

Decision No. 26542.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Suspension by
the Commission on its own motion
of Schedule S-P-12 of San Joaquin
Light and Power Corporation.

CASE NO. 3648.

H. A. Savage for San Joaquin Valley
Agricultural Power Users Association
and Gas Fuel Service Company.

C. P. Cutten for San Joaquin Light and
Power Corporation.

SEAVEY, COMMISSIONER:

O P I N I O N

ORIGINAL

On July 26, 1933, San Joaquin Light and Power Corporation filed its Schedule S-P-12, effective August 8, 1933, by which it offered reduced electric rates to some of its larger agricultural power consumers. On August 7, 1933, the schedule was suspended and the use thereof deferred until September 1st by order of the Commission, and on August 31st it was further suspended until December 1st unless otherwise ordered by the Commission.

Public hearing on this matter was held at San Francisco, California on August 11th, at which time it was submitted.

Said Schedule S-P-12, which would be optional with said utility's regular agricultural power Schedule S-P-3, sets forth the following rate applicable to groups of pumping plants, used in the irrigation of lands that are contiguous, under one ownership or lease and under one operating management, and when the aggregated connected load is 200 horsepower or more.

Annual Demand Charge:

- (1) For connected loads of 200 H.P. to 750 H.P.:
\$14.00 per H.P. per year, but not more than
\$9,000.00.
- (2) For connected loads of over 750 H.P.:
\$12.00 per H.P. per year.

Energy Charge:

4.5 mills per kilowatt hour.

This schedule is little different from the one involved in Case No. 3610, which by Decision No. 26145 of the Commission was ordered cancelled. The essential difference is that while the Schedule S-P-12 involved in Case No. 3610 applied to connected loads of 500 horsepower or over, the Schedule S-P-12 here involved applies to connected loads of 200 horsepower and over.

The testimony and evidence in this case closely parallel that in Case No. 3610 and the same issues and conditions are present in both cases. (1)

(1) In testifying under cross-examination in this case Mr. Lloyd Henley, Manager of the Rate and Contract Division of the utility, stated as follows: (Tr. page 22)

"Q. You had to do with the preparation of the previous rate which was limited to 500 and 750 horsepower, too?

A. Yes.

Q. Both rates are substantially the same, are they?

A. Yes, in form.

Q. And in substance? What is the material difference between this rate, outside of bringing it down to 200 horsepower, and the other rate?

A. There is no substantial difference.

Q. So that if the other rate was a discrimination against the general users on the line this rate would be an equal discrimination, except for the fact that it would take in maybe 22 additional customers, whereas the other one only took in nine. That is, in substance, the fact, isn't it, Mr. Henley?

A. I think that interpretation could be made."

In this case, as in Case No. 3610, the record again indicates that the rate was offered to meet threatened competition, and only to a limited extent. (2) As a matter of fact the competition which the company desires to meet is in the western portion of the San Joaquin Valley, which is threatened by natural gas invasion. The method which they use is to try to retain the cream of the business in this area and thus make it unprofitable for gas to go into any of the contested territory. If competition is to be met it should be contested in a manner equitable to the whole area and not to the advantage of a chosen few.

From the record it is evident that, although the cost of serving a consumer with only one 100-horsepower plant is not far different from the cost of serving one of two or more of such plants operated by another consumer under like conditions of service, still the former must take service under the regular agricultural power schedule and is foreclosed from enjoying the reduction that would be afforded the latter under the proposed Schedule S-P-12. This condition constitutes a discrimination against the smaller consumers who, even though they may operate with a high load factor, are precluded from securing the advantage of this proposed schedule.

(2) Mr. Lloyd Henley, at page 27 of the Transcript, testified:

"Q. What justification - if you made this rate I would like for you to defend it. Give me every reason why you think this rate should go into effect.

A. Well, that answer seems to me has been given, and I will make the same answer, that the primary purpose of this schedule was to meet competition."

And Mr. J. S. Moulton, Assistant to the President of the utility, states: (Tr. page 133)

"Q. Well, now, it is true, however, that you do have competition with gas engines, or Diesel, where the load factor is good, but even in a hundred power use?

A. Oh, yes.

Q. Or even lower than that?

A. Yes, we have competition but I do not think it is as severe as it is in these larger installations."

While there is no desire to prevent this utility from meeting competition in a manner which will be equally fair and non-discriminatory to all of its consumers, it has not justified the proposed Schedule S-P-12, and it is recommended that an order of cancellation be issued in the following form:

O R D E R

Public hearing having been held in the above entitled matter, it being submitted and now ready for decision,

IT IS HEREBY ORDERED that respondent, San Joaquin Light and Power Corporation, be and it is hereby ordered to cancel Schedule S-P-12 on or before the effective date of this Order.

IT IS HEREBY FURTHER ORDERED that the effective date of Schedule S-P-12 be and it is hereby further suspended until the effective date of this Order.

IT IS HEREBY FURTHER ORDERED that the effective date of this Order shall be twenty (20) days from the date hereof.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 20th day of November, 1933.

A. C. Leary
Leon Russell
H. J. Lee
M. B. Young
W. L. Johnson
Commissioners.