demand Charge:

First 200 kw or less of maximum demand	\$300 per month
Next 300 kw of maximum demand	\$1.00 per kw per month
Next 500 kw of maximum demand75 per kw per month
Next 1000 kw of maximum demand60 per kw per month
All excess kw of maximum demand40 per kw per month

Energy Charge (to be added to the Demand Charge):

First 150 kwh per kw per month	7 mills per kwh
Next 150 kwh per kw per month	5 mills per kwh
All over 300 kwh per kw per month	4 mills per kwh

(a) Demand: The maximum demand in any month will be the average kw delivery of the 30 minute interval in which such delivery is greater than in any other 30 minute interval in the month, provided, however, that if the load is intermittent or subject to violent fluctuations a 5 minute interval may be used. The maximum demand to be used in computing charges under the above rates will be the mean of the actual maximum so determined for the current month and the highest such demand occurring in the year ending with the current month.

(b) Off Peak Demand: Lumber company may, upon request, have its maximum demand measured by a type of meter which records the demand at all hours, in which case demands occurring between 10:30 P.M. and 6:30 A.M. of the following day and on Sundays and legal holidays will be ignored in determining the demand used for computing charges.

(c) Power Factor: The total charge for any month as computed on the above rates will be decreased or increased, respectively, by 0.25% for each 1% that the average power factor if lumber company's load in that month was greater or less than 85%, such average power factor to be computed (to the nearest whole per cent) from the ratio of lagging kilovolt-ampere-hours to kilowatt-hours consumed in the month, provided, however, that no power factor correction will be made for any month when lumber company's maximum demand was less than 10% of the highest in the preceding eleven months.

(d) Fuel Clause: The above energy rates will be increased by 0.1 mill for each 5 cents (or major fraction thereof) increase in the market price of fuel oil as regularly quoted by the Standard Oil Company of California above \$1.00 per barrel f.o.b. Richmond, the change to become effective on all regular meter readings taken on and after the 30th day following such change in the price of oil.

its filed tariffs effective in the Sacramento Valley and applicable to electric service in rural areas therein, and to make effective its filed rules and regulations governing the furnishing of electric service. On this point the record shows that for the year ending April 30, 1946, there were 164 permanent domestic customers, 16 flat rate customers and 9 customers who ordinarily might be classified as commercial customers, including the Forest Service station, the school, a garage, service station, woodyard, store, beauty shop, hospital and meeting hall. All customers, however, except the flat rate customers, are charged by the Lumber Company at rates substantially the same as Pacific's domestic rate schedule D-6, with minor exceptions. The flat rate customers are charged \$1.50 a month.

Pacific proposes to make its present D-6 schedule effective for domestic customers and its present L-6 schedule effective for commercial customers. It is reported that the application of the D-6 schedule, because of the minor differences in some of the blocks, will result in an over-all reduction of about 1.15 percent for the domestic customers. The application of the L-6 schedule will result in increases to 6 of the 9 present commercial customers. It is estimated that the net result of the application of the L-6 schedule would be an increase in the annual revenue received from the nine commercial customers from \$643 under the present rates, to \$1,170 under the L-6 rates. It is applicant's position that the D-6 schedule, being a domestic rate schedule where the blocking is based on the average consumption by the average family, is not designed for the type of use made by commercial customers and that therefore it is proper to place the L-6 schedule into effect for the

commercial users.

If this application is approved, the property to be acquired by Pacific will be operated as a part of its electric system. At present Pacific owns and operates a 44 kv line from Big Bend to Mooretown. Between Smith Ranch and Mooretown the line at present is operated at 12 kv and is the only source available to present customers along this section of the line. It is proposed to reconnect the entire line for 44 kv operation and use it as the principal source of supply for the properties to be acquired from the Lumber Company. Present customers served at 12 kv will be served by a new 12 kv circuit to be constructed below the 44 kv circuit. The record shows that in making the contract with Lumber Company, Pacific and its newly acquired customers will be assured standby service which will be available not only to those customers in the present Lumber Company area, but also to a limited number of customers in adjacent and nearby localities now served by Pacific. In further support of the application it is alleged that Lumber Company will in the near future have need in its lumber operations for substantially all the output of its steam plant and that it is not so well equipped as Pacific to operate, maintain and extend the transmission and distribution lines and facilities.

It appears that Pacific heretofore has obtained certain franchises for the construction and maintenance of electric facilities within the Counties of Butte and Plumas. (Ordinance 349 passed by the Board of Supervisors of Butte County on January 12, 1938, and Ordinance 223 passed by the Board of Supervisors of Plumas County on December 6, 1937.) By Decision No. 34488, dated August 12, 1941, the Commission, subject to the

conditions mentioned in said decision, granted to Pacific a certificate to exercise the rights and privileges granted by the County of Butte, by said Ordinance No. 349, within such parts or portions of said county as were then served by Pacific or as thereafter might be served by it through extensions of its existing system made in the ordinary course of business as contemplated by Section 50(a) of the Public Utilities Act. By Decision No. 34495, dated August 12, 1941, a similar certificate was granted Pacific to exercise rights and privileges within the County of Plumas. In our opinion the two decisions authorize applicant to exercise in the area now served by Feather River Pine Mills, Inc., the rights and privileges granted by said Ordinance 349 and said Ordinance 223.

A review of the record indicates that the granting of this application is in the public interest. So far as the present domestic users of electricity on the lines of the Lumber Company are concerned, they will receive as good or better service, at or below the present rates charged them. While it is true the so-called commercial customers will have increased charges, still they will be treated no differently than similar customers elsewhere on the lines of Pacific. The fact that commercial customers under the private contractual and accommodation arrangement that has heretofore existed have enjoyed rates lower than their characteristics of service appear to justify, provides no valid ground for a perpetuation of such an inequitable circumstance. In view of the statutory requirements of the Public Utilities Act that just and reasonable nondiscriminatory rates be charged for public utility service and the legal remedies for redress provided therein, no injustice will be done in authoriz-

ing the application of Pacific's appropriate rate schedules to these newly acquired customers.

So far as Pacific is concerned, it will receive additional business estimated by it to yield, during the first year of operation, gross revenues of \$46,860 and net income of \$4,519, and during the third year of operation and thereafter, when it is expected that all the Lumber Company's electric requirements at its mill will be supplied by Pacific, gross revenues of \$40,979 and net income of \$6,760. In addition, the execution of the agreement, with its provisions for standby service, and the related improvement and rehabilitation work, as outlined in the application, should enable it to increase and improve its service in the territory it now serves adjacent to the Lumber Company lands.

The record likewise shows that substantially all persons in this particular area of California who desire electric service will be served. Extensions of service will be made in accordance with Pacific's filed rules and regulations which, under certain circumstances, require financial advances in aid of construction to cover the cost of extensions in excess of the cost of the free lengths permitted by the filed rules and regulations. Such extensions, of course, must be made as a coordinated part of a system-wide program and shall be subordinate in time to extensions of greater urgency. Because of the unprecedented demand for extensions at the present time and serious dislocation of production programs substantial delays in making some extensions may be unavoidable.

The action taken on this application should not be construed to be a finding of value of the properties herein

authorized to be transferred.

ORDER

Pacific Gas and Electric Company having applied to the Railroad Commission for permission to execute an agreement, a public hearing having been held after due notice had been given thereof, and the Commission having considered the matter and being of the opinion that the application should be granted, as herein provided,

IT IS HEREBY ORDERED as follows:

1. Pacific Gas and Electric Company may consummate, in accordance with its terms, the agreement dated March 26, 1946, filed in this application as Exhibit "A", with Feather River Pine Mills, Inc., and acquire and operate the properties therein specified and purchase and sell the power and energy therein contemplated.
2. Pacific Gas and Electric Company, upon acquiring the electric lines and facilities of Feather River Pine Mills, Inc., under the terms of said agreement, may furnish metered electric service to all customers supplied or to be supplied by means of said properties and may charge and collect therefor the rates and charges contained in its filed tariffs effective in the Sacramento Valley and applicable to electric service in rural areas therein, and may make effective its filed rules and regulations governing the furnishing of electric service.
3. The authority herein granted will become effective twenty (20) days from the date hereof.

Dated at San Francisco, California, this 9th day
of July, 1946.

Justin F. Callen
James W. Brown
James P. Quinn
Harold P. Hale
Commissioners