

ORIGINAL

Decision No. 46961

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Application of)
The California Oregon Power)
Company for authority to make) Application No. 32862
certain adjustments in its)
electric rates and charges.)

Brobeck, Phleger, & Harrison, by George Rives
for the applicant; California Farm Bureau
Federation by Eldon N. Dye, interested party;
Freyman Coleman and C. T. Mess for the Commission
staff.

O P I N I O N

The California Oregon Power Company, operating a public utility electric system in northern California and in southern Oregon, on November 1, 1951, filed the above-numbered application for authority to establish a revised rate structure which will result in a net increase in electric rates and charges applicable to its California customers of an estimated \$102,816 based on the year 1951. Applicant has pending before the Oregon Commissioner an application, which matter has been submitted, requesting similar adjustments in its rate schedules applicable to service in Oregon. The increases applicable in Oregon are estimated at \$289,463, resulting in a system increase of \$392,279 based on the year 1951.

A public hearing on this application was held before Commissioner Justus F. Craemer and Examiner W. W. Dunlop in Yreka at the conclusion of which, on March 6, 1952, the matter was submitted for decision.

The applicant is engaged in the production, transmission, distribution, and sale of electricity for domestic, commercial, industrial, agricultural, and municipal purposes in northern California and in southern Oregon. Its transmission system is interconnected and supplies distribution systems serving 42 communities and adjacent rural areas in Oregon and 28 communities and adjacent rural areas in Siskiyou, Modoc, Del Norte, Trinity, and Shasta Counties in California. The applicant also sells electricity to other utilities, one municipality located in Oregon, and to four cooperatives for resale. As of September 30, 1951 the applicant served approximately 75,500 retail customers, 80% being classified as residential or domestic. For the year 1951, the total kilowatt-hour sales on the system approximated 1,046,339,000, and gross operating revenues amounted to approximately \$11,955,000. The applicant's investment in electric utility plant in service approximated \$68,209,000 at the end of 1951 compared with \$45,691,000 at the end of 1949. In addition to its own installed generating capacity, the applicant purchases power from several sources to meet the total electric requirements on its system.

Applicant's Request

The rates which the applicant proposes to make effective in California are set forth in Section C of Exhibit No. 1. Under the proposed schedules, the applicant seeks to simplify and improve its rate structure and to establish a more equitable relationship between its rates for various classes of service.

It is proposed that the number of schedules be reduced from 27 to 15, eight applicable in California exclusive of Klamath Rate Area. The remaining seven schedules apply in the Klamath Area. This decrease in the number of schedules results largely from the proposal of a single schedule to cover service

to all commercial and industrial customers, in lieu of several special class schedules now in effect. Further, the proposed schedules are more adaptable to machine billing than are the existing schedules. A new numbering system will be made effective and applicable provisions in all schedules will be made uniform.

The proposed schedules result in increases to certain classes of customers now served for the most part on special rates below the level of system rates generally for the type of service involved. The applicant proposes to bring these rates more nearly in line with system rates charged other customers for similar service. Some decreases would also result from the proposed schedules as an incidental result of the material changes proposed in the rate structure.

For the year 1951 the estimated increase in revenues under proposed rates applicable to applicant's operations in California may be summarized broadly as follows:

<u>Class of Service</u>	<u>Estimated Increase in Revenue under Proposed Rates Year 1951</u>	
	<u>Amount</u>	<u>Per Cent</u>
Residential Service	\$ 8,534	0.80%
Commercial and Industrial Service	94,282	10.30
Total California	102,816	5.17

Of the total estimated increase in California, \$60,461 is applicable to lumber manufacturing customers. These customers are presently furnished service under a special surplus power schedule which does not contain any demand feature, nor is there any inducement under the schedule for customers to improve their load factor. The applicant proposes to serve these customers on the same schedule and basis as other commercial and industrial customers are served. (There were no appearances or protests of record to the proposed increase in lumber mill tariffs.)

agreed to a revision of the factor set forth in Special Provision No. 5 of proposed Schedules Nos. 10 and 60, applicable to auto court service, from one and two-tenths (1.2) to one and one-tenth (1.1). This change would reduce by approximately \$1,900 the estimated increase in revenues occasioned by transfer of customers in California now on Schedules RAC and No. 9 to the proposed residential service schedules.

Evidence on Earnings

The applicant presented analyses of its system-wide earnings for the years 1950 and 1951 with depreciation charges calculated on essentially a 6% sinking fund basis. These estimates are summarized below:

<u>Item</u>	<u>Co. Ex. No. 4</u>	<u>Co. Ex. No. 4</u>	<u>Co. Ex. No. 13</u>
	<u>Year</u>	<u>Year</u>	<u>Year</u>
	<u>1950</u>	<u>1951</u>	<u>1951</u>
		<u>Present</u>	<u>Co. Proposed</u>
		<u>Rates</u>	<u>Rates</u>
Operating Revenues	\$10,699,081	\$11,954,782	\$12,347,061
<u>Expenses</u>			
Operating	4,455,003	4,826,677	4,826,677
Taxes	2,459,824	2,935,659	3,134,741
Depr. and Amort.	601,207	720,243	720,243
Total Expense	<u>7,516,034</u>	<u>8,482,579</u>	<u>8,681,661</u>
Net Revenues	3,183,047	3,472,203	3,665,400
Undepr. Rate Base	55,316,906	62,736,826	62,736,826
Rate of Return	5.75%	5.53%	5.84%

The Commission staff thoroughly cross-examined applicant's witnesses and also requested applicant to furnish evidence on earnings under adjusted bases. Applicant presented Exhibit No. 14, showing the effect of the adjustments requested by the staff, resulting in rates of return under present tariff schedules of 5.75% for 1950 and 5.50% for 1951 using depreciated rate bases of \$48,232,653 and \$55,303,656, respectively, with 6% interest on the depreciation reserve.

Based on this record, it was the opinion of the applicant's assistant treasurer that the rate of return for the company's operations in California during the year 1951 would not exceed 5.48% on a depreciated rate base if the applicant's proposed rates had been effective for the entire period and after considering the adjustments in operating results as reflected in Exhibit No. 14.

It is apparent that the Commission staff was satisfied with applicant's showing as to earnings on the adjusted basis.

Customers' Statements and Service Conditions

John B. Jeffery, proprietor of the Pinehurst Motel in Weed, as a witness, presented a petition on behalf of 16 motels located in Dunsmuir, Mt. Shasta, and Weed in opposition to any increase in electric rates applicable to motels. His position was that the power company had encouraged motels to install electrical appliances and electric heat, that it was impractical to replace the present electrical heating installations with other types of heating because of material shortages and government priorities, and that the operating costs of motels would be prohibitive if electric rates were increased.

Ernest P. Smith, member of the Town Council of Fort Jones, while not opposed to a reasonable increase in rates, requested that service in the Fort Jones area be improved. He was particularly concerned about outages and low voltage conditions. In support of his claims as to low voltage, he introduced in evidence as Exhibit No. 15, three voltage charts taken at several locations in the vicinity of Fort Jones over a 24-hour period on February 18, 19, and 21, 1952.

Charles Dressel, operator of the Shamrock Motel in Yreka, testified in opposition to any increase in electric rates to motels. He stated that the power company was not furnishing adequate service in Yreka, that the lines were overloaded, that the transformer

supplying his motel was too small, and that his bill for electric service was already so high that he could not afford any further increase in electric rates.

Eldon N. Dye of the California Farm Bureau Federation, cross-examined at some length the applicant's Yreka district manager, concerning a number of specific service complaints. These complaints dealt primarily with variations in voltage, outages, and the burning out of light bulbs and electric motors. The applicant has agreed to investigate each of these complaints and to supply a report of its findings and appropriate remedial measures to the Commission.

In response to these complaints, O. C. Steel, Yreka District Manager of the applicant, testified concerning recently completed and programmed future service improvements in the district. A new substation is under construction in the Dunsmuir area which will be equipped with automatic reclosing type switches. In the Weed area, the applicant has installed voltage regulators, converted the distribution system to higher voltage, and is constructing a new substation. The applicant has increased the size of the substation in the Fort Jones area, installed regulators, and has cleared trees from its power lines, and plans the installation of an automatic reclosing switch on Line 33 which extends to Happy Camp. In the Yreka area, a new substation with three times the present substation capacity is being installed, the distribution system is being converted from 2,400 to 4,000 volts, and the distribution system in Montague is to be rebuilt this year.

In addition to these improvements the evidence shows that to meet the system maximum peak during the winter of 1952-1953 estimated at 277,000 kilowatts, additional capacity of not less than 57,000 kilowatts from four sources is programmed to become available progressively during 1952. Funds also have been

approved for increasing size of conductors on portions of circuits in the Crescent City area and an alternate source of power for that area is to be provided.

These improvements will necessitate a net expenditure of some \$17,000,000 in 1952, compared with \$12,800,000 in 1950 and \$9,600,000 in 1951. Obviously, the company must meet a heavy financing program during this year.

Conclusion

After reviewing all of the evidence brought before us in this matter and giving full weight to the testimony presented by consumers, it is our conclusion that authorization should be granted for applicant to make effective tariff schedules substantially as proposed which will result in an approximate increase of \$100,900 in annual revenues for the California portion of its system.

O R D E R

The California Oregon Power Company having applied to this Commission for an order authorizing certain adjustments in its electric rates and charges, a public hearing having been held, the matter having been submitted and now being ready for decision,

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

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission, in conformity with General Order No. 96, the tariff schedules as set forth in Section C of Exhibit No. 1 filed in this proceeding, except as modified in the following respects:

Schedule 10 and Schedule 60

Residential Service

Change statement in third block of Monthly Rate, to read:
Next 450 kilowatt hours, only when metered service includes a storage type water heater in regular use.

Change the first sentence of Special Provision 2, to read:
All water heaters served under this schedule shall be of the insulated, non-inductive automatic, storage type, and of makes, types and characteristics approved by the Company, with all heating units individually controlled by separate thermostats.

Change Special Provision 5 by substituting a factor of one and one-tenth (1.1) in lieu of the factor of one and two-tenths (1.2) stated therein.

and, after not less than one (1) day's notice to the Commission and the public, to make said rates effective for service furnished on and after May 1, 1952.

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

Dated at San Francisco, California, this 8th day of April, 1952.

[Signature]
President.
[Signature]
[Signature]
[Signature]
Commissioners.