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ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
CP NATIONAL CORPORATION, a California  
corporation, for authority to  
increase its rates for electricity  
in its Lassen District.

Application 82-04-50  
(Filed April 26, 1982)

In the Matter of the Application of  
CP NATIONAL CORPORATION, a California  
corporation, for authority to  
increase its rates for electricity  
in its Needles District.

Application 82-04-51  
(Filed April 26, 1982)

In the Matter of the Application of  
CP NATIONAL CORPORATION, a California  
corporation, for authority to  
increase its rates for natural gas  
in its Needles District.

Application 82-04-52  
(Filed April 26, 1982)

In the Matter of the Application of  
CP NATIONAL CORPORATION, a California  
corporation, for authority to  
increase its rates for natural gas  
in its South Lake Tahoe District.

Application 82-04-53  
(Filed April 26, 1982)

The Undersigned Customers of C. P.  
National Corporation in Lassen  
County, Philip B. Brownell, et al.,

Complainants,

vs

C. P. National Corporation,

Defendant.

Case 82-03-09  
(Filed March 24, 1982)

Orrick, Herrington & Sutcliffe, by Robert J. Gloistein and Samuel B. Casey, Attorneys at Law, for CP National Corporation, applicant.

Allen R. Crown and Glen J. Sullivan, Attorneys at Law, for California Farm Bureau Federation: Jim Chapman, for Lassen County Supervisor, District 2, and himself; and Kathleen R. Lanfranco, Attorney at Law, for the undersigned customers of CP National Corporation in Lassen County et al.: interested parties.

Kathleen R. Lanfranco, Attorney at Law, for the undersigned customers of CP National Corporation in Lassen County et al.: complainants.

Alberto Guerrero, Attorney at Law, and Tom Hamamoto, for the Commission staff.

### O P I N I O N .

By these applications CP National Corporation (CP Nat.) requests authority to increase rates for its gas and electric service in California. The four applications filed on April 26, 1982, one for each of CP Nat.'s California energy districts, and Case 82-03-09, a complaint about electric rates in CP Nat.'s Lassen Division, have been consolidated for hearing and decision.

#### Summary of Decision

This order authorizes CP Nat. to increase rates in its California gas and electric districts as follows: Lassen Electric District, \$1,406,500 or 10.5%; Needles Electric District, \$359,800 or 10.2%; Needles Gas District, \$116,000 or 12.9%; and South Lake Tahoe Gas District, \$586,900 or 6.4%. These rate increases reflect an adopted rate of return on equity of 16.20% and an overall rate of return of 13.27% for the test year 1983. CP Nat. is commended and rewarded by including 20 basis points in the rate of return on equity shown above for its present conservation efforts and is ordered to implement the conservation recommendations made in the staff's exhibit.

The order authorizes an attrition allowance to be effective January 1, 1984. CP Nat. will be required to file an advice letter to effect the attrition allowance.

An Electric Revenue Adjustment Mechanism (ERAM) to adjust actual sales to test year sales is adopted. CP Nat. is required to explore off-peak rates and continue its pump testing program with its agricultural customers and then to file its agricultural service study results and recommendations by March 31, 1983.

In order to maintain CP Nat.'s eligibility for accelerated depreciation and liberalized investment tax credits (ITC) authorized by the Economic Recovery Tax Act (ERTA) of 1981 and the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982, the order is made effective today.

#### Background

CP Nat., a California Corporation, owns and operates electric, gas, water, and telephone utility systems in 100 widely scattered communities in the States of Arizona, California, Nevada, New Mexico, Oregon, Texas, and Utah.

The gas and electric operations of CP Nat. in California, which are the subject of these proceedings, are in its Lassen, Needles, and South Lake Tahoe Districts which serve about 22,500 customers.

In its Lassen District, electric service is furnished to about 8,700 customers in the City of Susanville, the surrounding communities of Herlong, Westwood, and Chester, and the adjacent rural areas of Lassen, Plumas, and Tehama Counties. The electricity distributed by CP Nat. in the Lassen District is purchased from Pacific Gas and Electric Company (PG&E).

In its Needles District, electric service is furnished to about 2,000 customers and natural gas service is furnished to about 1,200 customers in the City of Needles and surrounding areas. The

electricity distributed by CP Nat. in the Needles District is purchased from the Nevada Power Company; the natural gas is purchased from PG&E.

In its South Lake Tahoe District, natural gas service is furnished to about 10,500 customers in the City of South Lake Tahoe and its vicinity. The natural gas is purchased from the Southwest Gas Company.

CP Nat.'s last general rate case for its California energy operations, Applications (A.) 59548 through 59551, resulted in increased rates being authorized by the Commission in Decision (D.) 92718 dated February 18, 1981.

Applications

On April 26, 1982 CP Nat. filed its pending general rate applications for its California energy operations: A.82-04-50 (Lassen Electric), A.82-04-51 (Needles Electric), A.82-04-52 (Needles Gas), and A.82-04-53 (South Lake Tahoe Gas). Filing of these applications was noticed on the Commission's Daily Calendar on April 27, 1982.

In A.82-04-50 (Lassen Electric), CP Nat. requested an increase in 1983 annual gross revenues of \$1,772,900 or 13.01% and a 1984 attrition allowance of \$353,300. In A.82-04-51 (Needles Electric), CP Nat. requested an increase in annual gross revenues of \$403,500 or 11.17% and a 1984 attrition allowance of \$141,100. In A.82-04-52 (Needles Gas), CP Nat. requested an increase in annual gross revenues of \$168,400 or 18.2% and a 1984 attrition allowance of \$57,500. In A.82-04-53 (South Lake Tahoe Gas), CP Nat. requested an increase in annual gross revenues of \$885,500 or 9.51% and a 1984 attrition allowance of \$292,300.

CP Nat. requested revenues to provide a rate of return on rate base of 14.69% based on an embedded cost of debt of 11.45%, embedded cost of preferred stock of 9.55%, and a current cost of equity of 19.0%.

CP Nat. is requesting increased rate relief no later than January 1, 1983 to cover increased operating expenses and costs of capital, and to permit full normalization of the tax benefits of accelerated depreciation and investment tax credits as required by ERTA and TEFRA. A final rate order authorizing full normalization before January 1, 1983 is of paramount importance since failure to do so by this time could result in the loss of accelerated depreciation and investment tax credit benefits back to January 1, 1981.<sup>1</sup>

#### Hearing

A duly noticed prehearing conference (PHC) was held on June 21, 1982 in San Francisco; public witness hearings were held on August 3, 1982 in Needles, August 24 and 25, 1982 in Susanville, and August 26, 1982 in South Lake Tahoe; and public hearings were held in San Francisco on September 27, 28, and 30, before Administrative Law Judge (ALJ) John J. Doran. The complaint case was first heard on August 24, 1982 and consolidated for hearing with the four rate applications.

Testimony was presented by applicant, staff, and complainants. In addition there was public witness testimony; 62 exhibits and 12 items were reviewed. After the receipt of a late-filed exhibit and opportunity to file statements, the matters were submitted on October 29, 1982.

#### Prehearing Conference

Scheduling and consolidation of the hearings were completed at the PHC. Concern was expressed on the need to accelerate the processing schedule by at least 30 days in order to safely accommodate CP Nat.'s need to obtain final rate relief before the end of the year in order to comply with ERTA.<sup>2</sup>

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<sup>1</sup> D.93248 dated December 15, 1981 in OII 24.

<sup>2</sup> Near the end of the hearings, CP Nat. submitted its applications for decision on the basis of the staff's evidence in order to meet the ERTA time requirement.

Public Witness Testimony

In all, 28 public witnesses testified, 12 in Susanville and 16 in South Lake Tahoe.

The public witness testimony expressed concern about the impact of the proposed increases. It generally consisted of rate comparisons, information on the recent financial performance of CP Nat., information showing that rates have increased, information pertaining to alleged billing errors, and questions about management performance. Some of these matters are discussed in the next section, headed C.S2-03-09, the complaint consolidated for hearing with the rate applications.

Applicant's Response

The assigned ALJ required CP Nat. to formally respond to questions raised by the public witnesses in the course of the hearings in Susanville and in South Lake Tahoe. CP Nat. furnished written responses to the public witness testimony.

Of particular importance was CP Nat.'s testimony on cost control. The witness stated that CP Nat. has actively intervened before the Federal Energy Regulatory Commission (FERC) to keep down the costs passed on by their energy supplier. The witness also testified that at the local level CP Nat. has fewer employees than five years ago while the number of customers has increased. CP Nat. employed two management consulting firms, one at the local level and one at the corporate level. Further, it has implemented consultant's recommendations to improve productivity.

In response to concerns regarding CP Nat.'s profitability, CP Nat. stated that it is requesting additional revenues for its California energy operations because its present revenues will be deficient in the test year. CP Nat. stated that it cannot allow its customers in other states to subsidize its California energy operations. Rather, these operations must stand on their own with

respect to cost recovery and return-on investment. CP Nat. stated that the improvement in its overall corporate utility and nonutility operations is not relevant to determining the fair revenue requirement for its California energy operations. It further stated that the apparent large improvement in the last three years is due to a great degree to the depressed level of corporate earnings in 1978.

In addition, CP Nat. points out that suggestions for delaying the required rate relief beyond the end of this year is counterproductive to the interests of CP Nat.'s customers. Such a delay would effectively deny CP Nat.'s customers the accelerated depreciation and investment tax credit benefits of ERTA and TEFRA. Any benefit to CP Nat.'s customers of the delay in rate relief proposed by Mr. Vossler is clearly outweighed by the tremendous cost of the loss of the ERTA and TEFRA benefits.

The suggestion that CP Nat. is being unfair to its Lassen customers in view of the current recession is answered by CP Nat.'s agreement to the staff's sharply reduced labor and nonlabor escalation factors for test year 1983 and attrition year 1984.

Case 82-03-09

Philip B. Brownell and several hundred customers in CP Nat.'s Lassen District (complainants) filed a complaint about CP Nat.'s high electric rates on March 24, 1982. The complaint was amended at hearing on August 24, 1982 by stipulation of the parties on the record. Complainants allege that rates have risen 50% in one year, efforts to conserve are met with higher rates, rates charged are extreme and unwarranted, and CP Nat. is fraught with waste and mismanagement.

On April 28, 1982, CP Nat. filed its answer to the complaint, in which it denied the material allegations of the complaint and requested that the Commission deny the relief requested by the complainants and dismiss the complaint. On April 26, 1982, CP

Nat. filed its A.82-04-50 for authority to increase its electric rates in its Lassen District.

On August 24, 1982 evidentiary hearings on the complaint were held in Susanville, California. Testimony of two witnesses and 15 exhibits were presented by complainants. CP Nat. presented the testimony of one witness and four exhibits.

The evidence of complainants consists of:

1. Utility bill and rate schedule comparisons.
2. Information on the recent financial performance of CP Nat. on a total company basis.
3. Information offered to prove that rates in CP Nat.'s Lassen District have increased in recent years.
4. Information pertaining to alleged billing errors in the Lassen District.

CP Nat.'s evidence, including that presented in the application proceedings, generally consists of information showing that:

1. The alleged billing errors or lifeline allowance difficulties have been investigated and resolved.
2. The rates currently charged in the Lassen District have been approved by the Commission.
3. Such rates are below the test year revenue requirements.
4. CP Nat.'s energy conservation programs have lessened the Lassen District's cost increases.
5. CP Nat. is being managed in a cost-conscious manner.
6. 88% of the rate increases being protested are for purchased energy which CP Nat. has fought before the FERC.
7. During the time of our hearings CP Nat. passed a \$2,308,000 or 17.2% energy rate decrease on to its Lassen District customers.



At the conclusion of the evidentiary hearings on the complaint case, it was stipulated between the parties that the requests in Paragraphs (Par.) 1, 2, and 4 of the complaint for a management audit and a prospective reduction or freeze of present rates in the Lassen District would be consolidated for hearing with the record in the application proceedings. It was stipulated that the requests in Par. 3, 5, and 6 of the complaint for retroactive rate relief and authority to withhold payment of utility bills were withdrawn. The complaint, as amended, requests a management audit and prospective rate relief in the form of a rate freeze or reduction.

The public witness testimony and complainants expressed concern that CP Nat. does not have an adequate cost control program. Many witnesses believed that the requested rate increases may be avoided by additional economies and accountability.

CP Nat. presented testimony showing cost controls instituted by management. According to this testimony, CP Nat. has aggressively pursued an independent approach to labor negotiations and has contracts that are basically lower than comparable utilities. A hiring freeze is in existence in the General Office and most field operations. This freeze has reduced the energy group personnel by nearly 7% as of September 1982 compared to a year ago. During 1982 it combined many energy functions and eliminated one energy vice president position. Competitive bid procedures are required for all construction and major materials and supplies contracts.

CP Nat.'s witness stated that the Lassen District employee count has been on a steady decline for a number of years, while customer growth has actually picked up from 1981 to 1982. Further, the witness stated that the South Lake Tahoe District has experienced

a drop in the number of employees while the customer base has grown 2% during the past year.

The witness also stated that CP Nat. implemented the management changes ordered in D.90597 dated July 31, 1979, in OII 14, the Commission's investigation of CP Nat.'s operations.

Complainants did not present any facts supporting their claim of utility mismanagement. Complainants were not able to point to any actions of the utility which constituted mismanagement or imprudence. CP Nat. presented evidence that its management practices were diligent and cost-conscious.

There is no evidence that CP Nat. is not conducting its management and operations in conformance with D.90597. The evidence in the record fails to demonstrate a need for an investigation of management practices beyond that conducted in these proceedings. Complainants failed to carry their burden of proving the allegations of their request for a management audit. We will, however, take account of the general concern of the complainants, and also of the public witnesses, over the high level of CP Nat.'s rates, as we seek to hold increases in those rates to the lowest reasonable level.

#### Evidentiary Hearings

Evidentiary hearings were held in San Francisco on September 27, 28, and 30, 1982. CP Nat. presented 24 exhibits and 10 witnesses. The staff presented 18 exhibits and 10 witnesses. This evidence covered all aspects of the applications with the exception of the rate spread detail which was filed jointly by CP Nat. and the staff as a late exhibit.

No other evidence was offered in the pending application proceedings. A written public statement against any increase at this time by Mr. R.P. Vossler was read into the record by staff counsel at Mr. Vossler's request.

On September 30, 1982, CP Nat. stated it was prepared to accept the staff's recommendations and submit the pending applications on the basis of the staff's showing.

CP Nat. filed its opening brief October 7, 1982.

There was opportunity for briefs by other parties to be filed by October 15, 1982. Only the California Farm Bureau Federation (CFBF) made a filing and did not state any objections to the CP Nat. and staff basis of submission, even though it did not join in the proposal. CFBF was pleased that the proposed rate design would not result in increased annual horsepower charges for the P-130 schedule customers. On October 19, 1982, the staff and CP Nat. jointly filed tariff sheets setting forth the actual rates proposed to recover the proposed revenue requirement, as a late exhibit. Comments on the actual rates proposed were to be filed by October 29, 1982. No comments were filed. The applications were submitted on October 29, 1982.

#### Basis of Submission

CP Nat. submitted its applications for decision by the Commission to be effective on or before January 1, 1983 on the basis of the reports and recommendations of the staff in evidence in the proceedings. CP Nat. is willing to forgo contesting the ratemaking issues in these proceedings in the expectation of receiving a final decision before the end of this year.

CP Nat. proposed submission of the proceedings on this basis for a number of reasons. Most significantly, delay beyond the end of 1982 in obtaining a decision on the pending applications would foreclose CP Nat.'s eligibility for accelerated depreciation and ITC authorized by ERTA, as modified by TEFRA. The Commission has generally determined that ratepayers receive a greater benefit by allowing utilities to maintain such eligibility than they would receive under ERTA and TEFRA without such eligibility. The proposed

submission avoids the filing of a motion for preliminary rate relief by January 1, 1983 to comply with ERTA, which would have been required if the applications were to be fully litigated by CP Nat. In addition, CP Nat. seeks to avoid the time, expense and commitment of personnel that full evidentiary hearings and briefing on contested issue would require by both CP Nat. and the staff. CP Nat., however, reserved the right to litigate any ratemaking issues in future applications.

Analysis of the evidence in these proceedings shows that CP Nat. is in need of additional revenue and an improved rate of return in 1983 and 1984.

#### Effect of Submitting on Staff Recommendations

CP Nat. has agreed to adopt the staff's recommendations. The consequence of this agreement is to reduce by 31% the overall rate increase requested by CP Nat. This translates to a 29% reduction of CP Nat.'s original request for Lassen; a 22% reduction for Needles Electric; a 37% reduction for Needles Gas; and a 38% reduction for South Lake Tahoe.

A comparative analysis of rate of return, summary of earnings, and attrition allowance, is set forth below.

#### Rate of Return

CP Nat. requested rate increases to produce a return on rate base of 14.69% and 19.00% on common equity. The staff recommended that CP Nat.'s currently authorized 10.70% rate of return on rate base be increased to the range of 13.19% to 13.40% in 1983 and 13.31% to 13.52% in 1984, with a 16.00% to 16.50% range on common equity in 1983 and 1984.<sup>3</sup> The staff recommended adding 20 basis points to the return on equity in recognition of CP Nat.'s energy conservation achievements.

CP Nat. has agreed to adopt the rate of return recommended by the staff. The significant difference between CP Nat.'s request

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<sup>3</sup> At hearing, the staff recommended 16.25% on equity, the midpoint of its range.

and the staff's recommendation was due to CP Nat.'s (1) use of average year capital ratios rather than the constant average projected capital structure for the test period, (2) higher estimated 1984 borrowing cost, and (3) higher return on common equity.

The California Farm Bureau Federation (CFBF) argues that there is a reduction of risk because of ERAM; therefore, there should be a reduction in the rate of return. We agree that adoption of ERAM does mitigate the utility's operating risk, and we have considered that fact in deciding on an appropriate rate of return in this proceeding.

Table 1 sets forth the costs of capital comparisons between CP Nat. and the staff.

The gross revenue effect of a 0.25 of a percentage point change in rate of return on equity is as follows:

<u>Test Year</u>		
<u>District</u>	<u>Amount</u>	<u>Percent of Revenues *</u>
Lassen Electric	\$26,000	.194%
Needles Electric	7,500	.213
Needles Gas	2,000	.222
So. Lake Tahoe Gas	<u>12,400</u>	<u>.135</u>
	\$47,900	.177

\*Revenues at present rates

After considering the stipulation between the utility and staff to submit on the staff results, which reduces the utility's rate increase request by 31%, we have looked toward the bottom of the staff range because the midpoint would be excessive to use at this time. We are of the opinion that a return of 16.0% on common equity would accomplish the objectives set forth in the Hope and Bluefield decisions for the following reasons:

1. While the return on equity at the staff midpoint would result in a times interest coverage of 2.27, a return of 16.0% will still result in a respectable coverage of 2.25.
2. Rate of return is nothing else than the cost of capital. We are concerned here with capital costs in future years. The equity allowance and resultant coverages will be reasonable in light of present and future circumstances surrounding this proceeding.
3. The prime rate is trending downward and is currently below 12.0%. ✓
4. Sales adjustment, balancing account, and attrition mechanisms will help to ensure that CP Nat. has reasonable opportunity to realize the authorized rate of return.

There was considerable sentiment expressed at the public witness hearings concerning the magnitude of the requested increase. We are mindful that it is the ratepayers who are compensating CP Nat. for its cost of capital, and of the severely ailing economy affecting many of those customers. However, in setting a reasonable rate of return for a utility we must also consider all the economic and financial circumstances prevailing in the marketplace in which the utility must compete for capital. Inflation factors appear to be softening. We must balance these needs with the needs of the ratepayers in reaching our decision on rate of return. We will therefore authorize a common equity return of 16.0% for 1983 and 1984. We will project preferred stock and interest rates as recommended by stipulation.

The 16.00% on equity, 20 basis points on equity for conservation, and 13.27% rate of return for 1983 are reasonable and are adopted.

TABLE 1

Cost of Capital

<u>Component</u>	<u>Capitalization Ratios</u>		<u>Cost</u>		<u>Weighted Cost</u>	
	<u>CP Nat.</u>	<u>Staff</u>	<u>CP Nat.</u>	<u>Staff</u>	<u>CP Nat.</u>	<u>Staff</u>
<u>1983</u>						
Long-term Debt	52.27%	51.75%	11.37%	11.32%	5.94%	5.86%
Preferred Stock	5.78	6.00	9.58	9.50	.55	.57
Common Equity	41.95	42.25	19.00	16.45 <sup>1/</sup>	7.97	6.95
Total	100.00	100.00			14.46 <sup>2/</sup>	13.38 <sup>3/</sup>
<u>1984</u>						
Long-term Debt	50.08%	51.75%	11.71%	11.55%	5.86%	5.98%
Preferred Stock	5.20	6.00	9.54	9.46	.50	.57
Common Equity	44.72	42.25	19.00	16.45 <sup>1/</sup>	8.50	6.95
Total	100.00	100.00			14.86 <sup>2/</sup>	13.50 <sup>3/</sup>

<sup>1/</sup> Staff recommendation (midpoint of 16.00 - 16.50 range) plus 20 basis points recommended by staff for conservation reward.

<sup>2/</sup> Includes updated cost of capital data provided by CP Nat. after applications were filed.

<sup>3/</sup> The 16.20% adopted, the bottom of the staff recommendation (16.0%) plus 20 basis points for conservation award, yields cost and weighted cost changes to the staff results as follows:

<u>Component</u>	<u>Cost</u>	<u>Weighted Cost</u>
<u>1983</u>		
Common Equity	16.20%	6.84%
Total		13.27
<u>1984</u>		
Common Equity	16.20	6.84
Total		13.39

Revenue Requirement

The 1983 revenue requirement now proposed by CP Nat. (the staff's recommendation) for its California energy operations is set forth in Table 2 below.

TABLE 2

Revenue Requirement 1983

	<u>Lassen District</u>	<u>Needles Electric</u>	<u>Needles Gas</u>	<u>South Lake Tahoe</u>
Total Revenues	\$13,388,356	\$3,514,914	\$900,361	\$9,203,762
Proposed Increase	\$ 1,406,500	\$ 359,800	\$116,000	\$ 586,900
Percent Increase	10.5%	10.2%	12.9%	6.4%

The difference between the revenue requirement requested by CP Nat. initially at hearings and the revenue requirement based on the staff's reports now adopted by CP Nat. for these proceedings is largely due to differences in the labor and nonlabor escalation factors to be applied to estimated operating expenses and differences in estimated tax expenses.



Operating expenses consist of labor and nonlabor expenses incurred at the district offices or at CP Nat.'s General Office (GO) in Concord. A portion of these expenses are allocated portions of Administrative and General (A&G) expenses incurred at the GO. The staff has reviewed and reported on CP Nat.'s A&G and GO expenses and has concluded that, after certain allocation corrections and reduced labor and nonlabor escalation adjustments are made, these expenses are reasonable.

Tables 3, 4, 5, and 6 show a comparison of CP Nat. and staff summary of earnings estimates by district. The staff expense estimates are approximately 10% below CP Nat.'s estimates. These differences result from two factors: (1) a revised allocation factor for the Needles Electric District and (2) lower labor and nonlabor escalation factors. Table 7 shows the adopted summary of earnings by district at the 13.27% rate of return.

TABLE 3

LASSEN ELECTRIC DISTRICT  
SUMMARY OF EARNINGS

<u>Description</u> <u>(A)</u>	<u>Company</u> <u>1983 at</u> <u>Present</u> <u>Rates</u> <u>(B)</u>	<u>Staff</u> <u>1983 at</u> <u>Present</u> <u>Rates</u> <u>(C)</u>	<u>Staff</u> <u>Proposed</u> <u>Rate</u> <u>Increase</u> <u>(D)</u>	<u>1983 at</u> <u>Staff</u> <u>Proposed</u> <u>Rates</u> <u>E=C+D</u>
<u>Operating Revenues</u>				
Basic Revenues	\$ 3,183,234	\$ 3,068,064	\$1,430,942	\$ 4,499,006
Miscellaneous Revenues	<u>39,171</u>	<u>39,171</u>	<u>960</u>	<u>40,131</u>
Subtotal	3,222,405	3,107,235	1,431,902	4,539,137
Energy Revenues	<u>10,409,565</u>	<u>10,281,121</u>	<u>-</u>	<u>10,281,121</u>
Total Revenues	13,631,970	13,388,356	1,431,902	14,820,258
Energy Revenue Adjustment	<u>(10,409,565)</u>	<u>(10,281,121)</u>	<u>-</u>	<u>(10,281,121)</u>
Total Basic Revenue	3,222,405	3,107,235	1,431,902	4,539,137
<u>Operating Expenses</u>				
Purchased Power	0	0	-	0
Transmission	12,278	9,953	-	9,953
Distribution	587,547	484,145	-	484,145
Customer Accounting	299,252	272,828	9,824	282,652
Customer Service	180,562	103,300	-	103,300
Sales	780	0	-	0
Admin. and General	<u>694,471</u>	<u>622,535</u>	<u>-</u>	<u>622,535</u>
Total Oper. Exp.	1,774,890	1,492,761	9,824	1,502,585
Depreciation Expense	548,120	583,946	-	583,946
<u>Taxes</u>				
Taxes Other Than Income	215,575	202,019	7,264	209,283
Income Taxes	<u>(46,999)</u>	<u>27,082</u>	<u>724,158</u>	<u>751,240</u>
Total Taxes	168,576	229,101	731,422	960,523
Total Expenses	2,491,586	2,305,808	741,246	3,047,054
Operating Income	730,819	801,427	690,656	1,492,083
Average Rate Base	11,597,137	11,152,127	-	11,151,506
Rate of Return	6.3%	7.19%	-	13.38%
Present Revenues				13,388,356
Proposed Increase				1,431,902
Percent Increase				10.7%

(Red Figure)

TABLE 4

NEEDLES ELECTRIC DISTRICT  
SUMMARY OF EARNINGS

<u>Description</u> (A)	<u>Company</u> <u>1983 at</u> <u>Present</u> <u>Rates</u> (B)	<u>Staff</u> <u>1983 at</u> <u>Present</u> <u>Rates</u> (C)	<u>Staff</u> <u>Proposed</u> <u>Rate</u> <u>Increase</u> (D)	<u>1983 at</u> <u>Staff</u> <u>Proposed</u> <u>Rates</u> <u>E=C+D</u>
<u>Operating Revenues</u>				
Basic Revenues	\$ 1,030,866	\$ 982,517	\$365,355	\$ 1,347,872
Miscellaneous Revenues	13,758	13,758	1,800	15,558
Subtotal	1,044,624	996,275	367,155	1,363,430
Energy Revenues	2,567,802	2,518,639	-	2,518,639
Total Revenues	3,612,426	3,514,914	367,155	3,882,069
Energy Revenue Adjustment	(2,567,802)	(2,518,639)	-	(2,518,639)
Total Basic Revenue	1,044,624	996,275	367,155	1,363,430
<u>Operating Expenses</u>				
Purchased Power	0	0	-	0
Transmission	19,806	17,742	-	17,742
Distribution	122,990	110,093	-	110,093
Customer Accounting	101,901	92,078	1,445	93,523
Customer Service	37,983	30,954	-	30,954
Sales	40	0	-	0
Admin. and General	221,805	205,214	-	205,214
Total Oper. Exp.	504,525	456,081	1,445	457,526
Depreciation Expense	149,807	147,551	-	147,551
<u>Taxes</u>				
Taxes Other Than Income	95,370	91,281	5,452	96,733
Income Taxes	41,465	50,262	184,394	234,656
Total Taxes	136,835	141,543	189,846	331,389
Total Expenses	791,167	745,175	191,291	936,466
Operating Income	253,457	251,100	175,864	426,964
Average Rate Base	3,262,288	3,191,223	-	3,191,077
Rate of Return	7.77%	7.87%	-	13.38%
Present Revenues				3,514,914
Proposed Increase				367,155
Percent Increase				10.45%

(Red Figure)

TABLE 5

NEEDLES GAS DISTRICT  
SUMMARY OF EARNINGS

Description (A)	Company 1983 at Present Rates (B)	Staff 1983 at Present Rates (C)	Staff Proposed Rate Increase (D)	1983 at Staff Proposed Rates E=C+D
<u>Operating Revenues</u>				
Basic Revenues	\$396,271	\$396,272	\$118,016	\$ 514,288
Miscellaneous Revenues	<u>123,943</u>	<u>123,943</u>	<u>0</u>	<u>123,943</u>
Subtotal	520,214	520,215	118,016	638,231
Energy Revenues	<u>389,055</u>	<u>380,146</u>	<u>-</u>	<u>380,146</u>
Total Revenues	909,269	900,361	118,016	1,018,377
Energy Revenue Adjustment	(389,055)	(380,146)	-	(380,146)
S.A.M. Revenue Adjustment	<u>(123,943)</u>	<u>(123,943)</u>	<u>-</u>	<u>(123,943)</u>
Total Basic Revenue	396,271	396,272	118,016	514,288
<u>Operating Expenses</u>				
Purchased Gas	0	0	-	0
Transmission	0	0	-	0
Distribution	87,772	83,252	-	83,252
Customer Accounting	47,668	44,145	407	44,552
Customer Service	27,907	18,901	-	18,901
Sales	189	0	-	0
Admin. and General	<u>118,209</u>	<u>107,926</u>	<u>-</u>	<u>107,926</u>
Total Oper. Exp.	281,745	254,224	407	254,631
Depreciation Expense	47,008	47,397	-	47,397
<u>Taxes</u>				
Taxes Other Than Income	44,021	32,689	1,612	34,301
Income Taxes	<u>(20,144)</u>	<u>2,042</u>	<u>59,372</u>	<u>61,414</u>
Total Taxes	23,877	34,731	60,984	95,715
Total Expenses	352,630	336,352	61,391	397,743
Operating Income	43,641	59,920	56,625	116,545
Average Rate Base	908,341	875,108	-	871,034
Rate of Return	4.8%	6.85%	-	13.38%
Present Revenues				900,361
Proposed Increase				118,016
Percent Increase				13.11%

(Red Figure)

TABLE 6

SOUTH LAKE TAHOE DISTRICT  
SUMMARY OF EARNINGS

<u>Description</u> (A)	<u>Company 1983 at Present Rates</u> (B)	<u>Staff 1983 at Present Rates</u> (C)	<u>Staff Proposed Rate Increase</u> (D)	<u>1983 at Staff Proposed Rates</u> E=C+D
<u>Operating Revenues</u>				
Basic Revenues	\$2,085,250	\$2,085,250	\$599,000	\$2,684,250
Miscellaneous Revenues	<u>767,465</u>	<u>767,465</u>	<u>0</u>	<u>767,465</u>
Subtotal	2,852,715	2,852,715	599,000	3,451,715
Energy Revenues	<u>6,455,051</u>	<u>6,351,047</u>	<u>-</u>	<u>6,351,047</u>
Total Revenues	9,307,766	9,203,762	599,000	9,802,762
Energy Revenue Adjustment	(6,455,051)	(6,351,047)	-	(6,351,047)
S.A.M. Revenue Adjustment	<u>(767,465)</u>	<u>(767,465)</u>	<u>-</u>	<u>(767,465)</u>
Total Basic Revenue	2,085,250	2,085,250	599,000	2,684,250
<u>Operating Expenses</u>				
Purchased Gas	0	0	-	0
Transmission	3,756	3,593	-	3,593
Distribution	256,284	243,392	-	243,392
Customer Accounting	294,368	273,741	3,348	277,089
Customer Service	155,272	76,885	-	76,885
Sales	2,179	0	-	0
Admin. and General	<u>618,008</u>	<u>565,170</u>	<u>-</u>	<u>565,170</u>
Total Oper. Exp.	1,329,867	1,162,781	3,348	1,166,129
Depreciation Expense	270,453	270,453	-	270,453
<u>Taxes</u>				
Taxes Other Than Income	126,994	117,680	5,585	123,265
Income Taxes	<u>27,709</u>	<u>111,530</u>	<u>302,019</u>	<u>413,549</u>
Total Taxes	154,703	229,210	307,604	536,814
Total Expenses	1,755,023	1,662,444	310,952	1,973,396
Operating Income	330,227	422,806	288,048	710,854
Average Rate Base	5,397,531	5,313,217	-	5,312,822
Rate of Return	6.12%	7.96%	-	13.38%
Present Revenues				9,203,762
Proposed Increase				599,000
Percent Increase				6.51%

(Red Figure)

TABLE 7

Adopted Summary of  
Earnings by District  
1983

Description (A)	Lassen Electric (B)	Needles Electric (C)	Needles Gas (D)	South Tahoe Gas (E)
<u>Operating Revenues</u>				
Basic Revenues	\$ 4,473,573	\$1,340,544	\$ 512,291	\$2,672,095
Miscellaneous Revenues	<u>40,131</u>	<u>15,558</u>	<u>123,943</u>	<u>767,465</u>
Subtotal	4,513,704	1,356,102	636,234	3,439,560
Energy Revenues	<u>10,281,121</u>	<u>2,518,639</u>	<u>380,146</u>	<u>6,351,047</u>
Total Revenues	14,794,825	3,874,741	1,016,380	9,790,607
Energy Rev. Adjustment	(10,281,121)	(2,518,639)	(380,146)	(6,351,047)
S.A.M. Rev. Adjustment	<u>-</u>	<u>-</u>	<u>(123,943)</u>	<u>(767,465)</u>
Total Basic Revenue	4,513,704	1,356,102	512,291	2,672,095
<u>Operating Expenses</u>				
Purchased Energy	0	0	0	0
Transmission	9,953	17,742	0	3,593
Distribution	484,145	110,093	83,252	243,392
Customer Accounting	282,477	93,493	44,545	277,020
Customer Service	103,300	30,954	18,901	76,885
Sales	0	0	0	0
Admin. & General	<u>622,535</u>	<u>205,214</u>	<u>107,926</u>	<u>565,170</u>
Total Operating Exp.	1,502,410	457,496	254,624	1,166,060
Depreciation Expense	583,946	147,551	47,397	270,453
<u>Taxes</u>				
Taxes Other Than Income	209,153	96,624	34,274	123,152
Income Taxes	<u>738,379</u>	<u>230,977</u>	<u>60,409</u>	<u>407,422</u>
Total Taxes	947,532	327,601	94,683	530,574
Total Expenses	3,033,888	932,648	396,704	1,967,087
Operating Income	1,479,816	423,454	115,587	705,008
Average Rate Base	11,151,506	3,191,077	871,034	5,312,822
Rate of Return	13.27%	13.27%	13.27%	13.27%
Present Revenues	13,388,356	3,514,914	900,361	9,203,762
Proposed Increase	1,406,469	359,827	116,019	586,845
Percent Increase	10.51%	10.24%	12.89%	6.38%

(Red Figure)

Table 8 shows the differences in the labor and nonlabor escalation factors used by CP Nat. and the staff.

TABLE 8

Labor and NonLabor Escalation Factors Comparison

<u>Labor</u>	<u>Actual</u>	<u>Effective</u>	<u>CP Nat. Estimated</u>	<u>Staff Estimated</u>
<u>1982</u>	%		%	%
GO and District	10.0	1/1/82	10.0	8.5
Lassen	9.7	1/1/82	10.0	8.5
Needles Electric	9.7	5/1/82	10.0	8.5
Needles Gas	9.7	5/1/82	10.0	8.5
South Tahoe Gas	8.5	4/1/82	10.0	8.5
<u>1983</u> <sup>c</sup>				
GO and All Districts			10.0	6.4
<u>1984</u>				
GO and All Districts			10.0	6.7
<u>Nonlabor</u>				
1982			10.0	3.3
1983			10.0	6.3
1984			10.0	8.2

It can be seen from Table 8 that the staff's escalation factors which CP Nat. has adopted assume significant reductions in the rate of inflation as compared to CP Nat.'s exhibits.

Increased income tax expense caused by ERTA, and to a lesser extent TEFRA, constitutes approximately 45% of the increased revenue requirements recommended by CP Nat. and the staff. The impact is shown by district in Table 9.

TABLE 9  
Impact of ERTA and TEFRA on Revenue REquirements

<u>District</u>	<u>Test Year 1983 Revenue Requirement</u>	<u>ERTA &amp; TEFRA Impact</u>	<u>Percent of Revenue</u>
Lassen	\$1,406,469	\$ 613,869	43.7%
Needles Electric	359,827	174,636	48.5
Needles Gas	116,019	55,615	47.9
South Tahoe Gas	<u>586,845</u>	<u>263,491</u>	<u>44.9</u>
Total	\$2,469,160	\$1,107,611	44.9

Table 9 demonstrates that expense increases caused by changes in federal tax laws constitute a major reason for the rate relief required.

Other than for the expense differences, the differences in taxes on income estimates between CP Nat. and the staff are primarily related to plant additions and the requirements of TEFRA (passed after CP Nat. filed its applications).

The tax depreciation deductions represent the greatest difference between CP Nat. and the staff. These differences result from the staff's lower plant additions and longer plant life estimates than those estimated by CP Nat.

TEFRA has increased federal income tax expense by modifying the treatment of investment tax credits for 1983 and subsequent years' plant additions.

The staff's 1983 summary of earnings is reasonable and adopted.



1984 Attrition Allowance

An attrition allowance gives recognition to changes in cost level that occur beyond the test year that are not offset by future revenue at the test year authorized level.

Operational attrition is the decline in the rate of return following the test year caused by increases in expenses and rate base which cannot be offset by increases in productivity or revenues. Financial attrition is the increase in the cost of capital following the test year. The attrition allowance is designed to compensate for the above two components of attrition in the year after the test year.

A comparison of the 1984 attrition allowances proposed by both CP Nat. and the staff at the bottom of its recommended range on equity is set forth in Table 10. ✓

TABLE 10

Comparative Summary of 1984 Attrition  
Allowances for California Energy  
Operations, Including Electric  
Revenue Adjustment Mechanism (ERAM)

Gross Revenue Deficiency

	<u>Lassen</u>		<u>Needles Electric</u>		<u>Needles Gas</u>		<u>South Lake Tahoe</u>	
	<u>CP</u>	<u>Staff</u>	<u>CP</u>	<u>Staff</u>	<u>CP</u>	<u>Staff</u>	<u>CP</u>	<u>Staff</u>
Operating and other taxes	\$197,556	\$124,138	\$ 59,118	\$ 39,695	\$32,407	\$20,806	\$144,657	\$ 92,574
Plant	284,066	237,457	80,487	68,431	22,527	18,644	132,758	113,471
Total Operational Attrition	481,622	361,595	139,605	108,126	54,934	39,450	277,415	206,045
Total Financial Attrition	31,776	13,544	9,002	3,903	2,520	1,063	14,852	6,472
Total Attrition	513,398	375,139	148,607	112,029	57,454	40,513	292,267	212,517

Rate of Return Deficiency by Percentage

Operational Attrition	1.99%	1.56%	2.04%	1.62%	2.87%	2.17%	2.46%	1.86%
Financial Attrition	<u>0.28</u>	<u>0.12</u>	<u>0.28</u>	<u>0.12</u>	<u>0.28</u>	<u>0.12</u>	<u>0.28</u>	<u>0.12</u>
Total	2.27	1.68	2.32	1.74	3.15	2.29	2.74	1.98
Escalation Elements								
Labor	6.7%		6.7%		6.7%		6.7%	
Nonlabor	8.2		8.2		8.2		8.2	

The differences between the operational and financial attrition proposed by CP Nat. and the staff are due to the staff's use of a composite inflation rate 2.6% to 2.7% lower than the 10% rate used by CP Nat.: and a debt financing cost 1.25% lower than the 15.25% cost factor used by CP Nat.

CP Nat. has agreed to adopt the attrition allowances proposed by the staff, at the midpoint of its range on equity. An attrition allowance geared to the bottom of the range is shown in Table 10. Both CP Nat. and the staff recommended that the attrition allowances should be implemented by advice letter filing.

Staff's 8.2% escalation of nonlabor expense, based on the Modified Producer Price Index (MPPI), is calculated by weighting various elements of the Producer Price Index and the U.S. Consumer Price Index-Wage Earner (CPI-W) as follows:

<u>Modified Producer Price Index</u>		<u>Bureau of Labor Statistics</u>
<u>Category</u>	<u>% Weight</u>	<u>Code</u>
<u>Producer Price Index</u>		
Energy	7.52	057
Chemicals	9.34	06
Rubber & Plastics	4.78	07
Lumber & Wood	4.23	08
Paper & Pulp	6.22	09
Metals	23.00	10
Machinery & Equipment	19.65	11
Transportation Equipment	13.49	14
Other Industrial		
Commodities	6.77	INDO (DRI)
CPI-W	5.00	CPIW
	<u>100.00</u>	

Staff's estimate of financial attrition and the nonescalation portion (fixed attrition items) of operational attrition is reasonable and will be adopted. Staff's method of determining nonlabor escalation (MPPI) will be adopted; however, the staff's determination of escalation rates is premature and will be postponed to a date closer to the attrition year 1984. With regard to labor escalation we will use the latest available indexes from the U.S. All-Urban CPI. We will also adjust the adopted base year escalation factors to reflect the actual inflation factors in those reports.

In order to reflect the latest available indexes, CP Nat. should file by October 15, 1983, an advice letter setting forth the appropriate escalation and nonescalation amounts in the format shown in Appendix C.

Conservation

CP Nat. proposes the following energy conservation programs for the test year 1983.

1. Residential Weatherization Services Program.
2. Energy Efficient Home Program.
3. Agricultural Pump Test Program.
4. Pilot Light Program.
5. Energy Efficient Street Lighting Program.
6. Renewable Resources Program.
7. Conservation Voltage Regulation and Surveillance Program.
8. Water Heater Conversion Program.
9. Commercial Conservation Program.

The agricultural pump test and water heater conversion programs are new proposed programs to be funded in a separate balancing account. We have also authorized two conservation financing balancing accounts (CFA) for the recovery of Residential Conservation Program (RCS) weatherization program.

The staff agrees with CP Nat.'s proposed programs and funding levels for 1983, and the dates set for certain programs to end, except that funds requested for certain programs should be reduced. The funds requested for the RCS and weatherization related expenses should be deleted since they duplicate expenditures

subsequently authorized for recovery through the CFA.<sup>4</sup> The staff recommends that funds requested for the Pilot Light Program be reduced and the Energy Efficient Home Program be deleted because the former program needs less utility involvement and the latter program is no longer needed. The staff only recommends cost effective programs.

Except for programs that provide conservation informational assistance (bill stuffers), improve operating efficiency, and lower the costs of providing service, the staff witness recommends that conservation programs be discontinued by December 31, 1984. After that date we will recognize in cost of service only cost-effective programs for which it can be shown a substantial market exists.

A comparison of the staff and initial utility test year estimates for conservation program expenses is as follows:

	Conservation Program Expenses in Test Year		
	CP Nat.**	Staff	CP Nat. Less Staff
Lassen Electric District	\$ 67,319	\$ 6,950	\$ 60,369
Needles Electric District	6,275	2,750	3,525
Needles Gas District	10,925	3,250	7,675
South Lake Tahoe District	80,399	7,313	73,086

\*\*CP Nat. agreed to staff basis for early decision as it did on all issues.

When these rate applications were filed, A.60775, an RCS-ZIP (zero interest plan) funding proceeding, was pending. Since then, D.82-07-096 has been issued authorizing a CFA for the recovery of RCS and weatherization-related expenses. Because of this action the staff estimate does not include these programs; however, the utility estimates do because such estimates were filed prior to the above authorization.

<sup>4</sup> D.82-07-096 in A.60775.

The staff recommendations on funding level and termination of programs are reasonable and adopted.

In D.84902 dated September 16, 1975 we stated:

"We regard conservation the most important task facing utilities today... Reducing energy growth in an orderly, intelligent manner is the only long term solution to the energy crisis...

"To this end, we intend to make the vigor, imagination and effectiveness of a utility's conservation efforts a key question in future rate proceedings and decisions on supply authorization."

The staff conservation witness testified that CP Nat. did an outstanding job in promoting conservation activities. CP Nat. invested the most money to support weatherization-related conservation programs and did so even without ratepayers' funding support and without mandates. In 1981 CP Nat. invested \$146,000 or \$7.14 per customer. The statewide average was \$2.90 per customer. CP Nat. had the largest energy use per customer drop among California utilities. An average drop of 25% in electric use per customer and 45% in gas use per customer from the peak year (1975) use was achieved. Electric use per customer reductions were more than 22% above the statewide average in 1981. Gas use per customer reductions were about 20% above the statewide average in 1981. CP Nat. was one of the first utilities to start a door-to-door promotion of RCS audits (in its Needles and Lassen Districts). This reflects a strong commitment to energy conservation. CP Nat. was also one of the first utilities to have all of its electric circuits under surveillance to monitor voltage levels to ensure cost-effectiveness.

CP Nat. maintains that a 20 basis point award representing a total of \$38,000 per year is modest in comparison to the \$146,000 expense for the interim residential weatherization program incurred and not recovered by its shareholders during the 17-month period from

the onset of the last general rate case and the Commission's decision establishing a balancing account for these programs. CP Nat. also points out that an award is appropriate in view of the fact that the significant reduction in electric sales experienced as a consequence of its energy conservation efforts was incurred at the expense of CP Nat.'s shareholders, there being no ERAM in place to recover this revenue loss.

The staff recommended that CP Nat. be authorized a reward of 20 basis points on the rate of return on common equity for its energy conservation achievements.

The CFBF does not oppose the conservation award, but requests that the Commission consider the interests of the ratepayers determining the amount and time period of the reward.

In CP Nat.'s last general rate decision, we agreed that CP Nat.'s conservation efforts have been commendable, but declined to authorize the reward recommended by the staff because of (1) an insufficient record to justify the specific reward and (2) the lack of specific guidelines which may provide an objective basis for a positive adjustment in rate of return in the future.

We have carefully reviewed the record in this proceeding and are of the opinion that CP Nat.'s efforts have been outstanding. The company has demonstrated extraordinary initiative and clearly the conservation savings have been substantial. The reward recommended by the staff is fully supported by objective evidence in the record, is in conformance with our guidelines for consideration of utility conservation activities set forth in D.91107 dated December 19, 1979, and is reasonable.

The gross revenue effect in the test year 1983 of a 0.2 percentage point increase in rate of return on equity for a conservation reward by district is as follows:

Conservation Award in Test Year

<u>District</u>	<u>Amount</u>	<u>% of Revenues ***</u>
Lassen Electric	\$20,800	.155
Needles Electric	6,000	.171
Needles Gas	1,600	.178
So. Lake Tahoe Gas	<u>9,900</u>	<u>.108</u>
	\$38,300	.142

\*\*\*Revenues at present rates. The reward is equivalent to a 0.09 percentage point increase in rate of return on rate base.

This reward is made on a one-time basis for performance demonstrated in the record before us. It is to be included in rates only for test year 1983 and attrition year 1984. We do not anticipate continuing this reward in future years.

Electric Revenue Adjustment Mechanism

The staff has proposed and CP Nat. is willing to implement an ERAM in its Lassen and Needles Electric Districts. The use of ERAM eliminates the uncertainty in projecting sales and revenues for a future period. It protects both utility customers and the utility from differences in revenue resulting from sales being different than estimated.

A similar type of mechanism, the Supply Adjustment Mechanism (SAM), has been successfully used by most gas utilities in this state, including CP Nat. ERAM allows utilities to aggressively pursue appropriate conservation measures without being penalized by



declining sales. An ERAM has recently been approved for PG&E.<sup>5</sup> The filing of an ERAM tariff by CP Nat. is reasonable and, therefore, adopted.

#### Rate Design

CP Nat. proposes to spread the rate increase using the sales estimates, rate design, and marginal cost principles recommended by the staff. The new tariff sheets designed to yield the staff/CP Nat. revenue requirement were jointly developed by CP Nat. and the staff in consultation with other appearances of record and submitted as late-filed Exhibit 60 reserved for this purpose.

The proposed rate design uses marginal cost principles, combines Needles Electric Schedules 122 and 123, limits street-lighting rate increases to the average percentage that all schedules are actually increased, and with some minor exceptions allocates rate increases, including Schedule P-130 (Agricultural Pumping), to the commodity charge. Such designs increase the commodity charge for agricultural pumping in the Lassen and Needles Electric Districts by \$0.01 from \$14.39 to \$14.40 per horsepower per year. The customer or service charges in the South Lake Tahoe and Needles Gas Districts are increased on all schedules to \$5.50. The balance of the increase in authorized revenue in all districts is obtained by increasing the commodity charge. This proposal is reasonable and adopted.

#### Agricultural Customer Study

During public hearings held in Susanville on August 24 and 25, several questions regarding agricultural pumping service were raised. CP Nat. responded to these concerns. Among the areas of concern were alternate rate designs which might be available to the agricultural pumping customers which would permit a lower rate for off-peak use of electric service. Public testimony presented at the

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<sup>5</sup> D.93887 dated December 31, 1981.

hearings made it clear that the irrigation customers were interested in saving money on their electric service.

In response to customer concern regarding the agricultural pumping service, CP Nat. proposed undertaking a study that would include the following:

1. Determine whether CP Nat. can save money if its agricultural pumping customers shift their peak demands and load to off-peak periods. The dollar amount of savings due to any load shift will also be calculated.
2. Determine what type or types of rate design could be instituted which would pass on to the agricultural pumping customers the cost savings realized due to a load shift.
3. Contact present agricultural pumping customers to determine if the characteristics of their operations, crops grown, size and type of pump equipment, and specific farming practices would benefit from a time of use agricultural pumping rate schedule.
4. Assuming it is determined that a time of use agricultural pumping rate is economically feasible and sufficient interest in the new rate design is expressed by customers, an alternate agricultural pumping rate schedule would be proposed to the Commission by advice letter.
5. CP Nat. will continue to conduct its public awareness programs regarding general conservation and, in particular, continue its agricultural pump efficiency testing program. The pump testing program, which began earlier in 1982, has resulted in approximately one-third of all agricultural pumps in the service area having been tested. The results of these tests have been explained to customers with the hope that any inefficient pumps will be repaired or replaced. CP Nat. believes that this program has received a high level of acceptance by its customers.

CP Nat. proposed that the results of the above study be reported to the Commission prior to the beginning of the 1983 agricultural pumping season or prior to April 1, 1983. If the results of the study indicate that a new rate design or time of use rate is warranted, CP Nat. will submit a proposed tariff. The proposed agricultural customer study is reasonable and CP Nat. will be required to undertake such study.

Findings of Fact

1. CP Nat. has stipulated that the staff's estimates for revenues, operating expenses, and rate base for each district for test year 1983 are reasonable.
2. The addition of 20 basis points to CP Nat.'s rate of return on equity is an appropriate reward for CP Nat.'s energy conservation achievements and will be adopted.
3. A rate of return on common equity of 16.20% for CP Nat.'s California energy operations, the low end of staff's recommended range plus 20 basis points for conservation reward, is reasonable.
4. A rate of return of 13.27% on rate base, including the effect of the conservation award, for CP Nat.'s California energy operations reflects CP Nat.'s cost of capital and is reasonable.
5. Test year rate increases over revenues at present rates for test year 1983 in the amounts of \$1,406,500 for the Lassen District; \$359,800 for the Needles Electric District; \$16,000 for the Needles Gas District; and \$586,900 for the South Lake Tahoe District result from findings 1-4 and are reasonable.
6. The rate design and rate spread have been agreed upon by CP Nat. and the staff and are reasonable.
7. Appendix C contains the formula for calculating the appropriate attrition allowances for 1984 based on data presented at the hearing. Those factors should be reviewed in the advice letter to be filed by applicant to reflect actual attrition factors in the base year and latest available estimates for the attrition year.

8. The attrition allowances are to be implemented by advice letter.

9. The ERAM recommended by the staff will eliminate the uncertainty in projecting sales and revenues and is reasonable.

10. CP Nat. proposes an Agricultural Customer Study in response to concerns regarding special rates for agricultural pumping.

11. Complainants seek a management audit, and reduced or frozen utility rates.

12. There are not sufficient facts to grant the relief sought by complainants.

13. To maintain CP Nat.'s eligibility for accelerated depreciation and ITC authorized by ERTA, as modified by TEFRA, we are required to issue a decision by the end of 1982 and authorize new rates to become effective by January 1, 1983.

Conclusions of Law

1. The applications should be granted to the extent provided by the following order.

2. CP Nat. should be required to undertake and report on its proposed Agricultural Customer Study as discussed above.

3. The complaint in Case 82-03-09 should be denied.

4. Because, as set forth in Finding 14, there is an immediate need for rate relief the following order should be effective on the date of signature.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, CP National Corporation (CP Nat.) is authorized to file, for each of its California gas and electric districts, revised rate schedules in accordance with Appendixes A (electric) and B (gas) attached to this order and concurrently to withdraw and cancel its presently effective

schedules. Such filings shall comply with General Order 96-A. Upon five days' notice to the Commission the revised schedules shall be effective on January 1, 1983 and shall apply only to service rendered on and after their effective dates.

2. CP Nat. shall implement its conservation program as set forth in the opinion.

3. For each of its districts, CP Nat. is authorized to file an advice letter not later than October 15, 1983, for the attrition allowance for 1984 set forth in the opinion. The attrition allowance shall be calculated as set forth in Appendix C.

4. By March 1, 1983, CP Nat. shall send to its California energy customers a bill insert showing the effect of ERTA and TEFRA as set forth in Appendix D.

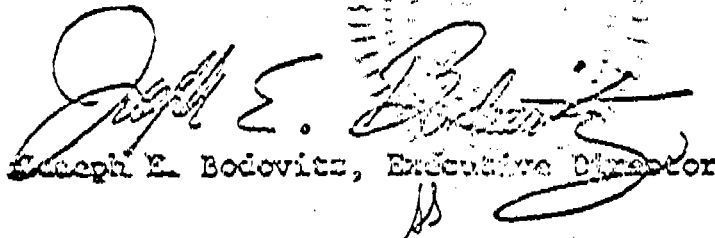
5. The relief requested in Case 82-03-09 is denied.

This order is effective today.

Dated DEC 15 1982, at San Francisco, California.

JOHN E. BRYSON  
President  
RICHARD D. GRAVELLE  
LEONARD M. GRIMES, JR.  
VICTOR CALVO  
PRISCILLA C. CREW  
Commissioners

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY.

  
Joseph E. Bodovitz, Executive Director

PRELIMINARY STATEMENT  
(Continued)H. ELECTRIC REVENUE ADJUSTMENT MECHANISM (ERAM)

1. Applicability. This Electric Revenue Adjustment Mechanism (ERAM) provision applies to bills for service under all rate schedules and contracts for electric service.
2. Basic Rates. The Basic Rates are the basic electric rates and miscellaneous revenues effective: Needles District, January 1, 1983, Lassen District, January 1, 1983.
3. Base Revenue Amount. The Base Revenue Amount is the total basic rates revenue authorized:

	<u>Decision No.</u>	<u>Base Revenue Amount</u>
Needles District		\$ 1,356,102
Lassen District		4,513,704

4. Current Period. The volumes of energy, expressed in kilowatt hours, to be utilized hereunder shall be those sold during the latest calendar or estimated year (test year).
5. Revision Dates. The Utility may file for a change in ERAM rates when required, but such filing shall be in conjunction with the appropriate Energy Rate filing as determined in Part D of the Preliminary Statement. At such time, or as soon thereafter as the Commission may authorize, the utility shall, in accordance with the provisions hereof, increase or decrease the ERAM rates applicable to each rate schedule and contract.
6. ERAM Rates. The Commission shall determine and fix applicable ERAM rates to be placed into effect for each revision period. The utility shall file one or more exemplary ERAM rates to recover the Electric Revenue Adjustment Amount set forth in sub-paragraph 8.
7. Current Electric Revenue Recovery Amount. The Current Electric Revenue Recovery Amount shall be the revenues calculated at Basic Rates for the current period.
8. Electric Revenue Adjustment Amount. The Electric Revenue Adjustment Amount shall be the difference between the Base Revenue Amount and the Current Electric Revenue Recovery Amount, plus the balance in the Electric Revenue Adjustment Account, determined as specified in Section 9 below, at the end of the latest available month at the time of the computation being made under the provisions of this Section.

PRELIMINARY STATEMENT  
(Continued)

H. ELECTRIC REVENUE ADJUSTMENT MECHANISM (ERAM) (Continued)

9. Electric Revenue Adjustment Account. Beginning as of the date this Electric Revenue Adjustment Mechanism provision becomes effective, the utility shall maintain an Electric Revenue Adjustment Account. Entries shall be made to this account at the end of each month as follows:
  - (a) A debit entry equal to, if positive (credit entry, if negative):
    - (1) One-twelfth of the Base Revenue Amount, less
    - (2) The amount of Electric Department revenue billed during the month at Basic Rates (Margin) including miscellaneous revenues plus revenue billed during the month under ERAM Rates.
  - (b) An entry equal to the current interest percentage applied to the average of the balance in the account at the beginning of the month and the balance in the account after entries (1) and (2) above. Such interest shall be 1/12 of the most recent month's interest rate on Commercial Paper plus 50 basis points (prime, 3 month), published in the Federal Reserve Statistical Release G.13.
10. Time and Manner of Filing and Related Reports. The Utility shall file revised Adjustment Rates with the California Public Utilities Commission in a manner consistent with Part D of the Preliminary Statement. Each such filing shall be accompanied by a report which shows the derivation of the adjustment to be applied.

## Schedule No. D-110 and D-113

DOMESTIC SERVICEAPPLICABILITY

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

TERRITORY

The entire territory of the Utility's Lassen District. Service in the Westwood Area is identified as Schedule No. D-113.

RATES

Per Meter  
Per Month

Service Charge:

\$2.50

Commodity Charge:

Lifeline kWh, per kWh

\$.06928

Non-lifeline kWh, per kWh

\$.10043

Adjustments:

Included in the Commodity Charge above are the following adjustments as specified in Parts D and H of the Preliminary Statement:

	<u>Electric Revenue Adjustment</u>	<u>Energy Rates</u>	<u>Total</u>
Lifeline kWh, per kWh	\$.00000	\$.02245	\$.02245
Non-Lifeline kWh, per kWh	\$.00000	\$.10043	\$.10043

SPECIAL CONDITIONS

1. Single-phase motors of not more than 7½ HP may receive service under this schedule.
2. In order to qualify for lifeline quantities above the basic lifeline quantity, the customer shall sign a declaration under penalty of perjury stating whether he (or she) has electric water heating or space heating or both. The penalty for presenting false information in this declaration shall be any legal action which the utility might elect to pursue.

(Continued)



## Schedule No. DSL-123

MULTI-FAMILY SERVICE  
(SUBMETERED)APPLICABILITY

This schedule is applicable to service for domestic lighting, heating, cooking and power service supplied to multi-family accommodations through a master meter on a single premises with all the individual family units submetered.

TERRITORY

The entire territory of the Utility's Lassen District.

RATESPer Meter Per Month

Service Charge:	\$2.50
Commodity Charge:	
Lifeline kWh, per kWh	\$0.06233
Non-lifeline kWh, per kWh	\$1.0043

Adjustments: Included in the Commodity Charge above are the following adjustments as specified in Parts D and H of the Preliminary Statement:

	<u>Electric Revenue</u> <u>Adjustment</u>	<u>Energy Rates</u>	<u>Total</u>
Lifeline kWh, per kWh	\$0.00000	\$0.02020	\$0.02020
Non-Lifeline kWh, per kWh	\$0.00000	\$1.0043	\$1.0043

SPECIAL CONDITIONS

1. In order to qualify for lifeline quantities above the basic quantity, the customer shall sign a declaration under penalty of perjury stating (a) that he (or she) is the owner and/or manager of the multi-family dwelling units receiving service under this schedule on a master meter basis with submetering to individual units, (b) the number of individual units that qualify for lifeline service, and (c) the number of individual units that have electric water heating or electric space heating or both. The penalty for presenting false information in this declaration shall be a denial of lifeline electric service for a period of one year and any legal action which the utility might elect to pursue.

(Continued)

## Schedule No. DML-124

MULTI-FAMILY SERVICE  
(NOT SUBMETERED)APPLICABILITY

This schedule is applicable to service for domestic lighting, heating, cooling and power service supplied to multi-family accommodations (including apartment buildings and mobile home parks) through one meter on a single premises.

TERRITORY

The entire territory of the Utility's Lassen District.

RATESPer Meter  
Per Month

Service Charge:

\$2.50

Commodity Charge:

Lifeline kWh, per kWh

\$0.06926

Non-Lifeline kWh, per kWh

\$0.10043

Adjustments:

Included in the Commodity Charge above are the following adjustments as specified in Parts D and E of the Preliminary Statement:

	<u>Electric Revenue</u> <u>Adjustment</u>	<u>Energy Rates</u>	<u>Total</u>
Lifeline kWh, per kWh	\$0.00000	\$0.02245	\$0.02245
Non-Lifeline kWh, per kWh	\$0.00000	\$0.10043	\$0.10043

SPECIAL CONDITIONS

1. In order to qualify for lifeline quantities above the basic quantity, the customer shall sign a declaration under penalty of perjury stating (a) that he (or she) is the owner and/or manager of the multi-family dwelling units receiving service under this schedule on a master meter basis with no submetering to individual units, (b) the number of individual units that qualify for lifeline service, and (c) the number of individual units that have electric water heating or electric space heating or both. The penalty for presenting false information in this declaration shall be denial of lifeline electric service for a period of one year and any legal action which the utility might elect to pursue.

(Continued)

## Schedule No. A-120

GENERAL SERVICEAPPLICABILITY

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

TERRITORY

The entire territory of the Utility's Lassen District.

RATESPer Meter Per Month

Customer Charge:	\$2.50
<u>Unmetered Demand:</u> (MRC 121)	
Energy Charge:	
All Kwhrs, per Kwhr	\$1.0361
<u>Metered Demand:</u> (MRC 125)	
Demand Charge:	
All Kw, per Kw	\$.75
Energy Charge:	
All Kwhrs, per Kwhr	\$.07740

Adjustments: Included in the Commodity Charge above are the following adjustments as specified in Parts D and H of the Preliminary Statement.

Per Kwhr

Energy Rate	\$.05939
Electric Revenue Adjustment	\$.00000
Total	\$.05939

Minimum Charge:

## Single Phase Service:

The Service Charge constitutes the Minimum Charge.

## Polyphase Service:

The minimum charge shall be the greater of (1) a bill calculated using the service charge and commodity charge specified above and (2) a bill calculated using a rate of \$1.00 per kW of Connected Load plus the energy rate specified above times the kWh consumption.

(Continued)

## Schedule No. P-130

AGRICULTURAL PUMPING SERVICEAPPLICABILITY

This schedule is applicable to installations of 5 hp or more for pumping water for agricultural irrigation purposes.

TERRITORY

The entire territory of the Utility's Lassen District.

RATESPer Meter

Service Charge:

All hp, per hp per year

\$14.40

Commodity Charge:

Per Meter Per Month

All kWh, per kWh

\$.07575

Adjustments: Included in the Commodity Charge above are the following adjustments as specified in Parts D and H of the Preliminary Statement.

Per Kwhr

Energy Rate

\$.05939

Electric Revenue Adjustment

\$.00000

Total

\$.05939

Minimum Charge: The minimum Charge will be the Annual Service Charge and will be based on not less than 5 hp.

SPECIAL CONDITIONS

## 1. Agricultural Year:

- a. Service under this schedule will be available on a twelve-month basis.
- b. The annual Service Charge will be applied to billings for service rendered during the five month irrigation season, beginning May 1 and ending September 30 of each year.
- c. The Service Charge will be based on the largest load that may be connected at any one time, but not less than 5 horsepower.

(Continued)

Schedule No. P-130

AGRICULTURAL PUMPING SERVICE  
(Continued)

SPECIAL CONDITIONS (Continued)

2. 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 Company's rules on file with the Public Utilities Commission of the State of California.

3. Contracts:

The Company may require a contract for service under this schedule for a period not to exceed three years when service is first rendered and thereafter from year to year.

4. Service to New or Permanently Discontinued Installations:

An adjustment to the Service Charge will apply only in the case of service first begun or permanently discontinued and will not be made when installations are shut down for a few months. The Service Charge will be prorated at the rate of one-eighth of the annual charge per month between the March meter reading date and the November meter reading date.

5. Determination of Motor Size:

The motor size for billing purposes will not be less than five horsepower and shall be the nameplate rating of the motor capacity in horsepower, except that whenever, upon test, any motor is found to be delivering more than 125% of its full load capacity, as indicated by its nameplate rating, the Company may disregard the nameplate rating and base its charges upon the actual output as calculated from test. Any motor which is billed on a basis in excess of its nameplate rating in accordance with this special condition, shall be tested at intervals to be determined by the Company or upon notification by the customer of a permanent change in operating conditions.

## Schedule No. OL-150

OUTDOOR AREA LIGHTING SERVICEAPPLICABILITY

Applicable to all customers for outdoor lighting service furnished from dusk to dawn with utility owned lamps in luminaire supplied from utility's overhead and underground circuits and mounted on utility owned poles, or on customer owned supports acceptable to the utility.

TERRITORY

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

RATE

	Rate Per Lamp Per Month	
	Area Light	Flood Light

Overhead Service:Mercury-Vapor Lamps (New service not available):

7,000 Lumens (175w, 65 Kwhrs per month)	\$ 10.18	
20,000 Lumens (400w, 146 Kwhrs per month)	18.62	

Sodium-Vapor Lamps:

9,500 Lumens (100w, 40 Kwhrs per month)	\$ 8.04	N/A
22,000 Lumens (200w, 78 Kwhrs per month)	11.22	\$13.89
50,000 Lumens (400w, 150 Kwhrs per month)	N/A	19.50

Underground Service:Mercury-Vapor Lamps (New service not available):

7,000 Lumens (175w, 65 Kwhrs per month)	\$ 10.89	
20,000 Lumens (400w, 146 Kwhrs per month)	19.32	

Sodium-Vapor Lamps:

9,500 Lumens (100w, 40 Kwhrs per month)	\$ 8.04	N/A
22,000 Lumens (200w, 78 Kwhrs per month)	11.22	\$13.89
50,000 Lumens (400w, 150 Kwhrs per month)	N/A	19.50

Additional Charge:

An installation charge of \$ .89/ft shall be made for each foot of service in excess of 150 feet per lamp.

Pole Charge:

A monthly charge of \$1.48 per pole shall be made for each additional pole required in excess of the number luminaires installed (poles installed prior to the effective day of this schedule). A monthly charge, in addition to the above rates, shall be made for each luminaire mounted on a company owned pole where the pole is necessary to support the luminaire and is installed after the effective date of this schedule and for each company owned pole (installed after the effective date of this schedule) required in excess of the number of luminaires installed as follows: Wood pole - \$2.37 per pole, Decorative pole - \$7.67 per pole.

(Continued)

## Schedule No. OL-150

OUTDOOR AREA LIGHTING SERVICE  
(Continued)ADJUSTMENT

Included in the rates per lamp, above, are the following adjustments as specified in Parts D and H of the Preliminary Statement.

	<u>Per Kwhr</u>
Energy Rate	\$.05939
Electric Revenue Adjustment	\$.00000
Total	\$.05939

SPECIAL CONDITIONS

1. This service will be in accordance with utility specifications as to equipment, installation, maintenance and operation. Maintenance by the utility includes lamp replacement on a scheduled basis. Individual lamps will be replaced on burn-out as soon as practicable after notification by the customer, subject to the utility's operating schedules. Credit for lamp outages will not be given.
2. After installation at an agreed location, the location of a utility owned luminaire and/or service connection may be changed at customer's request and upon payment by the customer of the costs of removal and re-installation of the luminaire or other facilities.
3. Service under this schedule will be furnished upon receipt of a contract signed by the customer in which he agrees to take service for a period of not less than three years.
4. Underground service is limited to a maximum of 1,000 feet from the point of connection to the distribution system.
5. The utility's dusk to dawn, all night service is based on a burning schedule of approximately 4,100 hours per year.
6. This schedule is not applicable to municipal or other public lighting authorities for street lighting use.
7. The customer will provide trenching and backfill, including all cost for paving, conduit, and other related expenses where applicable.
8. This service is available at the above rates only where required voltage already exists.
9. A decorative pole is one of the following: steel, fiberglass, aluminum, or concrete.
10. The company will convert existing lighting systems to sodium vapor lamps pursuant to a conversion plan to be filed with the California Public Utilities Commission.

## Schedule No. LS-154

STREET AND HIGHWAY LIGHTING  
COMPANY OWNEDAPPLICABILITY

This schedule is applicable to service furnished to municipal or other public lighting authorities and supplied from overhead and underground distribution lines to street, highway, and other public outdoor lighting installations, where the utility owns and maintains the entire equipment.

TERRITORY

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

RATESRate Per Lamp Per MonthOverhead Service:

Incandescent Lamps (New service not available):  
2,500 Lumens (189w, 65 Kwhrs per month)

For all units served on  
December 17, 1976

\$ 7.14

Mercury-Vapor Lamps (New service not available):

7,000 Lumens (175w, 65 Kwhrs per month)  
20,000 Lumens (400w, 146 Kwhrs per month)

\$ 10.41

18.06

Sodium-Vapor Lamps:

9,500 Lumens (100w, 40 Kwhrs per month)  
22,000 Lumens (200w, 78 Kwhrs per month)  
50,000 Lumens (400w, 150 Kwhrs per month)

\$ 8.97

12.41

18.16

Underground Service:

Mercury-Vapor Lamps (New service not available):

7,000 Lumens (175w, 65 Kwhrs per month)  
20,000 Lumens (400w, 146 Kwhrs per month)

\$ 10.41

18.06

Sodium-Vapor Lamps:

9,500 Lumens (100w, 40 Kwhrs per month)  
22,000 Lumens (200w, 78 Kwhrs per month)  
50,000 Lumens (400w, 150 Kwhrs per month)

\$ 8.97

12.41

18.16

Additional Charge:

An installation charge of \$ .39/ft shall be made for each foot of service in excess of 150 feet per lamp.

(Continued)



## Schedule No. LS-154

STREET AND HIGHWAY LIGHTING  
COMPANY OWNED  
(Continued)Pole Charge:

A monthly charge of \$3.08, in addition to the above rates shall be made for each lamp mounted on a metal pole installed prior to the effective date of this schedule. A monthly charge, in addition to the above rates, shall be made for each luminaire mounted on a pole, where the pole is necessary to support the luminaire and is installed after the effective date of this schedule, as follows: Wood pole - \$2.87 per pole, Decorative pole - \$7.67 per pole.

ADJUSTMENTS

Included in the rates per lamp, above, are the following adjustments as specified in Parts D and E of the Preliminary Statement.

	<u>Per Kwhr</u>
Energy Rate	\$.05939
Electric Revenue Adjustment	\$.00000
Total	\$.05939

SPECIAL CONDITIONS

1. This schedule is 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.
2. The customer shall specify in writing the exact location and size of each lamp to be installed.
3. Lights will be turned on and off once each night in accordance with a standard burning schedule of approximately 4,100 hours per year.
4. Underground service is limited to a maximum of 1,000 feet from the point of connection to the distribution system.
5. The customer will provide trenching and backfill, including all cost for paving, conduit, and other related expenses where applicable.
6. Street lights will be relocated at the expenses of the customer.
7. The minimum charge shall be that set by the contract entered into between the utility and the customer covering agreement for street lighting service.
8. A decorative pole is one of the following: steel, fiberglass, aluminum, or concrete.
9. The company will convert existing lighting systems to sodium vapor lamps pursuant to a conversion plan to be filed with the California Public Utilities Commission.

## Schedule No. LS-156

STREET AND HIGHWAY LIGHTING  
CUSTOMER-OWNED OR CONTRIBUTEDAPPLICABILITY

This schedule is applicable to service furnished to municipal or other public lighting authorities and supplied from overhead and underground distribution lines to street, highway, and other public outdoor lighting installations, where the customer owns or contributes the equipment and the utility supplies the energy and maintains the equipment.

TERRITORY

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

RATESRate Per Lamp Per MonthOverhead and Underground Service:Mercury Vapor Lamps:

7,000 Lumens (65 Kwhrs)	\$ 7.47
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Sodium-Vapor Lamps:

9,500 Lumens (100w, 40 Kwhrs per month)	\$ 4.25
22,000 Lumens (200w, 78 Kwhrs per month)	7.18
50,000 Lumens (400w, 150 Kwhrs per month)	12.78

ADJUSTMENTS

Included in the rates per lamp, above, are the following adjustments as specified in Parts D and E of the Preliminary Statement.

	<u>Per Kwhr</u>
Energy Rate	\$.05939
Electric Revenue Adjustment	\$.00000
Total	\$.05939

SPECIAL CONDITIONS

1. This schedule is applicable to multiple street lighting systems. Current will be delivered at secondary voltage.
2. The utility will provide at its expense an overhead service drop to a customer owned interconnected group of lamps having a connected load of not less than 2 Kw. For a customer owned interconnected group of lamps having a connected load of less than 2 Kw or individual customer electroliers with a self-contained photo cell switch, the utility will connect the customer's overhead service wire to the utility's overhead lines at the customer's expense.

(Continued)

Schedule No. LS-156

STREET AND HIGHWAY LIGHTING  
CUSTOMER-OWNED OR CONTRIBUTED  
(Continued)

3. Lights will be turned on and off once each night in accordance with a standard burning schedule prescribed by the customer, but not exceeding 4,100 hours per year for all-night service.
4. All installations served will be installed by the customer or at customers expense. All installations must be approved by the company.
5. Street lights will be relocated at the expense of the customer.
6. This schedule is available only upon contract, which shall specify the terms and conditions under which this service shall be rendered and the rules under which additions and changes will be made.

## Schedule No. T-170

GENERAL POWER SERVICE - TIME METEREDAPPLICABILITY

This schedule is applicable to alternating current service for all customers whose maximum demand in any time period is 500 kilowatts or greater.

TERRITORY

The entire territory of the Utility's Lassen District.

RATES

Per Meter  
Per Month

Service Charge:

\$230.00

Demand Charge:

Period A, per kilowatt of billing demand

\$3.97

Period B, per kilowatt of billing demand

No Charge

Commodity Charge:

Period A, kWh, per kWh

\$0.07257

Period B, kWh, per kWh

\$0.06080

Adjustments:

Included in the Demand Charge and Commodity Charge, above, are the following adjustments as specified in Parts D and H of the Preliminary Statement.

	Electric Revenue Adjustment	Energy Rates	Total
Demand Charge:			
Period A, per kilowatt of billing demand	\$0.00	\$3.97	\$3.97
Period B, per kilowatt of billing demand	\$0.00	No Charge	\$0.00
Commodity Charge:			
Period A, kWh, per kWh	\$0.00000	\$0.04918	.04918
Period B, kWh, per kWh	\$0.00000	\$0.04918	.04918

Minimum Charge:

The minimum monthly charge for service on this schedule will be the monthly Service Charge, plus \$.25 per KVA of the rated capacity of the equipment installed exclusively to provide service, plus the Energy Rates specified above.

(Continued)

## Schedule No. T-170

GENERAL POWER SERVICE - TIME METERED  
(Continued)SPECIAL CONDITIONS

1. Time Periods:  
Period A is applicable to meter readings on any day 6:31 a.m. to 10:30 p.m.  
Period B is applicable to meter readings on any day 10:31 p.m. to 6:30 a.m.
2. Bill Calculations:  
The total bill per month will be the sum of the Service Charge and the calculations of the Rates for Period A and Period B, less the Primary Voltage Discount. In no case will the total bill be less than the Minimum Charge.
3. Voltage:  
Any standard available distribution voltage, single or polyphase, at the customer's choice, but not more than one, will be supplied under this schedule, subject to the utilities rules on file with the Public Utilities Commission of the State of California.
4. Period A or Period B 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 during Period A or Period B. The maximum demand in any month in either period 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.
5. If the average power factor during the month is less than 85% lagging as determined at the utility's option by permanent measurements or by test under normal operating conditions, the billing demand will be adjusted by multiplying by 85% and dividing by the average power factor.
6. Primary Voltage Discount:  
Customers owning their own transformers and taking service at 6900 volts or higher will receive the following discount:  
  
First 1000 KVA of transformer capacity \$.15 per KVA per month.  
Over 1000 KVA of transformer capacity \$.10 per KVA per month.

(Continued)

Schedule No. T-170

GENERAL POWER SERVICE - TIME METERED  
(Continued)

SPECIAL CONDITIONS (Continued)

6. Primary Voltage Discount (Continued):

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

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.

7. The Energy Rates and Time periods established in this schedule reflect the rates and special conditions of PG&E's Schedule No. R-1, Resale Service, effective January 1, 1977.

## Schedule No. D-112

DOMESTIC SERVICEAPPLICABILITY

Applicable to domestic service for lighting, heating, cooking, and power, or combination thereof, in single family dwellings, flats, and apartments, separately metered by the utility.

TERRITORY

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

RATES

Per Meter  
Per Month

Service Charge:

\$2.50

Commodity Charge:

Lifeline kWh, per kWh

\$0.06703

Non-lifeline kWh, per kWh

\$0.09717

Adjustments:

Included in the Commodity Charge above are the following adjustments as specified in Parts D and E of the Preliminary Statement:

	Electric Revenue Adjustment	Energy Rates	Total
Lifeline kWh, per kWh	\$0.0000	\$0.01960	\$0.01960
Non-Lifeline kWh, per kWh	\$0.0000	\$0.09717	\$0.09717

Minimum Charge: The Service Charge constitutes the monthly Minimum Charge.

SPECIAL CONDITIONS

1. Single-phase motors of not more than 7½ horsepower may be served on this schedule.
2. In order to qualify for lifeline quantities above the basic lifeline quantity, the customer shall sign a declaration under penalty of perjury stating whether he (or she) has electric water heating or space heating or both. The penalty for presenting false information in this declaration shall be a denial of lifeline electric service for a period of one year and any legal action which the utility might elect to pursue.
3. It is the responsibility of the customer to advise the utility within 30 days of any changes in his (or her) electric space and/or water heating appliance mix.
4. Electric water heating is hereby defined as permanently installed and wired electrical devices which provide the principal source of heat for hot water.

(Continued)

## Schedule No. A-122

GENERAL SERVICEAPPLICABILITY

Applicable to single-phase and polyphase service.

TERRITORY

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

RATES

Per Meter  
Per Month

Service Charge:

\$3.92

Commodity Charge:

All kWh, per kWh

\$0.9309

Adjustments:

Included in the Commodity Charge above, are the following adjustments as specified in Parts D and H of the Preliminary Statement.

Per Kwhr

Energy Rate

\$0.06376

Electric Revenue Adjustment

\$0.00000

Total

\$0.06376

Minimum Charge:

Single-phase Service:

The Service Charge constitutes the Minimum Charge.

Polyphase Service:

The Minimum Charge shall be the greater of:

1. A bill calculated using the Service Charge and Commodity Charge specified above.
2. A bill calculated using a rate of \$1.00 per kW of connected load plus the Energy Rate specified above times the Kwh consumption.

(Continued)



## Schedule No. A-122

GENERAL SERVICE  
(Continued)SPECIAL CONDITIONS

1. Voltage. This schedule of rates will apply to service rendered at any standard voltage in accordance with the Rules and Regulations of the utility. All necessary transformers to obtain such voltage will be supplied, owned and maintained by the utility.
2. The connected load for polyphase service will be the rated capacities of a customer's equipment that can be connected to the utility's lines at one time. For motors, the nameplate rating in horsepower will be used. In determining the connected load, 1 hp will equal 1 kW. The connected load may be a computed value.
3. Rectifier, Heating, and Cooking Service. Mercury arc rectifiers and commercial heating and cooking installations may obtain service under this schedule. For the purpose of determining rates and minimum charges, each kilowatt of connected load will be considered as equivalent to one horsepower. Connected load will be taken as the name plate rating of all heating and cooking apparatus permanently connected and which may be connected at any one time, computed to the nearest one-tenth of a kilowatt, and in no case less than 2 kilowatts. All equipment assumed as operating at 100% power factor.
4. Power Factor Clause. Where customers have a total connected load of 50 horsepower or more, charges for energy shall be adjusted for weighted monthly average power factor as follows:

If the power factor exceeds 80%, bills shall be reduced by 0.3% for each 1% of such excess up to and including 90% power factor and by 0.2% for each 1% of such excess over 90% power factor. If the power factor is less than 65%, bills shall be increased by 0.5% for each 1% of such deficiency in power factor, provided that the maximum increase shall not exceed 5%. In no case, however, shall the total charge, after adjustment for power factor, be less than the minimum charge.

For determining the weighted monthly average power factor for the purpose of this schedule, a meter to measure the reactive kilovolt-ampere hours of the load shall be installed in conjunction with the kilowatt-hour meter. The power factor computed from the ratio of the monthly reactive Kvhrs to the monthly Kwhrs shall be computed to the nearest whole percent. In any case, where the power factor is likely to be leading at any time, the reactive component meter may be ratcheted to prevent reversal.

## Schedule No. DSN-123

MULTI-FAMILY SERVICE  
(SUBMETERED)APPLICABILITY

This schedule is applicable to service for domestic lighting, heating, cooking and power service supplied to multi-family accommodations through a master meter on a single premises with all the individual family units submetered.

TERRITORY

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

RATES

Per Meter  
Per Month

Service Charge:

\$2.50

Commodity Charge:

Lifeline kWh, per kWh

\$0.06033

Non-lifeline kWh, per kWh

\$0.09717

Adjustments:

Included in the Commodity Charge above are the following adjustments as specified in Parts D and H of the Preliminary Statement:

	<u>Electric Revenue</u> <u>Adjustment</u>	<u>Energy Rates</u>	<u>Total</u>
Lifeline kWh, per kWh	\$0.00000	\$0.01764	\$0.01764
Non-Lifeline kWh, per kWh	\$0.00000	\$0.09717	\$0.09717

Minimum Charge: The Service Charge constitutes the monthly Minimum Charge.

SPECIAL CONDITIONS

1. In order to qualify for lifeline quantities above the basic quantity, the customer shall sign a declaration under penalty of perjury stating (a) that he (or she) is the owner and/or manager of the multi-family dwelling units receiving service under this schedule on a master meter basis with submetering to individual units, (b) the number of individual units that qualify for lifeline service, and (c) the number of individual units that have electric water heating or electric space heating or both. The penalty for presenting false information in this declaration shall be a denial of lifeline electric service for a period of one year and any legal action which the utility might elect to pursue.

(Continued)

## Schedule No. DMN-124

MULTI-FAMILY SERVICE  
(NOT SUBMETERED)APPLICABILITY

This schedule is applicable to service for domestic lighting, heating, cooking and power service supplied to multi-family accommodations (including apartment buildings and mobile home parks) through one meter on a single premises.

TERRITORY

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

RATES

Per Meter  
Per Month

Service Charge:

\$2.50

Commodity Charge:

Lifeline kWh, per kWh

\$0.06703

Non-lifeline kWh, per kWh

\$0.09717

Adjustments:

Included in the Commodity Charge above are the following adjustments as specified in Parts D and H of the Preliminary Statement:

	Electric Revenue Adjustment	Energy Rates	Total
Lifeline kWh, per kWh	\$0.00000	\$0.01960	\$0.01960
Non-Lifeline kWh, per kWh	\$0.00000	\$0.09717	\$0.09717

Minimum Charge: The Service Charge constitutes the monthly Minimum Charge.

SPECIAL CONDITIONS

1. In order to qualify for lifeline quantities above the basic quantity, the customer shall sign a declaration under penalty of perjury stating (a) that he (or she) is the owner and/or manager of the multi-family dwelling units receiving service under this schedule on a master meter basis with submetering to individual units, (b) the number of individual units that qualify for lifeline service, and (c) the number of individual units that have electric water heating or electric space heating or both. The penalty for presenting false information in this declaration shall be a denial of lifeline electric service for a period of one year and any legal action which the utility might elect to pursue.

(Continued)

## Schedule No. P-134

POWER - AGRICULTURAL IRRIGATIONAPPLICABILITY

This schedule is applicable to installations of 2 horsepower or more for pumping water for irrigation purposes.

TERRITORY

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

RATES

Per Meter  
Per Month

## Service Charge:

All hp, per hp, per year

\$12.00

## Commodity Charge:

All kWh, per kWh

\$0.07947

## Adjustments:

Included in the Commodity Charge above, are the following adjustments as specified in Parts D and H of the Preliminary Statement.

Per Kwhr

Energy Rate

\$0.06376

Electric Revenue Adjustment

\$0.00000

Total

\$0.06376

Minimum Charge: The Minimum Charge will be the annual Service Charge as shown in Special Condition 2. and will be based on not less than 2 hp.

SPECIAL CONDITIONS

1. Voltage. Service will be rendered at 220 or 440 volts, 3-phase, 60 cycles, and energy will be metered on the low voltage side of the transformers.
2. Annual Service Charge. The Annual Service Charge will be payable in twelve equal installments, starting with the first month of the service year. The Annual Service Charge will be based on the largest load that may be disconnected at any one time.
3. Service Year. The service year shall be the 12-month period, starting with the date on which service is first rendered.
4. Contracts. The utility may require a contract for service under this schedule for a period of not to exceed three years when service is first rendered and thereafter from year to year.

## Schedule No. OL-152

OUTDOOR AREA LIGHTING SERVICEAPPLICABILITY

Applicable to all customers for outdoor area lighting service furnished from dusk to dawn with utility owned lamps in luminaire supplied from utility's overhead and underground circuits and mounted on utility owned poles, or on customer owned supports acceptable to the utility.

TERRITORY

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

RATES

	<u>Rate Per Lamp Per Month</u>	
	<u>Area Light</u>	<u>Flood Light</u>
<u>Overhead Service:</u>		
<u>Mercury-Vapor Lamps</u> (New service not available):		
7,000 Lumens (175w, 65 Kwhrs per month)	\$ 9.39	
20,000 Lumens (400w, 146 Kwhrs per month)	18.10	
<u>Sodium-Vapor Lamps</u>		
9,500 Lumens (100w, 40 Kwhrs per month)	\$ 8.44	N/A
22,000 Lumens (200w, 78 Kwhrs per month)	12.07	\$14.70
50,000 Lumens (400w, 150 Kwhrs per month)	N/A	21.11
<u>Underground Service:</u>		
<u>Mercury-Vapor Lamps</u> (New service not available):		
7,000 Lumens (175w, 65 Kwhrs per month)	\$ 9.95	
20,000 Lumens (400w, 146 Kwhrs per month)	18.66	
<u>Sodium-Vapor Lamps</u>		
9,500 Lumens (100w, 40 Kwhrs per month)	\$ 8.44	N/A
22,000 Lumens (200w, 78 Kwhrs per month)	12.07	\$14.70
50,000 Lumens (400w, 150 Kwhrs per month)	N/A	21.11

Additional Charge:

An installation charge of \$ .39/ft. shall be made for each foot of service in excess of 150 ft. per lamp.

Pole Charge:

A monthly charge of \$1.77 per pole shall be made for each additional pole required in excess of the number luminaires installed (poles installed prior to the effective day of this schedule). A monthly charge, in addition to the above rates, shall be made for each luminaire mounted on a company owned pole where the pole is necessary to support the luminaire and is installed after the effective date of this schedule, and for each company owned pole (installed after the effective date of this schedule) required in excess of the number of luminaires installed as follows: Wood pole - \$2.37 per pole, Decorative pole - \$7.57 per pole.

(Continued)

## Schedule No. OL-152

OUTDOOR AREA LIGHTING SERVICE  
(Continued)ADJUSTMENTS

Included in the rates per lamp, above, are the following adjustments as specified in Parts D and H of the Preliminary Statement.

	<u>Per Kwbr</u>
Energy Rate	\$.06376
Electric Revenue Adjustment	\$.00000
Total	\$.06376

SPECIAL CONDITIONS

1. This service will be in accordance with utility specifications as to equipment, installation, maintenance and operation. Maintenance by the utility includes lamp replacement on a scheduled basis. Individual lamps will be replaced on burn-out as soon as practicable after notification by the customer, subject to the utility's operating schedules. Credit for lamp outages will not be given.
2. After installation at an agreed location, the location of a utility owned luminaire and/or service connection may be changed at customer's request and upon payment by the customer of the costs of removal and re-installation of the luminaire or other facilities.
3. Service under this schedule will be furnished upon receipt of a contract signed by the customer in which he agrees to take service for a period of not less than three years.
4. Underground service is limited to a maximum of 1,000 feet from the point of connection to the distribution system.
5. The utility's dusk to dawn, all night service is based on a burning schedule of approximately 4,100 hours per year.
6. This schedule is not available to municipal or other public lighting authorities for street lighting use.
7. The customer will provide trenching and backfill, including all costs for paving, conduit, and other related expenses where applicable.
8. This service is available at the above rates only where required voltage already exist.
9. A decorative pole is one of the following: steel, fiberglass, aluminum, or concrete.
10. The company will convert existing lighting systems to sodium vapor lamps pursuant to a conversion plan to be filed with the California Public Utilities Commission.

## Schedule No. LS-158

STREET AND HIGHWAY LIGHTING  
COMPANY OWNEDAPPLICABILITY

The schedule is applicable to service furnished to municipal or other public lighting authorities and supplied from overhead and underground distribution lines to street, highway, and other public outdoor lighting installations, where the utility owns and maintains the entire equipment.

TERRITORY

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

RATESRate Per Lamp Per MonthOverhead Service:Mercury-Vapor Lamps (New service not available):

7,000 Lumens (175w, 65 Kwhrs per month)	\$ 9.84
11,000 Lumens (250w, 93 Kwhrs per month)	13.02
20,000 Lumens (400w, 146 Kwhrs per month)	18.04

Sodium-Vapor Lamps:

9,500 Lumens (100w, 40 Kwhrs per month)	\$ 9.36
22,000 Lumens (200w, 78 Kwhrs per month)	13.24
50,000 Lumens (400w, 150 Kwhrs per month)	19.78

Underground Service:Sodium Vapor Lamps:

9,500 Lumens (100w, 40 Kwhrs per month)	\$ 9.36
22,000 Lumens (200w, 78 Kwhrs per month)	13.24
50,000 Lumens (400w, 150 Kwhrs per month)	19.78

Additional Charge:

An installation charge of \$ .89/ft. shall be made for each foot of service in excess of 150 ft. per lamp.

(Continued)

## Schedule No. LS-158

STREET AND HIGHWAY LIGHTING  
COMPANY OWNED  
(Continued)

Pole Charge:

A monthly charge of \$2.26, in addition to the above rates, shall be made for each lamp mounted on a metal pole installed prior to the effective date of this schedule. A monthly charge, in addition to the above rates, shall be made for each luminaire mounted on a pole where the pole is necessary to support the luminaire and is installed after the effective date of this schedule, as follows: Wood pole - \$2.37 per pole, Decorative pole - \$7.67 per pole.

ADJUSTMENTS

Included in the rates per lamp above, are the following adjustments as specified in Parts D and H of the Preliminary Statement.

	<u>Per Kw/hr</u>
Energy Rate	\$.06376
Electric Revenue Adjustment	\$.00000
Total	\$.06376

SPECIAL CONDITIONS

1. Lights will be turned on and off once each night in accordance with a standard burning schedule of approximately 4,100 hours per year.
2. The customer shall specify in writing the exact location of each lamp to be installed.
3. Street lights will be relocated at the expense of the customer.
4. This schedule is available only upon contract, which shall specify the terms and conditions under which this service shall be rendered and the rules under which additions and changes will be made.
5. The customer will provide trenching and backfill, including all costs for paving, conduit, and other related expenses where applicable.
6. Underground service is limited to a maximum of 1000 feet from the point of connection to the distribution system.
7. A decorative pole is one of the following: steel, fiberglass, aluminum, or concrete.
8. The company will convert existing lighting systems to sodium vapor lamps pursuant to a conversion plan to be filed with the California Public Utilities Commission.



## Schedule No. LS-159

STREET AND HIGHWAY LIGHTING  
CUSTOMER OWNEDAPPLICABILITY

This schedule is applicable to service furnished to municipal or other public authorities and supplied from overhead and underground distribution lines to street, highway, and other public outdoor lighting installations where the customer owns the equipment and the utility supplies the energy and maintains the entire equipment.

TERRITORY

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

RATESRate Per Lamp Per MonthOverhead and Underground Services:Mercury-Vapor Lamps

20,000 Lumens ( 400w, 146 Kwhrs per month)	\$14.38
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Sodium-Vapor Lamps

9,500 Lumens ( 100w, 40 Kwhrs per month)	\$ 4.75
22,000 Lumens ( 200w, 78 Kwhrs per month)	8.14
50,000 Lumens ( 400w, 150 Kwhrs per month)	14.76

ADJUSTMENTS

Included in the rates per lamp, above, are the following adjustments as specified in Parts D and H of the Preliminary Statement.

	<u>Per Kwhr</u>
Energy Rate	\$.06376
Electric Revenue Adjustment	\$.00000
Total	\$.06376

SPECIAL CONDITIONS

1. This schedule is applicable to both multiple and series street lighting systems. For multiple lighting service current will be delivered at secondary voltage, and for series lighting service the utility will furnish the constant current regulating transformer. Unless otherwise agreed, constant current energy will be delivered at a nominal amperage of 6.6, reasonable variations being permitted.

(Continued)

Schedule No. LS-159

STREET AND HIGHWAY LIGHTING  
CUSTOMER OWNED  
(Continued)

SPECIAL CONDITIONS (Continued)

2. The utility will provide at its expense an overhead service drop to a customer owned interconnected group of lamps having a connected load of not less than 2 Kw. For a customer owned interconnected group of lamps having a connected load of less than 2 Kw or individual customer electroliers with a self-contained photo cell switch, the utility will connect the customer's overhead service wire to the utility's overhead lines at the customer's expense.
3. Lights will be turned on and off once each night in accordance with a standard burning schedule of 4,100 hours per year.
4. All installations served will be installed by the customer or at customers expense. All installations must be approved by the company.
5. Street lights will be relocated at the expense of the customer.
6. This schedule is available only upon contract, which shall specify the terms and conditions under which this service shall be rendered and the rules under which additions and changes will be made.

(END OF APPENDIX A)

PRELIMINARY STATEMENT  
(Continued)

9. SUPPLY ADJUSTMENT MECHANISM (SAM)

- A. Applicability. This Supply Adjustment Mechanism (SAM) provision applies to bills for service under all rate schedules and contracts for gas service.
- B. Basic Rates. The Basic Rates are the basic gas rates and miscellaneous revenues effective: Needles District, January 1, 1983, South Tahoe District, January 1, 1983.
- C. Base Costs Account. The Base Cost Amount is the total basic rates revenue authorized.

	<u>Decision No.</u>	<u>Base Cost Amount</u>
Needles District		\$ 512,291
South Tahoe District		2,672,095

- D. Current Period. The volumes of gas, expressed in therms, to be utilized hereunder shall be those sold during the latest calendar or estimated year (test year).
- E. Revision Dates. The Utility may file for a change in SAM rates when required, but such filing shall be in conjunction with the appropriate Energy Rate filing as determined in item No. 5 of the Preliminary Statement. At such time, or as soon thereafter as the Commission may authorize, the utility shall, in accordance with the provisions hereof, increase or decrease the SAM rates applicable to each rate schedule and contract.
- F. SAM Rates. The Commission shall determine and fix applicable SAM rates to be placed into effect for each revision period. The utility shall file one or more exemplary SAM rates to recover the Supply Adjustment Amount set forth in subparagraph H.
- G. Current Supply Recovery Amount. The Current Supply Recovery Amount shall be the revenues calculated at Basic Rates for the current period.
- H. Supply Adjustment Amount. The Supply Adjustment Amount shall be the difference between the Base Cost Amount and the Current Supply Recovery Amount, plus the balance in the Supply Adjustment Account, determined as specified in Section I below, at the end of the latest available month at the time of the computation being made under the provisions of this Section.

## Schedule No. GN-210

RESIDENTIAL NATURAL GAS SERVICEAPPLICABILITY

Applicable for natural gas service to single family residential customers classified in Rule No. 20 as Priority P1.

TERRITORY

Applicable to the territory of the Needles District.

RATES

Per Meter  
Per Month

Customer Charge:

\$5.50

Commodity Charge:

Lifeline Rate (Codes B, S, and P)

All usage, per therm ..... \$98456

Non-Lifeline Rate (Codes B, S, P, and N)

All usage, per therm ..... \$1.26270

CODESUMMERWINTER

(B)	Over 26 therms	Over 26 therms
(S)	Over 26 therms	Over 81 therms
(P)	Over 26 therms	Over 116 therms
(N)	Non-Lifeline - Customer is not eligible for allowances shown above. All usage at Non-lifeline rate.	

Summer is from May 1 through October 31.

Winter is from November 1 through April 30.

Minimum Charge: The Customer Charge constitutes the Minimum Charge.

A therm is defined as a quantity of heat equivalent to 100,000 British Thermal Units.

Energy Rates: Included in the Commodity Charge, above, is an Energy Rate of 36.120¢ per therm for lifeline sales and 77.801¢ per therm for non-lifeline sales based on PG&E Schedule G-62 effective January 1, 1982.

(Continued)

## Schedule No. GN-210

RESIDENTIAL NATURAL GAS SERVICE  
(Continued)SPECIAL CONDITIONS

1. Service under this schedule is subject to discontinuance in whole or in part without notice in case of actual or anticipated shortage of natural gas resulting from an insufficient supply, inadequate transmission or delivery capacity or facilities, or storage requirements. The Utility will not be liable for damages occasioned by interruption or discontinuance of service supplied under this schedule. Such interruption or discontinuance of service will be made in accordance with Rules Nos. 14 and 20. Customers who were serviced under an interruptible schedule prior to September 30, 1976 and who were required to maintain alternate fuel capability will be curtailed before Priority P1 customers.
2. In order to qualify for lifeline quantities above the basic lifeline quantity, the customer shall sign a declaration under penalty of perjury stating whether he (or she) has permanently installed natural gas space heating as the primary source for space heating. The penalty for presenting false information in this declaration shall be any legal action which the utility might elect to pursue.
3. Lifeline quantities are applicable only to a separately metered, permanent residential customer. A seasonal customer shall be billed under non-lifeline rates. The Utility shall differentiate between a permanent and a seasonal customer on the basis of a service and mailing address analysis and any other appropriate information.
4. Provision is made for a higher space heating lifeline quantity for paraplegic and quadriplegic persons in consideration of the increased heating needs of these persons, this additional allowance will be made available on receipt of certification, which may be by letter.

## 5. Lifeline quantities are:

<u>Code</u>	<u>Type of Service</u>	<u>Lifeline Quantity Per Month</u>	
		<u>November 1 through April 30</u>	<u>May 1 through October 31</u>
(B)	Basic residential use only	26 therms	26 therms
(S)	Basic residential use and permanently installed natural gas space heating	81 therms	26 therms
(P)	To be added to (S) above, for the increased heating needs of para- plegic and quadriplegic persons	+35 therms	+0 therms
(N) or (blank)	Non-lifeline	0 therms	0 therms

## Schedule GN-220

COMMERCIAL NATURAL GAS SERVICEAPPLICABILITY

Applicable for natural gas service to uses classified in Rule No. 20 as Priority P1 and not eligible for residential service.

TERRITORY

Applicable to the territory of the Needles District.

RATES

Per Meter  
Per Month

Customer Charge

\$5.50

Commodity Charge:

All therms, per therm

\$ 1.26270

Alternative Fuel Cost Ceiling, per therm

\$ .37742

Minimum Charge:

The Customer Charge constitutes the Minimum Charge.

A therm is defined as a quantity of heat equivalent to 100,000 British Therm Units.

Energy Rates: Included in the Commodity Charge, above, is an Energy Rate of 45.149¢/Therm based on PG&E Schedule G-62 effective January 1, 1982.

SPECIAL CONDITIONS

1. Service under this schedule is subject to discontinuance in whole or in part without notice in case of actual or anticipated shortage of natural gas resulting from an insufficient supply, inadequate transmission or delivery capacity or facilities, or storage requirements. The Utility will not be liable for damages occasioned by interruption or discontinuance of service will be made in accordance with Rules Nos. 14 and 20. Customers who were served under an interruptible schedule prior to September 30, 1976 and who were required to maintain alternated fuel capability will be curtailed before other Priority P1 customers.
2. Pursuant to title II of the Natural Gas Policy Act of 1978 and in accordance with Section I of the Preliminary Statement, beginning January 1, 1980 the charge for gas consumed by a "Non-exempt Industrial Boiler Fuel Customer" as defined in Rule 1 shall be the higher of the total of the monthly customer charge plus commodity charges calculated at the regular rate or at the alternative fuel cost ceiling rate, after any applicable state or local taxes. Estimated volumes shall be calculated based upon the methodology rule approved and issued in Docket No. RM80-16 by the Federal Energy Regulatory Commission.

## Schedule No. GSN-221

MULTI-FAMILY NATURAL GAS SERVICE  
(SUBMETERED)APPLICABILITY

Applicable for natural gas service to residential multi-family customers classified in Rule No. 20 as priority P1 supplied through a master meter on a single premises with all the individual family units submetered.

TERRITORY

Applicable to the territory of the Needles District.

RATES

Per Meter  
Per Month

Customer Charge:

\$5.50

Commodity Charge:

Lifeline Rate (Codes B, S, and P)

All usage, per therm ..... \$38610

Non-Lifeline Rate (Codes B, S, P, and N)

All usage, per therm ..... \$1.26270

CODESUMMERWINTER

(B)	Over 26 therms	Over 26 therms
(S)	Over 26 therms	Over 81 therms
(P)	Over 26 therms	Over 116 therms
(N)	Non-Lifeline - Customer is not eligible for allowances shown above. All usage at Non-lifeline rate.	

Summer is from May 1 through October 31.

Winter is from November 1 through April 30.

Minimum Charge: The Customer Charge constitutes the Minimum Charge.

A therm is defined as a quantity of heat equivalent to 100,000 British Thermal Units.

Energy Rates: Included in the Commodity Charge, above, is an Energy Rate of 32.508¢ per therm for lifeline sales and 77.801¢ per therm for non-lifeline sales based on PG&E Schedule G-62 effective January 1, 1982.

(Continued)

## Schedule No. GSN-221

MULTI-FAMILY NATURAL GAS SERVICE  
(SUBMETERED)  
(Continued)SPECIAL CONDITIONS (Continued)

7. A domestic unit shall be an occupied residential unit or an occupied trailer space piped for service.

8. Lifeline quantities are:

<u>Code</u>	<u>Type of Service</u>	<u>Lifeline Quantity Per Unit Per Month</u>	
		<u>November 1 through April 30</u>	<u>May 1 through October 31</u>
(B)	Basic residential use only	26 therms	26 therms
(S)	Basic residential use and permanently installed natural gas space heating	81 therms	26 therms
(P)	Total lifeline quantity per above except that not all units qualify for the same type, and  Additional space heating provision for the increased heating needs of paraplegic, quadriplegic persons and multiple sclerosis patients.	+35 therms	+0 therms
(N) or (blank)	Non-lifeline	0 therms	0 therms

9. These rates include a 10% discount for lifeline quantities over the rates in Schedule No. GN-210.



## Schedule No. GMN-224

MULTI-FAMILY NATURAL GAS SERVICE  
(NOT SUBMETERED)APPLICABILITY

Applicable for natural gas service to residential multi-family customers classified in Rule No. 20 as priority P1 supplied through one meter on a single premises.

TERRITORY

Applicable to the territory of the Needles District.

RATES

Per Meter  
Per Month

Customer Charge:

\$5.50

Commodity Charge:

Lifeline Rate (Codes B, S, and P)

All usage, per therm ..... \$98456

Non-Lifeline Rate (Codes B, S, P, and N)

All usage, per therm ..... \$1.26270

CODESUMMERWINTER

(B)

Over 21 therms

Over 21 therms

(S)

Over 21 therms

Over 54 therms

(P)

Over 21 therms

Over 69 therms

(N)

Non-Lifeline - Customer is not eligible for allowances shown above. All usage at Non-lifeline rate.

Summer is from May 1 through October 31.

Winter is from November 1 through April 30.

Minimum Charge: The Customer Charge constitutes the Minimum Charge.

A therm is defined as a quantity of heat equivalent to 100,000 British Thermal Units.

Energy Rates: Included in the Commodity Charge, above, is an Energy Rate of 36.120¢ per therm for lifeline sales and 77.801¢ per therm for non-lifeline sales based on PG&E Schedule G-62 effective January 1, 1982.

(Continued)

## Schedule No. GMN-224

MULTI-FAMILY NATURAL GAS SERVICE  
(NOT SUBMETERED)  
(Continued)SPECIAL CONDITIONS (Continued)

7. Miscellaneous natural gas loads on the master meter, such as laundry rooms, incidental to the operation of the premises as a multi-family accommodation will be considered as domestic usage. Miscellaneous loads separately metered will not be considered as domestic usage. Natural gas used for nondomestic enterprises such as stores, restaurants, service stations and other similar establishments will be separately metered and billed under applicable schedules.

8. A domestic unit shall be an occupied residential unit or an occupied trailer space piped for service.

9. Lifeline quantities are:

<u>Code</u>	<u>Type of Service</u>	<u>Lifeline Quantity Per Unit Per Month</u>	
		<u>November 1 through April 30</u>	<u>May 1 through October 31</u>
(B)	Basic residential use only	21 therms	21 therms
(S)	Basic residential use and permanently installed natural gas space heating	54 therms	21 therms
(P)	Total lifeline quantity per above except that not all units qualify for the same type, and		
	Additional space heating provision for the increased heating needs of paraplegic, quadriplegic persons and multiple sclerosis patients.	+15 therms	+0 therms
(N) or (blank)	Non-lifeline	0 therms	0 therms

10. This schedule is closed to new service in accordance with Rules Nos. 15 and 19.

## Schedule No. GT-211

RESIDENTIAL NATURAL GAS SERVICEAPPLICABILITY

Applicable for natural gas service to single family Residential customers classified in Rule No. 20 as Priority P1.

TERRITORY

Within the service area of the utility in and about the southern shore of Lake Tahoe.

RATES

Per Meter  
Per Month

Customer Charge:

\$5.50

Commodity Charge:

Lifeline Rate (Codes B, S, and P)

All usage, per therm ..... \$0.55419

Non-Lifeline Rate (Codes B, S, P, and N)

All usage, per therm ..... \$0.70955

CODESUMMERWINTER

(B)	Over 26 therms	Over 26 therms
(S)	Over 26 therms	Over 166 therms
(P)	Over 26 therms	Over 201 therms
(N)	Non-Lifeline - Customer is not eligible for allowances shown above. All usage at Non-lifeline rate.	

Summer is from May 1 through October 31.

Winter is from November 1 through April 30.

Minimum Charge: The Customer Charge constitutes the Minimum Charge.

A therm is defined as a quantity of heat equivalent to 100,000 British Thermal Units.

Energy Rates: Included in the Commodity Charge, above, is an Energy Rate of \$.40557 per therm for lifeline sales and \$.67604 per therm for non-lifeline sales based on Southwest Gas Corporation rates effective April 1, 1982, in its FERC Gas tariff, Original Volume No. 1.

(Continued)

## Schedule No. GT-221

GENERAL NATURAL GAS SERVICEAPPLICABILITY

Applicable for general natural gas service to uses classified in Rule No. 20 as Priority PI and not eligible for residential service.

TERRITORY

Within the service area of the utility in and about the southern shore of Lake Tahoe.

RATES

Per Meter  
Per Month

Customer Charge:

\$5.50

Commodity Charge:

All therms, per therm

\$ .70955

Alternative Fuel Cost Ceiling, per therm

\$ .37744

Minimum Charge: The Customer Charge constitutes the minimum charge.

Energy Rates: Included in the Commodity Charge, above, is an Energy Rate of \$.50697 per therm based on Southwest Gas Corporation rates effective April 1, 1982 in its FERC gas tariff, original Volume No. 1.

SPECIAL CONDITION

1. Service under this schedule is subject to discontinuance in whole or in part without notice in case of actual or anticipated shortage of natural gas resulting from an insufficient supply, inadequate transmission or delivery capacity or facilities, or storage requirements. The Utility will not be liable for damages occasioned by interruption or discontinuance of service supplied under this schedule. Such interruption or discontinuance of service will be made in accordance with Rules Nos. 14 and 20. Customers who were served under an interruptible schedule prior to September 30, 1976 and who were required to maintain alternate fuel capability will be curtailed before other Priority PI customers.
2. Pursuant to Title II of the Natural Gas Policy Act of 1978 and in accordance with Section I of the Preliminary Statement, beginning January 1, 1980 the charge for gas consumed by a "Non-exempt Industrial boiler Fuel Customer" as defined in Rule 1 shall be the higher of the total of the monthly customer charge plus commodity charges calculated at the regular rate or at the alternative fuel cost ceiling rate, after any applicable state or local taxes. Estimated volumes shall be calculated based upon the methodology rule approved and issued in Docket No. RM80-16 by the Federal Energy Regulatory Commission.

## Schedule No. GST-223

**MULTI-FAMILY NATURAL GAS SERVICE**  
**(SUBMETERED)**

**APPLICABILITY**

Applicable for natural gas service to Residential multi-family customers classified in Rule No. 20 as priority P1 supplied through a master meter on a single premises with all the individual family units submetered.

**TERRITORY**

Within the service area of the utility in and about the southern shore of Lake Tahoe.

**RATES**

**Per Meter**  
**Per Month**

Customer Charge:

\$5.50

Commodity Charge:

Lifeline Rate (Codes B, S, and P)

All usage, per therm ..... \$0.49877

Non-Lifeline Rate (Codes B, S, P, and N)

All usage, per therm ..... \$0.70955

**CODE****SUMMER****WINTER**

(B)	Over 26 therms	Over 26 therms
(S)	Over 26 therms	Over 166 therms
(P)	Over 26 therms	Over 201 therms
(N)	Non-Lifeline - Customer is not eligible for allowances shown above. All usage at Non-lifeline rate.	

Summer is from May 1 through October 31.

Winter is from November 1 through April 30.

Minimum Charge: The Customer Charge constitutes the Minimum Charge.

A therm is defined as a quantity of heat equivalent to 100,000 British Thermal Units.

Energy Rates: Included in the Commodity Charge, above, is an Energy Rate of \$.36501 per therm for lifeline sales and \$.67604 per therm for non-lifeline sales based on Southwest Gas Corporation rates effective April 1, 1982, in its FERC Gas tariff, Original Volume No. 1.

(Continued)

## Schedule No. GST-223

MULTI-FAMILY NATURAL GAS SERVICE  
(SUBMETERED)

(Continued)

SPECIAL CONDITIONS (Continued)

7. A domestic unit shall be an occupied residential unit or an occupied trailer space piped for service.

8. Lifeline quantities are:

<u>Code</u>	<u>Type of Service</u>	<u>Lifeline Quantity Per Unit Per Month</u>	
		<u>November 1 through April 30</u>	<u>May 1 through October 31</u>
(B)	Basic residential use only	26 therms	26 therms
(S)	Basic residential use and permanently installed natural gas space heating	166 therms	26 therms
(P)	Total lifeline quantity per above except that not all units qualify for the same type, and  Additional space heating provision for the increased heating needs of paraplegic, quadriplegic persons, and multiple sclerosis patients.	+35 therms	+0 therms
(N) or (blank)	Non-lifeline	0 therms	0 therms

9. These rates include a 10% discount for lifeline quantities over the rates in Schedule No. GT-211.

## Schedule No. GMT-224

MULTI-FAMILY NATURAL GAS SERVICE  
(NOT SUBMETERED)APPLICABILITY

Applicable for natural gas service to Residential multi-family customers classified in Rule No. 20 as priority P1 supplied through one meter on a single premises.

TERRITORY

Within the service area of the utility in and about the southern shore of Lake Tahoe.

RATES

Per Meter  
Per Month

Customer Charge:

\$5.50

Commodity Charge:

Lifeline Rate (Codes B, S, and P)

All usage, per therm ..... \$0.55419

Non-Lifeline Rate (Codes B, S, P, and N)

All usage, per therm ..... \$0.70955

CODESUMMERWINTER

(B)	Over 21 therms	Over 21 therms
(S)	Over 21 therms	Over 105 therms
(P)	Over 21 therms	Over 140 therms
(N)	Non-Lifeline - Customer is not eligible for allowances shown above. All usage at Non-lifeline rate.	

Summer is from May 1 through October 31.

Winter is from November 1 through April 30.

Minimum Charge: The Customer Charge constitutes the Minimum Charge.

A therm is defined as a quantity of heat equivalent to 100,000 British Thermal Units.

Energy Rates: Included in the Commodity Charge, above, is an Energy Rate of \$.40557 per therm for lifeline sales and \$.67604 per therm for non-lifeline sales based on Southwest Gas Corporation rates effective April 1, 1982, in its FERC Gas tariff, Original Volume No. 1.

(Continued)

## Schedule No. GT-244

LARGE GENERAL NATURAL GAS SERVICEAPPLICABILITY

Applicable for natural gas service to uses classified in Rule No. 20 as Priority P2-B.

TERRITORY

Within the service area of the utility in and about the southern shore of Lake Tahoe.

RATES

Per Meter  
Per Month

## Commodity Charge:

All deliveries, per therm

\$54030

Alternative Fuel Cost Ceiling, per therm

\$37744

## Minimum Charge:

Accumulative annually

\$495.00

A therm is defined as a quantity of heat equivalent to 100,000 British Thermal Units.

Energy Rates: Included in the Commodity Charge, above, is an Energy Rate of \$.50697 per therm based on Southwest Gas Corporation rates effective April 1, 1982 in its FERC gas tariff, original Volume No. 1.

SPECIAL CONDITIONS

1. Service under this schedule is subject to discontinuance without notice in case of an actual or threatened shortage of natural gas, whether due to insufficient supply or to inadequate transmission or delivery capacity of the facilities of either the utility or its wholesale supplier. Such interruption or discontinuance of service will be made in accordance with Rules Nos. 14 and 20. The utility will not be liable for damages occasioned by interruption or discontinuance of service supplied under this schedule.
2. In the event that it is necessary to discontinue service under this schedule, the commodity charge and the minimum charge will be prorated on the basis of the ratio of the number of days on which service was available to the number of days in the billing period. For this purpose service will be considered available if curtailed by the utility less than eight (8) hours in any particular day.
3. No customer shall be entitled to service hereunder for new or additional equipment unless adequate standby equipment and fuel shall have been first provided therefore, said standby facilities to be ready at all times for immediate operation in the event that the supply of gas hereunder shall be partially or totally curtailed.

(Continued)



## Schedule No. GT-245

LARGE GENERAL NATURAL GAS SERVICEAPPLICABILITY

Applicable for natural gas service to uses classified in Rule No. 20 as Priorities P3 and P4.

TERRITORY

Within the service area of the utility in and about the southern shore of Lake Tahoe.

RATESPer Meter  
Per Month

## Commodity Charge:

All deliveries, per therm

\$54030

Alternative Fuel Cost Ceiling, per therm

\$37744

## Minimum Charge:

Accumulative annually

\$495.00

A therm is defined as a quantity of heat equivalent to 100,000 British Thermal Units.

Energy Rates: Included in the Commodity Charge, above, is an Energy Rate of \$.50697 per therm based on Southwest Gas Corporation rates effective April 1, 1982 in its FERC gas tariff, original Volume No. 1.

SPECIAL CONDITIONS

1. Service under this schedule is subject to discontinuance without notice in case of an actual or threatened shortage of natural gas, whether due to insufficient supply or to inadequate transmission or delivery capacity of the facilities of either the utility or its wholesale supplier. Such interruption or discontinuance of service will be made in accordance with Rules Nos. 14 and 20. The utility will not be liable for damages occasioned by interruption or discontinuance of service supplied under this schedule.
2. In the event that it is necessary to discontinue service under this schedule, the commodity charge and the minimum charge will be prorated on the basis of the ratio of the number of days on which service was available to the number of days in the billing period. For this purpose service will be considered available if curtailed by the utility less than eight (8) hours in any particular day.
3. No customer shall be entitled to service hereunder for new or additional equipment unless adequate standby equipment and fuel shall have been first provided therefore, said standby facilities to be ready at all times for immediate operation in the event that the supply of gas hereunder shall be partially or totally curtailed.

(Continued)

Schedule No. G-260

SERVICE ESTABLISHMENT CHARGE

APPLICABILITY

Applicable to all classes of customers for all firm natural gas service except service to gas engine customers.

TERRITORY

Throughout the Company's certificated areas in California except as may hereafter be provided.

RATES

For each establishment, supersedure or re-establishment of gas service:

Normal Service	— \$25.00
Expedited Service	— \$37.50

SPECIAL CONDITIONS

1. The service establishment charge provided for in this Schedule No. G-260 is in addition to any charges under the applicable schedule. The service establishment charge will be made each time an account is opened, including turn-ons, reconNECTIONS of gas service, or changes of names which require meter readings.
2. "Where the Utility scheduling will not permit service on the same day requested by the customer, the customer can elect to pay the expedited service rate and receive service that day. Work performed when scheduling will next permit, shall be billed at the normal service rate. Expedited service will be billed at one and one-half times the normal rate."

Rule No. 11

DISCONTINUANCE AND RESTORATION OF SERVICE

(Continued)

B. Restoration of Service

1. Compliance with Tariff Schedules

As a condition for restoration of service, the customer shall comply with all applicable tariff schedules.

2. Restoration - Reconnection Charge

The reconnection charge for restoration of service within the service area of the Needles Division and within the service areas of Chester, Westwood and the Susanville area as defined by the Susanville Urban Electric Boundary map, shall be \$5.00. The reconnection charge for restoration of service outside the above mentioned areas shall be \$20.00.

C. Multilingual Service

The utility will provide a reasonable number of multilingual individuals to advise customers of termination policy where Spanish or some other language is widely spoken within a county of the utility's service area.

D. Credit Counseling

For those customers unable to pay their bills, the utility will provide the following credit counseling services:

1. Installment Payment Plans

As set forth in Section A.2.j. hereof the utility will offer installment payment plans that will allow the customer to amortize his past due and current balance over a reasonable period of time.

2. Financial Assistance Information

The utility will furnish information on the availability of alternate sources of financial assistance.

(END OF APPENDIX B)

APPENDIX C.  
Page 1

The total 1984 attrition requirement at the time of the advice letter filing will be calculated as follows:

$$\text{Attrition Allowance} = (A \times \frac{B}{C} \times D)^{\frac{1}{C}} - A(1 - \frac{B}{C})$$

A = The 1983 expense base subject to escalation as adopted in this decision

B = One plus the 1983 escalation rate developed from the fall 1983 DRI forecast

C = One plus the 1983 escalation rate adopted in this decision

D = The 1984 escalation rate developed from the fall DRI forecast

In determining the labor expense component of attrition, Terms B and D will be based on the latest 1983 DRI projection of the Consumer Price Index - U for the applicable years.

The non-labor expense component of attrition will be based on the latest DRI projections of our adopted modified producer price index and be consistent with the weighting developed herein.

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1/ Appropriate uncollectible and franchise factors shall be included.

APPENDIX C  
Page 2

LASSEN ELECTRIC

Fixed Attrition Items:

Financial Attrition	=	\$ 13,544
Plant Related	=	<u>237,457</u>
Total Fixed Attrition	=	\$251,001

Indexed Items:

Labor	A =	\$784,272
	C =	1.064 (1982 to 1983)
Nonlabor	A =	\$896,311
	C =	1.063 (1982 to 1983)

NEEDLES ELECTRIC

Fixed Attrition Items:

Financial Attrition	=	\$ 3,903
Plant Related	=	<u>68,431</u>
Total Fixed Attrition	=	\$72,334

Indexed Items:

Labor:	A =	\$252,748
	C =	1.064 (1982 to 1983)
Nonlabor:	A =	\$296,019
	C =	1.063 (1982 to 1983)

APPENDIX C

Page 3

NEEDLES GAS

Fixed Attrition Items:

Financial Attrition = \$ 1,063  
Plant Related = 18,644  
Total Fixed Attrition = \$19,707

Indexed Items:

Labor A = \$151,208  
C = 1.064 (1982 to 1983)  
Nonlabor A = \$135,923  
C = 1.063 (1982 to 1983)

SOUTH LAKE TAHOE GAS

Fixed Attrition Items:

Financial Attrition = \$ 6,472  
Plant Related = 113,471  
Total Fixed Attrition = \$119,943

Indexed Items:

Labor A = \$690,677  
C = 1.064 (1982 to 1983)  
Nonlabor A = \$583,603  
C = 1.063 (1982 to 1983)

(End of Appendix C)

APPENDIX D

N O T I C E

(See Table 9, p. 24 for appropriate dollar figures) of the recent rate increase granted to (insert appropriate district) was made necessary by changes in tax laws proposed by the President and passed by Congress. This was the Economic Recovery Tax Act. Among its provisions was a requirement that utility ratepayers be charged for certain corporate taxes even though the utility does not have to pay them. This results from the way utilities may treat tax savings from depreciation on their plant and equipment. The savings can no longer be credited to the ratepayer, but must be left with the company and its shareholders.

For a more detailed explanation of this tax change, send a stamped self-addressed envelope to:

Consumer Affairs Branch  
Public Utilities Commission  
350 McAllister Street  
San Francisco, CA 94102

(END OF APPENDIX D)

Orrick, Herrington & Sutcliffe, by Robert J. Gloistein and Samuel B. Casey, Attorneys at Law, for CP National Corporation, applicant.

Allen R. Crown and Glen J. Sullivan, Attorneys at Law, for California Farm Bureau Federation; Jim Ceapman, for Lassen County Supervisor, District 2, and himself; and Kathleen R. Lanfranco, Attorney at Law, for the undersigned customers of CP National Corporation in Lassen County et al.; interested parties.

Kathleen R. Lanfranco, Attorney at Law, for the undersigned customers of CP National Corporation in Lassen County et al.; complainants.

Alberto Guerrero, Attorney at Law, and Tom Hamamoto, for the Commission staff.

### O P I N I O N

By these applications CP National Corporation (CP Nat.) requests authority to increase rates for its gas and electric service in California. The four applications filed on April 26, 1982, one for each of CP Nat.'s California energy districts, and Case 82-03-09, a complaint about electric rates in CP Nat.'s Lassen Division, have been consolidated for hearing and decision.

#### Summary of Decision

This order authorizes CP Nat. to increase rates in its California gas and electric districts as follows: Lassen Electric District, \$1,406,500 or 10.5%; Needles Electric District, \$359,800 or 10.2%; Needles Gas District, \$116,000 or 12.9%; and South Lake Tahoe Gas District, \$586,900 or 6.4%. These rate increases reflect an adopted rate of return on equity of 16.20% and an overall rate of return of 13.27% for the test year 1983. CP Nat. is commended and rewarded by including 20 basis points in the rate of return on equity shown above for its present conservation efforts and is ordered to implement the conservation recommendations made in the staff's exhibit.



1. While the return on equity at the staff midpoint would result in a times interest coverage of 2.27, a return of 16.0% will still result in a respectable coverage of 2.25.
2. Rate of return is nothing else than the cost of capital. We are concerned here with capital costs in future years. The equity allowance and resultant coverages will be reasonable in light of present and future circumstances surrounding this proceeding.
3. The prime rate is trending downward and is currently below 12.0%.
4. Sales adjustment, balancing account, and attrition mechanisms will help to ensure that CP Nat. has reasonable opportunity to realize the authorized rate of return.

There was considerable sentiment expressed at the public witness hearings concerning the magnitude of the requested increase. We are mindful that it is the ratepayers who are compensating CP Nat. for its cost of capital, and of the severely ailing economy affecting many of those customers. However, in setting a reasonable rate of return for a utility we must also consider all the economic and financial circumstances prevailing in the marketplace in which the utility must compete for capital. Inflation factors appear to be softening. We must balance these needs with the needs of the ratepayers in reaching our decision on rate of return. We will therefore authorize a common equity return of 16.0% for 1983 and 1984. We will project preferred stock and interest rates as recommended by stipulation.

The 16.00% on equity, 20 basis points on equity for conservation, and 13.27% rate of return for 1983 is reasonable and adopted.

1984 Attrition Allowance

An attrition allowance gives recognition to changes in cost level that occur beyond the test year that are not offset by future revenue at the test year authorized level.

Operational attrition is the decline in the rate of return following the test year caused by increases in expenses and rate base which cannot be offset by increases in productivity or revenues. Financial attrition is the increase in the cost of capital following the test year. The attrition allowance is designed to compensate for the above two components of attrition in the year after the test year.

A comparison of the 1984 attrition allowances proposed by both CP Nat. and the staff at the bottom of its recommended range on equity is set forth in Table 10.

The differences between the operational and financial attrition proposed by CP Nat. and the staff are due to the staff's use of a composite inflation rate 2.6% to 2.7% lower than the 10% rate used by CP Nat.; and a debt financing cost 1.25% lower than the 15.25% cost factor used by CP Nat.

CP Nat. has agreed to adopt the attrition allowances proposed by the staff, at the midpoint of its range on equity. An attrition allowance geared to the bottom of the range is shown in Table 10. Both CP Nat. and the staff recommended that the attrition allowances should be implemented by advice letter filing.

Staff's 8.2% escalation of nonlabor expense, based on the Modified Producer Price Index (MPPI), is calculated by weighting various elements of the Producer Price Index and the U.S. Consumer Price Index-Wage Earner (CPI-W) as follows:

<u>Modified Producer Price Index</u>		<u>Bureau of Labor Statistics</u>
<u>Category</u>	<u>% Weight</u>	<u>Code</u>
<u>Producer Price Index</u>		
Energy	7.52	057
Chemicals	9.34	06
Rubber & Plastics	4.78	07
Lumber & Wood	4.23	08
Paper & Pulp	6.22	09
Metals	23.00	10
Machinery & Equipment	19.65	11
Transportation Equipment	13.49	14
Other Industrial		
Commodities	6.77	INDO (DRI)
CPI-W	5.00	CPIW
	<u>100.00</u>	

Staff's financial attrition and the nonescalation portion of operational attrition is reasonable and will be adopted. Staff's method of determining nonlabor escalation (MPPI) will be adopted; however, the staff's determination of escalation rates is premature and will be postponed to a date closer to the attrition year 1984. With regard to labor escalation we will use the latest available

indexes from the U.S. All-Urban CPI. We will also adjust the adopted base year escalation factors to reflect the actual inflation factors in those reports.

In order to reflect the latest available indexes, CP Nat. should file by October 15, 1983, an advice letter setting forth the appropriate escalation and nonescalation amounts in the format shown in Appendix C.

#### Conservation

CP Nat. proposes the following energy conservation programs for the test year 1983.

1. Residential Weatherization Services Program.
2. Energy Efficient Home Program.
3. Agricultural Pump Test Program.
4. Pilot Light Program.
5. Energy Efficient Street Lighting Program.
6. Renewable Resources Program.
7. Conservation Voltage Regulation and Surveillance Program.
8. Water Heater Conversion Program.
9. Commercial Conversion Program.

The agricultural pump test and water heater conversion programs are new proposed programs to be funded in a separate balancing account. We have also authorized two conservation financing balancing accounts (CFA) for the recovery of Residential Conservation Program (RCS) weatherization program.

The staff agrees with CP Nat.'s proposed programs and funding levels for 1983, and the dates set for certain programs to end, except that funds requested for certain programs should be reduced. The funds requested for the RCS and weatherization related expenses should be deleted since they duplicate expenditures

subsequently authorized for recovery through the CFA.<sup>4</sup> The staff recommends that funds requested for the Pilot Light Program be reduced and the Energy Efficient Home Program be deleted because the former program needs less utility involvement and the latter program is no longer needed. The staff only recommends cost effective programs.

Except for programs that provide conservation informational assistance (bill stuffers), improve operating efficiency, and lower the costs of providing service, the staff witness recommends that conservation programs be discontinued by December 31, 1984. After that date we will recognize in cost of service only cost-effective programs for which it can be shown a substantial market exists.

A comparison of the staff and initial utility test year estimates for conservation program expenses are as follows:

	Conservation Program Expenses in Test Year		
	CP Nat.**	Staff	CP Nat. Less Staff
Lassen Electric District	\$ 67,319	\$ 6,950	\$ 60,369
Needles Electric District	6,275	2,750	3,525
Needles Gas District	10,925	3,250	7,675
South Lake Tahoe District	80,399	7,313	73,086

\*\*CP Nat. agreed to staff basis for early decision as it did on all issues.

When these rate applications were filed, A.60775, an RCS-ZIP (zero interest plan) funding proceeding, was pending. Since then, D.82-07-096 has been issued authorizing a CFA for the recovery of RCS and weatherization-related expenses. Because of this action the staff estimate does not include these programs; however, the utility estimates do because such estimates were filed prior to the above authorization.

<sup>4</sup> D.82-07-096 in A.60775.

declining sales. An ERAM has recently been approved for PG&E.<sup>5</sup> The filing of an ERAM tariff by CP Nat. is reasonable and, therefore, adopted.

#### Rate Design

CP Nat. proposes to spread the rate increase using the sales estimates, rate design, and marginal cost principles recommended by the staff. The new tariff sheets designed to yield the staff/CP Nat. revenue requirement were jointly developed by CP Nat. and the staff in consultation with other appearances of record and submitted as late-filed Exhibit 60 reserved for this purpose.

The proposed rate design uses marginal cost principles, combines Needles Electric Schedules 122 and 123, limits street-lighting rate increases to the average percentage that all schedules are actually increased, and with some minor exceptions allocates rate increases, including Schedule P-130 (Agricultural Pumping), to the commodity charge. Such designs increase the commodity charge for agricultural pumping in the Lassen and Needles Electric Districts by \$0.01 from \$14.39 to \$14.40 per horsepower per year. The customer or service charges in the South Lake Tahoe and Needles Gas Districts are increased on all schedules to \$5.50. The balance of the increase in authorized revenue in all districts is obtained by increasing the commodity charge. This proposal is reasonable and adopted.

#### Agricultural Customer Study

During public hearings held in Susanville on August 24 and 25, several questions regarding agricultural pumping service were raised. CP Nat. responded to these concerns. Among the areas of concern were alternate rate designs which might be available to the agricultural pumping customers which would permit a lower rate for off-peak use of electric service. Public testimony presented at the

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<sup>5</sup> D.93887 dated December 31, 1981.

## APPENDIX C

The total 1984 attrition requirement at the time of the advice letter filing will be calculated as follows:

<u>Lassen</u>		<u>Needles - Electric</u>	
Financial attrition	= \$ 13,544		= \$ 3,903
Operational attrition:			
Nonescalation element	= 237,457		= 68,431
Escalation element:			
Labor			
$\frac{\$66,166}{0.067} \times (\text{US A-UCPI})^*$	= _____	$\frac{\$22,190}{0.067} \times (\text{US A-UCPI})^*$	= _____
Nonlabor			
$\frac{\$57,972}{0.082} \times (\text{MPPI})^{**}$	= _____	$\frac{\$17,505}{0.082} \times (\text{MPPI})^{**}$	= _____
To increase in 1984 attrition	= _____		= _____
<u>Needles - Gas</u>		<u>South Lake Tahoe</u>	
Financial attrition	= \$ 1,063		= \$ 6,472
Operational attrition:			
Nonescalation element	= 18,644		= 113,471
Escalation element:			
Labor			
$\frac{\$12,442}{0.067} \times (\text{US A-UCPI})^*$	= _____	$\frac{\$55,544}{0.067} \times (\text{US A-UCPI})^*$	= _____
Nonlabor			
$\frac{\$8,364}{0.082} \times (\text{MPPI})^{**}$	= _____	$\frac{\$37,030}{0.082} \times (\text{MPPI})^{**}$	= _____
To increase in 1984 attrition	= _____		= _____

\* United States All-Urban Consumer Price Index.

\*\* Modified Producer Price Index.

(END OF APPENDIX C)

APPENDIX D

N O T I C E

(See Table 8. p. 23 for appropriate dollar figures) of the recent rate increase granted to (insert appropriate district) was made necessary by changes in tax laws proposed by the President and passed by Congress. This was the Economic Recovery Tax Act. Among its provisions was a requirement that utility ratepayers be charged for certain corporate taxes even though the utility does not have to pay them. This results from the way utilities may treat tax savings from depreciation on their plant and equipment. The savings can no longer be credited to the ratepayer, but must be left with the company and its shareholders.

For a more detailed explanation of this tax change, send a stamped self-addressed envelope to:

Consumer Affairs Branch  
Public Utilities Commission  
350 McAllister Street  
San Francisco, CA 94102

(END OF APPENDIX D)