WW

ORIGINAL

Decision No. 45760

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of CECIL J. McINTYRE, KENNETH D. McINTYRE AND DORIS E. SCRUGGS doing business as a Co-partnership under the firm name and style of INDIAN VALLEY LIGHT AND POWER COMPANY for an order of the Public Utilities Commission of the State of California authorizing applicant to increase the rates charged for electricity; to withdraw and cancel all of its filed and effective rate schedules applicable to said electric service; and to file and make effective in lieu thereof electric rate schedules in accordance with this petition.	Application No. 32178

Cecil J. McIntyre, Managing Partner, for applicants; Bertram D. Janes, District Attorney, for County of Plumas, interested party; E. J. Humphrey, for Plumas County Board of Supervisors, interested party; Lewis R. Knerr and John F. Donovan, for the Commission's staff.

O P I N I O N

In this application, filed March 5, 1951, Cecil J. McIntyre, Kenneth D. McIntyre, and Doris E. Scruggs (Indian Valley Light and Power Company) seek authority for a general increase in electric rates for all service rendered in the communities of Greenville and Crescent Mills and surrounding territory in Plumas County, California.

A public hearing in this matter was held before Examiner Emerson in Greenville on May 9, 1951.

Applicants presently render electric service under eight rate schedules covering domestic, general lighting, commercial light, power, cooking and heating, street lighting, agricultural power, and general power services. By this application it is proposed that the charges to be made under each of such schedules be increased by 7%. Applicant estimated that the proposed increases, when related to expected sales for a normal year 1951, would augment its gross revenue for the year by $8,295.

This utility's plant facilities have had a net increase of approximately $140,000 since 1938, an increase of about 176%. During that period applicant has reduced its electric rates three times; in 1940 by 6.5%, in 1944 by 2%, and in 1946 by an additional 5.4%. The only increase in rates was made in 1950 when the terminal block of the domestic rate schedule was increased from 1.0 cents to 1.35 cents per kilowatt-hour by this Commission's Decision No. 44838 and which increased the utility's revenues by an estimated $324 on an annual basis.

The territory served by this company is in the north central portion of Plumas County and is composed of the western half of Indian Valley and the mountainous territory surrounding it. Prior to World War II the area was supported primarily by gold mining operations. Since the government's halting of gold mining, the principal industry has been logging and sawmilling. Because of weather conditions, such lumbering operations are confined to about an eight-month period in normal years. The entire area and its economic well-being is highly susceptible to the influences of variability in the lumber industry. Agricultural activity is of relatively minor importance in the area and uses electric service for pumping during a short dry season each year. Three large sawmills absorb approximately 53% of the total kilowatt-hours sold by this company and domestic service accounts for about 31%. Of the balance, only 1.4% goes to agriculture and 6% to general lighting customers.

Customer growth during the past five years has been steadily upward, increasing from about 600 customers at the beginning of 1946 to about 780 at the present time. Until very recently the entire electric distribution system has operated at 4,160 volts, but loading of the lines has reached a point where cutover of portions to 12,000 volts has become necessary in order to maintain adequate service and voltage regulation, and to provide for some degree of capacity reserve. The company now purchases all its electric energy from Pacific Gas and Electric Company, under the latter's rate Schedule P-6, and takes delivery through substations at Greenville and Crescent Mills. Transformers are being purchased and will be installed so that applicant may take delivery at high voltage and through a single primary metering arrangement which will permit applicant to take advantage of the discount feature of Schedule P-6 and thereby effect a saving in purchased power costs estimated at some $4,500 annually.

Testimony and exhibits with respect to the present and prospective earning position of applicant were presented by the managing partner of the company and by the Commission staff. In justification for the requested rate increases, applicant presented evidence showing higher operating expenses in nearly all phases of its operations and particularly pointed out that a major portion of engineering and supervision charges heretofore made against fixed capital accounts must in the future be chargeable to operation and maintenance expenses as the rapid growth and expansion of plant facilities of the past several years approaches a more normal trend. In addition, applicant's costs of purchasing power, which approximate 72% of all of applicant's operating expenses, were subjected to a 6% rate increase during 1950. Taxes, of all kinds, have likewise increased and applicant presented evidence showing an indisputably upward trend in property taxes occasioned by increasing tax rates, enlarging tax district boundaries and concentration of plant facilities in the higher tax rate areas. The increased income taxes and higher present-day labor costs, apparent to all, also affect the operators of this utility.

Applicant's witness and the Commission staff are in relatively close agreement with respect to revenue estimates except as to revenues to be realized under applicant's proposed Schedule P-3 (sawmills). In this connection the record indicates that the staff estimate was derived by future projections of past consumption experience. Applicant pointed out, however, that past operations of the largest of the three mills were on a two-shift basis and that present and future operations are scheduled for a single daily shift and that both revenues and purchased power costs for the mills would thereby be less than as estimated by the staff.

In summary of the above, we conclude that the following tabulation shows fair and reasonable estimates of operating revenues, operating expenses, and net revenues for an assumed normal 12-month period in 1951 at present rates and at the rates proposed by applicant:

Item	Amount: Present Rates	Amount: Proposed Rates
Operating Revenues	$120,500	$128,000
Operating Expenses		
Excluding Taxes and Depreciation	91,100	91,100
Taxes	11,630	13,950
Depreciation (6% S.F.Annuity)	5,650	5,650
Total Operating Expenses	108,380	110,700
Net Revenues	12,120	17,300

During the year 1943, studies of the historical cost of electric plant in service and depreciation reserve requirements were made by the Commission staff and the company adjusted its books to agree with such studies as of December 31, 1942. The average undepreciated rate base for the year 1951, as estimated by the staff and which we conclude is reasonable for the purposes of this proceeding, is $260,900. Applying the net revenues above tabulated to such a base, indicates rates of return of 4.64% and 6.64% under present and proposed rates, respectively. Using a depreciated rate base developed by deducting the book depreciation reserve from the undepreciated rate base, and including interest on the depreciation reserve as an operating expense, the indicated rates of return are 4.4% and 6.7%, respectively. It is apparent, therefore, that applicant is in need of increased revenues and substantially in the amount sought.

The evidence submitted in this proceeding shows that applicant partnership has financed investment in operative plant through capital advances made by the partners, through the use of retained earnings, including those provided by depreciation accruals, and through the use of funds derived from the issue of 5% and 6% promissory notes in the principal amounts of $43,112.93. The notes are repayable in part over a three-year period and in part over a four-year period. Applicants accrue depreciation on the sinking fund basis at the rate of 6%.

The gross expenditures for new construction in 1951 are estimated by applicants at $30,000. Of this amount, $5,000 will be provided from internal sources, leaving $25,000 to be procured from outside sources or through additional capital investment by the partners.

No person came forward at the hearing either to express a protest as to increasing electric rates or to register any complaint with respect to service. The rates authorized herein should produce a return of approximately 6.6% on the undepreciated rate base herein found to be reasonable and will increase gross revenues by about $8,300 annually. Upon a full review of the record, the Commission concludes that the earning level and the return on the investment which the proposed rates are estimated to produce are not unreasonable to applicant's consumers and are necessary to provide applicants with some improvement in their financial position.

ORDER

Cecil J. McIntyre, Kenneth D. McIntyre and Doris E. Scruggs (Indian Valley Light and Power Company) having applied to this Commission for an order authorizing increases in rates and charges, a public hearing having been held, and the matter being now ready for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and that the present rates, in so far as they differ from those prescribed herein, are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission, after the effective date of this order and in conformity with General Order No. 96, the schedule of rates set forth in pages 55 to 65, both inclusive, of Exhibit No. 1 in this proceeding and, upon not less than five (5) days' notice to the Commission and the public, to make such rates effective for all bills and charges for service rendered during billing periods ending on and after July 1, 1951.

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

Dated at San Francisco, California, this 29th day of May, 1951.

Commissioners.