

ORIGINAL

Decision No. 88153 NOV 29 1977

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CALIFORNIA-PACIFIC UTILITIES COMPANY, a California corporation, for authority to revise its electric rate structure and establish an energy conservation program in its Lassen Division.

Application No. 57266 (Filed April 29, 1977)

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

Jim Chapman, Supervisor for Lassen County Board of Supervisors; Charles S. Richardson, Mayor, City of Susanville, for City of Susanville and Lassen County Community College; and Don MacIntyre, Attorney at Law, and Alice T. Dresel, for themselves; interested parties. William J. Jennings, Attorney at Law, for the Commission staff.

O P I N I O N

By this application, California-Pacific Utilities Company (Cal-Pacific) requests authority to establish a conservation fund of \$175,000 from the Pacific Gas and Electric Company's (PG&E) \$508,125.09 purchased power refund received on August 1, 1977 and credit the balance to its purchased power expense balancing account. The fund would be used to contribute the lower of \$75 or one-half of the customers' costs for insulating their homes in its Lassen Division. Cal-Pacific, at the time of filing, thought the PG&E refund would approximate \$350,000. Cal-Pacific also proposes to change the basic concept used

in the design of its Lassen Division electric rates by establishing basic rates and energy rates. Residential rates were further redesigned so that basic rates would apply only to lifeline sales and all sales over lifeline would contain only an energy rate component.

A duly noticed public hearing in this matter was held in Susanville on August 16, 17, and 18, 1977 before Administrative Law Judge John J. Doran, and the matter was submitted on September 13, 1977 upon the receipt of comments to the late-filed exhibits. Parties active throughout the proceeding included the applicant; Commission staff; Jim Chapman, supervisor, Lassen County Board of Supervisors; Charles Richardson, mayor of Susanville; and Alice Dresel, co-chairman of the Peoples Power Advocates.

The public was very active in this proceeding. Statements were presented by 19 members of the public (mostly representing groups of customers), about 200 people attended the hearings, and several hundred letters were delivered to the hearing. The tenor of the public was that a refund be made to all customers and that a conservation fund not be established. Further they did not want a rate increase nor did they like the purchased power adjustment or want it as a permanent part of the tariffs. Before the application was filed a petition protesting high electric rates and demanding a refund was signed by over 6,900 people.

Treatment of PG&E Refund

Prior to the hearing, Cal-Pacific held a public meeting in Susanville on August 9, 1977 to explain its application to the public. Its application seeks authority to place \$175,000 of the PG&E refund in a conservation fund to be given to customers who insulate their homes and to place the remainder of the refund in the purchased power balancing account which would have the effect of reducing the future charge for energy while it was being amortized. The public stated at the meeting that it wanted a refund to all customers and did not want a conservation fund.

At the outset of the hearing, Cal-Pacific stated it had no position one-way or the other on the refund to customers vs conservation fund. Cal-Pacific stated it filed the application at the request of the Commission's Utilities Division. The utility recognized that its application may well be unacceptable to its customers for a variety of reasons, including basic considerations of fairness. It further stated that it would not be willing to fund a program of this kind out of general corporate revenues.

During the hearing Cal-Pacific changed its position - it now favors refunds to all customers, stating that the money belongs to customers and the method of handling should be as the customers desire. Cal-Pacific said it has records to calculate the refunds and spread on a cents per kilowatt-hour basis.

Cal-Pacific has an insulation program. In early 1977, it began advertising and selling ceiling and wall insulation in the Lassen Division. Cal-Pacific financing for insulation is available at 1.25 percent interest per month up to 36 months.

Staff counsel stated the hearing was to obtain public input about the refund. Should it be used for the conservation fund or should it be refunded to customers? The Utilities Division staff recommended that "CPU's proposed incentives" be increased; that the full amount of the refund be placed in the conservation account; that the payment to customers be increased to \$150, and that the program be expanded to include more than insulation. It also proposed that insulation loans up to \$1,000 be available at seven percent interest per annum up to 60 months. Insulation is being studied in Case No. 10032, the Commission's generic proceeding on insulation. Therefore, no changes in the current financing program will be considered herein.

The Commission's Finance Division stated it was against Cal-Pacific's original proposal and the Utilities Division's proposal. It recommended that refunds should not be treated in a manner inconsistent with the Commission policy expressed in Case No. 10255, the Commission's investigation on the treatment of refunds. In the past, refunds have been made to all customers.

The public witnesses, mostly representing groups of customers so as to combine their views, favored refunds to all customers including former customers and were against establishing the conservation fund for insulation. It was stated that the refund was equivalent to one percent of the retail sales in the area.

Cal-Pacific's late-filed exhibit in response to the presiding officer's request for a plan to refund the PG&E refund to all customers based upon usage and charges when modified to handle customer complaints is reasonable and will be adopted.

Rate Revisions

Examination of applicant's request to establish electric base rates and energy rates in its Lassen Division showed that there would be no change in overall revenue; however, many domestic customers would receive increases, both those using lifeline quantities and quantities in excess of lifeline.

The staff questioned the adequacy of the notice to customers about such increases. The mayor, a member of the Board of Supervisors, and the co-chairman of the Peoples Power Advocates are opposed to the concept of a dual rate structure that separates the rates into base rates and energy rates. They state that this would make permanent the purchase power adjustment factor (PPA). They could live with the PPA for the duration of the drought emergency, but wish to see the PPA abolished at the conclusion of the emergency. They would rather have the additional energy costs rolled into base rates. They would also like to see the lifeline allocation reviewed and possibly increased for the Lassen area.

The base rate is a unit charge to be applied to all sales except domestic nonlifeline sales that when added to the service charge is designed to yield the total revenues authorized in the last rate proceeding less purchased power costs. The base rate and service charge are designed to recover the fixed costs. The energy rate is a unit charge to collect all purchased power costs. An energy unit charge is included in the current lifeline rate; however, this unit charge is frozen and does not now include all energy costs. There would be different base rates and energy rates applicable to domestic and all other service.

Concern was expressed about guaranteeing the recovery of fixed costs within the domestic class by assigning fixed costs or base rates to apply only to lifeline usage rather than to all usage as done at present. Fixed costs or base rates would apply to all usage in the other classes of service.

The utility proposes to collect all purchased power costs in the energy rate. It proposes to adjust the energy rate on a monthly basis by tariff filing in the same manner presently used to adjust the purchased power adjustment factor. As purchased power costs change in the future, it proposes to charge domestic sales in excess of lifeline any purchased power costs not paid by lifeline sales.

Cal-Pacific proposes to increase the present domestic monthly service charge from 88 cents to \$2 per month for urban domestic service and \$4 per month for rural service. Applicant's overall rate proposal would cause all summer rural and many winter rural and urban domestic bills to be increased.

The staff witness accepted the utility's rate design; however, the staff proposed that changes in the purchased power costs be spread equally to all sales rather than to nonlifeline only which was originally proposed by the utility and discussed above. Subsequently, the utility stated it agrees with the staff.

In response to a request of the presiding officer, Cal-Pacific presented two alternate rate designs, the objective being not to change or increase any customer's bill. Alternate 1 is present rates modified to show all purchased power costs separately. Embedded purchased power costs were removed from the present base rates and added to the present purchased power adjustment factors to form the new energy rates (one for lifeline, the other for nonlifeline). The remainder was the new base rates. The service charge remained unchanged. The present monthly PPA is developed using the change in total energy rates as described above. While energy costs continue to change from month to month and balancing accounts are necessary, this alternate has merit from a tariff administration point of view. Alternate 2 is a modification of Cal-Pacific's base rate/energy rate proposal to eliminate rate increases or decreases.

Customer bills would be the same under present rates, Alternate 1 rates or Alternate 2 rates. Alternate 1 rates would be similar in form to Cal-Pacific's supplier's retail rates, zero base energy in the base rates. Alternate 2 tilts all the fixed charges to the front end of the domestic rate schedule and would be a form of revenue guarantee. The proposed shifting of the recovery of fixed costs from all domestic sales to only lifeline sales should be thoroughly analyzed before any action is taken. This proposal could be explored in a general rate proceeding if applicant were to pursue the issue and were to present supporting evidence. Alternate 1 rates are reasonable and will be adopted.

Findings

1. Cal-Pacific received a \$508,125.09 purchased power refund from PG&E on August 1, 1977.

2. Granting Cal-Pacific's original application, filed at the request of the Utilities Division, to establish a conservation fund for customer insulation from \$175,000 of the PG&E refund and to credit the remainder to the balancing account was not shown to be appropriate.

3. The utility is not willing to fund such a program out of general corporate revenues.

4. In response to the staff's request to the public for its views, the 200 customers attending the hearings and the several hundred letters delivered to the hearing were generally for making refunds to all customers and against using the refunds for insulation.

5. In early 1977 Cal-Pacific began advertising and selling ceiling and wall insulation in the Lassen Division.

6. Cal-Pacific financing for insulation is available at 1.25 percent interest per month up to 36 months.

7. The utility revised its proposed treatment of the PG&E refund at the hearing to refund the monies directly to all customers rather than set up a conservation fund, with any balance to be credited to the purchased power balancing account.

8. Cal-Pacific's plan to refund the PG&E refund to all of its Lassen Division electric customers when modified to handle customer complaints is reasonable.

9. The establishment of base rates with zero base purchased power costs is reasonable.

10. The establishment of energy rates to include only purchased power costs is reasonable.

11. The establishment of new base and energy rates, and maintaining the present service charges will not change any customer's bill, but will simplify the administration of the purchased power cost data and related tariff data and is reasonable.

12. The proposal to further redesign residential rates by increasing the service charges, recovering all fixed costs from only lifeline sales, and recovering all energy costs from only nonlifeline sales will increase many customers' bills and is unreasonable.

13. The changes in form of rates and charges authorized by this decision are reasonable; the present form of rates and charges, insofar as they differ from those set forth in this decision, are for the future unjust and unreasonable.

Conclusions

1. The original application of Cal-Pacific to establish a conservation fund for customer insulation and credit the purchased power balancing account with the remainder of the purchased power refund received from PG&E should be denied.

2. Cal-Pacific's revised proposal to refund all of the PG&E refund to all of its Lassen Division electric customers when modified to consider customer complaints should be approved.

3. Cal-Pacific's proposal to establish base rates and energy rates should be granted to the extent set forth in the order.

4. Cal-Pacific's proposal to further redesign residential rates by increasing the service charges, recovering all fixed costs from only lifeline sales, and recovering all energy costs from only nonlifeline sales should be denied.

O R D E R

IT IS ORDERED that:

1. California-Pacific Utilities Company (Cal-Pacific) shall file within five days after the effective date of this order the refund plan attached hereto as Appendix A and shall refund to all its Lassen Division electric customers the \$508,125.09 refund received from Pacific Gas and Electric Company plus interest at seven percent per annum to the date refunding begins in accordance with the plan. The plan shall be effective on the date of filing.

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2. Cal-Pacific shall file with this Commission within five days after the effective date of this order revised rate schedules based upon eliminating all purchased power costs from the present base rates. The embedded purchased power costs included in the present base rates should be added to the present purchased power adjustments and renamed energy rates. The service charge remains unchanged. These rate schedules shall be effective five days from the date of filing.

3. Cal-Pacific's requests to use \$175,000 of the purchased power refund to establish a conservation fund, to credit the remainder to the purchased power balancing account, and to further redesign residential rates are denied.

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

Dated at San Francisco, California, this 29th day of NOVEMBER, 1977.

Robert Bateman
President

Gregory L. Sturgess
Joseph D. Qualla
Clair J. Daniels
Commissioners

I dissent.
William Synovis, Jr.

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STANFORD UNIVERSITY

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1. PURPOSE

The purpose of this plan is to refund to the Lassen Division customers of California-Pacific Utilities Company the refund monies received from Pacific Gas and Electric Company in accordance with the Federal Power Commission's Orders Approving Settlement, dated July 8, 1977, in Docket Nos. E-7777, E-8928, ER76-319, and ER76-811.

2. TOTAL AMOUNT TO BE REFUNDED

- a. \$508,125.09 received from Pacific Gas and Electric Company on August 1, 1977, plus
- b. Interest at 7 percent per annum to the date refunding begins.

3. ALLOCATION TO CLASSES OF SERVICE

The total amount to be refunded, determined in 2 above, shall be allocated to each class of service in the proportion which sales to each class of service bears to the total sales recorded for the RECORD PERIOD (see 5 below).

4. CALCULATION OF INDIVIDUAL REFUNDS

The total amount allocated to each class of service will be allocated to each customer in the proportion which each customer's sales bears to the total sales for his class of service for the RECORD PERIOD.

5. RECORD PERIOD

The record period for each customer and each class of service shall be the billing months of November 1974 through July 1977 excluding therefrom the billing months of February and March 1975, for which months the data are no longer available. Residential lifeline kilowatt-hours after June 1976 shall not be counted in the RECORD PERIOD.

6. REFUNDS TO CUSTOMER ACCOUNTS

Refunds computed in accordance with this plan will be applied as a credit to those accounts still active.

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7. REFUNDS BY CHECK

Refunds computed in accordance with this plan for which no account is active to which the refund can be applied will be made by check to those former customers which California-Pacific Utilities Company can locate. California-Pacific Utilities Company will make every reasonable effort including newspaper and radio publicity to locate former customers and inform them of a potential refund.

8. TERMS OF THIS REFUND PLAN

Refunding under this plan will have been considered complete after 120 days from the date the plan is filed with the Commission.

9. DISPOSITION OF THE UNREFUNDED BALANCE

California-Pacific Utilities Company will include any over-refund or under-refund balance from this plan in the normal amortization of its balancing account. In its advice letter providing for the amortization of the balance a full report will be made.

10. ADJUSTMENT OF REFUNDS UPON CUSTOMER INQUIRY

In each case where a former customer who will receive no refund under this refund plan inquires, prior to completion of refunding regarding a refund, and in each case where a present customer contends, prior to completion of refunding, that the refund he received under this plan is not appropriate, the Company shall investigate and make a refund or refund adjustment wherever appropriate.