

ORIGINAL

Decision No. 75460

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY for authority, among other things, to increase its rates and charges for gas service.

(Gas)

} Application No. 50779
(Filed December 27, 1968)

(Appearances are listed in Appendix A)

INTERIM OPINION

Pacific Gas and Electric Company (Pacific) seeks authority to increase its rates for gas service in two phases as follows:

1. After hearing limited to an offset rate proposal to be effective on March 7, 1969, or on such other date as increased rates proposed by the El Paso Natural Gas Company (El Paso) in Federal Power Commission (FPC) Docket No. RP 69-6 become effective. Pacific proposes to make effective increased rates related to the increase in cost of gas purchased from El Paso and related to the increase in tax expense of the gas department resulting from the 10 percent corporate federal income tax surcharge made effective January 1, 1968, by the Revenue and Expenditure Control Act of 1968, subject to a refund plan related to the El Paso increase to be approved by the Commission.

2. After further hearings on a general rate proposal to make effective the gas rates set forth in Exhibit F, Part II, attached to the application.

Pacific also requests authorization to set aside in a reserve the excess of a reduction in El Paso's rates effective October 1, 1968^{1/} to the time El Paso's rates first become effective in FPC Docket No. RP 69-6 over Pacific's increased operating expenses resulting from the 10% federal income tax surcharge applicable to the gas department during the same period, such reserve to be refunded to customers in such manner and with such interest as the Commission may order.

Public hearings related to the offset portion of this application were held before Commissioner Vukasin and Examiner Coffey in San Francisco on February 6 and 7, 1969, at which time staff counsel moved that the application and applicant's request for authorization to set up a reserve be denied, and that in the first phase, evidence be limited to a showing of the additional revenue required to offset such increased expenses so as to produce a rate of return of 6.25 percent, the rate found fair and reasonable for Pacific's gas operations in applicant's last major gas rate increase application.^{2/} The motion was denied without prejudice. During the third day of hearing on February 20, 1969, Pacific, in the interest of expediting the proceeding, reduced its initial request for a rate increase from \$13,738,000 to \$6,797,000, the amount required to produce a rate of return of not more than 6.25 percent.

Exhibit No. 9, jointly sponsored by counsel for Pacific and staff portrays Pacific's results of gas operations assuming increased revenues of \$6,797,000 to recover \$1,797,000 attributable to the annual revenue effect of the federal income tax surcharge and \$5,000,000 attributable to a portion of the annual increased cost of gas from El Paso beginning March 7, 1969, as follows:

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- ^{1/} El Paso reduced its charges on October 1, 1968, as a result of the FPC decision relating to gas produced in the Permian Basin Area, FPC Docket No. AR 61-1.
- ^{2/} Decision No. 61713, Application No. 42225, March 21, 1961, 58 Cal. PUC 570, 580.

Results of Operation
Gas Department
Year 1969 Estimated
(000 Omitted)

	At Present PG&E Rates <u>(A)</u>	Increase <u>(B)</u>	At Rates to Yield a 6.25% Return <u>(C)</u>
Gross Operating Revenues	\$443,783	\$6,797	\$450,580
Expenses:			
Operating, Excluding Taxes and Depreciation	338,093	64	338,157
Depreciation	25,977	-	25,977
Taxes Other Than Income	28,816	-	28,816
State Corporation Franchise	670	471	1,141
Federal Income	<u>3,260</u>	<u>3,307</u>	<u>6,567</u>
Total Expenses	396,816	3,842	400,658
Net for Return	46,967	2,955	49,922
Rate Base	798,714	-	798,714
Rate of Return	5.88%	.37%	6.25%

Pacific estimated that in 1969 the proposed increase in El Paso rates would increase its cost of gas and related expenses \$11,717,000 and that \$2,019,000 would be required to recover the 10 percent federal income tax surcharge and yield a rate of return of 6.46 percent on its gas rate base.

Counsel for Pacific and staff also jointly sponsored Exhibit No. 10 which sets forth proposed offset rates and charges derived by applying a uniform 1.89 percent increase to the revenue of each customer class, excluding steam-electric plants.

Counsel for Pacific and staff also stipulated that:

1. The offset charge will be reduced (or eliminated) commensurately and concurrently with any reduction in the income tax surcharge.

2. Pacific will refund to its customers any refund (relating to the period during which the offset charge is in effect) received from El Paso pursuant to an order of the Federal Power Commission in Docket No. RP 69-6.

3. If the cost of gas from El Paso is reduced in Docket No. RP 69-6, Pacific will reduce its offset charges by an amount equal to any such rate reduction but no more than that portion of the offset charges attributable to the El Paso increase, except that possible offsetting increases in the cost of gas from El Paso and increases in taxes based on income will be subject to review between Pacific and the Commission, and disposition by the Commission.

4. The request by Pacific to establish a reserve as set forth in the application, page 18, paragraph 2, has been postponed to be considered during the second phase of this proceeding.

5. Each item set forth in Exhibit No. 9 is assented to only for purposes of phase 1 of this proceeding, and neither staff nor Pacific is bound to accept any or all of these items in later hearings held in connection with phase 2 of this proceeding.

6. Phase 1 of this proceeding may be submitted upon Pacific's motion and upon receipt in evidence of Exhibits Nos. 9 and 10.

After an understanding that further evidence and argument on the surtax issue would be received during the hearing on the general rate increase, all parties present either supported the stipulation or did not oppose it, with the notable exceptions of representatives of the Southwest Gas Corporation, the City of Palo Alto, the California Manufacturing Association, and an individual who presented himself as a consumer spokesman.

Southwest Gas Corporation and the City of Palo Alto supported the stipulation in general but argued for lower rates to them for gas to be resold since their customers were typically residential and commercial.

California Manufacturing Association also supported the stipulation but argued for lower rates for interruptible customers since the record did not contain any substantial evidence to change existing rate relationships.

The individual who presented himself as a consumer spokesman opposed the stipulation on the grounds that a showing had not been made that a financial emergency exists which would justify an offset increase pending a full showing supporting the fairness and reasonableness of the request. He maintained that only a general rate increase is before the Commission and endeavored in this first phase of the proceeding to examine in detail the reasonableness of Pacific's electric operations and of all gas expense items, including in particular the 10 percent income tax surcharge, political contributions and advertising. In addition, he and a representative of low income users desired to inquire into the minority group employment policies of Pacific. These contentions are irrelevant to Phase I.

Findings

1. For the test year 1969, the increase in cost of El Paso gas plus related expenses to Pacific is \$11,717,000. These increases are occasioned by the El Paso request of the Federal Power Commission for increased rates under Docket RP 69-6.

2. For the test year 1969, the increase in federal income tax expense to Pacific due to the 10 percent surcharge is \$2,019,000, at a 6.46 percent rate of return, and is \$1,797,000, at a 6.25 percent rate of return.

3. Pacific will be in need of additional gross revenues in 1969 in the amount of \$6,797,000 to offset part of the increased cost of El Paso gas and the 10 percent surcharge on federal income taxes.

4. The increases in rates and charges authorized herein are justified, the rates and charges authorized herein are reasonable, and the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

The Commission concludes that Pacific's request for increased gas rates as set forth in Section B of Exhibit No. 10 should be granted to the extent and under the conditions set forth in the following order.

INTERIM ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to file on or after the effective date of this order revised tariff schedules with changes in rates, charges and conditions as set forth in Appendix B, attached hereto. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be the date the increased El Paso rates are allowed to go into effect by the Federal Power Commission in Docket No. RP 69-6 or four days

after the date of filing, whichever is later. The revised schedules shall apply only to service rendered on or after the effective date thereof.

2. In the event applicant places the authorized rate increases in effect,

- a. Applicant's plan for determining refunds shall be consistent with the pertinent tariff provisions authorized herein, shall be submitted to the Commission prior to making any refunds, and specific Commission approval shall be obtained of the plan at that time.
- b. If rates are ordered reduced under Federal Power Commission Docket No. RP 69-6, applicant shall file its proposed permanent rate plan in accordance with its stipulation for final determination and authorization by this Commission.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 18th day of MARCH, 1969.

William L. Honors
President

Hand B. Morrison

W. H. ...

Commissioners

Commissioner A. W. GATDY

Present but not participating.

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

LIST OF APPEARANCES

APPLICANT: F. T. Searls, John C. Morrissey and John S. Cooper,
for Pacific Gas and Electric Company.

PROTESTANTS: William M. Bennett as consumer spokesman; Bruce Brickwood Hutchings, for himself and 15 Roseville residents; McCarthy, Johnson & Miller, by P. H. McCarthy, Jr., for State Building and Construction Trades Council of California, AFL-CIO; Charles H. McCrea, for Southwest Gas Corporation; Orville I. Wright, for himself; and Diamantes D. Katsikaris, for American Taxpayers Union of California, Inc. Unit (3).

INTERESTED PARTIES: Robert T. Anderson, City Attorney, and Robert P. Berkman, Assistant City Attorney, for City of Berkeley; J. A. Hildebrand, City Attorney, by Robert Keith Booth, Jr., Assistant City Attorney, for City of Palo Alto; Chickering & Gregory, by Edward P. Nelsen, for San Diego Gas & Electric Company; John H. Colteaux, for California Farmer Consumer Committee; Gordon E. Davis and Robert N. Lowry, Brobeck, Phleger & Harrison, for California Manufacturers Association; Richard A. Elbrecht, for Legal Aid Society of Santa Clara County; A. E. Engel, for California Rural Electric Cooperative; Colonel Thomas D. Farrell, for the United States Government; Lionel E. Goff, Jr., for Pacific Lighting System - Southern California; Sheldon Greene and Robert Gnaizda, for low income users; Mrs. Mary Gullberg, for Association of California Consumers, Inc., and Consumers Cooperative of Berkeley, Inc.; Roy W. Hanson, for City of San Jose; W. L. Knecht and Ralph Hubbard, for the California Farm Bureau Federation; Alvin Landis, for County of Yuba; Thomas C. Lynch, Attorney General of the State of California, by Donald B. Day, Deputy Attorney General, for the State of California; Douglas J. Maloney, for County of Marin; Mrs. Grace McDonald, for California Farmer Consumer Information Committee; Thomas M. O'Connor, City Attorney, by William C. Taylor, Deputy City Attorney, and Robert Laughead, for the City and County of San Francisco; Michael R. Peevey, for California Labor Federation, AFL-CIO; Verne H. Pynn, Assistant City Attorney, for City of Concord; David W. Salmon, for Western Conference of Teamsters; John R. Stokes, for City of Arcata; Mrs. Jean L. Walker, for Consumers Cooperative Society of Palo Alto, Inc.; Michael S. Zola, for San Francisco Neighborhood Legal Assistance Foundation; Henry J. Faltz, County Counsel, for County of Santa Cruz; Captain Ford M. Robbins, for the United States Government; P. Dennis Keenan, for Pacific Lighting Service and Supply Company; and Jennifer Cross Gans, for Berkeley Consumers Coop Association of California Consumers.

COMMISSION STAFF: David R. Larrouy, Counsel, Colin Garrity and Kenji Tomita, for the Commission staff.

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The presently effective rates are changed as set forth in this appendix.

1. General Natural Gas Service

		Per Meter Per Month						
		<u>G-1</u>	<u>G-2</u>	<u>G-3</u>	<u>G-4</u>	<u>G-5</u>	<u>G-6</u>	<u>G-7</u>
Commodity Charge:								
First	2 therms, or less	\$1.16	\$1.26	\$1.36	\$1.46	\$1.56	\$1.71	\$1.56
Next	23 therms, per therm	6.34¢	6.59¢	6.97¢	7.39¢	7.89¢	8.52¢	9.14¢
Next	175 therms, per therm	6.05	6.25	6.46	6.68	6.97	7.27	8.44
Next	800 therms, per therm	5.94	5.97	6.04	6.07	6.13	6.20	7.84
Next	49,000 therms, per therm	5.84	5.84	5.92	5.93	5.96	6.01	7.70
Over	50,000 therms, per therm	5.72	5.72	5.72	5.72	5.72	5.72	7.42
Minimum Monthly Charge:		\$1.16	\$1.26	\$1.36	\$1.46	\$1.56	\$1.71	\$1.56

		Per Meter Per Month <u>G-8</u>
Commodity Charge:		
First	4 therms, or less	\$1.20
Next	16 therms, per therm	19.14¢
Next	5 therms, per therm	10.87
Next	175 therms, per therm	9.63
Next	800 therms, per therm	8.51
Next	49,000 therms, per therm	8.20
Over	50,000 therms, per therm	7.34
Minimum Monthly Charge:		\$1.20

		Per Meter Per Month		
		<u>G-11</u>	<u>G-12</u>	<u>G-13</u>
Commodity Charge:				
First	2 therms, or less	\$1.81	\$2.31	\$2.61
Next	23 therms, per therm	10.21¢	10.87¢	12.90¢
Next	175 therms, per therm	9.19	9.63	10.87
Next	800 therms, per therm	8.26	8.51	9.51
Next	49,000 therms, per therm	8.01	8.20	9.35
Over	50,000 therms, per therm	7.34	7.34	8.46
Minimum Monthly Charge:		\$1.81	\$2.31	\$2.61

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2. Public Outdoor Lighting Natural Gas Service

	<u>Per Group of Lights Per Month</u>	
	<u>G-30</u>	
First 10 lights or less	\$14.16	
For each additional gas light	1.42	
For each cubic foot per hour of total rated capacity for the group in excess of either 1.5 cubic feet per hour per light or 15.0 cubic feet per hour for the group, whichever is greater	\$.401	

3. Firm Industrial Natural Gas Service

	<u>Per Meter Per Month</u>	
	<u>G-40</u>	<u>G-41</u>
Commodity Charge:		
First 1,000 therms, per therm	5.818¢	6.368¢
Next 9,000 therms, per therm	5.548	6.088
Next 20,000 therms, per therm	5.448	5.998
Over 30,000 therms, per therm	5.338	5.888
Minimum Monthly Charge	\$40.00	\$40.00

4. Gas Engine Agricultural Natural Gas Service

	<u>Per Meter Per Year</u>
	<u>G-45</u>
Commodity Charge:	
First 140 therms, per hp, per therm	5.698¢
Next 140 therms, per hp, per therm	4.858
Over 280 therms, per hp, per therm	4.348
	<u>Per Meter Per Month</u>
Minimum Charge:	
May to October, inclusive	\$5.00
November to April, inclusive	\$1.00
Minimum charges for twelve months' continuous service are accumulative at the rate of \$36 per meter per year.	

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5. Interruptible Natural Gas Service

Per Meter
Per Month
G-50

Commodity Charge:

First 10,000 therms, per therm	5.325¢
Next 20,000 therms, per therm	4.935
Next 30,000 therms, per therm	4.775
Next 40,000 therms, per therm	4.625
Over 100,000 therms, per therm	3.715

Minimum Monthly Charge, Accumulative Annually \$80.00

Per Meter
Per Month
G-51

Commodity Charge:

First 10,000 therms, per therm	5.675¢
Next 20,000 therms, per therm	5.285
Next 30,000 therms, per therm	5.115
Next 40,000 therms, per therm	4.975
Next 900,000 therms, per therm	4.065
Over 1,000,000 therms, per therm	3.715

Minimum Monthly Charge, Accumulative Annually \$107.00

Per Meter
Per Month
G-52

Commodity Charge:

First 10,000 therms, per therm	5.325¢
Next 20,000 therms, per therm	4.935
Next 30,000 therms, per therm	4.775
Next 40,000 therms, per therm	4.625
Next 1,900,000 therms, per therm	3.715
Next 13,000,000 therms, per therm	3.265
Over 15,000,000 therms, per therm	3.175

Minimum Monthly Charge, Accumulative Annually \$65,000

Per Meter
Per Month
G-56 G-57

Commodity Charge:

First 200,000 therms, per therm	4.330¢	4.330¢
Over 200,000 therms, per therm	3.075	3.075

Minimum Monthly Charge: \$16,000 \$16,000

6. Resale Natural Gas Service

	Per Month	
	<u>G-60</u>	<u>G-61</u>
Demand Charge:		
Maximum billing monthly consumption, per Mcf	8.25¢	8.25¢
Commodity Charge:		
For all gas deliveries, per therm	3.439¢	3.399¢
	Per Month	
	<u>G-62</u>	
Demand Charge:		
Maximum billing month consumption -		
Per Mcf of firm service		7.3¢
Per Mcf of Interruptible service		2.3¢
Commodity Charge:		
For all gas deliveries, per therm		3.229¢

The Preliminary Statement in the Gas Tariff Schedules shall include the following provision:

OFFSET CHARGE AND RELATED REFUNDS AND REDUCTIONS

The commodity rates of each general service rate schedule include an offset charge of .140¢ per therm (.037¢*) for all therms except those in the initial block and except for therms used in gas energized air conditioning equipment. In addition, Schedule G-30, applicable to public outdoor lighting includes an offset charge equivalent to .140¢ per therm (.037¢*). The commodity rates of each firm industrial and gas engine agricultural service rate schedule include an offset charge of .103¢ per therm (.027¢*) for all therms except for therms used in gas energized air conditioning equipment.

The commodity rates of the Resale Schedules Nos G-60, G-61 and G-62 include an offset charge of .084¢ per therm (.022¢*).

The commodity rates for the first 100,000 therms per month on Interruptible Schedules Nos. G-50, G-51, G-53 include an offset charge of .33¢ per therm (.089¢*) and the rate for the first 200,000 therms per month on Interruptible Schedules Nos. G-56 and G-57 includes an offset charge of .165¢ per therm (.044¢*).

The offset charge will be reduced (or eliminated) commensurately and concurrently with any reduction in the income tax surcharge.

* Amount per therm attributable to Federal Income Tax Surcharge.

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The Company will refund to its customers any refund (relating to the period during which the offset charge is in effect) received from El Paso pursuant to an order of the Federal Power Commission in Docket No. RP69-6.

If the cost of gas from El Paso Natural Gas Company is reduced in Docket No. RP69-6, PG and E will reduce its offset charges by an amount equal to any such rate reduction but no more than that portion of the offset charges attributable to the El Paso increase, except that possible offsetting increases in the cost of gas from El Paso and increases in taxes based on income will be subject to review between the Company and the Commission, and disposition by the Commission.