

Decision No. 37324

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Suspension and Investigation on the Commission's own motion of certain rules and regulations filed by PACIFIC GAS AND ELECTRIC COMPANY.

Case No. 4735.

- R. W. DuVal, for Applicant.
- J. J. Deuel, for California Farm Bureau Federation.
- H. G. Dillon, for San Diego Gas and Electric Company.
- John J. O'Toole, Dion R. Holm and Paul L. Beck, by Paul L. Beck, for the City of San Francisco.
- Louis Bartlett, for Foothill Electric Association, Incorporated, and Redwood Electric Co-operative, Incorporated.

HAVENNER, COMMISSIONER:

O P I N I O N

This is an investigation on the Commission's own motion into the propriety and the reasonableness of certain proposed revised and new rules and regulations on electric line extensions submitted for filing by the Pacific Gas and Electric Company under Advice No. 6-E on July 6, 1944.

The order of suspension and investigation was issued July 28 and public hearings were held in the Commission's courtroom at San Francisco on Monday, August 7, and on Wednesday, August 9, at which time and place evidence was taken and the matter submitted for decision on briefs to be filed within ten and twenty days, respectively. On August 19 a brief was filed by the Foothill Electric Association, Inc. A reply brief was submitted on August 29 by respondent utility.

The rules and regulations in suspension are two in number, namely; Rules and Regulations No. 15 - Line Extensions, and No. 15-A (Special and Temporary) Line Extensions.

It may be stated that electric line extension rules set forth the conditions under which a utility will extend its lines to connect up new applicants for electric service in rural areas. One important part of such rules

deals with how far a utility will extend its lines at its own expense. (1)

The July 6 filing, made by the respondent utility and now under suspension, would under Rule No. 15 exactly double the free footage allowances now in force in the presently effective rule. In addition, it is proposed under a new Special and Temporary Rule No. 15-A to further liberalize the length of line and equipment that the utility will install without advances from new applicants of service. In this respect Section 1 provides:

"1. Section (C) of Rule and Regulation No. 15 - Electric -, requiring applicants in rural territory to advance twenty-five cents (25¢) for each foot in excess of the free length extension therein specified, is, during the term hereof, waived for all electric line extensions having an estimated total cost, including transformers, services, and motors, not exceeding fifteen (15) times the estimated gross annual electric revenue to be derived therefrom by Company."

(1) "Rule and Regulation No. 15 * * * *

"(B) Free Extension in Rural Territory:

"1. The Company will construct, without cost to such applicants except as hereinafter provided, the following lengths of line in rural territory:

- For each lighting customer 100 feet
- For each refrigerator installation 75 feet
- For each kw. of connected heating and/or cooking load 75 feet
- For each hp. of connected power load in installations aggregating less than 5 hp. 75 feet
- For each hp. of connected power load in installations aggregating 5 hp. or over 100 feet

"2. The Company will also furnish, install and maintain the necessary transformers, motors and service wires without cost to such applicants. The wires between the Company's last pole and the customer's facilities or premises are for this purpose called service wires.

"3. The length of line required for an extension will be considered as the distance from the nearest distribution pole and along the shortest practical route (to be determined by the Company) to the point where connection is made to the Company's service wires. Any change in or addition to the existing distribution facilities of the Company will not be considered as a part of the extension except in unusual cases.

"(C) Rural Extension Beyond Free Length:

"1. Extension of lines in rural territory of a length greater than provided under Section B-1 above, will be built, owned and maintained by the Company, provided the applicant (or applicants) for service advances to the Company twenty-five cents (25¢) for each foot in excess of the free length specified in Section B-1.

"2. The amount advanced hereunder will be subject to refund, without interest, as provided for in Section D, provided, however, no repayments will be made by the Company in excess of the amount advanced by the applicant (or applicants), and, further provided, that no repayments will be made by the Company after a period of ten (10) years from the date the extension on which the advance is made is completed. * * * " (Proposed Rule No. 15)

The last-named rule, as submitted for filing, would expire on January 1, 1946.

The respondent utility, through its witness N. R. Sutherland, who is the Company's Commercial Manager, outlined quite fully the reasons which prompted his Company to make the aforesaid changes in its extension rule. Briefly the record shows that this is all part of a comprehensive program of war and postwar planning, to extend electric service to practically all presently unserved rural sections of the service area of the Pacific Gas and Electric Company. More specifically the program is expected to (a) increase growth of food crops during this war period; (b) provide work for returning soldier-employees; and, (c) stimulate a still greater market for electric service and thus, in part, help fill the gap from loss in war production loads, as well as to create additional employment in the manufacture of electrical appliances to fill the new consumer requirements.

The program planned is very extensive and will cover the entire service area of the Company. Based upon field surveys, witness Sutherland stated there were involved approximately 759 extensions to be built that will serve 5,069 new customers, calling for an estimated investment by his Company of nearly three and a half million dollars, with an expected annual revenue of over half a million dollars.

It was further developed that the respondent utility was ready and willing, when authorized, to apply the more liberal extension policy to its so-called Paskenta special rate area that now carries surcharge rates because revenues did not justify the full investment in the electric line under the extension rule (2) when built, nor has the revenue improved sufficiently to remove the surcharge on the basis of the rule now in effect.

At the hearing the Redwood Electric Co-operative, Inc. and the Foothill Electric Association, Inc., (3) through their attorney, Louis Bartlott, sharply

(2) This is the only surcharge rate area on the system of the Pacific Gas and Electric Company and it was authorized under Decisions Nos. 31907, 33572, 33620 and 34734, in order that the then unserved area (Tehama, Glenn and Colusa Counties) might have electric service without creating undue burdens on the balance of the system.

(3) The record shows that while each of the cooperatives are said to have secured financial allotments for the construction of distribution facilities through the Rural Electric Administration, yet neither one has any plant or electric lines and no electric service is rendered to any one.

protested the filing of the aforesaid extension rules and sought a permanent suspension and/or a limited application of said rules so they would not apply in areas in which cooperatives have been organized for the purpose of distributing electric energy. It was contended by counsel for the cooperatives, though no testimony was offered, that the Pacific Gas and Electric Company's purpose in liberalizing its extension policy was " * * * principally for knocking out these two cooperatives in California, preventing them from going ahead and serving the public in their areas * * * ."

R. W. DuVal, attorney for respondent, strongly refuted any such allegation, pointing to witness Sutherland's testimony, as well as to his Company's unquestioned legal right to construct extensions of its electric system into all areas in northern and central California, as provided under Section 50 of the Public Utilities Act. He asserted that it is not only his Company's right but its legal obligation to extend its lines and render service to all who may apply in accordance with established principles. It was further pointed out that authorization of the proposed extension rules would in no manner obligate any cooperative member or any one else to take service from respondent utility, but it would make it possible to have line extensions built in marginal unserved pockets and sections of territory not now fully served to the distinct benefit of those people.

J. J. Douel, of the California Farm Bureau Federation, stated that he was taking no part in any dispute between protestants and the utility, but that his organization was exerting every effort to secure electric service for the unserved farmers of this State. He stressed the point that a large majority of the extensions to be built would each serve but a few customers; and testified that he had in his files requests for service that showed 402 extensions with only one customer each and no extension with more than 48 prospective customers. It was his opinion that the only opportunity for these scattered people to receive electric service is from the respondent utility, as no separate and independent distributing agency could exist on such isolated and limited loads.

It is unquestionably in the public interest to make electric service available to as many rural dwellers and agriculturists as possible. California

utilities have, generally speaking, done a good job so far, as this State stands near the top in the nation as to the percentage of farms receiving central station service. In 1925 this Commission permitted a temporary liberalization of this utility's footage rules and during this period extensions were made to serve more than 3,900 new farm customers. In subsequent periods the Commission's general order on standards for overhead line construction was modified so as to reduce costs of construction (consistent with safety) and these economies resulted in more free footage lines.

It is unfortunate, however, that large areas, such as the two cooperatives propose to serve, should have been left without electric service until the present time. The plan now presented by this utility is designed to extend service at reasonable cost into these hitherto neglected areas. If this plan can be applied uniformly to all who ask for service, without undue discrimination or preference to other users of the service, there would seem to be no question but that it will be in the public interest and should be authorized.

The record shows that while the doubling of the old free footage under proposed Rule No. 15 may require some refinements in the future, it is generally in line with similar allowances now in effect in the service areas of other utilities. The respondent utility has attempted to avoid any preference or discrimination in carrying out the more liberal provisions of proposed Rule No. 15-A, by submitting at time of filing a stipulation that any deficiency in earnings that may result from making extensions under proposed Rule No. 15-A as compared to Rule No. 15, will not be borne by its other electric consumers.⁽⁴⁾

In connection with the more liberal terms of proposed Rule No. 15-A, as compared to Rule No. 15, it developed at the hearing that the utility's witness interpreted Rule No. 15-A in such a manner that any extension to be built, having an investment-revenue relationship in excess of 15 to 1, would be required to make an advance not on the basis of Rule No. 15-A but in accordance with Rule No. 15. Such treatment would not accord the less fortunate applicant the same free footage

(4) As one measure of such deficiency we interpret this to mean the difference in gross revenue that would have been required under Rule and Regulation No. 15 and that obtained under Rule and Regulation No. 15-A. It is further understood that records will be kept as to investment and gross revenues in extensions made under Rule No. 15-A.

as the more fortunate one who would receive service over an extension built without an advance. Therefore, Rule 15-A should be construed and applied in such manner that any advance required will be computed after the full free footage has been applied on a 15 to 1 basis. Any other construction or application of the rule will not result in full equality of treatment.

Having in mind that the expiration date on Rule and Regulation No. 15-A will be extended by respondent beyond January 1, 1946, if necessary, in order to complete its over-all extension program, it is my view that the suspension should be lifted and Rules and Regulations Nos. 15 and 15-A be permitted to become effective.

O R D E R

The Commission, having, on its own motion, issued an order suspending the effective date of Rules and Regulations Nos. 15 and 15-A (Revised C.R.C. Sheet No. 1095-E and Original C.R.C. Sheet No. 1096-E), filed by Pacific Gas and Electric Company, a public hearing having been held, the matter being under submission and the Commission concluding that said suspended rules, as construed in the foregoing opinion, are not unduly preferential or discriminatory, therefore

IT IS ORDERED that the suspension of Rules and Regulations Nos. 15 and 15-A (Tariff Sheets 1095-E and 1096-E) governing electric line extensions be and is hereby vacated, and said rules shall become effective on the effective date of this order.

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.

This order shall become effective on the tenth day after the date hereof.

Dated at San Francisco, California, this 13th day of September

1944.

Richard K. Haskin
Francis L. Havens
Bruno Blum
Walter J. Sullivan
Commissioners