

ORIGINAL

Decision No. 81385

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Anza Electric  
Cooperative, Inc. for authority  
to revise its electric service  
tariff to offset the increased  
cost of purchased power used for  
resale to consumers.

Application No. 53730  
(Filed December 6, 1972)

O P I N I O N

Anza Electric Cooperative, Inc. (Anza) seeks authority to increase all energy charges in its Rate Schedules A, D, DWH, E, I, and LP by \$0.0014 per kilowatt-hour (kwhr) to offset its increased cost of purchased power.

General Information

Anza, a California nonprofit cooperative corporation, was granted a certificate of public convenience and necessity by Decision No. 47988 dated December 2, 1952 in Application No. 33637. Anza is engaged in the business of purchasing, transmitting, distributing, furnishing, and selling electric power to 1,139 member and nonmember, domestic, commercial, and industrial customers in and around the town of Anza in Riverside County through 300 miles of transmission and distribution lines. Anza does not have any generating facilities and it relies on the Southern California Edison Company (Edison) for all of its power requirements.

Anza has not previously filed a rate application with this Commission, but it has initiated rate reductions in 1967 through advice letter filings.

Increase in Electric Power Cost

On November 15, 1971, Edison placed in effect a resale rate increase subject to refund with interest. The increase, based on its filing in Federal Power Commission (FPC) Docket No. E-7618, is applicable to Anza. Edison's initial filing increased Anza's purchased power expenses by 18.7 percent based on its 1971 energy purchases. Negotiations between Edison and its resale customers resulted in Edison filing for a lesser increase in FPC Docket No. E-7618. We take official notice of FPC Opinion No. 654 in Docket No. E-7618 issued on March 19, 1973. This FPC Opinion and Order finds the revised resale rates, which are applicable to Anza, to be just and reasonable. These rates were accepted for filing and approved with an effective date of November 14, 1971. These rates would result in an over-all increase in Anza's purchased power expense of \$9,088, or 14 percent, based upon its 1971 energy purchases, as compared to the rates in effect prior to November 15, 1971. Anza's proposed increase of \$0.0014 per kwhr yields \$8,937 based on recorded 1971 sales, a 4.05 percent increase in revenues.

Anza's comparable increases for 1972 purchased power expense and revenues are \$9,597, 12.03 percent, and \$9,633, 3.99 percent, respectively. The 1972 net increase in revenues is negligible.

Results of Operation

Anza's results of operations for 1971 and 1972 are shown on the following page. Anza states that it contemplates filing for a full rate increase in the near future because its rate of return is below operating feasibility. At proposed rates Anza's net operating revenue for 1972 is less than the 2 percent interest payments on its long-term debt. The Commission staff reviewed and analyzed the application and prepared exhibits which have been received. The staff recommended that the increase be on an ex parte basis. The staff states that all of Anza's customers were notified of the proposed increase through a monthly newsletter and at the company's annual membership meeting. No protests have been received.

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Anza states that any Edison refunds, including interest, relating to any reduction in wholesale power costs below those produced from the negotiated rates after the effective date of its new rates would be flowed through to Anza's customers in proportion to their energy purchases, and rates would be reduced by a subsequent tariff filing.

RESULTS OF OPERATIONS  
Year 1971 Estimated

Item	Present Rates		Proposed Rates
	Power Rates Prior to 11/15/71	Present Power Rates	Exhibit C-4
Gross Operating Revenue	\$ 220,280	\$ 220,280	\$ 229,217
<u>Operating Expenses</u>			
Purchased Power	71,994	81,082	81,082
<u>Other Operating Expenses</u>	112,157	112,157	112,157
Total Operating Expenses	184,151	193,239	193,239
Net for Return <sup>1/</sup>	36,129	27,041	35,978
Rate Base	1,777,709	1,777,709	1,777,709
Rate of Return	2.03%	1.52%	2.02%

Year 1972 Estimated

Gross Operating Revenue	\$ 241,330	\$ 241,330	\$ 250,963
<u>Operating Expenses</u>			
Purchased Power	79,799	89,396	89,396
<u>Other Operating Expenses</u>	127,797	127,797	127,797
Total Operating Expenses	207,596	217,193	217,193
Net for Return <sup>2/</sup>	33,734	24,137	33,770
Rate Base	1,965,972	1,965,972	1,965,972
Rate of Return	1.72%	1.23%	1.72%

<sup>1/</sup> Excluding interest charge of \$33,500 on long-term debt and interest credit of \$1,459.

<sup>2/</sup> Excluding interest charge of \$37,700 on long-term debt and interest credit of \$1,614.

Findings

1. On November 15, 1971, Anza's wholesale electric supplier, Edison, increased its rates subject to refund with interest in FPC Docket No. E-7618.

2. Anza and Edison negotiated a wholesale rate increase below the original rate increase Edison filed in FPC Docket No. E-7618. Edison subsequently filed and on March 19, 1973 the FPC accepted the filing of these revised final rates, with an effective date of November 14, 1971, in FPC Docket No. E-7618.

3. Anza's 1971 and 1972 net operating income, at present rates and at Edison's revised rates, is insufficient to pay the interest on its long-term debt.

4. Anza's 1972 net operating income at proposed rates and at Edison's revised rates is less than the interest on its long-term debt.

5. Anza is in need of increased revenues to offset increases in costs of electricity purchased from Edison.

6. The estimated revenue increases required to offset the future effect of Edison's revised rates are reasonable.

7. The increases in rates and charges authorized herein are justified; the rates and charges authorized herein are reasonable; and the present rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.

8. Anza's tariffs need not provide for contingent rate reduction and flow-through of refunds related to the Edison filing in FPC Docket No. E-7618 because the Edison rates have become final. ✓

9. Pursuant to subparagraph (A) of Rule 23.1 of the Commission's Rules of Procedure the rate increases are exempt from the requirements of that rule, applicant being a utility which qualifies for the small business exemption set forth in Title 6, Economic Stabilization, Section 130.40, subpart E.

10. A public hearing is not necessary.

Conclusion

Based on the foregoing findings, the Commission concludes that the authority sought by Anza should be granted to the extent, and under the conditions, set forth in the order which follows.

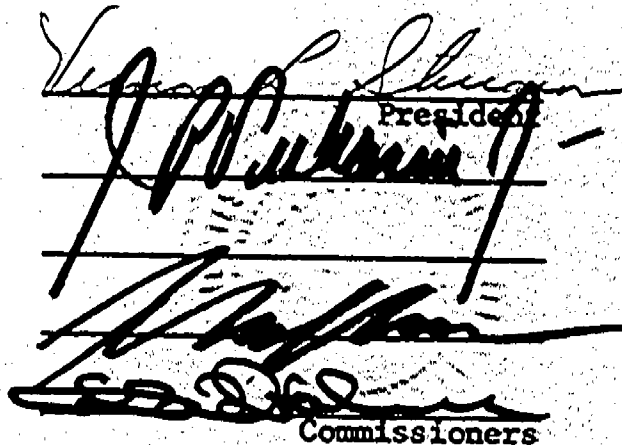
O R D E R

IT IS ORDERED that:

Applicant, Anza Electric Cooperative, Inc., is authorized to file with this Commission on or after the effective date of this order revised electric tariff schedules increasing the energy charges for all blocks in its Rate Schedules A, D, DWH, E, I, and LP by \$0.0014 per kwhr. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be one day after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 15th  
day of MAY, 1973.

  
President  
Commissioners

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