

ORIGINAL

Decision No. 43497

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 Death Valley Electric Cooperative Inc.
 for Certificate of Convenience and
 necessity to construct power plant and
 distribution system and sell electric
 energy to its members

Applicant

Application No. 30490

E. John Eriksson, Attorney, Charles F. Brown,
 Secretary, and Thomas C. Adams, Consulting
 Engineer, for applicant; Harold M. Hammack
 for California Electric Power Company, interested
 party; F. A. Wardlaw for Anaconda Copper Company,
 interested party; H. P. Gower for Pacific Coast
 Borax Company, interested party; and Charles Brown,
 State Senator from Inyo and Mono Counties, interested
 party.

O P I N I O N

Death Valley Electric Cooperative, Inc., by the above-entitled application filed July 8, 1949, requests a certificate of public convenience and necessity authorizing it to construct a transformer station or power generating plant, power lines and a distribution system in portions of the northeastern part of San Bernardino County and in portions of Inyo County, California. This corporation is a cooperative formed under the laws of the State of California pursuant to Title 1, Division 3, Part 2 of the Corporation Code. A general map of the proposed service area is attached to the application and marked Exhibit "A". A public hearing on this application was held before Examiner Edwards on September 28, 1949 at San Bernardino. At the hearing, a map showing tentative locations of transmission and distribution lines in the area was introduced and designated Exhibit No. 5.

Applicant has obtained a franchise, copy of which was filed in this proceeding and marked Exhibit No. 3, from the Board of Supervisors of the County of San Bernardino, by Ordinance No. 636 dated

July 25, 1949, granting permission, for a period of 50 years, for the construction of a pole, tower and wire system upon all the public roads and highways in an area in the northeast portion of the county as described in the ordinance by metes and bounds. A similar type of franchise, copy of which was filed in this proceeding and marked Exhibit No. 4, was granted to applicant by the Board of Supervisors of Inyo County by Ordinance No. 224, dated June 6, 1949, for a period of 50 years, in the southeastern portion of the county as described in the ordinance by metes and bounds. The acquisition expense to applicant of the San Bernardino County franchise was \$185, exclusive of attorney's fees, consisting of \$50 sale price and \$135 publication expense. The Inyo County franchise cost was \$139, which was all publication expense. Each of the franchises requires the payment, after the first five years, by the grantee of 2% of the gross annual receipts arising from the use, operation or possession of the franchise.

Applicant's tentative plans call for a main stepdown substation, four distribution substations, 82 miles of 69-kv transmission line and approximately 300 miles of distribution line. Energy would be obtained from the 132-kv Boulder-Victorville line of the California Electric Power Company at Yucca Grove some 18 miles northeast of Baker. The main substation would step down the voltage from 132 kv to 69 kv, and would be of 5,000 kva or larger capacity. The four distribution substations would further step the voltage down from 69 kv to 13.8/24.9 kv for distribution purposes and would range in size from 1,000 to 2,000 kva each. Customers would be served from distribution transformers which step down from 13,800 volts to 120/240 volts or other customary low voltage. It is anticipated that initially there will be 250 customers connected, and at least 300 within a short time.

The estimated cost to construct the system, including necessary office, warehouse, transportation and communication equipment, and overhead expense, is \$1,776,000. Applicant's consulting engineer furnished the following tentative breakdown of costs:

Main substation	\$ 90,000
Four distribution substations	100,000
Switching station	10,000
82 miles of 69-kv line	410,000
Distribution lines	885,900
Overhead and engineering	149,590
Office and warehouse	40,000
Transportation equipment	40,000
Communication equipment	25,000
Preliminary expense	6,000
Administration during construction	<u>20,000</u>
Total	1,776,490

If certain lines, which may be uneconomical, are eliminated between Shoshone and Death Valley Monument, at Silver Lake and at other points, he estimated that the total cost might be reduced to \$1,300,000.

According to his estimates, the cost of operation and maintenance would be in excess of \$100,000 annually. The project would require a manager, bookkeeper, office man, two linemen and two helpers with two trucks and two pickups, in order to render continuous service. Also, supplies and minor replacements would cost approximately \$5,000 per year. The total wages and supplies were estimated at between \$30,000 and \$35,000 annually.

Applicant has applied to the Rural Electrification Administration for a loan with which to finance the construction of its properties. The loan has not yet been granted, nor are the terms of the loan known. The record shows that the standard policy of the R.E.A. is to charge interest on its loans at the rate of 2% per annum, and require that the loans be repaid in 35 years. At the request of the borrower, the initial payment may be deferred to the end of the fourth year after the loan is actually made. The interest payment and

the amortization of the loan are equal to an annual cost of about 4%. On the basis of a loan of \$1,776,000, the interest and amortization would amount to approximately \$71,000 per annum.

Applicant in this application is not asking permission to issue any evidences of indebtedness or membership certificates.

No definite information as to the cost of central station energy was given, other than the statement by applicant's consulting engineer that because of the size of the load and the voltage of purchase, it should obtain a rate somewhat better than the regular resale rate, Schedule P-3 of the California Electric Power Company. Assuming a purchase of 8,000,000 kwhr annually at a rate of 1.1 cents per kwhr, a total power bill of \$88,000 is indicated. Under the assumptions made, applicant requires at the end of four years an annual income of from \$189,000 to \$194,000 to meet its obligations.

The evidence shows that, at present, there is a minimum of \$83,000 per year guaranteed by prospective customers in the area, but this is only a base figure and does not represent the potential revenue in the area. The Shoshone mines, controlled by Anaconda Copper Company, will take at least \$25,000 worth of electricity per year. The Pacific Coast Borax Company controls several subsidiaries, such as the Death Valley Hotel Company, Furnace Creek Camp and Ranch, and Death Valley View Hotel, and will guarantee annual usage of \$20,000. There are other mines, as well as agricultural interests in the area, interested in obtaining this power that should return revenue well in excess of the \$83,000 figure mentioned.

No definite statement could be made by the applicant as to the rate at which energy will be sold. For high-load factor pumping, it anticipates that a rate of 1½ cents per kwhr may be offered, for large enterprises two cents per kwhr, and for commercial and

residential customers a rate varying between five cents and 2½ cents per kwhr. Applicant anticipates that its rates will be only a little higher than those found in adjacent populated centers.

The Death Valley Electric Cooperative anticipates that favorable action on its application to the Rural Electrification Administration for a loan will be forthcoming within 30 days. When the loan is obtained, applicant plans to file the necessary application with this Commission to obtain permission to mortgage the utility system. Applicant plans to serve only members of the cooperative, and will sell memberships at a fee of \$5 each. Applicant contends that these memberships are not like a share of stock; but if required so to do, the necessary application will be made with the Commission for permission to sell membership shares. Furthermore, applicant agreed to comply with the Commission's rules regarding the filing of rates and to construct the system, in accordance with the National Safety Code and rules for overhead line construction promulgated by this Commission.

As to the main source of power, applicant's consulting engineer testified that either a central power plant could be installed or central station energy purchased from the California Electric Power Company. There are several small Diesel generating plants located at hotels, stores or mines in the area that could be acquired and used as standby after the lines are constructed. The applicant would prefer to purchase power, as the initial capital investment in a high voltage step-down substation is considerably less than for a central power plant.

The prayer of the application requested permission to build either a transformer station or power generating plant, power lines and distribution system. At the hearing, applicant requested that the certificate also cover small generating plants that the cooperative may desire to purchase or install for standby purposes. We see no

reason why the certificate should not be broadened to cover this request. Applicant's program appears to be reasonable and conservative if the transformer station is installed rather than the central power plant. Should applicant desire to construct such additional facilities, it can seek such authority when it makes application to this Commission for permission to incur indebtedness in obtaining the necessary funds.

At the hearing, interest in the proposed construction was manifested by several prospective customers, some of whom presented statements for the record. All were in favor of the proposed utility system, and many testified to the need for central station power in the area to replace the present costly Diesel electric generating plants. No opposition to the granting of a certificate of public convenience and necessity was manifested. From the testimony received, it appears that no other person, firm or corporation is rendering public utility electric service within the proposed service area.

From the evidence of record, the Commission finds that public convenience and necessity require the issuance of this certificate and the exercise by applicant of the right, privilege, and franchise granted to Death Valley Electric Cooperative, Inc. by the Counties of Inyo and San Bernardino.

The certificate of public convenience and necessity granted herein is subject to the following provisions of law:

That the Commission shall have no power to authorize the capitalization of the franchises involved herein or this certificate of public convenience and necessity or the right to own, operate or enjoy such franchises or certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State or to a political subdivision thereof as the consideration for the grant of such franchises, certificate of public convenience and necessity or right.

O R D E R

Public hearing having been held on the above-entitled application, the matter having been submitted, and the Commission being fully advised,

IT IS HEREBY FOUND AS A FACT that public convenience and necessity require and will require the construction and operation of a public utility electric system by Death Valley Electric Cooperative, Inc. in Inyo and San Bernardino Counties in the area set forth on maps filed in this proceeding as Exhibit "A" attached to the application and Exhibit No. 5 filed at the hearing, and to exercise the franchise rights granted by Ordinance No. 224 of the County of Inyo and by Ordinance No. 636 of the County of San Bernardino.

IT IS HEREBY ORDERED that a certificate of public convenience and necessity be and it is granted Death Valley Electric Cooperative, Inc. to construct and operate an electric utility system for the transmission, distribution, and sale of electricity, consisting of a transformer station, power lines, and a distribution system, including small standby generating plants, within the territory hereinbefore described, and to exercise the right, privilege and franchise granted by Ordinance No. 636 of the Board of Supervisors of San Bernardino County, and by Ordinance No. 224 of the Board of Supervisors of Inyo County, subject, however, to following conditions:

1. That the Death Valley Electric Cooperative, Inc. shall not exercise these franchises for the purpose of supplying electricity in those parts or portions of Inyo and San Bernardino Counties outside of the area defined in said franchises, except under further certificate of this Commission first obtained; and
2. That this Commission may hereafter by appropriate proceeding and order, limit the authority herein granted to applicant as to the territory within said counties not then being served by it.

IT IS HEREBY FURTHER ORDERED that applicant shall file with this Commission within sixty (60) days and not less than thirty (30) days before the date service is first rendered to the public, in conformity with General Order No. 96, rates, rules and regulations, and tariff service area map acceptable to this Commission.

IT IS HEREBY FURTHER ORDERED that if Death Valley Cooperative, Inc. is not, by December 31, 1950, with reasonable diligence proceeding with the construction of its transmission and distribution system, the certificate of public convenience and necessity herein granted is null and void as of December 31, 1950.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 7th day of November, 1949.

R. E. Anderson
Justin F. Craven
James F. Lowell
Harold A. Huls
Kenneth F. Potter
Commissioners.