

which became effective in November 1957, is an increase in the cost of power purchased from Pacific Gas and Electric Company. The second is the loss of customers and electric load occasioned by the permanent closing of a sawmill on April 1, 1958. This loss includes not only the mill load but the loss of the domestic loads of 73 mill employees, many of whom will permanently leave the area, and the resulting economic influence on the community as a whole.

This Commission has heretofore found that a rate of return of 6.7 percent was reasonable for this utility.^{1/} The evidence in the present proceeding is clear that during the year 1958 utility earnings will be about 3 percent. Applicants have clearly demonstrated their need for and entitlement to increased revenues and we so find the facts to be.

Applicants' showings with respect to earnings which would be produced under the specific electric rates proposed, are essentially a forecast for the year 1958 and a forecast for the year 1958 under existing rates for the first six months and under proposed rates for the second six months. Applicants' managing partner testified that the forecast year is representative of the year 1959. He estimated purchased power expense after expiration of the effect of past demands which will not occur until early 1959. Such level of expense, together with applicants' level of revenues, are applicable to 1958 estimated under known future conditions and the record shows that applicants' taxes other than on income, depreciation expenses, rate base and depreciation reserve are applicable to 1958 estimated.

While the Commission staff independently undertook an investigation of the utility's operations and presented the results

^{1/} See Decision No. 48425 in Application No. 33980, issued March 30, 1953, which established the utility's present rates.

thereof in evidence, the staff showing included no forecast for the year 1959; however, the staff's 1958 estimate is for average year conditions and reflects known future conditions. The staff evidence, while differing somewhat in some elements, in our opinion substantially corroborates the showing of the utility as to revenues and expenses, but differs with respect to taxes and depreciation. The staff's and applicants' depreciation expenses were based on the plant as of January 1, 1958 and the staff's remaining lives were computed in accordance with a dollar-age study; the staff's remaining lives being somewhat longer than applicants'. Applicants' managing partner testified that their property tax estimate, applicable to 1958 estimated, included taxes on motor vehicles. He further testified that their taxes on income were based on the tax rates applicable to a corporation. However, he testified that the taxes shown in their estimates were not actually paid. For the forecast year 1958 we will adopt the staff's property tax and determine income taxes calculated by the method used by the staff in Exhibit 2, based on individual tax schedule rates for the three partners with no allowances for personal deductions, which method has been followed by the Commission in similar proceedings.

Analysis of the record indicates that applicants' forecast year and the staff's 1958 estimated rate bases were determined as follows:

	<u>Applicants</u>	<u>Staff</u>
Fixed Capital, Beginning of Year	\$313,742.54	
1/2 Net Additions 1958	<u>3,795.00</u>	
Average Plant	317,537.54	\$317,538
Customers' Advances	<u>(1,905.27)</u>	<u>(1,943)</u>
Contributions	<u>(4,982.86)</u>	<u>(4,983)</u>
Average Materials and Supplies	8,602.01	8,600
Working Cash Allowance	<u>14,069.65</u>	<u>16,960</u>
Subtotal	333,321.07	336,172
Depreciation Reserve at 1/1/58	87,297.70	87,298
1/2 Est. Net Credits to Depr. Res., 1958	-	5,855
Depreciation Reserve, 1958 (Average)	-	<u>93,153</u>
Rate Base, Depreciated	246,023.37	243,019

(Red Figure)

The rate base for applicants' forecast year, in the amount of \$246,023 reflects one-half the net plant additions for the year 1958. Applicants' deduction for depreciation reserve does not reflect any accruals for 1958. The staff's rate base reflects a deduction of the average depreciation reserve applicable to 1958. The applicants' working cash allowance is based on a deduction for corporate income taxes. The staff's rate base includes an allowance for working cash without deduction for accrued income taxes because income taxes are considered to have been based on individual schedule rates. We shall adopt a rate base in the amount of \$243,000. Also, based on the related depreciable plant and remaining lives shown in the record, we shall adopt as depreciation expense for such estimated year the amount of \$14,050.

The operating results for 1958 under present rates as presented by applicants and as adopted are summarized as follows:

Operating results, Year 1958 at Present Rates

Item	:Applicants': : Showing :	: Adjustment :	: Adopted :
Operating Revenues	\$184,350	\$ -	\$184,350
Operating Expenses	154,290	-	154,290
Depreciation	15,733	(1,683) a/	14,050
Taxes Excluding Income	7,458	(149) b/	7,309
Income Taxes	2,336	(446) c/	1,890
Net Revenue	4,533	2,278	6,811
Rate Base	246,023	(3,023) d/	243,000
Rate of Return	1.8%	1.0%	2.8%

(Red Figure)

- a/ Adjusted by use of staff's remaining lives.
 b/ Adjusted by use of staff's ad valorem taxes.
 c/ Based on individual tax schedule rates without personal deductions.
 d/ Adjusted to adopted rate base.

In view of the evidence and certain of its elements above discussed, we make the following findings and conclusions:

1. A fair and reasonable rate of return for this system is seven percent on a depreciated rate base of \$243,000. Applicants are in need of and entitled to increased gross revenues in the amount of \$14,200 annually, which is 86 percent of applicant's request. The increased rates authorized herein will increase revenues from sales on the average by about 7.7 percent.

2. The increased rates authorized herein are justified and the present rates, insofar as they differ from those authorized herein, are for the future unjust and unreasonable.

O R D E R

Cecil J. McIntyre, Kenneth D. McIntyre and Doris E. Scruggs (Indian Valley Light and Power Company) having applied to this Commission for an order authorizing increases in electric rates and charges, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED that applicants are authorized to file in quadruplicate with this Commission, on or after the effective date of this order and in conformity with the provisions of General Order No. 96, appropriate tariff sheets containing the rates and charges set forth in Exhibit C attached to the amendment to the application herein as filed May 2, 1958, except each energy charge over 6,000 kwhr per month shown in Schedule A-3 therein shall be reduced by one-half mill per kwhr, and, on not less than three days' notice to the Commission and to the public, to make such rates and charges effective for all service rendered on and after August 1, 1958.

IT IS HEREBY FURTHER ORDERED, that applicants shall determine the accruals for depreciation by dividing the original cost

of utility plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the plant; that applicant review the accruals when major changes in utility plant composition occur and for each plant account at intervals of not more than three years; that results of these reviews shall be submitted to the Commission.

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

Dated at San Francisco, California, this 8th day of July, 1958.

E. L. Fox
President
W. E. ...
Paul ...
Michael ...
Theodore ...
Commissioners