

ORIGINAL

Decision No. 48425

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 appli-)
 cant 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 effec-)
 tive in lieu thereof electric rate)
 schedules in accordance with this)
 petition.)

Application No. 33980

Cecil J. McIntyre, for applicant.
Leo A. Blom, for the Commission staff.

O P I N I O N

By the above-entitled application, filed December 29, 1952, Cecil J. McIntyre, Kenneth D. McIntyre and Doris E. Scruggs (Indian Valley Light and Power Company) seek an order of this Commission authorizing increased electric rates for service rendered in Greenville, Crescent Mills and adjacent territory in Plumas County.

A public hearing in the matter was held before Commissioner Potter and Examiner Emerson in San Francisco on February 25, 1953, and the matter was submitted for decision on that date.

Applicant's Position

The largest item of operating expense on this utility is that of purchased power, which amounts to between 68 per cent and 72 per cent of the total direct operating costs. This cost

will increase by about 22.8 per cent as a result of increased power rates charged applicant by Pacific Gas and Electric Company effective on and after November 10, 1952.

In this proceeding applicant seeks to increase its revenues by an amount somewhat less than that required to fully offset its increased purchased power costs.

Rates, Present and Proposed

Applicant's rates presently consist of eight schedules.^{1/} Based upon usage in 1952 the average increases in monthly billings, under the rates which applicant requests be made effective, are shown in the following tabulation:

Classification	Rate Sched. No.		Average Use (Kwhr)	Typ. Monthly Bill			% Increase
	Pres-ent	Re-quested		At Pres. Rates	At Req. Rates	In-	
Domestic	D-1	D-1	303	\$ 6.63	\$ 7.15	7.84%	
Agric. Power	P-2	PA-1	695	18.65	21.68	16.25	
General Service	L-1	A-1	300	13.04	13.29	1.92	
Heating and Cooking	C-1	H-1	933	17.94	20.15	12.32	
General Light & Power	C-2	A-2	7,984	17.95	20.28	12.98	
General Power	P-1	P-1	599	15.47	17.25	11.51	
General Power	P-3	P-2	85,057	1,371.12	1,471.49	7.32	
Street Lighting	L-2	LS-1	695	39.99	46.37	15.96	

Applicant has estimated that the requested rates will produce an annual gross revenue increase of \$11,229, an over-all increase of approximately 7.1 per cent.

^{1/} Rates established by Decision No. 45760 in Application No. 32178 issued May 29, 1951.

Summary of Presentations

Applicant and the Commission staff presented studies of the results of operations which, as supplemented and corrected by oral testimony, are summarized in the following tabulations:

Calendar Year 1952 - Present Rates

Item	As Recorded	As Adjusted by CPUC Staff
Operating Revenues	\$143,807	\$148,247
Operating Expenses		
Before Depreciation and Taxes	107,811	121,223
Depreciation*	9,821	9,821
Taxes	10,245	6,802
Total Operating Expenses	127,877	137,846
Net Revenue	15,930	10,401
Rate Base (Depreciated)	214,894#	217,790
Rate of Return	7.41%	4.78%

* Straight-line remaining life, developed by CPUC staff.
As developed by applicant.

Estimated Year 1953

Item	Applicant		CPUC Staff	
	Present Rates	Requested Rates	Present Rates	Requested Rates
Operating Revenues	\$147,733	\$158,961	\$150,900	\$161,750
Operating Expenses before Depr. and Taxes	124,350	124,350	126,100	126,100
Depreciation*	9,932	9,932	10,148	10,148
Taxes	6,781	9,884	6,411	9,407
Total Oper. Exp.	141,063	144,166	142,659	145,655
Net Revenue	6,670	14,795	8,241	16,095
Rate Base (Depreciated)	222,427	222,427	222,832	222,832
Rate of Return	3.0%	6.7%	3.70%	7.22%

* Straight-line remaining life method.

Analysis of Presentations

For the calendar year 1952 under present rates the Commission staff presentation, above-summarized, constitutes a recalculation of 1952 operations giving full effect to those conditions which it is known will be prevalent during the

year 1953. Such adjusted year 1952 is therefore a "pro forma" showing and helpful in demonstrating the trend of results of operations during the years 1952 and 1953. Such trend, as above indicated, appears as the difference between the rate of return in 1952 of 4.78 per cent and that of 3.70 per cent for 1953, a decline of 1.08 per cent.

From this tabulation, as supported by the record in this proceeding, it is apparent that applicant is in need of increased revenues if its earning position is to be maintained at or near the rate of return which this Commission found as reasonable for this utility in the period just preceding the increase in purchased power costs.^{2/}

The major differences between applicant's and staff's estimates for 1953 appear in the revenue to be obtained from four sawmill accounts and in the estimates of federal income tax. With respect to the difference in revenue estimates, the record shows that the staff assumed an increase of 13,320 kwhr (0.32%) over the estimate for 1952 adjusted. The applicant did not show adjusted figures for 1952 but estimated that industrial sales in 1953 would be 158,280 kwhr (4.05%) greater than the recorded industrial sales in 1952. The evidence shows that three mills were operating during the first five months of 1952 and a fourth mill commenced operations in June of that year. The staff witness testified that he checked with representatives of each of the four mills, three of whom indicated that their 1953 level of business would not differ materially from the 1952 level, and the fourth indicated a possibility of a 5 per cent increase in its

^{2/} See Decision No. 48185 in Application No. 33895.

operations. Applicant's managing partner testified that about 97 per cent of the private timber has been cut in the Greenville Cutting Circle, that when the balance is cut only Forest Service timber will be available, and that sawmill operation will necessarily be curtailed at that time. We note, however, that the establishment of the new mill in the area, as recently as June, 1952 indicates a general confidence of sawmill operators in the timber supply of the area for the immediate future.

Applicant's witness testified that an increase in public liability and property damage insurance has been experienced since his estimates were prepared for Exhibit No. 1. He stated that there had been an increase of about \$300, with the possibility of a further increase of \$987 if the company were to obtain coverage equivalent to that previously carried. The staff's witness testified that he had allowed for some increase in the insurance expense account, using \$2,600 as his estimate for 1953 in comparison with \$2,100 used by applicant in its estimate. The staff witness indicated, however, he had not provided the full increase of \$1,200 which applicant's witness stated would be incurred if the additional coverage were purchased. Applicant's witness did not indicate definitely that the additional coverage would be purchased. We conclude that the allowance for insurance expense made by the staff witness is reasonable for the purposes of this proceeding.

Applicant heretofore has used the sinking fund method of depreciation accounting. In this proceeding applicant has adopted the straight-line remaining life method, as recommended by the Commission staff. In so doing the annual depreciation accrual for 1952 was determined to be in excess of \$12,000.

Applicant does not show such amount in its presentation but, instead, adopts a lesser amount, in the interest of removing a point of controversy, and has used the staff's recommendation for the purposes of this proceeding.

Applicant's managing partner stated that, in view of its change in practice for computation of depreciation accounting, it would also change its calculation of depreciation for income tax purposes to use the same lives as used for its reports to this Commission. He stated that such a change would have reduced the depreciation allowance for 1952 tax purposes from \$11,861.66 to \$8,604.31, and that the same spread would be true in 1953. The staff witness stated that he used a depreciation allowance of \$12,723 for purposes of the income tax calculation in making the estimate for 1953. An adjustment of the staff's expense estimate to conform with applicant's stated intent as to its future depreciation calculations for tax purposes reduces the net revenue for return under the staff's estimates to \$7,269 at present rates and to \$14,842 under the requested rates. The corresponding rates of return would be 3.27 per cent and 6.66 per cent, respectively, upon a depreciated rate base.

Conclusions

In view of the entire record in this proceeding, we conclude that applicant is in need of increased revenues and find that the rates which applicant requests will produce a rate of return not in excess of 6.7 per cent upon a depreciated rate base of \$222,800, which rate of return and rate base we hereby find to be reasonable. The requested rates are reasonable and will be authorized. }

O R D E R

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, the matter having been submitted and now 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 prescribed herein, are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with the Commission, after the effective date of this order and in conformity with General Order No. 96, the schedules of rates set forth in pages 23 to 31, both inclusive, of Exhibit No. 1 in this proceeding and, upon not less than five days' notice to the Commission and the public, to make such rates effective for all service rendered on and after May 1, 1953.

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.

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

Commissioners.

-7- Commissioner Kenneth Potter, being necessarily absent, did not participate in the disposition of this proceeding.