

**ORIGINAL**Decision No. 54205

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.

O P I N I O N

By Decision No. 53253, dated June 19, 1956, in the above-numbered application, this applicant was authorized to file new schedules of rates, on an interim basis, which would produce estimated gross annual revenues of \$135,000, or an increase of \$15,000 over the 1956 estimated revenues at present rates. Such authority was granted to offset the increased wholesale charges for electric energy purchased from San Diego Gas & Electric Company.

An adjourned<sup>1/</sup> public hearing on this matter was held before Commissioner Ray E. Untereiner and Examiner Stewart C. Warner on October 26, 1956, at Campo. There were no protests to the granting of the application, which originally requested an increase in rates of approximately \$31,700 or 26.4 percent.

At the original hearing, applicant submitted as Exhibit J, attached to the application, a summary of earnings for the year 1954, actual, the year 1955, actual and adjusted, and the year 1956, estimated, at present and proposed rates. At the

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<sup>1/</sup> Original hearing May 18, 1956.

adjourned hearing, a Commission staff accounting and engineering report on applicant's operations for the same periods was submitted as Exhibit No. 5. The following tabulation summarizes earnings information contained in Exhibits J and No. 5:

Summary of Earnings

Item	Year 1955:		Year 1956 Estimated		
	Actual	Present Rates	Coop. Prop. Rates	Coop. Prop. Rates	Coop. Prop. Rates
	Per Coop.	Per Coop.	Per PUC	Per. Coop.	Per PUC
	Ex. J	Ex. J	Ex.No.5	Ex. J	Ex.No.5
Operating Revenue	\$111,991	\$119,964	\$117,070	\$151,642	\$148,920
Operating Expenses	87,335	107,786	102,950	107,786	102,950
Depreciation	16,336	17,000	15,730	17,000	15,730
Taxes*	5,885	5,950	6,370	5,950	6,370
Subtotal	109,556	130,736	125,050	130,736	125,050
Net Revenue	2,435	(10,772)	(7,980)	20,906	23,870
Rate Base	384,721	396,941	388,600	396,941	388,600
Rate of Return	0.63%	-	(2.05)%	5.26%	6.14%

(Red Figure)

\* Applicant pays no taxes based on income.

No material differences between applicant's estimates and those submitted by the staff appear. Both applicant's and the staff's estimates include full provision, on an annual basis, for the increased costs of power purchased from San Diego Gas & Electric Company and a wage adjustment of approximately \$5,700 or 16.6 percent, effective July 12, 1956.

A staff accounting witness testified that the 1956 estimated net revenue of approximately \$23,870, which would be produced by the proposed rates, would be available first, for payment of interest of about \$7,500 per year on long-term debt; second, for elimination of capital deficit (other member and patron equities) of \$10,604, as of July 31, 1956; third, for reduction of long-term borrowings from the Rural Electrification Authority of \$396,478, as of the same date; and for building up other member and patron equities, and eventual distribution to all ratepayers who are, themselves, applicant's sole stockholders.

Staff Recommendations

The staff recommended the application of a composite depreciation rate of 3.3 percent to depreciable fixed capital, subject to review at intervals of not more than four years, and subject to revision in conformance with such review.

The staff recommended that applicant's proposed rules be modified to provide that those customers now being billed on Schedules ASWH, BWH, or EWH have available a block of relatively low-priced energy for water heating use until such time as they transfer to another applicable schedule or discontinue use of their water heaters. Under applicant's proposed rates, the customers presently receiving service on these schedules would be subject to increases ranging from 13 percent to 97 percent. The effect of the staff recommendation would be to reduce gross estimated annual revenues by about \$900. Applicant requested the establishment of a 2-, 3-, or 5-year period, at the end of which the present water heating customers would be required to change to higher schedules. The staff witness pointed out that most water heating customers had been encouraged to purchase and install electric water heaters because of the relatively low cost of electric energy.

The staff recommended that the fuel cost adjustment clause, contained in applicant's proposed schedules, be eliminated for the reason that such clause had been eliminated from San Diego Gas & Electric Company's Schedule R, under which applicant purchases its wholesale electric energy. Applicant questioned the advisability of this recommendation, but the staff witness pointed out that the fuel cost adjustment clauses formerly contained in San Diego's schedules provided only for a downward adjustment of rates; that

applicant had never used this clause; and that, in any event, the clause could be reinstated in the future upon application to the Commission, if necessary.

Applicant proposed the inclusion of a power factor adjustment clause for its Schedules B, LP, and I. The staff recommended that if such clauses were added to such schedules, they should be similar in form to those authorized by Decision No. 53657, dated August 29, 1956, in Application No. 37473, California Electric Power Company. However, the staff further recommended that no such clause be added and that applicant's rules be amended to require customers to increase their power factor if it were below average.

Finally, the staff recommended that applicant change certain schedule designations.

#### Findings and Conclusions

The Commission finds as a fact and concludes that the staff recommendations with respect to the retention of present customers on schedules ASWH, BWH, and EWH is reasonable and that it would not be equitable to require water heating customers who have been induced by low water heating rates to install water heaters, now or in the future, to transfer to other schedules.

Although the record shows that the effective interest rate of all of applicant's outstanding long-term debt is slightly less than 2 percent and that, consequently, applicant's rate of return might be influenced by such interest rate, we find as a fact, based on applicant's by-laws, Exhibit No. 6, and the testimony of record, that all of applicant's so-called excess earnings must be utilized to pay interest, to reduce capital deficit, to refund and reduce long-term debt and to increase capital surplus.

Eventually, any excess, thereafter, must be refunded to applicant's

customers, all of whom comprise applicant's stockholders. Since there were no protests to the granting of the application by any customers and since the level of rates proposed in the application appears to be reasonable, except as hereinafter noted, applicant will be authorized by the order which follows to file the schedules of rates attached to said order as Appendix A. These rates will produce estimated net revenue of approximately \$22,970, using the year 1956 as a base period. Said net revenues when related to the estimated depreciable rate base of \$388,600 (Exhibit No. 5) will produce a rate of return of 5.91 percent. This rate of return and its components as set forth in Exhibit No. 5 (except for the aforementioned adjustment of revenues from water heating service), are hereby found to be just and reasonable.

No good cause appears for the fuel cost adjustment clauses and they will be eliminated from Appendix A in accordance with the staff recommendation.

No good cause appears for the addition of a power factor adjustment clause to applicant's schedules and they will not be added to said schedules in Appendix A. Applicant will be authorized to amend its rules to require customers to increase their power factor to average levels if applicant so directs. Such authorization will be contained in Appendix B attached to the order hereinafter.

The staff recommendation with respect to the changes in schedule designations appear to be reasonable and will be adopted.

The Commission finds as a fact that the increases in rates and charges authorized herein are justified, and that present rates in so far as they differ from those herein prescribed will for the future be unjust and unreasonable.

O R D E R

Application as above entitled having been filed, public hearings having been held, an interim decision having been issued, the matter having been submitted and now being ready for final decision, therefore

IT IS HEREBY ORDERED as follows:

1. That Mountain Empire Electric Cooperative, Inc., a corporation, be and it 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, the schedules of rates shown in Appendix A attached hereto, and on not less than five days' notice to the Commission and to the public to make such rates effective for service furnished on and after January 1, 1957.

2. At the time of making effective the rates authorized by paragraph 1 hereof, applicant may cancel the following existing schedules: A, AS, D, WH, B, E, LP, I, and transfer the customers to the appropriate new schedules generally applicable for the type of service involved.

3. That applicant be and it is authorized to amend its rules in conformity with Appendix B attached hereto.

4. That beginning with the year 1956, applicant shall determine its depreciation expense by applying the composite depreciation rate of 3.3 percent developed in column E of Table 7A of Exhibit No. 5 to its depreciable fixed capital; that this rate shall be used until review indicates it should be revised; that this rate shall be reviewed, using the straight-line remaining life method, whenever substantial changes in depreciable fixed

capital occur or at intervals of not more than four years; that this rate shall be revised in conformance with such reviews; and that such rates shall be submitted to the Commission.

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

Dated at Los Angeles, California, this 41<sup>st</sup> day of DECEMBER, 1956.

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
Commissioners

APPENDIX A  
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## Schedule A-1

GENERAL SERVICEAPPLICABILITY

This schedule is applicable to members of the Cooperative for commercial, industrial, or three-phase farm service for all uses including lighting, heating and power.

TERRITORY

Within the entire territory served.

RATE

## Demand Charge:

First 10 kw of billing demand per month	No charge
All excess kw of billing demand per month	\$1.75 per kw

## Energy Charge (to be added to demand charge):

First 50 kwhr per meter per month	9.0¢ per kwhr
Next 100 kwhr per meter per month	5.5¢ per kwhr
Next 350 kwhr per meter per month	3.2¢ per kwhr*
Next 2500 kwhr per meter per month	2.7¢ per kwhr
Next 2000 kwhr per meter per month	2.2¢ per kwhr
All excess kwhr per meter per month	1.7¢ per kwhr

\* Until such time as they transfer to another applicable schedule or discontinue the use of their approved water heater, the rate for those customers receiving service on Schedule BWE as of December 31, 1956, will be 1.5¢ per kwhr for monthly usage between 200 kwhr and 500 kwhr.

## Minimum Charge:

The monthly minimum charge shall be \$3.00 where 3 kva or less of transformer capacity is required. For consumers requiring more than 3 kva of transformer capacity the monthly minimum charge shall be increased by \$.75 for each additional kva or fraction thereof required.

RULES

This schedule is subject to the Rules and to the Special Conditions following:



Schedule A-1

GENERAL SERVICE (Cont'd)

SPECIAL CONDITIONS

- (a) Annual Minimum Charge. Consumers requiring service during certain seasons not exceeding nine (9) months per year may guarantee an annual minimum payment of twelve (12) times the monthly minimum charge as determined in accordance with the foregoing section, in which case there shall be no monthly minimum charge.
- (b) Combination Service. Members having their homes on the same premises with their business establishments may, at their option, include service to both on the same meter, in which case all service will be billed under this schedule.
- (c) Voltage. Single or three-phase service at available voltages will be supplied. If service is furnished at primary distribution voltage, a discount of seven per cent (7%) shall apply to demand and energy charges, and if the minimum charge is based on transformer capacity, a discount of seven per cent (7%) shall also apply to the minimum charge. However, the Cooperative shall have the option of metering at secondary voltage and adding the estimated transformer losses to the metered kilowatt-hours and kilowatt demand. All wiring, pole lines, and other electrical equipment (except metering equipment), on the load side of the delivery point shall be furnished, owned, installed and maintained by the consumer.
- (d) Billing Demand. The billing demand shall be the maximum kilowatt load used by the consumer for any period of fifteen (15) consecutive minutes during the month for which the bill is rendered, as indicated or recorded by a demand meter.

At its option, the Cooperative may base the maximum demand upon a five-minute interval instead of a fifteen-minute interval where the consumer's load is intermittent, or, by nature, subject to violent fluctuation.

## Schedule A-2

GENERAL SERVICE - SCHOOLS, CHURCHES, AND COMMUNITY HALLSAPPLICABILITY

This schedule is applicable to members of the Cooperative for single-phase service to schools, churches, and community halls whose load requirements do not exceed 5 kva of transformer capacity.

TERRITORY

Within the entire territory served.

RATE

First	40 kwhr per meter per month	9.0¢ per kwhr
Next	60 kwhr per meter per month	6.0¢ per kwhr
Next	900 kwhr per meter per month	3.0¢ per kwhr*
All excess	kwhr per meter per month	2.2¢ per kwhr

\* Until such time as they transfer to another applicable schedule or discontinue the use of their approved water heater, the rate for those customers receiving service on Schedule EWH as of December 31, 1956, will be 1.5¢ per kwhr for monthly usage between 200 kwhr and 500 kwhr.

Minimum Charge:

The monthly minimum charge shall be \$1.80 where 3 kva or less of transformer capacity is required and \$3.30 where 5 kva of transformer capacity is required.

RULES

This schedule is subject to the Rules.

Schedule D

FARM AND DOMESTIC SERVICE

APPLICABILITY

This schedule is applicable to members of the Cooperative for all single-phase farm and domestic service.

TERRITORY

Within the entire territory served.

RATE

First	40 kwhr per meter per month	9.0¢ per kwhr
Next	60 kwhr per meter per month	6.0¢ per kwhr
Next	100 kwhr per meter per month	3.0¢ per kwhr
All excess kwhr	per meter per month	2.2¢ per kwhr*

\* Where the consumer has an electric water heating installation conforming to Special Condition (b), the rate for monthly usage between 200 kwhr and 500 kwhr is 1.5¢ per kwhr.

Minimum Charge:

The monthly minimum charge shall be \$3.00 where 3 kva or less of transformer capacity is required. For consumers requiring more than 3 kva of transformer capacity the monthly minimum charge shall be increased by \$.75 for each additional kva or fraction thereof required.

RULES

This schedule is subject to the Rules and to the Special Conditions following:

Schedule D

FARM AND DOMESTIC SERVICE (Cont'd)

SPECIAL CONDITIONS

- (a) Motors. The capacity of individual motors served under this schedule shall not exceed ten (10) horsepower.
- (b) Water Heaters. The water heating rate of 1.5¢ per kwhr for monthly usage between 200 kwhr and 500 kwhr is available only to consumers installing and operating in regular use a standard approved storage type water heater and having no nonelectric household water heating device in use during any part of the year.

The standard approved type of water heater shall consist of an efficiently insulated tank of 30 or more gallons' capacity, which has two thermostatically controlled, noninductive heating elements of 20 watts per gallon of tank capacity in the lower element and 30 watts per gallon of tank capacity in the upper element, rounded off to the nearest commercial sizes of elements. The thermostats shall be so arranged as to allow only one element to operate at a time. The lower element shall be placed to heat the whole tank and the upper element to heat only the upper part of the tank.

The entire installation shall be subject to approval of the Cooperative, including wiring, tank size, tank insulation, and capacity in watts of the heating elements.

The consumer shall provide space so that the Cooperative may, at its own expense and after obtaining authorization from the Public Utilities Commission of the State of California, control and regulate the hours of operation of the lower element of these water heating installations.

- (c) Multi-Family Accommodations. Apartment houses, tenant houses, groups of apartments, courts, or other similar residential developments of single-family dwelling units may be served under this schedule, through a single meter, in which case the kilowatt-hours for all blocks of the energy charge portion of the rate shall be increased by applying a multiplier thereto equivalent to the number of single-family accommodations on the meter.

In case one or more of the single-family units should qualify for the water heating rate, as specified in Special Condition (b), the block of 300 kwhr shall be multiplied by the number of single-family units so qualifying.

Schedule DS

DOMESTIC SERVICE - SEASONAL

APPLICABILITY

This schedule is applicable to members of the Cooperative for seasonal or intermittent single-phase domestic service where residences are occupied for periods aggregating not more than nine (9) months per year.

TERRITORY

Within the entire territory served.

RATE

For energy consumed between May 1 and October 31 of each calendar year:

First	240 kwhr per motor per season	9.0¢ per kwhr
Next	360 kwhr per motor per season	6.0¢ per kwhr
All excess	kwhr per motor per season	3.0¢ per kwhr**

\* Until such time as they transfer to another applicable schedule or discontinue the use of their approved water heater, the rate for those customers receiving service on Schedule ASWE as of December 31, 1956, will be 1.5¢ per kwhr for seasonal usage between 1200 kwhr and 3000 kwhr.

For energy consumed between January 1 and April 30 and between October 31, and December 31 of each calendar year:

All kwhr per motor	9.0¢ per kwhr
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Minimum Charge:

The annual minimum charge shall be \$24.00 where 3 kva or less of transformer capacity is required. For consumers requiring more than 3 kva of transformer capacity the annual minimum charge shall be increased by \$9.00 for each additional kva or fraction thereof required.

RULES

This schedule is subject to the Rules and to the Special Conditions following:

Schedule DS

DOMESTIC SERVICE - SEASONAL (Con'td.)

SPECIAL CONDITIONS

- (a) Minimum Charge Payment. The annual minimum charge shall be paid in advance at the beginning of each season. Bills for service will normally be issued annually, at the end of the consumer's service year, but if at any time it is found that a consumer's accumulated billing has exceeded the annual minimum advance payment, the Cooperative may issue a bill for any such excess. No deductions shall be allowed for payments in excess of the minimum annual charge during a previous service year. Payment of the annual minimum charge shall entitle the consumer to the use of a corresponding number of kilowatt-hours in accordance with the rate.
  
- (b) Commercial Service. Seasonal service to cabins for transients and nonresidential seasonal service to resorts or other commercial seasonal service shall not be rendered under this schedule.

## Schedule P

POWER - LARGEAPPLICABILITY

This schedule is applicable to members of the Cooperative for three-phase power service for commercial, industrial, and farm uses.

TERRITORY

Within the entire territory served.

RATE

## Demand Charge:

First	50 kw of billing demand per month	\$1.75 per kw
All	excess kw of billing demand per month	1.50 per kw

## Energy Charge (to be added to demand charge):

First	100 kwhr per kw of billing demand per month	2.2¢ per kwhr
Next	100 kwhr per kw of billing demand per month	1.7¢ per kwhr
All	excess kwhr per kw of billing demand per month	1.4¢ per kwhr

## Minimum Charge:

The monthly minimum charge shall be \$.75 per kva of required transformer capacity but in no case less than \$25.00 per month.

RULES

This schedule is subject to the Rules and to the Special Conditions following:

SPECIAL CONDITIONS

- (a) Annual Minimum Charge. Consumers requiring service during certain seasons not exceeding nine (9) months per year may guarantee a minimum annual charge, in which case there shall be no monthly minimum charge. Such annual minimum charge shall be \$9.00 per kva of required transformer capacity, but not less than \$300.00.

Schedule P

POWER - LARGE (Cont'd)

- (b) Voltage. Service under this schedule will normally be supplied at one standard power voltage. The consumer may connect lighting to power circuits from the power motor. Any additional transformers or regulating equipment required for such lighting shall be furnished, installed, owned, and maintained by the consumer.
- (c) Voltage Discount. If service is furnished at primary distribution voltage, a discount of seven per cent (7%) shall apply to the demand and energy charges, and if the minimum charge is based on transformer capacity, a discount of seven per cent (7%) shall also apply to the minimum charge. However, the Cooperative shall have the option of metering at secondary voltage and adding the estimated transformer losses to the metered kilowatt-hours and kilowatt demand. If service is furnished at standard primary line voltage, the delivery point shall be the point of attachment of the Cooperative's primary line to the consumer's transformer structure or distribution system unless otherwise specified in a contract for service. All wiring, pole lines, and other electrical equipment (except metering equipment), on the load side of the delivery point shall be furnished, owned, installed and maintained by the consumer.
- (d) Billing Demand. The billing demand shall be the maximum kilowatt load used by the consumer for any period of fifteen (15) consecutive minutes during the month for which the bill is rendered, as indicated or recorded by a demand meter.

At its option, the Cooperative may base the maximum demand upon a five-minute interval instead of a fifteen-minute interval where the consumer's load is intermittent, or, by nature, subject to violent fluctuations.



Schedule PA

IRRIGATION PUMPING SERVICE

APPLICABILITY

This schedule is applicable to members of the Cooperative for single or three-phase irrigation pumping service.

TERRITORY

Within the entire territory served.

RATE

Service Charge:

First	5 horsepower of connected load	\$7.00 per hp per year
All	excess horsepower of connected load	6.00 per hp per year

Energy Charge (to be added to service charge):

First	3000 kwhr per meter per year	2.0¢ per kwhr
Next	1000 kwhr per horsepower per year	1.8¢ per kwhr
All	excess kwhr per meter per year	1.6¢ per kwhr

Annual Minimum Charge:

The annual minimum charge shall be the service charge, but in no event shall it be less than \$50.00 for single-phase service, nor less than \$65.00 for three-phase service.

RULES

This schedule is subject to the Rules and to the Special Conditions following:

SPECIAL CONDITIONS

- (a) Billing Horsepower. The horsepower for billing purposes shall be the motor manufacturer's nameplate rating of horsepower output, except that if the Cooperative so elects, it shall be determined by actual measurement of power input during a period of maximum normal use, less an allowance of ten per cent (10%) of input for motor losses.

Schedule PA

IRRIGATION PUMPING SERVICE - (Contd.)

- (b) Payment of Bills. The annual minimum charge shall be payable in six equal monthly installments during the normal irrigation season, each year, between April 1 and September 30, whether or not service is actually used.
- (c) Voltage. Service under this schedule will normally be supplied at one standard power voltage. The consumer may connect lighting to power circuits from the power meter. Any additional transformers or regulating equipment required for such lighting shall be furnished, installed, owned, and maintained by the consumer.

APPENDIX B

Rule 4 - Classification of Consumers

Revise first sentence of Section D to read as follows:

"Exceptions to the Commercial Classification shall be made in case of small churches, schools, and community halls requiring not over 5 kva of transformer capacity."

Rule 6 - Consumer's Wiring and Equipment

Add Section J as follows:

Power Factor Correction

The Cooperative may, at its option, measure the power factor, at normal full load, of those customers whose connected load is 15 horsepower or more. Should the measured power factor be below 85% lagging, the consumer will be given ninety (90) days' written notice to increase his power factor to 85%. Should the consumer fail to comply with this requirement within the ninety-day period, the Cooperative may, on five days' prior written notice, discontinue service to such low power factor load.