

Decision S2 12 094 DEC 15 1982**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's
own motion into the allowance, rules
practices, and procedures concerning
free footage for new connections of
Pacific Gas and Electric Company,
San Diego Gas & Electric Company,
Southern California Gas Company,
Sierra Pacific Power Company,
California-Pacific Power Company,
Southwest Gas Corporation, and
Pacific Power & Light Company,
respondents.

Case 10260
(Filed February 15, 1977)

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DeMorest, Attorney at Law, for AeroWorld
Company; interested parties.

Philip Scott Weismehl, Attorney at Law,
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Commission staff.

OPINION ON REHEARING

Procedural History

Interim Decision (D.) 82-04-068, dated April 8, 1982, made significant changes in the rules under which gas and electric utilities contribute to the extending of service to new customers under their tariff line extension rules. Under the old format, an applicant for new service receives a free allowance of gas main extension footage and/or electric line extension footage varying with the amount of energy consumed in the new structure.

D.82-04-068 provides:

1. Six months from the effective date of D.82-04-068, new customers will be eligible for only $2/3$ of the allowance they would have been entitled to under the present rules, for both gas and electricity (Phase 1). In order to remain neutral on the promotional aspects of the present rules, this allowance will be determined without inquiry being made as to the appliances installed. For the purpose of calculating the free footage limit, it will be assumed that the customer has installed the maximum number of appliances for which the utility affords allowances. In no event will any customer receive an allowance for more than $2/3$ of his or her actual extension.
2. It is the Commission's intent that three years after Phase 1 has become effective, new customers will be eligible for only $1/3$ of the amount they would have been entitled to under the present rules, determined on the same basis as above (Phase 2).
3. During the third year of Phase 1, the Commission will review the operation of the new rules to determine whether the direction proposed for Phase 2 is the most appropriate way to proceed. This review will occur, therefore, prior to implementation of Phase 2. During this review, it will also be determined how long Phase 2 should last and what the next step should be.

D.82-04-068 stated that the Commission did not adopt a special free footage allowance for any specific customer class based on location of that class. A proliferation of special rate classifications is undesirable, and the Commission was not persuaded that compelling grounds for a special classification for line extension to agricultural customers exists.

Several applications for rehearing, or for modification or clarification of D.82-04-068 were filed. D.82-07-040, issued and effective July 7, 1982, suspended D.82-04-068 and certain compliance filings ordered by that decision until further notice of the Commission.

By D.82-09-110 dated September 22, 1982, we granted rehearing and modification of D.82-04-068. That decision modified portions of the discussion, findings of fact, and conclusions of law in D.82-04-068. D.82-09-110 also directed respondents to file additional factual material and directed the staff to file comments with respect to such material.

Ordering Paragraph 3 of D.82-09-110 reads:

"3. Rehearing of D.82-04-068 is granted, limited to receipt of evidence and argument on the issue of whether there are factors which justify establishing special line extension rules for a class of 'agricultural' customers, different from free footage allowances granted to other new customers. This issue necessarily shall include proposed definitions of 'agricultural' customers for the purpose of line extension policies. The Commission staff is directed to participate fully in all aspects."

By Ordering Paragraph 1(d) of D.82-09-110, respondents were ordered to file:

"A proposed definition of an 'agricultural' class of customers, which the Commission could designate for the purpose of special treatment

within new line extension tariffs. This submission shall be limited to factual support for an 'agricultural' class; arguments concerning the appropriateness or inappropriateness of such a designation are to be reserved to the hearing ordered below."

Respondents have filed proposed definitions for an "agricultural" class of customers.

D.82-09-110 further ordered that the suspension of D.82-04-068, ordered by D.82-07-040, be continued in effect until further action of this Commission.

D.82-12-039, issued December 1, 1982, modified D.82-09-110 to make it clear that the 1/3 phasing program adopted in D.82-04-068 applies to all new customers, not merely to residential and priority one commercial customers. D.82-12-039 also denied rehearing of D.82-09-110.

Rehearing

Rehearing as directed in Ordering Paragraph 3 of D.82-09-110 was held on November 22 and 23, 1982 in San Francisco. Oral argument on the issues was held on November 29, 1982, at which time the matter was submitted.

Evidence was presented on behalf of respondents Southern California Gas Company (SoCal Gas) and Southern California Edison Company (Edison), the California Farm Bureau Federation (Farm Bureau), and the Commission staff (staff).

Argument was presented on behalf of the above parties and by Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), California Building Industry Association (Builders), and Associated General Contractors of California (Contractors).

Background of Electric Line Extension Rules for Agricultural Customers

Under electric line extension rules now in effect, an applicant for new service receives a free allowance of electric line

extension footage varying with the amount of energy consumed. The free footage allowances were designed to promote energy demand and load growth so that economies of scale could be realized with resulting lower unit rates to all ratepayers.

Under current economic conditions and energy production costs, greater energy demand no longer produces lower rates. Those factors caused the Commission to initiate Case (C.) 10260 to reevaluate the existing line extension rules designed to promote consumption.

In our first interim order in C.10260, D.91328 issued February 13, 1980 (3 CPUC 2d 274), we adopted a proposal to cancel the basic free footage allowances and substitute credits for conservation, but offered the opportunity for parties to request additional hearings aimed at modifying the proposal. The proposal would have canceled the basic free footage allowances and substituted credits for conservation, including installation of gas appliances in

lieu of electrical appliances where gas was available.¹ We stated (at page 294):

"We conclude that a basic electric allowance should not be adopted if we are to achieve our objectives of encouraging the use of gas and encouraging efficient use of electricity. Only conservation allowances will be adopted for electric lines. . . . [F]or residential premises in areas where gas is not available, we will adopt allowances which both create incentives for conservation and take into consideration the special circumstances that exist."

As an exception to the general rule stated above, we provided for a 700-foot free footage allowance for agricultural customers. Our rationale, as stated at pages 294-295, was as follows:

"Agricultural customers occupy a rather unique position in that the normal conservation measures cannot be adapted to most agricultural operations. In addition, the availability of natural gas service for agricultural operations is severely limited. Consequently, the viable alternatives normally available to such customers are electricity and fossil fueled engines and/or devices. Under these circumstances, the utilization of electricity for agricultural purposes is to be encouraged. Consequently, we

¹ In our discussion (at page 286), we stated: "We reconfirm at this time the policy conclusion, enunciated in Decision No. 89177 in the Liquified Natural Gas Terminal proceeding, that on both economic and environmental grounds, natural gas is the preferred fuel for residential energy needs. The adopted extension rules set forth in the ensuing order are designed to strongly favor the use of natural gas for cooking and space and water heating where it is available and the use of electricity for these purposes where natural gas is unavailable and alternate energy sources are less economical and/or efficient than electricity. Under these circumstances, the effect of the adopted rules on the relative number of all-electric homes should be negligible."

will adopt electric allowances for agricultural load equal to 700 feet which is roughly the average length of agricultural line extensions.

D.91328 provided that unless further hearings were scheduled in response to comments, the rules prescribed in D.91328 would become effective 45 days after February 13, 1980, the date of the order. By notice dated February 28, 1980, the Commission set additional hearings in C.10260. By its own terms, therefore, D.91328 never became effective.

In interim D.82-04-068, issued April 8, 1982, both the conservation credits approach to line extension allowances and the special agricultural tariff which had been proposed in D.91328 were not adopted. The new rules provide that six months after the effective date of D.82-04-068 new customers will be eligible for only 2/3 of the allowance they would have been entitled to under present rules. The allowance will be determined without inquiry being made as to the number or kind of appliances installed. Instead, it will be assumed that the customer has installed the maximum number of appliances for which the utility affords allowances. After this calculation, the utility will pay 2/3 of the free footage allowance calculated by this method, but in no event more than 2/3 of the actual extension.

The general policy goal enunciated in D.82-04-068 for all end use sectors (including agriculture) is the attainment of the least cost mix of conservation investments and life cycle energy costs.

As agricultural interests had no opportunity to present evidence on the issue of agricultural extensions in the hearings held between D.91328 and D.82-04-068, we granted limited rehearing for that purpose.

Motion for Continuance and
For Production of Data

On November 17, Farm Bureau filed its motion for continuance of the hearing and to compel responses to data requests made upon respondents.

Farm Bureau was requested to file an offer of proof at the hearing on November 22 so that the Commission would be advised of the evidence that would be produced by Farm Bureau if the data requests were answered in full and if a continuance was granted. The offer of proof states that Farm Bureau had not received responses to data requests from certain respondents and those that were received were incomplete and unresponsive. Farm Bureau states that the two major concerns of the Commission, as perceived by it, are: (1) line extension rules should not encourage the use of energy and (2) existing ratepayers should not suffer a burden as a result of the line extension rules. Farm Bureau has argued that existing line extension rules for agricultural customers do not encourage usage of energy and do not impose a burden on other customers.

Farm Bureau acknowledged in its offer of proof that it is not certain what it could prove on the above two points, as it had incomplete data, but it urged that a revenue-to-investment analysis of agricultural customers might be possible which would dispel the Commission's concerns.

The motion was denied by the administrative law judge (ALJ) at the hearing on November 22. It appeared that the sole basis for the motion was that Farm Bureau could not proceed without the information in the data requests which apply only to economic issues

and that Farm Bureau could proceed with production of evidence on noneconomic issues. Moreover, respondents indicated that data in the form requested by Farm Bureau could only be produced at a very considerable effort and cost, and that it would require several months. Farm Bureau did not offer to present any evidence and stated it would rely on the showing of other parties and cross-examination to develop its points.

We affirm the ALJ's ruling denying Farm Bureau's motion.

The Evidence

Different approaches to free footage allowances were taken by Edison, SoCal Gas, and staff. Edison opposed the granting of special allowances for agricultural customers. SoCal Gas proposed a cost/revenue test for agricultural customers, which SoCal Gas would extend to all commercial customers, if authorized. Staff proposed that agricultural customers receive the same free footage allowances as residential customers on the assumption that most new agricultural extensions are to locations which include a residence. All of the above recommendations were made under a mistaken interpretation that

D.82-04-068 provided no free footage allowances for other than residential and priority one commercial customers. (As noted above, this point was clarified by D.82-12-030 issued after submission of this phase of C.10260.)

Edison's Evidence

Edison reiterated its position taken in earlier phases of this proceeding that to establish special line extension rules which provide for electric free footage allowances for agricultural customers, and which are more liberal than allowances for other nonresidential customers, would not be in the best interests of Edison's general ratepayers. Edison's witness testified that existing electric line extension rules were promulgated when the marginal costs of electric utilities were declining. Existing rules encourage

new load growth on the premise that the resulting economies of scale would reduce rates for all ratepayers. Since there is no longer any justification for encouraging additional electrical use, there is no longer any justification for special electrical free footage allowances for agricultural applicants. Edison's witness stated that, although no studies are available which quantify the financial impact on the general ratepayer resulting from granting more favorable treatment to agricultural customers, Edison believes that by their promotional nature more favorable allowances would unnecessarily contribute to overall high charges for electrical energy.

Edison presented data in Exhibit 91 reflecting a 25% sampling of its 1981 agricultural line extensions and all of its 1982 agricultural line extensions through September annualized as summarized in Table 1. .

TABLE 1SOUTHERN CALIFORNIA EDISON COMPANY
AGRICULTURAL LINE EXTENSIONS

: Year :	Category	: Total Feet :	Number of :	Est. Cost :	Average Feet :	Est. Cost :
:	:	: of :	: Customers :	: Per Customer :	: of Extension :	: Per Foot :
:	:	: Extensions :	: (Meters) :	: \$:	: Per Customer :	: \$:
1981	Overhead	59,969	76	4,443	789	5.63
	Underground	<u>10,979</u>	<u>23</u>	<u>2,886</u>	<u>477</u>	<u>6.05</u>
	Total	70,948	99	4,082	717	5.70
1982	Overhead	166,116	262	3,837	634	6.05
	Underground	<u>1,084</u>	<u>4</u>	<u>3,481</u>	<u>271</u>	<u>12.84</u>
	Total	167,200	266	3,832	629	6.10

Table 2 shows, for the 1981 sample, the free footage allowances under present rules for agricultural line extensions.

TABLE 2SOUTHERN CALIFORNIA EDISON COMPANY
AGRICULTURAL LINE EXTENSIONS

: Type of Extension	: Number of Extensions	: Total Feet of Extensions	: Total Free Feet Granted	: Total Free Feet Per Rule	: Average Feet Per Extension
Overhead	62	59,969	58,297 ^(a)	744,065	967
Underground	19	10,979	10,659 ^(b)	146,950	578

(a) Two overhead extensions required footage in excess of allowance under present rule. Total excess footage equals 1,672 feet.

(b) Three underground extensions required footage in excess of allowance under present rule. Total excess footage equals 320 feet.

Table 3 shows the range of electric line extensions for agricultural customers.

TABLE 3
SOUTHERN CALIFORNIA EDISON COMPANY
RANGE OF AGRICULTURAL LINE EXTENSION LENGTHS
(1981 and 1982)

	0-500:	501-1000:	1001-1500:	1501-2000:	2001-2500:	2501-Up:
	Feet	Feet	Feet	Feet	Feet	Feet
Number of Line Extensions Engineered in 1981 (25% Random Sample)						
Overhead	30	12	9	5	1	5(a)
Underground	15	2	1	1	0	0
Number of Line Extensions Engineered in 1982. (January-September)						
Overhead	105	25	17	5	5	5(b)
Underground	3	0	0	0	0	0

(a) Lengths of Extensions were 2,670 feet, 2,757 feet, 5,235 feet, 5,722 feet, and 7,657 feet, respectively.

(b) Lengths of Extensions were 2,744 feet, 3,207 feet, 3,389 feet, 3,622 feet, and 17,221 feet, respectively.

SoCal Gas Evidence

SoCal Gas stated that since the first phase of this proceeding, it has advocated that gas line extension allowances are important to maintaining a beneficial energy balance. SoCal Gas' witness explained that all farms and businesses need and are served electricity, whether or not they are accorded a free footage allowance, but not all agricultural customers need to receive gas service. SoCal Gas believes that agricultural customers may forgo gas service completely to avoid the additional costs of gas main extensions. Such customers may install electric equipment for use where gas equipment is more efficient to avoid payment of gas main extension costs if no gas free footage allowances are accorded the agricultural customers. SoCal Gas believes that providing a reasonable gas free footage allowance will not encourage energy use and may, in fact, decrease energy use. ✓

Therefore, SoCal Gas proposes the cost/revenue formula advanced by witness Sokolow in Exhibit 93. Assertedly under that formula any new agricultural customer will be self-sustaining, as the new customer must show that its expected revenues equal the required revenues that cover the cost of gas plus the incremental costs associated with investment (return, depreciation, taxes, and maintenance of pipe) or the customer must contribute to its gas main extension. According to the witness, the break-even ratio is 2.0 (rounded). If a customer meets the 2.0 ratio, it is self-sustaining and would not have to pay advances for construction. If the customer falls below the 2.0 ratio, it would pay the difference between the estimated investment and the allowable investment.

Witness Sokolow analyzed a representative sample of 17 agricultural extensions made in the first nine months of 1982. The analysis showed that, as a group, the allowable investment of \$759,000 exceeded the required investment of \$350,000. Two of the

17 customers fell below the required investment and thus would have been required to make advances for their gas main extensions under SoCal Gas' proposed rule. The witness stated that there was no minimum or maximum free footage allowance for gas main extensions under SoCal Gas' proposed rule.

Staff Evidence

The staff, in Exhibit 94, states that there is no apparent reason to support a separate extension rule or provisions for agricultural customers. The staff witness recommended that, as some agricultural customers reside on the agricultural premises, it is appropriate to include agricultural customers in the same class as residential customers. That recommendation was made in consideration of the staff's view that D.82-04-068 eliminated free footage allowances for electric service for all customer classes other than residential. As pointed out before, the Commission clarified its prior orders by indicating the 1/3 phase-out applied to all customers, not merely residential and priority one commercial customers.

Another reason advanced by the staff for not establishing a separate agricultural class is that there is no generally accepted definition which distinguishes an individual with a few animals and a garden plot from another with commercial acreage and large numbers of animals, so a specific definition of agricultural class would be needed if special agricultural extension rules are adopted.

Definition of Agricultural Customer

Edison, SoCal Gas, and the staff proposed different definitions of agricultural customer.

Edison's definition, applicable only to electric service, is the definition now set forth in its tariffs applicable in connection with the several rate schedules for agricultural service. That definition is restrictive in that it applies only to growing of

food and field crops and animals, and to the processing of such products on the premises where grown.

SoCal Gas proposes that we use the definition of "essential agricultural uses" adopted by the United States Secretary of Agriculture (10 CFR Part 580) under the Natural Gas Policy Act of 1978 (NGPA). That definition includes food processors and manufacturers of equipment used or usable in agricultural production and is not limited to activities directly associated with the growing of crops or animals.

The staff proposes the following definition:

Agricultural activities, for line extension purposes, is defined as "growing, harvesting, and required on-site treatment of plant and/or animal products, for sale." For purposes of determining minimum requirements or qualifications for obtaining a service extension to provide utility service under an agricultural classification, or rate schedule, an applicant must demonstrate:

- A. Projected gross annual income, from the areas to be served, in excess of \$30,000 from the agricultural activity.
- B. A minimum area to be used for agricultural purposes of more than 10 acres.

Each of the proponents of an agricultural definition argued for its definition and opposed the definitions proposed by others. Farm Bureau, in its closing argument, asked that present tariff definitions apply.

Discussion of Special
Agricultural Class

None of the parties presented evidence why agricultural customers should be considered as a special class for electric line extension purposes. The evidence concerning agricultural customers addressed the effects of according special service to that class. Farm Bureau's offer of proof indicated that it hoped to present

evidence showing that a special line extension rule for agricultural customers would not create an economic burden on other customers. SoCal Gas proposed a line extension rule for gas service which it asserted would not burden other customers. but SoCal Gas also indicated such a rule would be appropriate for all commercial gas customers, and asserted that the benefits of its proposed rule would not be limited to gas main extensions for agricultural customers. Thus, the treshhold issue of why agricultural customers should be considered as a special class was not addressed.

The staff proposal was made under the reasonable interpretation that our order in D.82-04-068 eliminated free footage allowances for all customers other than residential and priority one commercial customers. We recognized that D.82-04-068 did not clearly reflect the Commission's intent, and we revised D.82-09-110 to more directly express our intent that all customers will be subject to the 1/3 phase-out program enunciated in D.82-04-068. As this is our intent, there is no need to include agricultural customers in the residential class to ensure that agricultural customers would continue to receive some measure of free footage allowances as proposed by the staff. ✓

Farm Bureau pointed out in its closing arguments that tariff rules proposed by the Joint Utility Committee to implement the provisions of D.82-04-068 did not provide any free footage allowances for agricultural customers, which appeared contrary to the dicta in that decision. It is Farm Bureau's position that agricultural customers operate under the same conditions as other customers and that agricultural customers should be extended free footage allowances to the same extent as other customers, on the basis that free footage allowances for agricultural customers create no greater burden on ratepayers as a whole than do any other customer group. At present agricultural customers are accorded electric free footage allowances under the rules generally applicable to commercial

customers for commercial usage, and under rules applicable to residential customers for personal usage. Under the clarification of our prior order agricultural customers will be accorded these same allowances, subject to the 1/3 reduction applicable to all customers. Thus, no different treatment will be accorded agricultural customers. Agricultural customers will continue to receive free footage allowances under the same conditions accorded other prospective customers. This is the end result sought by all participants. This result is also consistent with our desire to prevent the unnecessary proliferation of classes of customers, subject to distinct treatment. In this particular situation, no special characteristics have been shown which would justify special treatment of agricultural customers.

The difficulty in describing or defining agricultural customers for the purpose of establishing a separate class for line extension purposes is apparent from the disparate definitions advanced by the parties. No need for such a definition exists unless a separate agricultural class is established for line extension purposes. Farm Bureau recognized these factors in recommending that line extension rules now in effect for agricultural customers be retained and that definitions in the rate tariffs of each utility continue to apply.

We conclude from the foregoing that it is not reasonable or necessary to establish a special agricultural class for electric and gas line extension purposes. In taking this action, we reiterate our position stated in D.82-04-068 and D.82-09-110 concerning agricultural, rural, and similar class distinctions. We have never imposed on the utilities any absolute obligation to provide allowances for extensions under all circumstances. To do so could impose unreasonable burdens on existing utility customers. Rather, our line extension decisions have always been based on a balancing of the interests of existing and new utility customers. D.82-09-110 traces this balancing to Lukrawka, and to the Commission's 1915

order establishing the first set of uniform extension rules, D.2689 (in C.683, dated August 12, 1915, 7 CRC 830).

Lukrawka casts the new customers' side of the balance as a question whether a "reasonable necessity" exists for additional utility expenditures in order to provide new customers with a reasonable opportunity to receive service. In D.82-09-110 the Commission found that no such reasonable necessity has so far been demonstrated which would justify treatment of agricultural customers other than through the Phase 1 policies. The record prior to this rehearing did not demonstrate that new agricultural customers would be denied their reasonable opportunity to receive service by a limitation of free footage to 2/3 of the costs of extensions within the adopted distance limits.

In D.82-04-068 and D.82-09-110, we determined that existing free footage policies impose unreasonable burdens on existing customers. However, we determined to phase out free footage allowances to minimize any transitional burden on new customers. The further evidence adduced on rehearing concerning agricultural customers did not show that a reasonable necessity exists for agricultural free footage policies other than the Phase 1 rules. Our prior findings and conclusions continue to be just and reasonable and should be reaffirmed. The programs established in D.82-04-068 as amended by D.82-09-110 and D.82-12-039 should be made effective under a timetable similar to that adopted in D.82-04-068.

Outstanding Petitions for
Modification and Applications
For Rehearing

In order to reinstate our prior orders, we must dispose of pending applications for rehearing, petitions for modifications, and

certain procedural motions. The pleadings described in footnote 2 below, filed before the issuance of D.82-09-110, were not fully disposed of in that order. While some of the issues raised in those pleadings were discussed and disposed of in D.82-09-110, the pleadings were not specifically granted or denied. We conclude that the pleadings listed in footnote 2 should be denied to the extent not granted in D.82-09-110.

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<u>Date</u>	<u>Pleading</u>
May 7, 1982	Application for Rehearing of D.82-04-068 by Farm Bureau.
May 7, 1982	Application for Rehearing of D.82-04-068 on behalf of Land Developers in the Northern Counties Area.
May 7, 1982	Application for Rehearing of D.82-04-068 of PG&E.
May 10, 1982	Petition of the California Energy Commission for Modification of D.82-04-068.
May 10, 1982	Application for Rehearing of D.82-04-068 on behalf of Regional Council of Rural Counties.
May 21, 1982	Petition by SDG&E for Modification of D.82-04-068.
May 21, 1982	Petition of Edison for Modification of D.82-04-068.
June 7, 1982	Petition of SoCal Gas for Clarification of D.82-04-068.

Additionally, appeals to ALJ rulings and petitions for modification have been made as listed in footnote 3. We have carefully reviewed the pleadings listed in footnote 3 and conclude those petitions also should be denied. ✓

Joint Utility Committee
Submission of Draft Line Extension
And Service Extension Rules

As required by Ordering Paragraph 1 of D.82-04-068, respondents formed a Joint Utility Committee to draft rules in conformance with the policies of the decision. The filing was made on June 7, 1982. It was among the items suspended by D.82-07-040. The status of the Committee and its product is uncertain.

The filings made by Joint Utility Committee should be revised in consideration of changes in D.82-09-110, D.82-12-039, and

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<u>Date</u>	<u>Pleading</u>
September 3, 1982	Petition of Builders for Modification of D.82-04-068.
September 7, 1982	Petition for Modification of D.82-04-068 by Contractors. (This includes a request to participate as a party in any rehearing of D.82-04-068.)
October 5, 1982	Appeal to the Commission of Ruling of the ALJ filed by Contractors.
October 8, 1982	Appeal to the Commission of Ruling of the ALJ Denying Respondents' Request for an Extension of Time filed by Contractors.
October 8, 1982	Reply to Petitions for Modification of D.82-04-068 and Petition of the Associated General Contractors of California to Modify D.82-09-110.

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this decision. The Joint Utility Committee should be directed to file and serve on the parties its recommended rules within 60 days after the effective date of this order, and responses to that proposal should be filed with the Commission (directed to Staff Counsel Philip Weismehl) 30 days thereafter.

SDG&E Advice Letter 567-E and Edison Advice Letter 593-E filed in response to D.82-04-068 and suspended by D.82-07-040 should be rejected and new advice letter filings should be made after new uniform rules are proposed by the Joint Utility Committee.

D.82-04-068 Compliance Filings

Under Ordering Paragraphs 3, 4, and 5 of D.82-04-068, respondents and interested parties were required to submit filings concerning certain cost information and treatment recommendations concerning extension costs. These filings were also suspended by D.82-07-040, subsequent to their submission. The types of information in those filings are no longer relevant and they will be permanently suspended.

Findings of Fact

1. In D.82-04-068 we established new principles under which new customers will be accorded free footage allowances for electric and gas line extensions.
2. Under those principles all new utility customers will be eligible for only 2/3 of the allowance they would be entitled to under present rules.
3. An application for rehearing of D.82-04-068 was granted limited to the receipt of evidence and argument on the issue whether there are factors which justify establishing special line extension rules for a class of "agricultural" customers, different from the free footage allowances granted to other new customers.
4. Such rehearing was held at which respondents and all interested parties had opportunity to be heard.

5. The evidence adduced at the rehearing did not specifically address the issue concerning factors which may justify a special class of agricultural customer which may be accorded free footage allowances different than those for other classes of customers.

6. No reason has been shown why there should be established a special class of agricultural customer for electric and gas line extension purposes.

7. Under electric and gas line extension rules adopted in D.82-04-068 as clarified by D.82-12-039, agricultural customers will continue to receive free footage allowances based on the type of service received by the customer.

8. Reducing the free footage allowances accorded all future customers requiring gas or electric service extensions by $1/3$ and by $1/3$ for gas service installations on private property to the maximum amount permissible under present rules will not cause undue preference or prejudice between any customer classes, including an agricultural class.

9. This order should be effective today so that revised rules may be established as soon as possible.

Conclusions of Law

1. Our findings and conclusions expressed in D.82-04-068 as modified by D.82-09-110 and D.82-12-039 should be affirmed.

2. To the extent not granted by prior orders, outstanding applications for rehearing, petitions for modifications, and appeals of rulings, as more specifically described in footnotes 2 and 3, should be denied.

3. Respondents should be ordered to implement the free footage allowance program for electric and gas line extensions described in D.82-04-068, as amended by D.82-09-110, D.82-12-039, and this order.

4. The rules drafted by the Joint Utility Committee in conformance with the policies expressed in D.82-04-068 should be

withdrawn, and new rules should be drafted by the Committee in conformance with D.82-04-068, D.82-09-110, D.82-12-039, and this decision.

5. SDG&E Advice Letter 567-E and Edison Advice Letter 593-E should be rejected, subject to the filing of new advice letters after revised rules are drafted by the Joint Utility Committee.

6. Compliance filings by respondents made under Ordering Paragraphs 3, 4, and 5 of D.82-04-068 should be permanently suspended.

ORDER ON REHEARING

IT IS ORDERED that:

1. The stay of Decision (D.) 82-04-068 ordered by D.82-07-040 and continued in D.82-09-110 is lifted.

2. The Joint Utility Committee formed by respondent gas and electric utilities shall prepare a draft of line extension and service extension rules to implement the principles and policies expressed in D.82-04-068, as amended by D.82-09-110, D.82-12-039, and this decision. The rules shall be uniform, to the extent possible, for all utilities. The draft rules shall be filed with the Commission's Docket Office as a compliance filing and shall be served by those filing upon all appearances of record within 60 days after the effective date of this decision.

Parties and the staff shall have 30 days thereafter to file comments and suggestions in triplicate with the assigned Staff Counsel Philip Scott Weismehl. Within 30 days thereafter the utilities shall file, by advice letter, their individual tariffs for subsequent approval by Commission resolution.

3. Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (Edison) shall file, at the same time they file the tariffs required

by Ordering Paragraph 2, in accordance with the procedure prescribed by General Order 96-A, their respective proposed Rule 1 - Definitions.

4. Unless further postponed by this Commission, the tariffs and definitions filed in compliance with Ordering Paragraphs 2 and 3 of this decision shall become effective 6 months after the effective date of this decision. ✓

5. Edison and Southern California Gas Company shall include in their 1984 advice letter attrition filing all reduced capital expenditures resulting from this decision.

6. PG&E and SDG&E shall file exhibits showing all reduced capital expenditures resulting from this decision in the course of proceedings on their current general rate applications.

7. The remaining gas and electric utility respondents shall make a filing similar to those called for in Ordering Paragraph 6 above as part of their next general rate cases.

8. Respondent utilities and staff shall cooperate to develop uniform methods for accounting and reporting line extension expenditures, to be applied on a prospective basis as promptly as practicable. Interested parties shall be invited to participate.

9. SDG&E Advice Letter 567-E and Edison Advice Letter 593-E are rejected.

10. The applications for rehearing, petitions for modification, and appeals of rulings listed in footnotes 2 and 3 of the preceding opinion are denied to the extent not granted by D.82-00-110, D.82-12-039, and this order.

11. D.82-04-068, as modified by D.82-00-110 and D.82-12-039, is hereby affirmed. ✓

12. Filings made to date by respondents and interested parties by Ordering Paragraphs 3, 4, and 5 of D.82-04-068 and suspended by D.82-07-040 are permanently suspended.

This order is effective today.

Dated December 15, 1982, at San Francisco, California.

I dissent. In my view a full rehearing should have been granted and a full record developed before the Commission took further action in this matter.

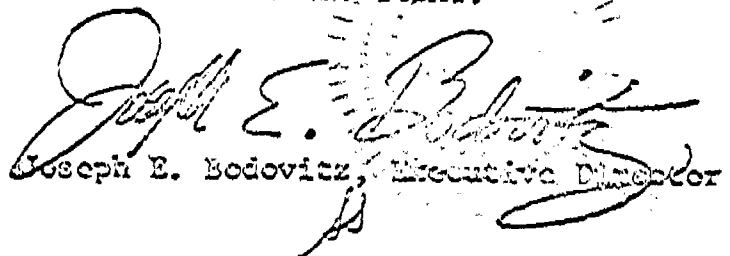
- /s/ RICHARD D. GRAVELLE
Commissioner

I dissent for the same reasons as in the prior decision.

/s/ LEONARD M. GRIMES
Commissioner

JOHN E. BRYSON
President
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Joseph E. Bodovitz, Executive Director

12/15/82

Dolores - Have typed
on face of
Decision

2 C 10260

I dissent:

On my view a full rehearing should
have been granted and a full record
developed before the Commission took further
action in this matter.

Richard P. Gwalt
December 15, 1982

OPINION ON REHEARING

Procedural History

Interim Decision (D.) 82-04-068, dated April 8, 1982, made significant changes in the rules under which gas and electric utilities contribute to the extending of service to new customers under their tariff line extension rules. Under the old format, an applicant for new service receives a free allowance of gas main extension footage and/or electric line extension footage varying with the amount of energy consumed in the new structure.

D.82-04-068 provides:

1. Six months from the effective date of D.82-04-068, new customers will be eligible for only $2/3$ of the allowance they would have been entitled to under the present rules, for both gas and electricity (Phase 1). In order to remain neutral on the promotional aspects of the present rules, this allowance will be determined without inquiry being made as to the appliances installed. For the purpose of calculating the free footage limit, it will be assumed that the customer has installed the maximum number of appliances for which the utility affords allowances. In no event will any customer receive an allowance for more than $2/3$ of his or her actual extension.
2. It is the Commission's intent that three years after Phase 1 has become effective, new customers will be eligible for only $1/3$ of the amount they would have been entitled to under the present rules, determined on the same basis as above (Phase 2).
3. During the third year of Phase 1, the Commission will review the operation of the new rules to determine whether the direction proposed for Phase 2 is the most appropriate way to proceed. This review will occur, therefore, prior to implementation of Phase 2. During this review, it will also be determined how long Phase 2 should last and what the ~~most appropriate~~ next step should be.

KW

D.82-04-068 stated that the Commission did not adopt a special free footage allowance for any specific customer class based on location of that class. *a proposition of special rate*
~~The judgments that are involved in making~~
~~the determination that agricultural, rural residential, or even urban~~
~~customers should be given a different allowance than other customers~~
~~are best left to the Legislature, rather than this Commission.~~ *appts. R*

Several applications for rehearing, or for modification or clarification of D.82-04-068 were filed. D.82-07-040, issued and effective July 7, 1982, suspended D.82-04-068 and certain compliance filings ordered by that decision until further notice of the Commission.

By D.82-09-110 dated September 22, 1982, we granted rehearing and modification of D.82-04-068. That decision modified portions of the discussion, findings of fact, and conclusions of law in D.82-04-068. D.82-09-110 also directed respondents to file additional factual material and directed the staff to file comments with respect to such material.

Ordering Paragraph 3 of D.82-09-110 reads:

"3. Rehearing of D.82-04-068 is granted, limited to receipt of evidence and argument on the issue of whether there are factors which justify establishing special line extension rules for a class of 'agricultural' customers, different from free footage allowances granted to other new customers. This issue necessarily shall include proposed definitions of 'agricultural' customers for the purpose of line extension policies. The Commission staff is directed to participate fully in all aspects."

By Ordering Paragraph 1(d) of D.82-09-110, respondents were ordered to file:

"A proposed definition of an 'agricultural' class of customers, which the Commission could designate for the purpose of special treatment

including installation of gas appliances in lieu of electrical appliances where gas was available.¹ We stated (at page 294):

"We conclude that a basic electric allowance should not be adopted if we are to achieve our objectives of encouraging the use of gas and encouraging efficient use of electricity. Only conservation allowances will be adopted for electric lines. . . . [F]or residential premises in areas where gas is not available, we will adopt allowances which both create incentives for conservation and take into consideration the special circumstances that exist."

As an exception to the general rule stated above, we provided for a 700-foot free footage allowance for agricultural customers. Our rationale, as stated at pages 294-295, was as follows:

"Agricultural customers occupy a rather unique position in that the normal conservation measures cannot be adapted to most agricultural operations. In addition, the availability of natural gas service for agricultural operations is severely limited. Consequently, the viable alternatives normally available to such customers are electricity and fossil fueled engines and/or devices. Under these circumstances, the utilization of electricity for agricultural purposes is to be encouraged. Consequently, we

¹ In our discussion (at page 286), we stated: "We reconfirm at this time the policy conclusion, enunciated in Decision No. 89177 in the ~~Liquefied~~ Natural Gas Terminal proceeding, that on both economic and environmental grounds, natural gas is the preferred fuel for residential energy needs. The adopted extension rules set forth in the ensuing order are designed to strongly favor the use of natural gas for cooking and space and water heating where it is available and the use of electricity for these purposes where natural gas is unavailable and alternate energy sources are less economical and/or efficient than electricity. Under these circumstances, the effect of the adopted rules on the relative number of all-electric homes should be negligible."

will adopt electric allowances for agricultural load equal to 700 feet which is roughly the average length of agricultural line extensions.

D.91328 never became effective.²

In interim D.82-04-068, issued April 8, 1982, our approach to line extension allowances changed. We abandoned the conservation credits approach to line extension allowances which had been proposed in D.91328.

The new rules provide that six months after the effective date of D.82-04-068 new customers will be eligible for only 2/3 of the allowance they would have been entitled to under present rules. The allowance will be determined without inquiry being made as to the number or kind of appliances installed. Instead, it will be assumed that the customer has installed the maximum number of appliances for which the utility affords allowances. After this calculation, the utility will pay 2/3 of the free footage allowance calculated by this method, but in no event more than 2/3 of the actual extension.

The general policy goal enunciated in D.82-04-068 for all end use sectors (including agriculture) is the attainment of the least cost mix of conservation investments and life cycle energy costs. We did not adopt a special free footage allowance for any specific customer class based on the location of that class, thus removing the 700-foot free footage allowance to new agricultural customers proposed in D.91328.

² D.91328 provided that unless further hearings were scheduled in response to comments, the rules prescribed in D.91328 would become effective 45 days after February 13, 1980, the date of the order. By notice dated February 28, 1980, the Commission set additional hearings in C.10260. By its own terms, therefore, D.91328 never became effective.

and that Farm Bureau could proceed with production of evidence on noneconomic issues. Moreover, respondents indicated that data in the form requested by Farm Bureau could only be produced at a very considerable effort and cost, and that it would require several months. Farm Bureau did not offer to present any evidence and stated it would rely on the showing of other parties and cross-examination to develop its points.

We affirm the ALJ's ruling denying Farm Bureau's motion.

The Evidence

Different approaches to free footage allowances were taken by Edison, SoCal Gas, and staff. Edison opposed the granting of special allowances for agricultural customers. SoCal Gas proposed a cost/revenue test for agricultural customers, which SoCal Gas would extend to all commercial customers, if authorized. Staff proposed that agricultural customers receive the same free footage allowances as residential customers on the assumption that most new agricultural extensions are to locations which include a residence. All of the above recommendations were made under an ^{misinterpretation} interpretation that D.82-04-068 provided no free footage allowances for other than residential and priority one commercial customers. (As noted above, this point was clarified by D.82-12-039 issued after submission of this phase of C.10260.)

Edison's Evidence

Edison reiterated its position taken in earlier phases of this proceeding that to establish special line extension rules which provide for electric free footage allowances for agricultural customers, and which are more liberal than allowances for other nonresidential customers, would not be in the best interests of Edison's general ratepayers. Edison's witness testified that existing electric line extension rules were promulgated when the marginal costs of electric utilities were declining. Existing rules encourage

SoCal Gas Evidence

SoCal Gas stated that since the first phase of this proceeding, it has advocated that gas line extension allowances are important to maintaining a beneficial energy balance. SoCal Gas' witness explained that all farms and businesses need and are served electricity, whether or not they are accorded a free footage allowance, but not all agricultural customers need to receive gas service. SoCal Gas believes that agricultural customers may forgo gas service completely to avoid the additional costs of gas main extensions. Such customers may install electric equipment for use where gas equipment is more efficient to avoid payment of gas main extension costs if no gas free footage allowances are accorded the agricultural customers. SoCal Gas believes that providing a reasonable gas free footage allowance will not encourage energy use and may, in fact, decrease energy use.

Therefore, SoCal Gas proposes the cost/revenue formula advanced by witness Sokolow in Exhibit 93. Assertedly under that formula any new agricultural customer will be self-sustaining, as the new customer must show that its expected revenues equal the required revenues that cover the cost of gas plus the incremental costs associated with investment (return, depreciation, taxes, and maintenance of pipe) or the customer must contribute to its gas main extension. According to the witness, the break-even ratio is 2.0 (rounded). If a customer meets the 2.0 ratio, it is self-sustaining and would not have to pay advances for construction. If the customer falls below the 2.0 ratio, it would pay the difference between the estimated investment and the allowable investment.

Witness Sokolow analyzed a representative sample of 17 agricultural extensions made in the first nine months of 1982. The analysis showed that, as a group, the allowable investment of \$759,000 exceeded the required investment of \$350,000. Two of the

evidence showing that a special line extension rule for agricultural customers would not create an economic burden on other customers. SoCal Gas proposed a line extension rule for gas service which it asserted would not burden other customers, but SoCal Gas also indicated such a rule would be appropriate for all commercial gas customers, and asserted that the benefits of its proposed rule would not be limited to gas main extensions for agricultural customers. Thus, the threshold issue of why agricultural customers should be considered as a special class was not addressed.

The staff proposal was made under the reasonable interpretation that our order in D.82-04-068 eliminated free footage allowances for all customers other than residential and priority one commercial customers. We recognized that D.82-04-068 was unclear and did not clearly reflect the Commission's intent, and we revised D.82-09-110 to clearly express our intent that all customers will be subject to the 1/3 phase-out program enunciated in D.82-04-068. As this is our intent, there is no need to include agricultural customers in the residential class to ensure that agricultural customers would continue to receive some measure of free footage allowances as proposed by the staff.

Farm Bureau pointed out in its closing arguments that tariff rules proposed by the Joint Utility Committee to implement the provisions of D.82-04-068 did not provide any free footage allowances for agricultural customers, which appeared contrary to the dicta in that decision. It is Farm Bureau's position that agricultural customers operate under the same conditions as other customers and that agricultural customers should be extended free footage allowances to the same extent as other customers, on the basis that free footage allowances for agricultural customers create no greater burden on ratepayers as a whole than do any other customer group. At present agricultural customers are accorded electric free footage allowances under the rules generally applicable to commercial

customers for commercial usage, and under rules applicable to residential customers for personal usage. Under the clarification of our prior order agricultural customers will be accorded these same allowances, subject to the 1/3 reduction applicable to all customers. Thus, no different treatment will be accorded agricultural customers. Agricultural customers will continue to receive free footage allowances under the same conditions accorded other prospective customers. This is the end result sought by all participants. This result is also consistent with our general policy against the creation of distinct classes of customers, subject to distinct treatment. In this particular situation, no special characteristics have been shown which would justify special treatment of agricultural customers.

The difficulty in describing or defining an agricultural customers for the purpose of establishing a separate class for line extension purposes is apparent from the disparate definitions advanced by the parties. No need for such a definition exists unless a separate agricultural class is established for line extension purposes. Farm Bureau recognized these factors in recommending that line extension rules now in effect for agricultural customers be retained and that definitions in the rate tariffs of each utility continue to apply.

We conclude from the foregoing that it is not reasonable or necessary to establish a special agricultural class for electric and gas line extension purposes. In taking this action, we reiterate our position stated in D.82-04-068 and D.82-09-110 concerning agricultural, rural, and similar class distinctions. We have never imposed on the utilities any absolute obligation to provide extensions under all circumstances. To do so could impose unreasonable burdens on existing utility customers. Rather, our line extension decisions have always been based on a balancing of the interests of existing and new utility customers. D.82-09-110 traces

certain procedural motions. The pleadings described in footnote 3 below, filed before the issuance of D.82-09-110, were not fully disposed of in that order. While some of the issues raised in those pleadings were discussed and disposed of in D.82-09-110, the pleadings were not specifically granted or denied. We conclude that the pleadings listed in footnote 3 should be denied to the extent not granted in D.82-09-110.

 3

<u>Date</u>	<u>Pleading</u>
May 7, 1982	Application for Rehearing of D.82-04-068 by Farm Bureau.
May 7, 1982	Application for Rehearing of D.82-04-068 on behalf of Land Developers in the Northern Counties Area.
May 7, 1982	Application for Rehearing of D.82-04-068 of PG&E.
May 10, 1982	Petition of the California Energy Commission for Modification of D.82-04-068.
May 10, 1982	Application for Rehearing of D.82-04-068 on behalf of Regional Council of Rural Counties.
May 21, 1982	Petition by SDG&E for Modification of D.82-04-068.
May 21, 1982	Petition of Edison for Modification of D.82-04-068.
June 7, 1982	Petition of SoCal Gas for Clarification of D.82-04-068.

Additionally, appeals to ALJ rulings and petitions for modification have been made as listed in footnote 4. We have carefully reviewed the pleadings listed in footnote 4 and conclude those petitions also should be denied.

Joint Utility Committee
Submission of Draft Line Extension
And Service Extension Rules

As required by Ordering Paragraph 1 of D.82-04-068, respondents formed a Joint Utility Committee to draft rules in conformance with the policies of the decision. The filing was made on June 7, 1982. It was among the items suspended by D.82-07-040. The status of the Committee and its product is uncertain.

The filings made by Joint Utility Committee should be revised in consideration of changes in D.82-09-110, D.82-12-039, and

4

<u>Date</u>	<u>Pleading</u>
September 3, 1982	Petition of Builders for Modification of D.82-04-068.
September 7, 1982	Petition for Modification of D.82-04-068 by Contractors. (This includes a request to participate as a party in any rehearing of D.82-04-068.)
October 5, 1982	Appeal to the Commission of Ruling of the ALJ filed by Contractors.
October 8, 1982	Appeal to the Commission of Ruling of the ALJ Denying Respondents' Request for an Extension of Time filed by Contractors.
October 8, 1982	Reply to Petitions for Modification of D.82-04-068 and Petition of the Associated General Contractors of California to Modify D.82-09-110.

by Ordering Paragraph 2, in accordance with the procedure prescribed by General Order 96-A, their respective proposed Rule 1 - Definitions.

4. Unless further postponed by this Commission, the tariffs and definitions filed in compliance with Ordering Paragraphs 2 and 3 of this decision shall become effective 6 months after the effective date.

5. Edison and Southern California Gas Company shall include in their 1984 advice letter attrition filing all reduced capital expenditures resulting from this decision.

6. PG&E and SDG&E shall file exhibits showing all reduced capital expenditures resulting from this decision in the course of proceedings on their current general rate applications.

7. The remaining gas and electric utility respondents shall make a filing similar to those called for in Ordering Paragraph 6 above as part of their next general rate cases.

8. Respondent utilities and staff shall cooperate to develop uniform methods for accounting and reporting line extension expenditures, to be applied on a prospective basis as promptly as practicable. Interested parties shall be invited to participate.

9. SDG&E Advice Letter 567-E and Edison Advice Letter 593-E are rejected.

10. The applications for rehearing, petitions for modification, and appeals of rulings listed in footnotes 3 and 4 of the preceding opinion are denied to the extent not granted by D.82-09-110, D.82-12-039, and this order.

OPINION ON REHEARING

Procedural History

Interim Decision (D.) 82-04-068, dated April 8, 1982, made significant changes in the rules under which gas and electric utilities contribute to the extending of service to new customers under their tariff line extension rules. Under the old format, an applicant for new service receives a free allowance of gas main extension footage and/or electric line extension footage varying with the amount of energy consumed in the new structure.

D.82-04-068 provides:

1. Six months from the effective date of D.82-04-068, new customers will be eligible for only 2/3 of the allowance they would have been entitled to under the present rules, for both gas and electricity (Phase 1). In order to remain neutral on the promotional aspects of the present rules, this allowance will be determined without inquiry being made as to the appliances installed. For the purpose of calculating the free footage limit, it will be assumed that the customer has installed the maximum number of appliances for which the utility affords allowances. In no event will any customer receive an allowance for more than 2/3 of his or her actual extension.
2. It is the Commission's intent that three years after Phase 1 has become effective, new customers will be eligible for only 1/3 of the amount they would have been entitled to under the present rules, determined on the same basis as above (Phase 2).
3. During the third year of Phase 1, the Commission will review the operation of the new rules to determine whether the direction proposed for Phase 2 is the most appropriate way to proceed. This review will occur, therefore, prior to implementation of Phase 2. During this review, it will also be determined how long Phase 2 should last and what the next step should be.

D.82-04-068 stated that the Commission did not adopt a special free footage allowance for any specific customer class based on location of that class. A proliferation of special rate classifications is undesirable, and the Commission was not persuaded that compelling grounds for a special classification for line extension to agricultural customers exists.

Several applications for rehearing, or for modification or clarification of D.82-04-068 were filed. D.82-07-040, issued and effective July 7, 1982, suspended D.82-04-068 and certain compliance filings ordered by that decision until further notice of the Commission.

By D.82-09-110 dated September 22, 1982, we granted rehearing and modification of D.82-04-068. That decision modified portions of the discussion, findings of fact, and conclusions of law in D.82-04-068. D.82-09-110 also directed respondents to file additional factual material and directed the staff to file comments with respect to such material.

Ordering Paragraph 3 of D.82-09-110 reads:

"3. Rehearing of D.82-04-068 is granted, limited to receipt of evidence and argument on the issue of whether there are factors which justify establishing special line extension rules for a class of 'agricultural' customers, different from free footage allowances granted to other new customers. This issue necessarily shall include proposed definitions of 'agricultural' customers for the purpose of line extension policies. The Commission staff is directed to participate fully in all aspects."

By Ordering Paragraph 1(d) of D.82-09-110, respondents were ordered to file:

"A proposed definition of an 'agricultural' class of customers, which the Commission could designate for the purpose of special treatment

extension footage varying with the amount of energy consumed. The free footage allowances were designed to promote energy demand and load growth so that economies of scale could be realized with resulting lower unit rates to all ratepayers.

Under current economic conditions and energy production costs, greater energy demand no longer produces lower rates. Those factors caused the Commission to initiate Case (C.) 10260 to reevaluate the existing line extension rules designed to promote consumption.

In our first interim order in C.10260, D.91328 issued February 13, 1980 (3 CPUC 2d.274), we ^{in adopted} ~~sought comments on~~ a proposal to cancel the basic free footage allowances and substitute credits for conservation, *but offered the opportunity for* ✓

parties to request additional hearings aimed at modifying the proposal. KH

including installation of gas appliances in lieu of electrical appliances where gas was available.¹ We stated (at page 294):

"We conclude that a basic electric allowance should not be adopted if we are to achieve our objectives of encouraging the use of gas and encouraging efficient use of electricity. Only conservation allowances will be adopted for electric lines. . . . [F]or residential premises in areas where gas is not available, we will adopt allowances which both create incentives for conservation and take into consideration the special circumstances that exist."

As an exception to the general rule stated above, we provided for a 700-foot free footage allowance for agricultural customers. Our rationale, as stated at pages 294-295, was as follows:

"Agricultural customers occupy a rather unique position in that the normal conservation measures cannot be adapted to most agricultural operations. In addition, the availability of natural gas service for agricultural operations is severely limited. Consequently, the viable alternatives normally available to such customers are electricity and fossil fueled engines and/or devices. Under these circumstances, the utilization of electricity for agricultural purposes is to be encouraged. Consequently, we

¹ In our discussion (at page 286), we stated: "We reconfirm at this time the policy conclusion, enunciated in Decision No. 89177 in the Liquefied Natural Gas Terminal proceeding, that on both economic and environmental grounds, natural gas is the preferred fuel for residential energy needs. The adopted extension rules set forth in the ensuing order are designed to strongly favor the use of natural gas for cooking and space and water heating where it is available and the use of electricity for these purposes where natural gas is unavailable and alternate energy sources are less economical and/or efficient than electricity. Under these circumstances, the effect of the adopted rules on the relative number of all-electric homes should be negligible."

will adopt electric allowances for agricultural load equal to 700 feet which is roughly the average length of agricultural line extensions.

D.91328 provided that unless further hearings were scheduled in response to comments, the rules prescribed in D.91328 would become effective 45 days after February 13, 1980, the date of the order. By notice dated February 28, 1980, the Commission set additional hearings in C.10260. By its own terms, therefore, D.91328 never became effective.

In interim D.82-04-068, issued April 8, 1982, both the conservation credits approach to line extension allowances and the special agricultural tariff which had been proposed in D.91328 were not adopted. The new rules provide that six months after the effective date of D.82-04-068 new customers will be eligible for only 2/3 of the allowance they would have been entitled to under present rules. The allowance will be determined without inquiry being made as to the number or kind of appliances installed. Instead, it will be assumed that the customer has installed the maximum number of appliances for which the utility affords allowances. After this calculation, the utility will pay 2/3 of the free footage allowance calculated by this method, but in no event more than 2/3 of the actual extension.

The general policy goal enunciated in D.82-04-068 for all end use sectors (including agriculture) is the attainment of the least cost mix of conservation investments and life cycle energy costs.

and that Farm Bureau could proceed with production of evidence on noneconomic issues. Moreover, respondents indicated that data in the form requested by Farm Bureau could only be produced at a very considerable effort and cost, and that it would require several months. Farm Bureau did not offer to present any evidence and stated it would rely on the showing of other parties and cross-examination to develop its points.

We affirm the ALJ's ruling denying Farm Bureau's motion.

The Evidence

Different approaches to free footage allowances were taken by Edison, SoCal Gas, and staff. Edison opposed the granting of special allowances for agricultural customers. SoCal Gas proposed a cost/revenue test for agricultural customers, which SoCal Gas would extend to all commercial customers, if authorized. Staff proposed that agricultural customers receive the same free footage allowances as residential customers on the assumption that most new agricultural extensions are to locations which include a residence. All of the above recommendations were made under a mistaken interpretation that D.82-04-068 provided no free footage allowances for other than residential and priority one commercial customers. (As noted above, this point was clarified by D.82-12-039 issued after submission of this phase of C.10260.) ✓

Edison's Evidence

Edison reiterated its position taken in earlier phases of this proceeding that to establish special line extension rules which provide for electric free footage allowances for agricultural customers, and which are more liberal than allowances for other nonresidential customers, would not be in the best interests of Edison's general ratepayers. Edison's witness testified that existing electric line extension rules were promulgated when the marginal costs of electric utilities were declining. Existing rules encourage

SoCal Gas Evidence

SoCal Gas stated that since the first phase of this proceeding, it has advocated that gas line extension allowances are important to maintaining a beneficial energy balance. SoCal Gas' witness explained that all farms and businesses need and are served electricity, whether or not they are accorded a free footage allowance, but not all agricultural customers need to receive gas service. SoCal Gas believes that agricultural customers may forgo gas service completely to avoid the additional costs of gas main extensions. Such customers may install electric equipment for use where gas equipment is more efficient to avoid payment of gas main extension costs if no gas free footage allowances are accorded the agricultural customers. SoCal Gas believes that providing a reasonable gas free footage allowance will not encourage energy use and may, in fact, decrease energy use. ✓

Therefore, SoCal Gas proposes the cost/revenue formula advanced by witness Sokolow in Exhibit 93. Assertedly under that formula any new agricultural customer will be self-sustaining, as the new customer must show that its expected revenues equal the required revenues that cover the cost of gas plus the incremental costs associated with investment (return, depreciation, taxes, and maintenance of pipe) or the customer must contribute to its gas main extension. According to the witness, the break-even ratio is 2.0 (rounded). If a customer meets the 2.0 ratio, it is self-sustaining and would not have to pay advances for construction. If the customer falls below the 2.0 ratio, it would pay the difference between the estimated investment and the allowable investment.

Witness Sokolow analyzed a representative sample of 17 agricultural extensions made in the first nine months of 1982. The analysis showed that, as a group, the allowable investment of \$759,000 exceeded the required investment of \$350,000. Two of the

evidence showing that a special line extension rule for agricultural customers would not create an economic burden on other customers. SoCal Gas proposed a line extension rule for gas service which it asserted would not burden other customers, but SoCal Gas also indicated such a rule would be appropriate for all commercial gas customers, and asserted that the benefits of its proposed rule would not be limited to gas main extensions for agricultural customers. Thus, the treshhold issue of why agricultural customers should be considered as a special class was not addressed.

The staff proposal was made under the reasonable interpretation that our order in D.82-04-068 eliminated free footage allowances for all customers other than residential and priority one commercial customers. We recognized that D.82-04-068 did not clearly reflect the Commission's intent, and we revised D.82-09-1110 to more directly express our intent that all customers will be subject to the 1/3 phase-out program enunciated in D.82-04-068. As this is our intent, there is no need to include agricultural customers in the residential class to ensure that agricultural customers would continue to receive some measure of free footage allowances as proposed by the staff.

Farm Bureau pointed out in its closing arguments that tariff rules proposed by the Joint Utility Committee to implement the provisions of D.82-04-068 did not provide any free footage allowances for agricultural customers, which appeared contrary to the dicta in that decision. It is Farm Bureau's position that agricultural customers operate under the same conditions as other customers and that agricultural customers should be extended free footage allowances to the same extent as other customers, on the basis that free footage allowances for agricultural customers create no greater burden on ratepayers as a whole than do any other customer group. At present agricultural customers are accorded electric free footage allowances under the rules generally applicable to commercial

customers for commercial usage, and under rules applicable to residential customers for personal usage. Under the clarification of our prior order agricultural customers will be accorded these same allowances, subject to the 1/3 reduction applicable to all customers. Thus, no different treatment will be accorded agricultural customers. Agricultural customers will continue to receive free footage allowances under the same conditions accorded other prospective customers. This is the end result sought by all participants. This result is also consistent with our ^{desire to prevent} ~~general policy~~ ^{the unnecessary proliferation of} ~~against the creation of distinct~~ classes of customers, subject to distinct treatment. In this particular situation, no special characteristics have been shown which would justify special treatment of agricultural customers.

The difficulty in describing or defining agricultural customers for the purpose of establishing a separate class for line extension purposes is apparent from the disparate definitions advanced by the parties. No need for such a definition exists unless a separate agricultural class is established for line extension purposes. Farm Bureau recognized these factors in recommending that line extension rules now in effect for agricultural customers be retained and that definitions in the rate tariffs of each utility continue to apply.

We conclude from the foregoing that it is not reasonable or necessary to establish a special agricultural class for electric and gas line extension purposes. In taking this action, we reiterate our position stated in D.82-04-068 and D.82-09-110 concerning agricultural, rural, and similar class distinctions. We have never imposed on the utilities any absolute obligation to provide allowances for extensions under all circumstances. To do so could impose unreasonable burdens on existing utility customers. Rather, our line extension decisions have always been based on a balancing of the interests of existing and new utility customers. D.82-09-110 traces

this balancing to Lukrawka, and to the Commission's 1915 order establishing the first set of uniform extension rules, D.2689 (in C.683, dated August 12, 1915, 7 CRC 830).

Lukrawka casts the new customers' side of the balance as a question whether a "reasonable necessity" exists for additional utility expenditures in order to provide new customers with a reasonable opportunity to receive service. In D.82-09-110 the Commission found that no such reasonable necessity has so far been demonstrated which would justify treatment of agricultural customers other than through the Phase 1 policies. The record prior to this rehearing did not demonstrate that new agricultural customers would be denied their reasonable opportunity to receive service by a limitation of free footage to 2/3 of the costs of extensions within the adopted distance limits.

In D.82-04-068 and D.82-09-110, we determined that existing free footage policies impose unreasonable burdens on existing customers. However, we determined to phase out free footage allowances to minimize any transitional burden on new customers. The further evidence adduced on rehearing concerning agricultural customers did not show that a reasonable necessity exists for agricultural free footage policies other than the Phase 1 rules. Our prior findings and conclusions continue to be just and reasonable and should be reaffirmed. The programs established in D.82-04-068 as amended by D.82-09-110 and D.82-12-039 should be made effective under a timetable similar to that adopted in D.82-04-068.

Outstanding Petitions for
Modification and Applications
For Rehearing

In order to reinstate our prior orders, we must dispose of pending applications for rehearing, petitions for modifications, and

certain procedural motions. The pleadings described in footnote 2 below, filed before the issuance of D.82-09-110, were not fully disposed of in that order. While some of the issues raised in those pleadings were discussed and disposed of in D.82-09-110, the pleadings were not specifically granted or denied. We conclude that the pleadings listed in footnote 2 should be denied to the extent not granted in D.82-09-110.

2.

<u>Date</u>	<u>Pleading</u>
May 7, 1982	Application for Rehearing of D.82-04-068 by Farm Bureau.
May 7, 1982	Application for Rehearing of D.82-04-068 on behalf of Land Developers in the Northern Counties Area.
May 7, 1982	Application for Rehearing of D.82-04-068 of PG&E.
May 10, 1982	Petition of the California Energy Commission for Modification of D.82-04-068.
May 10, 1982	Application for Rehearing of D.82-04-068 on behalf of Regional Council of Rural Counties.
May 21, 1982	Petition by SDG&E for Modification of D.82-04-068.
May 21, 1982	Petition of Edison for Modification of D.82-04-068.
June 7, 1982	Petition of SoCal Gas for Clarification of D.82-04-068.

Additionally, appeals to ALJ rulings and petitions for modification have been made as listed in footnote 3. We have carefully reviewed the pleadings listed in footnote 3 and conclude those petitions also should be denied. ✓

Joint Utility Committee
Submission of Draft Line Extension
And Service Extension Rules

As required by Ordering Paragraph 1 of D.82-04-068, respondents formed a Joint Utility Committee to draft rules in conformance with the policies of the decision. The filing was made on June 7, 1982. It was among the items suspended by D.82-07-040. The status of the Committee and its product is uncertain.

The filings made by Joint Utility Committee should be revised in consideration of changes in D.82-09-110, D.82-12-039, and

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<u>Date</u>	<u>Pleading</u>
September 3, 1982	Petition of Builders for Modification of D.82-04-068.
September 7, 1982	Petition for Modification of D.82-04-068 by Contractors. (This includes a request to participate as a party in any rehearing of D.82-04-068.)
October 5, 1982	Appeal to the Commission of Ruling of the ALJ filed by Contractors.
October 8, 1982	Appeal to the Commission of Ruling of the ALJ Denying Respondents' Request for an Extension of Time filed by Contractors.
October 8, 1982	Reply to Petitions for Modification of D.82-04-068 and Petition of the Associated General Contractors of California to Modify D.82-09-110.

 ✓

5. The evidence adduced at the rehearing did not specifically address the issue concerning factors which may justify a special class of agricultural customer which may be accorded free footage allowances different than those for other classes of customers.

6. No reason has been shown why there should be established a special class of agricultural customer for electric and gas line extension purposes.

7. Under electric and gas line extension rules adopted in D.82-04-068 as clarified by D.82-12-039, agricultural customers will continue to receive free footage allowances based on the type of service received by the customer.

8. Reducing the free footage allowances accorded all future customers requiring gas or electric service extensions by 1/3 and by 1/3 for gas service installations on private property to the maximum amount permissible under present rules will not cause undue preference or prejudice between any customer classes, including an agricultural class.

may 9. This order should be effective today so that revised rules *may* be established as soon as possible. *KN*

Conclusions of Law

1. Our findings and conclusions expressed in D.82-04-068 as modified by D.82-09-110 and D.82-12-039 should be affirmed.

2. To the extent not granted by prior orders, outstanding applications for rehearing, petitions for modifications, and appeals of rulings, as more specifically described in footnotes 2 and 3, should be denied.

3. Respondents should be ordered to implement the free footage allowance program for electric and gas line extensions described in D.82-04-068, as amended by D.82-09-110, D.82-12-039, and this order.

4. The rules drafted by the Joint Utility Committee in conformance with the policies expressed in D.82-04-068 should be

by Ordering Paragraph 2, in accordance with the procedure prescribed by General Order 96-A, their respective proposed Rule 1 - Definitions.

4. Unless further postponed by this Commission, the tariffs and definitions filed in compliance with Ordering Paragraphs 2 and 3 of this decision shall become effective 6 months after the effective date of this decision. ✓

5. Edison and Southern California Gas Company shall include in their 1984 advice letter attrition filing all reduced capital expenditures resulting from this decision.

6. PG&E and SDG&E shall file exhibits showing all reduced capital expenditures resulting from this decision in the course of proceedings on their current general rate applications.

7. The remaining gas and electric utility respondents shall make a filing similar to those called for in Ordering Paragraph 6 above as part of their next general rate cases.

8. Respondent utilities and staff shall cooperate to develop uniform methods for accounting and reporting line extension expenditures, to be applied on a prospective basis as promptly as practicable. Interested parties shall be invited to participate.

9. SDG&E Advice Letter 567-E and Edison Advice Letter 593-E are rejected.

10. The applications for rehearing, petitions for modification, and appeals of rulings listed in footnotes 2 and 3 of the preceding opinion are denied to the extent not granted by D.82-09-110, D.82-12-039, and this order. ✓

11. D. 82-04-068, as modified by D.82-09-110, ✓
and D.82-12-039, is hereby affirmed.

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• 11. Filings made to date by respondents and interested parties by Ordering Paragraphs 3, 4, and 5 of D.82-04-068 and suspended by D.82-07-040 are permanently suspended.

This order is effective today.

Dated December 15, 1982, at San Francisco, California.

I dissent. In my view a full rehearing should have been granted and a full record developed before the Commission took further action in this matter.

/s/ RICHARD D. GRAVELLE
Commissioner

JOHN E. BRYSON
President
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

I dissent for the same reasons as in the prior decision.

/s/ LEONARD M. GRIMES
Commissioner