

ORIGINALDecision No. 65772

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 CALIFORNIA-PACIFIC UTILITIES COMPANY,
 a California corporation, for
 authority to increase its rates for
 electric service furnished to
 Susanville, Chester, Westwood and
 Herlong and adjoining rural areas
 within the Lassen Division of the
 Company in Lassen and Plumas Counties.

Application No. 45506
 (Filed June 7, 1963)

Orrick, Dahlquist, Herrington & Sutcliffe, by
James F. Crafts, Jr., and Pardee & Cady, by
Donald P. Cady, for applicant.
William Bricca and William Cavenav, for the
 Commission staff.

O P I N I O N

This matter was heard before Examiner Emerson on
 November 12 and 13, 1963, at Susanville; on November 14 at Westwood
 and on November 19, 1963, at San Francisco.^{1/} The matter is
 submitted and ready for decision.

Applicant owns and operates electric, gas, water and
 telephone utility properties in California, Oregon, Nevada, Utah
 and Arizona. For accounting and administrative purposes, appli-
 cant divides its operations into eleven divisions, one of which
 is its Lassen Division. Within the Lassen Division, applicant
 provides electric service within the City of Susanville and the
 communities of Chester, Westwood and Herlong and rural areas
 adjoining such centers of population. Water service is provided
 in Susanville and telephone service is provided in Westwood. Appli-
 cant serves approximately 5,636 electric customers in its Lassen

^{1/} Heard on a consolidated record with Applications Nos. 45505 and
 45507.

Division, including 4,633 residential, 990 commercial, 7 industrial and 6 street lighting customers.

Applicant seeks increased electric revenues in an amount of \$102,100 on an annual basis in order to bring its earnings to a rate of return of 6.48 percent on a depreciated rate base of \$2,103,773.

There have been no increases in electric rates in applicant's Lassen Division since 1930. Since that year, electric rates have been reduced on five occasions. The rates presently in effect have remained unchanged since 1947. Applicant's rate proposals include a new general service rate schedule which would replace both the present general light and power service schedule and the commercial lighting service schedule and would permit both power and lighting service to be provided through the same meter. The specific rate schedules which applicant seeks to make effective would increase revenues from residential customers by 13 percent, revenues from commercial customers by 7 percent and revenues from industrial customers by 2 percent. Overall, the requested revenue increase would amount to 8 percent.

Evidence respecting applicant's earnings position and financial needs was presented through two witnesses for applicant and through four Commission staff witnesses. A summary of the respective showings for Lassen Division electric operations is shown in the following tabulation.

SUMMARY OF EARNINGS
Year 1963 - Estimated

At Existing Electric Rates

<u>Item</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$1,203,300	\$1,245,070
Operating Expenses:		
Operation and Maintenance	916,540	894,210
Administrative & General	57,085	61,940
Taxes, Other than Income	65,111	73,800
Taxes on Income	25,010	50,800
Depreciation	<u>48,860</u>	<u>55,240</u>
Total Operating Exps.	\$1,112,606	\$1,135,990
Net Revenue	\$ 90,694	\$ 109,080
Rate Base (depreciated)	\$2,103,773	\$2,251,800
Rate of Return	4.31%	4.84%

At Rates Sought by Applicant

<u>Item</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$1,305,400	\$1,340,820
Operating Expenses:		
Operation and Maintenance	916,540	894,340
Administrative & General	57,085	61,940
Taxes, Other Than Income	66,471	75,070
Taxes on Income	80,030	102,300
Depreciation	<u>48,860</u>	<u>55,240</u>
Total Operating Exps.	\$1,168,986	\$1,188,890
Net Revenue	136,414	151,930
Rate Base (depreciated)	2,103,773	2,251,800
Rate of Return	6.48%	6.75%

The differences in revenue estimates, apparent above, arise primarily from two factors. The first concerns a major increase in the energy requirements of one industrial customer, which became known after the utility had prepared its estimates. The second concerns the energy used by applicant's water department for pumping, for which applicant records neither an electric department revenue nor a water department expense. In these respects the staff's estimates appear to be the more accurate. The evidence

shows that applicant is losing residential customers, within the Sierra Ordnance Depot, near Herlong. No specific adjustment in revenues was made for such situation, the staff having relied on its method of "trending" to account for such loss. We find it to be fair to reflect such loss of revenues in the adopted revenue estimates. In view of the evidence, the Commission finds that the sum of \$1,232,000 represents a reasonable estimate of the average test year 1963 revenues derivable from applicant's present electric rates and such sum is adopted for the purposes of this proceeding.

Applicant's cost of purchased power is the largest single item of operating expense. Power is purchased from Pacific Gas and Electric Company at Chester and at Westwood. Applicant's transmission line from Westwood to Susanville is at full capacity and experiences an energy loss of about 13 percent. A second transmission line is near completion and, in addition to providing better service and a margin for load growth, will reduce line losses. Throughout the proceeding, the staff has reflected the full capital costs of the new transmission line in the test year 1963 in order to eliminate distortion of normal growth trends from the rate-making process. The expense effects of the reduced energy losses and the staff adjustments of energy requirements to "average" year conditions account for the major difference between applicant's and the staff's estimated purchased power costs. While the kwhr requirements assumed in the two estimates differ by only one percent, the unit-cost expense difference amounts to 4.4 percent and the total dollar difference is 3.4 percent. Applicant's evidence pertaining to this subject is convincing that its estimate is reasonable. With respect to transmission, distribution and direct customer accounting, and sales expenses, the staff and applicant have estimated identical

amounts. With respect to "indirect" expenses, however, (those expenses associated with applicant's overall operations and allocable to the Lassen Electric Division) the staff is in disagreement with applicant and the staff's evidence on this subject is convincing that the staff method of determining and assigning such "indirect" expenses is proper and should be followed. In view of the evidence, the sum of \$920,310 is adopted as fairly representing total operating and maintenance expenses for the test year 1963.

The difference between applicant's and the staff's estimates of administrative and general expenses arises almost entirely from the treatment accorded "indirect" expenses, and their allocation to Lassen Electric Division operations, in Account 922, "Administrative Expenses Transferred". In this respect, applicant first allocated expenses to its operating districts and then, at the district level, made a transfer to plant accounts for overheads capitalized. The staff, on the other hand, first made an estimate of company-wide expenses incurred in the general office and transferred to plant, deducted such amount from total general-office administrative and general expenses (to obtain a net amount) and then allocated the net amount to Lassen Division departments. The staff method of allocation is the preferable one, since it eliminates any possibility of duplicating charges. The sum of \$61,940 is adopted as a reasonable estimate of administrative and general expenses for the test year.

The difference in rate base arises primarily from the respective treatments accorded the accounting (for rate-making purposes) for the new transmission line and its related depreciation reserve. In this respect, in order to remove the distortion in trends, the staff has included the net effect of the new line for the entire year. A second difference results from the staff having

had several months' later information respecting normal plant additions than had applicant when applicant's estimates were prepared. In view of the evidence on this subject, the Commission finds a depreciated rate base of \$2,251,800 to be fair and reasonable for the test year 1963.

Taxes, other than on income, consistent with the plant and expense figures adopted herein, total \$73,800. Income taxes, calculated on the net revenue resulting from the amounts hereinabove adopted, total approximately \$29,330.

In summary, the following tabulation sets forth items which the Commission finds to be fair and reasonable estimates for the test year 1963 under applicant's existing electric rates.

Adopted Results of Operations
Existing Rates, Test Year 1963

<u>Item</u>	<u>Amount</u>
Operating Revenues	\$1,232,000
Operating Expenses:	
Operation and Maintenance	920,310
Administrative & General	61,940
Taxes, Other Than Income	73,800
Taxes on Income	29,330
Depreciation	<u>55,240</u>
Total Operating Expenses	\$1,140,620
Net Revenue	\$ 91,380
Rate Base (depreciated)	\$2,251,800
Rate of Return	4.06%

The evidence is clear, as the above tabulation illustrates, that applicant is in need of and entitled to increased revenues. In view of the evidence, the Commission finds that a rate of return of 6.04 percent on a depreciated rate base of \$2,251,800 is fair and reasonable for applicant's Lassen Division electric operations. A gross revenue increase of approximately \$100,000 is required to

produce such a return. The rates which applicant has proposed will provide approximately such amount. They will be authorized.

Opposition to applicant's rate increase proposal was expressed by representatives of the lumbering industry and by a few users of residential service. Their views have been carefully considered. To the industrial users, the rates authorized will represent less than a two percent increase in electric costs for the large quantities normally used by them. To the residential user, the authorized rates are lower than those in neighboring communities of like usage characteristics and, for the average user, the increase will amount to about eleven percent. In view of the evidence, the Commission finds that the rate increases authorized herein are justified and that existing rates, insofar as they differ from those herein authorized, are for the future unjust and unreasonable.

O R D E R

IT IS ORDERED that California-Pacific Utilities Company is authorized to file with this Commission, after the effective date of this order and in conformity with the provisions of General Order No. 96-A, the schedules of rates attached to this order as Appendix A and, on not less than five days' notice to the public and to this

Commission, to make said rate schedules effective for service rendered on and after March 1, 1964.

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

Dated at San Francisco, California, this 11th day of FEBRUARY, 1964.

Edward W. [Signature] President

George T. [Signature]

Fredrick B. [Signature]

Commissioners
Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

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

Schedule No. A-3

Lassen Division

GENERAL SERVICE

APPLICABILITY

Applicable to all single-phase and polyphase alternating current service except agricultural pumping and stand-by service.

TERRITORY

The entire territory of the Lassen Division served by the utility.

RATES

	<u>Per Meter Per Month</u>
<u>Single-Phase Service:</u>	
Service Charge:	\$0.75
Energy Charge (to be added to Service Charge):	
First 50 kwhr, per kwhr	3.8¢
Next 150 kwhr, per kwhr	3.7¢
Next 800 kwhr, per kwhr	3.5¢
Next 2,000 kwhr, per kwhr	2.7¢
Next 3,000 kwhr, per kwhr	1.8¢
Next 14,000 kwhr, per kwhr	1.7¢
Over 20,000 kwhr, per kwhr	1.3¢

Minimum Charge: \$0.75 per month.

Polyphase Service:

Service Charge: The single-phase rate plus \$1.00 per meter per month.

Minimum Charge: \$1.75 per month, but not less than \$0.65 per month per horsepower of polyphase connected motor load.

SPECIAL CONDITIONS

1. Voltage: Service on this schedule will be supplied at the secondary voltage available. Where polyphase power is to be combined with single-phase, a 4-wire service will be supplied, either 120-240 volt or 120-208 volt, whichever is available; provided, however, that where customer has made application for such a 4-wire service but utility is not in a position to supply the same at that location then temporarily, until utility is ready, a single-phase and polyphase service will be supplied and metered separately, the meter readings being combined for the purpose of computing charges on this schedule.

2. Polyphase service to any customer on the same premises shall be supplied through one meter.

3. Service to each of two or more separate areas within the same premises not in the same building and which do not overlap may be individually metered.

4. At customer's option, single-phase and polyphase service may be combined.

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Schedule No. C-3 (T)

Lassen Division (N)

GENERAL HEATING AND COOKING SERVICE

APPLICABILITY

Applicable to commercial heating and/or cooking service.

This schedule is applicable only to those establishments which were being served under this schedule on the effective date hereof. (N)
(N)

TERRITORY

The entire territory of Lassen Division served by the utility. (T)

RATES

	<u>Per Meter Per Month</u>	
First 150 kwhr, per kwhr	3.7¢	(I)
All over 150 kwhr, per kwhr	1.7¢	

Minimum Charge:

First 7 kw or less of heating and/or cooking capacity,
\$3.00 per month.

All Over 7 kw of heating and/or cooking capacity,
50¢ per kw per month.

SPECIAL CONDITIONS

1. Service will normally be 120-240 volt 3-wire alternating current. (C)
2. Connected load will be taken as the name plate rating of heating and cooking appliances permanently installed and which may be connected at any one time, computed to the nearest one-tenth of a kw. (T)
3. Single-phase power service may be combined with heating and cooking service when the HP rating does not exceed the kw heating and cooking rating, and provided further, that the total HP rating must not exceed 6 HP. Each HP of connected load shall be considered equivalent to one kw of connected load in determining the minimum charge. (T)
(C)
4. Space heating appliances shall not be considered as active connected load in computing bills on meter readings, subsequent to May 1st and prior to November 1st, provided, however, that during such period the minimum charge hereunder shall in no case be less than \$3.00 per month. (L)
|
(L)

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Schedule No. D-3 (T)
Lassen Division (N)
DOMESTIC SERVICE (T)

APPLICABILITY

This schedule is applicable to domestic lighting, heating, cooking and single-phase domestic power service in single family dwellings and in flats and apartments separately metered by the utility; also to all single-phase farm service on the premises operated by the person whose residence is supplied through the same meter. (T)

TERRITORY

The entire territory of the Lassen Division served by the utility. (T)

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Service Charge:	\$0.75	(I)
Energy Charge (to be added to the Service Charge):		
First 40 kwhr, per kwhr	3.7¢	
Next 60 kwhr, per kwhr	2.5¢	
Next 100 kwhr, per kwhr	2.0¢	
Over 200 kwhr, per kwhr	1.2¢	(I)

Minimum Charge: The service charge constitutes the minimum charge.

SPECIAL CONDITIONS

1. Single-phase motors of not more than 5 HP each may receive service under this schedule. (C)
(D)
2. Welder load is limited to 2.9 kva or less at 240 volts, and to 0.5 kva or less at 120 volts. (C)

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Schedule No. LS-7 (T)

Lassen Division (N)

STREET AND HIGHWAY LIGHTING (L)

APPLICABILITY

This schedule is applicable to service to street, highway and outdoor lighting installations which illuminate publicly where the utility owns and maintains the entire equipment. (T)

TERRITORY

The entire territory of the Lassen Division served by the utility. (C)

RATES

Rate Per Lamp Per Month
All Night Service (T)

Mounted on Wood Poles

Incandescent Lamps			(T)
	1,000 Lumens	\$1.50	(I)
	2,500 Lumens	2.28	
	4,000 Lumens	2.77	(T)
	6,000 Lumens	3.36	

Mercury Vapor Lamps			(T)
	7,000 Lumens	4.50	(N)
	11,000 Lumens	5.50	(N)
	20,000 Lumens	6.50	(I)

Mounted on Metal Poles - Overhead Wiring

Fluorescent Lamp			(T)
	20,000 Lumens	10.00	

Minimum Charge:

The minimum charge shall be that set by the contract entered into between the utility and the customer covering agreement for street lighting service. (T)

SPECIAL CONDITIONS

1. This schedule available only upon contract, which shall specify the terms and conditions under which this service will be rendered and the rules under which additions or changes will be made. (T)

2. The customer shall specify in writing the exact location and size of each lamp to be installed. (T)

3. Lights will be turned on and off once each night in accordance with a standard burning schedule of 4,000 hours per year. (T)

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Schedule No. LS-8 (T)

Lassen Division (N)

STREET AND HIGHWAY LIGHTING (C)
(CUSTOMER-OWNED)

APPLICABILITY

This schedule is applicable to service to street, highway and outdoor lighting installations which illuminate publicly dedicated ways and places where customer owns the equipment and the utility supplies energy at one or more points. (T) (T)

TERRITORY

The entire territory of the Lassen Division served by the utility (T)

RATES

	Rate Per Lamp Per Month	
	<u>All Night Service</u>	
Incandescent Lamps		(T)
600 Lumens	\$0.75	(I)
800 Lumens	0.80	
1,000 Lumens	0.90	
2,500 Lumens	1.75	
4,000 Lumens	2.55	
6,000 Lumens	3.50	(I)

Nominal horizontal candle power of series lamps is one-tenth (1/10) of their lumen rating.

SPECIAL CONDITIONS

1. This schedule is applicable to series street lighting systems where the utility furnishes the constant current regulating transformers. Unless otherwise agreed, constant current energy will be delivered at a nominal amperage of 6.6, reasonable variations being permitted. (T) (T)

2. Lights will be turned on and off once each night in accordance with a standard burning schedule prescribed by the customer, but not exceeding 4,000 hours per year for all night service. (T)

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Schedule No. P-7 (T)

Lassen Division (N)

GENERAL POWER SERVICE: CONNECTED LOAD BASIS

APPLICABILITY

This schedule is applicable to alternating current used in motors, heating and cooking devices, rectifiers for battery charging and to agricultural pumping service, but is not applicable to current used for lighting, either directly or through transforming or converting equipment. (C)

TERRITORY

The entire territory of the Lassen Division served by the utility. (T)

RATES

H.P. Connected Load	Rate Per kwhr. for Monthly Consumption of			
	First 50 kwhr. per H.P.	Next 50 kwhr. per H.P.	Next 150 kwhr. per H.P.	All over 250 kwhr. per H.P.
2 - 9.9 hp.	4.0¢(I)	2.2¢(I)	1.3¢(I)	1.0¢(I)
10 - 24.9 hp.	3.5	2.1	1.2	1.0
25 hp. and over	3.0 (I)	2.0 (I)	1.1 (I)	.9 (I)

Minimum Charge:

Agricultural Pumping Service: (N)

Service will be provided for agricultural pumping service on a year-to-year basis and the minimum monthly charge for this service will be made accumulative over a twelve-month period. The minimum charge shall be \$1.00 per HP per month for the first 25 HP of connected load, plus 50¢ per HP per month for each additional HP. If a customer disconnects prior to the completion of one year of service or thereafter prior to the anniversary month during which he was connected for service, a service charge computed as follows will apply:

The service charge will be \$1.00 per HP for the first 25 HP, plus 50¢ per HP for each additional HP of connected load multiplied by 12 months less the accumulated revenue received during the year starting with the first or anniversary month, as the case may be. (N) ✓

Other Than Agricultural Pumping Service:

\$1.00 per HP per month for the first 25 HP of connected load, plus 50¢ per HP per month for any excess, provided, however, that in no case will the minimum be less than \$2.00 per month. (C)

SPECIAL CONDITIONS

1. Voltage: Any standard available distribution voltage, single or polyphase, at the customer's choice, but not more than one, will be supplied on this schedule, subject to the utility's rules on file with the Public Utilities Commission of the State of California. (T)
(T)

(Continued)

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Schedule No. P-7 (Continued)

Lassen Division

GENERAL POWER SERVICE: CONNECTED LOAD BASIS

SPECIAL CONDITIONS (Continued)

2. Connected load, for the purpose of this schedule, is the sum of the rated capacities of all of the customer's equipment that may be connected to the utility's lines at the same time, computed to the nearest one-tenth of a horsepower. Motors will be counted at their name plate ratings in horsepower and other devices at their name plate ratings converted to horsepower at 1 kva per HP. Where such equipment includes a transformer used to supply other devices, the rating of such transformer will be used in lieu of the devices supplied by it. Where the original name plate of any motor or device has been removed or altered, the manufacturer's catalogue rating will be used, or the capacity may be determined by test. Welder loads shall be computed in accordance with Rule No. 2-F. (T)

3. Guarantee Load: Any customer may obtain the rates and conditions of service for a connected load larger than his actual connected load by guaranteeing the charges (including the minimum charge) applicable to such larger connected load. Such a guarantee load may not be changed more than once per year. (T)

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Schedule No. P-8 (T)

Lassen Division (N)

GENERAL POWER SERVICE: MAXIMUM DEMAND BASIS

APPLICABILITY

This schedule is applicable to alternating current used in motors, heating and cooking devices, and rectifiers for battery charging, but is not applicable to current used for lighting, either directly, or through transforming or converting equipment, except incidental lighting (as defined in special condition (6) below) combined with power on the same meter. (T)

TERRITORY

The entire territory of the Lassen Division served by the utility. (T)

RATES

Billing Demand kw.	Rate per kwhr. for monthly consumption per kw. of the billing demand			
	First 67 kwhr. per kw.	Next 67 kwhr. per kw.	Next 200 kwhr. per kw.	All Over 334 kwhr. per kw.
0 - 18	3.9¢ (I)	2.3¢	1.3¢	1.1¢ (I)
19 - 37	3.4	2.1	1.2	1.0
38 - 74	3.0	1.9	1.2	.9
75 - 186	2.7	1.7	1.1	.8
187 and over	2.5 (I)	1.5	.9	.8 (I)

Minimum Charge:

- A. Monthly Basis: \$50.00 per month for the first 37.3 kw. or less of the billing demand plus 75¢ per kw. for any excess.
- B. When the primary use of power is seasonal or intermittent, the minimum charge may, at the option of the customer, be made accumulative over a 12-month period.

SPECIAL CONDITIONS

1. Voltage: Any standard available distribution voltage, single or polyphase, at the consumer's choice, but not more than one, will be supplied on this schedule, subject to the utility's rules on file with the Public Utilities Commission of the State of California. (T)

2. Billing Demand for the purpose of this schedule is the maximum demand adjusted for power factor made by the consumer's equipment for electrical power during the month for which bill is rendered but not less than 50% of the largest such demand in the preceding eleven months. The maximum demand in any month will be the maximum average power taken during any 15-minute interval in the month, but not less than the diversified resistance welder load computed in accordance with Rule No. 2-F. In cases where the use of energy is intermittent or subject to violent fluctuations, a 5-minute interval may be used. (T)
(C)
(C)

(Continued)

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Schedule No. P-8 (Continued)

Lassen Division

GENERAL POWER SERVICE: MAXIMUM DEMAND BASIS

SPECIAL CONDITIONS (Continued)

3. If the average power factor during the month is less than 80% as determined at the utility's option by permanent measurements or by test under normal operating conditions, the maximum demand measured during the month used to determine the billing demand will be adjusted by multiplying by 85% and dividing by the average power factor. (N)

4. Primary Voltage Discount: Customers owning their own transformers and taking service at 6900 volts or higher will receive the following discount: (T)

1st 1000 kva of transformer capacity \$.15 per kva per month.
Over 1000 kva of transformer capacity \$.10 per kva per month.

In no case will the net bill, after applying the above discount, be less than the minimum.

In case the customer's actual demand falls below 50% of the total connected transformer capacity for three consecutive months, the actual demand in kw. will be used as the basis for computing the discount until such time as the actual demand has exceeded 50% of the transformer capacity for three consecutive months.

Capacity of spare transformers will not be used in computing the above discount.

Metering will normally be at primary voltage, but may be at secondary voltage at the option of the utility. (T)

5. Guarantee Load: Any customer may obtain the rates and conditions of service for a demand larger than his actual demand by guaranteeing the charges (including the minimum charge) applicable to such larger demand. Such a guarantee load may not be changed more than once per year. (T)

6. Incidental Lighting, for the purpose of this schedule, is any lighting on the premises of an industrial (as distinguished from commercial) plant operated by power supplied on this schedule, except lighting in dwellings or in buildings used primarily for trade or for any purpose not essential to the operation of such plant. (T)