

ORIGINALDecision No. 51555

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Suspension
and Investigation on the Com-
mission's own motion of proposed
Schedule PA-8, Agricultural Power
(Temporary Schedule), filed by
Pacific Gas and Electric Company.)

Case No. 5640 ,

F. T. Searles and J. T. Morrissey, for Pacific
Gas and Electric Company.

J. J. Deuel, for California Farm Bureau Federa-
tion and Westside Land Owners and Users,
interested parties.

Boris Lakusta and John J. Doran, for the
Commission staff.

O P I N I O N

Pacific Gas and Electric Company, operating public utility electric, gas, water and steam-heat systems in central and northern California, on March 17, 1955 filed under its Advice No. 132-E a new, temporary and closed agricultural power rate designated Schedule PA-8. Because of the fact that the proposed schedule represents a reduction from the presently effective agricultural power Schedule PA-1 and would be applicable to only a limited group of customers, the Commission suspended the filing pending an investigation, hearing and decision thereon.

Public Hearing

A public hearing on this matter was held before Commissioner Justus F. Craemer and Examiner M. W. Edwards on May 18, 1955 in San Francisco. At this hearing two witnesses for the utility testified on behalf of the proposed rate. Two customers from the area which would be benefited by the proposed rate testified as to the need for a reduction in rates. Cross-examination of the witnesses was

conducted by counsel for the Commission's staff. In addition, computations as to an alternate rate treatment were presented by the utility on request of the staff.

Reason for Proposed Schedule PA-8

Counsel for Pacific stated that there was a series of adverse circumstances since November 1952 when former Schedule P-12-S was superseded by Schedule PA-1, which caused the utility to file the reduced rate. The limitation on acreage and lower selling price of cotton, as well as the falling water table, have disrupted the economic stability of a portion of the west side of the San Joaquin Valley. When Pacific sought and obtained increased rates from the Commission under Application No. 32589, Decision No. 47832, on October 15, 1952, the provision for conjunctive billing under former Schedule P-12-S was not included in Schedule PA-1. This resulted in an increase of some 23 per cent for the P-12-S group of customers compared to an average of about 18 per cent for all agricultural power customers as a class. The proposed PA-8 schedule would limit this increase to about 22 per cent and, based on the 1953-1954 agricultural year, would have reduced the billing by \$140,056 to 10 of the 36 former P-12-S customers whose bills for service were increased more than 22 per cent. The utility is concerned over the probable loss of return on its capital investment of roughly 20 million dollars to serve the area unless some concession is made to help retain the load.

Position of Customers

One customer, representing the views of irrigators of some 400,000 acres, testified that the area needed assistance until a firm supply of pure water could be developed. Water levels in the area are receding rapidly and are now down to the point where the pumping lift is in the neighborhood of 500 feet. Water cost

per acre foot has more than doubled since 1948. Moreover, the local water contains boron, which limits the types of crops the area can grow economically principally to cotton and barley. In 1953 the barley crop yielded \$76.02 per acre and the energy for pumping cost \$21.57 per acre; the cotton crop yielded \$227.92 per acre and the energy cost \$47.46 per acre. For 1955 he doubts that the barley crop will break even after paying the pumping plus all of the other costs of production. The situation with regard to cotton, he asserted, is not much better because of the sharply reduced acreage allotment by the Department of Agriculture.

This west-side group is seeking government and state help toward an early completion of the proposed San Luis Project which will supply water from the Central Valley Project. With an adequate source of pure water, the group contends that more valuable crops could be grown and the area could support a population two or three times as great as the present population of 18,601 persons. To tide the area over until a supplemental water supply is available, the group is seeking every possible means of reducing costs and expenses.

The other customer told of reductions being made by principal suppliers to the area for such items as fertilizers, fuels and insecticides. He supplied several exhibits (Exhibits Nos. 6 to 10 inclusive) showing some statistics as to population, business volume and crop value in the west-side area of Fresno County.

In a prepared statement, Exhibit No. 11, the history of development of the area was recounted. Some 25 years ago western Fresno County and northern Kings County were an area of dry farming and sheep grazing. The land was fertile but there was a risk in development. It was about 200 feet to water. After many failures, the author states, it was found that with increased pumping plant

efficiency, reasonable agricultural power rates and improved farming methods, farming could be done successfully and profitably. During the development period, the landowner, the farmer, the pump manufacturer, the finance company and the power company worked together to solve the area's problems. The west side of Fresno County is recognized as one of the most productive areas in the nation; however, in spite of this productivity, the author states that this area cannot long remain in cultivation if the area is to continue to suffer from increased water costs due to the falling water tables, high replacement cost of wells and increased power costs.

During the period while other production costs were increasing the majority of the farmers in the area were of the opinion that the utility was entitled to a reasonable increase and, therefore, did not appear in opposition during the rate case. However, this group did not realize that Schedule P-12-S was to be withdrawn, which schedule was favorable both as to form and price to large agricultural customers, and was more advantageous to west-side operation than any other area. The plea of this group is that it have a two-year period of rate increases limited to not over 22 per cent while the supplemental water is being developed and during which time the area can adjust its economy to meet the present distress conditions.

Alternate Rate Proposal

As an alternate to a revival of former Schedule P-12-S with a 22 per cent increase (which is the company's proposed Schedule PA-8), the utility computed, at staff request, the effect of allowing conjunctive billing on Schedule PA-1. Exhibit No. 4 indicates that the 10 largest former P-12-S customers would be decreased by \$114,287 on a total billing of \$3,630,846 for the year 1953-1954. Such alternate proposal would also decrease the

billing on the other 26 customers by \$65,702 on a total of \$2,011,777. The total decrease of \$209,989 resulting from the temporary conjunctive billing feature on Schedule PA-1 is \$69,933 greater than the \$140,056 decrease estimated for proposed Schedule PA-8.

Rate Level Justification

The utility did not attempt to justify this change on the basis of the revenue being greater than the cost of rendering the service. Decision No. 47832 indicated that the cost to render agricultural power service was substantially above the revenue, which was one reason why agricultural power was increased 18.2 per cent as a class compared to an over-all increase of 15.9 per cent for the system as a whole in 1952. Applicant urged the danger of the loss of the business resulting from an increase of more than 22 per cent. In fact the resulting increase was greater than the utility's computations first indicated before it proposed the rate level for Schedule PA-1. The impact that has resulted from the sharp increase is of major concern to the utility in holding the load.

Conclusion and Finding

In deciding this matter it should be pointed out that it is not customary for the Commission to give special rate treatment to large customers in contrast to small customers unless the load characteristics so warrant. In addition to the cost factor, the Commission recognizes the value of the service factor as well as the historical and other factors that are pertinent when setting rates. There is no question but that the historical development of the west-side area was in part due to the favorable agricultural pumping rate under Schedule P-12-S. Also the conjunctive billing feature assisted in the development by means of large-scale operators. On two other utility systems, that is, the Southern California

Edison Company and California Electric Power Company, where requests have been made for elimination of conjunctive billing, a two-year period has been allowed for the customers to rearrange their wiring or adapt their operations to the regular agricultural power rates. Conjunctive billing as a permanent rate feature is discriminatory^{1/} and we do not look upon it with favor.

In the instant case we are of the opinion that it is not fair to the other customers to change the rate level for just one group that is hard-pressed by changes in the water table and the economic conditions. Other customers and groups may be similarly situated and equally as deserving of special consideration. However, the record is clear that the loss of the conjunctive billing feature was in part responsible for the increase being in excess of 22 per cent to certain larger customers. We do not find that the company's proposed temporary Schedule PA-8 in the form that it is filed is reasonable or equitable. We do, however, conclude and find that it is reasonable to allow Pacific to extend, if it so desires, the conjunctive billing feature applied to Schedule PA-1 for a two-year period to the former customers on Schedule P-12-S who made use of such feature in their past operations.

O R D E R

The Commission having on its own motion suspended the effective date of tariff Sheets Nos. 2501-E to 2503-E, inclusive, filed under Advice No. 132-E on March 17, 1955 by Pacific Gas and Electric Company, which sheets comprise a new, temporary and closed Schedule PA-8, Agricultural Power; and having on its own motion instituted an investigation into the propriety and reasonableness of said Schedule PA-8; a public hearing having been held; the matter having been submitted and the Commission having found

^{1/} Decision No. 50909 (53 Cal. PUC 749,755) 1954.

that Schedule PA-8 is unreasonable but that a temporary schedule similar to Schedule PA-1 with a conjunctive billing feature is reasonable; therefore,

IT IS ORDERED as follows:

1. That the suspension of tariff Sheets Nos. 2501-E to 2503-E, inclusive, covering Schedule PA-8, Agricultural Power, be and it is hereby made permanent.
2. Pacific Gas and Electric Company, within ten days after the effective date of this order, if it so elects, may file, to be effective on not less than five days' notice, a new, closed, temporary agricultural power schedule of two years' duration equivalent to Schedule PA-1, with conjunctive billing feature added, and designated as Schedule PA-8 applicable to those customers who were receiving service under Schedule P-12-S as of November 9, 1952.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 7th day of June, 1955.

[Signature]
President

[Signature]
[Signature]

[Signature]

Commissioners

Commissioner Rex Hardy, being necessarily absent, did not participate in the disposition of this proceeding.