

ORIGINAL

Decision No. 34872

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

CALIFORNIA FARM BUREAU FEDERATION,

Complainant,

vs.

SOUTHERN CALIFORNIA EDISON CO. LTD.

Defendant.

Case No. 4450

J. J. Deuel, for Complainant
Roy V. Reppy, Gail C. Larkin and
B. F. Woodard, by B. F. Woodard,
for Defendant.

CRAEMER, COMMISSIONER:

O P I N I O N

California Farm Bureau Federation filed the above complaint against the Southern California Edison Company Ltd. in reference to the rates and charges for electric energy served to agricultural customers in the counties of Los Angeles, Orange, Riverside, San Bernardino, Ventura, Santa Barbara, Kern, Kings and Tulare, within the State of California. The complainant alleges that the company has not uniformly applied its rates, rules and regulations, resulting in discrimination between certain types of rural customers.

Public hearings were held in the Commission's court room in Los Angeles, and at the close of the March 20, 1941, hearing

the defendant utility asked for further time, and a possible later hearing, to consider whether it desired to submit additional testimony. As will be subsequently developed in the Opinion, defendant utility on July 23, 1941, presented by written statement, its proposals and stated it was agreeable, without further hearings, to have the case submitted for decision. This memorandum proposal of defendant utility was reviewed by complainant and it was agreeable that such memorandum be made a part of the record. Accordingly, by letter of November 4, 1941, both parties were notified that the case was submitted for decision.

Rates in Controversy

The initial prayer of the complainant was broad, challenging the reasonableness and application of the electric rates charged for domestic, commercial, general and agricultural power by defendant utility. However, particular emphasis was placed upon the application of the domestic (D) schedules for single phase agricultural farms use, such as brooding and dairying⁽¹⁾ and, as the evidence presented was limited essentially to the D schedules, that is the matter that will be dealt with herein.

It is clear from the record that during the depression years, starting with 1931 and continuing to the time of the hearings, Edison has been very active in promoting and selling new electric load to its rural customers. Its domestic D-1 and D-2

(1) Since the filing of this matter new lower electric rates became effective with the March 15 meter reading. The annual reduction of approximately \$1,500,000 was applicable to the various schedules over the Edison System.

(2)
schedules provide that any domestic customer who uses the service for lighting, electric range and electric water heater is entitled to a 1 cent rate on all monthly consumption over 225 kilowatt-hours. A considerable number of Edison's rural customers have taken advantage of this provision to secure the 1 cent rate and, in addition to the household appliances referred to, there is being served such other equipment as brooders, incubators, milk sterilizers, etc., and all through their domestic meters and at the 1 cent rate.

On January 1, 1939, Edison refiled its D schedules modifying such schedules by adding a new special condition (a) which permitted a limited nondomestic load to be served with the regular domestic service through the one meter. This special condition, among other things, limited the block of 1 cent energy to not more than 400 kilowatt-hours per month and required the remaining kilowatt-hours to be billed at the higher preceding (3) block rate; namely, at 2 cents.

(2)
There are three principal rate zones, with the rates in Zone A the lowest, B next in line, and C the highest. Each zone has two or more domestic D schedules with varying rate levels dependent upon the class of territory served. The D schedules in turn are subdivided according to the use made of the service, generally into three classifications, as follows: "L" for lighting and small appliance use; "M" for the "L" use and electric cooking; and "RW" for the combination of the first two with water heating. The blocking on schedules D-1 and D-2 for unincorporated service areas and small incorporated communities is such that after a use of 225 kilowatt-hours per month on the "RW" rate the charge is 1 cent per kilowatt-hour.

(3)
The addition of special condition (a) was for the purpose of meeting a difficult service situation which had gradually grown up whereby a considerable number of small commercial enterprises are being served in combination with domestic service. Special condition (a) provides a means of continuing the combination service without the necessity of rewiring for individual metering.

The attempt by defendant utility to reclassify such farm use as represented by brooders, incubators, milk sterilizers, etc., as nondomestic and applying appropriate filed rates is the principal reason for complainant's action. Complaint is also made that there is a lack of uniformity in practice, with the result that different rates are charged for the same service, thus bringing about discrimination in billing as between customers. In addition, complainant alleged that the application of special condition (a) in schedule D-1 constitutes an increase.

At the initial hearings many witnesses testified it was through the sales efforts and promises of defendant's representatives that they, in the first instance, purchased the necessary heavy duty domestic appliances in order to realize the favorable 1 cent rate for the operation of electric brooders, incubators, milk sterilizers, etc.

Near the close of the initial hearings it was clear to all that much factual information was required, especially as to the number of rural customers affected and an analysis of such customer usage whose billing was on schedule D-1 (RW) and whose usage was in excess of 625 kilowatt-hours a month. The utility was directed to make such a survey under the supervision of the Commission's staff and when the results from the survey were available the same was to be presented to the Commission, together with recommendations as to a feasible solution of the problem if such could be worked out.

The rural customer analysis was made and many solutions were considered but, due to the complexity of the problem and differences in point of view, no one solution was satisfactory to all interested parties. Consequently, at the second hearing the

analysis of the survey was presented, but without recommendations. Since it appeared there would be lack of agreement, the Commission instructed its staff to be prepared to present evidence as to the cost of rendering this class of service.

Evidence Presented at Second Hearing

The results of the customer survey, made during the year interval between the first and second hearings, were presented by I. H. Lecklider, Rate Engineer for Southern California Edison Company Ltd. The survey consisted of an initial review of the records of 3,373 rural customers for whom load data were available in the company's books and whose kilowatt-hour consumption was in excess of 625 per month. The equipment of an additional 115 customers was surveyed in the field because their consumption did not appear to be consistent with their load record. Thus the records for a total of 3,488 customers were analyzed.

Summaries of the results of this survey were presented which showed the domestic load and nondomestic load of customers who had annual usage in excess of 625 kilowatt-hours per month, the bills prior to adjustment, the adjustments for nondomestic load and the increase in billing. The result of this survey may be briefly summarized as follows:

1. Total customers surveyed 3,488
2. Number with nondomestic load subject
to adjustment 334
3. Number adjusted prior to complaint 51
4. Annual bills of these 334 customers before
adjustment \$62,193
5. Annual bills of these 334 customers if
adjusted \$87,869
6. Increase in bills by adjustment \$25,676
7. Ratio of increase 41.3%

The average annual increase in billing for the 334 customers would be \$76.87 per customer. The survey showed that many of the customers had nondomestic loads of 5 kilowatts or less, while a few had over 20 kilowatts. A few showed a total consumption in excess of 30,000 kilowatt-hours per year. One large poultry customer had a nondomestic load of 38 kilowatts and consumed a total of 59,280 kilowatt-hours during the one-year period surveyed.

M. W. Edwards, an electrical engineer of the Commission, presented evidence as to the probable costs to serve rural loads of the character under consideration. The exhibit (No. 11) and testimony of Mr. Edwards show that cost estimates were developed on two bases; the first on the increment cost resulting from the operating expenses and fixed charges from the added investment in production and distribution to serve these added farm loads, and the second was predicated on a wholesale rate for energy at sub-station plus the cost of distribution. Based upon customer analysis a dairy load was estimated at 7800 kilowatt-hours per year, with connected load of 7.25 kilowatts and the poultry load at 7300 kilowatt-hours, with a corresponding connected load of 5.25 kilowatts. The figures are exclusive of customer's other uses.

The results of the computation are as follows:

<u>Summary of Estimated Cost</u> <u>to Serve Certain Loads</u>		
	(4)	(4)
	<u>Dairy Farm Load</u>	<u>Poultry Farm Load</u>
Method 1 - Steam Plant and Partial System Additions:		
Average Cost =	0.85¢ per kwhr	0.93¢ per kwhr
Method 2 - Wholesale Rate Plus Distribution:		
Average Cost =	1.09¢ per kwhr	1.15¢ per kwhr

(4) Exclusive of range, water heater and regular residential load and energy consumption.

As previously mentioned, Edison submitted by letter dated July 23, 1941, its final proposal which provided for a new domestic farm rate, to be known as Schedule DF-3⁽⁵⁾. The rate of the proposed tariff is higher than the present D-1 RW rate if applied to the farm load in question, but lower than that which would result from the application of the utility's regular agricultural power schedules. The proposed tariff was

(5)

Schedule DF-3

Rate:	<u>Customer Charge</u>	
Per Meter per Month.		\$4.25
	<u>Plus Energy Charge</u>	
First 100 kwhr per month per kw of billing demand		2.0¢ per kwhr
All additional kwhr consumption per month.		1.0¢ per kwhr
Minimum Charge:		
(a) All connected load, exclusive of domestic air heating, inside of the single family accommodation	Customer Charge	
	<u>Plus</u>	
(b) All other connected load in major equipment including domestic air heating	\$1.00 per kw	per mo.

The minimum charge will be made accumulative over a twelve (12) months' period and shall be paid monthly as it accumulates.

Special Conditions:

Some of the more pertinent special conditions on demand determination are as follows:

- (d) Billing demand in any month shall be the total kilowatts of connected load in major equipment in that month located outside of the single family accommodation.
- (e) The total connected load in major equipment in any month for determination of Billing Demand in that month shall be the sum of all devices located outside of the single family accommodation rated at 1 kw or over plus the sum of minor devices located outside of the single family accommodation whose aggregate connected load in the same class of service (such as lighting, brooders, motors) is 1 kw or more.
- (f) The total connected load in major equipment in any month for determination of minimum charge (b) in that month shall be the connected load in (e) above plus domestic air heating which shall be counted as connected load, whether used or not, only during the months of October through March of the following year.

the outgrowth of different rate suggestions at the many informal conferences held in reference to the method of handling the results of the survey.

Conclusions

The complaint has raised problems in rates and customer classification that have many ramifications. There is little difficulty in deciding what should be done but the manner in which it should be accomplished is somewhat more complex. Defendant utility operates a large system supplying an extended agricultural area as well as a large urban load⁽⁶⁾. Changes in one class of service or tariff must not only be viewed as to the effect it may have on that particular class but on all others as well. Likewise, rates and their special limiting conditions should be as simple as practicable.

The record clearly establishes the two principal points made by complainant, namely, that Edison has not billed all its D-1 RM customers uniformly and that Edison's representatives did offer the 1 cent rate for the special farm use as heretofore presented. However, complainant is in error in contending that

(6)

Extent of Edison's System:

This public utility renders electric service to a large portion of Southern California and to part of the San Joaquin Valley. Service is furnished in approximately 75 incorporated cities, 150 unincorporated communities and in much of the intervening rural territory. The largest cities served in Southern California are: Alhambra, Beverly Hills, Compton, Huntington Park, Inglewood, Long Beach, Ontario, Pomona, Redlands, San Bernardino, Santa Ana, Santa Barbara, Santa Monica, South Gate, South Pasadena, Ventura and Whittier. The largest cities served in the San Joaquin Valley are: Hanford, Tulare and Visalia. A total of roughly 450,000 domestic customers, and 60,000 commercial customers are now receiving electric service from Edison.

the application of special condition (a) in D schedules constitutes an increase. As a matter of fact, that clause liberalizes the application of the schedules so that a nondomestic load may be served and billed through a single domestic meter, otherwise such nondomestic load would require rewiring to accommodate a separate meter.

The respondent recommended the establishment of a new and separate rate tariff for single phase farm service which not only would provide for domestic, but also for all other single phase farm use through the house meter. The idea, in many respects, is excellent and it would also be practical if we could start all over again and devise an entirely new set of rates. Such a procedure would involve many changes and likely would be impracticable. In any event such a program is entirely beyond the scope and record in the instant proceeding. The difficulties in carrying out the tariff in the form suggested would be many. First, the administration of the tariff by the utility not only would be troublesome and costly, but may lead to further lack of uniformity in billing practices. This would require the necessity of constantly determining the billing demands by monthly field checks. Another objection is the increases in billings to all customers served under the domestic RW rate that now have a nondomestic connected load in accordance with the special conditions of the proposed tariff. The increases would range from 5 to 100 per cent. The schedule has the desirable advantage of discouraging large single phase loads, such as result from commercial farm enterprises as dairying and chicken raising, by simply raising the rate. It is obvious that such commercial loads should not be served through the house meter, but under the

appropriate commercial or power tariffs.

The most practical and equitable solution of this problem may be accomplished by changing the applicability clause in the present schedule D-1 so as to permit single phase domestic farm service to be combined with regular domestic service through the same meter and with the necessary changes in the special conditions.

It is recommended that the applicability clause in schedule D-1 ⁽⁷⁾ be changed to read:

"This schedule is applicable to single phase service for domestic lighting, heating, cooking and power or combination thereof in single family accommodations; also to single phase domestic farm service when supplied through the farm operator's domestic meter; also to single phase nondomestic service in combination with domestic in accordance with special condition (a),"

The definition for nondomestic service, as provided in special condition (a) must be revised to exclude single phase domestic farm service in substantially the following form:

"Nondomestic service is defined as any service used in an enterprise operated for income, except farming, or for any other service that is not requisite to the domestic habitation of a single family dwelling or farm."

There is no need to define or place a limitation as to the meaning of "single phase" as this is covered under Rule and Regulation No. 2, now on file with the Commission. It is anticipated that some question may arise relative to what constitutes "domestic farm service" as referred to in the D-1 tariff, as

(7)

Under the applicability clause proposed, all single phase domestic farm service will, in the future, be rendered under the D-1 schedules, whether or not the customer may be eligible to receive service on other D schedules because of location.

revised. It is the intention that large dairies, hatcheries, poultry raisers, etc., the operations of which are commercial in nature, be separately metered and billed on the appropriate rate for that class of service. Any such present consumer, who desires to continue to receive service through his domestic farm meter, may do so provided billing and payment be made in accordance with the D schedules and special condition (a) thereof.

Thus it appears that by opening the D-1 schedules to single phase farm use, as herein provided, there will be made available a general farm rate. This general farm rate will be brought about without imposing a troublesome and expensive administrative requirement and without bringing about an increase in billing. The 1 cent terminal rate that will be made available is reasonable under the conditions here obtaining and upon the record developed in this proceeding. Such practices and rate are also in harmony with the practices and rates of other utilities in adjacent territory, which is a factor not to be minimized in considering the broader aspects of this problem.

As heretofore stated, a few commercial hatcheries, dairies, poultry raisers, etc., who have been receiving service under the domestic rates, contrary to the tariff requirements, will, in the future, be billed upon the appropriate rates for that class of service. To such customers the application of the proper tariff will result in increased billings not, however, because this Order has increased any existing rate but because those customers have enjoyed a rate which they were not entitled to receive.

I recommend the following form of Order:

O R D E R

This case having been duly heard and submitted and after consideration of the evidence presented and based upon the recommendations and conclusions as set forth in the foregoing Opinion,

It is Found as a Fact that the present schedule D-1 should be modified so as to incorporate the revised applicability clause and the revised definition of nondomestic service under special condition (a), as recommended in the Opinion, and that such present schedules in so far as they differ from those herein ordered are, for the future, unreasonable, preferential and discriminatory and

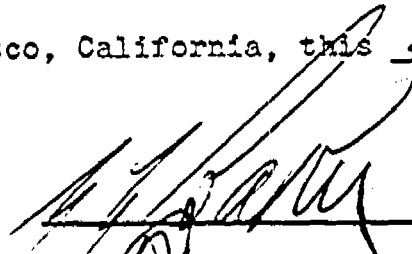
IT IS HEREBY ORDERED by the Railroad Commission of the State of California that Southern California Edison Company Ltd. shall amend schedules D-1, in Zones A, B and C, to include the new service and nondomestic clauses in accordance with the foregoing findings.

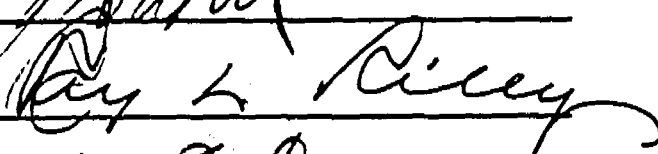
IT IS HEREBY FURTHER ORDERED that Southern California Edison Company Ltd. shall file with the Railroad Commission, within thirty (30) days from the date of this Order, the revised schedules D-1 - Zone A, D-1 - Zone B and D-1 - Zone C, and shall apply such revised schedules to all electric service supplied to its domestic and farm consumers qualifying for service under these schedules, to be effective for all meter readings taken on and after February 1, 1942.

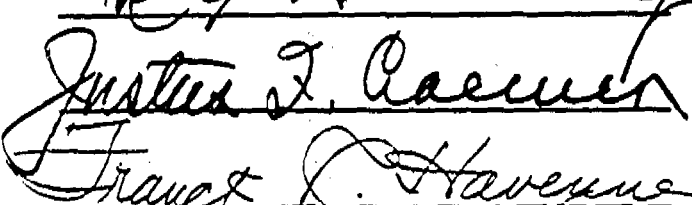
For all other purposes the effective date of this Order shall be twenty (20) days from and after the date hereof.

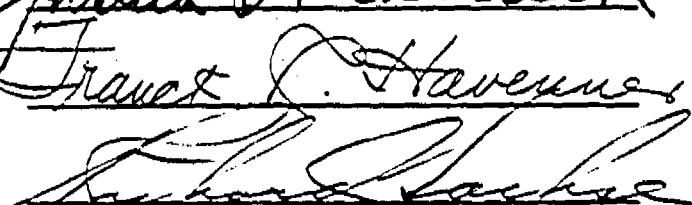
The foregoing Opinion and Order are hereby approved and filed as the Opinion and Order of the Railroad Commission of the State of California.


Dated at San Francisco, California, this 23rd day of December, 1941.











Commissioners