

ORIGINALDecision No. 40504

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

Clyde W. Henry for Klamath Water, Light & Power Company
 William G. Mee for Klamath Chamber of Commerce

O P I N I O N

In this application Klamath Water, Light & Power Company petitions the Commission for authority to increase its rates for electric service.

Upon due notice to interested parties, a hearing was had on the application at Klamath on June 19, 1947.

Klamath Water, Light & Power Company is operated under the sole proprietorship of Mr. Clyde W. Henry. It is engaged in the business of supplying electric power and water to the community of Klamath at the mouth of the Klamath River in Del Norte County. Electric energy is generated by means of diesel engine-driven electric generators and distributed throughout the town at a primary voltage of 2300 volts. Primary distribution lines likewise extend some five miles up the Klamath River to the area known as Klamath Glen, and also extend northerly along the Redwood Highway about seven miles to serve a number of residential and commercial customers, as well as some sawmill loads. Additional generating equipment is also connected to this latter feeder near the point of service to one of the sawmills.

Applicant's presentation in support of its request for an increase in rates indicates that it had assets of \$74,020.85 at December 31, 1946, of which \$70,140.12 represented machinery and equipment. It shows that revenues during 1946 amounted to \$25,693.32, which included \$1,523.75 revenue from the sale of water. Expenses for the same period are shown to be \$37,440.96, of which

\$11,563.35 represented expenditures for labor and \$11,293.51 for fuel oil.

Expenses exceeded revenues for the year 1946 by \$11,747.64.

Applicant also pointed out that net operating losses had been incurred each year from 1941 to 1946 inclusive, the deficit for each of these years respectively being \$452, \$3,231, \$1,450, \$3,321, \$4,581, and \$11,747. Applicant estimated that at the present level of rates a loss of \$15,000 would be suffered in 1947. The reason for this continuing poor showing was stated to be the increase in cost of most of the items used in producing the service. (1)

Applicant represented that as a result of the Commission's Decision in Cases 4804 and 4834, the company had taken steps to improve the service conditions which had given rise to the complaints involved in those proceedings. A 125-hp diesel engine had been moved to the north end of the system to correct voltage, and, in addition, a 240-hp heavy-duty diesel generating unit had been installed in the plant.

Applicant, however, pointed out that the permanent solution for the present operating and financial difficulties seemed to be in the installation of a 12-kv line to connect the Klamath system with a source of central station power at Crescent City. Klamath has negotiated a contract for the purchase of electric energy from the California Oregon Power Company at favorable rates upon completion of this proposed line. The contract also provides that California Oregon Power Company will share in the cost of building the line in an amount equal to three times the guaranteed annual revenue to be paid by Klamath. Applicant estimated the cost of the line to be approximately \$60,000, and the necessary requirements for transformers an additional \$45,000. After reflecting the costs which would

(1) The following price changes between 1940 and the present date were cited as examples of increase in costs:

<u>Item</u>	<u>1940</u>	<u>1947</u>
Diesel oil, per gallon	5¢	11¢
Lubricating oil, per gallon	30¢	60¢
Engines, index cost	\$1.00	\$3.00
Labor, per hour	50¢	\$1.25
Labor, per month	\$100	\$350
Wire per lb.	15¢	34¢

be assumed by California Oregon Power Company, Applicant's additional investment in line, transformers, and services would be approximately \$75,000 of new capital.

Applicant submitted a series of proposed schedules which it requested permission to make effective. The Commission's staff also presented evidence and made certain recommendations with respect to rates. The staff's testimony corroborated Applicant's position that the increasing cost of labor and material made necessary immediate increase in rates. The staff estimated that the schedules proposed by Applicant would increase annual revenues approximately 50%, but that this level of rates would show something less than a 1% return on the investment. If, however, the same level of rates were in effect at such time as the diesel generating plant could be abandoned and the operations carried on with purchased central station power, the proposed rates would yield approximately 17½%. Because of this material change in the earning position of the company, the staff recommended that rates be increased on an interim basis approximately in the amount sought, but that they be automatically returned to a lower level at such time as would seem to give the company ample opportunity to install the proposed connecting line.

These two proposals were contained in a single set of rate sheets for each of the various classes of service. The higher level of rates to be effective during the interim period of change-over from diesel to central station operation was designated Schedule A, and the lower proposed rate, to be effective after central station power was available, Schedule B. The rates proposed by the staff differ somewhat from those proposed by Applicant, but are the same general form as used by Pacific Gas and Electric Company which serves territory south of Klamath. The Schedule B rates were proposed by the staff in order that it would be possible upon the change-over to central station power to revert to a level of rates which had more consistent differentials between classes of service than that contained in the present schedules. As an alternative suggestion, the staff recommended that the higher rates be terminated approximately the same date as now suggested, and that the rates be returned to the present levels at that time.

Witnesses called by Klamath Chamber of Commerce brought to the Commission's attention the very material amount that the proposed rate at Klamath exceeded comparable rates of Pacific Gas and Electric Company and California Oregon Power Company. It was also clear from the testimony that in spite of steps taken by the company to improve service as a result of Decision No. 39798 in Case No. 4834, operating conditions still were cause for dissatisfaction. It was apparent, however, that the serious financial difficulties faced by Applicant were not fully apparent to its customers. The general feeling seemed to be that some increases were justified, provided the company made determined and persistent efforts to pursue a program of rehabilitation and improvement of the system. It was pointed out that on the basis of the present character of service, and considering the value of the service, there appeared to be little justification for granting an increase in rates.

The Commission is aware that the present operations of the Klamath electric system present many difficult and conflicting problems. It believes an isolated generating plant, such as is found at Klamath, is an extremely high-cost operation. This becomes even more pronounced during a period such as the present when both labor costs and fuel costs are increasing with such rapidity. However, the problem must be confronted if a satisfactory solution is worked out within a reasonable period of time. Applicant's requested rate increases, which will provide little more than operating expenses and depreciation on the plant, appear moderate on the company's part. On the other hand, it is quite apparent that from the customers' standpoint the extent of the increase may well be questionable unless it stimulates Applicant to improve operating conditions as rapidly as possible. It appears to the Commission that the immediate rate increases proposed by the Commission's staff are necessary to afford Applicant sufficient revenue to meet its current expenses, but that the continued application of such rates must be contingent upon Applicant's endeavor to provide a more satisfactory service.

Testimony shows that the projected line might be designed and completed by July of 1948. We believe the staff's proposal to provide a 3-month period

of grace beyond that date is a reasonable suggestion and will provide a sufficient margin of safety before rates are reduced, so that the company will be assured the expenses necessary to operate the generating plant until that time.

It must also be apparent that the company will have the opportunity under this proposal to achieve considerable advantages to itself if construction of the line is hastened and completed in less time than herein suggested. We believe further that the customers' position, as outlined by the Chamber of Commerce, is reasonable and that during the period of high interim rates, the company should submit periodic reports to the Commission specifying the progress made toward the completion of the proposed line, as well as the financial results of the application of the increased rates. The Order herein will provide for such a report.

In view of all the testimony presented in the case, it appears reasonable to adopt the suggestions of the Commission's staff and the Order herein will provide for filing by the company of rate schedules proposed in Exhibits 4, 5, 6, 7, 8, and 9. The adoption of such schedules on the basis of estimates presented by the staff indicates that annual revenues, predicated on the 1946 level of sales, will increase from \$24,170 to \$35,616, and that on the same basis comparable revenues under Schedule B, effective after October 1, 1948, would approximate \$29,354, indicating an immediate over-all 48% increase which would be reduced to a 21% increase at the time the rates revert to Schedule B.

A hearing having been had on the application, testimony presented, and the matter submitted for decision, and the Commission having considered the evidence and finding that the increases in rates and charges hereinafter ordered are justified, therefore

O R D E R

IT IS HEREBY ORDERED as follows:

1. Klamath Water, Light & Power Company is hereby authorized and directed to file and make effective on meter readings taken on and after July 20, 1947, Schedules D-1, Domestic Service; L-1, Lighting and General Service; H-1, Heating and Cooking; P-1, General Power Service; S-1, Standby Service, and Emergency Rule and Regulation No. A-1, Temporary Emergency Unmetered Service, as set forth in detail in the appendix attached hereto and made a part hereof.

2. Klamath Water, Light & Power Company, upon the filing of the above mentioned schedules, may withdraw and cancel Schedule L-1, General Lighting Service, Revised CRC Sheet No. 16-E; Schedule C-1, General Cooking, Heating and Small Power Service, Revised CRC Sheet No. 17-E; Schedule D-1, Domestic Combination Service, Revised CRC Sheet No. 18-E; Schedule P-1, General Power Service, Revised CRC Sheet No. 19-E; and Schedule S-1, Standby Service, Original CRC Sheet No. 20-E.
3. Klamath Water, Light & Power Company shall file on or before August 10, 1947, and monthly thereafter, three copies of a monthly report setting forth sales of electricity by classes of service in kilowatt hours, revenues from the sale of electricity by classes of service in dollars, and expenses by accounts and principal subdivisions thereof for the calendar months next preceding the dates on which said report is submitted. Said report shall likewise include a brief statement of the physical work performed during the preceding month in connection with the company's rehabilitation and construction program.

For all other purposes the effective date of this Order will be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 8th day of

July, 1947.

Harold H. Hull

Justus J. Cramer

Leah H. Howell

R. J. Dunning

Kenneth F. Fetter

Commissioners

A P P E N D I X

Schedule D-1

DOMESTIC SERVICE

APPLICABILITY

This schedule is applicable to domestic lighting, heating, cooking, and single phase power service in single family dwellings and in flats and/or apartments separately metered by the Company; also single phase farm service on a farm operated by the person whose residence is supplied through the same meter.

TERRITORY

The entire territory served by the Klamath Water, Light and Power Company.

RATES

	Schedule A Applicable Until <u>October 1, 1948</u>	Schedule B Effective <u>October 1, 1948</u>
Service Charge		
Per meter per month	75¢	70¢
Energy Charge (to be added to service charge)		
Cents per kwhr per meter per month:		
First 40 kwhr	8.0¢	6.5¢
Next 60 kwhr	5.0	3.5
Next 100 kwhr	3.5	2.8
All excess kwhr	2.5	1.2

SPECIAL CONDITIONS

1. Single phase motors as used on domestic appliances, the aggregate capacity of which does not exceed 3 hp, will be permitted on this schedule.
2. For summer cottage customers and others who regularly take service for only a part of the year, this schedule is applicable only on an annual contract basis.

Schedule L-1

LIGHTING AND GENERAL SERVICE

APPLICABILITY

This schedule is applicable to general lighting service and appliances, heating, cooking, or single phase power service either separate or combined with lighting service.

TERRITORY

The entire territory served by Klamath Water, Light and Power Company.

RATES

	Schedule A Applicable Until <u>October 2, 1948</u>	Schedule B Effective <u>October 1, 1948</u>
Service Charge		
Per meter per month	75¢	70¢
Energy Charge (to be added to service charge)		
Cents per kwhr per meter per month:		
First 50 kwhr	8.0¢	6.5¢
Next 150 "	7.2	6.3
Next 800 "	6.5	5.0
Next 2,000 "	4.6	3.5
Next 3,000 "	3.0	2.3
All excess "	2.8	2.0

SPECIAL CONDITIONS

1. For customers who regularly take service for only part of the year, this schedule is applicable only on annual contract.
2. The above rates are applicable to general lighting and small appliances and including up to 3 kw of connected cooking or heating devices or up to 3 hp of motor capacity, or a combination thereof, allowing one hp to be equivalent to one kw. Where heating, cooking or power service is rendered separately, or where such service exceeds 3 kw, a minimum charge of \$3.00 per meter per month up to 7 kws or less, plus 50¢ for each additional kw or hp, will be made.

Schedule H-1

HEATING AND COOKING

APPLICABILITY

This schedule is applicable to general heating and cooling service. Single phase power service not exceeding 5 hp may be combined on the same meter with heating or cooking service of at least 2 kw capacity.

TERRITORY

The entire territory served by Klamath Water, Light and Power Company.

RATES

	Schedule A Applicable Until <u>October 1, 1948</u>	Schedule B Effective <u>October 1, 1948</u>
Cents per kwhr per meter per month:		
First 150 kwhr	5.6¢	4.2¢
Next 850 "	2.8	2.0
Over 1,000 "	2.0	1.2

Minimum Charge:

\$3.00 per meter per month for the first 7 kw or less of connected load plus 50¢ per kw for each additional kw connected. Space heating appliances shall not be considered as active connected load in computing bills on meter readings made between May and November 1 of any year.

At the option of the customer, by contract, the minimum charge may be put upon an annual basis.

SPECIAL CONDITIONS

Service normally will be rendered at 115-230 volts single phase alternating current.

Schedule P-1

GENERAL POWER SERVICE

APPLICABILITY

This schedule is applicable to alternating current used in motors, heating and cooking devices, rectifiers, battery charges and other power devices, but is not applicable for lighting service either directly or through transformers or converting equipment.

TERRITORY

The entire territory served by the Klamath Water, Light and Power Company.

RATES

HP of Connected Load	Rate Cents per kwhr per month			
	First 50 kwhr	Next 50 kwhr	Next 150 kwhr	All Over 250 kwhr
	<u>per hp</u>	<u>per hp</u>	<u>per hp</u>	<u>per hp</u>

Schedule A Applicable until October 1, 1948

1 - 9.9 hp	7.0¢	4.0¢	2.4¢	2.0¢
10 - 24.9 hp	6.0	3.8	2.3	2.0
25 hp and over	5.0	3.5	2.2	1.9

Schedule B Effective October 1, 1948

1 - 9.9 hp	5.3¢	2.9¢	1.7¢	1.2¢
10 - 24.9 hp	4.6	2.8	1.6	1.2
25 hp and over	4.0	2.6	1.5	1.1

MINIMUM CHARGE

The minimum charge shall be \$1.00 per hp per month, but not less than \$1.50 per month for single phase service or \$3.00 per month for three phase service. If the primary use of power is seasonal or intermittent, the minimum charge may, at the option of the customers, be made cumulative over a 12 months' period.

VOLTAGE

Standard distribution voltages of nominal 115 or 230 volts single phase and 230 volts three phase will be available and, at the discretion of the Company, 460 volts and higher voltage, three phase, may be made available.

(Continued)

Schedule P-1

GENERAL POWER SERVICE (Continued)

CONNECTED LOAD

The connected load for the purpose of this schedule is the sum of the rated capacities of all the equipment that may be connected to the company's lines at one time computed to the nearest 1/10 hp. Heating, cooking, or other devices rated in kw or kva shall be calculated on the equivalent basis of one kw or one kva equal to one hp.

Where the name plate data for equipment is not available or it is evident that the actual power requirement of any device differs materially from the name plate data, the rating of such device shall be determined by test.

GUARANTEE LOAD

Any customer may obtain the rates and condition of service for a connected load larger than his actual load by guaranteeing the charges, including the minimum charge, applicable to such larger connected load. Such guarantee load may not be changed more than once a year.

Schedule S-1

STANDBY SERVICE

APPLICABILITY

This schedule is applicable to standby or breakdown service supplied to customers whose premises are regularly supplied, in whole or in part, with light or power from a privately-owned source of supply; and to other electric service where the company must stand ready at all times to supply electricity for light or power, but where the use of electric service is not of a usual, regular or continuous character. The maximum load served under this schedule is 150 kva.

TERRITORY

The entire territory served by the Klamath Water, Light and Power Company.

RATES

Standby Charge

The standby charge is to be based on the rating of the customer's generating plant or the capacity available from any source other than the Company's system:

First	25 kva	\$ 1.60 per kva per month
Next	100 kva	1.20 " " " "
All over	125 kva	1.00 " " " "
Minimum standby charge	20.00 per month

Energy Charge

In addition to the standby charge, the regular schedule rates shall be charged for energy consumed, including the minimum charges and all other provisions of said schedules.

SPECIAL CONDITIONS

1. When customer's plant (or other source) is operated in parallel with the Company's system, the meter used to measure the energy supplied hereunder will be ratcheted to prevent reversal.

2. This schedule is applicable only on a three-year written contract when standby service is first rendered in any instance, and year by year thereafter.

EMERGENCY RULE AND REGULATION A-1

TEMPORARY EMERGENCY UNMETERED SERVICE

Due to critical shortage of electric meters and necessity for supplying service to new customers without unnecessary delay, this emergency rule and regulation is established, and any rule or regulation, rate, or contract of this Company on file with the Public Utilities Commission inconsistent herewith, shall be deemed suspended or modified to the extent necessary to remove such inconsistency.

1. At any time that Company's supply of electric meters from normal sources shall be inadequate to take care of requirements of existing customers and new applicants for service, Company may temporarily remove its electric meters from existing customer installations to the extent necessary to satisfy such deficiency, on the following conditions:
 - (a) Company may remove the meter from and establish unmetered service at any customer installation where the electric energy usage is consistently small in volume. In such cases of unmetered service, customer will be billed the minimum amounts provided under the applicable rate schedule until such time as a meter is again installed.
 - (b) Company may, with the consent of any of its customers who have been customers of the Company at the same location for the preceding twelve months or longer, remove the meter and establish unmetered service. In such cases the billing for unmetered service in any month will be estimated as equivalent to the usage at that location for the same period of the preceding year, and at the rate schedule in effect for the current month. Fractional month's usage will be prorated on the basis of the ratio of the number of days for the fractional month period to a full month, which will be taken as 30 days.
 - (c) To the extent that meters made available under (a) and (b) above fail to satisfy Company's meter requirements, Company may, with the customer's consent, establish unmetered service to new residential customers. In such cases the electric usage in any month will be estimated in accordance with the following table, and billing will be under the applicable rate schedule.

Domestic Monthly Consumptions for Unmetered Service Billing

	<u>OCCUPANTS PER RESIDENCE</u>				
	<u>2 or less</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6 or more</u>
Lighting and Socket Devices	30 kw/hr	35 kw/hr	40 kw/hr	45 kw/hr	50 kw/hr
Refrigerator	30 "	35 "	40 "	45 "	50 "
Electric Range	80 "	90 "	100 "	110 "	120 "
Electric Water Heater	250 "	275 "	300 "	325 "	350 "

For fractional month, obtain usage by proration.

(Continued)

EMERGENCY RULE AND REGULATION A-1

TEMPORARY EMERGENCY UNMETERED SERVICE (Continued)

2. No charge shall be made by Company for removal or re-installation of meters, nor for the necessary connections to customer's facilities required hereunder.
3. Company may continue to supply on an unmetered basis until service has been ordered discontinued by customer. Company may replace any meter so removed at any time and thereafter bill for service in accordance with its regular rates, rules and regulations.
4. Unmetered service, as provided herein, is a temporary expedient to meet an emergency situation, and metered service will be restored at the earliest practical opportunity. This emergency rule and regulation shall remain in effect until such time as an adequate supply of meters is again available to Company, and all meters removed under 1 above have been replaced, and/or until changed or amended by authority of the Public Utilities Commission of the State of California.