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Decision No. 78881

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for authority to revise its electric service tariff to offset the effect of authorized cost-of-gas increases for natural gas used to generate electricity.

(Electric)

Application No. 52490
(Filed March 10, 1971;
Amended April 20, 1971)

John C. Morrissey, John S. Cooper and Robert Ohlback, by John S. Cooper and Robert Ohlback, Attorneys at Law, for Pacific Gas and Electric Company, applicant. William L. Knecht and Thomas H. Burcham, Attorneys at Law, and Ralph Hubbard, for California Farm Bureau Federation; and Thomas M. O'Connor, City Attorney, and Robert Laughead, Rate Engineer, for the City and County of San Francisco; interested parties. John S. Fick, Attorney at Law, and Melvin E. Mezek, Utilities Division, for the Commission staff.

O P I N I O N

On March 10, 1971, applicant, Pacific Gas and Electric Company (hereinafter called PGandE), filed the application herein requesting authority to increase its electric rates 0.0059 cent per kilowatt hour, or an average of 0.3 percent, to provide \$2,417,000 in additional gross revenues to offset the increase in gas rates applicable to the Electric Department caused by an increase in the FPC-regulated rates of El Paso Natural Gas Company effective March 31, 1971, and authorized by Decision No. 78468 of this Commission, issued March 23, 1971, in Applications Nos. 51686 and 52335.

On April 20, 1971, an amendment was filed by PGandE requesting (1) authority effective July 1, 1971, to increase its electric rates an additional 0.0126 cent per kilowatt hour, or an average of 0.7 percent, to provide \$5,160,000 in additional gross revenues to

offset a further increase in gas rates which, it is anticipated, will become applicable to the Electric Department on July 1, 1971, and (2) authority effective October 1, 1971, to increase its electric rates an additional 0.0108 cent per kilowatt hour, or an average of 0.6 percent, to provide \$4,422,000 in additional gross revenues, to offset a further increase in gas rates which it is anticipated will become applicable to the Electric Department on October 1, 1971. The requests for the authority for PGandE's Gas Department to increase the gas rates, thereby increasing the gas costs which are the basis for these latter two offsets, are the subject of Application No. 52565 which is now pending before the Commission. To the extent that different gas rate increases may be authorized in that proceeding, or the date of the authorization for the increases may differ from July 1 and October 1, the corresponding offset increases proposed in the amendment to this application would have to be modified accordingly.

PGandE proposes to spread these offset increases uniformly to kilowatt hour rates of all classes of electric service subject to the Commission's jurisdiction except those under Electric Schedule A-18, which already provides for adjustments when gas costs increase or decrease; Schedules Nos. A-40, A-41, and D-40, applicable in the Shasta Dam Area; the special contract applicable to the Bay Area Rapid Transit District (BART); and the special contract applicable to the Department of Water Resources' State Water Plan. PGandE has apportioned its revenue requirements in this proceeding as if those customers not affected would also receive an offset increase in rates. Therefore, affected customers will not subsidize the few customers whose rates are not being increased.

A public hearing was held before Commissioner Moran and Examiner Cline on May 19, 1971, in San Francisco. At the conclusion of the hearing, the matter was taken under submission.

The Vice President-Rates and Valuation of PGandE testified in support of the application, as amended. An Associate Utilities Engineer in the Electric Section of the Utilities Division testified on behalf of the Commission staff. No one at the hearing opposed the granting of the application.

Findings of Facts

Based upon a consideration of the record herein, the Commission finds as follows:

1. PGandE's current electric rates became effective February 13, 1971, and were authorized by Decision No. 78186 issued January 19, 1971, in Application No. 51552.

2. In said Decision No. 78186 the Commission authorized increases in electric rate schedules subject to the jurisdiction of this Commission which would give PGandE the opportunity to earn a rate of return of 7.5 percent on its California jurisdictional rate base of \$2,734,032,000.

3. This Commission, by Decision No. 78468 issued March 23, 1971, in Application No. 51686 and Application No. 52335, authorized PGandE to increase its gas rates to offset the gas rate increase by El Paso Natural Gas Company effective on March 31, 1971, pursuant to an order of the Federal Power Commission in Dockets Nos. RP 70-11 and RP 71-13, and such increase in gas rates by PGandE is subject to refunds and rate reductions to the extent that the Federal Power Commission may order El Paso Natural Gas Company to make refunds and rate reductions to PGandE.

4. PGandE's estimate of the additional gross revenue requirement of \$2,417,000 to offset the increase in the cost of gas to its Electric Department effective March 31, 1971, is reasonable.

5. The increased revenues in the amount of \$2,417,000 are expected to maintain PGandE's rate of return at the level of 7.5 percent, the rate of return found reasonable for PGandE's Electric Department in Decision No. 78186, until July 1, 1971, at which time it is expected that a further increase in the cost of gas to PGandE's Electric Department will become effective.

6. PGandE and the staff agree that all classes of electric service subject to this Commission's jurisdiction, except those under Electric Schedule No. A-18, which already provides for adjustment when gas costs increase or decrease; Schedules Nos. A-40, A-41, and D-40, applicable in the Shasta Dam Area; the special contract applicable to the Bay Area Rapid Transit District (BART); and the special contract applicable to the Department of Water Resources' Water Plan should bear a portion of the rate increase required to offset the effect of the increase in the cost of gas to PGandE's Electric Department.

7. PGandE has apportioned its revenue requirements in this proceeding as if those customers not affected would also receive an offset increase in rates so that customers whose rates are increased will not subsidize the few customers whose rates are not being increased.

8. The rate structure proposed by PGandE will result in an increase in its rates to affected electric customers of 0.0059 cent per kilowatt hour, or an average increase of 0.3 percent. This proposal is reasonable and should be authorized in this proceeding.

9. On April 20, 1971, PGandE filed Application No. 52565 requesting authority further to increase the gas rates which are charged its Electric Department.

10. By reason of the filing of said Application No. 52565, this Commission may authorize PGandE further to increase its gas rates on or after July 1, 1971, so that additional gross revenue from its electric rates not to exceed \$5,160,000 will be required to offset the increase in the cost of gas to its Electric Department in order to maintain a rate of return of 7.5 percent for PGandE's Electric Department.

11. An increase in electric rates as proposed by PGandE herein of 0.0126 cent per kilowatt hour to the affected customers would give PGandE the opportunity to increase its electric revenues by the amount of \$5,160,000.

12. By reason of filing said Application No. 52565, this Commission may authorize PGandE further to increase its gas rates on or after October 1, 1971, so that additional gross revenue from its electric rates not in excess of \$4,422,000 will be required to offset the increase in the cost of gas to its Electric Department in order to maintain a rate of return of 7.5 percent for PGandE's Electric Department.

13. An increase in electric rates as proposed by PGandE herein of 0.0108 cent per kilowatt hour to the affected customers would give PGandE the opportunity to increase its electric revenues by the amount of \$4,422,000.

14. To make expeditious relief available to PGandE while still maintaining adequate regulatory control, it is reasonable to authorize PGandE to file electric rate increases subject to refund and rate reductions in order to offset the effect of any increases in gas rates to the Electric Department which this Commission may authorize pursuant to the filing of said Application No. 52565.

15. It is reasonable that PGandE should flow-through to its customers any future refunds applicable to the offset increases involved in this proceeding, and PGandE should reduce its rates commensurate with the reduction in the price of gas to its Electric Department to reflect such reductions. The proposed revision of Section 7 of the Preliminary Statement to PGandE's electric rate schedules set forth on Page C-2 of Section C of the application herein, which provides for such refunds and rate reductions, is reasonable and should be authorized.

Conclusions

Based on the foregoing findings, the Commission concludes that:

1. The authority sought by PGandE should be granted to the extent, and under the conditions, set forth in the order which follows.
2. The increases in rates and charges authorized herein are justified.
3. The rates and charges authorized herein are fair and reasonable.

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 Appendix A, attached hereto. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be one day after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

2.a. By filings under an advice letter procedure applicant is also authorized to file with this Commission revised tariff schedules incorporating electric rate increases to offset the increase in gas costs to its Electric Department which may result from this Commission's decision in Application No. 52565, filed April 20, 1971, and now pending before this Commission.

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

- (1) Compliance with General Order No. 96-A except Section VI, Procedure in Filing Increased Rates.
- (2) Notice period for each advice letter filing not to be less than 15 days. (If any filing is technically defective, a new filing shall be made and be subject to a new notice period of not less than 15 days.)
- (3) 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:

- (1) Adjustments in applicant's electric rates limited to those occasioned by gas rate increases which may be authorized by this Commission pursuant to Application No. 52565, up to a net increase of 0.0126 cent per kilowatt hour effective on or after July 1, 1971, and up to an additional net increase of 0.0108 cent per kilowatt hour effective on or after October 1, 1971.
- (2) Such adjustments are to be distributed to electric rate schedules serving the various classes on a uniform cent per kilowatt hour basis, except for those served under Electric Schedules Nos. A-18, A-40, A-41, and D-40, the special contract applicable to the Bay Area Rapid Transit, and the special contract applicable to the Department of Water Resources' State Water Plan.

(3) Revised electric rates resulting from such adjustments are to become effective on and after the change in applicant's gas rates to its Electric Department pursuant to the decision to be issued on Application No. 52565 becoming 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 applicant's gas rates to its Electric Department are ordered reduced pursuant to the provisions of the decision to be issued in Application No. 52565, applicant shall file its proposed plan for electric rate reductions consistent with the pertinent tariff provision authorization 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 29th

day of JUNE, 1971.

Chairman

William H. Jones Jr.

Alan M. ...

Thomas L. ...

Commissioners

I concur in part & dissent in part, & will file a separate statement of position

R. ...
Chairman

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
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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

Revise Section 7 to read as follows:

"7. Rate Reductions and Refunds:

The utility will refund to its customers any refund received from its Gas Department which the Gas Department has received from El Paso Natural Gas Company pursuant to an order of the Federal Power Commission.

The utility will reduce its electric rates to reflect any rate reduction in Schedules Nos. G-55 and G-55.1 of its Gas Department below the levels of 3.4181¢ per therm and 3.8421¢ per therm, respectively."

Add the following:

"7.1 Gas Cost Offset Charge:

The total bill for service, as computed under the applicable rate schedules and contracts* subject to California Commission jurisdiction will be increased by an adjustment amount of 0.0059 cent per kilowatt hour to reflect increases in the cost of gas used to generate electricity."

*Except rates applicable to sales made to the Bay Area Rapid Transit District under contract dated May 31, 1968, and to sales made to the California Department of Water Resources under contract dated November 18, 1966.

The above offset charge of 0.0059 cent per kilowatt hour will be added to the rates stated in Schedules Nos. LS-1, LS-2, LS-60, LS-61, and OL-1 as follows:

APPENDIX A
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<u>Type and Nominal Rating of Lamp</u>	<u>Added Amount Per Month</u>	
	<u>All Night</u>	<u>Midnight</u>
<u>Incandescent</u>		
600 Lumens	\$.001	\$.001
1,000 Lumens	.002	.001
2,500 Lumens	.004	.002
4,000 Lumens	.006	.003
6,000 Lumens	.008	.004
10,000 Lumens	.013	.006
15,000 Lumens	.018	.009
<u>Mercury Vapor</u>		
175 Watts	.004	.002
250 Watts	.006	.003
400 Watts	.009	.005
700 Watts	.015	.008
1,000 Watts	.022	.011
<u>Metal Halide</u>		
400 Watts	.010	-
1,000 Watts	.023	-
<u>Sodium Vapor, High Pressure</u>		
400 Watts	.010	-
<u>Sodium Vapor, Low Pressure</u>		
10,000 Lumens	.004	-

RATE SCHEDULES

Add the following to each rate schedule except Schedules Nos. A-18, A-40, A-41, D-40, DE, and R.

"Gas Cost Offset Charge: A gas cost offset charge, as specified in the Preliminary Statement, will be included in each bill for service. The adjustment amount shall be the product of the total kilowatt hours for which the bill is rendered times the adjustment amount per kilowatt hour."

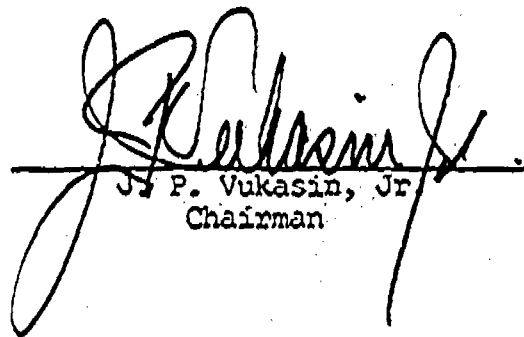
A. 52490 D. 78881 KB

J. P. VUKASIN, JR., CHAIRMAN, CONCURRING AND DISSENTING OPINION

I concur in part and dissent in part.

The authorization of an increase in electric rates by Pacific Gas and Electric Company, which is pursuant to an order from the Federal Power Commission allowing El Paso Natural Gas Company to increase its gas rates to Pacific Gas and Electric Company, is proper.

However, the additional approval of electric rate increases is premature until such time as the Commission decides Application No. 52565. This is a request by Pacific Gas and Electric Company for increases in the cost of California and Canadian gas and is currently pending before the Commission.



J. P. Vukasin, Jr.
Chairman

San Francisco, California

June 29, 1971