

ORIGINALDecision No. 48416

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Application)
of The California Oregon Power) Application No. 33734
Company for authority to make)
certain adjustments in its)
electric rates.)

Appearances for applicant: Brobeck, Phleger
and Harrison, by George D. Rives.

Protestants: Scott Valley Chamber of Commerce
by Don Avery; Town of Fort Jones by Ernest P.
Smith; Scott Valley Airmen's Association by
Robert A. Davis; Klamath River Hall Association
by Ralph Hauser; group of farmers on Scott
River by Harry B. Tozier; Siskiyou County Farm
Bureau by Hearst Dillman; people of Horse Creek,
Hamburg and Scott Bar areas by D. L. Thompson;
Kenneth V. Johnson in propria persona; Samuel
R. Friedman for Harry Tozier farmer group,
Scott Valley Chamber of Commerce and Lions Club,
Ernest P. Smith and Scott Valley Airmen's
Association.

Interested parties: California Farm Bureau
Federation by Eldon N. Dye; Paul S. Visher in
propria persona.

Other appearances: L. R. Knerr, of the
Commission's staff.

O P I N I O N

The California Oregon Power Company, operating a public utility electric system in the northern portion of the State of California and the southern portion of the State of Oregon, filed the above-entitled application on September 16, 1952, requesting authority to increase residential service electric rates by an estimated \$61,567 annually based on the level of business for the year 1952. Applicant's proposed rates are set forth in Section C of Exhibit No. 1 in this proceeding. After due notice, a public

hearing was held on this application before Commissioner Kenneth Potter and Examiner M. W. Edwards on December 11, 1952, at Yreka, California.

Interim Order

Following December 11, 1952, the Commission reviewed the record made at the public hearing and determined that the first requirement in this proceeding was for the applicant to advance plans for service improvement, and show its earning position within California as well as on a consolidated system basis. Accordingly, on February 17, 1953 the Commission issued an interim order, Decision No. 48293, covering the subjects of service improvement and intrastate earnings.

On March 2, 1953 applicant filed its report containing its plans for service improvement and showed its California pro forma^{1/} earnings at a 5.37 per cent rate of return in comparison with a 5.63 per cent system rate of return. The Commission now has sufficient information concerning service improvement and earnings to conclude consideration of this proceeding.

Applicant's Facilities

Applicant owns and operates 17 hydro power plants, having a total installed rated capacity of 182,670 kw, an interconnected transmission system of approximately 1,507 circuit miles in total length and a distribution system of approximately 3,843 miles of line supplied from 232 substations as of July 31, 1952. The interconnected transmission and distribution system serves 43 communities and adjacent rural areas in Oregon and 28 communities

^{1/} 1952 operations adjusted to full year effect of proposed rates, straight-line depreciation and cancellation of contracts with Mountain States Power Company.

and adjacent rural areas in Siskiyou, Modoc, Del Norte, Trinity and Shasta Counties in California. Applicant purchases energy from the Pacific Gas and Electric Company in California and also sells electricity to other utilities, one municipality and three R.E.A. cooperatives for resale. At the end of July, 1952, applicant was supplying service to 75,577 retail customers of which 61,728 were classified as residential or domestic.

Position of Applicant

In general, the applicant seeks an approximate 4.83 per cent increase in its California residential service revenue in order to effect an approximate 2-mill increase in the rate for electric service that applies mainly to the space heating and the water heating load. No change is requested in the rate for the first 150 kwhr of monthly residential use, which covers mainly the lighting, refrigeration and smaller appliance load. However, applicant proposes to decrease the minimum charges for customers with space heating installations to the level of minimum charges for all other residential customers.

Applicant's witness indicated that its proposal is designed to provide a rate for space heating at a level more nearly in line with the current-day cost of providing such seasonal, peak, low-load-factor energy. During the last few years applicant's winter load has increased more than the summer load and applicant now estimates that 50,000 kw of its expected 1952-1953 winter demand will be due to heating. In Exhibit No. 15 applicant estimates that this peak load energy costs 1.34 cents per kwhr at distribution delivery points (without provision for return on investment) if obtained by purchase from the Pacific Gas and Electric Company and 1.66 cents at the hydro plant if provided by a low-load-factor hydro plant development.

Applicant's witness testified that there is also a policing problem in connection with the present water heating rate which requires a special type of water heater to obtain an 8-mill rate for a 450 kwhr block of energy. It is necessary periodically to check residences in order to determine that the water heater was in service and complied with the regulations. It is alleged that such inspections, do not promote good customer relations. This policing problem would be eliminated under the proposed rate treatment.

Nature of Evidence

Evidence was presented by three witnesses on behalf of the applicant. In addition, several customers or their representatives placed oral statements in the record. Applicant's witnesses were cross-examined by the staff of the Commission and by certain of the protestants and interested parties.

Several of the protestants opposed the proposed increase principally on the basis that the type of service being received did not warrant any increase in rates. Representatives from the Etna, Scott River, Hornbrook and Fort Jones areas told of conditions of service interruption, low voltage and high voltage. One representative suggested that the applicant eliminate certain dead-end lines by looping, and another suggested relocation of the main line near a road to facilitate maintenance and repair. A representative from Happy Camp testified that he had to install a standby plant because of the protracted service interruptions. The representative from Fort Jones supplied a chart from a recording voltage meter, received as Exhibit No. 17 in this proceeding, for the purpose of showing the fluctuations in service voltage in the area.

Applicant's witness testified that a part of the service difficulty has been due to unusually heavy snowfall and severe storms during the past two winters. The question of rebuilding applicant's lines and adding additional circuits was discussed. This witness expressed concern over the economics involved in attempting to supply the standard of service requested by protestants in a mountainous and rural territory.

Proposed Service Improvements

In its report of February 27, 1953 (filed March 2, 1953) applicant proposed 13 items to improve service. All appearances were served with copies of applicant's report and we need not deal extensively with it. Briefly, applicant plans to provide an alternate source of power at Yreka; extend a new line from Yreka to Fort Jones; extend an alternate source of power to Greenview Substation, to Etna distribution system, and to the Yuba circuit; extend a transmission line from the vicinity of Cave Junction, Oregon, to the Indian Creek Substation to provide an alternate source of power to the Lower Klamath River and Scott Valley areas; increase distribution voltage out of Montague; add a new substation in the Hornbrook area; and construct a new 66 kv line from Pickard southerly to Macdoel.

Applicant's 13 proposals appear reasonable and, when consummated, should result in greatly improved service in these areas.

Earning Position

In order to show that the proposed increase would not raise the system earnings above a reasonable level applicant submitted a summary of its earnings position in Exhibits Nos. 13 and 14. In Exhibit No. 13 it showed a rate of return in 1952 under the present rates of 5.52 per cent and under the proposed rates of 5.69 per cent.

The staff of the Commission requested an analysis as to the effect for the estimated year 1952 if all depreciation had been accrued during the year on a straight-line basis and had the company's contracts with Mountain States Power Company been cancelled as of January 1, 1952. Exhibit No. 14 shows rates of return as follows:

On a depreciated rate base with present rates	5.42%
On a depreciated rate base with proposed rates	5.61
On a depreciated rate base with proposed rates but including a full year effect of cancel- lation of the company's contracts with Mountain States Power Company	5.70

In the report submitted March 2, 1953 applicant showed that the California earnings on a pro forma basis for 1952 would have been lower by some 0.26 per cent than for the system as a whole. Based on this analysis it appears that the applicant's requested increase in rates would not produce results in excess of a fair and reasonable rate of return in California; however, applicant's earning study is being accepted for the purposes of this proceeding only.

Present, Proposed and Authorized Rates

Residential service in California is rendered under Schedule No. 10 except in the Klamath rate area where it is rendered under Schedule No. 60. The rates in the Klamath area are roughly 45 per cent higher than on the remainder of the system in California. The residential rates in Oregon are at the same

level as present Schedule No. 10. Applicant's present and proposed monthly rates may be summarized and compared in the following manner:

Present Residential Rates

	Rate per Kwhr	
	Schedule No. 10	Schedule No. 60
First 60 kwhr	3.5¢	5.0¢
Next 90 kwhr	3.0	4.0
Next 450 kwhr (with water heater)	0.8	1.2
Next 300 kwhr	1.25	2.0
Excess kwhr	0.8	1.2

Proposed Rates

First 60 kwhr	3.5¢	5.0¢
Next 90 kwhr	3.0	4.0
Excess kwhr	1.0	1.5

It is apparent from a comparison of the present and proposed rates that applicant's proposal would result in some decreases and some increases depending upon the quantity used.

It will be noted that under Schedule No. 10 applicant's proposed rate structure drops very sharply after 150 kwhr of monthly usage. If another block of 150 kwhr should be interposed between the 90 kwhr block and the terminal rate level the sharp break would be eliminated. A rate of 1.5 cents per kwhr for this additional block and 2.4 cents per kwhr for the 90 kwhr block would have approximately the same revenue effect as applicant's proposal. A similar change for Schedule No. 60 would be to lower the 90 kwhr block to 3.5 cents and add a block of 150 kwhr at 2.3 cents producing a similar revenue result.

The Commission is of the opinion that such reblocking of rates will result in a more equitable distribution of charges as between large and small users and the increases and decreases resulting therefrom will not be unreasonable. Such reblocking

will be authorized by the order herein. The authorized rates in summary form are:

	<u>Authorized Rates</u>	
	Rate per Kwhr	
	<u>Schedule No. 10</u>	<u>Schedule No. 60</u>
First 60 kwhr	3.5¢	5.0¢
Next 90 kwhr	2.4	3.5
Next 150 kwhr	1.5	2.3
Over 300 kwhr	1.0	1.5

The minimum charge under the present Schedule No. 10 rate is \$1.50 per month for customers without space heating and \$6 for customers who have electric space heating designed to provide the major portion of the requirements of the residence. In the authorized Schedule No. 10 rates, the minimum is \$1.50 and the \$6 provision is deleted. Similar minimum rates are now \$2 and \$8 on Schedule No. 60 which will be set at \$2 on the new Schedule No. 60.

Conclusion

After reviewing the record herein and giving full weight to the statements and protests made by the interested parties and the protestants and the applicant's plans of service improvement, it is concluded that an order should be issued authorizing the revenue increase requested but requiring a revision in rate blocking as hereinbefore discussed. However, the change in rates will not be made effective until May 1, 1953, after the more severe winter weather and the need for heating are over for the current season. In view of said effective date customers have opportunity for consideration of the change in rates in planning their heating requirements for the future.

O R D E R

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

IT IS HEREBY FOUND AS A FACT that the 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 and directed 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 shown in Exhibit A attached hereto and, after not less than five days' notice to this Commission and to the public, to make said rates effective for service rendered on and after May 1, 1953.

IT IS HEREBY FURTHER ORDERED that applicant is authorized and directed to proceed with and carry to completion as expeditiously as possible the construction program outlined in the 13 items stated in its report of February 27, 1953, and submit a report of progress each 90 days until the work is completed.

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

Dated at San Francisco, California, this 30th day of March, 1953.

R. I. [Signature]
President.

Justice J. [Signature]
Harold A. [Signature]

[Signature]
Commissioner.....Kenneth Potter... being necessarily absent, did not participate in the disposition of this proceeding.

EXHIBIT A
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Schedule No. 10

RESIDENTIAL SERVICE

APPLICABILITY

Applicable to single-phase alternating current electric service for residential purposes in single-family dwellings and in individual flats and apartments; also to multiple dwelling units as provided under the Special Conditions of this schedule.

TERRITORY

Within the entire territory served in California by the Company except the Klamath Rate Area.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Energy Charge:	
First 60 kwhr, per kwhr	3.5¢
Next 90 kwhr, per kwhr	2.4¢
Next 150 kwhr, per kwhr	1.5¢
Over 300 kwhr, per kwhr	1.0¢
Minimum Charge:	\$1.50

SPECIAL CONDITIONS

1. No motor load shall exceed a total of 7-1/2 horsepower connected at one time.

2. All electric space heaters larger than 1,650 watts rated capacity shall be designed and connected for operation at 240 volts, and each space heating unit having a rated capacity of two (2) kilowatts or larger shall be thermostatically controlled by automatic devices of a type which will cause a minimum of radio interference. Space heaters served under this Schedule shall be of types and characteristics approved by the Company. Individual heaters shall not exceed a capacity of five (5) kilowatts.

3. Service under this Schedule may be furnished to multiple dwelling units such as apartment houses, court groups, and the like, through a single meter. When so supplied, the number of kilowatt hours in each of the blocks of the Rate, and the amount of the Monthly Minimum Charge shall be multiplied by the number of single-family dwelling units or apartments served, and the "resulting billing" shall be multiplied by a factor of nine-tenths (.9).

EXHIBIT A
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Schedule No. 10

RESIDENTIAL SERVICE

(Continued)

SPECIAL CONDITIONS (Cont.)

4. Customers being served under Schedules RAC or 9 on May 1, 1952 and being served under Schedule 10 on the effective date hereof may be served under the terms of Special Condition 3 of this Schedule, except that the "resulting billing" shall be multiplied by a factor of one and one-tenth (1.1), and in respect of such customers, service is restricted to the equipment and points of delivery in use and billed under Schedules RAC or 9 on May 1, 1952. Change of customer or subsequent service under any other schedule will void service under this Schedule. The number of dwelling units to be used in applying Special Condition 3 to such auto camp customers shall be the sum of the following:

- | | |
|---|--------|
| a. Caretaker's cottage or apartment | 1 unit |
| b. Camp store if operated in conjunction with the auto camp | 1 unit |
| c. Each group of five cabins or fraction thereof | 1 unit |
| d. Each group of ten trailer electric outlets or fraction thereof | 1 unit |

5. For apartment houses, court groups, auto camps, and the like, for which individual customers are submetered, the charge to individual customers must be at the Company's regular tariff rate for the type of service which such individual customer may actually receive.

EXHIBIT A
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Schedule No. 60

RESIDENTIAL SERVICE

APPLICABILITY

Applicable to single-phase alternating current electric service for residential purposes in single-family dwellings and in individual flats and apartments; also to multiple dwelling units as provided under the Special Conditions of this schedule.

TERRITORY

Within the Klamath Rate Area in California.

RATES:

Energy Charge:	<u>Per Meter Per Month</u>
First 60 kwhr, per kwhr	5.0¢
Next 90 kwhr, per kwhr	3.5¢
Next 150 kwhr, per kwhr	2.3¢
Over 300 kwhr, per kwhr	1.5¢
Minimum Charge:	\$2.00

SPECIAL CONDITIONS

1. No motor load shall exceed a total of 7-1/2 horsepower connected at one time.
2. All electric space heaters larger than 1,650 watts rated capacity shall be designed and connected for operation at 240 volts, and each space heating unit having a rated capacity of two (2) kilowatts or larger shall be thermostatically controlled by automatic devices of a type which will cause a minimum of radio interference. Space heaters served under this Schedule shall be of types and characteristics approved by the Company. Individual heaters shall not exceed a capacity of five (5) kilowatts.
3. Service under this Schedule may be furnished to multiple dwelling units such as apartment houses, court groups, and the like, through a single meter. When so supplied, the number of kilowatt hours in each of the blocks of the Rate, and the amount of the Monthly Minimum Charge shall be multiplied by the number of single-family dwelling units or apartments served, and the "resulting billing" shall be multiplied by a factor of nine-tenths (.9).

EXHIBIT A
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Schedule No. 60

RESIDENTIAL SERVICE

(Continued)

SPECIAL CONDITIONS (Cont.)

4. Customers being served under Schedule RAC-K on May 1, 1952 and being served under Schedule 60 on the effective date hereof, may be served under the terms of Special Condition 3 of this Schedule, except that the "resulting billing" shall be multiplied by a factor of one and one-tenth (1.1), and in respect of such customers, service is restricted to the equipment and points of delivery in use and billed under Schedule RAC-K on May 1, 1952. Change of customer or subsequent service under any other schedule will void service under this Schedule. The number of dwelling units to be used in applying Special Condition 3 to such auto camp customers shall be the sum of the following:

- | | |
|---|--------|
| a. Caretaker's cottage or apartment | 1 unit |
| b. Camp store if operated in conjunction with the auto camp | 1 unit |
| c. Each group of five cabins or fraction thereof | 1 unit |
| d. Each group of ten trailer electric outlets or fraction thereof | 1 unit |

5. For apartment houses, court groups, auto camps, and the like, for which individual customers are submetered, the charge to individual customers must be at the Company's regular tariff rate for the type of service which such individual customer may actually receive.