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Decision No. 77741

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC POWER & LIGHT  
COMPANY under Section 454 of the Public  
Utilities Code for Authority to Increase  
Rates for Electric Service.

) Application No. 51553  
(Filed December 15, 1969)

Gerard K. Drummond, for applicant.  
Mark M. Brawman, for Grcada Irrigation  
District; Elvyn T. Dougherty, for self;  
Robert E. Dewey, for self; Carl J. Iten,  
for Shasta River Water Association;  
protestants.  
William J. McNertney, Counsel, and Robert W.  
Beardslee, for the Commission staff.

O P I N I O N

Pacific Power & Light Company (Pacific) with headquarters in Portland, Oregon and extensive electric plant in northern California seeks authority to increase its rates, by varying amounts which average 12 percent, for electric service in California. It requests a gross revenue increase of \$877,000. Pacific provides electricity in Washington, Oregon, Idaho, Montana, and Wyoming in addition to California. It also provides water service in Montana, Oregon and Wyoming, telephone service in Montana, and steam heating service in Portland, Oregon and Yakima, Washington.

Public hearing was held at Yreka on July 7, 1970 before Examiner Gillanders. Copies of the application had been served and notice of hearing had been published and posted in accordance with this Commission's rules of procedure. The matter was submitted on July 13, 1970 upon receipt of late-filed Exhibit 9.

Pacific presented testimony and exhibits through its president, a vice president, its treasurer, and its manager of rates. The staff presented evidence and exhibits through an accountant and two engineers. Protestant Dewey presented testimony and one exhibit.

The following table from Exhibit 7 shows applicant's and staff's summary of earnings at proposed rates for the test year 1968. The table also explains the differences between the estimates of applicant and estimates of the staff.

Pacific Power & Light Company  
California Operations

SUMMARY OF EARNINGS

At Utility Proposed Rates  
Test Year 1968

: Line: : No.:	Item	: 1968 Adjusted :		: Utility Exceeds: : Staff :	
		Staff	Utility	Amount	Ratio
(Dollars in Thousands)					
1	<u>Operating Revenues</u>				
2	Sales to Ultimate Customers	\$ 8,167	\$ 8,167	\$ -	-%
3	Sales for Resale	95	98	3	3.2
4	Other	103	104	1	1.0
5	Total Operating Revenues	8,365	8,369	4	-
6	<u>Revenue Deductions</u>				
7	Production	1,291	1,321	30	2.3
8	Transmission	422	426	4	.9
9	Distribution	465	465	-	-
10	Customer Accounts	267	267	-	-
11	Sales	168	168	-	-
12	A&G	628	646	18	2.9
13	Subtotal	3,241	3,293	52	1.6
14	Depreciation	1,003	1,009	6	.6
15	Taxes Other Than Income	966)	1,615	(6)	(.4)
16	Taxes on Income	655)			
17	Subtotal	5,865	5,917	52	.9
18	Income Tax Deferred in				
19	Prior Years	(101)	(90)	11	(10.9)
20	Investment Tax Credit Adj.	(2)	(2)	-	-
21	Total Revenue Deductions	5,762	5,825	63	1.1
22	Net Operating Revenue	2,603	2,544	(59)	(2.3)
23	Rate Base	40,219	42,923	2,704	6.7
	Rate of Return (Incl. 10% F.I.T. Surcharge)	6.47%	5.93%	(0.54)%	
	Rate of Return (Excl. 10% F.I.T. Surcharge)	6.61	6.04	(.57)	

(Inverse Item)

EXPLANATION OF THE DIFFERENCES BETWEEN UTILITY AND STAFF ESTIMATES

<u>Amount of Difference</u>			<u>Explanation</u>
<u>Line:</u>	<u>Present</u>	<u>Proposed</u>	
<u>No.:</u>	<u>Rates</u>	<u>Rates</u>	
(Dollars in Thousands)			
3	3	3	Staff adjusted allocation factor of Note 1 from five-year average of the three Oregon-Washington-California annual system peaks of 6.09% to a five-year trend of peak demands of 5.94%.
4	1	1	Ditto
7	30	30	Ditto
8	4	4	Ditto
12	18	18	Misc. General Expenses (Ac. 930) have been adjusted \$5,000 to exclude certain dues, donations, and contributions made for charitable, social, or welfare purposes in accordance with past Commission decisions, or for amounts more appropriately charged directly elsewhere.
			Outside Services (Ac. 923-20) has been adjusted \$5,000 to reflect exclusion of certain allocated charges considered to be more appropriately charged to other than California operations.
			Regulatory Commission Expenses (Ac. 928) has been adjusted \$2,000 to eliminate amounts chargeable to other jurisdictions to reflect actual regulatory costs.
			Adjustment of \$6,000 due to revision of Note 1 allocation factors.
14	6	6	Adjustment of \$6,000 due to revision of Note 1 allocation factor.
15	-	6	Adjusted local franchise tax to reflect increased revenue from proposed rates.
16	(7)	(6)	Calculated both state and federal taxes based on a source-of-income (separate return) basis in accordance with past Commission decisions, via Decision No. 67369, dated June 11, 1964.
18	11	11	Deferred income taxes have been adjusted \$11,000 to reflect ratio of California depreciation reserves to total company reserves.
23	2,704	2,704	Rate base adjusted to reflect deferred income tax reserve in accordance with Commission Decision No. 62585, dated September 20, 1961.

According to applicant's vice president who testified regarding rate of return, a fair and reasonable rate of return for Pacific would be approximately 7-3/4% applied to a depreciated historical cost rate base (company wide). As shown in the above tabulation, applicant's proposed rates would produce only a 6.04% rate of return on its California rate base.

It is the staff accountant's opinion that the rate of return, as determined by the staff for the California electric operations of Pacific at proposed rates, of 6.61% is not excessive.

Applicant argued, and we agree, that on either its showing or on the staff showing the requested rates will not produce an unreasonable rate of return. However, applicant is placed on notice that such differences may require a finding in some other proceeding and the Commission may in subsequent proceedings make such necessary findings.

Mr. Dewey, of Dunsmuir, testified that neither he nor the Dunsmuir Chamber of Commerce have ever understood why commercial electric rates are higher than domestic rates in the Dunsmuir area. Mr. Dewey introduced Exhibit 8 which shows that he is billed under General Service Schedule No. A-30 for power supplied to his trailer park and that when he bills his tenants under Residential Service Schedule No. D-10 (as required by applicant under its interpretation of its tariff) he suffers a loss. Applicant's late-filed Exhibit 9 which treats the energy resold on an incremental basis, shows that Mr. Dewey does not break even on the energy he resells.

According to Mr. Dewey, although he has been discussing his problems with Pacific (or its predecessor) for the past nine years the only remedy proposed by Pacific is that it enter the property with

its own distribution system and bill the trailer customers directly. Mr. Dewey opposes this remedy on the basis he does not want to burden his land with easements and that the present distribution system is working well. Applicant's manager of rates testified that he had never proposed a rate for trailer parks for management consideration, but satisfactorily pointed out that its rate making practices followed generally accepted principles.

It would appear from the ambiguous wording of special condition 3 of Schedule No. D-10, however, that Mr. Dewey could be supplied on that schedule. In that case, he would be eligible for the "resulting billing" multiplier of nine-tenths (.9).

It would be more satisfactory, however, if Pacific would file a tariff schedule for trailer park service. We suggest Pacific consider adopting a rule similar to Pacific Gas and Electric Company's Schedule DT - Trailer Park Service.

Applicant has proposed an increase in Agricultural Pumping Service (Schedule PA-20) amounting to 15.6%. This results in an increase of \$64,000 annually spread over 237 customers. Applicant, however, has proposed no increase in Agricultural Pumping Service supplied under contract to 86 customers associated with applicant's contract with the United States Bureau of Reclamation.

Mr. Dougherty, a potato farmer from the Gazelle area, protests the proposed increase in Schedule PA-20 rates and claims failure to propose an increase in the contract pumping rates is discriminatory. He opposes increases for any agricultural service.

Applicant did not explain why it made no rate increase proposal re contract agricultural pumping, nor did the staff explain its reasons for accepting applicant's proposal. There is furthermore, no evidence in this record to support protestant Dougherty's request that there be no increase in rates for agricultural pumping.

The following table shows the revenue requirements as proposed by applicant and as modified to provide an equal division of such revenue between PA-20 customers and contract customers.

Pacific Power & Light Co.  
California Operations  
1968 Test Year

Sch. No.	Avg. No. Cust.	Kwhr (Thous.)	Revenues		Increase	
			Present Rates	Proposed Rates	Amt.	%
<u>Company Proposal</u>						
PA-20	237	34,124	\$411	\$475	\$64	15.6%
Contract	86	14,189	66	66	-	-
<u>Increase all Agricultural Rates to give the required dollar increase.</u>						
PA-20			411	466	55	13.4
Contract			66	75	9	13.4
		Total Agricultural	477	541	64	13.4

The present contract rates (Schedule "A" and Schedule "B") were authorized by Decision No. 52809 dated March 27, 1956 and affirmed by Decision No. 53658, dated August 29, 1966 in connection with Application No. 37724. According to Decision No. 53658:

"Granting applicant authority to enter into this contract with the U.S. Bureau of Reclamation could therefore constitute an undue burden on its customers. This matter is not being decided at the present time as there is no proposal to increase rates to other customers to make up for the indicated annual deficiency resulting from the Bureau contract."

Applicant's failure to heed the caveat contained in Decision No. 53658 and its failure to justify the full measure of its proposal re agricultural rates requires a reduction in requested increase. In view of the overall record in this proceeding, however, it is reasonable to allow an increase in PA-20 rates up to \$55,000.

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If applicant desires the additional \$9,000 it deems should come from the agricultural class of customers, it may renegotiate its contracts.

The Commission finds:

1. The range of the rates of return for the test year 1968 estimated by the applicant and the staff at 6.04 percent and 6.61 percent, respectively, as shown in Exhibits 2 and 7, which would be produced by the proposed rates, subject to the estimates of operating expenses, including taxes and depreciation, and the estimated depreciated rate bases, all for the test year 1968, is not unreasonable.
2. Applicant is in need of financial relief.
3. Applicant failed to justify the full measure of its proposed increase in PA-20 rates.
4. It is reasonable to increase PA-20 rates by \$55,000 annually.
5. Trailer Parks can be supplied under Schedule D-10 or under Schedule No. A-30 (new Schedule A-32) at the option of the customer.
6. The staff recommendations that Pacific should make certain changes in wording of its proposed tariff, all contained in Exhibit 7-A, are reasonable.
7. The increases in rates and charges authorized herein are justified; the rates and charges authorized herein are reasonable; and present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

We conclude that the application should be granted to the extent set forth in the order which follows.

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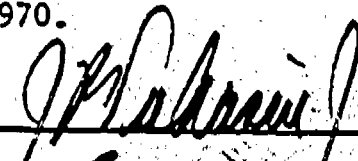
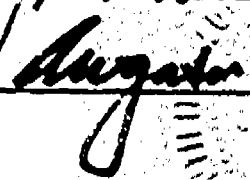
O R D E R

IT IS ORDERED that Application No. 51553 of Pacific Power and Light Company is granted in part and denied in part, and applicant is authorized to file, after the effective date of this order, the revised schedules of rates as set forth in Appendix A attached hereto. Such filing shall comply with General Order No. 96-A. The effective date of the revised rate shall be four days after the date of filing. The revised rate schedules shall apply only to service rendered on and after the effective date thereof.

The application of Pacific Power and Light Company in all other respects is denied.

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

Dated at San Francisco, California, this 22nd day of SEPTEMBER, 1970.

  
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Chairman  
  
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Commissioner's

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.



APPENDIX A  
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RATES - PACIFIC POWER & LIGHT COMPANY

Applicant's rates, charges and conditions are changed to the level or extent set forth in this appendix.

Schedule No. A-32

GENERAL SERVICE

APPLICABILITY

Applicable to single-phase or three-phase alternating current electric service, at such voltage as the Utility may have available at the Customer's premises, for all purposes except those for which specific Schedules are provided. A written agreement specifying a Contract Service Capacity in kilowatts shall be required for application of this Schedule to service furnished for: (a) use in parallel with or in supplement to Customer's generation, (b) intermittent or highly fluctuating loads, (c) seasonal use, or (d) standby or auxiliary service.

TERRITORY

Within the entire territory served in California by the Utility.

RATES

	<u>Per Meter</u> <u>Per Month</u>
<u>Energy Charge:</u>	
First 60 kwhr, per kwhr . . . . .	4.8¢
Next 90 kwhr, per kwhr . . . . .	4.2¢
Next 120 kwhr per kw of Billing Demand but not less than the next 2400 kwhr . . . . .	3.0¢
Next 2,450 kwhr, per kwhr . . . . .	2.4¢
Next 5,000 kwhr, per kwhr . . . . .	1.9¢
Next 10,000 kwhr, per kwhr . . . . .	1.1¢
Excess kwhr, per kwhr . . . . .	0.7¢

Minimum Charge:

\$2.00 plus \$1.40 for each kw of Billing Demand in excess of 20 kw, but not less than \$8.00 for three-phase service.

Determination of Billing Demand:

The Billing Demand shall be the highest of the following: (a) the maximum measured 15 minute integrated demand in kilowatts occurring during the month, or (b) 50 percent of the highest demand which has occurred during the preceding eleven months, or (c) the Contract Service Capacity in kilowatts. At the Utility's option, a demand meter will be installed when the Utility estimates that a Customer's demand may exceed 20 kw per month. The maximum demand shall be not less than the diversified resistance wolder load computed in accordance with Rule No. 2H-2-b.

Reactive Power Charge:

The maximum 15-minute integrated reactive demand in kilovolt-amperes occurring during the month in excess of 60% of the maximum measured 15-minute integrated demand in kilowatts occurring during the month will be billed at 25¢ per kva of such excess reactive demand.

RATES - PACIFIC POWER & LIGHT COMPANY

Schedule No. A-32 (Continued)

SPECIAL CONDITIONS

1. Temporary disconnection of any portion of load will not be considered as affecting the monthly minimum charge.
2. For recurrent seasonal or intermittent service to a permanently established business or enterprise, the total annual billing shall be not less than twelve times the monthly minimum charge. In addition, a charge of five dollars (\$5.00) will be made for each reconnection of service at any time other than the beginning of the regular season.
3. For commercial buildings, apartment houses, court groups, auto camps, and the like, for which individual customers are submetered, the charge to individual customers must be at the Utility's regular tariff rate for the type of service which such individual customer may actually receive.

Schedule No. A-36

LARGE GENERAL SERVICE  
100 KW AND OVER

APPLICABILITY

Applicable to electric service where all service taken on the Customer's premises is furnished under this schedule at one voltage and phase classification and at one point of delivery. A written agreement specifying a Contract Service Capacity in kilowatts shall be required for application of this schedule to service furnished for: (a) use in parallel with or in supplement to Customer's generation, (b) intermittent or highly fluctuating loads, (c) seasonal use, or (d) standby or auxiliary service.

TERRITORY

Within the entire territory served in California by the Utility.

RATES

The sum of the following Demand and Energy Charges:

	<u>Per Meter</u> <u>Per Month</u>
<b>Demand Charge:</b>	
First 100 kw of Billing Demand, or less . . . . .	\$120.00
Next each additional kw of Billing Demand . . . . .	.80
<b>Energy Charge:</b>	
First 30 kwhr per kw of Billing Demand, but not less than the first 5,000 kwhr . . . . .	1.6¢
Next 20,000 kwhr, per kwhr . . . . .	1.4¢
Next 30,000 kwhr, per kwhr . . . . .	1.1¢
Next 60,000 kwhr, per kwhr . . . . .	0.7¢
Excess kwhr, per kwhr . . . . .	0.55¢

**Minimum Charge:**

Monthly Minimum Charge shall be the Billing Demand Charge, but not less than \$120.00

RATES - PACIFIC POWER & LIGHT COMPANY

Schedule No. A-36 (Continued)

Determination of Billing Demand:

The Billing Demand shall be the highest of the following: (a) the maximum measured 15 minute integrated demand in kilowatts occurring during the month, or (b) 50 percent of the highest demand which has occurred during the preceding eleven months, or (c) the Contract Service Capacity in kilowatts. The maximum demand shall be not less than the diversified resistance welder load computed in accordance with Rule No. 2H-2-b.

Reactive Power Charge:

The maximum 15 minute integrated reactive demand in kilovolt-amperes occurring during the month in excess of 60% of the maximum measured 15 minute integrated demand in kilowatts occurring during the month will be billed at 25¢ per kva of such excess reactive demand.

SPECIAL CONDITIONS

1. Temporary disconnection of any portion of load will not be considered as affecting the monthly minimum charge.
2. For recurrent seasonal or intermittent service to a permanently established business or enterprise, the total annual billing shall be not less than twelve times the monthly minimum charge. In addition, a charge of five dollars (\$5.00) will be made for each reconnection of service at any time other than the beginning of the regular season.

Schedule No. A-30

This schedule is to be canceled and withdrawn and accounts transferred to Schedules Nos. A-32 and A-36 as appropriate.

Schedule No. AWH-31

COMMERCIAL WATER HEATING SERVICE

RATES

Energy Charge:

All kwhr, per kwhr . . . . . 1.0¢

Minimum Monthly Charge:

\$1.10, plus \$1.10 for each kw in excess of 10 kw of total capacity of all heating units which may be operated at one time.

APPLICABILITY, TERRITORY and SPECIAL CONDITIONS

All other conditions of this schedule remain as currently existing.

RATES - PACIFIC POWER & LIGHT COMPANY

Schedule No. D-10

RESIDENTIAL SERVICE

RATES

Per Meter  
Per Month

Energy Charge:		
First 60 kwhr, per kwhr	.....	4.8¢
Next 90 kwhr, per kwhr	.....	3.7¢
Next 150 kwhr, per kwhr	.....	2.1¢
Over 300 kwhr, per kwhr	.....	1.35¢
Minimum Charge:	.....	\$2.00

SPECIAL CONDITIONS

3. Modify to read "Service under this Schedule may be furnished to multiple dwelling units such as apartment houses, court groups, auto trailer parks and related electrical facilities, through a single meter. When so supplied, the number of kilowatt hours in each of the blocks of the Rate, and the amount of the Monthly Minimum Charge shall be multiplied by the number of single-family dwelling units or apartments served, and the "resulting billing" shall be multiplied by a factor of nine tenths (.9).

APPLICABILITY, TERRITORY and other SPECIAL CONDITIONS

All other conditions of this schedule remain as currently existing.

SCHEDULE NO. OL-15

OUTDOOR AREA LIGHTING SERVICE

RATES

<u>Nominal Lamp Rating</u>	<u>Per Luminaire Per Month</u>
7,000 lumens	\$ 4.60
21,000 lumens	7.60
55,000 lumens	13.60

Pole Charge:

Above rates include installation of one wood pole, if required. A monthly charge of \$1.00 per pole will be made for each additional pole required in excess of the number of luminaires installed.

APPLICABILITY, TERRITORY and SPECIAL CONDITIONS

All other conditions of this schedule remain as currently existing.

RATES - PACIFIC POWER & LIGHT COMPANY

Schedule No. PA-20

AGRICULTURAL PUMPING SERVICE

RATES

	<u>Per Meter</u> <u>Per Month</u>
<b>Demand Charge:</b>	
First 25 kw of Billing Demand, per kw . . . . .	\$1.50
Next 25 kw of Billing Demand, per kw . . . . .	1.10
Excess Billing Demand, per kw . . . . .	0.85
<b>Energy Charge (to be added to the Demand Charge):</b>	
First 1,500 kwhr, per kwhr . . . . .	1.9¢
Next 5,500 kwhr, per kwhr . . . . .	1.4¢
Next 7,000 kwhr, per kwhr . . . . .	0.9¢
Next 16,000 kwhr, per kwhr . . . . .	0.7¢
Over 30,000 kwhr, per kwhr . . . . .	0.6¢
<b>Minimum Charge Per Season:</b>	
Either (a) \$6.75 per H.P. of connected load applicable only when the Billing Demand is determined by name plate rating or test, or	
(b) \$8.75 per kw of the highest Billing Demand established during the irrigation season.	

Any deficiency between the Minimum Charge Per Season and the total of the monthly bills for electric service during the same season shall be billed and payable at the close of each season.

SPECIAL CONDITIONS

6. Modified to read: "No billing will be rendered until the accumulated measured kwh equal or exceed 50 kwh."

APPLICABILITY, TERRITORY and other SPECIAL CONDITIONS

All other conditions of this schedule remain as currently existing.

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Modified as required to include new rate schedules.