

Decision No. 77102

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC
COMPANY for authority to revise its
tariff for natural gas service to offset
increases in expense related to
(A) increases in the price of natural
gas from its out-of-state suppliers, and
(B) termination of the investment credit.
(GAS)

Application No. 51686
(Filed February 5, 1970)

F. T. Searls, John C. Morrissey, and John S. Cooper,
for Pacific Gas and Electric Co., applicant.
Brobeck, Phleger & Harrison, by Robert N. Lowry and
Gordon E. Davis, for California Manufacturers
Association; William M. Carlile, Jr., for the
City of Stockton; William L. Knecht and Ralph
Hubbard, for California Farm Bureau Federation;
John Ormasa and Robert Salter, for Pacific
Lighting Service Co.; James A. Hildebrand, City
Attorney, by Robert K. Booth, Jr., Assistant
City Attorney, for the City of Palo Alto; Thomas
M. O'Connor, City Attorney, William C. Taylor,
Deputy City Attorney, and Robert R. Laughhead, for
the City and County of San Francisco; Michael R.
Downey, for the City of Santa Clara; R. Henry
Wheless, for Occidental Chemical Co.; Interested
parties.
Janice E. Kerr, Counsel, and Colin Garrity, for the
Commission staff.

O P I N I O N

By this application Pacific Gas and Electric Company (PG&E) requests that its rates and charges for natural gas service be increased by \$20,611,000 in order to offset increases in operating expenses related to (1) increased gas prices charged by its out-of-state suppliers, El Paso Natural Gas Company (El Paso), and Pacific Gas Transmission Company (PGT), which become effective on or before April 13, 1970, and (2) increased federal income taxes resulting from the termination of the investment tax credit. PG&E

also requests authority to establish a provisional rate increase procedure under which it can increase its rates to offset by "tracking" expected price increases by El Paso after April 13, 1970. These potential tracking increases during 1970 are estimated to total an additional \$3,487,000.

Two days of public hearing were held in San Francisco before Examiner Foley on March 19 and 20, 1970. Oral arguments were heard on March 23, 1970, and the matter was submitted.

PG&E's Position

On January 6, 1970, PG&E was granted a general rate increase of \$16.1 million (Decision No. 76655 in Phase II of Application No. 50779). Earlier in Phase I of this application (Decision No. 75460, dated March 18, 1969), PG&E was authorized to increase its rates by \$6.8 million, resulting in a total rate increase for its Gas Department of \$22.9 million. In Decision No. 76655, the Commission determined that a 7.3 percent rate of return is reasonable for the Gas Department, based upon the estimated revenues and expenses for 1969. The parties agreed to incorporate the record in Application No. 50779 in the present proceeding.

By the present application PG&E seeks to offset the 1970 increase in its tax expense resulting from the termination of the investment tax credit. PG&E estimates that this change in the law increases its revenue requirements for 1970 by \$4.5 million.

In addition, PG&E is faced with increased costs for out-of-state gas, which constitutes about 75 percent of its total gas supply. On February 8, 1970, PG&E's subsidiary pipeline supplier, PGT, was authorized to increase its prices as a result of its rate increase application in FPC Docket No. 70-4. According to

PG&E, the resulting increase in its cost of gas amounts to \$1,459,000 for the test year 1970.

Under FPC Docket No. 69-20, El Paso has been permitted to file tracking increases in its prices to PG&E as a result of price increases by natural gas producers who supply El Paso. Three such increases, totaling \$1.743 million, have occurred since Decision No. 76655 was issued (Exh. No. 1, p. 3). Furthermore, under another rate increase application by El Paso, FPC Docket No. RP 70-11, it is scheduled to make a much larger increase, totaling \$13.1 million, effective on April 13, 1970. El Paso is also authorized under Docket No. RP 70-11 to initiate additional tracking increases between April 13, 1970 and the end of the year which total about \$3.5 million.

PG&E maintains that these additional tax expenses and gas price increases are legitimate expenses which it is entitled to recover in its rates. It states that without a rate increase as proposed herein the rate of return of its Gas Department for its estimated 1970 test year will drop from 6.71 percent to 5.43 percent. PG&E also states that the rate increase will serve only to maintain its rate of return at the 1969 level of 6.71 percent; and that it falls short by some \$10 million in additional revenues from attaining the 7.3 percent level found reasonable in Decision No. 76655.

According to PG&E's proposal, the required additional revenues would be spread among the rates of the various classes of customers in such a manner that the smallest increase would be applied to the larger interruptible customers and PG&E's steam-electric plants.

Finally, PG&E's application calls for a limited refund provision to be established so that part of any refunds received by

it as a result of decisions by the FPC in the various pipeline rate increase proceedings will be flowed-through to its ratepayers.

Position of the Commission Staff and Interested Parties

The Commission staff and all but one of the interested parties agree with PG&E that the items sought to be offset are legitimate, recoverable costs for rate-making purposes.^{1/} There are differences between the staff, PG&E, and the interested parties regarding estimates for 1970 revenues and expenses, rate spread, and refund provisions. These issues will be discussed in sequence.

Revenues and Expenses

PG&E and the Commission staff do not agree entirely with regard to estimated 1970 revenues and expenses. PG&E's projection of 1970 revenues (\$491,210,000) is slightly smaller than the staff's (\$492,297,000). The difference arises because PG&E's projection of the number of customers it will serve in 1970 is based on growth patterns of the last two years. The staff's estimate of sales and revenues is based on a review of the 1969 estimates utilized in Application No. 50779 and a three year trend of General Service sales and firm industrial revenues. Since the difference is small and the staff's projection is based on a slightly longer period of time, the staff's estimate is accepted as reasonable.

With regard to expenses, the only significant issue relates to wages (Tr. 20 and 29). PG&E included one-half year of an estimated wage increase for 1970 (\$1,682,000). The staff did not include any estimate for such an increase during this year because no such increase has occurred and the actual historical amount is not known at this time.

^{1/} Occidental Chemical Company asserts that since termination of the investment tax credit is part of the federal government's anti-inflationary policy, no rate increase to offset the increased federal income tax expense should be granted. This argument is rejected; an allowance for taxes, including federal income taxes, is properly included as a cost of service to be recovered through the utility's rates.

PG&E contends that some wage increase is inevitable and should be recognized. It would prefer, as it unsuccessfully argued in Decision No. 76655, that this expense item be estimated on an annual basis (Tr. 19). It points to Decision No. 76655 in support of its request that the Commission include at least one-half the expected increase.

PG&E's contention is without merit. In Decision No. 76655 we accepted the staff position that only actual, recorded wage increases be utilized in determining the allowance for this item of expense (See Decision No. 76655, p. 12 mimeo). As a general rule the same approach should be followed unless some significant reason compels the contrary. No actual wage increase has occurred in 1970. Although some such increase will undoubtedly be agreed to between PG&E and its employees any estimate on our part would be unduly speculative. Moreover, such an estimate could complicate the labor bargaining process since it could be considered the bare minimum for negotiating purposes.

The Commission concludes, therefore, that the staff's estimates of 1970 revenues and expenses are reasonable with the result that the gross revenue requirement to offset the increased gas costs and tax expense is \$20,637,000, and the gross revenue requirement for the tracking increases subsequent to April 13, 1970 for the remainder of the year is \$3,415,000. The estimate of \$20,637,000 is slightly larger than PG&E's estimate of \$20,611,000 because the staff projects somewhat greater sales for 1970 which results in greater gas purchases and, therefore, greater gas cost increases (Tr. 134). For the same reason, the staff's revenue estimate for the tracking increases (\$3,415,000) is slightly more than PG&E's (\$3,407,000).

A. 51686 hjh

According to the staff analysis, PG&E's estimated rate of return based on the rates in effect on September 17, 1969 is 6.88 percent. The same rate of return is projected for 1970 after allowing for the offset and tracking increases recommended by the staff herein. This level of return is less than the 7.3 percent rate of return found reasonable in Decision No. 76655.

Rate Spread

The primary issue in this proceeding is how the required offset revenues, \$20,637,000, should be allocated to the various classes of customers. In other words, what classes of customers should bear the necessary rate increases and in what proportion? PG&E computed the average percentage increase that would produce the required revenues. It then applied one half of this amount to large interruptibles, its steam-electric plants, and the Coalinga contract; and it spread the other half among the remaining classes in relation to estimated 1970 revenues. The result is that 14 percent (\$2,898,000) of its requested increase of \$20.61 million would be derived from these two customer classes, and the Coalinga contract; and 86 percent (\$17,713,000) would be derived from the remaining classes, including the smaller interruptible customers (those which consume less than 1 million therms/month). About 64 percent of the total increase in revenues would be collected from the general service customers. The company's proposal is supported by the California Manufacturers' Association (CMA).

The Commission staff, on the other hand, recommends that except for sales to the Pacific Lighting Service Company, (Pacific Lighting), the required revenues be spread uniformly among the customer classes as a percentage of revenue at rates in effect as a result of Decision No. 76655. This position is supported by the California Farm Bureau Federation and the City and County of San Francisco. Under the staff's proposal 28 percent (\$5,812,000) of the staff's slightly larger revenue increase of \$20.63 million would be attained from the large interruptible customers and steam-electric plants, and 72 percent would come from the other classes. About 53 percent of the total increase in revenues would be acquired from the general service class.

The effect of the two proposals on each customer class is shown below:

	PG&E Proposed Annual Increase		Staff Proposed Annual Increase	
	Amount	Percent	Amount	Percent
General Service	\$13,155,000	5.16%	\$10,928,000	4.273
Firm Industrial	614,000	5.16	517,000	4.273
Resale	360,000	2.18	184,000	4.273
Pacific Lighting Ser. Co. sale	(Included in resale above)		138,000	1.133
Interruptible	4,605,000	3.77 ^{2/}	5,221,000	4.273
Interdepartmental:				
Steam-Electric	1,827,000	2.16	3,610,000	4.273
Other	<u>50,000</u>	<u>5.42</u>	<u>39,000</u>	<u>4.273</u>
Total	\$20,611,000	4.20%	\$20,637,000	4.192%

PG&E asserts that its proposal is fair and reasonable because it will generally, although not exactly, maintain the interrelationship of rates among the customer classes established in Decision No. 76655. It defends the departure from exactly maintaining this interrelationship for the benefit of the large interruptibles and its electric plants on several grounds: that the large interruptibles and the electric plants deserve a small increase because only a small part of the fixed component of the increased expenses should be assigned to these customers since they are subject to interruption of service during which the system costs will continue unabated; that PG&E's competitive position for retaining and acquiring large interruptible customers will deteriorate; that in order to avoid losses of sales of electricity under the California Power Pool agreement PG&E's

^{2/} There are two subclasses of interruptible customers: about 1400 small interruptibles, which consume less than 1 million therms per month; and 40 large interruptibles, which consume over 1 million therms. Under PG&E's proposal, the small interruptibles would experience a 5.16 percent increase; the large ones only a 2.14 percent increase (Tr. 59-60).

Gas Department should not have to charge the Electric Department more for gas than Pacific Lighting charges its two major electric customers, and therefore PG&E's gas rates should be comparable or lower than those of Pacific Lighting; and that the Electric Department's rate of return position will suffer if the Gas Department's rates are excessively increased since this increased cost for the Electric Department will not be recovered until the pending electric rate proceeding is concluded later this year.

The staff urges that the Commission maintain the interrelationship between rates as established in Decision No. 76655 by applying a uniform rate increase to each class. It argues that that decision established a fair relationship among the customer classes which should not be disturbed so soon after its creation. It contends that assigning only a small part of the fixed component in PG&E's increased costs to the large interruptibles ignores the benefits received by such customers, particularly when their level of service is virtually 100 percent. The staff discounts any competitive harm resulting from its proposed increase for the large interruptibles on the ground that such competition is limited. As for the electric plants, the staff refers to the Commission's rejection in Decision No. 76655 of PG&E's contention that its steam electric rates be the same as those in Southern California. It opposes any special consideration being given the level of increase applied to the steam electric rates because of rate of return considerations since both the Gas and Electric Departments are treated as independent entities.

The Commission concludes that the staff position is reasonable. Given the recent date of Decision No. 76655 it is logical and reasonable to maintain the same interrelationship of rates between

the customer classes. In that decision and in the 1961 general rate proceeding we rejected PG&E's argument that only a meager portion of fixed costs should be assigned to the interruptible customers (App. of Pacific Gas and Electric Co., 58 Cal. P.U.C. 570, 585 (1961)). The staff's position is further supported by the fact that the interruptible customers' level of service has been 100 or 99.9 percent during six of the last seven years, and in the seventh year (1967), it was 99.7 (Exh. No. 5). Regarding competition, and PG&E's risk of losing any large interruptible customers, this argument was considered in Decision No. 76655 and rejected. No new evidence has been presented in this proceeding. Therefore, we adhere to our prior determination.

Likewise unconvincing is PG&E's justification for a smaller increase in its steam electric rates. PG&E has had slightly higher electric rates than Pacific Lighting since 1962, and, has apparently not been disadvantaged under the operation of the power pool agreement. Any adverse effect on the Electric Department's earnings will be compensated for as a result of the rate proceeding currently in the hearing process.

CMA challenges the reasonableness of the staff's proposal insofar as the large interruptible customers are concerned on the basis that the staff's recommendation here is inconsistent with the position it took during the recent rate proceeding. In that proceeding the staff stated that competition limited the amount of increases which the large interruptibles should bear to \$2.2 million. Since Decision No. 76655 resulted in increases in this amount, CMA charges that the staff's proposed additional increase of \$5.2 million for these customers is unreasonable and not in accord with the competitive situation admitted to exist in the proceeding just recently concluded. CMA, therefore, adopts PG&E's proposal for the smaller increase of \$4.06 million, or \$600,000 less, for these customers.

This argument is unpersuasive. As the staff points out, the fact is that additional revenues are required, inflation has continued, and PG&E's own proposal includes a substantial increase for this customer class. CMA's apparent position is that although the \$4.6 million increase proposed by PG&E is acceptable, the additional \$600,000 increase recommended by the staff passes the point at which competition will cause the loss of these customers. CMA did not, however, present any positive evidence in support of the proposition that an additional \$600,000 will cause defections from this class.^{3/} We accept the staff view on this matter. If it proves erroneous, redress is available.

Although the City of Palo Alto supports the staff's rate spread proposal, it disagrees as to the small increase (1.13 percent) applied to the contract between PG&E and Pacific Lighting. Palo Alto objects to the fact that it and the other resale customers will absorb a larger increase than Pacific Lighting. Both PG&E and the staff take the position that the contract for sale of gas to Pacific Lighting is unique in that it is not a normal resale situation. The contract is presently scheduled for termination at the end of 1971, and the application of a uniform increase to it would result in distortion of PG&E's recovery of the increased costs involved herein after termination occurred. We conclude that the position of PG&E and the staff on this question is reasonable.

^{3/} The testimony in Application No. 50779 as to the loss of large interruptible customers is general and unspecific (App. No. 50779, Tr. 3319-3326). A witness for one such customer stated that fuel oil looked attractive but he could not say definitely that he would recommend switching to it (App. No. 50779, Tr. 3761). The most recent loss of such a customer to another supplier of energy occurred nine years ago (App. No. 50779, Tr. 3406).

Rate Spread for the Tracking Increases

PG&E maintains that its present level of earnings is not sufficient to absorb such higher costs as may result after April 13, 1970 until December 31, 1970 from El Paso rate increase filings made under FPC Docket No. RP 70-11. It requests that its rates should be increased to offset such higher costs as they occur. The so-called "tracking" aspects of the FPC rate proceedings subject PG&E to frequent changes in its cost of purchased gas on short notice and they call for procedures before this Commission under which adjustments to PG&E rates would be processed expeditiously. It is toward this end that PG&E proposes, as its link in the producer/pipeline-supplier/distributor chain, that the Commission permit it to adopt "tracking"; i.e. that it be authorized to include within its tariff schedules a limited rate adjustment provision for purchased gas costs based on FPC Docket No. RP 70-11 for the remainder of 1970. No party disputes the validity of PG&E's request for authority to impose tracking increases. They are consistent with the tracking increases authorized by the Commission in Southern Counties Gas Company, Decision No. 76067, dated August 26, 1969 in Application No. 51054; and in Southern California Gas Company, in Decision No. 76068, dated August 26, 1969, in Application No. 51055.

The staff's estimate of the revenue requirement for the potential tracking increases subsequent to April 13, 1970 is \$3,415,000. PG&E's rate spread proposal for the tracking increases is developed in the same manner as that for the offset increases. The staff, likewise, applied the same approach as it used for the offset increases. Except for the Pacific Lighting contract, the staff proposes a uniform increase of .704 percent to all classes.

The increase proposed in the Pacific Lighting contract is .304 percent. The arguments in support of each proposal are the same as those advanced for the offset increases. Therefore, for the reasons stated above regarding the offset increases we adopt the staff's recommendation for the potential tracking increases as shown in Exhibit No. 11, sheet 2.

Refunds

PG&E and the staff disagree on the question of what constitutes an appropriate refund provision for these rate increases. The offset increases and the potential tracking increases, both of which pertain to increased prices for out-of-state gas, are the result of orders by the FPC in rate increase applications by PG&E's pipeline suppliers. Although the FPC has authorized these increases by El Paso and PGT, they are subject to refund. If the FPC's final decision in each pipeline rate proceeding determines that all or some portion of the rate increases being collected by El Paso or PGT is not justified, the FPC will undoubtedly order that the particular pipeline refund the excess increase to PG&E.

The question presented by the presence of potential refunds from El Paso and PGT is whether PG&E should be required to flow-through the full amount of any refunds it receives to its ratepayers. PG&E proposes a limited refund provision in its tariff under which it would provide full flow-through except for the periods during which it did not have in effect compensating offset rates authorized by this Commission.

The effect of this proposal is that if the FPC ordered that El Paso refund part of the rate increase it initiated on January 15, 1970, or on January 22, 1970, or on February 21, 1970 under FPC Docket No. RP 69-20, PG&E would retain the refund amounts for the

periods between the three initial dates above and the effective date of the offset increase provided by our order herein. A similar result would occur with any refund ordered from PGT in FPC Docket No. RP 70-4. Likewise, the same result would occur for any refund required by El Paso in FPC Docket No. RP 70-11 if the effective date of our order herein is later than April 13, 1970. Finally, refunds in any of the tracking increases which were not promptly offset could be retained.

The Commission staff opposes this refund proposal. It advocates full flow-through of any FPC ordered refunds in all the FPC proceedings, as was required in Decision No. 76655. It urges that the Commission not depart from its full flow-through orders issued in similar decisions involving Pacific Lighting and San Diego Gas and Electric Company. It argues that a limited refund provision would undermine the position taken by the Commission in FPC proceedings and before the federal courts that full flow-through to ratepayers is the proper policy.

PG&E asserts that its refund proposal is fair because its level of earnings is below the 7.3 percent rate of return found to be reasonable in Decision No. 76655. It complains that any refund for which there is no offset in effect is inequitable.

The Commission agrees with the staff on this matter. There is no accurate means to measure the amount of refunds which will be involved and which PG&E would be allowed to retain under its proposal. Its position in effect asks for an offset of the refunds for the low rate of return it experienced during these periods. In Decision No. 76655 we rejected a similar offset proposal to forgive refunds in order to compensate for the impact of the federal tax surcharge

between October, 1968 and March, 1969. Moreover, the fact that PG&E has not immediately achieved the rate of return found to be reasonable as of January 31, 1970 is not alone persuasive in this matter. A utility is entitled only to the opportunity to earn a certain rate of return. The fact that it has not done so for so short a period does not automatically call for correction. As a practical matter, it may at some future time earn for a period even more than the last rate of return found reasonable before any corrective action would occur.

Findings of Fact

1. PG&E's present rates became effective January 31, 1970 and were authorized by Decision No. 76655 dated January 6, 1970, in Application No. 50779, after full consideration of PG&E's operational results for test year 1969 and other evidence presented at public hearings held during that year.

2. The Tax Reform Act of 1969 (Public Law 91-172) results in the termination of the investment tax credit which was previously available to PG&E in computing its federal income taxes. As a consequence this credit is not available to PG&E during 1970 or hereafter.

3. The Federal Power Commission has issued orders in Docket Nos. 69-20, 70-4, and 70-11, which have placed into effect, or will place into effect by April 13, 1970, increases in the cost of gas supplied by PG&E's pipeline suppliers, El Paso Natural Gas Company and Pacific Gas Transmission Company. These increases are subject to refund to the extent that the resulting rates exceed the just and reasonable rates finally determined by the Federal Power Commission.

4. The staff's estimate of PG&E's operating revenues and expenses for the year 1970 in Exhibit No. 9 is reasonable.

5. The staff's estimate of the gross revenue requirement of \$4,507,000 needed to offset the termination of the investment tax credit is reasonable.

6. The staff's estimate of the gross revenue requirement of \$16,130,000 needed to offset the increases in PG&E's cost of out-of-state gas on January 15, 1970 and through April 13, 1970 is reasonable.

7. The gross revenue requirement needed to offset both the termination of the investment tax credit and the increased cost of out-of-state gas is \$20,637,000. Increased revenues in this amount are expected only to maintain PG&E's rate of return at its present level of 6.88 percent, which is less than the 7.3 percent rate of return found reasonable for PG&E in Decision No. 76655.

8. PG&E's proposal not to increase its rates for large interruptible customers and its steam-electric plants to the same degree as it proposes to increase the rates of the other customer classes renders an unreasonable spread of increases by classes of service.

9. All classes of service should bear a portion of the revenue increase required to offset the effect of the increase in PG&E's tax expense and cost of out-of-state gas.

10. The rate structure proposed by staff will result in a uniform percentage increase in rates for each class of PG&E's customers, except for the sales under contract to Pacific Lighting Service Company. The staff's proposal is reasonable and should be authorized in this proceeding.

11. In November, 1969 the Federal Power Commission issued orders in Docket No. 70-11 which make PG&E subject to possible increases in the rates it pays for gas supplied by El Paso Natural Gas Company between April 13, 1970 and December 31, 1970. These increases by El Paso will track increases by its gas suppliers. El Paso's increases may be made on short notice and are subject to refund to the extent that they exceed the just and reasonable rates finally determined by the Federal Power Commission.

12. The staff's estimate of the gross revenue requirement of \$3,415,000 needed to offset the potential tracking increases by El Paso during 1970 is reasonable.

13. To make expeditious relief available to PG&E while still maintaining adequate regulatory control, it is reasonable to authorize PG&E to file rate increases subject to refund in order to offset the effect of tracking increases by El Paso filed on or before December 31, 1970 in accordance with Federal Power Commission orders in Docket No. RP 70-11.

14. It is reasonable that PG&E should flow-through to its customers any future refunds applicable to the offset and potential tracking increases involved in this proceeding that it may receive from El Paso Natural Gas Company or Pacific Gas Transmission Company; and that PG&E should reduce its rates commensurate with the reduction in price of out-of-state gas to reflect such reductions.

The Commission concludes that:

1. The application of PG&E should be granted to the extent set forth in the preceding findings and in the following order and in all other respects it should be denied.

2. The increases in rates and charges authorized herein are justified.

3. The rates and charges authorized herein are fair and reasonable.

The Commission has just been made aware that El Paso has filed revised rates at lower levels to become effective on April 13, 1970. Applicant will therefore file rates at a slightly reduced level from those rates hereinafter set forth in the Appendix.

O R D E R

IT IS ORDERED that:

1. Applicant Pacific Gas and Electric Company is authorized to file with this Commission on or after the effective date of this order revised tariff schedules with changes in rates, charges and conditions as set forth in the Appendix attached hereto, modified as hereinabove described. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be two days after the effective date of this order or one day after the date of filing, whichever is later. The revised schedules shall apply only to service rendered on and after the effective date thereof.

2.a. Applicant is also authorized to file with this Commission such revised tariff schedules with changes in rates, charges and conditions as result through applicant's accomplishing, by filings under an advice letter procedure, tracking increases to offset the effect of El Paso rate increase filings on or before December 31, 1970, under FPC Docket No. 70-11.

b. The advice letter procedure to be made available to applicant for this purpose must conform to the following requirements:

- a. Compliance with General Order No. 96-A except Section VI, Procedure in Filing Increased Rates.
- b. Advice letter filings not to be made more frequently than at 15-day intervals.
- c. Notice period for each advice letter filing not to be less than 15 days. (If any filing is technically defective, a new filing should be made and be subject to a new notice period of not less than 15 days.)

A. 51686 hjh

- d. Advice letter filings to be served on all appearances in this proceeding except applicant and the Commission staff.
- c. Revised rates made effective under this advice letter procedure must conform to the following requirements:
 - a. Adjustments in applicant's rates limited to those occasioned by rate changes, up to a net increase of 0.84 cents per Mcf, filed by El Paso Natural Gas Company on or before December 31, 1970, based on FPC Docket No. RP70-11.
 - b. Such adjustments are to be consistent with Exhibit No. 11 in Application No. 51686 and are to be distributed to rate schedules serving the various customer classes in accordance with the rate spread adopted herein.
 - c. Revised rates resulting from such adjustments are to become effective for service on and after the date the change in El Paso's rate becomes effective or 15 days after filing, whichever is later.
3. In the event applicant places such rate increases in effect,
 - a. Applicant's plan for determining refunds shall be consistent with the pertinent tariff provision authorized herein, shall be submitted to this 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 Nos. RP 69-20, 70-4, and 70-11, applicant shall file its proposed plan, for rate reductions consistent with the pertinent tariff provision authorized herein, 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 14th
day of APRIL, 1970.

William J. ...
President

...
Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX
Page 1 of 6

RATES - PACIFIC GAS AND ELECTRIC COMPANY

Applicant's rates, charges and conditions are changed to the level or extent set forth in this appendix.

PRELIMINARY STATEMENT

Delete the text of the present Preliminary Statement under "7-Offset Charge and Related Refunds and Reductions:", and insert thereunder the following:

7-Offset Charge and Related Refunds and Reductions:

(a) Federal Income Tax Surcharge

Until the 5% federal surcharge to federal income tax is removed, filed rates herein include a charge of .33% of the rates shown in Decisions Nos. 76655 and 76693 for such surcharge.* At such time as this surcharge is effectively suspended or terminated, in whole or in part, and not replaced by a substitute tax based on income the above percentage shall be eliminated or reduced to the extent of the reduction in the tax.

(b) Contingent Offset Charges Related to FPC Dockets Nos. RP69-6, RP69-20, RP70-4 and RP70-11

The commodity rates herein include offset charges related to increased cost of gas purchased from El Paso Natural Gas Co. and Pacific Gas Transmission Co. To the extent that the FPC orders reduction in the rates for gas purchased from El Paso Natural Gas Co. or Pacific Gas Transmission Co., the offsets will be reduced related to the amount of such reduction in cost of gas purchased from either source.

* Excluding minimum charges and thermc used in gas energized air conditioning equipment. The equivalent amount is expressed in the demand charge only of Schedules Nos. G-60, G-61, and G-62, and is equal to 0.092¢/Mcf of Schedules Nos. G-60 and G-61, to 0.088¢/Mcf for firm service on Schedule No. G-62, and to 0.069¢/Mcf for interruptible service on Schedule No. G-62.

APPENDIX
Page 2 of 6

RATES - PACIFIC GAS AND ELECTRIC COMPANY

PRELIMINARY STATEMENT (Continued)

7-Offset Charge and Related Refunds and Reductions: (Continued)

The offset charges and related FPC dockets are as follows:

Offset Charge/ in Cents per Therm Related to:					
Rate Schedules	Purchases From El Paso Natural Gas Co.			Purchases	
	FPC	FPC	FPC	From	
	Docket	RP69-20	Docket	Pacific	
	Tracking or	RP69-20	and	Gas	
	RP69-20	1-15-70,		Transmission	
	FPC	Tracking: 1-22-70	RP70-11	Co.	
	Docket: Through	2-21-70 and	Potential:	FPC Docket	
	RP69-6:9-17-69	RP70-11 Incr.	Tracking	RP70-4	
G-1, G-2, G-3, G-4, G-5, G-7, G-11, G-12, G-13, G-30	1.48	0.45	0.237	2/	0.023
G-40, G-41, G-45	1.48	.45	.172	2/	.017
G-50, G-51, G-53, G-56, G-57 Coalinga Nose Contracts	1.48	.45	.115	2/	.011
G-55, G-55.1	1.48	.45	.097	2/	.010
G-60, G-61, G-62	1.48	.45	.142	2/	.014

1/ Based on change in cost of gas purchased from El Paso or PGT.

2/ Company shall file contingent offset amounts as changes in rates for tracking increases are made for each .1¢/Mcf change in the El Paso Natural Gas Company rate. For the full effect of the maximum potential increase of .84¢/Mcf, the authorized offset changes per therm are .055¢ for general service schedules; .040¢ for firm industrial schedules; .027¢ for interruptible schedules; .023¢ for steam electric schedules; .033¢ for resale schedules; and .0058¢ for sales to PLS Co.

(c) Refund of Contingent Offset Increases Related to FPC Dockets Nos. RP69-6 and RP69-20

The company will refund to its customers any refund received from El Paso Natural Gas Co. or Pacific Gas Transmission Co. pursuant to an order of the Federal Power Commission in Dockets Nos. RP69-6, RP69-20, RP70-4 and RP70-11.

APPENDIX
Page 3 of 6

RATES - PACIFIC GAS AND ELECTRIC COMPANY

GENERAL NATURAL GAS SERVICE - BASIC ZONES

		Per Meter Per Month				
		G-1	G-2	G-3	G-4	G-5
<u>RATES</u>						
Commodity Charge:						
First	2 therms or less	\$1.257	\$1.357	\$1.456	\$1.606	\$1.854
Next	23 therms, per therm	7.15¢	7.49¢	7.88¢	8.28¢	9.00¢
Next	175 therms, per therm	6.80	7.05	7.26	7.47	7.89
Next	800 therms, per therm	6.53	6.60	6.64	6.70	6.81
Next	49,000 therms, per therm	6.43	6.44	6.46	6.47	6.50
Over	50,000 therms, per therm	6.21	6.21	6.21	6.21	6.21

Minimum Charge: The charge for the first two therms.

GENERAL NATURAL GAS SERVICE - SUBZONES

		Per Meter Per Month			
		G-7	G-11	G-12	G-13
<u>RATES</u>					
Commodity Charge:					
First	2 therms, or less	\$1.656	\$2.053	\$2.402	\$2.701
Next	23 therms, per therm	9.50¢	10.62¢	11.30¢	13.22¢
Next	175 therms, per therm	8.94	9.61	10.04	11.29
Next	800 therms, per therm	8.35	8.69	8.93	9.97
Next	49,000 therms, per therm	8.17	8.42	8.61	9.79
Over	50,000 therms, per therm	7.77	7.77	7.77	8.89

Minimum Charge: The charge for the first two therms.

PUBLIC OUTDOOR LIGHTING NATURAL GAS SERVICE

		Per Group of Lights Per Month
		G-30
<u>RATES</u>		
First 10 lights or less		\$15.41
For each additional gas light		1.54
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		.450

APPENDIX
Page 4 of 6

RATES - PACIFIC GAS AND ELECTRIC COMPANY

FIRM INDUSTRIAL NATURAL GAS SERVICE

Per Meter Per Month
: G-40 : G-41 :

RATES

Commodity Charge:

First 1,000 therms, per therm	6.194¢	6.670¢
Next 9,000 therms, per therm	5.923	6.392
Next 20,000 therms, per therm	5.805	6.281
Over 30,000 therms, per therm	5.655	6.152

Minimum Charge:

\$40.00 \$40.00

\$40 per meter per month, except that when the use of gas is seasonal or intermittent, the minimum charge may, at the option of the customer, be made accumulative over a 12-month period in which case the minimum charge shall be \$1,200 per year, cumulative in monthly installments of \$100.

GAS ENGINE AGRICULTURAL NATURAL GAS SERVICE

Per Meter Per Year
: G-45 :

RATES

Commodity Charge:

First 140 therms per HP, per therm	6.092¢
Next 140 therms per HP, per therm	5.206
Over 280 therms per HP, per therm	4.687

Per Meter Per Month

Minimum Charge:

May to October, inclusive

November to April, inclusive

Minimum charges for 12 months' continuous service are accumulative at the rate of \$36.00 per meter per year.

\$36.00

APPENDIX
Page 5 of 6

RATES - PACIFIC GAS AND ELECTRIC COMPANY

INTERRUPTIBLE NATURAL GAS SERVICE

Per Meter Per Month
: G-50 : G-51 : G-53 :

RATES

Commodity Charge:

First	10,000 therms, per therm	5.732¢	6.079¢	5.732¢
Next	20,000 therms, per therm	5.342	5.690	5.342
Next	30,000 therms, per therm	5.182	5.521	5.182
Next	40,000 therms, per therm	5.034	5.381	5.034
Next	900,000 therms, per therm	3.937	4.249	3.937
Next	1,000,000 therms, per therm	3.898	3.898	3.898
Next	13,000,000 therms, per therm			3.390
Over	15,000,000 therms, per therm			3.356

Minimum Monthly Charge:
Accumulative Annually

\$90 \$110 \$65,000

INTERRUPTIBLE NATURAL GAS - STEAM ELECTRIC GENERATING PLANTS

Per Month
: G-55 : G-55-1 :

RATES

Commodity Charge:

For all gas deliveries, per therm 3.333¢ 3.755¢

INTERRUPTIBLE NATURAL GAS SERVICE - LARGE USERS

Per Meter Per Month
: G-56 : G-57 :

RATES

Commodity Charge:

First	200,000 therms, per therm	4.604¢	4.604¢
Next	800,000 therms, per therm	3.260	3.260
Over	1,000,000 therms, per therm	3.248	3.248

Minimum Monthly Charge:

\$16,000 \$16,000

INTERRUPTIBLE NATURAL GAS SERVICE - SPECIAL CONTRACT

Coalinga Nose Producers,
Contracts dated June 3, 1968, Par. 2(b)

Excess Gas per Mcf

32.53¢

APPENDIX
Page 6 of 6

RATES - PACIFIC GAS AND ELECTRIC COMPANY

RESALE NATURAL GAS SERVICE

RATES

Demand Charge:

Based on the maximum billing month consumption,
per Mcf

Per Month
: G-60 : G-61 :

9.031¢ 9.031¢

Commodity Charge:

To be added to the Demand Charge:
For all gas deliveries, per therm

3.639¢ 3.599¢

Minimum Charge:

The minimum charge shall be the monthly demand charge.

Per Month
: G-62 :

RATES

Demand Charge:

Based on maximum billing month consumption:

Per Mcf of firm service in maximum month

Per Mcf of interruptible service in maximum month

7.991¢
2.476

Commodity Charge:

To be added to the Demand Charge:
For all gas deliveries, per therm

3.429¢

Minimum Charge:

The minimum charge shall be the monthly demand charge.