

ORIGINAL

Decision No. 52861

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 AVALON PUBLIC SERVICE COMPANY, a)
 corporation, for a certificate of)
 public convenience and necessity to)
 operate as a public utility on)
 Santa Catalina Island, California,)
 and for authority to issue its)
 shares of stock.)

Application No. 35855
 Amended

MARCUS L. ROBERTS, and GERTRUDE)
 HIGGINS, et al.,)

Complainants,)

vs.)

Case No. 5563

SANTA CATALINA ISLAND COMPANY, a)
 corporation, and CATALINA ISLAND)
 STEAMSHIP COMPANY, its subsidiary)
 and affiliated corporation,)

Defendant.)

Gibson, Dunn and Crutcher, attorneys, by Max Eddy
Utt and Raymond Curran, for applicant; and for
 Santa Catalina Island Company, and Catalina
 Island Steamship Lines, respondent;
Philip Storm, city manager, and Clarence A. Winder,
 consulting engineer, for the City of Avalon,
 interested party in Application No. 35855;
Bill Krug, realtor, in propria persona, protestant
 in Application No. 35855;
Frank F. Watters and Richard R. Entwistle, for the
 Commission staff.

O P I N I O N

Avalon Public Service Company,¹ a corporation, by the above-
 entitled application filed October 8, 1954, as amended August 2, 1955,
 seeks a certificate of public convenience and necessity to operate as
 a gas, electric, and water public utility on Santa Catalina Island.

¹ Hereinafter referred to as applicant or the proposed utility.

The proposed service area includes the City of Avalon and about 4 square miles of adjacent territory described as Lots 1, 2, 3, 7, 8, and 14 as well as Lot 9 in the City of Avalon,² all as shown on the map Exhibit C-1 attached to the application and on the map, Exhibit No. 1, filed at the hearing. The establishment of retail and wholesale rates for each type of service, and authority to issue shares of stock to acquire existing facilities and cash from Santa Catalina Island Company³ are also sought.

Marcus L. Roberts and Gertrude Higgins, et al., complainants, filed the above-entitled complaint July 22, 1954, and Santa Catalina Island Company and Catalina Island Steamship Lines answered said complaint on October 8, 1954.

Public hearings on these matters were held before Commissioner Ray E. Untereiner and Examiner Stewart C. Warner on December 14, 15 and 16, 1955, at Avalon.

Motion to Dismiss Complaint

No complainant appeared to prosecute the complaint and counsel for defendant moved that it be dismissed for lack of prosecution. Said motion will be granted and the order which follows will provide for such dismissal.

General Information

Avalon Public Service Company filed its Articles of Incorporation with the Secretary of State on September 20, 1954. By said articles, applicant is authorized to issue one million shares of one class of stock of a par value of \$1 per share and an aggregate par value of \$1,000,000. As set out in its articles, applicant's first directors were Jennie Trapp, Lillian Hayes, Dorothy Koester, Bonnie Bitney, and Dixie Dummit, all of Los Angeles. Applicant's president and attorney is Max Eddy Utt who testified that he was serving as president only during the organization of applicant, following which

² Hereinafter referred to as the City.

³ Hereinafter referred to as the Island Company.

an engineering president and general manager would be employed. Its secretary and timekeeper is Florence Hamblen. Other officer positions are vacant. Applicant's original organization has been amended and its board of directors now consists of Lawrence H. Bell, Phoenix, Arizona; and Max Eddy Utt, attorney, and Raymond A. Hill, of Los Angeles; Pressly L. Stevenson and Thomas M. Beacom, bankers, of Chicago, Illinois. Applicant's address is 634 South Spring Street, Los Angeles 14.

Authority is requested to issue two hundred thousand shares of stock of a par value of \$1 per share for \$200,000. The record shows that a preliminary commitment has been obtained from the First National Bank of Chicago and Philip K. Wrigley, trustees under the will of William Wrigley, Jr., deceased, to take the entire issue. No brokerage fees or costs are involved in connection with the issue. The proceeds from the issuance of stock are proposed to be used to acquire the assets shown in Exhibit No. 13, a Pro Forma Balance Sheet as of January 1, 1956, as follows:

Account

100	Utility Plant		
	Depreciated Cost	\$127,874.51	
	Organization	<u>1,000.00</u>	\$128,874.51
120	Cash		50,767.42
131	Material and Supplies		7,500.00
132	Prepayment - Rental		2,870.00
142	Deferred Debits -		
	(Preliminary survey, organization		
	and legal expense re property		
	acquisitions)		<u>9,888.07</u>
	Total		200,000.00 ⁴

Exhibit No. 21 is a proposed Utility Products Supply Agreement dated January 1, 1956 between applicant and the City. Said

⁴ Actual total \$199,900.

agreement, covering the resale of gas, electricity, and water, has not been executed. Pending execution of said agreement, applicant proposes to operate under a supply agreement between the Island Company and the City dated December 1, 1948, Exhibit No. 2, assignment of which will be made by the Island Company to applicant as Exhibit No. 2-A.

Historical Background and Proposed Operations

GAS OPERATIONS

History of Gas Operations

Retail gas service has been rendered by the City to its residents since about 1920. From that date until approximately 1931 gas was supplied for this service by means of a gas manufacturing oil-gas plant operated variously by the City and the Santa Catalina Island Company. In 1931, butane-air gas replaced manufactured gas at the City power plant in Falls Canyon. In 1941, the Island Company installed new butane-air gas mixing equipment at its power plant site outside the city limits at Pebbly Beach. Since that time the entire gas supply has been delivered by the Island Company to the City's distribution system for resale to the residents of Avalon at a City Gate station. Since 1941, the Island Company has also delivered gas at retail to some 26 tenants of company-owned dwellings outside the City in the area known as Pebbly Beach Village.

Proposed Gas Operations

Applicant proposes to purchase the gas production and distribution facilities now operated by the Island Company under the terms of the letter dated October 20, 1955, Exhibit No. 6, and to continue the service at wholesale to the City under the terms of the agreement, Exhibit No. 2, and assignment, Exhibit No. 2-A, hereinbefore referred to, and at retail to the tenants in Pebbly Beach Village under the rates proposed in Exhibit No. 9.

Gas production plant to be acquired by applicant includes liquid butane storage tanks, a surge tank, gas-air vaporizer mixers, gas compressor and blowers with motors, piping, valves, fittings, and control equipment. The distribution plant to be acquired includes meters and regulators at the City Gate station, 7,100 feet of 6-inch main, 460 feet of 4-inch main, 500 feet of 2-inch main, a Bristol telemeter controller system from the City Hall to the gas plant and 25 meters and services at Pebbly Beach.

The gas plant fixed capital and depreciation reserve, including a prorate of common utility plant, as of January 1, 1956, is shown in Exhibit No. 16, a Commission staff engineering report of gas operations, as follows:

	<u>Fixed Capital</u>	<u>Depreciation Reserve</u>	<u>Depreciated Fixed Capital</u>
Gas Plant	\$53,275	\$17,457	\$35,818
Common Utility Prorate	1,881	271	1,610
Total	<u>55,156</u>	<u>17,728</u>	<u>37,428</u>

The above fixed capital figures represent the historical cost of the gas plant as determined by staff engineers plus an allowance for gas plant additions in the amount of \$6,000, to be made during the year 1956 and assumed to be in place as of January 1, 1956.

Exhibit No. 3 is a map showing the location of the Pebbly Beach gas plant, the butane storage tanks, and the distribution system.

Although applicant's mixed butane-air gas plant is designed to produce and deliver gas in the 1,000 to 1,100 Btu range, customers' facilities, due to historical conditions in the City, are designed to receive gas at 550 Btu.

Gas Rates

The rates proposed are:

<u>General Service (Domestic)</u>	<u>Per Meter Per Month</u>
First 20,000 cu.ft., per 1000 cu.ft. ...	\$1.20
Next 30,000 cu.ft., per 1000 cu.ft. ...	1.15
Next 50,000 cu.ft., per 1000 cu.ft. ...	1.05
Over 100,000 cu.ft., per 1000 cu.ft. ...	1.01

Resale (available only to purchasers
for resale to public)

All usage - per 1000 cu.ft. 0.865^a

Bulk Liquid Butane Service

All usage - per gallon 0.14001*

a Subject to escalation provisions of
Supply Agreement (Exhibit No. 2).

* f.o.b. tanks Pebbly Beach.

These rates for gas service are those presently in effect. The staff recommended that the general service schedule be modified to include a minimum charge and that the first block be subdivided to give recognition to the normal range of recorded consumption. The staff also recommended that all schedules provide an escalation clause permitting changes in effective rates with changes in the delivered costs of liquefied petroleum. These changes will be authorized. The rates to be authorized, as shown in Appendix A, will produce substantially the same revenue as those rates proposed by applicant.

As shown in Exhibit No. 21, the unexecuted Utility Products Supply Agreement hereinbefore referred to, applicant proposes to deliver a maximum of 75,000 Mcf per year to the City at the "City Gate" at the resale rate of \$1.73 per Mcf. Said resale rate is proposed to be increased or decreased \$0.012 per Mcf for each \$0.001 per gallon change in the delivered cost to applicant of butane used in manufacturing gas at its Pebbly Beach plant.

ELECTRIC OPERATIONSHistory of Electric Operations

The Island Company was incorporated on October 16, 1894. By Decision No. 3422, dated June 16, 1916, in Application No. 2335, the Island Company's public utility properties were authorized to be transferred to Wilmington Transportation Company, a predecessor of Catalina Steamship Lines. By Decision No. 6665, dated September 15, 1919, in Application No. 4721, the Wilmington Transportation Company was authorized to sell to the City its fresh and salt water system together with its electric light plant and distribution system. By an agreement dated April 21, 1922, the City authorized the Island Company to act as its agent and to operate the electric distribution system for the City. By an agreement dated October 4, 1937, the Island Company was authorized to act as the City's agent to operate the City's electric utility distribution business and other utility functions. By the agreement dated December 1, 1948, Exhibit No. 2 hereinbefore referred to, the Island Company agreed to continue to act as the City's agent in operating the electric distribution system and agreed to sell to the City, electric energy at a base rate of \$0.0359 per kilowatt-hour subject to escalation up or down for changes in the cost of diesel oil and the general costs of producing electric energy. The presently effective resale electric rate is \$0.04834 per kwhr.

Between 1925 and 1934, the Island Company purchased five diesel engines (two, 300 hp, two, 720 hp, and one, 525 hp), and five generators (two, 250 kva, two, 600 kva, and one, 447 kva), all of which were installed in Falls Canyon. In 1941, the Island Company built its Pebbly Beach powerhouse, installed a 575-hp diesel engine and 490-kva generator, and after increasing the horsepower rating from 720 to 800 hp, moved one diesel engine and 600-kva generator

from Falls Canyon power plant to Pebbly Beach power plant. In 1943, the rating of two 300-hp engines was increased to 360 hp and these diesels, together with 250-kva generators, were moved from Falls Canyon to the Pebbly Beach power plant. In 1946, the horsepower rating of one diesel engine was increased from 720 to 800 hp and the engine together with 600-kva generator and the remaining 525-hp diesel engine and 447-kva generator were also moved from Falls Canyon to Pebbly Beach.

Present and Proposed Electric Operations

The Island Company's Pebbly Beach power plant now consists of six diesel-powered generators ranging in size from 250 to 600 kva. They have an aggregate rating of 2,637 kva which, at 80 per cent power factor, results in a capability of approximately 2,100 kilowatts. The maximum demand registered on this plant in the last 2½ years was 1,200 kilowatts.

The Island Company's present 2,300-volt distribution system consists of the following:

- a. Four circuits, known as City Feeder Circuits A, B and C, and Mill Circuit running from Pebbly Beach powerhouse to Toyon Park.
- b. A separate section of the Mill Circuit extending from Toyon Park to the city warehouse.
- c. A branch circuit of the Mill Circuit extending from the school, and serving Avalon Valley.
- d. A branch circuit of the Mill Circuit extending from the mill yard to Pebbly Beach Village and the screening plant and chlorinator plant.
- e. A single circuit, known as the St. Catherine Circuit, running from the connecting point with the city lines near the city warehouse to the St. Catherine Hotel and Hamilton Beach.
- f. A single underground circuit running from the connection point of the city lines on Third Street near Catalina Avenue to the Tuna Club, the Yacht Club and the casino.
- g. A single circuit tying together the St. Catherine Circuit and the underground circuit.

In addition, the Island Company has an 11-kv line known as the Hi-Line originating at the Pebbly Beach powerhouse which distributes electric energy to Island Company tenants located at various points throughout the remainder of the island.

Presently the Mill Circuit, between the power plant and Toyon Park, is used by the company to distribute energy to Pebbly Beach Village, the screening plant and chlorinator plant, which are billed by the Island Company. Energy, metered at the power plant, is delivered to city lines at Toyon Park over City Feeders A, B and C. The City then distributes energy to the residents of the City over its own distribution lines, but ties into the company-owned Mill Circuit just west of Toyon Park and utilizes the Mill Circuit to serve City customers in Falls Canyon and Avalon Valley. The City also ties into the company-owned St. Catherine Circuit near the city warehouse and utilizes that circuit to serve the St. Catherine Hotel and Hamilton Beach. In addition, the City ties into the company-owned underground circuit, through which service is rendered to the Tuna Club, Yacht Club and casino. The company-owned lines utilized by the City are operated and maintained by the City, and the customers on these lines, mostly varied operations of the Island Company, are billed by the City as city customers.

Applicant proposes to purchase from the Island Company the 2,300-volt distribution system and to operate and maintain these lines under the terms of the letter dated October 20, 1955, Exhibit No. 6 hereinbefore referred to.

The present and proposed electric distribution system is shown on the map, Exhibit No. 4.

Exhibit No. 7, Plant Lease, is an agreement dated October 20, 1955, between the Island Company and applicant which provides, among other things, for the lease by the Island Company to

applicant of the former's electric plant for the sum of \$2,870 per month (\$34,440 per year). Said exhibit was amended by Exhibit No. 20, First Amendment of Plant Lease, dated December 20, 1955, which further provides that applicant is authorized to extend the existing fire wall at the east end of the power plant at its own expense, and further provides that either party may terminate and cancel the lease at any time after the first three years by giving notice of intention so to do. As shown in Exhibit No. 17, a Commission staff engineering report on electric operations, the historical cost, as of January 1, 1956, of electric department fixed capital, including a proration of general capital, to be acquired by applicant from the Island Company was estimated to be \$83,933, with a related depreciation reserve of \$42,475, for a total depreciated historical cost of \$41,458.

Applicant will reconnect the Mill Circuit at Toyon Park so that the feed from the power plant will be continuous. The St. Catherine and Mill Circuits will be tied together at the city warehouse and the line connecting the St. Catherine Circuit to the underground line will be utilized to serve the casino. The city connections to the Mill Circuit at Toyon Park, and to the St. Catherine Circuit at the city warehouse will be severed. The underground line from Third Street and Catalina Avenue will be opened at its connection with the tie line and retained as an alternate source of power in case of trouble on the Mill Circuit or St. Catherine Circuit. Applicant will bill those customers presently billed by the City who are located on the lines owned by the company, provided the City does not acquire facilities to serve these customers directly.

The Island Company will retain the 11-kv line, known as the Hi-Line, and purchase energy from applicant at the Pebbly Beach powerhouse.

It is estimated that applicant will furnish electric energy to 41 domestic, 42 commercial, 1 resale, 1 large power, and 7 interdepartmental customers for a total of 92 customers. The domestic and commercial customers, including those few customers billed in the past by the City, will receive electric service from the facilities which will be acquired by applicant, as noted hereinbefore, at least until such time that the City acquires distribution lines within the City from which these customers may be served, or constructs its own lines. The total customers also includes sales to the Island Company's Pebbly Beach houses.

Electric Rates

The following tabulation shows applicant's proposed rates for domestic, commercial, and resale and large power service:

<u>Rates</u>	<u>Per Meter Per Month</u>
Energy Charge:	
<u>Domestic</u>	
First 25 kwhr, per kwhr	\$0.075
Next 75 kwhr, per kwhr .....	.070
Over 100 kwhr, per kwhr .....	.065
<u>Commercial</u>	
First 100 kwhr, per kwhr .....	.075
Next 200 kwhr, per kwhr .....	.070
Next 500 kwhr, per kwhr .....	.065
Over 800 kwhr, per kwhr .....	.060
<u>Resale and Large Power</u>	
Base rate* (10.07¢ a gallon fuel cost), per kwhr .....	.0359
Effective rate (12.80¢ a gal- lon fuel cost), per kwhr .....	.04834

* For each one-tenth cent that the delivered cost per gallon of fuel oil increases or decreases on the open market, the said rate of 3.59 cents per kwhr shall be increased or decreased by .01 cent per kwhr. In addition, Exhibit No. 2 contains the provision that after each anniversary of the contract, rates may be increased to cover increased costs of production other than fuel.

These rates for electric service are those presently in effect.

As shown in Exhibit No. 21, the unexecuted Utility Products Supply Agreement hereinbefore referred to, applicant proposes to deliver a maximum of 2,500,000 kwhr per year of alternating, 60-cycle, 2,300-volt electric energy to the City at the connection between the city feeders and the city lines in Toyon Park at the resale rate of \$0.04834 per kwhr. Said resale rate is proposed to be increased or decreased \$0.0001 per kwhr for each \$0.001 change in the net posted price of diesel fuel oil of applicant's supplier plus transportation charges, if any.

WATER OPERATIONS

History of Water Operations

Over the years the Island Company has developed diverse sources of water supply in order to capture water wherever reasonably convenient to serve the operations on the island.

Present and Proposed Water Operations

The principal local sources of water supply produce a total of approximately 47-3/4 gallons per minute. They consist of the upper and lower Renton Mine Springs with a combined flow of 3½ gallons per minute, the Golf Links Springs Nos. 1, 2, 3, and 4 with a combined flow of 1½ gallons per minute, the Poultry Farm Spring with a flow of 3 gallons per minute, and the White Rock Spring with a flow of one-quarter gallon per minute. Applicant will also acquire the pump and facilities at Well No. 2 in the golf course area within the city limits from the Island Company. The production capacity of this well is 40 gallons per minute. The ground on which Well No. 2 is located is owned by the City, and negotiations have been and are under way by applicant either to buy or lease this ground from the City. Exhibit No. 8 is an Assignment of Interests in Well and Facilities - - Avalon Well No. 2 dated October 20, 1955 by which the Island Company assigned its interests in Well No. 2 to applicant.

Water from the Renton Mine Springs serves the Island Company in the canyon back of Pebbly Beach, including the mining operations at the quarry, and also serves the Pebbly Beach Village and operations along Pebbly Beach. This water is also stored in seven 50,000-gallon tanks located on the heights of Toyon Park area above Mt. Ada and one 50,000-gallon tank located on the transmission main between Pebbly Beach and the Mt. Ada tanks. Distribution lines run from this area to Mt. Ada and a few residences on the terrace of East Avalon. Water also flows from these tanks, southerly, where it joins with water from the Golf Links Springs and is conducted to the principal reservoir known as No. 4 Dam in Falls Canyon. Water from the White Rock Springs and from Well No. 2 will also be conducted to the Falls Canyon Dam. Water from the Poultry Farm Springs serves customers in the upper Avalon Valley, and any surplus will be stored at No. 4 Dam. The No. 4 Dam is a 1,000,000-gallon reservoir from which delivery will be made to the distribution system and the City's meter.

Exhibit No. 5 is a map of water-system facilities showing the location of local sources of supply, storage tanks and the reservoir, and pipelines. It is these water-system facilities which applicant proposes to acquire from the Island Company in accordance with the provisions of the letter dated October 20, 1955, Exhibit No. 6.

As shown in Exhibit No. 18, a Commission staff engineering report on water operations, the historical cost of water department facilities proposed to be acquired by applicant, including a proration of general capital, as of January 1, 1956, was determined to be \$133,993, with a related depreciation reserve of \$71,263, for a total depreciated historical cost of water plant of \$62,730.

Applicant's principal source of water supply will be water purchased from the Island Company's Middle Ranch sources which will be delivered by the Island Company to the No. 4 Dam reservoir.

Exhibit No. 11, an Agreement for Sale of Surplus Water, dated October 20, 1955, provides for the delivery of not to exceed 20,000,000 gallons of water a year, by the Island Company to applicant, at No. 4 Dam reservoir, at the quantity rate of \$1.315 per 1,000 gallons. Said agreement also provides that applicant shall wheel water for the Island Company in amounts not to exceed 10,000,000 gallons a year from the No. 4 Dam reservoir to meters of the Island Company located in the service area, serving the golf course, Bird Park and others for a wheeling charge of \$0.423 per 1,000 gallons. The proposed agreement also contains a cost escalation clause which is applicable only to water transported under the "wheeling agreement". The facts that the principal supply of water will be purchased from the Island Company and that it will also be the sole beneficiary under the "wheeling agreement," create the possibility of future pricing of these operations to the detriment of the City and the general public as water customers. The continuing jurisdiction of the Commission in rate matters makes such a provision unnecessary and the order which follows will establish a rate which is compensatory to applicant and equitable for the requirements of the Island Company. No evidence is in the record which justifies this type of delivery to the Island Company and applicant made no showing as to the reasonableness or the necessity for the proposed "wheeling agreement." The rates authorized in Appendix C attached to this order will provide the basis for service to the Island Company accounts.

Water Rates

The following tabulation shows applicant's proposed general meter rates for domestic service, and for water for resale:

Quantity Rates:	<u>Per Meter Per Month</u>
<u>General Metered Service (Domestic)</u>	
First 1,000 gallons	\$2.08
Over 1,000 gallons, per 1,000 gallons	1.50
<u>Water Service for Resale</u>	
Per 1,000 gallons	1.27

These rates are those presently in effect for water service. No change in said rates is proposed in the application. However, these rates will be modified by the order which follows. ✓

Exhibit No. 21, the unexecuted Utility Products Supply Agreement, provides that applicant shall deliver water to the City at the connection with the City distribution system at the meter near the City-owned well site known as "Well No. 1" in Avalon Valley in quantities not to exceed 30,000,000 gallons per year. The price to be paid by the City is proposed to be \$1.27 per 1,000 gallons. Said price will increase or decrease by \$0.0005 per 1,000 gallons to the extent that the cost to applicant of water purchased from the Island Company or the cost to applicant of water obtained from its other sources increases or decreases by \$0.001 per 1,000 gallons.

Earnings

While this is not a rate proceeding as such, applicant has requested the establishment of rates. Consequently, considerable evidence regarding applicant's estimated earnings for the years 1955 and 1956 was adduced both by witnesses for applicant and by Commission staff engineering witnesses. ✓

Exhibit No. 12 is a pro forma estimate of applicant's results of operations for the year 1956 at the rates proposed in the

application. Said exhibit shows estimated net income after depreciation and taxes as follows:

Summary of Earnings Year 1956 Estimated
Per Company Exhibit No. 12

Item	Gas	Electric	Water	Eliminations	Total
Operating Revenues					
City	\$52,200	\$ 98,050	\$35,370	\$ -	\$185,620
Island Company	-	29,360	2,700	-	32,060
Other Customers	1,340	17,750	7,760	-	26,850
Other Departments	-	5,100	30	5,130	-
Total	53,540	150,260	45,860	5,130	244,530
Operating Expenses	49,710	140,380	44,890	5,130	229,850
Depreciation	2,140	3,040	3,710	-	8,890
Taxes	850	2,550	670	1,120	2,950
Total	52,700	145,970	49,270	6,250	241,690
Net Income	840	4,290	(3,410)	(1,120)	2,840

(Red Figure)

Exhibit No. 15, submitted by the staff, is a report on applicant's over-all results of operation for the estimated years 1955 and 1956 at the rates proposed in the application. The earnings information for the estimated year 1956 contained in said exhibit is summarized as follows:

Summary of Earnings Estimated Year 1956
Per PUC Exhibit No. 15

Item	Gas	Electric	Water	Eliminations	Total
Operating Revenues	\$57,934	\$154,679	\$50,000	\$5,142	\$257,471
Operating Expenses	52,779	138,164	38,703	5,142	224,504
Depreciation	1,923	2,739	2,755	-	7,417
Taxes	1,604	5,812	3,235	-	10,651
Total	56,306	146,715	44,693	5,142	242,572
Net Revenues	1,628	7,964	5,307	-	14,899
Rate Base, Depreciated	43,500	62,149	65,555	-	171,204
Rate of Return	3.74%	12.81%	8.09%	-	8.70%

Exhibit No. 15-A, also submitted by the staff, shows applicant's estimated earnings for the years 1955 and 1956 including leased electric plant in the rate base. According to this exhibit,

electric department rate of return would be reduced to 9.19 per cent and over-all company earnings would be reduced to 8.13 per cent.

Gas and electric revenues were estimated by applicant on current annual data; the staff estimates were based on annual trends. Applicant's accounting witness utilized a rate of \$1.315 per 1,000 gallons for the estimated cost to applicant of water to be purchased from the Island Company, based on the contract, Exhibit No. 11 hereinbefore referred to. The staff engineering witness utilized a rate of \$1.12 per 1,000 gallons based on information furnished to him by the Island Company. It appears that the latter rate is more reasonable and will be adopted for the purpose of this proceeding.

Applicant's witness testified that savings in operating expenses of approximately \$15,000 per year could be effected under its operations as a public utility independent of the Island Company.

Inventories and appraisals of the Island Company's gas, electric, and water system properties proposed to be acquired by applicant were made by the staff in order to compute depreciation reserve requirements, annual depreciation expense, and fixed capital to be utilized in its recommended rate base. The determinations of the staff differ from those submitted by applicant in certain respects due, principally, to the availability to the staff of more complete information than was available to applicant when its consulting engineer prepared his report.

Cross-examination of applicant's witnesses developed that the computation of the annual payment for the lease of the electric plant of \$34,440 was based on a federal income tax rate of 52 per cent whereas the net income subject to federal income tax on the properties involved would not exceed \$25,000 which would be taxable at a rate of 30 per cent.

Also, it was developed that even though the depreciated cost of the leased electric plant will diminish each year by the amount of the applicable depreciation charges, each monthly payment for the entire term of the contract will reflect a 6 per cent return on the depreciated historical cost of the leased plant at December 31, 1955. Applicant is placed on notice that this basis is not acceptable for future rate-making purposes.

Other Testimony and Evidence, and Recommendations

Applicant's temporary president and attorney, and also attorney for the Island Company, testified that should applicant need additional funds for expansion of any of its facilities, he was confident that the sole equity shareholder would be in a position to and would furnish such additional funds either through the purchase of additional stock or the lending of money under some form of indebtedness. His testimony related particularly to questioning by the staff regarding applicant's plans, if any, to acquire the Island Company's electric plant, but contained broad implications of applicant's future sources of funds for any type of utility service expansion.

A consulting engineer for the City stated that applicant should be required to provide suitable gas storage in order to maintain constant pressure and to meet emergencies. It was his view that applicant should be required to furnish 1,100 Btu gas, and that the cost of accommodating customers' appliances thereto should be borne by applicant instead of by the City or the customers themselves. This appearance calculated that the revenue from electric rates should be reduced by \$6,405 if applicant were to earn a 6 per cent rate of return instead of the 12.81 per cent rate of return shown by the staff's calculations.

The staff made specific recommendations in Exhibits Nos. 16, 17, and 18 covering gas, electric, and water service, respectively. For the most part applicant indicated that it had already adopted, put into effect, or was willing to adopt such recommendations.

The principal staff gas recommendations were as follows: That the heating value of the butane-air mix gas be maintained within 25 Btu above or below a standard heating value; that standard rates, rules and regulations be filed; that the proposed rates be modified as to form; that all gas schedules provide an escalation clause based on the posted price of butane and the cost of transportation and delivery into applicant's storage tanks; that the proposed contract for service to the City be disapproved and that a new contract providing for specific heating values, pressures, a Commission jurisdiction clause, and contract recognition of applicant's filed tariffs be substituted; that the gas production plant be changed to provide greater safety; that engineering studies of the economic feasibility of providing mixed gas storage at applicant's plant be made; that a composite depreciation rate of 3.3 per cent be applied to gas depreciable fixed capital; and that the straight-line remaining life method of depreciation should be employed.

The principal staff electric recommendations were as follows: That cancellation rights by applicant be inserted in the electric plant lease agreement; that applicant file standard rates, rules and regulations; that any supply agreement with the City contain only an escalation clause predicated on the present cost of diesel fuel oil, and that the limitation of maximum demand of the City to 800 kilowatts be deleted from any supply agreement with the City; that deliveries to the Island Company at primary voltage should be placed on the resale and large power schedule and the Island Company should resell electric energy at applicant's rates;

that a composite depreciation rate of 2.7 per cent on electric depreciable fixed capital be applied; and that the straight-line remaining life method of depreciation should be employed.

The staff water recommendations were as follows: That applicant should obtain from the Island Company a firm supply of at least 25,000,000 gallons annually; that the water service area be limited to an area in which adequate service could be rendered without abnormal investment in pumping facilities, or applicant should acquire the Middle Ranch and other water systems of the Island Company in order to provide an adequate water supply at higher elevations; that the existing supply agreement dated December 1, 1948, with the City be rewritten to provide conditions for the delivery of water with which applicant could comply; that applicant should file a complete set of rates, rules and regulations, and standard forms governing its proposed operations; that a composite depreciation rate of 2.2 per cent be applied to depreciable water fixed capital; and that the straight-line remaining life method of computing depreciation should be employed.

Conclusions

After a careful review of the record, the Commission is of the opinion, and so finds, that public convenience and necessity require that this application for a certificate of public convenience and necessity to acquire, construct, and operate gas, electric, and water systems should be granted subject to the following provision of law:

That the Commission shall have no power to authorize the capitalization of this certificate of public convenience and necessity or the right to own, operate, or enjoy such certificate of public convenience and necessity in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as the consideration for the issuance of such certificate of public convenience and necessity or right.

It would appear that applicant's gas manufacturing facilities would operate more efficiently and economically if used to produce gas having a heating value in the 1,000 to 1,100 Btu range. The order which follows will require applicant to commence furnishing gas of 1,100 Btu content within one year. It would not be reasonable to require the utility to bear the cost of changing the gas appliances of City customers nor should applicant be required to bear the cost of changing any other utility distribution service facilities or customers' appliances within the City. Such costs of accommodating City customers' gas appliances to higher Btu usage should neither be made a part of applicant's rate base nor its operating expenses, which would, of necessity, have to be considered in determining the reasonableness of future gas rates. The cost of changing the utility's retail customers' appliances should be borne by applicant.

The order which follows will provide for the filing of schedules of rates for gas service based on the higher thermal content of gas to be supplied. In conjunction with the furnishing of such higher thermal content gas, applicant should and will be required to acquire, install and place in operation automatic thermal recording apparatus. Further, applicant should study the feasibility and practicability of installing adequate gas storage facilities and the order which follows will require applicant to file results of engineering studies with the Commission in connection therewith.

The order which follows will provide for the filing of schedules of electric rates which will place the applicant's sales to the Island Company at primary voltage on the large power service schedule.

The staff's operating expenses, depreciation, taxes other than income, and rate bases are hereby adopted for the purpose of

this proceeding and are found to be reasonable. The total company rate of return of 8.70 per cent shown in Exhibit No. 15 indicates excessive revenues for the electric and water departments and we find the company's proposed rates for these utility services to be unreasonable. The total company rate of return of 6.27 per cent resulting from the rates to be authorized hereinafter when related to the expenses and rate bases is hereby found to be reasonable.

While finding the over-all rate of return for the system operation to be reasonable under these particular circumstances, the Commission will continue its policy of considering the results of operations of each department of multidepartmental utilities and may review separately the results of operation of any one of the three departments should the necessity arise in the future. The summary of earnings tabulation which follows indicates the estimated operational results for the year 1956 at authorized rates.

Summary of Earnings Estimated Year 1956
at Authorized Rates

Item	Gas	Electric	Water	Elimina- tions	Total
Operating Revenues	\$57,934	\$149,773	\$48,500	\$4,882	\$251,325
Operating Expenses	52,724	138,128	38,638	4,882	224,608
Depreciation	1,923	2,739	2,755		7,417
Taxes	1,623	4,215	2,722		8,560
Total	56,270	145,082	44,115	4,882	240,585
Net Revenues	1,664	4,691	4,385		10,740
Rate Base, Depreciated	43,500	62,149	65,555		171,204
Rate of Return	3.83%	7.55%	6.69%		6.27%

It appears from a review of the record that applicant's proposed agreement with the Island Company to wheel not to exceed 10,000,000 gallons of water for the Island Company's uses and the Island Company's agreement to supply at least 20,000,000 gallons of water annually to applicant, in addition thereto, is unreasonable and will not be approved. The Commission is of the opinion that the Agreement for Sale of Surplus Water, Exhibit No. 11 in this proceeding,

should be revised to eliminate the wheeling portion of the agreement and to provide for a firm source of water supply to applicant from the Island Company of at least 25,000,000 gallons annually.

The record shows that the proposed Utility Products Supply Agreement with the City is subject to and under renegotiation. Applicant has by late-filed Exhibit No. 21 in this proceeding submitted a form of the proposed Utility Products Supply Agreement with the City for approval of this Commission. The agreement contains provisions differing from the rates and conditions for gas service to be authorized herein. The gas tariffs will provide for rates and service of 550 Btu gas for a period of up to one year and for service of 1,100 Btu gas thereafter; the agreement provides for rates and service based on 1,100 Btu gas. Provisions for points of delivery may be included in Rule and Regulation No. 2 to be filed with the Commission. The Commission is of the opinion that all provisions for rates and service should be included in the filed tariffs. Also, the agreement should not include maximum annual quantities of gas, electricity or water to be supplied. In view of the foregoing, the form of agreement as set forth in Exhibit 21 will not be authorized and the order will so provide.

The staff, in Exhibits Nos. 16 and 17 in this proceeding, recommended minor modifications to the Plant Lease Agreement, Exhibit No. 7. These recommendations have been complied with in First Amendment of Plant Lease, late-filed Exhibit No. 20.

The record shows that applicant is not now furnishing any water service at higher elevations in Avalon Valley and does not anticipate any requests for such service. There being no necessity shown for the granting of such a service area, and in view of the unusually high investment per customer which will be required to serve the higher area and the possibility of a rate differential, it appears that applicant should be granted a certificate for water service

covering only that area now served with water below the 500-foot contour. Should applicant require service to the higher elevations in the future, it may make application for the establishment of such a system as may be required.

The request for authority to issue stock in the amount of \$200,000 appears to be reasonable. The amounts of gas, electric, and water fixed capital to be acquired by the issuance of such stock and the amounts of fixed capital and related depreciation reserves to be set up on applicant's books of account shall be those determined by the staff in Exhibits Nos. 16, 17 and 18 hereinbefore set forth.

O R D E R

Application, as amended, and complaint having been filed, public hearings having been held, the matters having been submitted and now being ready for decision based upon the evidence and findings,

IT IS HEREBY ORDERED that the complaint of Marcus L. Roberts, and Gertrude Higgins, et al., be, and it is, dismissed.

IT IS HEREBY FURTHER ORDERED as follows:

- 1.a. That Avalon Public Service Company, a corporation, be and it is granted a certificate of public convenience and necessity to acquire, construct and operate gas and electric systems as a public utility in Lots Nos. 1, 2, 3, 7, 8, 9 and 14 of Los Angeles County Assessor's Map No. 59, all being on Santa Catalina Island and including the City of Avalon as shown on the map, Exhibit C-1, attached to the amended application, and on the map, Exhibit No. 1, filed at the hearing.
- b. That Avalon Public Service Company, a corporation, be and it is granted a certificate of public convenience and necessity to acquire, construct and operate a water system as a public utility in that area below the 500-foot elevation contour in Lots Nos. 1, 2, 3, 7, 8, 9 and 14 of Los Angeles County Assessor's Map No. 59, all being on Santa Catalina Island and including the City of Avalon, said lots as shown on the map, Exhibit C-1, attached to the amended application, and on the map, Exhibit No. 1, filed at the hearing. Applicant shall not extend water service outside of the area designated herein without further order of this Commission.

- 2.a. That applicant on or after the effective date hereof is authorized and directed to file the rates for gas, electric, and water service set forth in Appendices A, B and C, respectively, attached to this order, to be effective on or after May 15, 1956, together with rules and standard forms and tariff service area map separately for each type of utility service acceptable to this Commission and in accordance with the requirements of General Order No. 96. Such rates, rules and standard forms and tariff service area maps shall become effective upon not less than five days' notice to the Commission and to the public after filing as hereinabove provided.
- b. That applicant on or before one year from the effective date hereof be and it is authorized and directed to file the rates for gas service set forth in Appendix D attached to this order to be effective on and after the date 1,100 Btu gas service is first rendered to the public, upon not less than five days' notice to the Commission and to the public after filing.
- c. Applicant shall, concurrently with the initial filing of tariffs as prescribed hereinabove, file an affidavit setting forth the cost of liquefied petroleum delivered into storage. Said affidavit shall set forth separately the cost of liquefied petroleum at the point of purchase and the transportation charges used in determining the cost delivered into storage. A new affidavit shall be filed in this form whenever a change occurs either in the cost of liquefied petroleum or the transportation charges as set forth in the special conditions of Appendices A and D.
- d. Applicant shall, concurrently with the initial filing of tariffs as prescribed hereinabove, file an affidavit setting forth the cost of diesel fuel oil delivered into storage. Said affidavit shall set forth separately the cost of diesel fuel oil at the point of purchase and the transportation charges used in determining the cost delivered into storage. A new affidavit shall be filed in this form whenever a change occurs either in the cost of diesel fuel oil or the transportation charges, as set forth in the fuel clause of Schedules P and R of Appendix B.
3. Approval of the agreement for sale of surplus water of the Santa Catalina Island Company and Avalon Public Service Company is hereby denied. Applicant is authorized and directed to file within ten days after the effective date of this order with this Commission a revised agreement for sale of surplus water between Santa Catalina Island Company and Avalon Public Service Company, containing, among others, the provisions specifically enumerated heretofore.

4. Approval of applicant's proposed form of the Utility Products Supply Agreement with the City of Avalon, as shown in late-filed Exhibit No. 21 is denied without prejudice. Applicant should by application supplementary hereto, seek approval and authorization to carry out the provisions of the contract finally executed by it and the City of Avalon.
5. That applicant shall file within forty days after the systems are placed in operation under the rates and rules authorized herein four copies each of comprehensive maps drawn to indicated scales not smaller than 500 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principal production, storage and distribution facilities; and the location of various properties of applicant separately for each type of utility service.
6. That applicant shall base the accruals to depreciation upon spreading the original cost of the plant less estimated net salvage and depreciation reserve over the estimated remaining life of the property, and that for gas depreciable fixed capital a composite rate of 3.3 per cent, for electric depreciable fixed capital a composite rate of 2.7 per cent, and for water depreciable fixed capital a composite rate of 2.2 per cent shall be applied. Applicant shall review the accruals when major changes in plant occur or at intervals of not more than five years. Results of these reviews shall be submitted to the Commission.
7. That applicant shall set up on its books of account the amounts, substantially as shown in Exhibits Nos. 15, 16, 17 and 18 and in the opinion herein, representing the fixed capital and related depreciation reserve requirements and within sixty days of the effective date of this order shall submit to the Commission in writing a copy of the journal entries used to record such transactions.
8. That applicant be, and it is, authorized to issue 200,000 shares of common stock of a par value of \$1 per share in the total amount of \$200,000 to the First National Bank of Chicago and Philip K. Wrigley as trustees under the will of William Wrigley, Jr., deceased, for the purposes indicated in the preceding opinion. The Commission is of the opinion that the money, property, or labor to be procured or paid for by the issuance of such stock is reasonably required by applicant for the purposes herein stated and that such purposes are not in whole or in part reasonably chargeable to operating expenses or to income.

9. That applicant shall file with the Commission a report or reports as required by the Commission's General Order No. 24-A, which order in so far as applicable is made a part of this order.
10. That the authority to issue stock herein granted will expire if not exercised within one year from the date hereof.
- 11.a. That applicant shall make heating value tests of gas samples at least once a month and shall submit the results thereof to the Commission within ten days thereafter, together with complete information as to conditions existing at the gas plant at the time such sample was taken, until such time as the requirements of subparagraph 11(e) herein have been complied with. ✓
- b. That applicant, within ninety days after the effective date hereof, shall make such changes in its gas production plant as are necessary to bring that plant up to safe operating standards as specifically recommended by the Commission staff in Exhibit No. 16, and shall report in writing to the Commission when such changes have been effected, within ten days thereafter.
- c. That applicant, within six months after the effective date hereof, shall make engineering studies of the feasibility of providing mixed gas storage at its plant, and shall submit the results of such studies in writing to the Commission within ten days of their completion.
- d. That commencing not later than one year after the effective date of this order, applicant shall furnish gas of a standard heating value of 1,100 Btu per cubic foot with a maximum variation of 25 Btu above or below the standard and shall advise the Commission thereof in writing within ten days after such service is furnished.
- e. That not later than one year after the effective date of this order, applicant shall acquire, install and place in operation an automatic thermal recorder and shall report to the Commission monthly the maximum, minimum and average heating values of gas delivered, all in accordance with the provisions of General Orders 58A and 58B. ✓
12. That applicant, within three years after the effective date hereof shall report to the Commission in

writing its progress in and the steps taken toward the acquisition of its own electric generating plant.

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

Dated at San Francisco, California, this 10th day of April, 1956.

E. N. [Signature]
 President

Justus J. Casner

Ralph [Signature]

[Signature]

Commissioners

Commissioner Matthew J. Dooley, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
Page 1 of 4

Schedule No. G-80

GENERAL SERVICE

APPLICABILITY

Applicable to liquefied petroleum gas-air service for residential; commercial and other uses at the option of the customer.

TERRITORY

L-(550 Btu)

The entire area served by the Company on Santa Catalina Island.

RATES

		<u>Per Meter per Month</u>	
		<u>Base</u>	<u>Effective</u>
		<u>Rate</u>	<u>Rate</u>
			<u>L</u>
			<u>550</u>
			<u>Btu</u>
First	500 cu.ft. or less	\$1.00	\$1.00
Next	4,500 cu.ft., per 100 cu.ft. ....	.110	.110
Next	5,000 cu.ft., per 100 cu.ft. ....	.105	.105
	All over 10,000 cu.ft., per 100 cu.ft. ....	.100	.100

The above effective rates are based on a cost of liquefied petroleum of 9.488 cents per gallon and are determined from the base rates as set forth under special conditions.

Minimum Charge:

Per meter per month \$1.00

SPECIAL CONDITIONS

1. For gas used in excess of 500 cubic feet per month, the rates in effect at any time shall vary with the average cost per gallon of liquefied petroleum delivered to all plants generating gas served under this schedule and shall be determined from the above base rate by adding or deducting, respectively, \$0.0006 per 100 cubic feet for each 0.1¢ per gallon that such cost of liquefied petroleum, having a heat content between 96,000 Btu

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Schedule No. G-80

GENERAL SERVICE

SPECIAL CONDITIONS---Contd.

per gallon and 100,000 Btu per gallon, is above or below 9.488 cents per gallon. Changes in rates are to be made to the nearest 5/10 cent.

2. The phrase "cost of liquefied petroleum" as used in this tariff is defined as the cost per gallon of the liquefied petroleum product delivered into the storage tanks of the Company on Santa Catalina Island. It is composed of the price of the liquefied petroleum product at the refinery and the cost per gallon of transportation and delivery.

3. When a change in the cost of the liquefied petroleum as set forth above occurs, the Company shall submit to the Public Utilities Commission within a period of fifteen days an advice letter with an appropriate tariff schedule setting forth the new effective rates and accompanied by an affidavit of such change in the cost of liquefied petroleum. The new rate shall be effective on all regular meter readings taken on and after the 30th day following such change in the cost of liquefied petroleum.

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Schedule No. G-81

RESALE SERVICE

APPLICABILITY

Applicable only to the City of Avalon for the purchase of liquefied petroleum gas-air from the Avalon Public Service Company for distribution and resale to the public.

TERRITORY

L-(550 Btu)

The principal point of delivery for gas shall be at the outlet of the existing meter station of the Company located on the Pebbly Beach Road.

RATES

	<u>Per Customer per Month</u>	
	<u>Base</u>	<u>Effective</u>
	<u>Rate</u>	<u>Rate</u>
		L
		550
		Btu
All usage, per Mcf	\$0.865	\$0.865

The above effective rates are based on a cost of liquefied petroleum of 9.488 cents per gallon and are determined from the base rates as set forth under special conditions.

SPECIAL CONDITIONS

1. For all gas used the rates in effect at any time shall vary with the average cost of liquefied petroleum delivered to all plants generating gas served under this schedule and shall be determined from the above base rate by adding or deducting, respectively, \$0.006 per Mcf for each 0.1¢ per gallon that such cost of liquefied petroleum, having a heat content between 96,000 Btu per gallon and 100,000 Btu per gallon, is above or below 9.488 cents per gallon. Changes in rates are to be made to the nearest 5/10 cent.

2. The phrase "cost of liquefied petroleum" as used in this tariff is defined as the cost per gallon of the liquefied petroleum product delivered into the storage tanks of the Company on Santa Catalina Island. It is composed of the price of the liquefied petroleum product at the refinery and the cost per gallon of transportation and delivery.

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Schedule No. G-81

RESALE SERVICE

SPECIAL CONDITIONS—Contd.

3. When a change in the cost of the liquefied petroleum as set forth above occurs, the Company shall submit to the Public Utilities Commission within a period of fifteen days an advice letter with an appropriate tariff schedule setting forth the new effective rates and accompanied by an affidavit of such change in the cost of liquefied petroleum. The new rate shall be effective on all regular meter readings taken on and after the 30th day following such change in the cost of liquefied petroleum.

APPENDIX B
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Schedule A

GENERAL SERVICE

APPLICABILITY

Applicable to general service for lighting, heating, power, or any combination thereof.

TERRITORY

Lots 1, 2, 3, 7, 8, 9 and 14 of Los Angeles County Assessor's Map No. 59, all being on Santa Catalina Island including the City of Avalon.

RATE

Energy Charge:

First 100 kwhr per meter per month	7.3¢ per kwhr
Next 200 kwhr per meter per month	6.8¢ per kwhr
Next 500 kwhr per meter per month	6.3¢ per kwhr
All excess kwhr per meter per month	5.8¢ per kwhr

Minimum Charge:

\$1 per meter per month for lighting service, plus \$0.50 per horsepower of connected load in excess of 2 horsepower.

SPECIAL CONDITIONS

- 1: Voltage. Service under this schedule will be supplied at one standard voltage.
2. Connected Load. Connected load shall be determined by nameplate ratings. For the purposes of computing minimum charges, one kw of apparatus normally rated in kw shall be considered as equivalent to one horsepower. Connected load shall be taken to the nearest 1/10 horsepower except that heating appliances rated at less than one kw and motors rated at less than 1/2 horsepower will not be included in determining connected load.
3. Seasonal Service. For seasonal customers who regularly take service for only part of a year this schedule is applicable only on annual contract.

Schedule D

DOMESTIC SERVICE

APPLICABILITY

Applicable to single-phase residential service for lighting, heating, cooking, and water heating, or combination thereof, in single family dwellings, flats, apartments, and bungalow court units, separately metered by the Company.

TERRITORY

Lots 1, 2, 3, 7, 8, 9 and 14 of Los Angeles County Assessor's Map No. 59, all being on Santa Catalina Island including the City of Avalon.

RATE

Energy Charge:

First	25 kwhr per meter per month	.....	7.3¢ per kwhr
Next	75 kwhr per meter per month	.....	6.8¢ per kwhr
All excess	kwhr per meter per month	.....	6.3¢ per kwhr

Minimum Charge:

For consumers using lights, refrigerators, and small household appliances	.....	\$1.00 per month
For consumers using an electric range, water heater, or other major appliances of more than 2 kw rating	.....	3.00 per month

SPECIAL CONDITIONS

1. Voltage. Service under this schedule will be supplied at one standard voltage.
2. Seasonal Service. For seasonal customers who regularly take service for only part of a year this schedule is applicable only on annual contract.

APPENDIX B
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Schedule P

POWER - LARGEAPPLICABILITY

Applicable to three-phase service at primary voltage metered at the Pebbly Beach Power Plant.

TERRITORY

Lots 1, 2, 3, 7, 8, 9 and 14 of Los Angeles County Assessor's Map No. 59, all being on Santa Catalina Island, including the City of Avalon.

RATE

Energy Charge:

	<u>Base Rate</u> <u>per Kwhr</u>	<u>Effective Rate</u> <u>per Kwhr</u>
All kwhr per meter per month	4.680¢	4.680¢

The above effective rate is based on a cost of diesel fuel oil of 12.80 cents per gallon and is determined from the base rate as provided for in the fuel clause below.

Fuel Clause:

The basic energy charge is related to a cost to the Company of 12.80 cents a gallon for diesel fuel oil delivered into the storage tank of the Company on Santa Catalina Island. The effective energy charge for each monthly billing period shall be the basic energy charges increased or decreased by .01 cent per kilowatt-hour for each .1 cent that the cost of diesel fuel oil is above or below 12.80 cents a gallon. The effective energy charge will be computed to the nearest .001 cent.

When a change in the cost of diesel fuel oil as set forth above occurs, the Company shall submit to the California Public Utilities Commission within a period of fifteen days an advice letter with an appropriate tariff schedule setting forth the new effective rates and accompanied by an affidavit of such change in the price of diesel fuel oil. The new rate shall be effective on all regular meter readings taken on and after the 30th day following such change in the cost of diesel fuel oil.

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Schedule R

RESALE SERVICEAPPLICABILITY

Applicable to three-phase service at primary voltage metered at the Pebbly Beach Power Plant where the energy supplied is to be resold to the general public by the purchaser.

TERRITORY

Lots 1, 2, 3, 7, 8, 9, and 14 of Los Angeles County Assessor's Map No. 59, all being on Santa Catalina Island, including the City of Avalon.

RATE

Energy Charge:

	<u>Base Rate</u> <u>per Kwhr</u>	<u>Effective Rate</u> <u>per Kwhr</u>
All kwhr per meter per month	4.680¢	4.680¢

The above effective rate is based on a cost of diesel fuel oil of 12.80 cents per gallon and is determined from the base rate as provided for in the fuel clause below.

Fuel Clause:

The basic energy charge is related to a cost to the Company of 12.80 cents a gallon for diesel fuel oil delivered into the storage tank of the Company on Santa Catalina Island. The effective energy charge for each monthly billing period shall be the basic energy charges increased or decreased by .01 cent per kilowatt-hour for each .1 cent that the cost of diesel fuel oil is above or below 12.80 cents a gallon. The effective energy charge will be computed to the nearest .001 cent.

When a change in the cost of diesel fuel oil as set forth above occurs, the Company shall submit to the California Public Utilities Commission within a period of fifteen days an advice letter with an appropriate tariff schedule setting forth the new effective rates and accompanied by an affidavit of such change in the price of diesel fuel oil. The new rate shall be effective on all regular meter readings taken on and after the 30th day following such change in the cost of diesel fuel oil.

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Schedule No. 1
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

That area below the 500-foot contour in Lots Nos. 1, 2, 3, 7, 8, 9 and 14 of Los Angeles County Assessor's Map No. 59, all being on Santa Catalina Island, including the City of Avalon.

RATES

	<u>Per Meter per Month</u>
Quantity Rates:	
First 1,000 gallons or less	\$2.00
Next 2,000 gallons, per 1,000 gallons	1.50
Over 3,000 gallons, per 1,000 gallons	1.25
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.00
For 1-inch meter	8.00
For 1 1/4-inch meter	9.00
For 1 1/2-inch meter	10.00
For 2-inch meter	15.00
For 3-inch meter	20.00
For 4-inch meter	30.00
For 6-inch meter	50.00
For 8-inch meter	75.00

The Minimum Charge will entitle the customer to the quantity of water which that monthly minimum charge will purchase at the Quantity Rates. ✓

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Page 2 of 2

Schedule No. 6L

RESALE SERVICE

APPLICABILITY

Applicable only to purchases for resale to public by the City of Avalon.

TERRITORY

That area below the 500-foot contour in Lots Nos. 1, 2, 3, 7, 8, 9 and 14 of Los Angeles County Assessor's Map No. 59, all being on Santa Catalina Island, including the City of Avalon.

RATE

Quantity Rate:	<u>Per Meter per Month</u>
Per 1,000 gallons	\$1.25
 Minimum Charge:	
For 3-inch meter	\$20.00
For 4-inch meter	30.00
For 6-inch meter	50.00

The Minimum Charge will entitle the customer to the quantity of water which that monthly minimum charge will purchase at the Quantity Rate.

SPECIAL CONDITION

Delivery of water under this schedule will be made only at the main distribution manifold adjacent to the Golf Course within the City of Avalon.

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Schedule No. G-80

GENERAL SERVICE

APPLICABILITY

Applicable to liquefied petroleum gas-air service for residential, commercial and other uses at the option of the customer.

TERRITORY

The entire area served by the Company on Santa Catalina Island.

RATES

		<u>Per Meter per Month</u>	
		<u>Base</u>	<u>Effective</u>
		<u>Rate</u>	<u>Rate</u>
First	3 therms or less	\$1.00	\$1.00
Next	25 therms, per therm .....	.200	.200
Next	27 therms, per therm .....	.191	.191
All over	55 therms, per therm .....	.182	.182

The word "therm" means one hundred thousand British thermal units (100,000 Btu).

The above effective rates are based on a cost of liquefied petroleum of 9.488 cents per gallon and are determined from the base rates as set forth under special conditions.

When the monthly average heating value exceeds a variation of 5 Btu per cubic foot above or below the nominal heating value of 1,100 Btu per cubic foot, the number of therms billed shall be determined from a heating value which, in 5 Btu steps above or below 1,100 Btu, is nearest the monthly average heating value.

Minimum Charge:

Per Meter per Month \$1.00

SPECIAL CONDITIONS

1. For gas used in excess of 3 therms per month, the rates in effect at any time shall vary with the average cost per gallon of liquefied petroleum delivered to all plants generating gas served under this schedule and shall be determined from the above base rate by adding or deducting, respectively,

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Schedule No. G-80

GENERAL SERVICE

SPECIAL CONDITIONS—Contd.

\$0.0011 per therm for each 0.1¢ per gallon that such cost of liquefied petroleum having a heat content between 96,000 Btu per gallon and 100,000 Btu per gallon is above or below 9.488 cents per gallon. Changes in rates are to be made to the nearest 5/10 cent.

2. The phrase "cost of liquefied petroleum" as used in this tariff is defined as the cost per gallon of the liquefied petroleum product delivered into the storage tanks of the Company on Santa Catalina Island. It is composed of the price of the liquefied petroleum product at the refinery and the cost per gallon of transportation and delivery.

3. When a change in the cost of the liquefied petroleum as set forth above occurs, the Company shall submit to the Public Utilities Commission within a period of fifteen days an advice letter with an appropriate tariff schedule setting forth the new effective rates and accompanied by an affidavit of such change in the cost of liquefied petroleum. The new rate shall be effective on all regular meter readings taken on and after the 30th day following such change in the cost of liquefied petroleum.

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Schedule No. G-81

RESALE SERVICE

APPLICABILITY

Applicable only to the City of Avalon for the purchase of liquefied petroleum gas-air from the Avalon Public Service Company for distribution and resale to the public.

TERRITORY

The principal point of delivery for gas shall be at the outlet of the existing meter station of the Company located on the Pebbly Beach Road.

RATES

	<u>Per Customer per Month</u>	
	<u>Base</u>	<u>Effective</u>
	<u>Rate</u>	<u>Rate</u>
All usage, per therm	\$0.157	\$0.157

The word "therm" means one hundred thousand British thermal units (100,000 Btu).

The above effective rates are based on a cost of liquefied petroleum of 9.488 cents per gallon and are determined from the base rates as set forth under special conditions.

When the monthly average heating value exceeds a variation of 5 Btu per cubic foot above or below the nominal heating value of 1,100 Btu per cubic foot, the number of therms billed shall be determined from a heating value which, in 5 Btu steps above or below 1,100 Btu, is nearest the monthly average heating value.

SPECIAL CONDITIONS

1. For all gas used the rates in effect at any time shall vary with the average cost per gallon of liquefied petroleum delivered to all plants generating gas served under this schedule and shall be determined from the above base rate by adding or deducting, respectively, \$0.0011 per therm for each 0.1¢ per gallon that such cost of liquefied petroleum, having a heat content between 96,000 Btu per gallon and 100,000 Btu per gallon, is above or below 9.488 cents per gallon. Changes in rates are to be made to the nearest 5/10 cent.

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Schedule No. G-81

RESALE SERVICE

SPECIAL CONDITIONS--Contd.

2. The phrase "cost of liquefied petroleum" as used in this tariff is defined as the cost per gallon of the liquefied petroleum product delivered into the storage tanks of the Company on Santa Catalina Island. It is composed of the price of the liquefied petroleum product at the refinery and the cost per gallon of transportation and delivery.

3. When a change in the cost of the liquefied petroleum as set forth above occurs, the Company shall submit to the Public Utilities Commission within a period of fifteen days an advice letter with an appropriate tariff schedule setting forth the new effective rates and accompanied by an affidavit of such change in the cost of liquefied petroleum. The new rate shall be effective on all regular meter readings taken on and after the 30th day following such change in the cost of liquefied petroleum.