

**ORIGINAL****90648****AUG 14 1979**

Decision No. \_\_\_\_\_

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 electric service in its )  
 Weaverville Division. )

Application No. 57821  
 (Filed January 20, 1978)

Orrick, Herrington, Rowley & Sutcliffe, by  
Robert J. Glöistein, Attorney at Law,  
 for applicant.  
Glen J. Sullivan, Attorney at Law, for  
 California Farm Bureau Federation,  
 interested party.  
Sara S. Myers, Attorney at Law, and  
Bertram Patrick, P.E., for the  
 Commission staff.

O P I N I O N

By this application, CP National Corporation (applicant) requests authority to establish rates for its Weaverville Division Electric Department which were designed to increase annual revenue by \$276,800 or 30.8 percent over the revenues produced by the authorized rate levels now in effect based on test year 1979 operations. In addition, applicant seeks to establish separate rates for test year 1980 which would be applicable until revised by a new showing of revenues, expenses, and rate base that would be applicable beyond that time.

Public hearing was held before Administrative Law Judge Gillanders in Weaverville on November 14, 1978, and the matter was submitted upon receipt of late-filed exhibits on February 15, 1979.

Copies of the application had been served and notice of hearing had been published and posted in accordance with this Commission's Rules of Practice and Procedure.

Oral testimony on behalf of applicant was presented by two witnesses. The Commission staff presentation was made by an engineer. Testimony was also received from the District Attorney/County Counsel of Trinity County.

General Information

Applicant is a corporation duly organized and existing under the laws of the State of California. It owns and operates public utility electric, gas, water, and telephone systems in California; electric, gas, and telephone systems in Oregon; electric, gas, water, and telephone systems in Nevada; and electric systems in Utah and Arizona. Its principal place of business is located in San Francisco, California.

Weaverville District Electric Department

Organization

For operating purposes applicant's Weaverville District is under the supervision of a District Manager in Weaverville.

Territory Served

The Weaverville Electric Department furnishes electric service in Weaverville and the adjacent territory in Trinity County. Weaverville is the County seat of Trinity County and the population, according to the 1970 census, was 2,000.

Source of Power

Applicant purchases its power requirements from Pacific Gas and Electric Company (PG&E) on Schedule R - Resale Service.

Power is obtained from a 60-kV line connecting Redding and Eureka. Applicant's substation has two 3,750-kVA transformers, one supplying the 2.4 kV distribution and the other supplying the 12.5-kV distribution. There are approximately 124 wire miles in the Weaverville Distribution system.

Results of Operation

During the course of hearings in this proceeding, the disputed issues between applicant and the staff were narrowed to: (1) rate of return; (2) appropriate allowance for the cost of Stanford Research Institute's (SRI) management audit; and (3) appropriate allowance for the capitalized cost of applicant's customer information services system. Applicant's witnesses and witnesses for the Commission staff analyzed and estimated applicant's operating results for test year 1979.

At the conclusion of the hearing, applicant stated that, after a review of the staff showing which was based on later data, it was prepared to agree with the staff's estimates, except for rate of return and management audit, in order to expedite a decision. To this end, a late-filed exhibit, jointly sponsored by applicant and the Commission staff, was filed showing an agreed summary of earnings at present rates. This exhibit also reflects reduced ad valorem property taxes due to the passage of Proposition 13, the new federal income tax rate of 46 percent, and a reduction in the working-cash allowance. The effect of the joint exhibit was to reduce applicant's rate increase request from \$276,800 to \$172,500.

Applicant hired SRI to conduct a management audit of its general office and top level management. SRI conducted its audit at a cost of \$110,000 and submitted a report which covered applicant's strengths and weaknesses 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. Applicant considers the cost of the SRI study to be a proper charge to its ratepayers. Thus, it allocates the cost among its operating districts. The staff recommends that the entire cost of the study be charged to the stockholders because the ratepayers have already paid for competent management in the rates charged and should not have to pay for correcting deficiencies, corporate acquisitions and divestments, and profitability improvement which, according to the staff, are clearly for the benefit of the stockholders. We agree with the staff and will adopt the staff's disallowance of the cost of the SRI study.

In Decision No. 90597, issued in OII No. 14, we found the expense for the management audit conducted for CP National by the Institute of Management Research should be disallowed when setting rates for CP National's districts. However, we directed CP National to develop an improved training program for its customer relations personnel and to provide better supervision over such personnel. We recognized the expense required for this undertaking to be \$38,000 annually for CP National's total California operations. Accordingly, we will include \$3,752 expense in the adopted test year to fund this activity (allocated to this CP National district by the four-factor methodology).

The following table sets forth the jointly sponsored summary of earnings at rates in effect on January 1, 1978 for test year 1979, the amount of additional revenue required to raise applicant's rate of return to that recommended by the Commission staff and the additional revenue required to raise applicant's rate of return to that recommended by applicant:

WEAVERVILLE ELECTRIC DISTRICT  
Estimated Year 1979

	<u>Staff</u>		<u>Applicant</u>		
	<u>At Present</u>	<u>Rate of Return @ 9.50%</u>	<u>Rate of Return</u>	<u>At 11.03% &amp; SRI</u>	
	<u>Rates</u>	<u>Adjustment</u>	<u>Results</u>	<u>Adjustment of \$196</u>	
				<u>Results</u>	
(Dollars in Thousands)					
<u>Operating Revenues</u>					
Basic Rates	\$ 210.1	\$138.4	\$ 348.5	\$34.1	\$ 382.6
Energy Rates	802.1	-	802.1	-	802.1
Miscellaneous	3.0	-	3.0	-	3.0
Total Oper. Rev.	<u>1,015.2</u>	<u>138.4</u>	<u>1,153.6</u>	<u>34.1</u>	<u>1,187.7</u>
<u>Operating Expenses</u>					
Production	784.2	-	784.2	-	784.2
Distribution	64.6	-	64.6	-	64.6
Customer Service & Information	0.6	-	0.6	-	0.6
Sales	0.2	-	0.2	-	0.2
Customer Accts. W/O Uncollectibles	29.4	-	29.4	-	29.4
Uncollectibles	2.4	0.3	2.7	0.1	2.8
Administrative and General	94.9	2.8	97.7	0.9	98.6
CIS Amortization	4.6	-	4.6	-	4.6
Subtotal	<u>980.9</u>	<u>3.1</u>	<u>984.0</u>	<u>1.0</u>	<u>985.0</u>
Book Depreciation	41.8	-	41.8	-	41.8
Taxes Other Than Income	15.2	-	15.2	-	15.2
State Corp. Franchise Tax	(7.5)	12.2	4.7	3.0	7.7
Federal Income Tax	(49.2)	56.6	7.4	13.9	21.3
Total Oper. Exp.	<u>981.2</u>	<u>71.9</u>	<u>1,053.1</u>	<u>17.9</u>	<u>1,071.0</u>
Net Operating Revenues	34.0	66.5	100.5	16.2	116.7
Rate Base	1,057.8		1,057.8		1,057.8
Rate of Return	3.21%		9.50%		11.03%

(Red Figure)

Based on its original studies, the staff recommended that applicant be granted step rates for 1980. However, it also recommended that before the step increase is authorized applicant should be required to file an advice letter with appropriate work papers at the end of the test year to justify the increases. Because of significant changes between the staff's original estimates and the agreed upon test year results of operation, we can not use the original results to gauge attrition. With only one usable test year there is no way to determine attrition. We will, therefore, allow no attrition in setting rates for the future.

Rate of Return

Any rate of return determination necessarily requires the weighing of a number of economic intangibles which are difficult to measure by statistical comparisons. It devolves upon the judgment of the Commission, after weighing the evidence presented by all of the experts, to determine and set a fair and reasonable rate of return. (Pac. Tel. & Tel. Co. (1968) 69 CPUC 53.) It was the testimony of applicant's rate of return witness that an 11.03 percent rate of return on rate base or approximately 16 percent rate of return on common stock equity is needed to enable applicant to sell its shares at a price which would not be punitively dilutive to the present stockholders and destructive to the market for applicant's common stock.

The staff's financial witness recommended a rate of return of 9.50 percent on rate base, or approximately 12.21 percent return on common stock equity. We have considered the arguments advanced by applicant and staff and adopt as reasonable a rate of return of 9.50 percent on rate base. Such rate of return will provide a return on equity of approximately 12.21 percent, an after-tax interest coverage of 2.53 times, and a combined coverage of 2.00 times. This return on capital is adequate to attract capital at a reasonable cost and to maintain the credit of applicant.

According to Trinity County's District Attorney, it is generally held by the people residing in the Weaverville area that PG&E's rates are lower than those of applicant's. To determine the actual differences, the ALJ directed applicant to prepare a comparison table. Applicant did so and presented Exhibit 21 at the hearing. Exhibit 21 shows the following:

Weaverille Comparison of Present Rates  
CP National Corporation vs Pacific Gas and Electric Company

	Winter Lifeline Allowance (kWh)		Typical Consumption (kWh)	Amount of Bill	
	CP National	PG&E		CP National	PG&E
Basic	240	240	500	\$ 19.69	\$ 19.00
Basic	240	240	1,000	36.44	40.35
Basic	240	240	2,000	69.92	83.06
Basic	240	240	3,000	103.41	125.77
Basic and Water Heating	490	490	500	\$ 17.62	\$ 14.72
Basic and Water Heating	490	490	1,000	34.36	36.08
Basic and Water Heating	490	490	2,000	67.85	78.79
Basic and Water Heating	490	490	3,000	101.34	121.50
Basic, Water, and Space Heating	1,610	1,610	500	\$ 17.55	\$ 14.55
Basic, Water, and Space Heating	1,610	1,610	1,000	30.16	27.35
Basic, Water, and Space Heating	1,610	1,610	2,000	58.60	59.62
Basic, Water, and Space Heating	1,610	1,610	3,000	92.09	102.33

Pacific Gas and Electric Company Schedule D-1, effective September 11, 1978.

CP National Corporation Schedule D-110, with Energy Rates, effective November 1, 1978.



The comparison shows that in most cases applicant's rates are lower than PG&E's especially in the typical consumption blocks, i.e., 1,000-3,000 kWh.

Rate Design

Applicant and the staff (with some minor differences) have proposed a new rate design for residential electric rates which will aid in reducing the effects of declining sales on revenue, promote conservation, and not disadvantage the utility's ratepayers.

Simply stated, applicant's revenue requirement is divided into two components: one, the energy rate revenue consisting of the cost of purchased energy and related uncollectibles and franchise fees; the other, the basic rate revenue consisting of revenue required for a return on rate base and all other expenses. For applicant, which purchases its total energy requirement, the former component generally represents two-thirds of the total revenue requirement. Both applicant and the staff recommend that this component be collected subject to adjustment through a balancing account.

Applicant and the staff differ slightly with respect to the collection of basic rate revenue. Applicant proposes higher monthly service charges than the staff. It is apparent that even the higher charge does not cover the fixed costs of service, and, in any event, the amount chosen will be reflected in an adjustment to the commodity charge portion of the basic rate.

For residential sales, applicant proposes and staff agrees that the commodity charge portion of the basic rate revenue be collected by a uniform price per kWh through the lifeline usage block. For nonresidential sales, the basic rate revenue is spread uniformly over all sales. We will adopt the staff's rate design.

Conservation and Voltage Regulation

Although applicant did not include mention of any conservation activities or expenses in its application as filed, it did later submit a comprehensive energy conservation program to be undertaken, initially, at its own expense. Part of this effort is the implementation of a Conservation Voltage Regulation Program (CVR). Applicant was directed to continue the implementation of its CVR activities in Decision No. 90597 dated July 31, 1979 issued in OII No. 14.

In other proceedings we have directed Pacific Gas and Electric Company, D-89315; Southern California Edison Company, D-89711; and San Diego Gas & Electric Company, D-90405, to incorporate service voltage standards into their respective tariff rules regarding "Description of Service" as part of their CVR programs. In addition, these electric utilities have been required to adopt certain implementation and reporting requirements for their CVR programs. Applicant should also expand its CVR program to adopt voltage standards in its tariff Rule No. 2 and adopt similar reporting requirements heretofore required of other California electric utilities and will be so directed.

Findings of Fact

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

2. The staff's estimates of operating expense and rate base for the test year 1979 reasonably indicate the results of applicant's operations for the future and are adopted.

3. Applicant can and should step up its CVR program efforts. We will require applicant to revise its tariff to set forth the new ranges of customer voltage recommended by the CVR program as shown in Appendix A and adopt CVR implementation and reporting requirements set forth in Appendix B.

4. A rate of return of 9.50 percent on the adopted rate base for the year 1979 will produce a return on common equity of approximately 12.21 percent. Such rate of return requires an increase in gross revenues of \$138,400, which amount is reasonable.

5. The staff's rate spread is reasonable and should be adopted.

6. The increases in rates and charges authorized herein are justified; the rates and charges authorized herein are reasonable; and the present rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.

Conclusions of Law

The Commission concludes that the application should be granted to the extent set forth in the order which follows. The following order should be effective the date of signature since there is an immediate need for the rate increase authorized.

O R D E R

IT IS ORDERED that:

1. CP National Corporation shall within thirty days after the effective date of this order revise its tariff to include the customer service voltages and customer utilization voltages set forth in Appendix A.

2. CP National Corporation shall continue to expand its implementation of conservation voltage regulation and file progress reports as scheduled and set forth in Appendix B.

3. CP National Corporation is authorized, after the effective date of this order, to file revised rate schedules in accordance with Appendix C attached to this order, and concurrently to withdraw and cancel its presently effective schedules. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be five days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

The effective date of this order is the date hereof.

Dated AUG 14 1979, at San Francisco, California.

John E. Suyo  
President

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

Richard D. Gravelle  
Samuel J. Quinn  
Commissioners

APPENDIX A  
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RULE NO. 2, DESCRIPTION OF SERVICE

( ) Customer Service Voltages:

Under all normal load conditions, distribution circuits will be operated so as to maintain secondary service voltage levels to customers within the voltage ranges specified below:

<u>Nominal Two-Wire And Multi-Wire Service Voltage</u>	<u>Minimum Voltage To All Services</u>	<u>Maximum Service Voltage On Residential And Commercial Distribution Circuits</u>	<u>Maximum Service Voltage On Agricultural And Industrial Distribution Circuits</u>
120	114	120	126
208	197	208	218
240	228	240	252
277	263	277	291
480	456	480	504

( ) Exceptions to Voltage Limits. Voltage may be outside the limits specified when the variations:

- (a) Arise from the temporary action of the elements.
- (b) Are infrequent momentary fluctuations of a short duration.
- (c) Arise from service interruptions.
- (d) Arise from temporary separation of parts of the system from the main system.
- (e) Are from causes beyond the control of the utility.

( ) Customer Utilization Voltages:

- (1) All customer-owned utilization equipment must be designed and rated in accordance with the following utilization voltages specified by the American National Standard C84.1 if customer equipment is to give fully satisfactory performance:

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<u>Nominal Utilization Voltage</u>	<u>Minimum Utilization Voltage</u>	<u>Maximum Utilization Voltage</u>
120	110	125
208	191	216
240	220	250
277	254	289
480	440	500

- (2) The difference between service and utilization voltages are allowances for voltage drop in customer wiring. The maximum allowance is 4 volts (120 volt base) for secondary service.
- (3) Minimum utilization voltages from American National Standard C84.1 are shown for customer information only as the Company has no control over voltage drop in customer's wiring.
- (4) The minimum utilization voltages shown in (1) above, apply for circuits supplying lighting loads. The minimum secondary utilization voltages specified by American National Standard C84.1 for circuits not supplying lighting loads are 90 percent of nominal voltages (108 volts on 120 volt base) for normal service.
- (5) Motors used on 208 volt systems should be rated 200 volts or (for small single phase motors) 115 volts. Motors rated 230 volts will not perform satisfactorily on these systems and should not be used. Motors rated 220 volts are no longer standard, but many of them were installed on existing 208 volt systems on the assumption that the utilization voltage would not be less than 187 volts (90 percent of 208 volts).

APPENDIX B

CONSERVATION VOLTAGE REGULATION IMPLEMENTATION  
AND REPORTING REQUIREMENTS

1. CP National shall actively continue its investigation and testing of distribution circuits, loads, motors, and appliances to maximize the saving of energy through control of voltage regulation. Priority shall be given to the analysis of agricultural and industrial services. CP National shall file in writing, progress reports on or before June 30 and December 31 of each year, setting forth detailed engineering data of individual investigations and tests.
2. CP National shall systematically and periodically review the service voltages of all of its distribution circuits to ensure that all service voltages are as close to the minimum voltages, specified in Appendix B, as is cost-effective and will maximize energy savings. Records shall be maintained of all distribution circuit voltage regulator control settings including bandwidth, voltage level, and line-drop compensator.
3. CP National shall review the design and operation of all of its distribution circuits and determine for each circuit the cost-effectiveness of maximizing conservation of energy by optimizing service voltages. On or before December 31, 1979, CP National shall report in writing the results of this review including the regulator operating voltage levels for each circuit at the beginning and end of the circuit and the proposed circuit changes to maximize conservation of energy by optimizing service voltage for those circuits where it is found to be cost-effective to do so.
4. CP National is hereby authorized to file by December 31, 1979, a list of deviations for those residential and commercial distribution circuits that do not conform to the minimum and maximum secondary voltage levels specified in Appendix B and shall request authority for continuation of such deviations as may be necessary annually thereafter. The aforementioned list and subsequent annual requests for authorization shall list each circuit for which a deviation is requested, the factors which impeded compliance, the status of the design and operation review, and any proposed circuit changes to eliminate the continued requirement for the deviations.
5. CP National is hereby directed, in cooperation with our Energy Conservation Branch, to implement during the next twelve months a voltage surveillance program to assure that those feeder circuits which have been adjusted to the new service voltage range under the Conservation Voltage Regulation Program remain within the voltage range prescribed herein.

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CP NATIONAL ELECTRIC RATES  
Weaverville District

CP National's rate schedules shall be revised as follows:

Schedules D-111 - Residential Service and  
DMW-124 - Multi-family Residential Service (Not Submetered)

	<u>Per Meter</u> <u>Per Month</u>
RATES	
Service Charge:	\$2.00
Commodity Charge:	
Lifeline kWh, per kWh	.0319
Non-lifeline kWh, per kWh	.0481
Energy Rates:	
Included in the Commodity Charge above are the following Energy Rates as specified in Part D of the Preliminary Statement:	
Lifeline kWh, per kWh	.0100
Non-lifeline kWh, per kWh	.0481
<u>Minimum Charge:</u> The Service Charge constitutes the Monthly Minimum Charge	
Delete: <u>Purchased Power Adjustment</u>	

Schedule DMW-123 - Multi-family Residential Service (Submetered)

RATES	
Service Charge:	\$2.00
Commodity Charge:	
Lifeline kWh, per kWh	.0287
Non-lifeline kWh, per kWh	.0481
Energy Rates:	
Included in the Commodity Charge above are the following Energy Rates as specified in Part D of the Preliminary Statement:	
Lifeline kWh, per kWh	.0090
Non-lifeline kWh, per kWh	.0481
<u>Minimum Charge:</u> The Service Charge constitutes the monthly Minimum Charge	
Delete: <u>Purchased Power Adjustment</u>	



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CP NATIONAL ELECTRIC RATES  
Weaverville District

Schedule A-121 - General Service

<u>RATES</u>	<u>Per Meter Per Month</u>
Service Charge	\$2.25
Commodity Charge:	
First 3,000 kWh, per kWh	.0521
Over 3,000 kWh, per kWh	.0473

Energy Rates:

Included in the Commodity Charge, above, is an Energy Rate of \$0.0301 per kWh as specified in Part D of the Preliminary Statement.

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

Delete: Purchased Power Adjustment

SPECIAL CONDITIONS

1. Voltage: Service on this schedule will be supplied at the secondary voltage available. Where polyphase power is to be combined with single-phase, a 4-wire service will be supplied, either 120-240 volt or 120-208 volt, whichever is available.

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.

Delete: Special Conditions 3. and 4.

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CP NATIONAL ELECTRIC RATES  
Weaverville District

Schedule C-129 Heating and Cooking Service

Cancel

Schedule P-131 General Power Service - Connected Load Basis

Cancel

Schedule P-141 General Power Service

Rates

Per Meter  
Per Month

Service Charge

\$15.00

Demand Charge:

ALL kW, per kW

1.25

Commodity Charge:

ALL kWh, per kWh

.0412

Energy Rates:

Included in the Commodity Charge above is an Energy Rate of \$0.0301 per kWh as specified in Part D of the Preliminary Statement.

Minimum Charge:

The Minimum Charge shall be the greater of

1. A bill calculated using the Service Charge, Demand Charge and Commodity Charge specified above
2. A bill calculated using the Service Charge and a rate of \$1.00 per kW, but not less than 40 kW, of Demand plus the Energy Rate Specified above times the kWh consumption

Delete: Purchased Power Adjustment

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CP NATIONAL ELECTRIC RATES  
Weaverville District

Schedule P-141 General Power Service

SPECIAL CONDITIONS

3. If the average power factor during the month is less than 85% as determined at the utility's option by permanent measurement or by test under normal operating conditions, the maximum demand measured during the month used to determine the billing demand will be adjusted by multiplying by 85% and dividing by the average power factor.
4. Contract Provisions: This schedule is open to customers only on a contract basis. The contract shall be for a term of not less than two consecutive years.

Schedule No. OL-151 - Outdoor Area Lighting Service

RATES

<u>Overhead Service</u>	<u>Per Lamp</u> <u>Per Month</u>
<u>Mercury-Vapor Lamp</u>	
7,000 Lumen (65 kWh) .....	\$ 5.56
20,000 Lumen (146 kWh) .....	9.89

Additional Charge: An added charge of \$1.25 per month shall be made for each pole required in excess of the number of luminaires installed.

<u>Underground Service</u>	
<u>Mercury-Vapor Lamp</u>	
7,000 Lumen (65 kWh) .....	\$ 6.22
20,000 Lumen (146 kWh) .....	10.61

Additional Charge: An installation charge of \$0.30/ft. shall be made for each foot of service in excess of 150 feet per lamp.

The customer will provide trenching and backfill, including all costs for paving, conduit, and other related expenses where applicable.

Energy Rates:

Included in the rates per lamp, above, is an Energy Rate of \$0.0301 per kWh as specified in Part D of the Preliminary Statement.

Delete: Purchased Power Adjustment

APPENDIX C  
Page 5 of 5CP NATIONAL ELECTRIC RATES  
Weaverville DistrictSchedule LS - 157 Lighting - Street and HighwayRATES

<u>Overhead Service</u>	<u>Per Lamp Per Month</u>
<u>Mounted on Wood Pole</u>	
Incandescent Lamps	
1,000 Lumens (31 kWh)	\$ 1.95
2,500 Lumens (65 kWh)	3.81
4,000 Lumens (101 kWh)	5.86
Mercury Vapor Lamps	
7,000 Lumens (65 kWh)	6.11
11,000 Lumens (93 kWh)	7.89
20,000 Lumens (146 kWh)	10.41
<u>Mounted on Steel Poles</u>	
The above rate for Lamps on wood poles <u>plus \$2.65</u>	
<u>Underground Service</u>	
<u>Mounted on Steel Poles</u>	
20,000 Lumens (146 kWh)	\$20.00

Energy Rates:

Included in the rates per lamp above, is an Energy Rate of \$0.0301 per kWh as specified in Part D of the Preliminary Statement.