

Decision No. 49665**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the latter of the Application of)
 SOUTHERN CALIFORNIA EDISON COMPANY)
 for an order of the Public Utilities)
 Commission of the State of California) Application No. 33952
 authorizing Applicant to increase)
 rates charged by it for electric)
 service.)

(A list of appearances is appended hereto as Appendix B)

FIRST INTERIM OPINION AND ORDER

At the public hearing on February 3, 1954, on the above-entitled application, a memorandum of understanding relative to depreciation practices of the Southern California Edison Company was received in evidence as Exhibit No. 47. A copy thereof is attached to this order as Appendix A. This proposed agreement between the Commission's staff and the utility on the matter therein specified was submitted to the Commission for consideration and approval. The net effect of this understanding, if approved by the Commission, is to increase the applicant's estimated depreciation expense for the year 1953 by \$96,000, or 0.64 per cent.

Counsel for the staff suggested this matter as appropriate for an interim order. This would expedite completion of the main rate proceeding by enabling the staff to proceed promptly with its study on a basis acceptable to all parties.

The applicant's original request was based upon a sinking fund method of computing depreciation allowances. The memorandum of understanding is based upon a straight-line remaining life method with longer over-all lives than used by the applicant. While the staff's method yields a slightly higher figure for 1953, over a period of years it should result in a lower cost for future rate payers. It is characteristic of the sinking fund method that

depreciation charges are less during the early years of the life of plant and more during the later years. The straight-line method corrects this condition and spreads the accruals more uniformly over the life of the plant.

Copies of the memorandum of understanding were mailed to all parties of record and no one opposed its adoption. After considering this matter, the Commission finds such agreement to be in the public interest and approves it; therefore,

IT IS HEREBY ORDERED that Southern California Edison Company is authorized and directed to carry out the terms and provisions of: "Memorandum of Understanding Relative to Depreciation Practices for Rate and Accounting Purposes of the Southern California Edison Company", received as Exhibit No. 47 in this proceeding, a copy of which is attached hereto as Appendix A.

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

Dated at San Francisco, California, this 16th day of February, 1954.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

APPENDIX A
Page 1 of 4MEMORANDUM OF UNDERSTANDING
RELATIVE TO DEPRECIATION PRACTICES
FOR RATE AND ACCOUNTING PURPOSES
OF THE
SOUTHERN CALIFORNIA EDISON COMPANY
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- A. Consideration of the management of Southern California Edison Company and the staff of the California Public Utilities Commission has been given to the depreciation practices of the Southern California Edison Company.
- B. Upon a formal order of the Commission in Application No. 33952 so directing, the following plan will be adopted:
1. The book depreciation reserve (exclusive of leased property, transportation and construction equipment, and nonutility properties) totalling \$131,188,392.49 as of December 31, 1953 will come under the straight-line remaining life depreciation accrual plan. Under this plan, beginning as of January 1, 1954, by means of periodic reviews by the company, the annual book depreciation accrual will be determined by accounts by relating the gross depreciable plant per books, the then existing book depreciation reserve and the estimated net salvage to the estimated equivalent remaining life of said depreciable plant.
 2. Under the foregoing plan no adjustment for either deficient or excessive depreciation reserve balances will be made in the future through Surplus, or any account not classed as Electric Department Operating Revenue Deductions in the Commission's present Uniform System of Accounts for Electric Corporations, except as required by any regulatory authority having jurisdiction, even though the accrual method adopted herein be changed.
 3. The Company will maintain a staff within its organization to review depreciation charges. The Management will submit proposed basic depreciation rates for each year and supporting data for Commission

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review not later than the preceding December 1st. The first such report shall be filed on or before December 1, 1954, to cover proposed depreciation rates for the year 1955. The Company shall also submit to the Commission by April 1st of each year the finalized basis of the current year depreciation accrual calculations.

4. The remaining life straight-line depreciation accrual for allowable depreciation expense in Application No. 33952 for the year 1953 shall be \$14,987,000. Similarly calculated, the provision for the year 1954 is estimated to be \$16,650,000.
 5. It is understood that depreciation accruals for nonutility property are excluded herefrom, and that the figures do not contain depreciation provisions for transportation equipment and other depreciation provisions accrued through clearing accounts, nor do they include provisions for leased property.
- C. In the joining in this Memorandum of Understanding or in acquiescing in the making of the changes in book depreciation accrual practices provided for herein, the Company does not waive any of its contentions that a just and reasonable level of rates cannot be fixed unless appropriate recognition be given in the rate of return or otherwise, to the adverse effects of inflation on earnings and return, nor does it constitute a waiver of its right to prosecute before the Commission or any court of competent jurisdiction its contentions in this regard.

Dated at Los Angeles, California, on February 3, 1954.

Attachment

UTILITY SOUTHERN CALIFORNIA EDISON COMPANY
 TOTAL COMPANY
 LOCATION (CHARGEABLE OPERATING EXPENSE)

SUMMARY OF
 ANNUAL DEPRECIATION ACCRUAL CALCULATION
 STRAIGHT LINE REMAINING LIFE METHOD
 YEAR OF 1953

(Thousands of Dollars)

Sheet 1 of 2.

FILE NO. _____

ACCOUNT NO.	DESCRIPTION	(1) GROSS PLANT (BEG. YEAR)	(2) EST. FUTURE NET SALVAGE (EST. GROSS SALVAGE LESS COST OF REMOVAL)		(3) DEPRECIATION RESERVE (BEG. YEAR)	(4) NET BALANCE (1)-(2)-(3)	(B) (C) TOTAL SERV. LIFE		(D) AVERAGE AGE (YRS.)	(5) REMAIN- ING LIFE (YRS.)	(6) ANNUAL ACCRUAL (4)÷(5) \$	(E) % OF GROSS PLANT (RATE)
			(A) %	(2) AMOUNT			(B) ORIG. GROUP (YRS.)	(C) SUR- VIVORS (YRS.)				
STEAM PRODUCTION												
311	Structures & Improvements	\$ 14,161	-	\$ -	\$ 3,115	\$ 11,046				34	\$ 325	2.30
312	Boiler Plant	28,473	3.0	850	9,082	18,541				29	639	2.24
314	Turbo-Generator	24,697	(15.0)	3,705	3,898	17,094				(25)	684	2.77
315	Acc. Electric Equip.	6,200	()	930	1,657	3,613				()	145	2.34
316	Misc. Power Plant Equip.	825	25.0	205	130	469				34	14	1.70
	Total Steam	74,356		5,691	17,882	50,783					1,807	2.43
HYDRAULIC PRODUCTION												
321	Structures & Improvements	13,576	(5.0)	(679)	1,908	12,347				40	309	2.28
322	Resv., Dams & Waterways	100,624	(3.0)	(3,019)	10,834	92,809				70	1,326	1.32
323	Water Wh., Turbs. & Genr.	11,522	7.0	807	2,029	8,686				35	248	2.15
324	Acc. Electric Equip.	4,658	-	-	520	4,138				24	172	3.69
325	Misc. Power Plant Equip.	1,581	15.0	237	246	1,093				32	34	2.15
326	Roads, R.R. & Bridges	1,357	-	-	117	1,240				45	28	2.06
	Total Hydraulic	133,318		(2,654)	15,654	120,318					2,117	1.59
TRANSMISSION PLANT												
342	Structures & Improvements	5,292	(5.0)	(265)	1,662	3,895				27	144	2.72
343	Station Equipment	62,022	25.0	15,506	12,903	33,613				30	1,120	1.81
344	Towers & Fixtures	20,632	(10.0)	(2,063)	5,839	16,856				33.5	503	2.44
345	Poles & Fixtures	6,172	(35.0)	(2,160)	817	7,516				25	301	4.8
346	O.H. Condrs. & Devices	27,420	8.0	2,194	8,474	16,751				29	578	2.11
347	Undgrd. Conduits	14	-	-	1	13				44	0	-
348	Undgrd. Conductors	42	(5.0)	(2)	3	41				34	1	2.38
349	Roads & Trails	2,266	-	-	386	1,880				41	46	2.03
	Total Transmission	123,860		13,210	30,085	80,565					2,693	2.17
				(Red Figure)								

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SOUTHERN CALIFORNIA EDISON COMPANY

SUMMARY OF
ANNUAL DEPRECIATION ACCRUAL CALCULATIONUTILITY—TOTAL COMPANY
(CHARGEABLE TO OPERATING EXPENSE)

STRAIGHT LINE REMAINING LIFE METHOD

YEAR OF 1953

(Thousands of Dollars)

Sheet 2 of 2

FILE NO.

ACCOUNT NO.	DESCRIPTION	(1) GROSS PLANT (REG. YEAR)	(A) EST. FUTURE NET SALVAGE (EST. GROSS SALVAGE LESS COST OF REMOVAL)		(3) DEPRECIATION RESERVE (REG. YEAR)	(4) NET BALANCE (1)-(2)-(3)	(B) (C) TOTAL SERV. LIFE		(D) AVERAGE AGE (YRS.)	(E) REMAIN- ING LIFE (YRS.)	(6) ANNUAL ACCRUAL (4)÷(5) \$	(7) % OF GROSS PLANT (RATE)
			%	AMOUNT			ORIG. GROUP (YRS.)	SUR- VIVORS (YRS.)				
DISTRIBUTION PLANT												
351	Structures & Improvements	\$ 11,045	17.0	\$ 1,878	\$ 2,235	\$ 6,932				30	\$ 231	2.09
352	Station Equipment	51,939	20.0	10,388	16,587	24,964				25	999	1.92
354	Poles & Fixtures	50,052	(5.0)	(2,503)	7,048	45,507				24	1,896	3.79
355	O.H. Condrs. & Devices	42,949	7.0	3,006	5,848	34,095				25	1,364	3.18
356	U. G. Conduit	7,263	-	-	1,035	6,228				43	145	2.00
357	U. G. Conductors	7,624	(5.0)	(381)	767	7,238				28	259	3.40
358	Line Transformers	52,285	10.0	5,229	15,654	31,402				29	1,083	2.07
359	Services	15,576	-	-	3,063	12,513				21	596	3.83
360	Meters	22,397	6.0	1,344	1,882	19,171				25	767	3.42
363	Street Light	8,760	(7.0)	(613)	363	9,010				18	501	5.72
	Total Distribution	269,890		18,348	54,482	197,060					7,841	2.91
GENERAL PLANT												
371	Structures & Improvements	7,808	9.0	703	1,840	5,265				42.5	124	1.59
372	Office Furniture & Equip.	1,857	25.0	464	460	933				21	44	2.37
374	Stores Equipment	1,054	15.0	158	272	624				17	37	3.51
376	Laboratory Equip.	577	20.0	115	54	408				22	19	3.29
378	Communication Equip.	5,709	(10.0)	(571)	1,269	5,011				17	295	5.17
379	Misc. Equip.	273	20.0	55	43	175				17	10	3.66
	Total General Plant	17,278		924	3,938	12,416					529	3.06
	Grand Total Depreciable Plant (Chargeable to Operating Expense)	618,702		35,519	122,041	461,142					14,987	2.42
				(Red Figure)								

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LIST OF APPEARANCES

For Applicant: Bruce Remwick, Gail C. Larkin and Rollin E. Woodbury.

Protestants: California Municipal Utilities Association, by John W. Holmes and Clarence A. Winder; Southern San Joaquin Municipal Utility District, by J. O. Ravis; Los Angeles County Fair Association, by Philip D. Sheppard; 32nd District Agricultural Association, by R. M. C. Fullenwider; California State Grange, by Charles O. Busick; Housing Authority of County of Los Angeles, by Ted Scarborough; Housing Authority of City of Oxnard and Housing Authority of County of San Bernardino, by Paul M. Sapp; Oxnard Housing Authority, by Heil Hiely; Housing Authority of City of San Bernardino, by Richard L. Collins; Cities of Compton, Lynwood, South Gate, and Torrance, by Clarence A. Winder; City of El Segundo, by Donald A. Short; City of Long Beach, by Henry E. Jordan; City of Torrance, by James M. Hall; Kaiser Steel Company, by Samuel S. Gill of Thelen, Marrin, Johnson & Bridges, R. E. Seaver and George Scheer; Brea Chemicals, Inc., by Andrew Hauk; Terra Bella-Exeter and Vandalia Irrigation Districts, by Irvin H. Althouse; Lindsay-Strathmore Irrigation District, by James R. McBride, Mr. Trauger and Donald Burr; California Mutual Water Companies Association, by Donald D. Stark and E. Spurgeon Rothrock of Clayson, Stark and Rothrock, and Barry Dibble; Anaheim Union Water Company, by L. A. Peterson; Bear Valley Mutual Water Company, by J. J. Prendergast; Beaumont Irrigation District, by Margaret Olson; Covina Irrigating Company, by E. H. Walters; Cucamonga Water Company, by John H. Klusman; Fontana Union Water Co., by E. A. Wright; Frances Mutual Water Co., by Charles M. Flum; The Gage Canal Company, by John M. Mylne, Jr.; Irrigation Company of Pomona, by J. R. Corrington; Redlands Heights Water Company, by H. H. Ford, Jr.; Riverside Highland Water Company, by D. S. Bell; Riverside Water Company, by A. A. Webb; Santa Ana Valley Irrigation Co., by D. C. Hanson and H. Rodger Howell of Rutan, Tucker, Howell & Tucker; San Antonio Water Company, by Oliver S. Northcote and C. D. Adams; San Dimas Water Company, by William P. Crum; Temescal Water Company, by C. M. Brewer; Yorba Linda Water Co., by M. E. Ford, Jr.; Yucaipa Water Company No. 1, by E. R. Hedman; Pacific Electric Railway Co., by Randolph Karr and R. H. Dugnid; Los Angeles Transit Lines, by Stanley M. Lanham and John C. Curtis; Terra Bella Chamber of Commerce, by Raymond Muller; Lakewood Chamber of Commerce, by Jack Kroul, Lee T. Hollopeter and A. M. Iacoboni Business Property Owners Corporation of the Valley (Yucaipa), by Clarence A. Martin; Cities of Delano, El Monte, Ontario, Redlands and Upland, Valley Poultryman's Co-operative, International Association of Retail Clerks, A. F. of L. Local No. 899, Community Joint Union Council of Porterville, Institute of Social Welfare and various individuals all listed as "Independent Protestants", by Bruce McKnight, Sam Miller and Edwin P. Jacobsen.

Protestant and Interested Party: Bethlehem Pacific Coast Steel Corporation, by Fred E. Pettit, Jr. of McDonald B. Pettit and Fred E. Pettit.

Interested Parties: California Farm Bureau Federation, by J. J. Deuel; California Manufacturers Association, by George D. Rives and Joseph J. Pileckos of Brobeck, Phleger & Harrison; Executive Agencies of the United States Government including the Department of Defense and Public Housing Administration by Charles Goodwin, George Spiegel, Henry V. Bazak, C. L. Alliman and James E. McFeely; Department of Water and Power, City of Los Angeles, by John E. Girard; California-Michigan Land & Water Company and East Pasadena Water Co., Ltd., by Richard C. Goodspeed; Delano-Earlimart and Saucelito Irrigation Districts, by Irvin H. Althouse; Lindmore Irrigation District, Ivanhoe Irrigation District and City of Lindsay, by James R. McBride; Monolith Portland Cement Company, by Joseph T. Enright, Norman Elliott, Waldo A. Gillette and R. D. Dineley; California Portland Cement Company, by Wallace K. Downey; Perfectaire Manufacturing Company, by Henry E. Walker; U. S. Gypsum Co., by Leon Shock; Cities of Anaheim, Azusa, Colton and Riverside, by John W. Holmes, Preston Turner, H. A. Snidow, Martin C. Casey, Henry Dougherty and Clarence Winder; City of Los Angeles, by Roger Arnebarsh, Alan G. Campbell and Theodore M. Chubb; City of San Bernardino, by Waldo Willhoft; City of Santa Monica, by Robert G. Cockins; City of Vernon, by Frank De Marco of Guthrie, Darling and Shattuck; Kern County, by Bruce McKnight; Fred C. Jones, in propria persona; Harry Colmer in propria persona.

Other Appearances: Kenneth Johanson, as observer.

For the Commission Staff: Boris H. Lakusta, Charles W. Mors and Freyman Coleman.