JR

Decision No. 83117

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY for authority to revise its San Francisco Steam Sales tariff to offset the effect of increases in the price of fuel and to include a fuel cost adjustment provision.

Application No. 54025
(Filed May 11, 1973)

John C. Morrissey, Malcolm H. Furbush, Robert Ohlbach and Joseph S. Englert, Jr., Attorneys at Law, for applicant.
Thomas M. O'Connor, City Attorney, by Robert R. Laughead, for the City and County of San Francisco; and Steinhart, Goldberg, Feigenbaum & Ladar, by John Curran Ladd, Attorney at Law, for Hotel Employers Association; interested parties.
Elmer Sjostrom, Attorney at Law, for the Commission staff.

O P I N I O N

Pacific Gas and Electric Company (PG&E) requests authority to increase rates and charges for its San Francisco steam sales system to offset increases in steam fuel expense since its last general steam rate proceeding. PG&E also requests authority to adopt and implement a fuel cost adjustment provision in order to establish a fair and efficient method whereby it will be able to offset promptly in its San Francisco steam sales system rates and charges, increased or decreased expense resulting from changes in the price and use of fossil fuel, namely natural gas and fuel oil. PG&E claims that authorization of its proposals will place it in the same position it would be in if there were no such increases in its cost of fuel and will only enable the San Francisco steam sales system to earn the same rate of return that it would earn if there were no fuel cost increases above those upon which present rates are based. Both the present rate of return and the rate of return under the proposed offset are far below a fair and reasonable level according to PG&E.

Public hearing was held before Examiner Gillanders at San Francisco on November 19 and 20, 1973. Applicant had published, mailed, and posted notice of the hearings in accordance with this Commission's Rules of Practice and Procedure. The matter was submitted on December 10, 1973 upon receipt of briefs. Testimony was presented by applicant's vice president - rates and valuation, a supervising rate engineer in the Rate Department, and its San Francisco Division engineer. Testimony on behalf of the Hotel Employers Association was presented by its executive director. Testimony on behalf of the staff was presented by a registered professional engineer.

According to PG&E's testimony it seeks approval of an increase in San Francisco steam sales rates of $211,500 to offset increases in steam fuel costs since its last general rate proceeding. It also seeks approval of an expeditious method of changing its filed steam sales rates to reflect changes in the cost of fossil fuel used to generate steam. By "fossil fuel," it means natural gas and oil fuel. The fuel cost adjustment procedure which it proposes is nearly identical in form to that authorized by this Commission for PG&E's Electric Department in Decision No. 81077 dated February 21, 1973. Virtually all of the fossil fuel requirements of the San Francisco steam sales system are presently supplied from the PG&E Gas Department under Gas Tariff Schedule No. G-50. Since PG&E's last general steam sales rate proceeding in 1958, the cost of fossil fuel which underlies present rates has risen from 79.2 cents per thousand pounds of steam sold to 103.0 cents per thousand pounds for the year 1973 estimated. Because fossil fuel expense comprises about 60 percent of San Francisco steam sales system operating expense, this increase has resulted in significantly higher costs than were included in the operating expenses at the time of the establishment of PG&E's present steam sales rates. Most of this increased fuel cost has occurred within the last three years.

The total annual increase in fossil fuel cost to the San Francisco steam sales system from the 1958 level to the current level, i.e., gas fuel priced at Gas Department Schedule No. G-50 effective January 3, 1973 and oil fuel priced at the level prevailing as of December 1972, is $211,000. The revenue requirement necessary to offset this amount, after adjustment for uncollectibles, is $211,500. In addition, PG&E is proposing to adjust the offset revenue requirement to reflect any additional increase in Gas Department Schedule No. G-50 rates which may have become effective on or before the date of the order herein. The proposed offset increase, if granted, would restore steam sales system's rate of return to 1.04 percent.

According to PG&E, a fuel cost adjustment procedure is desirable for several reasons. First, it will save the time and expense of the numerous offset rate proceedings which would otherwise be required in order for PG&E's Steam Sales Department to maintain an existing rate of return level during a period of frequent fossil fuel cost changes. Second, the procedure will lessen the likelihood of future general rate case filings, as fossil fuel comprises a significant portion, about 60 percent, of total steam sales operating expenses. Third, 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.

PG&E's fuel cost adjustment proposal is described thusly:

> "When a fossil fuel cost change occurs, either upward or downward, a computation will be made to determine its total effect on the Steam Sales Department. This effect, if it changes steam sales fuel costs by at least 1.0 cent per thousand pounds of steam sold, will initiate a corresponding change in steam sales rates. Such a rate change, with supporting detailed comutations [sic], will be filed with the Commission by advice letter to allow thorough examination by the Staff and approval by the Commission prior to the effectiveness of the rate change. . . . The fuel cost adjustment provision will do nothing more than maintain the Steam Sales Department's rate of return at the same level as would have existed if no fuel cost change had occurred."

According to the staff witness, the staff differs from PG&E in that the staff has computed PG&E's revenue requirement in the following manner: (1) A nominal quantity of lost and unaccounted for steam (115 million pounds per year) was used for the results of operations study rather than the anticipated quantity. (2) Economies in fuel and water cost were calculated assuming that the reduction in lost and unaccounted for steam would enable PG&E to satisfy steam demands with one steam plant, rather than two. (3) Present rates are proposed as base rates for the purchased fuel adjustment clause, rather than rates which include a 23.9 cent offset.

The nominal quantity of lost and unaccounted for steam was selected after a comparison with the operations of the San Diego Gas & Electric Company's steam system and other data. Essentially, the lost and unaccounted for quantity based on 6 percent of sales as used by San Diego Gas & Electric Company was converted into losses that would be experienced from a pipe system with a certain amount of insulation. The equivalent losses for the more extensive PG&E system were then calculated and finally an allowance for variation was included.

A comparison of PG&E's and staff's results of operation is:

San Francisco Steam Sales System
RESULTS OF OPERATIONS
Year 1973 Estimated at Present Rates

Item	Company	Staff	Co. Exceeds Staff	
			Amount	%
Operating Revenues	$1,413,300	$1,413,300	$ -	-%
Operating Expenses				
Production Expenses				
Natural Gas Purchased	900,300	745,400	154,900	20.8
Fuel Oil Purchased	12,200	4,700	7,500	159.6
Other Production Expenses	258,500	250,000	8,500	3.4
Total Production	1,171,000	1,000,100	170,900	17.1
Distribution Expenses	211,900	211,900	-	-
Administrative and General	91,900	91,900	-	-
Uncollectibles	3,000	3,000	-	-
Total Excluding Taxes & Depreciation	1,477,800	1,306,900	170,900	13.1
Taxes				
Property	156,300	156,300	-	-
Payroll	21,200	21,200	-	-
State Corporation Franchise	(46,800)	(31,400)	(15,400)	49.0
Federal Income	(263,800)	(189,100)	(74,700)	39.5
Total Taxes	(133,100)	(43,000)	(90,100)	209.5
Depreciation	135,200	135,200	-	-
Total Operating Expenses	1,479,900	1,399,100	80,800	5.8
Net for Return	(66,600)	14,200	(80,800)	(569.0)
Rate Base	3,203,600	3,203,600	-	-
Rate of Return	(2.08)%	0.44%	(2.52)%	-

(Inverse Item)

San Francisco Steam Sales System

RESULTS OF OPERATIONS

Year 1973 Estimated at Proposed Rates

Item	Company	Staff	Co. Exceeds Staff Amount	Co. Exceeds Staff %
Operating Revenues	$1,624,800	$1,625,800	$ (1,000)	(0.1%)
Operating Expenses				
Natural Gas	900,300	745,400	154,900	20.8
Fuel Oil	12,200	4,700	7,500	159.6
Subtotal	912,500	750,100	162,400	21.7
Other Expenses Excluding Income Taxes	878,500	870,000	8,500	1.0
Taxes Based on Income	(199,400)	(108,500)	(90,900)	83.8
Total Operating Exp.	1,591,600	1,511,600	80,000	5.3
Net for Return	33,200	114,200	(81,000)	(70.9)
Rate Base	3,203,600	3,203,600	-	-
Rate of Return	1.04%	3.56%	2.52%	-

(Inverse Item)

The staff's proposed rate schedule is identical to PG&E's "except for the base and effective rates. The staff's proposed rates are the same as the presently effective rate." The staff selected the currently effective rate for three reasons. "(1) The proposed offset is supposed to reflect changes in fuel costs since the last general rate case in 1958. This is an extremely long period of time over which to expect to make an offset. (2) PG&E has not been precluded from filing for a general rate increase during this entire period. If rate relief had been desired, such a filing could have been made. (3) A general filing for a rate increase has been made and it would appear more reasonable to wait upon a full and current investigation of the PG&E Steam Department for the determination of reasonable rates." We interpret this to mean that the staff is opposed to a rate increase but favors a fuel adjustment clause using presently effective rates as the base.

The staff recommended that the proposed Steam Department fuel clause as modified by the staff be granted and implemented and that PG&E be ordered to file an estimated Steam Department results of operation report on the ensuing calendar year's operations by October 31 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 executive director of the Hotel Employers Association testified that the association, which represents the 41 major hotels in San Francisco, considers PG&E's proposed increase to be "unquestionably a very substantial increase". He testified that the magnitude of the proposed increase after a long period of stable rates would present problems to the hotel industry that would not have arisen if there had been gradual increases. Because of the practice of booking conventions and tours in advance - in some cases as much as 2-1/2 years - the industry in many cases cannot pass the increase on to the customers. As much as 70 percent of the hotels' business is booked in advance at confirmed rates. He indicated that if PG&E had increased its rates every few years, it would have enabled the hotels to pass the increases on to their customers, which is an acceptable manner for handling increases.

Issues

According to the staff, the issues are:

1. Should PG&E be allowed an offset increase based on a 15-year old rate proceeding?

2. Should PG&E be granted a fuel cost adjustment provision that provides for full recovery of lost and unaccounted for steam?

Issue 1. The staff argues that changed circumstances prevent comparison of 1958 and current steam system operations. The steam system has changed since the 1958 rate case. Sales have increased from 312.6 million pounds in 1957 to an estimated 885.7 million pounds in 1973. Lost and unaccounted for steam has increased from 204.4 million pounds in 1957 to an estimated 326 million pounds in 1973. Extensive reconstruction and replacement work was necessitated by the Bay Area Rapid Transit System development on Market Street. These and other changes, such as the manner of operating Station S, indicate the difficulties which occur if a direct comparison is attempted between the 1958 system and the present system.

The city and county of San Francisco argues as follows:

> "Witness Dutcher of the Commission staff, in his prepared testimony, page 5, question 17, set forth his reasons for selecting a current effective rate for the fuel adjustment clause. In his answer he gave three reasons:
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> > 'First, the proposed project is supposed to reflect changes in fuel costs since the last general rate increase in 1958. This is an extremely long period of time over which to expect to make an offset.
> >
> > 'Second, PGand E has not been precluded from filing for a general rate increase during this entire period. If rate relief had been desired, such a filing could have been made.
> >
> > 'Third, a general filing for a rate increase has been made and it would appear more reasonable to wait for a full and current investigation of the PGandE steam department for the determination of reasonable rates.'
>
> "The company in Application No. 53227 filed March 23, 1972, made application for authority to adopt a fuel cost adjustment provision for inclusion in its San Francisco steam sales tariff. In that particular application the company proposed to add a preliminary statement of the steam sales tariff, a fuel cost provision, which would allow PGandE promptly to adjust the steam rate charges to reflect changed rates for fossil fuel expense either above or below the level of fossil fuel expense as of December 31, 1971. On February 14, 1973 the company gave notice to the Commission that it had withdrawn Application No. 53227. The Commission issued Dec. #81044 authorizing same.
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> "The company introduced Exhibit No. 16, which sets forth the full cost of oil and gas related to its sales for the years 1958 through 1972. It was not until the year 1972 that the cost of per thousand pounds of steam increased at a considerable rate above that experienced in the prior 14 years."

In light of the company's withdrawal of Application No. 53227[1/] and the reasons set forth by staff witness Dutcher, San Francisco recommended that the fuel adjustment clause have as its base price the price of fuel to the company as of December 1, 1973.

Issue 2. The staff argues that PG&E has made application for a general rate increase for its steam sales system in Application No. 54281, which general rate increase proceeding will provide an opportunity for a full and current investigation into the steam sales system; that the fuel adjustment clause proposed by PG&E would institutionalize an inefficient operation because the operation of the fuel adjustment clause as proposed by PG&E will transfer all increases in fuel costs to the steam customer, including the costs for fuel required to generate lost and unaccounted for steam; that studies by PG&E have indicated that lost and unaccounted for steam can be reduced to 16 percent of sales from the present level of 36.8 percent; that the Commission has been directed to institute conservation programs by the energy policy of the State of California which calls upon the Commission to institute conservation programs through formal Commission proceedings; that PG&E has no program to insulate the steam system nor does it have an ongoing program to replace old mains as a conservation measure; and that it was established that many of the mains were poorly insulated or not insulated at all, despite knowledge that substantial heat losses are prevented by insulation.

The staff maintains that its proposal will encourage PG&E to improve its steam system without imposing sudden hardships because the staff proposal uses a nominal quantity of lost and unaccounted for steam in the computation of the fuel adjustment clause. Thus,

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1/ In Application No. 53227 PG&E asked for adjustment based on the level of fossil fuel expense as of December 31, 1971. The adjusted year 1971 Results of Operation at a hypothetical fuel increase still showed a negative rate of return (2.57 percent).

as increases in the cost of fuel occur, only the efficient portion of such increases will be passed on to the customer. Since changes in fuel cost occur gradually, PG&E will have time to make necessary repairs to improve the efficiency of its steam system, or to show that such improvements should not be made.

San Francisco argues that PG&E's testimony has indicated that the steam distribution system dates back prior to the 1906 earthquake and that 70 percent of the system was installed prior to 1916. The major reason set forth for the unaccounted for sales or loss is attributable to the poor or nonexisting insulation of the distribution system as it is today. Some of the original piping was installed with redwood bark and evidently very little, if any, insulation is left on a good portion of the system that was installed prior to 1916. The staff in its presentation made a study of heat losses and, in comparing PG&E's heat loss with that experienced by San Diego Gas & Electric Company, made a downward adjustment to PG&E's figures in pounds of steam sendout and number of boilers required to service existing customers to arrive at an overall loss and unaccounted for ratio to sales of 13 percent.

While San Francisco feels that the 13 percent may be low, it asserts that PG&E does have a problem and should bring its distribution system up to a point where its loss ratio is more in line with other utilities that have similar systems. While testimony indicated that the expenditure to reinsulate the whole system would exceed, on a cost basis, the benefits derived, it argues that the gas saved would be sufficient to heat 1,000 homes in San Francisco for one year.[2/] The burden of improving the present system, of course, would fall upon the present steam heat customers and would materially increase their rates over the present level. San Francisco feels

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2/ Based on the staff's estimated losses and average usage the figure becomes 2,500 homes.

this change should be a gradual one in light of the pending rate application of the company to increase its present steam rates by 43 percent, and because revised figures of the company indicate that a 20 percent increase is reasonable if fuel increases since 1958 are recovered. San Francisco recommends that PG&E's figures be adopted insofar as steam sendout and sales are concerned and that the matter of system losses be resolved in the pending rate application of PG&E, Application No. 54281 filed August 30, 1973. San Francisco also recommends that the fuel adjustment clause have as its base price the price of fuel to PG&E as of December 1, 1973.

PG&E argues that prior to 1916, redwood chips and planks were utilized to insulate the steel steam pipe; that 70 percent of the system was installed prior to 1916; and that one of its rebuttal witnesses stated that there are 52,000 feet of pipe that have inadequate insulation. To replace that pipe with pipe with adequate insulation would cost approximately $6-1/2 million; that the annual cost of this expenditure would be in the range of $1,300,000 based on a 20.20 percent cost of ownership charge; that the steam savings from this expenditure would be about 15,000 pounds per hour, which represents about $70,000 per year in fuel cost savings. ($105,000 based on 1972 fuel cost figures.) The witness further indicated that another study had been made which looked specifically at the low pressure system that exists in San Francisco. This study shows that there is about 17,000 feet of pipe in the low pressure portion of the PG&E system; that to run extensions from the high pressure system to serve those customers currently on the low pressure system would require an expenditure of $1,090,000; that this would require an annual cost of about $220,000; that the steam savings from this expenditure would be about 10,000 pounds per hour and, including maintenance, overhead, and repair expense savings, would be about $102,000 a year; that based on 1972 fuel cost figures, the fuel cost savings alone would be $61,500; that it would not be operationally possible to utilize a single plant to meet the steam system generation requirements because the maximum system sendout was in the range of 340,000 pounds per hour; that Station T, the larger of PG&E's steam generation plants, has a capacity of 275,000 pounds per hour; that Station S has a generating capacity of 100,000 pounds per hour; and that even if unaccounted for were reduced by 36,000 pounds per hour by very extensive reconditioning of the system, Station T alone could not be used to sustain system demand.

PG&E argues further that because of the various differences between the San Francisco and San Diego steam sales systems, the San Diego system was not a proper model against which to compare the San Francisco system.

Discussion

Applicant has here presented an insubstantial showing upon which to base a substantial rate increase nor is the staff's showing, which does give consideration to some factors ignored by PG&E (i.e., steam losses), as complete as we would prefer. Cross-examination of PG&E's witnesses and the staff witness revealed that no consideration was given to presenting a complete results of operation study. For example, neither PG&E nor the staff made any study of what effect realistic depreciation rates would have on the results of operation. A reasonable inference from applicant's testimony is that applicant's witness testified that pipe installed in the late 1880's is still in near perfect condition (a fact that we find difficult to believe), yet no one gave effect to this in the results of operation studies presented. PG&E's "studies" regarding costs to rehabilitate the system can at best be described as merely "rough calculations".

In these days of great concern for energy conservation, we find it unreasonable that PG&E should continue pouring hundreds of thousands of cubic feet of precious natural gas into uninsulated pipes merely to save money.

PG&E has failed to show that its requested rate increase is justified. PG&E has another opportunity to convince the Commission that its proposal for a Steam Department rate increase has merit at the hearings on Application No. 54281.

The relief requested shall be partially denied. Even though the evidence in this proceeding has not included a complete results of operation study, the costs of fuel have risen substantially and can be anticipated to change in the future. All parties in this proceeding have indicated agreement with the concept of a purchased fuel adjustment clause that would enable PG&E to make prompt changes in the rates and charges made to steam customers to reflect changes in the price and use of fossil fuel.

The fuel cost adjustment provision proposed by the staff is superior to that proposed by PG&E in that the inefficient portion of fuel cost increases would not be passed on to PG&E's steam customers. Finally, the base cost of fossil fuel selected by the staff and shown in Exhibit 7 is preferable to that of PG&E and also to the recommendations of San Francisco in that it reflects as a base the more recent costs being experienced by PG&E.

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 conditions as set forth in Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised tariff schedules shall be thirty days after the filing.

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.

3. Rate relief is denied.

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

Dated at San Francisco, California, this 9th day of JULY, 1974.

Vernon L. Sturgeon
President

William Symons, Jr.

Commissioners

I dissent.

Thomas Moran
Commissioner

APPENDIX A

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 the existing Preliminary Statement.

Add as "PART B" of the preliminary statement the following Fuel Cost Adjustment Provision:

PRELIMINARY STATEMENT (Continued)

PART B

Fuel Cost Adjustment Billing Factor

1. As set forth below, bills rendered under Schedule No. S-1 shall be increased or decreased by an amount related to increases or decreases in the cost per million Btu of fuel used in the Company's steam production plants.

2. A unit fuel clause adjustment billing factor stated in cents per 1,000 lbs. of steam sold (adjustment factor), shall be determined and applied to service rendered on and after the effective date and continuing thereafter until the next such adjustment factor becomes effective in accordance herewith. A forecast period is the 12-month period commencing with the first day of the month of the expected effective date of each adjustment factor. Such adjustment factor 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 factor by at least 10 cents per thousand pounds of steam based on the data, other than the price of gas, contained in the most recent regular filing hereunder, the Company shall file a revised interim adjustment factor in accordance with the provisions of paragraph 6 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 Company's steam production 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 amount of gas fuel as determined above.

4. The base rates reflect a weighted average base cost of fossil fuel of 50.647 cents per million Btu. The adjustment factor shall be determined as follows: The nominal fossil-fuel requirement shall be determined as the quantity of fossil fuel necessary to produce sufficient steam to satisfy the estimated steam billing quantitities plus a nominal quantity of lost and unaccounted for steam (115,000,000 lbs.). The amount of the total fuel cost adjustment shall then be determined by calculating the total estimated annual amount of fossil fuel expense (based on the nominal fossil-fuel requirement, the 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 using the weighted average base cost of fossil fuel. The total fuel cost adjustment for the system would then be allocated to customers by applying the adjustment factor (rounded to the nearest 0.1 cent per thousand pounds of steam) to the quantitities of steam 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 expected effective date weighted by the quantity of gas expected to be used under such rate schedule or contract during the forecast period. The price of oil fuel shall be the average cost of each type in steam sales 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) in effect on the first day of the forecast period.

6. The adjustment amount to be added to or subtracted from each bill shall be the product of the number of thousand pounds of steam for which the bill is rendered multiplied by the adjustment factor.

7. Each adjustment factor shall be filed by advice letter with the California Public Utilties Commission on or before the thirtieth day preceding the date on which such adjustment amount would become effective. The adjustment factor in effect at any time shall be added to or subtracted from each base rate of Schedule No. S-1 and the resulting sums shall be set forth thereon as the effective rates for service thereunder.

8. Any refund from a fuel supplier shall be refunded with 7% interest to the Company's customers. A refund plan shall be filed with the California Public Utilities Commission when such refunds have accumulated to a total of $10,000 or more.

9. If a substantial change in fuel mix is anticipated during the forecast period (50% or more from one month to any subsequent month) causing a sharp increase or decrease in fuel costs, the adjustment factor will not be computed or filed to reflect this change until shortly before the change becomes effective.

Revise rate Schedule No. S-1, General Service, to include Base Rates, the Fuel Cost Adjustment provision and an Effective Rates column as follows:

RATES

	Per Meter Per Month	
	Base Rates	Effective Rates*
(A) General Service:		
First 20,000 pounds, per 1000 lbs.	$ 2.586	
Next 80,000 pounds, per 1000 lbs.	2.056	
Next 150,000 pounds, per 1000 lbs.	1.756	
Next 250,000 pounds, per 1000 lbs.	1.556	
All over 500,000 pounds, per 1000 lbs.	1.406	
Minumum Charge:	$12.00	
(B) Optional Absorption Air Conditioning Service: Rate applicable only to separately metered steam used for absorption air conditioning and supplied in accordance with Special Condition 3 below.		
Per 1000 lbs.	$ 1.10	
Minimum Charge:	$12.00	

Fuel Cost Adjustment:

A fuel cost adjustment of ______ cent(s) per thousand pounds, as provided for in PART B of the Preliminary Statement, is included in the Effective Rates for service hereunder set forth above.

* To be determined at the time of filing by the procedures outlined in the preceding Preliminary Statement.