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Decision No. S1077

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND  
ELECTRIC COMPANY for authority  
to adopt a fuel cost adjustment  
provision for inclusion in its  
electric tariff.

(Electric)

Application No. 53185  
(Filed March 2, 1972)

(Appearances listed in Appendix A)

O P I N I O N

Public hearings on the application of Pacific Gas and Electric Company (PG&E) for authority to adopt a fuel adjustment provision for inclusion in its electric tariff were held in San Francisco before Commissioner Moran and Examiner Cline on November 15, 16, and 17, 1972. The matter was taken under submission following oral arguments at the conclusion of the hearings.

Subsequent to the filing of the application this Commission issued Decision No. 79838 on March 21, 1972 in Applications Nos. 52987 and 52988 in which it authorized Southern California Edison Company (Edison) to include a fuel cost adjustment provision in its electric tariff. As a result of a review of the fuel cost adjustment provision authorized by the Commission in Decision No. 79838 and certain recommendations of the Commission staff in this proceeding, PG&E modified its proposed fuel cost adjustment provision to read as follows:

Fuel Cost Adjustment

1. Bills rendered under applicable rate schedules and under contracts subject to California Public Utilities Commission jurisdiction\* shall be increased or decreased by a fuel cost adjustment amount related to increases or decreases in the cost per million Btu of fuel used in the utility's generating plants as set forth below.
2. An adjustment per kilowatt-hour shall be determined and applied to service rendered on and after the effective date and continuing thereafter until the next such adjustment becomes effective in accordance herewith. A forecast period is the 12-month period commencing with the first day of the month on the expected effective date of each adjustment per kilowatt-hour. Such adjustment per kilowatt-hour shall not be revised more often than once every three months. If a change in the price of gas occurs which would change the adjustment per kilowatt-hour by at least 0.010 cent per kilowatt-hour based on the data other than the price of gas contained in the most recent regular filing hereunder, the utility shall file a revised interim adjustment per kilowatt-hour in accordance with the provisions of paragraph 7 below and such filing shall not be considered in determining the three month period.
3. The amount of gas fuel shall be the quantity of gas, in millions of Btu, expected to be used in the utility's generating plants during the forecast period under average temperature conditions. The amount of oil fuel shall be the quantity of oil, in millions of Btu, equal to the difference between (a) the total fossil fuel requirements in the forecast period under normal conditions of temperature and precipitation, and (b) the fossil fuel requirements in the forecast period expected to be supplied by gas fuel.
4. The base rates reflect a base cost of fossil fuel of 38.024 cents per million Btu. The adjustment per kilowatt-hour shall be determined as follows: The amount of the total fuel cost adjustment shall be determined by calculating the total estimated annual amount of fossil fuel expense (based on prices of fuels on or before the first day the proposed adjustment is to be effective and the fuel availability for the forecast period) and deducting therefrom the corresponding cost of the same quantity of heat energy utilizing the price levels and relative availability of fuels which form the basis for the then existing base rates. The total fuel cost adjustment for the system\*\* would then be allocated to customers by using a fuel cost adjustment per kilowatt-hour\*\*\* (rounded to the nearest 0.001 cent per kilowatt-hour) and applying such adjustment to the quantities of energy billed.

5. The price of gas fuel shall be the average of each applicable gas rate schedule, expressed in cents per million Btu, in effect on or before the expected effective date weighted by the quantity of gas expected to be used under each such gas rate schedule during the forecast period. The price of oil fuel shall be the average cost of each type in inventory (determined in accordance with the Uniform System of Accounts) on the expected effective date for the amount of such oil fuel in inventory and the price of any oil fuel required in excess of such inventory shall be at the price (including sales and use taxes) of the most recent delivery of such fuel.
6. The fuel cost adjustment amount to be added to or subtracted from each bill shall be the product of the total kilowatt-hours for which the bill is rendered multiplied by the adjustment per kilowatt-hour.
7. Each adjustment per kilowatt-hour shall be filed with the California Public Utilities Commission on or before the thirtieth day preceding the date on which such adjustment becomes effective.
8. Any refund from a fuel supplier shall be refunded with 7% interest to the utility customers. A refund plan shall be filed with the California Public Utilities Commission when such refunds have accumulated to a total of \$1,000,000 or more.

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\* Except for sales to the California Department of Water Resources under contract dated November 18, 1966, and sales under contracts which provide by their own terms for other rate adjustments for changes in the cost of fuel.

\*\* Excluding the effect of rate increases or decreases from rates in effect December 24, 1971, under other rate adjustments for changes in the cost of fuel.

\*\*\* Excluding Schedule No. P-8 sales not subject to fuel cost adjustment and sales under rate schedules and contracts which provide for other rate adjustments for changes in the cost of fuel.

The fuel cost adjustment provision authorized by the Commission in Decision No. 79838 for inclusion in the electric tariff of Edison reads as follows:

1. Bills rendered under the rate schedules and special contracts contained herein shall be increased or decreased by an adjustment amount related to increases or decreases in the cost per million Btu of fuel used in the utility's generating plants as set forth below.
2. An adjustment amount per kilowatt-hour sold shall be determined to be applied to service rendered on and after the effective date and continuing thereafter until the next such adjustment amount becomes effective in accordance herewith. A forecast period is the 12-month period commencing with the expected effective date of each adjustment amount per kilowatt-hour. Such fuel cost adjustment billing factor shall not be revised more often than once every three months.
3. The amount of gas fuel shall be the quantity of gas in millions of Btu expected to be received from each supplier during the forecast period under average temperature conditions. The amount of coal fuel shall be the quantity of coal in millions of Btu which can be utilized in available coal-fired generating facilities. The amount of oil fuel shall be the quantity of oil in millions of Btu equal to the difference between (a) the total fossil fuel requirements in the forecast period under normal conditions of temperature and precipitation, and (b) the fossil fuel requirements in the forecast period expected to be supplied by gas and coal fuels.
4. The base rates reflect a cost of fossil fuel of 40.0 cents per million Btu. The adjustment amount per kilowatt-hour sold shall be determined as follows: The amount of the total fuel cost adjustment shall be determined by calculating the total estimated annual amount of fossil fuel expense (based on prices of fuels on or before the first day the proposed adjustment is to be effective and the fuel availability for the twelve-month period commencing with such day) and deducting therefrom the corresponding cost of the same quantity of heat energy utilizing the price levels and relative availability of fuels which form the basis for the then existing base rates. The total fuel cost adjustment for the system would then be allocated to customers by using a unit fuel cost adjustment billing factor (rounded to the nearest 0.001¢) and applying such factor to the quantities of energy billed.

5. The price of gas fuel shall be the average of each applicable rate or contract price, expressed in cents per million Btu, in effect on or before the first day of the forecast period weighted by the quantity of gas expected to be received from such supplier during the forecast period. The price of coal fuel shall be the invoice price for such fuel, expressed in cents per million Btu, as of the first day of the forecast period. The price of oil fuel shall be the average cost of each type in inventory (determined in accordance with the Uniform System of Accounts) on the first day of the forecast period for the amount of such oil fuel in inventory and the price of any oil fuel required in excess of such inventory shall be at the price (including sales and use taxes) of the most recent delivery of such fuel.
6. The adjustment amount to be added to or subtracted from each bill shall be the product of the total kilowatt-hours for which the bill is rendered multiplied by the adjustment amount per kilowatt-hour sold.
7. Each adjustment amount per kilowatt-hour sold shall be filed with the California Public Utilities Commission on or before the thirtieth day preceding the date on which such adjustment amount becomes effective.
8. Any refund from a fuel supplier shall be refunded with 7% interest to the utility customers. A refund plan shall be filed with the California Public Utilities Commission when such refunds have accumulated to a total of \$1,000,000 or more.

The revised proposal of PG&E is substantially the same as that authorized by this Commission for Edison in Decision No. 79838.

Paragraph 2 of applicant's proposal, however, would permit applicant to adjust its electric rates when a change in the price of gas occurs which would change the adjustment per kilowatt-hour by at least 0.010 cents per kilowatt-hour even though a previous adjustment had been made less than three months previously. The increase of at least 0.010 cents per kilowatt-hour is ten times the amount of 0.001 cents per kilowatt-hour which would trigger the normal fuel cost adjustment. Also the increases in the price of gas would occur only after authorization by this Commission as PG&E buys all of its gas from

its own Schedules G-55 and G-55.1 from its gas department. As PG&E does not use coal as a fossil fuel no reference is made to coal in its proposed fuel cost adjustment provision.

The Commission staff also recommends that PG&E be required to file a results of operation report on the ensuing year's operation by October 31 each year and a report on the previous calendar year's recorded and adjusted operations by March 31 of each year, including in the latter report a showing on the reasonableness of the prices it pays for fossil fuels.

The staff opposed PG&E's proposal for a fuel cost adjustment under the tariff provision within less than three months after a previous adjustment in case the cost of gas increases by at least 0.010 cents per kilowatt-hour, because of the added burden which would be imposed upon the staff personnel if they are required to review and make recommendations to the Commission regarding fuel adjustment filings more often than once every three months for PG&E.

Fuel costs are approximately 17 percent of PG&E's total costs. Each 0.001 cent per kilowatt-hour represents about \$500,000 of gross revenue, and 0.010 cent per kilowatt-hour represents \$5,000,000 of gross revenue. Neither increases nor decreases are automatic. They require staff review and approval by the Commission even though no public hearing is required. The Commission retains the right to order public hearings if it deems such hearings are advisable in any particular case.

The general arguments in favor of and against the fuel cost adjustment provision are set forth and discussed on pages 10 through 13 of mimeograph Decision No. 79838 and will not be repeated here.

The PG&E witness specifically lists three reasons why it should be authorized to incorporate the fuel clause in its tariffs:

1. The fuel cost adjustment provision will save the time and expense of the numerous offset rate proceedings which otherwise would be required in order for PG&E's electric department to maintain an existing rate of return level during a period of frequent fuel cost changes.

2. The procedure will lessen the likelihood of general rate case filings, as fossil fuel comprises a significant portion, about 17 percent, of total electric operating expenses.

3. The existence of the procedure will help bring PG&E's credit position in the eyes of the investment community up to parity with those other companies which already have similar procedures for offsetting fossil fuel cost increases.

The record shows that 185 out of 267 privately owned electric utilities in the United States have fuel cost adjustment clauses in their tariffs.

The fuel cost adjustment procedure will offset changes in fossil fuel cost above or below a base fuel cost of 38.024 cents per million Btu.

At the time of the hearing the evidence showed that the operation of the fuel cost adjustment provision would not raise the rate of return of PG&E on its electric operations above 7.85 percent which was stipulated to be reasonable by PG&E and the Commission staff. It is noted here that by Decision No. 80432 issued August 29, 1972, Decision No. 80430 issued August 29, 1972, and Decision No. 80878 issued December 19, 1972 the Commission has recently found 8.0 percent to be a reasonable rate of return on rate base for San Diego Gas & Electric Company, Southern California Gas Company, and PG&E, respectively.

The attorney for the California Manufacturers Association (CMA) stated that CMA was willing to acquiesce in PG&E's original proposal which provided that the most recent recorded and adjusted period would be used as a basis for the computations in the fuel adjustment clause, but that CMA opposes PG&E's current proposal which uses a forecast period with estimated future sales rather than recorded data. He pointed out that the proposed fuel adjustment clause could be triggered by an estimated increase in sales and that it would be difficult to determine whether the increased revenues

from the increased sales would offset the increased costs of fuel. CMA suggests that the Commission should let some time elapse in order to determine how the Edison fuel cost adjustment provision actually operates and urges that if a fuel cost adjustment provision is approved for PG&E that the original rather than the amended proposal be adopted.

In her closing argument the representative for the various Consumers Action appearances (Consumer Action) requested that the Commission institute proceedings to determine the potential energy resources which are available in California, Alaska, and the lower 48 states, and from international sources for the use of the California consumer and the relative costs of such energy resources. Consumers Action also pointed out that gas which is imported into California from Canada is not subject to price regulation by the Federal Power Commission. Consumers Action opposed the adoption of a fuel cost adjustment provision for PG&E and urged that PG&E be required to continue to make use of the offset application procedures for rate increases which may be justified by reason of increases in the cost of fossil fuel. Consumer Action requested that a report of the presiding officer be issued prior to the issuance of the decision of the Commission in this proceeding.

The attorney for the Executive Agencies of the United States (Executive Agencies) argued that since Edison's fuel costs are relatively greater than the 17 percent portion of the total costs for PG&E that PG&E's situation is not comparable to that of Edison. The smaller the portion of fuel expenses, the smaller the overall swing in total expenses which will result from an increase in fuel costs. Although the Executive Agencies opposed the adoption of the fuel adjustment clause for PG&E they made several recommendations for consideration by the Commission in the event a fuel adjustment clause is authorized for PG&E as follows:

1. PG&E should be required to file with the Commission on a quarterly rather than an annual basis estimated results of operation on a prospective 12-month basis.



2. The estimated results of operations on the basis of a normal year should be adjusted for known changes, one of which is the availability of hydro power based upon reservoir storage and snowpack.

3. The Commission should determine what point in time or what magnitude of a fuel adjustment would require an overall review of the rate spread.

4. The Commission should determine in advance what magnitude of a fuel increase would trigger a public hearing.

In his argument the attorney for PG&E pointed out that the Commission in Decision No. 78186 issued January 19, 1971, the last decision which authorized a general increase in PG&E's electric rates, found a rate of return on rate base of 7.5 percent and a rate of return on equity of 11.7 percent to be reasonable. The 7.35 percent rate of return on rate base which the PG&E and the staff stipulated is reasonable under current operations would enable PG&E to earn only 11.5 percent on equity. He also pointed out that the Commission customarily uses a future normalized year for rate-making purposes. He urges that the determination of whether there should be a hearing on a filing under a fuel adjustment clause should be left to the discretion of the Commission after considering the recommendations of the staff and the requests of various parties who may be concerned with the filing.

#### Resolution of the Issues

The Commission will authorize the amended fuel cost adjustment provision proposed by PG&E and set forth above in this opinion. The admonitory words appearing on page 11 of the mimeograph Decision No. 79832 which the staff attorney requested be included in this decision are included as follows:

"The Commission retains full control of each request for change in the fuel cost adjustment billing factor as no change will become effective without opportunity for staff review and until Commission approval. We expect the staff to take all the time necessary to

review and evaluate any proposed fuel cost adjustment in the light of the supporting data submitted by PG&E and other data accumulated by the staff, plus any objections to such change that may be filed by PG&E's customers or other interested parties."

Also in accordance with the Commission staff recommendation PG&E will be required to file a results of operation report on the ensuing year's operation by October 31 of each year and a report on the previous calendar year's recorded and adjusted operations by March 31 of each year, including in the latter report a showing on the reasonableness of the prices it pays for fossil fuels.

The Commission is authorizing the fuel cost adjustment provision not because of any inadequacy of its staff but because of the frequency and magnitude of increases in fossil fuel costs during a period when other costs, including embedded interest expense, are also increasing with frequency and regularity. The streamlining of regulatory procedures is necessary to give PG&E an opportunity to earn reasonable rates of return on rate base and on equity. Even with an adequate staff public hearing procedures inevitably result in considerable delay in the granting of rate relief.

The Commission realizes that the inclusion of the provision which will permit PG&E to make an additional filing within less than three months after a previous adjustment in case the cost of gas increases by at least 0.010 cents per kilowatt-hour based on the data other than the price of gas contained in the most recent regular filing under the fuel cost adjustment provision will place an additional burden on the staff. However, if additional time is required by the staff, the staff review and preparation of a recommendation to the Commission will be completed before the adjustment will become effective.

The Commission rejects the request of CMA that the most recent recorded and adjusted period rather than a 12-month forecast period be used in making adjustments under the fuel cost adjustment provision and the request of the Executive Agencies that the estimates normalized for the 12-month forecast period should be adjusted for known changes from the normal based upon information such as actual reservoir storage and snowpack. In fixing rates the Commission customarily uses a future normalized year without adjustment because of factors such as existing reservoir storage and snowpack.

The Commission staff within the past year has issued reports on the potential energy resources which are available for gas and electric utilities in California and will continue to do so each year. Such reports which are available to members of the public who desire copies are entitled:

1. Report on Ten-Year and Twenty-Year Forecasts of Electric Utilities' Loads and Resources. July 25, 1972.
2. Summary Report. Ten-Year Forecast on Gas Utilities' Requirements and Supplies. 1972-1981. August 23, 1972.

The request of the representative of the various Consumer Action appearances that the Commission institute proceedings to determine the potential energy resources which are available in California, Alaska, and the lower 48 states, and from international sources for the use of the California consumer and the relative costs of such energy resources is denied.

The adoption of a fuel cost adjustment provision is necessary to enable PG&E to maintain its competitive position in the security markets. PG&E will not be required, as urged by the Consumer Action appearances, to continue to make use of the offset application procedures for rate increases which may be justified by reason of increases in the cost of fossil fuels.

The request for the issuance of a proposed report by the presiding officer is also denied. The Commission is prepared to issue this decision on the basis of the record as it now stands.

The recommendation of the Executive Agencies that PG&E should be required to file quarterly estimates of results of operation on a prospective 12-month basis will not be adopted. In the record of this proceeding the Commission now has before it estimated results of operation of PG&E for the test year 1973. If the Commission wishes to have PG&E file an updated estimated results of operation for an ensuing 12-months' period at the time of considering a filing under the fuel cost adjustment provision, it may require PG&E to do so. At this time, however, we do not anticipate that such a filing, other than the one on or before October 31 of each year, will be necessary.

The recommendation of the Executive Agencies that there should be an overall review of the rate spread of PG&E at some point in time has merit. However, a review of all rates is usually occasioned by an application by the utility or other formal rate proceeding. It is reasonable to assume that lacking a formal petition that cost and revenue relationships will not have changed sufficiently to merit a complete review. The appropriate point in time therefore is best determined when the cost and revenue relationships have occasioned a formal rate proceeding. The electric rate spread of PG&E was last considered in Decision No. 78186 issued January 19, 1971.

#### Findings of Fact

1. In Decision No. 78186 issued January 19, 1971, the Commission found reasonable a range for rate of return between 7.4 and 7.6 percent for PG&E and authorized PG&E to increase its rates for intrastate electric service by \$51,579,000 so that PG&E might realize a rate of return of 7.5 percent for the test year 1970.

2. Underlying the present electric rates is a test year 1970 fuel oil expense of \$2.63 per barrel, which was used by the Commission in Decision No. 78186. The inventory turnover in 1971 through 1972 and a delivered price of \$5.22 per barrel during the test year 1973 raises the cost charged to electric operations to an average of \$3.94 per barrel in test year 1973.

3. The Commission takes official notice of the fact that PG&E was authorized in Decision No. 80878 issued December 19, 1972 in Application No. 53118 to increase its gas rates for its own steam electric generation by 8.42 percent or \$7,820,000 based on the test year 1973.

4. For the test year 1973 the PG&E electric department at present rates will earn not in excess of 7.5 percent rate of return on rate base.

5. Only for purpose of testing the reasonableness of the fuel cost adjustment clause in this proceeding the Commission will adopt a rate of return on rate base of 7.85 percent and a rate of return on equity of 11.5 percent as reasonable.

6. Fuel costs are energy-related and should be recovered by applying a uniform energy charge to each kilowatt-hour sold.

7. PG&E's amended proposed fuel cost adjustment provision will be adopted because (1) in an inflationary period with rapid increases in the cost of fuel, an expedited method is required to permit a utility to recover these costs so that its ability to function is not impaired; (2) because fuel costs are approximately 17 percent of PG&E's total costs, an expedited proceeding to recover these increases will lessen the frequency of general rate cases; and (3) the provision enhances a utility's position in the financial community.

8. The adopted fuel clause will not occasion an abdication of regulatory responsibility; nor will it decrease the incentive of PG&E to keep costs down; nor will it be inflationary as any price increases brought about by use of the fuel clause merely reflect the effect of past price inflation on the cost of fuel.

9. PG&E should be required to submit reports covering the reasonableness of the prices it pays for fossil fuels and the recorded, adjusted, and estimated results of operations for its California jurisdictional operations.

Conclusion of Law

PG&E's amended fuel cost adjustment provision should be authorized as set forth in the order which follows.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to file with the 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 B attached hereto. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be on not less than three days' notice to the public and to the Commission.

2. Pacific Gas and Electric Company shall file a Results of Operation Report on the ensuing year's operation by October 31 of each year and a report on the previous year's recorded and adjusted

operations by March 31 of each year including in the latter report a showing on the reasonableness of the prices it pays for fossil fuels.

The effective date of this order shall be ten days after the date hereof.

Dated at San Francisco, California, this 21<sup>st</sup>  
day of FEBRUARY, 1973.

Vernon L. Sturgeon  
President  
William J. ...  
...  
...  
Commissioners

APPENDIX A

List of Appearances

Applicant: John C. Morrissey, Malcolm H. Furbush, Robert Ohlbach,  
and Joseph S. Englert, Jr., Attorneys at Law, for Pacific Gas  
and Electric Company.

Protestant: Mrs. Sylvia M. Siegel, for herself, Alameda County  
Consumers Action, Diablo Valley Consumers Action, and San  
Francisco Consumers Action.

Interested Parties: William L. Knecht, Attorney at Law, for the  
California Farm Bureau Federation; Brobeck, Phleger & Harrison,  
by Gordon E. Davis and Larry Hultquist, Attorneys at Law, for  
California Manufacturers Association; Thomas M. O'Connor, City  
Attorney, Milton H. Mares, Deputy City Attorney, and Robert  
Laughead, Rate Engineer, for City and County of San Francisco;  
George J. Silvestri, Jr., Attorney at Law, Deputy Marin County  
Counsel, for County of Marin; Chickering & Gregory, by Sherman  
Chickering, C. Hayden Ames, and Donald J. Richardson, Jr.,  
Attorneys at Law, and A. G. Strechan, for San Diego Gas & Electric  
Company; and Frank J. Dorsey, Attorney at Law, Washington, Office  
of Staff Judge Advocate, Headquarters Sixth U.S. Army, and  
Curtis L. Wagner, Jr., Regulatory Law Office, Office of the  
Judge Advocate General, Department of the Army, for the Executive  
Agencies of the United States.

Commission Staff: Cyril M. Saroyan, Attorney at Law, and  
Bruno M. Davis.



APPENDIX B  
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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.

Add the designation "Part A" above Section 1 of the existing Preliminary Statement.

Delete the second paragraph of Section 7 of the Preliminary Statement.

Delete Section 7.1 of the Preliminary Statement.

Add the following to the Preliminary Statement:

PRELIMINARY STATEMENT (Continued)

PART B

Fuel Cost Adjustment

1. Bills rendered under applicable rate schedules and under contracts subject to California Public Utilities Commission jurisdiction\* shall be increased or decreased by a fuel cost adjustment amount related to increases or decreases in the cost per million Btu of fuel used in the utility's generating plants as set forth below:
2. An adjustment per kilowatt-hour shall be determined and applied to service rendered on and after the effective date and continuing thereafter until the next such adjustment becomes effective in accordance herewith. A forecast period is the 12-month period commencing with the first day of the month on the expected effective date of each adjustment per kilowatt-hour. Such adjustment per kilowatt-hour shall not be revised more often than once every three months. If a change in the price of gas occurs which would change the adjustment per kilowatt-hour by at least 0.010 cent per kilowatt-hour based on the data other than the price of gas contained in the most recent regular filing hereunder, the utility shall file a revised interim adjustment per kilowatt-hour in accordance with the provisions of paragraph 7 below and such filing shall not be considered in determining the three-month period.
3. The amount of gas fuel shall be the quantity of gas, in millions of Btu, expected to be used in the utility's generating plants during the forecast period under average temperature conditions. The amount of oil fuel shall be the quantity of oil, in millions of Btu, equal to the difference between (a) the total fossil fuel requirements in the forecast period under normal conditions of temperature and precipitation, and (b) the fossil fuel requirements in the forecast period expected to be supplied by gas fuel.

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\* Except for sales to the California Department of Water Resources under contract dated November 18, 1966, and sales under contracts which provide by their own terms for other rate adjustments for changes in the cost of fuel.

APPENDIX B  
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PRELIMINARY STATEMENT (Continued)  
PART B

4. The base rates reflect a base cost of fossil fuel of 38.024 cents per million Btu. The adjustment per kilowatt-hour shall be determined as follows: The amount of the total fuel cost adjustment shall be determined by calculating the total estimated annual amount of fossil fuel expense (based on prices of fuels on or before the first day the proposed adjustment is to be effective and the fuel availability for the forecast period) and deducting therefrom the corresponding cost of the same quantity of heat energy utilizing the price levels and relative availability of fuels which form the basis for the then existing base rates. The total fuel cost adjustment for the system\*\* would then be allocated to customers by using a fuel cost adjustment per kilowatt-hour\*\*\* (rounded to the nearest 0.001 cent per kilowatt-hour) and applying such adjustment to the quantities of energy billed.
5. The price of gas fuel shall be the average of each applicable gas rate schedule, expressed in cents per million Btu, in effect on or before the expected effective date weighted by the quantity of gas expected to be used under each such gas rate schedule during the forecast period. The price of oil fuel shall be the average cost of each type in inventory (determined in accordance with the Uniform System of Accounts) on the expected effective date for the amount of such oil fuel in inventory and the price of any oil fuel required in excess of such inventory shall be at the price (including sales and use taxes) of the most recent delivery of such fuel.
6. The fuel cost adjustment amount to be added to or subtracted from each bill shall be the product of the total kilowatt-hours for which the bill is rendered multiplied by the adjustment per kilowatt-hour.
7. Each adjustment per kilowatt-hour shall be filed with the California Public Utilities Commission on or before the thirtieth day preceding the date on which such adjustment becomes effective.
8. Any refund from a fuel supplier shall be refunded with 7% interest to the utility customers. A refund plan shall be filed with the California Public Utilities Commission when such refunds have accumulated to a total of \$1,000,000 or more.

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\*\* Excluding the effect of rate increases or decreases from rates in effect December 24, 1971, under other rate adjustments for changes in the cost of fuel.

\*\*\* Excluding Schedule No. P-8 sales not subject to fuel cost adjustment and sales under rate schedules and contracts which provide for other rate adjustments for changes in the cost of fuel.

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RATES - PACIFIC GAS AND ELECTRIC COMPANY

PRELIMINARY STATEMENT (Continued)

PART B

9. Effective for service rendered on and after \_\_\_\_\_, the adjustment per kilowatt-hour is \_\_\_\_\_ cents per kilowatt-hour. The fuel cost adjustment amounts for Schedules Nos. IS-1, IS-2, IS-60, IS-61, and OL-1 are as follows:

<u>Type and Nominal Rating of Lamp</u>	<u>Adjustment Amount Per Lamp Per Month*</u>	
	<u>All Night</u>	<u>Midnight</u>
<u>Incandescent</u>		
600 Lumens . . . . .	\$	\$
1,000 Lumens . . . . .		
2,500 Lumens . . . . .		
4,000 Lumens . . . . .		
6,000 Lumens . . . . .		
10,000 Lumens . . . . .		
15,000 Lumens . . . . .		
<u>Mercury Vapor</u>		
175 Watts . . . . .		
250 Watts . . . . .		
400 Watts . . . . .		
700 Watts . . . . .		
1,000 Watts . . . . .		
<u>Metal Halide</u>		
400 Watts . . . . .		
1,000 Watts . . . . .		
<u>Sodium Vapor, High Pressure</u>		
400 Watts . . . . .		
<u>Sodium Vapor, Low Pressure</u>		
1,000 Lumens . . . . .		

\* Add if positive, subtract if negative.

APPENDIX B  
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RATES - PACIFIC GAS AND ELECTRIC COMPANY

Delete the "Gas Cost Offset Charge" provision established pursuant to Decision No. 78881 (June 29, 1971) from all rate schedules in which it appears. The schedules following have included in them the presently effective Gas Cost Offset Charge of 0.0291 cent per kilowatt-hour.

Add the following to each rate schedule (including Special Condition No. 9 of Schedules Nos. A-14 and P-8) except Schedules Nos. A-18, A-40, A-41, D-40, DE and R:

"Fuel Cost Adjustment: A fuel cost adjustment, as specified in Part B of the Preliminary Statement, will be included in each bill for service, including bills for minimum charges. The fuel cost adjustment amount shall be the product of the total kilowatt hours for which the bill is rendered multiplied by the adjustment per kilowatt hour."

SCHEDULES NOS. A-1, A-2, A-3, A-4 and A-5

		Per Meter Per Month				
		A-1	A-2	A-3	A-4	A-5
Customer Charge:		\$0.50	\$0.60	\$0.65	\$0.70	\$0.85
Energy Charge (in addition to the Customer Charge):						
First	100 kwhr, per kwhr	4.029¢	4.329¢	4.529¢	4.729¢	5.929¢
Next	200 kwhr, per kwhr	3.629	3.829	4.029	4.329	5.329
Next	700 kwhr, per kwhr	3.429	3.529	3.729	4.029	4.929
Next	2,000 kwhr, per kwhr	2.929	3.029	3.129	3.229	3.629
Over	3,000 kwhr, per kwhr	2.029	2.029	2.029	2.029	2.029

SCHEDULE NO. A-12

Energy Charge:		Per Meter Per Month
First 6,000 kwhr or less:		\$169.24
All excess over 6,000 kwhr:		
First 100 kwhr per kw of billing demand, per kwhr		2.129¢
Next 200 kwhr per kw of billing demand, per kwhr		1.079
All excess, per kwhr		.679

(The fuel cost adjustment amount is not subject to any adjustment for voltage or power factor.)

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RATES - PACIFIC GAS AND ELECTRIC COMPANY

SCHEDULE NO. A-13

Demand Charge:	Per Meter Per Month
First 1,000 kw of billing demand	\$1,500.00
Over 1,000 kw of billing demand, per kw	1.00

Energy Charge (in addition to the Demand Charge):

First 100 kwhr per kw of billing demand, per kwhr	1.249¢
Next 200 kwhr per kw of billing demand, per kwhr	.749
All excess, per kwhr	.679

(The fuel cost adjustment amount is not subject to any adjustment for voltage or power factor.)

SCHEDULE NO. A-14

Demand Charge:	
First 4,000 kw of billing demand	\$4,300.00
Over 4,000 kw of billing demand, per kw	.95

Energy Charge (in addition to the Demand Charge):

First 100 kwhr per kw of billing demand, per kwhr	1.179¢
Next 200 kwhr per kw of billing demand, per kwhr	.729
All excess, per kwhr	.529

Excess Demand Service (Special Condition No. 9):

Demand Charge:	
Per kw of excess maximum demand, per month:	\$3.91

Energy Charge:

First 450 kwhr per kw of excess demand, per month:  
Included in Demand Charge

All over 450 kwhr per kw of excess demand, per month:  
5.29 mills per kwhr

(The fuel cost adjustment amount is not subject to any adjustment for voltage or power factor.)

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RATES - PACIFIC GAS AND ELECTRIC COMPANY

SCHEDULE NO. A-15

Customer Charge:

Per Meter  
Per Month  
\$0.60

Energy Charge (in addition to the Customer Charge):

First 50 kwhr, per kwhr	6.029¢
Next 150 kwhr, per kwhr	5.479
Next 800 kwhr, per kwhr	4.829
Next 2,000 kwhr, per kwhr	4.229
Next 12,000 kwhr, per kwhr	3.429
All over 15,000 kwhr per meter per month:	
First 50 kwhr per kw of billing demand, per kwhr	2.879
Next 150 kwhr per kw of billing demand, per kwhr	2.179
All excess, per kwhr	1.529

SCHEDULE NO. A-16

Energy Charge:

First 150 kwhr, per kwhr	5.129¢
Next 150 kwhr, per kwhr	3.029
All excess, per kwhr	2.329

SCHEDULE NO. A-60

Customer Charge:

\$0.75

Energy Charge (in addition to the Customer Charge):

First 100 kwhr, per kwhr	4.029¢
Next 200 kwhr, per kwhr	3.429
Next 700 kwhr, per kwhr	2.929
Next 2000 kwhr, per kwhr	2.529
Next 7000 kwhr, per kwhr	2.229
All excess, per kwhr	1.729

SCHEDULE NO. A-61

Rate A

Customer Charge:

\$1.25

Energy Charge (in addition to the Customer Charge):

First 100 kwhr, per kwhr	4.829¢
Next 200 kwhr, per kwhr	4.129
Next 700 kwhr, per kwhr	3.829
Next 2,000 kwhr, per kwhr	3.129
Over 3,000 kwhr, per kwhr	2.029

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RATES - PACIFIC GAS AND ELECTRIC COMPANY

SCHEDULE NO. A-61 (Continued)

	Per Meter Per Month
Rate B	
For all kwhr, per kwhr	1.129¢

SCHEDULE NO. A-62

Rate A	
Energy Charge:	
First 13 kwhr, or less	\$1.60
Next 37 kwhr, per kwhr	4.429¢
Next 200 kwhr, per kwhr	3.729
Next 500 kwhr, per kwhr	3.529
Next 1,750 kwhr, per kwhr	3.129
Over 2,500 kwhr, per kwhr	2.029
Rate B	
Energy Charge:	
First 300 kwhr, per kwhr	1.679¢
Over 300 kwhr, per kwhr	1.279

SCHEDULE NO. OL-1

175 watt mercury vapor lamp	\$4.271
400 watt mercury vapor lamp	6.745

SCHEDULES NOS. D-1, D-2, D-3, D-4 and D-5

	Per Meter Per Month				
	D-1	D-2	D-3	D-4	D-5
Customer Charge:	\$0.50	\$0.60	\$0.65	\$0.70	\$0.85
Energy Charge (in addition to the Customer Charge):					
First 50 kwhr, per kwhr	4.029¢	4.329¢	4.529¢	4.729¢	5.929¢
Next 50 kwhr, per kwhr	3.029	3.229	3.429	3.529	4.229
Next 100 kwhr, per kwhr	1.829	2.229	2.429	2.529	2.929
Next 100 kwhr, per kwhr	1.629	1.629	1.629	1.629	1.629
Next 700 kwhr, per kwhr	1.529	1.529	1.529	1.529	1.529
Over 1,000 kwhr, per kwhr	1.329	1.329	1.329	1.329	1.329

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RATES - PACIFIC GAS AND ELECTRIC COMPANY

SCHEDULE NO. D-60

Customer Charge:

Per Meter  
Per Month

\$0.75

Energy Charge:

First 50 kwhr, per kwhr  
Next 50 kwhr, per kwhr  
Next 200 kwhr, per kwhr  
Next 700 kwhr, per kwhr  
Over 1,000 kwhr, per kwhr

4.029¢  
3.529  
1.829  
1.529  
1.229

SCHEDULE NO. H-1

First 150 kwhr, per kwhr  
Next 850 kwhr, per kwhr  
All excess, per kwhr

5.629¢  
2.179  
1.529

SCHEDULE NO. IS-1

Class	Rate Per Lamp Per Month		
	A		B
	All-Night	Midnight	All-Night
Burning Schedule			
Nominal Lamp Rating			
Incandescent Lamps			
600 lumens or less	\$ 2.006	\$ 1.803	\$ -
1,000 lumens	2.209	1.955	-
2,500 lumens	3.318	2.959	2.568
4,000 lumens	4.030	3.465	3.180
6,000 lumens	4.741	4.020	3.891
10,000 lumens	6.412	5.331	5.512
15,000 lumens	8.286	6.643	-
Mercury Vapor Lamps			
Lamp Average Initial			
Watts Lumens			
100 3,500	\$ 3.413	\$ -	\$ 2.507
175 7,500	3.871	3.310	3.021
250 11,000	4.680	3.965	3.880
400 21,000	6.145	5.023	5.245
700 37,000	10.476	8.638	8.676
1,000 57,000	13.158	10.854	11.158
High Pressure			
Sodium Vapor Lamps			
Lamp Average Initial			
Watts Lumens			
250 25,500	\$10.583	-	\$ 7.883
400 46,000	11.950	-	9.950



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RATES - PACIFIC GAS AND ELECTRIC COMPANY

SCHEDULE NO. IS-2

Class Burning Schedule Nominal Lamp Rating Incandescent Lamps	Rate Per Lamp Per Month					
	A		B		C	
	All-Night	Midnight	All-Night	Midnight	All-Night	Midnight
1,000 lumens or less	\$ .559	\$ .455	\$1.009	\$ .755	\$1.359	\$1.055
2,500 lumens	1.218	.959	1.818	1.309	2.168	1.609
4,000 lumens	1.830	1.415	2.480	1.865	2.780	2.065
6,000 lumens	2.591	1.970	3.191	2.420	3.591	2.720
10,000 lumens	4.012	3.031	4.762	3.531	5.162	3.881
15,000 lumens	5.586	4.193	6.536	4.793	6.936	5.193

Low Pressure Sodium  
Vapor Lamps

10,000 lumens	\$1.922	-	-	-	-	-
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High Pressure Sodium  
Vapor Lamps

Lamp Watts	Average Initial Lumens
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250	25,500	\$2.533	-	\$4.383	-	\$4.883	-
400	46,000	3.330	-	4.650	-	5.150	-

Metal Halide Lamps

Lamp Watts	Average Initial Lumens
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400	30,000	\$3.297	-	-	-	-	-
1,000	90,000	7.362	-	-	-	-	-

Rate Per Lamp Per Month

Class Burning Schedule Nominal Lamp Rating Mercury Vapor Lamps	Lamp Watts	Average Initial Lumens	Rate Per Lamp Per Month					
			A		B		C	
			All-Night	Midnight	All-Night	Midnight	All-Night	Midnight
100	3,500		\$1.213	\$ .957	\$1.613	\$1.207	\$2.113	\$1.607
175	7,500		1.721	1.360	2.121	1.660	2.621	2.060
250	11,000		2.280	1.815	2.780	2.165	3.280	2.465
400	21,000		3.295	2.573	3.795	2.973	4.295	3.373
700	37,000		5.326	4.038	6.626	4.838	7.126	5.288
1,000	57,000		7.508	5.704	9.058	6.604	9.558	7.004

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RATES - PACIFIC GAS AND ELECTRIC COMPANY

SCHEDULE NO. IS-3

Per Meter  
Per Month

Energy Charge:

For the first 20 kw or less of connected load:

First 150 kwhr per month per kw connected

All excess, per kwhr

3.929¢  
.929

For all connected load in excess of the first 20 kw:

First 150 kwhr per month per kw connected

All excess, per kwhr

3.229¢  
.929

Service Charge (in addition to the Energy Charge):

\$4.00 per month for each service connection to a  
separate circuit of the customer.

SCHEDULE NO. IS-4

Energy Charge:

For the first 20 kw or less of connected load:

First 150 kwhr per month per kw connected

All excess, per kwhr

3.929¢  
.929

For all connected load in excess of the first 20 kw:

First 150 kwhr per month per kw connected

All excess, per kwhr

3.229¢  
.929

Service Charge (in addition to the Energy Charge):

\$4.00 per month for each service connection to a  
separate circuit of the customer.

SCHEDULE NO. IS-60

Nominal Lamp Rating:

Incandescent Lamps:

2,500 lumens

4,000 lumens

6,000 lumens

Rate Per Lamp Per Month  
All-Night Service

\$2.438

3.030

3.601

SCHEDULE NO. IS-61

A

Lamp Rating

4,000 lumens, Incandescent

10,000 lumens, Incandescent

10,000 lumens, Mercury Vapor

\$3.590

8.172

5.080

B

Lamp Rating

2,500 lumens, Incandescent

4,000 lumens, Incandescent

\$ .868

1.390

C

Lamp Rating

2,500 lumens, Incandescent

\$1.588

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RATES - PACIFIC GAS AND ELECTRIC COMPANY

SCHEDULE NO. TC-1

Service Charge:  
For each Service Connection

Per Meter  
Per Month  
\$1.25

Energy Charge:  
All kwhr, per kwhr

2.459¢

SCHEDULE NO. P-1

A-Monthly Basis

Energy Charge:  
Connected Load in hp

Rate per kwhr for Monthly Consumption of			
First 50 kwhr per hp	Next 50 kwhr per hp	Next 150 kwhr per hp	All over 250 kwhr per hp
5.279¢	2.779¢	1.629¢	1.279¢
4.729	2.729	1.479	1.279
3.929	2.479	1.379	1.179

B-Annual Basis

Demand Charge:

Per hp  
Per Year

First 10 hp of connected load

\$8.40

All over 10 hp of connected load

5.90

The demand charge is payable in five equal  
monthly installments.

Energy Charge (in addition to the Demand Charge):

The energy rates applicable to Rate A above.

SCHEDULE NO. P-3

Billing Demand kw	Rate per kwhr for Monthly Consumption per kw of Billing Demand			
	First 100 kwhr per kw	Next 100 kwhr per kw	Next 100 kwhr per kw	All over 300 kwhr per kw
0 - 18	3.829¢	2.029¢	1.479¢	1.279¢
19 - 37	3.479	1.729	1.279	1.179
38 - 74	3.179	1.479	1.279	1.029
75 and over	2.729	1.379	1.179	.929

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RATES - PACIFIC GAS AND ELECTRIC COMPANY

SCHEDULE NO. P-5

Energy Charge:

Connected Load in hp	Rate per Kwhr for Monthly Consumption of			
	First 50	Next 50	Next 150	All over
	kwhr per hp	kwhr per hp	kwhr per hp	250 kwhr per hp
2 - 9.9	6.479¢	3.529¢	2.079¢	1.529¢
10 - 24.9	5.679	3.329	1.879	1.529
25 - 49.9	4.779	3.229	1.729	1.429
50 - 99.9	4.129	2.879	1.729	1.279
100 - 249.9	3.679	2.529	1.529	1.179
250 - 499.9	3.329	2.179	1.429	1.079
500 and over	3.229	2.079	1.379	1.079

SCHEDULE NO. P-8

Electric Rate I

Demand Charge:

	Per Meter Per Month
First 1,000 kw of billing demand	\$1,500.00
Over 1,000 kw of billing demand, per kw	1.00

Energy Charge (in addition to the Demand Charge):

First 100 kwhr per kw of billing demand, per kwhr	1.249¢
Next 200 kwhr per kw of billing demand, per kwhr	.749
All excess, per kwhr	.679

Electric Rate II

Demand Charge:

First 4,000 kw of billing demand	\$4,300.00
Over 4,000 kw of billing demand, per kw	.95

Energy Charge (in addition to the Demand Charge):

First 100 kwhr per kw of billing demand, per kwhr	1.179¢
Next 200 kwhr per kw of billing demand, per kwhr	.729
All excess, per kwhr	.529

Excess Demand Service (Special Condition No. 9):

Demand Charge:

Per kw of excess maximum demand, per month:	\$3.91
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RATES - PACIFIC GAS AND ELECTRIC COMPANY

SCHEDULE NO. P-8 (Continued)

Energy Charge:

First 450 kwhr per kw of excess demand, per month:  
Included in Demand Charge

All over 450 kwhr per kw of excess demand, per month:  
5.29 mills per kwhr

(The fuel adjustment amount is not subject to any readjustment for voltage or power factor.)

In territories A and C, the fuel cost adjustment is applicable only to that portion of Refinery Energy Requirements which is in excess of Net Plant Output.

SCHEDULE NO. P-60

Energy Charge:

Connected Load in hp	Rate per Kwhr for Monthly Consumption of			
	First 50	Next 50	Next 150	All over
	kwhr per hp	kwhr per hp	kwhr per hp	250 kwhr per hp
2 - 4.9	4.129¢	2.429¢	1.629¢	1.379¢
5 - 9.9	3.829	2.279	1.479	1.229
10 - 24.9	3.579	2.129	1.379	1.129
25 - 49.9	3.229	1.879	1.379	1.129
50 - 99.9	2.929	1.779	1.379	1.129
100 and over	2.679	1.629	1.379	1.129

SCHEDULE NO. PA-1

A - Connected Load Basis

B - Maximum Demand Basis

Connected Load in hp or Billing Demand in kw	Annual Service Chge. per hp or kw	Energy Charge in Addition to the Service Charge		
		Rate per kwhr per hp or kw per year		
		First 1,000 kwhr per hp or kw	Next 1,000 kwhr per hp or kw	All over 2000 kwhr per hp or kw
2 - 4.9	\$9.12	2.049¢	1.009¢	.729¢
5 - 14.9	7.92	1.759	1.009	.729
15 - 49.9	7.14	1.639	1.009	.729
50 - 99.9	6.36	1.519	1.009	.669
100 - 249.9	5.76	1.459	1.009	.669
250 - 499.9	5.52	1.419	1.009	.669
500 and over	5.16	1.339	1.009	.669