

Decision No. 83285

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
ANZA ELECTRIC COOPERATIVE, INC. for  
authority to revise its electric  
service tariff to include a purchased  
power adjustment provision to offset  
increases and decreases in its cost of  
purchased power. }

Application No. 54870  
(Filed May 13, 1974)

O P I N I O N

Anza Electric Cooperative, Inc. (Anza) seeks authority to include in its electric tariffs a purchased power adjustment provision to offset an increase or decrease in the cost of electric power purchased from Southern California Edison Company (Edison). Anza is a nonprofit cooperative, a member-owned utility which purchases 100% of its power requirements from Edison under Schedule R-1, Resale Service. The Federal Power Commission (FPC) has regulatory jurisdiction of the wholesale power rates of Edison which are applicable to Anza's purchases.

Anza's present rates were authorized by Decision No. 82292, dated January 3, 1974, in Application No. 54293, and reflect the offset of increased purchased power costs resulting from FPC Docket No. E-8176. In Decision No. 82292, the Commission did not authorize the purchased power adjustment provision requested by Anza since, at that time, Edison had not implemented a fuel adjustment clause in its resale schedule applicable to its sales to Anza.

On April 30, 1974, in Docket No. E-8570, the FPC accepted as of April 1, 1974, Edison's fuel clause filing applicable to resale rates and permitted the clause to become effective May 2, 1974, subject to refund pending final determination of the issues in Docket No. E-8570. Under FPC Docket No. E-8570, Edison also requested a general rate increase in Resale Schedule R-1. By order issued March 1, 1974, FPC suspended the effective date of this general rate increase until August 4, 1974.

Anza's present request for a purchased power adjustment provision is based upon the 1973 results of operations. Edison has advised Anza that the billing factor under its Schedule R-1 fuel clause, based on recorded fossil fuel costs for May, 1974, which is applicable to sales during the period June 15 to July 14, 1974, inclusive, is \$0.00222 per kilowatt-hour (kwhr). This Edison Schedule R-1 fuel clause billing factor would have increased the 1973 purchased power expense of Anza by \$21,812.83. Anza anticipates that Edison will make fuel cost adjustments on a monthly basis. Anza's initial request to offset Edison's fuel clause adjustment amounts to \$0.00270 per kwhr. Anza has subsequently amended its Application No. 54870 seeking to recover the general rate increase of Resale Schedule R-1 which becomes effective August 4, 1974, by an offset adjustment of \$0.00278 per kwhr sold.

The staff has reviewed the test year 1973 results of operation and associated data supplied by applicant and recommends that a purchased power adjustment provision be included in Anza's filed electric tariffs to offset increases and decreases in its cost of purchased power caused by Edison's changes in the fuel cost adjustment billing factor and to offset the general rate increase by Edison which becomes effective August 4, 1974. Anza's rate of return is less than the 2% interest rate on its long-term debt. Without rate relief, a substantial decrease in rate of return will result. The staff's review indicates that Anza's requested offsets of \$0.00270 and \$0.00278 per kwhr are reasonable. Both offsets will be authorized, the \$0.00270 offset for the fuel clause adjustment and the \$0.00278 offset for the general rate increase. The fuel clause adjustment is subject to recomputation after Edison's next fuel clause adjustment.

The results of operations for test year 1973, to be used for rate relief in this proceeding only, are as follows:

Results of Operations - Test Year 1973

|                             | R-1 Schedule<br>Effective<br><u>9/7/73</u><br>Present<br>Retail Rates<br>Effective<br>1/11/74 | R-1 Schedule Effect.<br>8/4/74 w/FCA of<br><u>\$0.00222/kwhr</u><br>Present<br>Retail Rates<br>Effective<br>1/11/74 | R-1 Schedule Effect.<br>8/4/74 w/FCA of<br><u>\$0.00222/kwhr</u><br>Present Retail Rates<br>Effect. 1/11/74 with<br>Offset Adj.<br>\$0.00278/kwhr and<br>FCA Adj. Offset<br>of \$0.00270/kwhr |
|-----------------------------|---|---|---|
| Gross Operating<br>Revenue  | \$ 327,450.10   | \$ 327,450.10   | \$ 371,786.98   |
| <u>Operating Expenses</u>   |   |   |   |
| Purchased Power             | 150,981.85  | 195,309.71  | 195,309.71  |
| Other Operating<br>Expenses | <u>146,641.87</u>   | <u>146,641.87</u>   | <u>146,641.87</u>   |
|                             | 297,623.72  | 341,951.58  | 341,951.58  |
| Net for Return              | 29,826.38   | (14,501.48)   | 29,835.40   |
| Rate Base                   | 2,153,344.17  | 2,153,344.17  | 2,153,244.17  |
| Rate of Return              | 1.39%   | (0.67)%   | 1.39%   |

(Inverse Item)

The staff has reviewed and concurred in the applicant's method of computing the adjustment per kwhr utilizing a loss factor based upon the ratio of purchased energy to energy sold in kwhr's for the recorded year 1973. The loss factor will have to be recalculated on the basis of recorded results of operation at the end of each subsequent year. The staff objects to Anza's proposal that each purchased power adjustment be filed with the Commission for approval on or before the twenty-fifth (25th) day of the month preceding the billing month during which such adjustment per kwhr is intended to become effective and proposes that Anza be required to make such filings on or before the first day of the month preceding the billing

month during which the adjustment is intended to become effective. The staff concurs with the proposal that the adjustment per kwhr be applied to service rendered on and after the effective date and thereafter until the next such adjustment becomes effective.

Anza notified its membership of the proposed purchased power adjustment provision. No objections to the application have been received.

### Findings

1. In Decision No. 82292 issued January 3, 1974, the Commission authorized Anza an increase in revenue to offset the increased cost of purchased electric power under Edison's Schedule R-1.

2. On April 30, 1974, in FPC Docket No. 8570, the FPC accepted as of April 1, 1974, Edison's fuel clause filing applicable to resale rates and permitted the clause to become effective May 2, 1974, subject to refund.

3. Also in FPC Docket E-8570, accepted for filing on February 4, 1974, Edison requested a general rate increase. FPC by order issued March 1, 1974, suspended the effective date of this general rate increase until August 4, 1974.

4. As a result of Edison's filing in FPC Docket No. E-8570, Anza's cost of purchased power has increased and will further increase on August 4, 1974.

5. Changes in the cost of purchased power from month to month make it necessary that Anza should be permitted, without repetitive proceedings, to offset the increased or decreased expense of purchased power. The adoption of a purchased power adjustment provision in Anza's filed electric tariffs will permit Anza to promptly offset the incremental expense.

6. The loss factor which is used in the calculation of the adjustment requires recalculation on the basis of recorded results of operations at the end of each year.

7. Anza's rate of return prior to Edison's filing in Docket No. E-8570 was below the 2% interest rate on its long-term debt. Without rate relief this rate of return would be substantially further decreased.

8. Anza's proposal for a purchased power adjustment provision, as modified by the staff, is reasonable.

9. Anza's requested adjustments of \$0.00270 and \$0.00278 per kwhr are reasonable.

10. A purchased power adjustment clause will be authorized since the frequent changes in the cost of Edison's fuel and hence, Anza's purchased power, require an expeditious method for Anza to recover its costs so that its ability to function properly is not impaired. The adjustment clause will also permit the customers to promptly benefit from any decrease in Anza's cost of purchased power.

11. A refund provision in the purchased power adjustment clause is needed since the FPC acceptance of Edison's fuel clause filing is subject to refund.

12. The adopted purchased power adjustment clause prescribed in Appendix A will not occasion an abdication of regulatory responsibility; nor will it decrease the incentive of Anza to keep its costs down; nor will it be inflationary as any price increases generated thereby will merely reflect the effect of past inflation on the cost of purchased power.

13. We find that the increases in rates authorized by this decision are justified and are reasonable; and that the present rates, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable.

14. Notice of the filing of this application was served and published in accordance with Rule 24 of the Commission's Rules of Practice and Procedure. No protests or other responses were received. A public hearing is not necessary.

The Commission concludes that the application should be granted to the extent set forth in the order as follows:

O R D E R

IT IS ORDERED that Anza Electric Cooperative, Inc. is authorized to file with this Commission, on or after the effective date of this order, revised tariff schedules with changes in rates, charges, and conditions as set forth in Appendix A and in compliance with General Order No. 96-A. The effective date of the revised schedules shall be on not less than three days' notice to the Commission.

IT IS FURTHER ORDERED that Anza file in January of each year a revision to the Preliminary Statement indicating the loss factor calculated from recorded results of operation at the close of each preceding year.

IT IS FURTHER ORDERED that Anza shall file a results of operations report on the previous year's recorded and adjusted operations by March 15 of each year.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 6th day of AUGUST, 1974.

Vernon L. Spencer  
President  
William J. ...  
...  
...  
Commissioners

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A  
Sheet 1 of 4

RATES - ANZA ELECTRIC COOPERATIVE INC.

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

PRELIMINARY STATEMENT

The Preliminary Statement shall be modified by adding paragraph (E) as follows:

E. PURCHASED POWER ADJUSTMENT CLAUSE

1. The monthly charges for service otherwise applicable under each of utility's rate schedules shall be increased or decreased by an adjustment amount in accordance with increases or decreases in the cost of purchased power resulting from Southern California Edison's fuel cost adjustment above or below that in effect on May 1, 1974. Southern California Edison's fuel cost adjustment is that billed to the utility by Southern California Edison Company in accordance with Resale Service Schedule R-1.
2. The adjustment per kilowatt-hour shall be computed by multiplying Southern California Edison's fuel cost adjustment by a factor of 1.2144. The product so obtained, rounded to the nearest hundredth of a mill (\$.00001) shall be the adjustment per kilowatt-hour.
3. The 1.2144 loss factor is the ratio of purchased energy to energy sold in kilowatt-hours for the recorded year 1973.
4. On or after August 4, 1974, 0.278¢/kwhr may be added to the adjustment amount of (E) (2) above. The 0.278¢ per kilowatt-hour is the effect after line losses of the resale general rate increase made effective by Edison on August 4, 1974.

APPENDIX A  
Sheet 2 of 4

RATES - ANZA ELECTRIC COOPERATIVE, INC.

5. Each adjustment per kilowatt-hour shall be filed with the Public Utilities Commission of California for Commission approval on or before the first (1st) day of the month preceding the billing month during which such adjustment per kilowatt-hour is intended to become effective. The adjustment per kilowatt-hour shall be applied to service rendered on and after the effective date and thereafter until the next such adjustment becomes effective.
6. The adjustment amount to be added or subtracted from each bill shall be the product of the total kilowatt-hours for which the bill is rendered multiplied by the adjustment per kilowatt-hour of 4. above, except that for purposes of applying the purchased power adjustment to Schedules OL-1 and SL-3, the monthly consumption per lamp rating as contained in the special conditions of the said schedules will be used.
- 7a. Any refund, including interest, received from Southern California Edison Company pursuant to Edison's fuel cost adjustment in accordance with Resale Service Schedule R-1, shall be promptly refunded to the utility's customers.
- b. Any refund, including interest, received from Southern California Edison Company pursuant to the general rate increase under FPC Docket E-8570, Resale Service Schedule R-1, shall be promptly refunded to the utility's customers.

APPENDIX A  
Sheet 3 of 4

RATES - ANZA ELECTRIC COOPERATIVE, INC.

- c. Refunds to customers pursuant to a. and/or b. above will be made in direct proportion to their energy purchases. A refund plan shall be filed with the California Public Utilities Commission when such portion of the refunds from a. and/or b. above has accumulated to a total of \$4,000 or more. In the event such monies are not refunded within 30 days after receipt, the utility shall refund such monies with 7% interest.

SCHEDULES NOS. A, D, DWH, E, I, AND LP

Add the following as a paragraph to the special conditions of each of the above schedules:

- ( ) Purchased Power Adjustment Clause: All service under this schedule, including service rendered under the minimum charge, will be subject to the Purchased Power Adjustment Clause described in the Preliminary Statement. The adjustment amount shall be the product of the total kilowatt-hours for which the bill is rendered times the adjustment amount per kilowatt-hour.

APPENDIX A  
Sheet 4 of 4

## RATES - ANZA ELECTRIC COOPERATIVE, INC.

SCHEDULES NOS. OL-1 AND SL-3

Add the following as a paragraph to the special conditions of each of the above schedules:

- ( ) Purchased Power Adjustment Clause: All service under this schedule will be subject to the Purchased Power Adjustment Clause described in the Preliminary Statement. The adjustment amount shall be the product of the total kilowatt-hours for which the bill is rendered times the adjustment amount per kilowatt-hour. For purposes of applying the Purchased Power Adjustment Clause, the following monthly consumption shall be used:

| <u>Lamp Rating</u>        | <u>Consumption<br/>Per Lamp Per Month</u> |
|---------------------------|---|
| 100 Watts or Less         | 40 Kwhr                                   |
| 150 Watts                 | 60 Kwhr                                   |
| 200 Watts                 | 80 Kwhr                                   |
| 300 Watts                 | 120 Kwhr                                  |
| 175 Watts - Mercury Vapor | 71 Kwhr                                   |
| 400 Watts - Mercury Vapor | 150 Kwhr                                  |