

Decision No. 52526**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 DESERT ELECTRIC COOPERATIVE, INC.,)
 for a Certificate of Public Convenience)
 and Necessity to construct an electric)
 transmission and distribution system and) Application No. 37250
 sell electric energy to its members, for)
 authority to issue membership certificates)
 and evidences of indebtedness, and for)
 approval of rates and tariff regulations.)

Gordon Cologne, for applicant.
H. M. Hammack and D. B. Wheelock, for California
 Electric Power Company, interested party.
L. S. Patterson, for the Commission staff.

O P I N I O N

Applicant is a California non-profit cooperative organized in 1950. It requests the issuance of a certificate of public convenience and necessity authorizing the construction of an electrical transmission and distribution system in an area in the southern portion of the County of San Bernardino in the vicinity of Twentynine Palms. Applicant also requests authority to issue membership certificates and to execute certain instruments in connection with a proposed loan of \$600,000 from the United States of America acting through the Rural Electrification Administration of the Department of Agriculture.

A public hearing was held in Twentynine Palms on December 12, 1955, before Examiner Grant E. Syphers, at which time evidence was adduced and the mattersubmitted subject to the filing by applicant of two late-filed exhibits. These exhibits now have been filed and the matter is ready for decision.

The area proposed to be served consists of a large number of sections of land generally bounded on the west by the range line

between Range 3 East and 4 East and on the east by the range line between Range 12 East and 13 East. The area consists of two parts, separated by a distance of $1\frac{1}{2}$ miles. The combined area is approximately $5\frac{1}{4}$ miles in length and ranges between 12 and $1\frac{1}{4}$ miles in width. At the present time there are approximately 590 prospective consumers in the area, all of whom desire electricity for domestic uses. Exhibit No. 1 is a map of the proposed service area. It should be noted that this area is slightly less than that proposed in the original application, the proposed area having been reduced by stipulation filed at the hearing.

The only electricity available in the proposed service area is that generated by private generating plants, and many of the residents do not have electricity in any form. They desire electric service as a domestic necessity, for the pumping of water and to eliminate fire hazards.

The applicant contemplates the construction of 182 miles of electric lines together with the necessary poles, transformers and other equipment. It estimates that by 1962 this service will be supplied to approximately 672 consumers.

Applicant has completed negotiations for the purchase of electric energy from the California Electric Power Company and a proposed contract has been agreed upon. A copy of this document was received in evidence as Exhibit No. 5.

Exhibit No. 3 is a copy of a master budget which has been approved by the United States Department of Agriculture, Rural Electrification Administration, for this project and is intended to be used by the applicant. Exhibit No. 4 is a feasibility study showing the estimated annual receipts and expenditures of this project.

The Master Budget setting out the estimated cost of applicant's system is set out hereinafter:

1. Construction		\$312,580
A. 182 miles - 672 consumers	\$290,580	
B. 1000 KVA - 34.5KV - 14.4/24 9 KV Substation	22,000	
2. Meters (672)		16,800
3. A.C. Reclosers		
4. Line Transformers		151,200
A. For Item I (460)	103,500	
B. For member service (212)	47,700	
5. Legal Fees		1,840
6. Miscellaneous Legal Expense		160
7. Engineering		25,000
8. Pre Loan Expense		3,000
9. Right-of-way		3,500
10. General Overhead		7,000
11. Equipment		8,500
A. Office equipment	1,500	
B. Transportation equipment	5,000	
C. Tools and working equipment	2,000	
12. Power and Telephone Agreements		
13. Miscellaneous Charges		5,000
A. Power use activities	5,000	
14. Member Service Material		15,000
15. Member Service Labor and Other Expense		17,000
16. Contingencies		33,420
	GRAND TOTAL	<u>\$600,000</u>

Applicant's estimates as to the feasibility of the project, as set forth in Exhibit A, are as follows:

1962 Estimates

Estimated Average Annual Receipts

Members	Total Number	Est. KWH	Total KWH	Receipts per Member	Total Receipts
1. Farm					
2. Non-farm residence	657	3,480	2,286,360	173.64	\$114,081
3. Comm. Sm.	15	6,240	93,600	305.52	4,583
4. Comm. Lg.					
			2,379,960		\$118,664

Estimated Average Annual Expenditures

1. Trans. Line _____					
2. Trans. Substn. _____					
3. Present plant value - Distribution			\$570,000		
Increase plant value - Distribution			570,000		
4. Operation 1.5% of (1)			570,000	\$8,550	
5. Maintenance 1.5% of (1)			570,000	8,550	
6. Replacement 1% of (1)			570,000	5,700	
7. General Adm. 2.6% of (1)			570,000	14,820	37,620
8. Debt repayment and interest 4.1% of \$600,000 loan			24,600		\$ 24,600
9. Taxes \$33 mile (2)					6,006
10. Insurance					
11. KWH consumed 2,379,960 plus 18% line loss					
12. Total KWH required: 2,902,390					
13. KWH purchased 2,902,390 at 1.17¢ per KWH					33,958
14. KWH generated					

Total Estimated Expenditures \$102,184

Excess of Receipts over Total Expenditures: 16,480

Required monthly revenue per member \$12.67
per mile 46.78

(1) Prorated according to operating budget, which was prepared by our OFR and Head, Operating Section. This budget is on file in the Operations Section.

(2) Average for California Cooperatives.

Many of the proposed consumers were in attendance at the hearing and a list of the names of a number of the proposed consumers forms a part of this record. There was no opposition to the proposal from any source.

Upon this record we find that public convenience and necessity require the construction of applicant's proposed system.

A copy of the articles of incorporation of the Desert Electric Cooperative, Inc., and a copy of Ordinance No. 713 granted to the applicant by the County of San Bernardino on June 8, 1953, containing a franchise and descriptions of the areas to be served, are attached to the application.

Applicant intends to borrow \$600,000 to finance the proposed construction, the loan to bear interest at the rate of two percent per annum payable over a period of 35 years. It requests authority to issue a mortgage note in the amount of \$600,000, together with a mortgage and loan agreement. We hereby find 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 the laws of the State of California.

Applicant's proposed rates are contained in Exhibit J attached to the application. The rates as set forth are not clear as to the applicability nor as to any qualifying special conditions.

Moreover, applicant did not specify rules and regulations covering the service it proposes to render. Applicant will be directed to file its rates, rules and regulations as required by the Public Utilities Code. It should be noted that under the Public Utilities Code a utility may neither make changes in its filed tariff schedules which result in an increase, nor deviate therefrom, without first obtaining the authority of this Commission.

Applicant's Articles of Incorporation provide for the issuance of not to exceed 10,000 certificates. Each certificate is to be sold for \$10, and no person, firm, corporation or body politic may own more than one membership. Each member shall be entitled to one vote and no more. As a condition to the issuance of a certificate herein, the corporation will be required to set up in its bylaws provision to the effect that no person, firm, corporation nor body politic can become a member without agreeing to purchase electric energy and without a further provision that the membership fee will be refunded upon withdrawal or termination of the membership.

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

Application as above entitled having been filed, public hearing having been held thereon, the matter having been submitted and the Commission being fully advised in the premises, and finding that public convenience and necessity so require,

IT IS ORDERED THAT:

(1) A certificate of public convenience and necessity be and it hereby is issued to Desert Electric Cooperative, Inc., a non-profit corporation, authorizing the construction and operation of a public utility electric transmission and distribution system in that portion of San Bernardino County delineated as the requested service area of the applicant on Exhibit No. 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. 713 of the County of San Bernardino, within the area delineated on said Exhibit No. 1, said certificate being subject to the following conditions:

- (a) The Desert Electric Cooperative, Inc., shall commence operations under the certificate hereinabove granted by December 31, 1957, unless such time is extended by further order of this Commission.
- (b) The Desert Electric Cooperative, Inc., shall amend its bylaws to provide that no person, firm, corporation nor body politic shall become a member thereof without expressly agreeing to purchase electric energy therefrom, and to further provide that the membership fee for such cooperative shall be refunded upon withdrawal from or termination of the membership therein.

(2) On or before June 30, 1956, applicant may enter into a loan contract in substantially the same form as Exhibit F to the application herein, may execute a mortgage of realty and chattels in substantially the same form as Exhibit H to the application

herein, and may issue its mortgage note or notes in the aggregate principal amount of not exceeding \$600,000 in substantially the same form as 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 \$600.

(4) Applicant may issue membership certificates upon the payment of \$10 for each such membership certificate.

(5) Applicant shall file with this Commission, in quadruplicate, at least thirty days prior to furnishing service, a tariff schedule of rates and rules, in accordance with requirements of General Order No. 96, and shall file a statement showing the date on which electric service is first supplied to its customers.

(6) Applicant shall file with the Commission monthly reports of the issue of said notes 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 days after the date hereof.

Dated at Los Angeles, California, this 31st day of January, 1956.

John E. Hill
President

James J. Caswell

Paul S. Lutermeier

William L. Doherty

R. H. Hardy
Commissioners

