

ORIGINAL

Decision No. 57091

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation of natural gas and electric extension rules of The California Oregon Power Company, California-Pacific Utilities Company, California Electric Power Company, Pacific Gas and Electric Company, San Diego Gas & Electric Company, Sierra Pacific Power Company, Southern California Edison Company, Southern California Gas Company, Southern Counties Gas Company of California, and Southwest Gas Corporation.)

Case No. 5945

(Appearances are listed in Appendix A)

SECOND INTERIM OPINION AND ORDER

Interim Request

At the hearing on May 15, 1958, on the above-entitled investigation, The California Oregon Power Company made a motion that decreases in the free footage allowances of its rules governing extension of electric lines be authorized because of the fact that the present-day cost to construct electric lines is considerably greater than when the present rule allowances were adopted. Also, the utility represents that present advances of 40 cents per foot for single-phase line and 50 cents per foot for three-phase line for extensions beyond the free footage are roughly one half of the present-day cost to build such lines.

Utility's Position

The utility points out that in Oregon its extension rule is predicated on a capital cost to revenue ratio of 6 to 1, and that for its final rule in California it would prefer a cost to revenue form of rule. However, it anticipates that several months will elapse before a final decision may be issued in this matter and in the meantime it suggests that its present footage rule be retained but the allowance lowered and the unit advance rate increased.

It proposes that a figure of \$1 per foot for extensions beyond the free footage allowances be substituted for the figures of 40 cents and 50 cents now set forth in Section B of its Rule No. 15. Such allowance is predicated on the average construction cost of \$0.991 per foot shown in its Exhibit No. 5945-81 in this proceeding.

Staff's Statement

The Commission staff, by a written statement filed on June 2, 1958, urged that the motion be in part denied and in part granted. The part which it recommends be denied refers to reduction in the free footage allowance because free footage allowances do not necessarily change with changing price or cost levels. The part which it recommends be granted refers to the advance for extensions beyond the free length because such a change is in line with the policy of reflecting current conditions in the extension rules.

Utility's Answer to Staff's Statement

The staff's theory to the effect that increases in construction costs may not require correlative reductions in free footage allowances if rates have been increased in line with the increases in construction costs, was opposed by the answer filed by the utility on June 5, 1958. The several reasons given by the utility, in summary form, are:

- a. The general considerations advanced by the staff do not apply to The California Oregon Power Company at this time.
- b. Since 1948 when the present extension rule was approved by the Commission the average increase in residential rates has been only 15.1 per cent which does not offset a 100 per cent increase in line extension costs.
- c. The 6 to 1 ratio used in developing the proposed new free footage allowances strikes the appropriate balance between the ratio justified by cost considerations alone and that justified by load building objectives.

- d. Final decision on the extension case is being delayed by the interjection of additional issues into the proceeding, involving premises definitions and temporary service rules, so that there is no relief in sight for the year 1958 while there is a burden of approximately \$17,000 per year on the revenues with the present extension rules unless an interim order is given.

Findings and Conclusions

After considering the evidence of record the Commission finds and concludes that:

(1) The staff's position with regard to authorizing an increase in the footage advance for extensions in excess of the free length is reasonable and should be adopted;

(2) The present free footage allowances generally are lower than those now in effect on the Pacific Gas and Electric Company system to the south of the area served by The California Oregon Power Company;

(3) The contention that this utility's rates have been raised only 15 per cent while costs of construction advanced 100 per cent is not reason in itself for lowering the free footage allowances because the fixed charges and carrying cost on the poles and wires do not constitute more than a portion of the customers' annual bill for service on the average.

(4) Furthermore, the rates in the territory served by The California Oregon Power Company could be zoned (now on a system-wide basis) to place a differential in the rural rates compared with the urban rates that might justify the present or greater free extension allowances.

(5) The request to reduce free footage allowances should be and is denied.

The Commission further finds that the increase in rates, rules and charges authorized herein are justified and that the present rates, rules and charges, in so far as they differ from those

herein prescribed, for the future are unjust and unreasonable; therefore,

IT IS ORDERED that The California Oregon Power Company is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, a revised Rule No. 15, Line Extensions, with changes in rates, terms and conditions as set forth below, and to make said rule effective on not less than five days' notice to this Commission and to the public.

Section B-1. Delete "40 cents for each foot of single phase line and 50 cents for each foot of three phase line" and insert in place thereof "\$1.00 for each foot of single phase or three phase line".

Section B-2(a). Delete "40 cents in the case of single phase lines, and 50 cents in the case of three phase lines" and insert in place thereof "\$1.00 in the case of either single or three phase lines".

Section D-3(a). Delete "40 cents" and insert in place thereof "\$1.00".

Section D-3(b). Delete "40 cents" and insert in place thereof "\$1.00".

In all other respects Rule No. 15 shall remain unchanged.

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

Dated at San Francisco, California, this 5th day of August, 1958.

E. Lynn Fox
President
Ray W. Kremer
William J. ...
Theresa J. ...

Commissioners

-4- Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

LIST OF APPEARANCES

Respondents: T. J. Reynolds, H. P. Letton, Jr., and Reginald L. Vaughan, for Southern California Gas Company; Milford Springer and Reginald L. Vaughan, for Southern Counties Gas Company of California; Brobeck, Phleger & Harrison by Robert N. Lowry, for The California Oregon Power Company; Rollin E. Woodbury and C. Robert Simpson, for Southern California Edison Company; F. T. Searls and John Carroll Morrissey by John Carroll Morrissey and John S. Cooper, for Pacific Gas and Electric Company; Chickering & Gregory by C. Hayden Ames and Frank R. Porath, for San Diego Gas & Electric Company, C. H. McCrea, for Southwest Gas Corporation; W. W. Miller, for California Electric Power Co.

Interested Parties: Harold Gold, Reuben Lozner and Gerald Jones, for Department of Defense and other executive agencies of the United States Government; William W. Eyers, for California Manufacturers Association; J. J. Deuel, for California Farm Bureau Federation; David Don, for Public Utilities Commission of Oregon; P. A. Erickson and T. M. Chubb, for City of Los Angeles; Wyman C. Knapp of Gordon, Knapp, Gill and Hibbert, for J. I. Gillespie, Inc., Basin Builders Corporation, Venice; Sycamore Land Co., Inc., Los Angeles; George Alexander Co., Los Angeles; The Capri, Fullerton; Tietz Construction Co., Garden Grove; Joe Engle and Abe Vickter, North Hollywood; Weiss Construction Corp., Los Angeles; Inland Empire Builders, Inc., Riverside; Craign Development Corp., Tustin; Triangle Subdivisions, Sherman Oaks; G & K Construction Co., Sherman Oaks; C & M Homes, Azusa, California; Meeker Development Company, Arcadia; H. Cedric Roberts & Sons, Anaheim; Henry C. Cox, Garden Grove; Claremont Highlands, Inc., Claremont; Surety Development Company, Van Nuys; Julian Weinstock Construction Co., Inc., Sherman Oaks; Morley Construction Company, Los Angeles; Gangi & Gangi, Glendale; Burt Huff, Santa Ana; Yoder & Greenwald, Tustin; Homer Toberman, Hollywood; Tamarack Construction Corp., Van Nuys; The Sturtevant Corporation, Santa Ana; Moss Building Corp., Beverly Hills; Dike & Colegrove, Inc., Costa Mesa; Lomita Square Corporation, Pasadena; Murray-Sanders Co., Santa Ana; Marjan Development Co., Anaheim.

Commission Staff: Mary Moran Pajalich, James S. Eddy, Clarence Unnevehr, and Louis W. Mendonsa.