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ORIGINAL

Decision No. 90597 JUL 31 1979

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's
own motion into all aspects of
electric service, supply, and
requirements of areas served by
the NEEDLES DISTRICT and the
LASSEN and WEAVERVILLE DIVISIONS
of CP NATIONAL CORPORATION, a
California corporation.

OII No. 14
(Filed April 19, 1978)

Orrick, Herrington, Rowley & Sutcliffe, by
Robert Gloistein, Attorney at Law, for
respondent.

Jim Chapman, Lassen County Supervisor,
District 2, for himself and Citizens of
Lassen County; Charles S. Richardson,
for City of Susanville; Richard L. Jensen,
for Southern California Edison Company;
Robert E. Ham, for California Energy
Commission; and Alice T. Dresel, William H.
Moore, Jr., and James E. Pardee, for
themselves; interested parties.

Sara Steck Myers, Attorney at Law, Teddy
Christensen, and Bertram Patrick, P.E.,
for the Commission staff.

O P I N I O N

Background

CP National Corporation (CP National), a public utility corporation, provides electric service through its Needles, Lassen, and Weaverville Districts to the Needles, Weaverville and Susanville and Westwood areas. CP National purchases the power to serve its Lassen and Weaverville Districts from Pacific Gas and Electric Company (PG&E) and the power to serve its Needles District

from Nevada Power Company. Based on numerous oral and written complaints received from CP National's customers in these service areas, public meetings were held in Westwood and Susanville on March 10 and 11, 1978, and in Needles on March 27 and 28, 1978, for the purpose of exploring these complaints further. The meetings were attended by members of the community, Commissioner Dedrick, members of the Commission staff, and representatives of CP National, including its president. Customer complaints ranged from problems with service and billing to inquiries about less expensive and more efficient energy alternatives.

Based on the complaints received at the Commission and presented during the public meetings, it appeared that CP National might not be furnishing and maintaining such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities as were necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public in the Needles District and the Lassen and Weaverville Districts. It further appeared that the lifeline quantities that CP National was applying in its Lassen and Weaverville Districts might not take into account differentials in energy needs caused by differences in severity of climate. It also appeared that establishment of lifeline quantities for air conditioning might be appropriate for the Needles District. In addition the energy needs of these areas might require an examination of the availability and the development potential of alternate energy sources and supplies. It further appeared that the amounts paid by CP National for purchased power, the contract terms under which that power is purchased, and the Commission's procedure for allowing offsets to reflect changes in the wholesale price of purchased power might not be appropriate or in the best interests of customers of the Needles District and the Lassen and Weaverville Districts. It further appeared that CP National might not have made more than a perfunctory response to the Commission's Resolution No. E-1739, issued January 17, 1978, which Resolution ordered CP National to seek alternate and more economic sources of purchased power for its Needles District.

Consequently, the Commission opened an investigation on its own motion into all aspects of electric service, supply, and requirements of areas served by CP National's Needles District and its Lassen and Weaverville Districts. The scope of the investigation included, but was not limited to, a determination of the following:

1. Whether customers within CP National's Needles District and its Lassen and Weaverville Districts are being charged the rates for electric service authorized by the Commission;
2. Whether CP National's computerized billing of customers is accurate, and whether charges are stated on customer bills with sufficient clarity;
3. Whether CP National possesses the equipment necessary to test meters, whether the meters used by CP National accurately record usage, and whether those meters are accurately and regularly read by CP National;
4. Whether the determination by CP National of when to estimate meter readings, as well as the frequency and accuracy of such estimations, are sufficient to ensure that its customers will only be charged for the service received;
5. Whether CP National has properly explained to its customers what lifeline rates are and the consumption needed and the procedure to be followed to qualify for lifeline;
6. Whether customers who have qualified for lifeline are actually charged lifeline rates, and whether the lifeline rates charged by CP National are those prescribed by the Commission;
7. Whether the voltage levels of CP National's electric service are appropriate for residential and commercial service, and whether those levels in any way endanger or impair the safety, health, and convenience of its customers;

8. Whether CP National's distribution facilities are adequate in terms of both efficiency and safety, and whether improvement or replacement of such facilities is necessary;
9. Whether CP National's customers are able to receive accurate information from its local business offices;
10. Whether the process necessary for a customer to obtain information from CP National is reasonable and effective;
11. Whether CP National's service department is available to handle and sufficient to resolve customer needs and problems;
12. Whether and to what extent CP National has responded to the problems in its service and facilities raised in complaints received in writing by the Commission or presented orally at the public meetings in Westwood, Susanville, and Needles;
13. Whether the lifeline quantities that CP National is applying in its Lassen and Weaverville Districts take into account differentials in energy needs caused by differences in severity of climate; also whether establishment of lifeline quantities for air conditioning may be appropriate for the Needles District;
14. Whether CP National purchases power at the rate authorized by the Federal Energy Regulatory Commission (FERC), and whether this FERC rate is being accurately reflected in CP National's rate filings before this Commission;
15. Whether CP National has been diligent in ensuring that the terms of the contracts under which power is purchased from PG&E and Nevada Power Company are as favorable as possible to its customers;
16. Whether alternate energy sources are available in the Needles District and the Lassen and Weaverville Districts, and whether the use of such sources is feasible;

17. Whether CP National has considered or undertaken its own energy production, and whether it has made a diligent effort to seek alternate and more economic sources or supplies of purchased power; and
18. Whether the Commission should modify its present procedure for authorizing offsets in CP National's rates, which allow for changes in the wholesale price of purchased power, so that rate changes may be experienced less frequently by its customers.

On May 31, 1978, and June 1, 1978, hearings were held before Commissioner Dedrick and Administrative Law Judge Gillanders in Needles in the matter of CP National's Application No. 57820 for authority to increase rates for electric service in its Needles District and in the matter of OII No. 14. The hearings were held to receive CP National's direct showing on its application, to receive public and staff testimony, and to gather facts needed to determine reasonable lifeline quantities for air conditioning.

The hearings were attended by approximately 150 members of the community on the first day and approximately 50 members of the community on the second day. Testimony was received from 13 CP National customers and a statement was received from Mayor O'Dell. Public testimony included statements on annual and summer monthly consumption, bills, and air conditioning thermostat settings.

By Decision No. 89068, dated July 11, 1978, CP National was ordered to:

- "1. CP National Corporation (CP National) shall file with the Commission, within ten days after the effective date of this order, changes in its tariff to provide lifeline quantities for air conditioning of 550 kwh per month for the months of May and October and 650 kwh per month for the months of June

through September. The rate charged for these lifeline quantities shall be the same as charged for the basic lifeline allowance. The allowances shall be applicable to all residential customers within the Needles District. Such filing shall comply with General Order No. 96-A.

- "2. The revenue shortfall due to the implementation of lifeline quantities for air conditioning shall be reflected in CP National's Purchase Power Cost Equalizing Adjustment Account.
- "3. CP National shall continue to defer Nevada Power Company's monthly Fuel Cost Adjustments through 1978."

Further public hearing was held before Commissioner Dedrick and/or Administrative Law Judge Gillanders in the matter of CP National's Application No. 57819 to increase rates for electric service, Application No. 57824 to increase rates for water service, and OII No. 14 in Susanville on October 23, 24, 25, and 26, 1978, and the matters were submitted upon receipt of late-filed exhibits on January 19, 1979.

OII No. 14 was heard on a common evidentiary record with pending CP National rate increase Applications Nos. 57819, 57820, 57821, 57822, 57824, and 57953.

Oral and written testimony was presented on behalf of applicant by its chairman of the board, two vice presidents, one department manager, and a consultant. The staff presentation was made by two engineers and three accountants. Twenty-three members of the public attended the hearings, nine of whom testified.

Further testimony and exhibits were received at the hearing held in Needles on December 12, 1978.

Staff Showing

The staff introduced Exhibit No. 2 entitled "Staff Report On OII No. 14 Into All Aspects Of Electric Service, Supply And Requirements Of Areas Served By The Needles, Lassen And Weaverville Districts Of CP National."

The following was taken from Exhibit No. 2.

"Summary of Staff Recommendations

"It is recommended that:

"1. For energy rate changes which will increase or decrease the average customer's bill more than 0.5%, the utility include a bill insert explaining the new rates and showing sample bill calculations. These same inserts would be made available to customers who visit the district offices and could be used in responding to telephone or mail inquiries.

"2. CP National be directed to work with the staff to develop a bill format which will provide its customers with the information necessary for an understanding of the bill calculation. The design of this new bill format should be completed by June 1, 1979.

"3. The practice of estimating meter readings should be held to a minimum. When a meter cannot be read, the staff recommends that a new procedure be adopted. CP National should leave a notice on the premises informing the customer his electrical usage will be estimated. The customer will be advised to immediately record the meter reading in a space provided on the notice. When the estimated bill arrives, the customer can compare the estimated meter reading with the one he recorded. The customer will be advised that any discrepancy between estimated and actual usage will be corrected when the meter is next read but that if he wishes an immediate adjustment, he should notify the district office.

"4. CP National provide toll free telephone lines from Westwood and Chester to the Susanville business office.

"5. CP National review customer service practices with its district managers and provide additional training to improve the effectiveness of district office personnel.

"6. Westwood be reclassified as Zone 4 with 1,420 kilowatt-hours per month of lifeline space heating allowance.

"7. The present lifeline allowance of 250 kilowatt-hours per month for water heating be retained.

"8. The Commission's policy of treating the PG&E system as a whole in terms of assigning the costs of generation equally regardless of location within the system be continued.

"9. CP National be directed to discuss modifications of its power purchase contract with Pacific Gas and Electric Company in order to encourage cogenerators within CP National's service territory. If an acceptable contract cannot be obtained, the Federal Energy Regulatory Commission should be asked to review the contract. If it becomes necessary to involve FERC in this controversy, CP National should propose alternative contract terms to FERC within 60 days of the effective date of the decision in this case. CP National should review such alternative terms with this Commission's staff before submitting them to FERC.

"10. Less frequent purchased power revisions be made by CP National. Specifically, it is recommended that CP National be required to file a revision in PPA rates whenever the total annual revenue change effect accumulates to 3% of total annual revenues for the Lassen or Weaverville districts or, at the utility's option, not sooner than 3 months following its last filing period."

The staff presented the results of its meter testing at Needles. Twenty-six meters were tested. All meters tested well within the range specified in CP National's Rule 18 - Adjustment of Bills for Meter Error (2% fast - 2% slow).

The President of the Lassen County Small Utilities Consumer Action Group, Incorporated claimed that he had information regarding irregularities involving CP National's bidding procedures. He stated that he had been informed that

contractors and equipment operators have been advised by CP National and their employees to give higher estimates in order to get the bids.

According to one owner-operator, with whom he had talked, when he submitted a bid, the bid was refused.

It was suggested to him by company personnel that if he raised the bid, he would get it. The owner-operator raised the bid and got it.

The owner-operator when asked if his name could be used and if he could come and testify stated that he was approached by someone allegedly representing CP National and told that if he did testify or make any statement, he would never work for CP National again.

Based on the above, the staff was directed to investigate CP National's bidding practices and to submit a report on its investigation. The staff submitted such a report (Exhibit No. 9) on December 12, 1978. According to the exhibit, the staff was unable to identify any case where a CP National employee requested a bidder to raise a bid.

The staff investigation shows that CP National uses a competitive sealed bid procedure when economically justified. When such a procedure would be unjustifiably time-consuming and costly, negotiation with one contractor is used. CP National also requires owner-operators to carry a large amount of Worker's Compensation Insurance. This requirement has restricted the number of owner-operators that are available to CP National for contracting in the Susanville area.

Based on its investigation, the staff made the following recommendation:

"To obtain the lowest price for small jobs performed by independent contractors, the staff recommends that CP National maintain a list of the contractors in the area. This list should include the prices the contractor usually charges and whether he carries the required level of insurance.

"CP National should request the necessary information from the contractors in the Susanville area in a letter. The letter should:

- "1. Specify the types of work for which CP National might wish to hire them and their equipment.
- "2. Request them to submit a list of the prices they charge for the specified types of work.
- "3. Detail the insurance requirements of CP National for independent contractors including the fact that CP National will only hire them if they file a certificate of insurance for the specified amount.
- "4. Explain how insurance can be carried only for the months in which the contractor works for CP National."

California Energy Commission Showing

The California Energy Commission's staff presented a report (Exhibit No. 10) of its energy audits of several homes in the Needles area.

According to the exhibit, audits were conducted upon request of customers in seven residences, one mobile home and a federal housing office in Needles, on June 26-29, 1978. Those who were audited were very concerned about their utility bills and had already taken extensive conservation actions before the audit. Those audited were interested in being checked on what

they had already done as well as suggestions for new ways to conserve. The report stated that customers audited in Needles were achieving a significant amount of energy conservation. Much of the conservation was due to the dramatic rise in electric rates. Two people seemed to be also concerned about paying the power adjustment charge on the bill. One person interpreted this to mean that she was paying for the power twice, once for CP National to bring it in and once for using it. She did not understand that a power adjustment charge is part of any utility bill. People may be less inclined to misinterpret the power adjustment charge if it were not listed separately on the bill.

CP National's Showing

CP National's showing consisted of a pamphlet entitled "Your New Electric Bill...What Does It Really Mean?" (Exhibit No. 1); a study by SRI International entitled "Corporate Diagnostic Evaluation of CP National Corporation" (Exhibit No. 4); correspondence between it and the Department of Water Resources (Exhibit No. 5); a document entitled "Response of CP National" (Exhibit No. 6); and its latest organizational chart (Exhibit No. 7), along with oral testimony amplifying the written material.

Discussion

The staff's view of CP National's management is:

"Utility Management

"The experience of Utilities Division staff with CP National management and operating personnel throughout this investigation -- beginning in January 1978 with the Westwood protest -- has been disappointing.

"The circumstances of organized protests, numerous complaints, and alienated customers that caused the Commission to open this investigation appear to have resulted from a total breakdown in communications between CP National and its customers. This breakdown was caused in part

by a lack of internal communication and control between the headquarters and the districts. Ensuring adequate control systems is one of the primary responsibilities of management. CP management failed in this regard, and because it did not keep itself adequately informed, the company failed to foresee and deal with the adverse impacts on its customers that resulted from the increase in the cost of energy.

"When faced with numerous customer complaints indicating serious deficiencies in its operations, CP National attempted to deal with them on an individual basis rather than formulating any new policy to get at the underlying cause. There was no admission of any extraordinary problems. The company attempted to maintain business as usual while the situation continued to deteriorate. Management seemed incapable of initiating any original action to correct the situation. Most of the corrective action taken was done at the suggestion of the Commission staff. There were conscientious employees in the San Francisco and district offices who wanted to solve the company's problems but who were powerless to influence company actions or policy. Clearly the non-responsiveness of the utility's organizational structure demonstrates the validity of many of the complaints brought by customers.

"The lack of management responsiveness is illustrated by an early letter dated March 22, 1978, by the staff asking for changes in response to the customer complaints (Attachment No. 1). Staff requests set forth in the letter were done by the utility except for the last request. That request was for CP National to '...set forth by April 1 specific actions your company intends to initiate to resolve the problems discussed at the March 10 and 11 meetings in Westwood and Susanville.' It is clear from the last paragraph of the reply letter of April 21 (Attachment No. 2) that they were not going to initiate solutions to problems

raised by their customers but were going to wait for the Commission to tell them what to do. This lack of initiative in solving problems continues up to the preparation of this report. Without the stimuli of OII-14 and the audits of company management, it is unlikely that any corrective action would have been taken by CP National." (Exhibit No. 8.)

The utility has hired two consultants to examine its management and operations. These are the Stanford Research Institute (SRI) which conducted a management audit of the general office and top level management and the Institute of Management Research (IMR) which conducted a management audit of field office operations and customer relations.

Management Audits

CP National hired two consultants to examine its management and operations - SRI which conducted a management audit of the general office and top level management and the IMR which conducted a management audit of field office operations and customer relations.

The SRI report covered the strengths and weaknesses of CP National and proposed solutions to problems and changes in organization and business. The report also focused on problems with data systems, management practices and training, the need for development of a public relations program, and the role of the Board of Directors.

IMR did not issue a formal report. Its assignment was to improve customer service, provide supervisory training and reduce operating cost. The IMR team worked closely with management and first-line supervisory personnel at the districts. New systems were introduced for handling customer service problems and individual and group training sessions were held to increase ability and provide a consistent approach to solving customer service problems. ✓

The staff had several meetings with SRI and IMR team members. These meetings included observation of IMR personnel at work in the district offices. The staff received feedback directly for the district managers on the effectiveness of the IMR program. Based on these observations, staff concluded that both the SRI and IMR studies were worthwhile undertakings that should yield long-term benefits to ratepayers and stockholders if implemented. Implementation of the studies' recommendations should resolve or eliminate many of the problems encountered by both staff and customers in dealing with CP National.

Cost of Audits

The Operations Division of the staff proposed to allow the full cost of the IMR study (\$200,000) and disallow the full cost of \$110,000 for the SRI study.

The staff proposed amortizing expense for the IMR study over a five-year period, apportioning the expense among CP National's districts. We will not adopt the staff's proposed treatment of the IMR study expense. If CP National had routinely undertaken analysis of its customer relations activity to ensure it was effective, as a prudent utility should, there would have been no need for the IMR study. The study was necessitated because CP National let service and customer relations activities become a near crisis. The ratepayers of CP National should not be burdened with the expense of a study that resulted from inattentive management.

The SRI study emphasis is on upper level management reorganization, corporate acquisitions and divestments, and profitability improvement. As for upper level management, the ratepayers have paid for competent management in their rates and should not have to pay for correcting the deficiencies; corporate acquisitions and divestments and profitability improvement are clearly for the benefit of shareholders. For these reasons, the staff concluded that the ratepayers should not be responsible for the cost of the SRI report.

The ratemaking treatment of the audits outlined above will be reflected in the pending rate proceedings for CP National's various districts.

Customer Information System

The Operations Division of the staff excluded \$506,897 or 50 percent of Arthur Andersen Co. (AA Co.) costs for development of the Customer Information System (CIS). The remaining \$1,215,894 was amortized over the five-year period as chosen by CP National. The costs of developing the CIS system were as follows:

AA Co. Services	\$1,013,795
CP National Staff Training and Development	45,325
CP National Staff Salary and Equipment	<u>663,671</u>
Total	\$1,722,791

The CIS system is basically a billing system for serving about 100,000 customers which was introduced in October 1977 to replace the old system (UTMOST) which was obsolete.

The Operations Division believes that the total cost of the CIS system could have been reduced if the utility had obtained bids from several contractors instead of giving AA Co. an open-ended contract. Management's loose control over this project resulted in substantial cost over-runs by AA Co. and substantial costs to CP National. The Finance Division recommended allowing the total CIS costs for ratemaking purposes.

Although CP National's response is 3/4 of an inch thick, it treats each item of the OII in a superficial manner. CP National's reply to Item No. 17 exemplifies its attitude toward the OII. The company relied on letters and unverified statements to bolster its belief that there is no alternate source of power available.

Service Improvement Program

It is apparent from the evidentiary record developed in this proceeding that CP National should undertake a program to improve the training and supervision of its customer relations personnel. The benefit of such an undertaking is that customer misunderstanding and aggravation can be materially reduced. We will accordingly direct CP National to substantially improve supervision and training of its customer relations personnel. An expense allowance will be made when rates are set for its various operating districts to fund the program. A reasonable amount of expense to allow CP National to carry out the directed program is approximately \$38,000 annually (which is about the test year revenue requirement effect of allowing the IMR study expense amortized over a five-year period). We will apportion that amount among CP National's districts in the pending rate increase applications.

Findings of Fact

1. In developing its CIS, CP National could have reduced the total cost of the system if it had obtained bids from several contractors (rather than, for example, awarding an open-ended contract to AA Co.) and if management had exercised tighter cost controls over the project. Inadequate controls result in substantial unnecessary company costs. ✓

2. In view of the facts set forth in Finding 1, it is reasonable to exclude \$506,897 or 50 percent of AA Co. costs for the development of CIS. It is reasonable that the remaining \$1,215,894 in costs should be amortized over a five-year period beginning May 1, 1978, and ending April 30, 1983. The amortization should be in the manner recommended by the Commission staff.

3. The entire expense of the management audit prepared by SRI International for CP National, estimated at \$110,000 is not a reasonable ratemaking expense. The audit's emphasis on upper level management reorganization, corporate acquisitions and divestments, and profitability improvement primarily benefits CP National's stockholders.

4. CP National's customer relations force is not adequately trained and supervised.

5. The IMR study was necessitated because CP National has not been attentive to maintaining an adequate customer relations program.

6. CP National submitted a comprehensive energy conservation program ("Residential Weatherization and Energy Conservation Services Program") which, if aggressively pursued, should result in substantial reduction in energy consumption by its customers. Previous attempts by CP National at energy conservation have met with inadequate customer response.

7. Because no request for conservation expenses was made by CP National in any of the applications listed on page 6, it is unnecessary for the Commission to determine the reasonableness of the expenses outlined in CP National's program.

8. The following additional measures by CP National would improve its proposed conservation program:

- a. CP National should consider adopting a program of financing retrofit residential attic insulation. ~~Advice should also be furnished on the proper installation of insulation, and CP National should inspect a sufficient number of finished jobs to ensure proper quality control. A certificate of insulation showing the level of insulation installed should be issued by CP National to every customer who participates in the program or requests an attic inspection.~~ RH
- b. The display of a plaque in homes conforming to CP National's "Energy Efficient Standards" may not be sufficient incentive for a builder or developer to conform to these standards because of increased costs. CP National should provide some free publicity for new homes and subdivisions conforming to its energy-saving specifications and permit the use of its name as an endorsement in builders' advertisements for energy-efficient homes.
- c. CP National should set a goal of 100 percent participation in its Needles Gas District pilot light program. The present message printed on bills is not sufficiently informative or convincing alone to indicate a full commitment by CP National to the program.

Conclusions of Law

1. The entire expense of the management audits prepared by SRI and IMR for CP National should be disallowed.

2. Better cost controls should be initiated by CP National. These controls, which will reduce costs, should include the use of work orders at the beginning of a project, not near its completion, and improved communication and coordination between the data processing department and the property accounting department in order to keep work orders open until project completion.

3. Because customer misunderstanding of and challenges to bill calculations persist, CP National should develop, in cooperation with the Commission staff, a more detailed bill format which will provide customers with the information necessary for an understanding of their bill calculations. The constraints of bill size, costs, and data processing requirements should be taken into consideration in establishing this new format.

4. CP National should proceed immediately and aggressively to implement its proposed conservation program, as well as the additional measures found necessary or reasonable in the findings above. Failure to do so may result in an adjustment in rate of return in CP National's next general rate increase application. Semiannual reports, in a format to be determined in cooperation with the staff of the Commission's Energy Conservation Branch, should be filed with the Commission to inform the Commission of the effectiveness of the conservation program.

5. CP National should monitor its conservation program to ensure that it remains cost effective. Any activity which is found not to be cost effective should be modified or eliminated as appropriate.

6. CP National should continue as scheduled with its five construction projects to improve voltage regulation. The projects, which consist of replacing or upgrading existing facilities, are located in Standish, Susanville, Westwood, Weaverville, and Needles.

7. CP National should be directed to provide a comprehensive training program for its customer relations personnel and to intensify and improve the supervision of such personnel.

8. CP National should continue to pursue the development of alternate energy sources with particular attention to potential cogeneration projects in its service territories. CP National should discuss modifications of its power purchase contract with PG&E in order to encourage cogenerators within CP National's service territory. If an acceptable contract cannot be obtained, the FERC should be asked to review the contract. If it becomes necessary to involve FERC in this controversy, CP National should propose alternative contract terms to FERC within 60 days of the effective date of the decision in this case. CP National should review such alternative terms with this Commission's staff before submitting them to FERC. CP National should report its progress to the Commission on December 31, 1979 and July 1, 1980.

9. CP National should make a study of actual customer charges in its Lassen District in order to determine if a differential exists between urban and rural customers.

10. Commensurate with the guidelines established for PG&E, Westwood should be reclassified as Zone 4 with a 1,420 kilowatt hours per month lifeline space heating allowance.

11. In order to implement the directives set forth below as expeditiously as possible the following order should be effective the date of signature.

O R D E R

IT IS ORDERED that:

1. CP National Corporation (CP National) shall institute the use of work orders at the beginning of a project and improve communication and coordination between the data processing department and the property accounting department in order to keep work orders open until project completion.

2. CP National shall within one hundred twenty days develop, in cooperation with the Commission staff, a more detailed bill format which will provide customers with the information necessary for an understanding of their bill calculations. The proposed revised bill format shall be submitted to the Commission for review and approval.

3. CP National shall proceed immediately to implement its proposed conservation program, as well as the additional conservation measures found necessary or reasonable in the findings above. Failure to do so may result in an adjustment in rate of return in CP National's next general rate increase applications. Semiannual reports, in a format to be determined in cooperation with the staff of the Commission's Energy Conservation Branch, should be filed with the Commission to inform the Commission of the effectiveness of the conservation program. CP National shall monitor its conservation program to ensure that it remains cost effective. Any activity which is found not to be cost effective should be modified or eliminated as appropriate.

4. CP National shall continue as scheduled with its five construction projects to improve voltage regulation. The projects, which consist of replacing or upgrading existing facilities, are located in Standish, Susanville, Westwood, Weaverville, and Needles.

5. CP National shall continue to pursue the development of alternate energy sources with particular attention to potential cogeneration projects in its service territories. CP National shall discuss modifications of its power purchase contract with Pacific Gas and Electric Company (PG&E) in order to encourage cogenerators within CP National's service territory. If an acceptable contract cannot be obtained, the Federal Energy Regulatory Commission (FERC) shall be asked by CP National to review the contract. If it becomes necessary to involve FERC in this controversy, CP National shall propose alternative contract terms to FERC within ninety days of the effective date of this order. CP National shall review such alternative terms with this Commission's staff before submitting them to FERC. CP National shall report its progress on this undertaking to the Commission on December 31, 1979 and July 1, 1980.

6. CP National shall make a study of actual customer charges in its Lassen District in order to determine if a differential exists between urban and rural customers.

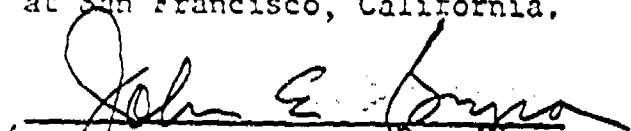
7. Commensurate with the guidelines established by PG&E, Westwood shall be reclassified as Zone 4 with a 1,420 kilowatt hours per month lifeline space heating allowance.


8. CP National shall undertake to provide improved training to its customer relations personnel throughout its operating utility districts, and to provide such personnel with improved supervision. An expense allowance for this activity will be made in the Commission decisions on the pending CP National rate increase applications.


9. OII No. 14 is discontinued.


The effective date of this order is the date hereof.


Dated JUL 31 1979, at San Francisco, California.



President







Commissioners