

Decision No. 41025

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the application of
 THE RED RIVER LUMBER COMPANY, a
 corporation in liquidation, and
 PACIFIC GAS AND ELECTRIC COMPANY, a
 corporation, for an order authorizing
 the sale and transfer of certain
 properties.

ORIGINAL

Application No. 26910
 (First Supplemental)SECOND SUPPLEMENTAL OPINION

In this proceeding Pacific Gas and Electric Company requests the Commission to authorize a readjustment in rates applicable to service rendered by the company to certain customers in the vicinity of Westwood, Lassen County, California.

Electric Utility Facilities

It appears in this proceeding that for many years Red River Lumber Company owned and operated extensive timber holdings tributary to the town of Westwood, and operated a large lumber mill at Westwood. Incidental to this lumbering operation, the company constructed a complete town and the necessary utilities to provide the normal needs of such a community. In an earlier proceeding before this Commission (Application No. 26385 and No. 26386) Red River Lumber Company was authorized to dispose of, and Northern Counties Utilities Company was authorized to acquire, utility facilities within the town of Westwood and to undertake a utility operation with those facilities as a part of a program under which Red River Lumber Company was disposing of its lumber operations and its holdings in Westwood to Fruit Growers Supply Company, who in turn organized Northern Counties Utilities Company to be the instrumentality for operating the public utility properties. As a result of these transactions, which were authorized by Decision No. 37498 (45 Cal.CRC 530), Red River Lumber Company disposed of its steam electric generating plant located in the Westwood Mill and distribution facilities in Westwood, but retained the obligation to supply power to

Fruit Growers Supply Company, California Pacific Utilities Company, and other smaller customers outside the boundaries of the territory which Northern Counties Utilities Company undertook to serve.

In the original application in this proceeding, Pacific Gas and Electric Company was authorized to acquire from Red River Lumber Company its remaining electric production, transmission, and distribution facilities, and to undertake the service to the remaining customers. That transaction was authorized by Decision No. 38421 (46 Cal. CRC 198). Pursuant to that Decision, Pacific Gas and Electric Company acquired Hat Creek No. 1 and No. 2 power plants, Hat Creek-Westwood 60 kv transmission line, Hamilton Branch Hydro Plant, a new 44 kv transmission line constructed for the account of Red River by Pacific from Almanor Dam to Hamilton Branch plant, and the balance of Red River's transmission and distribution facilities in and about Westwood, Chester and the small localities locally known as Big Springs, Clear Creek, and Halls Flat.

Pacific was likewise authorized to continue in effect temporarily the rates for service being charged by Red River.

Reconstruction Program

Upon acquisition of the properties, Pacific undertook a program of rehabilitating the facilities and reinforcing the system acquired from Red River. In the hearing upon the First Supplemental Application, testimony indicated that Pacific has expended, or has committed, more than \$250,000 of work in this rehabilitation program, including the cost of building the Almanor Dam - Hamilton Branch 44 kv line. These costs can be summarized as follows:

Tabulation of Reconstruction Costs to Serve Westwood Area

Almanor Dam - Hamilton Branch 44 kv line	\$ 65,876
Overhaul Hamilton Branch No. 2 generator	15,000
Rehabilitate Hat Creek - Westwood 60 kv line	13,000
Rebuild Hamilton Branch - Westwood 33 kv line	50,000
Operators and servicemen's quarters, Hamilton Branch	24,000
Telephone facilities	5,000
Rehabilitate Hamilton Branch hydraulic facilities	35,060
Rebuild portions of 33 kv feed to Chester and distribution at Clear Creek and Walker Springs	30,500
Rebuild Chester Substation	<u>25,000</u>
Total projects completed, under way, or planned for immediate future	\$263,436

Power Supply and Loads

The record shows that the demand of the local distribution and the several large customers in distribution areas served by Pacific in the vicinity of Westwood is approximately 7,500 kw. The detail is shown in the following summary:

Demands on Pacific Gas and Electric System at Westwood

California Pacific Utilities Company	
Westwood	3,500 kw
Chester	300
Northern Counties Utilities Company	1,000
Fruit Growers Supply Co. (Westwood Mill)	2,500
Distribution: Clear Creek, Big Springs	50
Halls Flat (Est.)	100
	<hr/>
Total	7,450 kw

This load is supplied from the following sources:

Power Sources of Pacific Gas and Electric Company at Westwood

Hamilton Branch Power Plant	2,500 kw
Hat Creek - Westwood 60 kv line	9,000
Almanor Dam - Hamilton Branch 44 kv line	3,600
	<hr/>
Total	15,100 kw

It will be noted in the above figures that normally the Hat Creek - Westwood transmission line can carry the load in this area. It is also apparent, however, that with that line out of service, the foregoing peak load exceeds the available capacity from the Hamilton Branch plant and the Almanor Dam line. However, there is flexibility in the supply to the Fruit Growers mill, which can be utilized under emergency conditions.

Rate Changes - Retail

Pursuant to the Commission's decision authorizing Pacific to continue in effect the rates charged by Red River at the time of the acquisition of the properties, Pacific on January 21, 1946 filed the then effective Red River rates as Pacific's Schedule L-70. Pacific now proposes to withdraw Schedule L-70 and make effective in the area its presently effective rates applicable to service in its Rate Zone 6. Pacific's Zone 6 comprises all the territory adjacent to and served from its main system, except territories within incorporated city limits or in specifically described built-up suburban areas. Zone 6 rates are

at the highest level of any rates applicable to Pacific's main system territory and are generally thought of as the company's rural rates. There are, however, rates applicable to rural areas at higher levels in the territories remote from Pacific's main system, namely, territory in the vicinity of San Luis Obispo and Santa Maria on the south end, and Humboldt County on the north end of the system along the coast. The record shows that Zone 6 rates are applicable in other foothill areas up and down the Western slope of the Sierra Nevada Mountains in the vicinity of Pacific's other power plants, and it requests on the basis of the nondiscriminatory provisions of Section 19 of the Public Utilities Act that these rates now be made effective to the customers and in the territory acquired from Red River Lumber Company.

Exhibit 17-A introduced in the proceeding sets forth an analysis of sales in kWhrs and revenues derived from 111 individual customers during the 12-month period ending April 1946. The Exhibit likewise indicates the revenue which would have been received had Pacific's applicable Zone 6 rates been applied to the same kwhr sales. This analysis indicates that Schedule L-70 is substantially lower than corresponding Zone 6 rates, the application of which will result in an over-all increase of more than 40%. As to individual accounts, the changes range from net annual decreases to increases approaching 200%. The decreases result from the application of minimum charges of \$.60 per month instead of \$1.00 per month. In general, it may be said that the domestic accounts will receive a considerably lesser increase than will the commercial customers. It appears from the testimony in the proceeding that the schedule devised by Red River for its service was probably developed on an increment-cost basis, and that service was provided thereunder at or below cost largely as an accommodation to the lumber company employees in the same general way that many other community conveniences were provided.

In addition to the customers presently served under Schedule L-70, several other customers have received service under written or oral agreements providing for special rates which Pacific likewise wishes to withdraw. Zone 6 rates applicable to the various accounts served under these special agreements

likewise will result in increases ranging from 30% to more than 120%. In spite of the sharp increases which will result for certain accounts, the requirement that rates be applied without discrimination makes necessary the application of the same rates which apply to other similarly situated customers. Accordingly, the Commission finds that the adoption of the presently effective Zone 6 rates for service to the above described customers in this area is reasonable and that the resulting increases in rates are justified.

Pacific requested that no change be made in the rates charged the Fruit Growers Supply Company for electric service to the Westwood Mill. At the present time this is a special rate of 1¢ per kwhr less a discount of 25% for certain services rendered by Fruit Growers to Pacific. As has already been stated, Fruit Growers owns and operates a steam electric generating plant of its own in connection with its lumber mill operations, but normally requires supplementary supplies from Pacific since its total mill load exceeds the capacity of its generating plant. At the present time Fruit Growers is unwilling to enter into a contract of any length of time with Pacific for future supply because of the uncertainty as to Fruit Growers future plans for operation of the mill. Pacific points out, however, that if its filed P-30 rate were applied to the service rendered by Pacific to Fruit Growers, the annual revenues would approximate those received under the present special rate, and in view of the uncertainty with respect to the immediate future, requests that the application of a filed tariff to this customer be deferred. In view of the special circumstances involved in service to this particular customer, the reciprocal advantages growing out of this service, and the present uncertainties with respect to the future, it seems appropriate that service be continued to this customer under the terms of the special agreement now in force with respect to this service.

Rate Changes - Wholesale

Upon acquisition of the properties from Red River, Pacific incurred the obligation to furnish wholesale service to California Pacific Utilities Company for distribution by the latter company in Chester and Susanville. This service had been rendered in accordance with a contract between California Pacific and

Red River concluded in 1935, under which service was rendered at a special rate of 1¢ per kwhr. Immediately following the acquisition by Pacific, negotiations were undertaken, looking toward the application of Pacific's filed resale rate for this service because of the substantial reduction which would thereby accrue to California Pacific. These negotiations culminated in an agreement which would make Pacific's Schedule P-6 effective for service to California Pacific, beginning in December 1946. It is presently estimated that the application of this filed rate for this account results in a reduction to this customer of about \$46,600 on an annual basis. In addition, Pacific now proposes to make the same P-6 resale rate effective on deliveries to Northern Counties Utilities Company and estimates that the annual reduction, resulting from such an application, will approximate \$11,000 or about 18%.

Summary

It can thus be seen that the changes in rates which Pacific requests that this Commission authorize will bring about an over-all decrease in the annual revenue which Pacific can obtain from the customers acquired from Red River Lumber Company. The changes proposed can be summarized in tabular form as follows:

Summary of Rate Increases and Decreases

	: No. : :Cust.:	: Annual : : Kwhrs :	: Annual Billing :		: Increase :	
			: Present :	: Proposed :	: Amount :	: % :
			\$	\$	\$	
<u>Domestic and Commercial</u>						
Est. 12 Mos. Ending August 1947	101	252,658	4,782.59	7,000.00	2,217.41	46.4
<u>Special Contracts*</u>						
Western Pac. R.R.Co.	1	126,493	1,897.42	2,503.19	605.77	31.9
Fruit Growers Sup. Co.	1	31,989	405.14	905.18	500.04	124.0
U.S. Forest Service	1	25,488	382.32	813.52	431.20	112.8
Standard Oil Co.	1	115	18.00	30.65	12.65	70.3
Fruit Growers Sup. Co. Westwood Mills#	1	12,335,000	92,515.50	92,515.50	-	-
<u>Resale#</u>						
Cal. Pacific Util. Co.**	2	16,403,940	164,039.40	117,441.42	(46,597.98)	(28.4)
No. Counties Util. Co.	1	5,950,360	59,503.60	48,537.00	(10,966.60)	(18.4)
Total		35,126,043	323,543.97	269,746.46	(53,797.51)	(16.6)

* Estimated 12 months ending September 1947.
Estimated 12 months ending October 1947.
ø Actual 12 months ending December 1946.
** Change to Schedule P-6 already effective.

(Red Figures)

The net result would be an over-all reduction in annual revenues approximating \$53,800, which is about 17% of the revenues derived under the application of the present rates.

A public hearing was had on this application upon due notice in Westwood before Examiner Wehe, at which time no protests were raised against the proposed change in rates. It appears from the evidence introduced that the changes in rates proposed by applicant are appropriate, that the interim rates heretofore authorized by the Commission should now be readjusted, that the discrimination arising from the application of special rates to customers in the Westwood area be removed, that the duly filed effective rates of applicant for similar service in similar areas now be made effective in this territory, and that any increases in rates resulting from such application are justified, therefore

SECOND SUPPLEMENTAL ORDER

IT IS HEREBY ORDERED that Pacific Gas and Electric Company be and it is hereby authorized

1. To continue in effect that certain agreement dated December 27, 1944, between Fruit Growers Supply Company and Red River Lumber Company, under which service is rendered by Pacific to Fruit Growers for electric service at Westwood.
2. To make effective for all other customers supplied by facilities or extension thereof acquired from Red River Lumber Company, Pacific's applicable Zone 6 tariffs, including Schedule P-6, but excepting Schedule P-31.
3. To withdraw and cancel its filed tariff Schedule L-70 and other special agreements under which service is now rendered to said customers.
4. To refile such electric tariffs as may be necessary to carry out the foregoing provisions, and to make the newly authorized rates effective for meter readings taken on or after February 10, 1948.

The effective date of this Order is twenty days from and after the date hereof.

Dated at San Francisco, California, this 17th day of December, 1947.

Harold D. Hule
Justice F. Galvin
Earl Powell
R. Z. Anderson

Commissioners