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Decision No. 53253

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
MOUNTAIN EMPIRE ELECTRIC COOPERATIVE, )  
INC., a corporation, for orders of ) Application No. 37944  
the Public Utilities Commission )  
authorizing it to increase the rates )  
charged by it for electric energy. )

John Coker, attorney, for applicant.  
Leonard S. Patterson and Richard R. Entwistle,  
for the Commission staff.

INTERIM OPINION

Mountain Empire Electric Cooperative, Inc., a corporation, by the above-entitled application, filed April 18, 1956, seeks authority to increase rates for electric energy in unincorporated territory in the vicinity of Campo, San Diego County. The proposed increase in rates would produce approximately \$31,700 of additional gross revenues over those estimated to be produced by the present rates for the year 1956; a proposed gross annual increase of 26.4 per cent.

A public hearing on this matter was held before Examiner Stewart C. Warner on May 18, 1956, at Campo. There were no protests to the granting of the application. Counsel for applicant requested interim relief based on financial stress. Said request was submitted for decision and the balance of the matter was continued to a date to be set for the receipt of a staff report of its investigation of the application.

General Information

Applicant alleges that it is a nonprofit cooperative organized pursuant to the Federal Rural Electrification Act, and is incorporated under the laws of the State of California.

By Decision No. 48060, dated December 16, 1952, in Application No. 33404, applicant was granted a certificate of public convenience and necessity to construct and operate a public utility electric system, and applicant's present rates were established. Applicant purchases wholesale electric energy from San Diego Gas and Electric Company at 12,000 volts at Glencliff substation, and distributes electric energy to approximately 1055 members of the cooperative over 224 miles of pole line throughout the area shown on the map, Exhibit "A", attached to the application.

By Decision No. 51687, dated July 18, 1955, in Application No. 36579, San Diego Gas and Electric Company was authorized to file new schedules of rates for electric energy. Included in said schedules was Schedule "R" which applied to "Purchasers for Resale" with which applicant was grouped. Prior to such grouping applicant had been purchasing wholesale electric energy under a special contract with the San Diego company. The result of the application of Schedule "R" to applicant's purchases has been an increased cost of electric energy which applicant estimates, as shown on Exhibit No. 4, will amount to \$15,526 or 12.9 per cent for the year 1956, based on 1956 estimated operations.

By resolution of applicant's board of directors, dated May 8, 1956, applicant resolved that employees' wages be adjusted upward by an amount representing an annual labor expense increase equal to \$4,112, or 16.6 per cent, inclusive of fringe benefits and normal overtime hours worked. Applicant further resolved that such increase be made effective as of the regular payday nearest the date upon which the instant application is approved. Exhibit No. 1-B is a schedule of 1955 actual and 1956 estimated annual payroll, based on a full year at the proposed wage scale for the seven employees. This exhibit shows an estimated increase of payroll expense of \$5,407.19 for the year 1956 over the year 1955.

Rates

As noted hereinbefore, applicant's present rates were established by the Commission in December, 1952. However, they are the rates which have been in effect since the time of applicant's first service in 1940.

The following tabulation is a summary and comparison of applicant's present rates and those proposed in the application for farm and home, seasonal, and commercial and small power service.

Schedule A  
Farm and Home Service

		<u>Present Rates</u>	<u>Proposed Rates</u>
First	35 kWhrs per month or less	\$2.50 per month	
Next	25 kWhrs per month	0.06 per kWhr	
Next	40 kWhrs per month	0.04 per kWhr	
Next	100 kWhrs per month	0.025 per kWhr	
All over	200 kWhrs per month	0.0175 per kWhr	
First	40 kWhrs per month*		\$0.09 per kWhr
Next	60 kWhrs per month		0.06 per kWhr
Next	100 kWhrs per month		0.03 per kWhr
All over	200 kWhrs per month		0.022 per kWhr

\* The minimum monthly charge shall be \$3.00 where 3 kva or less of transformer capacity is required. For members requiring more than 3 kva of transformer capacity the minimum monthly charge shall be increased at the rate of 75 cents for each additional kva or fraction thereof required. The monthly minimum charge shall entitle the member to the number of kWhrs corresponding to the minimum charge in accordance with the foregoing rate.

Schedule AS  
Seasonal Residential Service

	<u>Present Rates</u>	<u>Proposed Rates</u>
Minimum annual charge	\$18.00*	\$24.00
Under present rates service is furnished under Schedule A (the first 35 kWhr block being billed at 7.2¢/kWhr)		
Under proposed rates the following quantity rates would apply:		
First 240 kWhr per season		\$ 0.09 per kWhr
Next 360 kWhr per season		0.06 per kWhr
All over 600 kWhr per season		0.03 per kWhr

\* 30.00 with range only, or range and water heater.

Schedule B  
Commercial and Small Power Service

		<u>Present Rates</u>	<u>Proposed Rates</u>
First	35 kWhrs per month	\$0.072 per kWhr	
Next	25 kWhrs per month	0.06 per kWhr	
Next	40 kWhrs per month	0.04 per kWhr	
Next	2,900 kWhrs per month	0.025 per kWhr	
Over	3,000 kWhrs per month	0.0175 per kWhr	
First	50 kWhrs per month		\$0.09 per kWhr
Next	100 kWhrs per month		0.055 per kWhr
Next	350 kWhrs per month		0.032 per kWhr
Next	2,500 kWhrs per month		0.027 per kWhr
Next	2,000 kWhrs per month		0.022 per kWhr
All over	5,000 kWhrs per month		0.017 per kWhr

Under the present rates the minimum charge is \$2.50 per month for 3 kva transformer capacity or less, plus 75¢/kva/month for additional capacity; under the proposed rates the minimum charge would be \$3.00 per month for 3 kva of transformer capacity or less, plus 75¢ per month per kva of additional capacity. A demand charge of \$1.75 per kw per month in excess of 10 kw of demand is proposed for this schedule.

Under applicant's present rates the monthly charge for a consumer receiving farm and home service with a usage of 100 kilowatt hours per month would be \$5.60; under the proposed rates such charge would be \$7.20, an increase of 28.6 per cent; and under the rates authorized herein \$6.33, an increase of 13 per cent.

Under the present rates the charge to a domestic consumer on a controlled water heater service, with a monthly consumption of 500 kilowatt hours, would be \$11.10; under the proposed rates such monthly charge would be \$14.70, an increase of 32.4 per cent; and under the rates authorized herein \$12.54, an increase of 13 per cent.

Under the present rates the charge to a commercial and small power consumer with a monthly consumption of 500 kilowatt hours would be \$15.62; under the proposed rates such charge would be \$21.20, an increase of 35.7 per cent; and under the rates authorized herein \$17.65, an increase of 13 per cent.

Exhibit "J" attached to the application is a summary of earnings for the year 1954, actual; the year 1955, actual and adjusted; and the estimated year 1956 at present and proposed rates. This exhibit is summarized as follows:

Summary of Earnings  
(Per Cooperative's Exh. "J")

	<u>Year 1954 Actual</u>	<u>Year 1955 Actual</u>	<u>Year 1956 Present Rates</u>	<u>Estimated Proposed Rates</u>
Operating Revenues				
Residential	\$ 61,616	\$ 62,138	\$ 71,199	\$ 89,781
Commercial	39,022	42,898	43,315	54,880
Irrigation	7,051	6,955	5,450	6,981
Total	<u>\$107,689</u>	<u>\$111,991</u>	<u>\$119,964</u>	<u>\$151,642</u>
Operating Expenses				
Purchased Power	45,315	52,118	67,986	67,986
Other	33,429	35,217	39,800	39,800
Depreciation	15,443	16,336	17,000	17,000
Taxes*	5,746	5,885	5,950	5,950
Total Oper. Exps.	<u>99,933</u>	<u>109,556</u>	<u>130,736</u>	<u>130,736</u>
Net Revenue	7,756	2,435	<u>(10,772)</u>	20,906
Rate Base (Depreciated)	375,486	384,721	396,941	396,941
Rate of Return	2.06%	0.63%	-	5.26%

(Red Figure)

\* Applicant pays no federal income tax.

The Commission has considered the record in the proceedings thus far and finds that applicant is in need of immediate financial relief and that a financial emergency exists. Applicant will be authorized to file new schedules of rates amounting to an increase of about 13 per cent to offset the increased wholesale charges for electric energy purchased from San Diego Gas and Electric Company. Said new schedules of rates to be filed on an interim basis will produce estimated gross revenues \$135,000 or an increase of \$15,000 over the 1956 estimated revenues at present rates.

Applicant's request for emergency interim relief to provide for anticipated wage adjustments will not be granted at this time since no emergency with respect thereto has been shown to exist.

Because of the emergency financial condition, the effective date of the order which follows will be the date thereof.

The Commission finds as a fact that the increases in rates and charges authorized herein are justified, and that present rates insofar as they differ from those herein prescribed are unjust and unreasonable.

INTERIM ORDER

IT IS HEREBY ORDERED as follows:

(1) Mountain Empire Electric Cooperative, Inc., is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with the Commission's General Order No. 96, tariff schedules with rates, charges, and conditions adjusted as set forth in paragraph 2 of this interim order and, on not less than five days' notice to this Commission and to the public, to make said tariff schedules effective for service furnished on and after July 15, 1956.

(2) The present schedules for all rates and charges stated in applicant's effective tariffs shall be adjusted as follows:

- (a) Each demand charge for 50 kw or less of large power and 5 hp or less for irrigation service, the rate for each energy block, and each minimum charge for 3 kva or less of said present schedules shall be multiplied by 1.13.

- b. In the final computation of each item separately, the rates and charges thus computed shall be rounded to the nearest cent in the case of rates and charges quoted in dollars, and to the nearest one-hundredth of a cent in the case of rates and charges quoted in cents.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 19<sup>th</sup> day of June, 1956.

*E. N. Mitchell*  
 President  
*Justice J. Adams*  
*Roy E. Lintner*  
*Walter J. Pool*  
 Commissioners

Commissioner Rex Hardy, being necessarily absent, did not participate in the disposition of this proceeding.