

ORIGINAL

Decision No. 83642

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 in its
Weaverville Division.

Application No. 54223
(Filed August 3, 1973)

Orrick, Herrington, Rowley & Sutcliffe, by
James F. Crafts, Jr., Attorney at Law, for
California-Pacific Utilities Company, applicant.

Bill Neill, Attorney at Law, for Trinity County,
protestant.

William H. Edwards, Attorney at Law, and Ralph O.
Hubbard, for the California Farm Bureau Federation,
interested party.

Peter Arth, Jr., Attorney at Law, and Don Houck, for
the Commission staff.

O P I N I O N

By this application, California-Pacific Utilities Company, a California corporation (applicant),^{1/} requests increases in electric rates which are designed to increase annual revenues in the test year 1973 by approximately \$41,000 over the rates now in effect. Copies of the application were served and notice of hearing was published, posted, and mailed in accordance with this Commission's Rules of Practice and Procedure.

^{1/} Applicant owns and operates public utility electric, gas, water, and telephone systems in various parts of California; electric, gas, and telephone systems in Oregon; electric, gas, water, and telephone systems in Nevada; and electric systems in Utah and Arizona. Applicant is also engaged in the nonutility sale of liquefied petroleum gas in Oregon. Applicant's principal place of business is located at San Francisco, California.

Public hearing was held at Weaverville on March 19 and 21, 1974 before Examiner Gillanders. The matter was submitted on March 21, 1974, subject to receipt of late-filed Exhibit 8. Exhibit 8 was provided by applicant under cover of a letter dated May 8, 1974.

Oral and written testimony on behalf of applicant was presented by six witnesses. The Commission staff presentation was made by a rate of return expert and an engineer. Seven members of the public attended the hearing, of whom two testified regarding applicant's service and their views regarding the proposed increase.

Applicant's Position

According to applicant it is requesting rates (\$41,000 annually) to offset increased costs of power it purchases from Pacific Gas and Electric Company (PG&E). In order to do this, applicant also seeks an order authorizing a higher rate of return than that granted by the Commission in its last previous order (1964). Due to operating efficiencies and economies,^{2/} applicant's actual rate of return has risen above the authorized level to a point which applicant considers to be more consistent with today's cost of capital. Applicant was satisfied with the rate of return it was earning in its Weaverville Electric Division until PG&E's increase in cost of purchased power. In addition, applicant seeks authority to track future increases in the cost of purchased power under PG&E's fuel adjustment clause.

Staff's Position

The staff, while it does not want to penalize applicant for the benefits of efficient management, does believe that to use an offset proceeding as a means of increasing the rate of return

^{2/} Derived by emulating the practices and procedures of PG&E.

substantially above that allowed in a former proceeding places an especially stringent burden of proof upon applicant to convince the Commission that an increase in the rate of return over that which was allowed in 1970 should be forthcoming. The staff has material differences of opinion as to how the tracking of increased charges related to fuel cost increases should be handled particularly with respect to any rate refunds that might be forthcoming to the ratepayers.

Accounting and Financial Data

The staff accounting examination included a review of accounting procedures as well as such tests of specific transactions, accounting entries, and such supporting work papers as was considered necessary. The examination essentially covered the period 1970 through March 1973. It was necessary to review and analyze certain transactions and accounting entries for the total company operations, and the reasonableness of its methods of allocating common expenses to the California operations.

According to the staff, applicant's book of accounts is generally maintained in accordance with the prescribed Uniform System of Accounts. However, its examination revealed the following exceptions:

1. Depreciation on transportation equipment and tools and shop equipment is charged to Account 403, Depreciation Expense, instead of to the clearing account. Depreciation expense applicable to transportation equipment, and shop equipment and tools should be charged to the clearing accounts in order to obtain a proper distribution of expenses between construction and operations.

2. Applicant does not make interdepartmental billings for utility services performed by one department for another department within the company. In its Lassen Division, the electric department furnishes power to the telephone and water department operations. Applicant indicates that the value of the power received by the telephone department and water department except for the five pumps is offset by the value of telephone and water services received by the electric department.

Based on its review, the staff made the following recommendations:

1. Depreciation expense applicable to transportation equipment and tools and shop equipment should be charged to a clearing account.3/
2. Applicant be required to change its accounting policy regarding interdepartmental billings, i.e., each department should be charged for utility services based on authorized rates.4/

3/ At the hearing, applicant stated it had no objection to this recommendation and agreed to change its accounting to conform to the recommendation.

4/ This policy change was ordered by Decision No. 82711 dated April 9, 1974 in Application No. 53884 to increase rates in applicant's Lassen Electric Division.

Comparison of Staff and Utility Summary of Earnings *
(1973 Estimated)

Item	Staff	Utility	Adopted
<u>Proposed Rates</u>			
Operating Revenues	\$396,900	\$394,300	\$392,500
<u>Operating Expenses</u>			
Purchased Power	228,400	228,000	228,400
Other Operation & Maintenance	39,800	39,800	39,800
Administrative & General	20,500	20,100	20,500
Depreciation	19,950	20,400	19,950
Taxes Other Than on Income	21,100	21,300	21,010
Taxes on Income	21,210	19,500	18,960
Total Operating Expenses	350,960	349,100	348,620
Net Revenues	45,940	45,200	43,880
Depreciated Rate Base	493,490	502,200	493,490
Rate of Return	9.31%	9.00%	8.89%

(Inverse Item)

*Several fuel clause adjustments were put into effect in 1973 by Pacific Gas and Electric Company. Based on the cost of power purchased in October 1973, this will increase the utility's estimated annual cost of purchased power by \$16,260. This increase has not been included in either the staff's or the utility's summaries of earnings shown above. The effect of including this additional expense in the staff's estimates for 1973 would be to increase rate base by \$1,350, reduce net revenues by \$7,700, and reduce rate of return by 1.50%. It is the staff's position that this additional expense should be considered in the design of rates for service, either in the purchased power adjustment clause which the utility is seeking, or as a part of the basic rate structure if a purchased power adjustment clause is not authorized by the Commission. We believe that the added costs should be included in the purchased power adjustment clause which will be authorized.

Upon conclusion of applicant's and staff's showing regarding estimated results of operation for test year 1973, it was apparent that staff's showing was based upon later information and in addition was prepared in conformity with methods and procedures we found appropriate in Decision No. 82711 dated April 9, 1974 in Application No. 53884 (applicant's Lassen Electric Division). Thus, we will adopt the staff's showing.

Rate of Return

After making the customary studies^{5/} involved in rate of return determinations, it was the opinion of one of applicant's assistant treasurers that the rates proposed by applicant would result in a rate of return of 9.0 percent on the Weaverville Division electric rate base. Such rate of return would produce a rate of return on common equity in the range of 12-1/2 percent to 13-1/2 percent.

He testified that many factors are considered in arriving at his recommended rate of return, but the three tests which are used generally are derived from decisions of the United States Supreme Court. They include a comparison of the earnings of this company with the earnings of comparable companies with comparable risks, a consideration of whether the rates are sufficiently high to enable the company to continue to attract capital that is needed for supplying the utility service that it is obligated to supply, and whether they are sufficient to permit the company to maintain its credit and financial integrity.

In the final analysis, according to the witness, the selection of what is a fair and reasonable rate of return, however, is a subjective opinion; it is not a mathematically precise exercise.

^{5/} Exhibit C contains 10 tables in support of the rate of return requested by applicant.

It is not a factual matter that is capable of being proven as is the number of vehicles the company uses. That is why expert opinion evidence is required on the issue of a fair and reasonable rate of return.

Some of the many factors considered by the witness in arriving at his subjective opinion include things such as the characteristics of the locality served by the company, the size of the company in comparison to other utilities, the capital structure of the company, the financial history and earnings experience that the company has had, the requirement that the company pay reasonable dividends to its common stockholders, the future debt and equity needs of the company, the internally supplied funds the company is able to generate, the trend of long-term interest rates, the trend of interest coverages, the fact that the embedded cost of debt in the company will continue to rise even though current interest rates are lower than their peaks, the degree of anticipated inflation, the possibility of an economic downturn nationally or locally, and the level of applicant's rates as compared to the level of other rates.

Another important factor is the anticipated regular increases which can be expected in the costs that the company pays for the gas or electricity which it purchases from other sources and the policy of the regulatory body in authorizing or not authorizing the tracking or the passing through to customers of those increased costs of purchased electricity or purchased natural gas. These increases can be reasonably anticipated on the basis of the increasing fuel and construction costs that these suppliers are experiencing.

The Commission's rate of return expert prepared a study (Exhibit 11) consisting of text and 16 tables. Based upon his study it was his judgment that a range for rate of return of 8.45 percent

to 8.65 percent was applicable to the rate base to be determined for the Weaverville Division Electric Department of applicant. Within this rate of return range, according to the witness, the allowance for common equity is 11.21 percent to 11.73 percent. He recommended that an 8.45 percent rate of return would be reasonable and would cover fixed charges for senior securities and allow earnings for common equity sufficient to increase retained earnings moderately after payment of a suitable dividend. Such a return would also enable the utility to serve its consumers efficiently and to obtain additional capital at reasonable costs when needed in order to satisfy the public's demands for its services.

The earnings allowance for common equity, according to the witness, is necessarily a judgment based on many considerations some of which are (a) capital structure and related costs, (b) trends in interest rates and coverage for senior securities, (c) earnings experience of applicant and other utilities, (d) capital requirements and sources of financing, and (e) the objectives of the Federal Government's Economic Stabilization Program.

Rate Design

A staff engineer recommended that any increase authorized in this proceeding be apportioned between groups of rate schedules in accordance with his recommended rate design at 100 percent of the requested revenue increase. Any revenue requirement above or below 100 percent of the requested revenue increase should, he testified, be spread between groups on an average cents per kwhr increase or decrease based on the consumption of that group.

The increase for each customer group resulting from the staff's recommendations is compared with the utility's proposed increase for that customer group in the following tabulation:

Comparison of Utility Proposed and
Staff Recommended* Increases to Customer Groups

<u>Customer Group</u>	<u>Staff Increase</u>		<u>Utility Increase</u>	
	<u>Amount</u>	<u>% to Group</u>	<u>Amount</u>	<u>% to Group</u>
Domestic	\$27,518	66.51%	\$22,190	54.12%
Commercial	11,384	27.51	15,258	37.21
Industrial	1,870	4.52	2,273	5.55
Street Lighting	604	1.46	1,280	3.12
Total	41,376	100.00	41,001	100.00

*Any difference in revenue requirement from the staff recommended increase for each group should be spread within the rate schedules of that group on an average cents per kwhr increase or decrease to each energy block.

Purchased Power Adjustment Clause

The staff engineer's recommended Purchased Power Adjustment Clause is:

1. The monthly charges for service otherwise applicable under each of Utility's Weaverville Division 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 PG&E's fuel cost adjustment above or below that in effect on _____, 1973. PG&E's fuel cost adjustment is that billed to the utility by PG&E in accordance with Resale Service Schedule R-1.

2. The adjustment per kilowatt-hour shall be computed by multiplying PG&E's fuel cost adjustment by a factor of 1.1253.

3. Each adjustment per kilowatt-hour shall be filed with the Commission for approval on or before the first 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.

4. The adjustment amount to be added or subtracted from each bill shall be the product of the total kilowatt-hours for which service is rendered multiplied by the adjustment factor per kilowatt-hour from 2 above.

5. Any refund from PG&E shall be promptly refunded, together with any associated interest, to utility's customers. A refund plan shall be filed with the Commission when such portion of the refunds has accumulated to a total of \$2,000 or more. In the event such monies are not refunded within 30 days after receipt, the utility shall refund such monies with seven percent interest.

6. Effective for service rendered on or after _____, 1973, the adjustment per kilowatt-hour is _____ cents per kilowatt-hour. The purchase power adjustment amount for Schedules Nos. LS-157 and OL-150 are as follows:

<u>Type and Nominal Rating of Lamp</u>	<u>Added Amount Per Month</u>
Incandescent	
1,000 Lumens	
2,500 Lumens	
4,000 Lumens	
Mercury Vapor	
7,000 Lumens	
11,000 Lumens	
20,000 Lumens	

Public Presentation

The pastor of the First Baptist Church requested that his church be billed at the domestic rate rather than the commercial rate presently being applied.

A customer testified that his TV repairman said his voltage was 139 volts and gave that as the reason his light bulbs burn out almost as soon as they are installed. He also stated that the repairman said that at the other end of town, the voltage was very low.

As a result of this testimony and the questions regarding voltage asked by the Farm Bureau, the examiner directed applicant to take seven-day recording voltage charts at the witness' house and at three different locations at the other end of town. On May 8, 1974 applicant provided the charts as late-filed Exhibit 8.

Exhibit 8 shows that at the witness' house the voltage ranged from 129 volts maximum and 120 volts minimum. The other three locations showed the following:

<u>Location</u>	<u>Maximum</u>	<u>Minimum</u>
1	115 volts	108 volts
2	126 volts	119 volts
3	116 volts	106 volts

Discussion

By the end of the hearing, the only significant difference remaining between applicant and staff was: What is a reasonable rate of return?

The record shows that if we were to agree with applicant that this matter was but an offset proceeding, granting applicant's request for \$41,000 annually would provide applicant with an unreasonably high rate of return somewhere between 9.31 percent and 9.00 percent based on 1973 estimated results.

We have perused both applicant's and staff's testimony and exhibits on rate of return and are of the opinion that a rate of return of 8.89 percent applied to the Weaverville Electric Division rate base will provide a 12.35 percent return on equity, and will enable applicant to attract capital and function properly, and should be adopted.

We will not authorize the switch of classification requested by the pastor of the First Baptist Church. While it is true that the Public Utilities Code (Section 523) provides that a common carrier

may give free or reduced rate transportation to, among others, ministers of religion, and persons and property engaged or employed in educational work, we have never granted authority for filing such free or reduced rates to any public utility other than a common carrier.

We agree with applicant that it would be quite difficult (if not impossible) to construct a definition which would include this one type of institution to the exclusion of other charitable or eleemosynary institutions.

A report of a joint committee of the Edison Electric Institute and the National Electrical Manufacturers Association, subsequently approved by the U.S.A. Standards Institute, recognizes the existence of a range of voltages and establishes three zones which cover this range.

1. Favorable Zone

This zone will contain a greater part of the existing voltages. For example, a 3-wire single phase system having a nominal voltage of 120/240 has a minimum voltage of 110/220 and a maximum of 125/250. Equipment will ordinarily be designed and rated so as to give fully adequate and efficient operation throughout this zone, although not necessarily with normal characteristics at all voltages.

2. Tolerable Zone

This zone for the same 3-wire single phase system contains voltages above and below the favorable zone; the minimum being 107/214 and the maximum 127/254. Equipment should, in general, be able to give fairly satisfactory operation throughout this zone, although not necessarily with as good characteristics as are given throughout the "Favorable Zone".

3. Extreme Zone

This zone will include the relatively few extreme departures in voltage beyond the "Tolerable Zone". Ordinarily, such cases will be considered as temporary and subject to improvement. Two or three percent of the normal voltage above and below the boundaries of the "Tolerable Zone" should cover all but the most extreme cases of this "Extreme Zone".

As a matter of practice electric utilities under this Commission's jurisdiction generally design their systems with the objective of furnishing service within the favorable zone.

Exhibit 8 shows that the voltage supplied to the witness who complained of high voltage exceeds the maximum of the favorable zone as well as exceeding the minimum. Locations 1 and 2 fall within the tolerable zone. Location 3 just drops into the extreme zone.

In these days of energy conservation, it is highly desirable that the voltage range be kept well within the maximum of the tolerable zone. Applicant should take steps to reduce the high voltage at complainant's house to a range well within the tolerable zone.

Findings

1. Applicant is in need of additional revenues, but the proposed rates set forth in the application are excessive.

2. The staff's estimates of operating revenues, expenses, including taxes and depreciation, and rate base for the test year 1973 are reasonable.

3. A rate of return of 8.89 percent on the adopted rate base and a return on common equity of 12.35 percent for the future are reasonable. Rates should be increased by approximately \$36,900.

4. 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.

5. The increase authorized in this proceeding should be apportioned between groups of rate schedules in accordance with the staff recommended rate design at 100 percent of the requested revenue increase. The revenue requirement increase of \$36,900 should be spread between groups on an average cents per kwhr increase based on the consumption of that group.

6. Applicant should not delete the letter designations of the various rate schedules.

7. Rule No. 2 should be revised as requested by applicant.

8. Applicant should be authorized to file the staff's recommended Purchased Power Adjustment Clause.

9. Applicant should be ordered to file a results of operation report on the previous year's recorded and adjusted operations by March 15 of each year, and a report on the ensuing year's estimated operation by October 31 of each year.

10. Churches should not be considered residential customers.

Conclusion

The application should be granted to the extent set forth in the order which follows.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order applicant is authorized to file the revised rate schedules attached to this order as Appendix A, and the Purchased Power Adjustment Clause attached to this order as Appendix B. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be five days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date of the revised schedules.

2. Applicant shall file a results of operation report on the previous year's recorded and adjusted operations by March 15 of each year.

3. Applicant shall file a results of operation report on the ensuing year's estimated operation by October 31 of each year.

4. Applicant shall file monthly reports of the construction necessary in order to improve voltage at the complainant's house. When construction is completed, applicant shall take and file with this Commission copies of seven-day recording charts of the voltage at the service entrance of that person who testified regarding low voltage.

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

Dated at San Francisco, California, this 22nd
day of OCTOBER, 1974.

Vernon L. Sturgis
President
William J. Moran
J. H. Moran
Thomas Moran
Commissioners

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

APPENDIX A
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RATES - CALIFORNIA-PACIFIC UTILITIES COMPANY

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

SCHEDULE NO. D-1

Revise Schedule No. from D-1 to D-111

RATES

	Per Meter Per Month
Service Charge:	\$0.85
Energy Charge (to be added to service charge):	
First 40 kwhr, per kwhr	5.70¢
Next 60 kwhr, per kwhr	3.62
Next 100 kwhr, per kwhr	2.50
Over 200 kwhr, per kwhr	1.43

PURCHASED POWER ADJUSTMENT

All service under this schedule will be subject to the Purchased Power Adjustment 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.

SPECIAL CONDITIONS

Delete Special Condition No. 2 and revise No. 1 to read as follows:

1. Single-phase motors of not more than $7\frac{1}{2}$ hp each may receive service under this schedule.

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RATES - CALIFORNIA-PACIFIC UTILITIES COMPANY

SCHEDULE NO. A-1

Revise Schedule No. from A-1 to A-121

RATES

Single-Phase Service:

Per Meter
Per Month

Service Charge: \$0.90

Energy Charge (to be added to
service charge):

First 200 kwhr, per kwhr	5.00¢
Next 800 kwhr, per kwhr	4.00
Next 2,000 kwhr, per kwhr	2.80
Over 3,000 kwhr, per kwhr	2.00

Minimum Charge: \$0.90 per month

Polyphase Service:

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

Minimum Charge: \$1.90 per month, but not less than \$0.75 per month per horsepower of polyphase connected motor load.

PURCHASED POWER ADJUSTMENT

All service under this schedule, including service rendered under the minimum charge, will be subject to the Purchased Power Adjustment 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.

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RATES - CALIFORNIA-PACIFIC UTILITIES COMPANY

SCHEDULE NO. C-1

Revise Schedule No. from C-1 to C-129

RATES

	<u>Per Meter</u> <u>Per Month</u>
Energy Charge:	
First 150 kwhr, per kwhr	4.30¢
Next 850 kwhr, per kwhr	2.33
Over 1,000 kwhr, per kwhr	1.43
Minimum Charge:	
First 7 kw or less of connected load	\$3.35
Over 7 kw of connected load, per kw	.60
Space heating appliances	3.35

PURCHASED POWER ADJUSTMENT

All service under this schedule, including service rendered under the minimum charge, will be subject to the Purchased Power Adjustment 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.

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RATES - CALIFORNIA-PACIFIC UTILITIES COMPANY

SCHEDULE NO. P-1

Revise Schedule No. from P-1 to P-131

RATES

Energy Charge:

<u>Horsepower of Connected Load</u>	<u>Per Meter Per Month Per Kwhr</u>			
	<u>First 50 kwhr per hp</u>	<u>Next 50 kwhr per hp</u>	<u>Next 150 kwhr per hp</u>	<u>All over 250 kwhr per hp</u>
2 - 9.9 hp	4.61¢	3.41¢	2.70¢	2.21¢
10 - 24.9 hp	3.86	2.86	1.97	1.77
25 hp and over	3.61	2.61	1.71	1.51

Minimum Charge: First 10 hp of connected load, \$1.40 per hp per month but in no case less than \$2.80 per month.

Over 10 hp of connected load, \$1.15 per hp per month.

PURCHASED POWER ADJUSTMENT

All service under this schedule, including service rendered under the minimum charge, will be subject to the Purchased Power Adjustment 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.

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RATES - CALIFORNIA-PACIFIC UTILITIES COMPANY

SCHEDULE NO. P-3

Revise Schedule No. from P-3 to P-141

RATES

Energy Charge:

Billing Demand kw	First 100 kwhr Per kw	Per Meter Per Month Per Kwhr		
		Next 100 kwhr Per kw	Next 100 kwhr Per kw	Over 300 kwhr Per kw
0 - 24.9	4.00¢	2.51¢	2.21¢	1.81¢
25 - 74.9	3.80	2.31	1.91	1.61
75 and over	2.71	2.01	1.61	1.41

Minimum Charge: \$55.00 per month for the first 40 kw or less of billing demand, plus \$1.00 per kw of billing demand in excess of the first 40 kw.

PURCHASED POWER ADJUSTMENT

All service under this schedule, including service rendered under the minimum charge, will be subject to the purchased power adjustment 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.

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RATES - CALIFORNIA-PACIFIC UTILITIES

SCHEDULE No. OL-1

Revise the Territory provision as follows:

TERRITORY

The community of Needles and adjacent territory, San Bernardino County.

SCHEDULE NO. OL-150

Delete the "Lassen Division" designation following the title of the schedule.

Revise the Territory provision to read as follows:

TERRITORY

The entire territory of the Lassen Division served by the utility and the community of Weaverville and adjacent territory, Trinity County.

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RATES - CALIFORNIA-PACIFIC UTILITIES COMPANY

SCHEDULE NO. LS-1

Revise Schedule No. from LS-1 to LS-157

RATES

Rate Per Lamp Per Month
All Night Service

SUPPLIED WITH OVERHEAD SERVICE:

Mounted on Wood Poles

Incandescent Lamps

1,000 Lumens	\$1.16
2,500 Lumens	2.13
4,000 Lumens	3.25

Mercury Vapor Lamps

7,000 Lumens	4.63
11,000 Lumens	5.69
20,000 Lumens	6.80

Mounted on Steel Poles

The above rate for lamps on wood poles plus \$2.25

SUPPLIED WITH UNDERGROUND SERVICE:

Mounted on Steel Poles

20,000 Lumens	\$12.30
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PURCHASED POWER ADJUSTMENT

All service under this schedule will be subject to the Purchased Power Adjustment described in the Preliminary Statement.

APPENDIX B
Page 1 of 2

PRELIMINARY STATEMENT - CALIFORNIA-PACIFIC UTILITIES COMPANY

Applicant's preliminary statement is changed to the extent set forth in this appendix.

Paragraph D now contains two (2) paragraphs that are not numbered sequentially as subparagraphs in the same manner as it is done in the other parts of the preliminary statement. Therefore, designate the first paragraph under paragraph D as subparagraph 1 with no change in the text of this paragraph.

Add a second paragraph under paragraph D to read as follows:

2. The Utility shall pass on to its customers by Advice Letter procedures any reduced purchased power rates, and refund to its customers with 7% interest any refunds, resulting from a reduction in Resale Service Schedule R-1 from Pacific Gas and Electric Company, pursuant to Order of the Federal Power Commission in Docket No. E-7777.

In paragraph E, revise the title and subparagraphs 1, 2, and 6 to read as shown below; and add subparagraph 7 as shown below:

E. Lassen and Weaverville Divisions Purchased Power Adjustment

1. The monthly charges for service otherwise applicable under each of the Utility's Lassen and Weaverville Division 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 PG&E's fuel cost adjustment. PG&E's fuel cost adjustment is that billed to the Utility by Pacific Gas and Electric Company in accordance with Resale Service Schedule R-1.

2. The adjustment per kilowatt-hour shall be computed by multiplying PG&E's fuel cost adjustment by a factor of 1.1323 for the Lassen Division rate schedules and by a factor of 1.1253 for the Weaverville Division rate schedules.

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PRELIMINARY STATEMENT - CALIFORNIA-PACIFIC UTILITIES COMPANY

E. Lassen and Weaverville Divisions Purchased Power Adjustment (Continued)

On the first line of the text in subparagraph 6, insert the words, "in the Lassen Division", between the words, "rendered" and "on".

7. Effective for service rendered in the Weaverville Division on or after _____, 1974, the adjustment per kilowatt-hour is _____ cents per kilowatt-hour. The purchased power adjustment for Schedules Nos. LS-157 and OL-150 are as follows:

<u>Type and Nominal Rating of Lamp</u>	<u>Added Amount Per Month</u>
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Incandescent

1,000 Lumens
2,500 Lumens
4,000 Lumens

Mercury Vapor

7,000 Lumens
11,000 Lumens
20,000 Lumens