

ORIGINAL

Decision No. 91326 FEB 13 1980

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC POWER & LIGHT COMPANY Under Section 454 of the Public Utilities Code of the State of California for Authority to Increase Rates for Electric Service.

Application No. 58605 (Filed January 17, 1979)

Rives, Bonyhadi & Smith, by Marcus Wood and Leonard A. Girard, Attorneys at Law (Oregon), for Pacific Power & Light Company, applicant.

Michel Florio, Sylvia Siegel, and Ann Murphy, Attorney at Law, for Toward Utility Rate Normalization, protestant.

Nicholas R. Tibbetts, for Assemblyman Douglas H. Bosco, 2nd Assembly District, intervenor.

Glen J. Sullivan, Attorney at Law, for California Farm Bureau Federation and Siskiyou County Farm Bureau, interested parties.

James J. Cherry, Attorney at Law, and Francis Ferraro, for the Commission staff.

INTERIM OPINION AND ORDER

Pursuant to Section 454 of the Public Utilities Code applicant, Pacific Power & Light Company (Pacific), requests Commission approval of an increase in electric rates for its California service.

Pacific operates as a public utility in Washington, Oregon, Idaho, Montana, Wyoming, and California. About 98 percent of its revenues are derived from its electric utility business. The remaining revenues come from water systems in Oregon, Montana, and

Wyoming and a steam heating service in Portland. Applicant's only business in California is electric service<sup>1/</sup>; by any reasonable measurement its California business is less than 5 percent of the system total.

Pacific's last general rate increase in California was effective April 4, 1977 pursuant to Decision No. 87071 dated March 9, 1977. Since that increase there have been two reductions in rates. The first was a reduction of \$319,000 per year effective May 1, 1979 as a result of a decision by the Commission in Order Instituting Investigation (OII) 19 and the second a reduction of \$95,000 per year retroactive to January 1, 1979 as a result of a decision by the Commission in OII 33. OII 19 involved the effect on utility tax payments resulting from passage of Proposition 13 and OII 33 involved reduction of the federal income tax rate from 48 percent to 46 percent by the Revenue Act of 1978.

Hearings before Administrative Law Judge (ALJ) Albert C. Porter were held at three locations for a total of 12 days in 1979; June 5 in Yreka, June 7 and August 20 through 23 in Crescent City, and June 26 through 28 and July 10 through 12 in San Francisco. In addition to the hearings, a public meeting chaired by Claire T. Dedrick, the assigned Commissioner for this matter, was held in Crescent City on August 18, 1979 for the purpose of obtaining broader public input. The matter was submitted on August 23, 1979 subject to the receipt of late-filed exhibits from Pacific and the Commission staff (staff), which were mailed on or prior to August 31, 1979 and upon receipt of opening briefs due October 3, 1979 and closing briefs due October 17, 1979.

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<sup>1/</sup> Pacific serves the northernmost regions of California in the counties of Del Norte, Modoc, Shasta, and Siskiyou; the major cities of that area are Alturas, Crescent City, Dunsmuir, Mt. Shasta, Weed, and Yreka.

In addition to the staff and numerous members of the public, the following major parties participated in the public hearings: the California Farm Bureau Federation (Farm Bureau), Toward Utility Rate Normalization (TURN), and Mr. Nicholas R. Tibbetts (Tibbetts) for Assemblyman Douglas H. Bosco.<sup>2/</sup>

Based on estimates for the calendar year 1979 as a test year, applicant requests an increase in electric rates of \$6,287,000, which is 37.1 percent above the revenue estimate at present rates of \$16,943,000 for the same period.

The staff recommends that Pacific be allowed an increase of \$5,449,000 or 32.2 percent above present rates. This would provide a return on common equity of 13.5 percent. In contrast the company recommends 14.5 percent. The difference in revenue requirement between the two recommendations is \$838,000.

On the first day of hearing, which was held in Yreka, a member of the public stated that applicant had recently agreed to a 7 percent increase in Oregon. A witness for applicant corroborated this, testifying that applicant had requested an Oregon increase of 15 percent, that the Oregon commissioner's staff had recommended 11.5 percent, and that the Oregon Public Utility Commissioner and applicant had agreed to a 7 percent increase effective June 4, 1979. Upon hearing this, the ALJ asked applicant if it would consider a similar procedure in California subject to the concurrence of all appearances and acceptance by the Commission, a procedure which could save considerable time and expense to all parties. Applicant indicated it would. At the hearing held June 27 in San Francisco applicant, staff, and Farm Bureau, the only parties to the proceeding at that time, presented a stipulated

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<sup>2/</sup> Assemblyman Bosco's district includes Del Norte County, which is served by Pacific.

proposal to the ALJ for consideration and possible presentation to the Commission. That proposal would have provided, based on the rate year 1979, an increase to applicant of \$4,276,000 or 25.2 percent over present revenues. In addition it was stipulated that the rate increase would be effective August 1, 1979 and Pacific would not seek any further general rate increases to be effective prior to January 1, 1981. Part of the reason, of course, for applicant's willingness to accept a lesser amount, which indeed was considerably lower than its original request and the staff recommendation, was due to the fact that it would have become effective August 1, 1979, considerably earlier than would occur if the matter ran its usual regulatory course.

At the hearing on June 27, 1979 Tibbetts entered an appearance and at the hearing on July 10, 1979 TURN entered its appearance. Tibbetts and TURN both opposed the stipulated rate increase entered into by the parties to the proceeding prior to that time. At that point the ALJ declared the stipulation null and void without prejudice to any of the parties.

At the hearing on July 12, 1979 Pacific made a motion for a partial general rate increase subject to refund should the partial general rate increase produce excess revenues over those found to be reasonable by the Commission in any final order in this matter. Such refund, if any, would be based on the difference between the amount of partial general rate increase approved and the lesser rate increase, if any, ultimately approved by the Commission. Pacific specifically requested immediate partial general rate relief sufficient to produce annual revenues based on a 1979 test year of \$21,219,000. The proposed increase on a pro forma basis, and reflecting all adjustments to rate base revenues, expenses, and capital structure made by the staff up to that time in the hearing process, would produce an overall rate of

return of 8.87 percent and a return of 10.5 percent on common equity. Pacific pointed out this would be less than the amount received by Pacific in its last general rate increase approved by the Commission effective in April 1977. The estimated revenues, expenses, income taxes, net revenues, rate base, and rate of return on rate basis found reasonable with respect to the partial general rate increase authorized herein are set forth in Appendix B. The dollar increase for the partial general rate increase would be \$4,276,000 over the rates presently in effect based on the rate year 1979 including the effect of the two rate decreases brought about by OIIs 19 and 33 previously mentioned which total \$308,000 for the test year. The increase over rates which were authorized in April 1977 would be 23.0 percent, whereas the increase over present rates with the two reductions in effect would be 25.2 percent.

A review of the record in this proceeding indicates that there are several issues to be decided by the Commission. These can be summarized as follows:

1. Appropriate rate of return.
2. Jurisdictional allocations.
3. Rate design.
4. Wage/Price Guidelines compliance.
5. Property tax savings flow-through, California and Oregon.
6. Affiliate relationships.
7. Expense estimates.
8. Conservation programs.
9. Customer lifeline eligibility and status.
10. Possible refunds due to lifeline mischarging.
11. Adequacy of lifeline quantities for Del Norte County.
12. Master metering/submetering.
13. Impact of rate increases on schools and hospitals.
14. Appropriate allowances for residential well pumping.

15. Appropriate items for inclusion in rate base.

16. Conservation voltage regulation.

A careful review of the record shows that all of the above issues can be decided by the Commission on the record made to this point with the exception of jurisdictional allocations and appropriate lifeline allowances for Del Norte County.

In the matter of allocations, Pacific used a number of methods to allocate the different types of costs it incurs. The most important allocations made were the allocation of demand-related generation and transmission costs and the allocation of fuel and purchased power costs. The allocations procedure used by Pacific assumes that for major generation and transmission costs, California is served from an indivisible, integrated power grid covering five states, Idaho not being included since it is under special contract rates. The treatment of systemwide generation and transmission costs as an undifferentiated whole and the peak-demand allocation method have been brought into question during the hearings on this application. Pacific has four hydroelectric installations located in the State of California. Two questions have been raised about these resources. First, should these power sources be considered the property of California citizens and devoted solely to the benefit of California? Second, is it possible to determine on an engineering basis whether the energy generated at these hydroelectric plants is physically delivered in

greater proportion to California customers who, at least in Siskiyou County, are situated closer to these plants than to out-of-state generating plants? Another question raised on allocations involves the relative growth of electricity consumption in California compared to other states and the total Pacific territory. Tables 1 and 2 (which follow) shed some light on this situation. Table 1 shows that the estimated average number of electric customers on the system from 1968 to 1979 has increased 39 percent, whereas in California the increase has been 31 percent. Also, the average kilowatt-hour use per residential customer for the system has increased 25 percent, whereas in California it has increased 15 percent. Table 2 shows that the sales in kilowatt-hours for the same period increased on the system by 94 percent, whereas for California they increased 53 percent. Whether projections which the company has made appropriately take into account the fact that California is declining year-by-year as a total percentage of the system remains in doubt.

On the appropriateness of lifeline quantities for Del Norte County, the record shows that Del Norte County is a unique climatic area. The summer months in Del Norte County, and in particular the Crescent City area, have temperature ranges which equal those of the winter months in some of the lower coastal California areas. We have addressed and will further consider appropriate lifeline quantities in generic proceedings and will not consider such separately in this proceeding. However, we are interested in taking evidence on how lifeline allowances in Del Norte County could be administered so as to accomplish more even billings over typical annual periods.

TABLE 1

Source: Exhibit 1, Witness Geiger  
Tables 1-4 & 1-5

	Average Number of Electric Cust.-Indexed		Annual Average kWh Use Per Res. Cust.				
	System (1)	Calif. (2)	kWh		Calif. Over System (5)=(4)÷(3)	Indexed	
			System (3)	Calif. (4)		System (6)	Calif. (7)
1968	100	100	10,788	12,061	112	100	100
1969	102	101	11,493	12,685	110	107	105
1970	105	103	11,539	12,542	109	107	104
1971	108	105	12,237	13,371	109	113	111
1972	112	107	12,331	13,183	107	114	109
1973	118	110	12,391	13,252	107	115	110
1974	122	113	12,251	12,907	105	114	107
1975	124	116	12,856	13,984	109	119	116
1976	126	119	12,876	13,748	107	119	114
1977	131	123	12,783	13,939	109	118	116
1978	137	127	12,614	13,432	106	117	111
1979*	139	131	13,462	13,812	103	125	115

\*Estimated



TABLE 2

Source: Exhibit 1, Witness Geiger  
Tables 1-4 & 1-5

	<u>kWh Sales-Millions</u>		Calif. As Percent Of System	<u>kWh Sales-Thousands Indexed</u>	
	<u>System</u>	<u>Calif.</u>		<u>System</u>	<u>Calif.</u>
1968	11,867	528	4.45	1.00	1.00
1969	12,199	499	4.09	1.03	.95
1970	13,321	534	4.01	1.12	1.01
1971	14,425	577	4.00	1.22	1.09
1972	16,568	639	3.86	1.40	1.21
1973	17,709	685	3.87	1.49	1.30
1974	16,477	612	3.71	1.39	1.16
1975	18,249	706	3.87	1.54	1.34
1976	20,014	761	3.80	1.69	1.44
1977	19,691	748	3.80	1.66	1.42
1978	22,502	836	3.72	1.90	1.58
1979*	22,980	806	3.51	1.94	1.53

\*Estimated

Based on the record developed thus far, we will grant Pacific's motion for an interim increase subject to refund and reopen these proceedings for additional evidence in the limited areas of jurisdictional allocations and appropriateness of lifeline quantities in Pacific's California service area. We will defer to the final decision a resolution of the other issues enumerated above so that the interim increase can be effective as soon as possible. It has been more than one year since Pacific filed this application. In accordance with our regulatory lag plan for major utilities in California our intent is to conclude rate cases within one year; Pacific should not be treated differently.

We will continue the proceedings in the following manner. They will be limited to receipt of evidence on (1) allocations as to (a) hydroelectric resources allocated to California, (b) peak-demand allocation procedures, and (c) appropriate consideration of the trend in California consumption factors as a percent of system, and (2) to evidence on the spread of Del Norte County lifeline allowances over the calendar year.

All parties are put on notice that they are to make any data requests of other parties as expeditiously as possible with copies of such requests to the assigned ALJ. These requests will be considered at a prehearing conference to be held on March 10, 1980 in Crescent City; also, at that time further hearings will be scheduled for testimony on the subjects of the continued proceeding. We put all parties on notice that we will not tolerate unnecessary delays in this proceeding, and it is our intention to conclude this matter by June 30, 1980.

Appendix A shows the rate design adopted in this phase of the proceeding. The increase to customer classes is allocated on a uniform cents per kilowatt-hour basis with the exception of lifeline which is adjusted to reflect the rate design policy outlined in Decision No. 91235 dated January 15, 1980 in Application No. 58732 of San Diego Gas & Electric Company. In the matter of the increase in lifeline rates pursuant to the requirements of Section 739(c),

we have disposed of the concern voiced by TURN in our Decision No. 90967 dated October 23, 1979 in Application No. 58764 of the Southern California Edison Company.<sup>3/</sup>

Findings of Fact

1. By this application Pacific requests increases in its electric service revenues for its California customers in the amount of \$6,287,000 or 37.1 percent over revenues under present rates based on the test year 1979.

2. Pending final resolution of this matter, Pacific requests a partial general rate increase to produce additional revenues of \$4,276,000 or 25.2 percent over revenues under rates presently in effect based on the test year 1979. Appendix B sets forth the adopted revenues, expenses, rate base, and rate of return with respect to the partial general rate increase.

3. Duly noticed hearings in this application were held at which all interested parties had an opportunity to be heard.

4. The issues of the appropriateness of Pacific's jurisdictional allocation procedures and the administration of lifeline quantities for Del Norte County are issues which cannot be satisfactorily decided on the record so far developed in this proceeding. ✓

5. This matter should be reopened to take further evidence on the issues discussed in Finding No. 4.

6. Pending final resolution of this application by the Commission, Pacific should be granted the partial general rate relief requested.

7. The partial general rate relief granted should be made subject to refund should the Commission find that the relief

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<sup>3/</sup> That decision determined that lifeline rates could be increased in the same proceeding in which the average system rate would exceed the statutory differential between the average system rate and the lifeline rate.

granted exceeds that determined to be reasonable in the final decision on this matter.

8. The rate design adopted to produce additional revenues of \$4,276,000 on an annual basis, which is shown in Appendix A, is reasonable for purposes of this interim decision.

9. The increase in rates and charges, authorized by this decision is justified and is reasonable; the present rates and charges, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable.

10. There is an immediate need for the rate relief authorized herein because Pacific is already incurring the costs which will be offset by the rate increase authorized because 1979, the rate year for which the increase has been calculated, is now past.

Conclusions of Law

1. Pacific should be authorized to place into effect the increased rates found to be reasonable in the findings set forth above.

2. This matter should be reopened as provided in the following order for the purpose of taking additional testimony on the two issues enumerated in the findings above.

3. The effective date of this order should be date hereof because there is an immediate need for rate relief.

IT IS ORDERED that:

1. After the effective date of this order Pacific Power & Light Company (Pacific) is authorized to file revised rate schedules reflecting the adopted rate design shown on Appendix A of this decision and concurrently withdraw and cancel its presently effective schedules. Such filing shall comply with General Order No. 96-A.

2. The effective date of the revised schedules authorized by Ordering Paragraph No. 1 shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

3. The increases authorized by this decision shall be subject to refund should the Commission find, in a future decision, that such increases are excessive.

4. This application is continued to a prehearing conference on March 10, 1980 at 10:00 a.m. in Crescent City before Administrative Law Judge Albert C. Porter for the limited purposes enumerated in this opinion.

5. To the extent possible, all parties shall make any data requests of other parties required for the development of the record for the limited purposes indicated by the reopening of this proceeding prior to March 10, 1980 with copies of such requests to Administrative Law Judge Porter.

The effective date of this order is the date hereof.

Dated FEB 13 1980, at San Francisco, California.

John E. Dixon  
 President

William L. Stevenson

Richard W. Howell

Donald J. ...  
 Commissioners

APPENDIX A  
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Pacific Power & Light Company  
RATES - ELECTRIC

Applicant's electric rates, charges, and conditions are changed to the level or extent set forth in this Appendix. The present energy rates and minimum charge shall be increased by the amount shown for the following schedules.

Schedules D, DS-8, DM-9, DE-12

	<u>Per Meter</u> <u>Per Month</u>
Lifeline Rates, per kWh .....	0.085¢
Non-Lifeline Rates, per kWh .....	1.200¢
Minimum Charge	
Lifeline Rates .....	4¢
Non-Lifeline Rates .....	60¢

Schedules A-32, A-33, A-36, AT-47, AT-48  
AWH-31, E-70, LS-57, OL-15, OL-42,  
PA-20

Energy Charges, per kWh .....	.646¢
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APPENDIX A  
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Pacific Power and Light Company  
California Operations  
1979 Sales and Revenues - In Thousands

	<u>Sales kWh</u>	<u>Present</u> <sup>1/</sup>		<u>Authorized</u>		<u>Increase</u>		<u>Percent</u>
		<u>Revenue</u>	<u>¢/kWh</u>	<u>Revenue</u>	<u>¢/kWh</u>	<u>Revenue</u>	<u>¢/kWh</u>	
<b>Residential</b>								
Lifeline	164,639	\$ 4,021	2.442	\$ 4,158	2.525	\$ 137	.083	3.4
Nonlifeline	167,990	4,351	2.590	6,363	3.788	2,012	1.198	46.2
Subtotal	332,629	\$ 8,372	2.517	\$10,521	3.163	\$2,149	0.646	25.7
Other Classes	323,898	\$ 8,436	2.605	\$10,529	3.251	\$2,093	0.646	24.8
USBR	15,116	135	0.892	169	1.118	34	0.226	25.2
Total System	671,643	\$16,943	2.523	\$21,219	3.159	\$4,276	0.637	25.2
<b>Residential</b>								
Nonlifeline over Lifeline			1.06		1.50			
System/Res.L/L			1.03		1.25			
System/Res.			1.00		1.00			

<sup>1/</sup> Reflects rate decreases due to OII's 19 and 33.

## APPENDIX B

Pacific Power and Light Company  
Estimated Results of California Operations  
Year 1979  
Under Partial General Rate Increase

Operating Revenues:	
Sales to Ultimate Consumers	\$21,219
Other	<u>2,156</u>
Total	\$23,375
Operating Revenue Deductions:	
Operating Expenses	\$10,735
Depreciation and Amortization	3,191
Taxes Other Than Federal Income Taxes	1,485
Federal Income Tax	<u>297</u>
Total Operating Revenue Deductions	\$15,708
Net Operating Revenues	\$ 7,667
Rate Base-Average	\$86,483
Rate of Return	8.87%
Return on Common Equity	10.50%

Source: Exhibit 17, Witness Reed