

ORIGINALDecision No. 47988

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of ANZA ELECTRIC COOPERATIVE, INC. for a certificate of public convenience and necessity to construct an electric transmission and distribution system and to exercise franchises, for an order preliminary to the issuance of a certificate of public convenience and necessity, for authority to issue membership certificates and evidence of indebtedness, and for approval of rates and tariff regulations.

Application No. 33637

Imes & Cologne, by Gordon Cologne, for Applicant; Fred S. Edwards for San Diego Gas & Electric Co.; Kenneth M. Lemon and D.B. Wheelock for California Electric Power Co.; Homer A. Sherrod, Georgia E. Kerr, Wm. R. Bradford, Howard Bailey, Arthur H. Nightingale, H.A. Pursche, George Hepburn, Ed Herring, Clarence O. Hubbell, Mrs. C.R. Clark, Frank L. Steele, and V.A. Clemmer, interested parties.

O P I N I O N

Applicant is a California nonprofit cooperative corporation, organized in 1951. It requests the issuance of a certificate authorizing the exercise of franchise rights and the construction and operation of a public utility electrical transmission and distribution system in the south central portion of the County of Riverside. Applicant also requests authority to issue membership certificates and to execute certain instruments in connection with a proposed loan of \$750,000 from the United States of America, acting through the Rural Electrification Administration.

A public hearing was held at Anza before Commissioner Huls and Examiner Cassidy.

The area proposed to be served consists of several sections, or

valleys, divided by mountain ranges, but located sufficiently close to each other to make practical a single distribution system. Anza Valley, at an altitude of from 3700 to 4000 feet, is approximately ten miles wide and twenty miles long. The main source of income therein is agricultural, including cattle raising, seed production, and hay and grain crops. Recent experimental farming indicates successful production of vegetables and fruit. The area is favorable for the raising of chickens and turkeys.

The Thomas Mountain section is a mountain valley approximately ten miles long and three miles wide, at an elevation of from 4500 to 5000 feet. It contains a group of summer homes and cottages, as well as ranch land used principally for cattle raising. Much of the area is unimproved and is suitable for resort use. Pinon Flats is an upland area east of Thomas Mountain. In addition to summer homes and permanent residences, a dolomite mine is operating in this section and a tungsten mine is expected to be in operation within six months.

The only electricity available in applicant's proposed service area is that generated by gasoline motors. Many individuals do not have lighting plants and use kerosene or gasoline for lighting, and butane for cooking. They desire electric service as a domestic necessity, for pumping for agricultural purposes, and to eliminate fire hazards. Applicant contemplates the construction of approximately 20 miles of transmission line and 210 miles of distribution line to serve 403 customers. Negotiations for the purchase of energy from California Electric Power Company have been completed and a proposed contract has been agreed upon. California Electric has no objection to the boundaries of applicant's proposed service area.

The estimated cost of applicant's system is reported as fol-

lows:

Distribution

<u>Unit</u>	<u>Total Labor</u>	<u>Total Material</u>	<u>Total Labor and Material</u>
Poles	\$ 71,000	\$ 81,000	\$152,000
Pole Top Assemblies 5% for guys, anchors, and angles	39,000	58,000	97,000
Conductor - primary, secondary, and service, plus 2%	6,000	7,000	13,000
Transformers (distribution)	55,900	86,100	142,000
Engineering services	8,000	57,000	65,000
	20,000		20,000

Transmission

<u>Unit</u>	<u>Total Labor</u>	<u>Total Material</u>	<u>Total Labor and Material</u>
Poles	\$ 10,200	\$ 10,100	\$ 20,300
Pole Top Assemblies 10% for guys, anchors, and angles	4,300	8,300	12,600
Conductor	1,500	1,500	3,000
Substation and switching structure	8,250	14,500	22,750
Clearing R/W or relocat- ing of line if Forest Service permit not ob- tained	7,500	35,000	42,500
Engineering services	8,000		38,850
			8,000
Meters	7,150		
Transportation equipment	15,000		
Tools and working equipment	10,000		
Service entrances	16,120		
Overhead, legal and con- tingencies	<u>64,730</u>		
	\$750,000		

Applicant's estimate of annual revenues and expenses may be summarized as follows:

Estimated Annual Revenue

184 Farm Customers	\$53,169
118 Non-Farm Residential	23,378
70 Seasonal Residential	6,545
19 Small Commercial	5,545
1 Large Commercial	653
7 Irrigation	15,610
4 Schools and Churches	<u>588</u>
Total	\$105,488

Estimated Annual Expenses

Transmission Operation and Maintenance	\$ 1,600
Distribution Operations	5,144
Distribution Maintenance	5,144
General and Administrative	10,288
Taxes	5,037
Insurance	805
Power Cost	32,880
Interest	15,000
Depreciation Expense on Depreciable Plant of \$621,400 at Depreciation Rate of 3.48%	<u>21,625</u>
Total	<u>97,523</u>
Margin of Revenue over Expense	\$ 7,965

It is clear that public convenience and necessity require the construction of applicant's proposed system.

Applicant intends to borrow \$750,000, such loan to bear interest at the rate of 2% per annum payable over a period of 35 years. It requests authority to execute a mortgage note in that amount, a mortgage, and a loan contract. It is hereby found that the money, property, or labor to be procured or paid for by the issue of such note, is reasonably required for the purposes specified in the application and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

The authorization hereinafter granted in connection with the proposed loan is not to be construed as authorizing applicant to enter into or carry out the terms of any provision in a manner which

may conflict with the regulatory jurisdiction of this Commission or the duties and obligations of a public utility under California law.

Applicant's proposed rates and rules are contained in Exhibit 4, amending those set forth in Exhibit I to the application. Applicant will be directed to file its rates and rules, as required by the Public Utilities Code. It may be noted that under the statute a utility may neither make changes in its filed tariff schedules which result in an increase nor deviate therefrom without first obtaining authorization.

Although this is not a rate or service proceeding, it may be helpful to applicant to refer briefly to certain proposed rate provisions. It is noted that certain of the rate schedules provide that the rates stated therein are net, the gross rates being 10% higher, and that the gross rates shall apply if the current monthly bill is not paid within fifteen days from the date of the bill. Schedule B, commercial and industrial lighting and power, states that the gross rates are 10% higher than the net rates on the first \$25.00 and 2% on the remainder of the bill. As an inducement to the payment of accounts to reduce collection costs, an additional charge for nonpayment may be preferable to a discount for prompt payment. (Fowler Ind. Tel. Co., 3 C.R.C. 1173, 1177.) However, it has heretofore been suggested that a utility can protect itself against delinquency in the payment of bills by the establishment of adequate rules covering this phase of its operation. (Pasadena Cons. W. Co., 18 C.R.C. 994, 996; Ocean View L. & W. Co., 19 C.R.C. 112, 114.) Applicant should prepare and file a set of rules as part of its tariff schedule. Such rules should include a rule relating to disputed bills, as well as an extension rule, applicable after construction of the original system, setting forth a specific general formula to be applied uniformly to all new applicants for service extensions. Because of the nature of

a cooperative organization and the declared policy of area coverage, it is recognized that the extension rule of such a utility may well differ somewhat from the general type of extension rule filed by utilities engaged in business for profit.

Applicant's articles of incorporation do not contemplate the issuance of stock but do provide for the issuance of membership certificates. Under its by-laws any person, firm, or corporation may become a member by paying a membership fee of \$5.00, agreeing to purchase electric energy, and upon acceptance for membership. Such membership fee will be repaid on withdrawal or termination of membership. For practical purposes, each membership fee is similar to a customer deposit, refundable upon cessation of service. Yet, because of the nature of the corporation, a membership certificate is also an "evidence of interest or ownership" within the meaning of Sections 816-828 of the Public Utilities Code.

Authorization to issue membership certificates will be granted, it being found that the money, property, or labor to be procured or paid for by the issue of such certificates is reasonably required for the purposes specified and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

The certificate of public convenience and necessity hereinafter granted is subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of the franchise involved herein, or such certificate of public convenience and necessity or the right to own, operate, or enjoy such franchise 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 a political subdivision thereof as the consideration for the grant of such franchise, certificate of public convenience and necessity, or right.

O R D E R

Public hearing having been held in the above proceeding, the matter having been submitted, and now being ready for decision,

IT IS ORDERED as follows:

1. Finding that public convenience and necessity so require, a certificate is hereby granted to Anza Electric Cooperative, Inc., authorizing the construction and operation of a public utility electric transmission and distribution system in that portion of Riverside County delineated as the requested service area of applicant on Exhibit 1 in this proceeding, said exhibit being made a part of this order by reference, and authorizing the exercise by applicant of the rights, privileges, and franchise granted by Ordinance No. 395 of the County of Riverside, within the area delineated on said Exhibit 1.

2. On or before June 30, 1953, applicant may enter into a loan contract in substantially the same form as the first part of Exhibit F to the application herein, may execute a mortgage of realty and chattels in substantially the same form as Exhibit G to the application herein, and may issue its mortgage note, or notes, in the aggregate principal amount of not exceeding \$750,000 in substantially the same form as the second part of Exhibit F to the application herein, provided that such authorization does not constitute approval or authorization to enter into or carry out the terms of any provision in any manner which may conflict with the regulatory jurisdiction of this Commission or the duties and obligations of a public utility under California law. Applicant shall use the proceeds to be received through the issue of said note, or notes, for the purposes set forth in the application.

3. The authority hereinabove granted by ordering paragraph 2 shall become effective upon the effective date of this order or upon

the payment of the fee prescribed by Section 1904(b) of the Public Utilities Code, whichever date is later. The amount of said fee is \$750.

4. Applicant may issue membership certificates upon the payment of \$5.00 for each such membership certificate.

5. Applicant shall file with this Commission, in quadruplicate, at least thirty (30) days prior to furnishing service, a tariff schedule of rates and rules, in accordance with the requirements of General Order No. 96.

6. Applicant shall file with the Commission monthly reports as required by General Order No. 24-A, which order, in so far as applicable, is made a part of this order.

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

Dated, San Francisco, California, this 23rd day of December, 1952.

[Signature]
President

Justin F. Casper

Harold P. Gule

Samuel H. Totten

[Signature]
Commissioners

