Decision _____

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

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| Application of Pacific Gas and Electric Company (U39E) for rate and line extension incentives for conversion of stationary agricultural internal combustion equipment to electric services. | Application 04-11-007 (Filed November 9, 2004) |
| And Related Matter. | Application 04-11-008 |

# DECISION GRANTING PETITION FOR MODIFICATION

## Summary

This decision grants the uncontested Petition for Modification filed by Pacific Gas and Electric Company (PG&E), the Agricultural Energy Consumers Association, and The California Farm Bureau Federation (jointly, the Moving Parties). Decision 05-06-016 is modified to add a new Ordering Paragraph allowing PG&E to implement a transition period to move existing customers currently on Schedule AG-ICE to regular rate schedules available to agricultural customers by January 2018. PG&E shall first increase the AG-ICE rate by 25 percent for the calendar year 2016, then by another 25 percent for calendar year 2017, and then move customers to full regular agricultural rates in January 2018. The 2016 and 2017 transition rates shall only be available to customers who were on the AG-ICE rate in December 2015.

These proceedings are closed.

## 1. Background and Procedural History

The Petition under review here has its origins in Commission Decision (D.) 05-06-016. As explained in further detail below, the Commission approved creation of PG&E's Schedule AG-ICE (the "Agricultural Internal Combustion Engine Conversion Incentive Rate") in D.05-06-016 in order to address air quality concerns in agricultural areas of California by creating incentives for agricultural customers to switch from diesel irrigation pumps to electrified pumps.

On November 3, 2015, the Moving Parties filed and served a petition for modification of D.05-06-016 (the Petition). On the same day, Moving Parties filed and served a motion to shorten time for responses and replies to the Petition, and a separate motion seeking an expedited Commission decision on the Petition.

On November 4, 2015, Moving Parties sent a letter to the Commission's Executive Director requesting approval of a three-month extension of the current deadline of December 31, 2015 to transfer agricultural customers on Schedule AG-ICE to standard agricultural rates; the purpose of this extension was to create a window of time sufficient to allow the Commission to act on the November 3 petition. The Commission's executive director granted the Moving Parties' extension request by letter dated November 9, 2015. The new deadline to transfer agricultural customers on Schedule AG-ICE to standard agricultural rates is March 31, 2016.

On November 9, 2015, the assigned Administrative Law Judge issued a ruling granting Moving Parties' motion to shorten time for responses and replies to the Petition; the deadlines for responses, and replies to responses, were shortened to November 25, 2015 and December 4, 2015, respectively. No responses or replies were filed.

## 2. Schedule AG-ICE (the "Agricultural Internal Combustion Engine Conversion Incentive Rate")

The Commission approved PG&E's Schedule AG-ICE (the "Agricultural Internal Combustion Engine Conversion Incentive Rate") in D.05-06-016. As explained in that decision, the schedule was created in order to address air quality concerns in agricultural areas of California. Those concerns were captured in Senate Bill (SB) 700, passed in 2003 in response to air quality concerns in the central valleys of the state.[1] In brief, SB 700 amended air pollution control requirements in the California Health and Safety Code to include regulatory requirements for agriculture. SB 700 eliminated an existing agricultural operation permit exemption and required air districts to adopt best management practices to reduce or eliminate air pollution from agricultural operations. One such best practice was to eventually require diesel engines with agricultural purposes to implement "Best Available Retrofit Control Technology": either installation of emission-control equipment, or replacement with cleaner engines, or some other emission reduction technology.[2]

During 2004, PG&E explored development of a proposal responsive to SB 700, in order to reduce agricultural diesel irrigation pump emissions. PG&E submitted its proposal to the Commission in Application (A.) 04-11-007. Southern California Edison (SCE) filed a similar proposal in A.04-11-008, and the two applications were consolidated (SCE's agricultural diesel engine program is not the subject of this decision). The proposals of both utilities intended to create incentives for agricultural customers to switch from diesel irrigation pumps to

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[1] SB 700 (Ch. 479, Stats. 2003), filed with the Secretary of State September 22, 2003, Section 1(a)(2).

[2] Petition at 6-7.

electrified pumps earlier than they would otherwise be required to do so in order to meet the expected stricter air quality standards.

In the 2004 AG-ICE Proceeding, testimony was submitted by PG&E, SCE, the Commission's Office of Ratepayer Advocates (ORA), The Utility Reform Network (TURN), the Agricultural Energy Consumers Association, and the California Farm Bureau Federation. These parties reached an all-party settlement that was subsequently approved by the Commission in D.05-06-016. The adopted AG-ICE program provided rate-related and line extension incentives to encourage the early conversion of agricultural diesel irrigation pumping engines to electric service. The California Air Resources Board (CARB) also signed the settlement and the San Joaquin Valley Air Quality Management District supported the program goal to reduce pollution emissions in the Central Valley, and throughout the State of California.[3]

Pursuant to the settlement adopted in D.05-06-016, PG&E's Schedule AG-ICE is currently scheduled to terminate on December 31, 2015. Thus, absent further action by the Commission, AG-ICE customers would be transitioned from Schedule AG-ICE onto standard agricultural tariffs in January 2016.

### 3. The Petition for Modification

As noted by Moving Parties, Rule 16.4 (d) of the Commission's Rules of Practice and Procedure (Petition for Modification) requires that a Petition for Modification be filed and served within one year of the effective date of the decision. In this case, however, Moving Parties state that developments that could not have been foreseen at the outset of the program in 2005 justify the filing of this Petition approximately ten years after the original decision and

[3] *Id.* at 8.

approximately two months prior to the December 31, 2015 conclusion of the Schedule AG-ICE program. In short, the severe four-year drought in California has caused the agricultural sector to significantly increase its reliance on irrigation pumping, and this in turn is expected to result in very large bill increases for customers on Schedule AG-ICE. Moving Parties present the results of a rate analysis they have conducted that indicates that the transition of AG-ICE customers onto standard agricultural tariffs in January, 2016 would result in very large annualized bill increases for the affected customers, in the range of 70 percent. Finally, the same concern was raised by interested parties in PG&E's recently-concluded General Rate Case Phase 2, and addressed by a settlement in that proceeding.[4]

We agree that good cause exists to consider the instant Petition, even though more than one year has elapsed since the effective date of D.05-06-016.

Based on their analysis and the underlying facts regarding the impact of the drought on agricultural customers, the Moving Parties request modification of D.05-06-016 to effect tariff and rate revisions for a new Schedule AG-ICE "Expiration Transition Rate." To avoid the large bill impacts described in the Petition, Moving Parties propose to implement a multi-year transition by increasing Schedule AG-ICE Expiration Transition Rates by 25 percent in early 2016, 25 percent in January 2017, and to default all such customers to standard Schedule AG-5B rates in January 2018 (or the agricultural rate schedule of the

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[4] *See*, D.15-08-005 in A.13-04-012, "*Supplemental Settlement Agreement on Agricultural Rate Design Issues in Phase II Of Pacific Gas and Electric Company's 2014 General Rate Case (A.13-04-012)*". In that settlement, parties agreed to work cooperatively to consider possible actions that could be taken to transition current AG-ICE customers off the AG-ICE rate in light of large bill increases that were expected.

customer's choice). The two 25 percent moves are roughly equivalent to moving one-third, and then two-thirds, of the way toward the total average 70 percent bill increase. Illustrative versions of the resulting rates are provided in Appendix D of the Petition. To effectuate this change, Moving Parties request that D.05-06-016 be modified to add a new Ordering Paragraph 8 as follows:

> 8. At the conclusion of the ten year AG-ICE program, PG&E may implement a transition period to move existing AG-ICE customers to regular rate schedules available to agricultural customers by January 2018. PG&E shall first increase the AG-ICE rate by 25 percent for the calendar year 2016, by another 25 percent for calendar year 2017, and then move customers to full regular agricultural rates in January 2018. The 2016 and 2017 transition rates shall only be available to customers who were on the AG-ICE rate in December 2015.

The Moving Parties state that they have contacted the original signatories to the settlement underlying D.05-06-016: ORA, SCE, TURN, and CARB. According to Moving Parties, only TURN expressed reservations and indicated that it might respond formally to the Petition, while CARB had not yet expressed any opinion. As noted above, the comment period passed with no opposition to this request.

## 4. Discussion

Moving Parties provide a thorough and convincing explanation of the origins of Schedule AG-ICE and the unintended financial impact it is likely to have in light of current drought conditions in California. For the reasons provided by Moving Parties, D.05-06-016 should be modified to add the new Ordering Paragraph 8 as stated above.

## 5. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code

and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

## 6. Assignment of Proceeding

Michel Peter Florio is the assigned Commissioner and Stephen C. Roscow is the assigned Administrative Law Judge in this proceeding.

## Findings of Fact

1. The Commission approved PG&E's Schedule AG-ICE (the "Agricultural Internal Combustion Engine Conversion Incentive Rate") in D.05-06-016 in order to address air quality concerns in agricultural areas of California.

2. Schedule AG-ICE was intended to create incentives for agricultural customers to switch from diesel irrigation pumps to electrified pumps, earlier than they would otherwise be required to do so in order to meet updated air quality standards.

3. Pursuant to D.05-06-016, Schedule AG-ICE is currently scheduled to terminate on December 31, 2015, at which time AG-ICE customers would be transitioned from Schedule AG-ICE onto standard agricultural tariffs in January 2016.

4. Moving customers from Schedule AG-ICE onto standard agricultural tariffs immediately is likely to result in very large annualized bill increases for the affected customers.

## Conclusions of Law

1. It is reasonable to allow customers to make a more gradual, phased transition from Schedule AG-ICE onto standard agricultural tariffs in order to avoid very large annualized bill increases for the affected customers.

2. D.05-06-016 should be modified so that at the conclusion of the ten year AG-ICE program, PG&E may implement a transition period to move existing

AG-ICE customers to regular rate schedules available to agricultural customers by January 2018. PG&E should first increase the AG-ICE rate by 25 percent for the calendar year 2016, by another 25 percent for calendar year 2017, and then move customers to full regular agricultural rates in January 2018. The 2016 and 2017 transition rates should only be available to customers who were on the AG-ICE rate in December 2015.

3. It is not necessary to follow the expedited schedule requested by Moving Parties.

## O R D E R

**IT IS ORDERED** that:

1. Decision 05-06-016 is modified to add a new Ordering Paragraph 8 as follows:

> 8. At the conclusion of the ten year AG-ICE program, Pacific Gas and Electric Company (PG&E) may implement a transition period to move existing AG-ICE customers to regular rate schedules available to agricultural customers by January 2018. PG&E shall first increase the AG-ICE rate by 25 percent for the calendar year 2016, by another 25 percent for calendar year 2017, and then move customers to full regular agricultural rates in January 2018. The 2016 and 2017 transition rates shall only be available to customers who were on the AG-ICE rate in December 2015.

2. Pacific Gas and Electric Company (PG&E) shall file a Tier 1 advice letter within 45 days of the effective date of this decision to modify Schedule AG-ICE to include the Expiration Transition Rate components and tariff language necessary to implement this decision. PG&E's tariff language shall reflect then-current Schedule AG-5B non-generation and non-distribution energy charge revisions, and will finalize the offsetting revisions to the unbundled distribution

demand charges and generation demand and energy charges necessary to yield the proposed 25 percent Schedule AG-ICE Transition total average rate on an annualized basis for 2016.

3. PG&E shall file a Tier 1 advice letter similar to that described in Ordering Paragraph 2 in December 2016 to establish the Schedule AG-ICE Transition rates to be effective January 1, 2017.

4. The November 3, 2015, Motion of Pacific Gas and Electric Company, Agricultural Energy Consumers Association, California Farm Bureau Federation for Expedited Decision on Petition for Modification of Decision 05-06-016 is moot.

5. Applications (A.) 04-11-007 and A.04-11-008 are closed.

This order is effective today.

Dated _____, at San Francisco, California