

Decision No. ~~85082~~

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC )  
COMPANY for authority to revise its gas )  
service tariff to offset the effect of )  
increases in the price of gas from )  
CALIFORNIA SOURCES.

(Gas)

Application No. 55468  
(Order Granting Limited  
Rehearing filed  
July 29, 1975)

Application of PACIFIC GAS AND ELECTRIC )  
COMPANY for authority to revise its gas )  
service tariff to offset the effect of )  
increases in the price of gas from )  
EL PASO NATURAL GAS COMPANY.

(Gas)

Application No. 55469  
(Order Granting Limited  
Rehearing filed  
July 29, 1975)

Application of PACIFIC GAS AND ELECTRIC )  
COMPANY for authority to revise its gas )  
service tariff to offset the effect of )  
increases in the price of gas from )  
PACIFIC GAS TRANSMISSION COMPANY.

(Gas)

Application No. 55470  
(Order Reopening filed  
July 29, 1975; Order  
Granting Limited Rehearing  
filed September 10, 1975)

Application of PACIFIC GAS AND ELECTRIC )  
COMPANY for authority to revise its gas )  
service tariff to offset the effect of )  
increases in the price of gas from )  
PACIFIC GAS TRANSMISSION COMPANY.

(Gas)

Application No. 55687  
(Order Granting Limited  
Rehearing and Further  
Hearing filed  
August 26, 1975)

(Appearances who participated at the rehearings  
and further hearings are listed in Appendix A.)

INTERIM OPINION

By Decision No. 84721 issued July 29, 1975 in Application No. 55687, this Commission found as follows:

"PG&E should be authorized to increase its rates to its customers by \$82,026,000 to become effective November 1, 1975. The Commission will consider the apportionment of that increase following further hearing in this matter."

Further hearings in Application No. 55687 were held together with the limited rehearings of Decisions Nos. 84571, 84616, and 84697 in Applications Nos. 55468, 55469, and 55470, and Decision No. 84721 in Application No. 55687 as to the issue of rate design, and the further hearing on the reopening of Application No. 55470 for the sole purpose of further consideration as to the issue of rate design. Said rehearings and further hearings were held before Examiner Cline on September 4, 22, and 23 and October 6, 7, 8, and 10, 1975. Commissioners Symons and Sturgeon were in attendance at the oral argument on October 10, 1975. At the close of the oral argument the issue of the apportionment of the \$82,026,000 increase to become effective November 1, 1975, was taken under submission. The other issues pertaining to rate design were continued for further hearing before Examiner Cline to 9:30 a.m., November 12, 1975, in the Commission Courtroom, San Francisco.

The gas rates to which the \$82,026,000 revenue increase is to be apportioned effective November 1, 1975, are the rates in effect October 1, 1975. Such rates are those authorized by Decision No. 84902 in Application No. 54280 which were made effective September 21, 1975, and which were reduced across the board on October 1, 1975, by .311 cents per therm to reflect a reduction in the cost of gas from El Paso Natural Gas Co. and amortization of the Canadian monetary exchange account.

PG&E recommends increasing all commodity rates by a uniform 0.987 cents per therm as shown in Exhibit RH-5 to provide the additional \$82,026,000 in revenue.

The staff recommends apportioning the increase as follows:

- "(a) No increase in general service rates for the first 75 therms consumption per month.
- "(b) Resale customers shall be apportioned the same cent per therm increase that PG&E receives from its supplier plus an adjustment for franchise taxes.
- "(c) Close the difference that now exists in the tail block rates for the G-1 through G-5 general service rates and raise interruptible service rates to that same level. Tail block rates for general service Schedules G-7 through G-13 are to receive no increase until they become equitable to the minimum tail block rate in effect.
- "(d) Apportion the remaining revenue requirements to the tail blocks for general service rates G-1 through G-7 and the interruptible schedules on a uniform cents-per-therm basis.
- "(e) The G-30 schedule shall receive the same percentage increase as the interruptible schedules.

The staff also recommends that no change be made to Schedule GM, multi-family service rates.

The staff recommends that ultimately rates be adopted with a minimum service charge and an overall commodity charge. Reduced lifeline rates would also be provided. Once a differential of 25 percent has been reached for usages below and above 75 therms, the staff recommends that increases be apportioned so as to maintain the 25 percent differential.

Dr. Coyle, the witness for Toward Utility Rate Normalization (TURN), testified in favor of inverted rates. He recommended that the terminal block for the various classes be set at long range incremental cost (LRIC) so that consumers would be apprised of the fact that gas service in the future is going to cost PG&E more than it does right now. The LRIC pricing signal could help consumers make a proper determination whether they should increase, maintain, or reduce their consumption of gas. He also recommended lifeline rates for residential customers and additional inverted block rates, one of which could be set at average system cost. The objections to this proposal are that (1) it would be extremely difficult, if not impossible, to determine LRIC with the degree of accuracy required for ratemaking, (2) the LRIC pricing signal would not be given to users of lifeline quantities and quantities in the intermediate blocks, only to users in the terminal blocks, and (3) inverted rates encourage users to take their gas through as many meters as feasible so as to keep their usage of gas in as low a rate block as possible. Unnecessarily increasing the number of services promotes economic waste instead of conservation.

Palo Alto buys gas from PG&E under the G-60 schedule and sells to its 20,000 customers under a firm general service rate which for at least 21 years has been equivalent to PG&E's G-2 general service rate. Palo Alto has no interruptible customers. Residential customers comprise 91.4 percent of the total customers, 6.8 percent of the customers are commercial - typically shopping centers and small business enterprises, and only 1 percent are industrial. In terms of gas sales 56.4 percent of the annual consumption is residential, 16.6 percent commercial, and 15.8 percent industrial. The remainder is accounted for by public and city facilities.

Palo Alto points out that the August 1 rate of Decision No. 84721 in Application No. 55687 combines a restructuring of the general service rate (with little or no increase in rates) with a 16.7 percent increase in resale rate G-60. Decision No. 84902 in Application No. 54280 further restructured the general service rates with no increase to the small customers and a 3.0 percent average increase for all general service customers. Resale customer rates were raised by the system average increase of 4.9 percent.

If the staff recommendation for the November 1, 1975 rate increase of Decision No. 84721 is adopted, the G-2 schedule rates for 0.75 therms will have been reduced 0.677 cents per therm and the rates for over 75 therms will have been raised 1.413 cents per therm under the decisions issued in Applications Nos. 55468, 55469, 55470, and 55678. Resale customer rates will have been raised by the system average cents per therm of 0.987. Because over 56 percent of Palo Alto customers use 75 therms or less, the net increase obtainable to Palo Alto if PG&E G-2 schedule rates are tracked would be only 0.676 cents. Hence for every therm sold Palo Alto would incur a further deficit of 0.311 cents. Unless the resale G-60 schedule is redesigned Palo Alto will be forced to operate at a serious deficit or raise its general service rates substantially higher than PG&E's G-2 schedule.

Palo Alto also introduced evidence to show rate of return comparisons under the rates filed by PG&E September 21, 1975 pursuant to Decision No. 84902 as follows:

<u>Customer Class</u>	<u>Rate of Return</u> <u>%</u>
Resale Firm	16.50
Domestic     )	
Commercial   )	4.32
Industrial Firm	18.60
Total Gas Department	8.65

Witness Aghjayan for Palo Alto testified that under the resale rates established in the August 1, 1975 rate increase of Decision No. 84721, Palo Alto would incur a deficit of \$493,756 for fiscal year 1976. If the September 21, 1975 resale rates authorized by Decision No. 54902 are included, the deficit will increase to \$501,420, and if the staff recommendation regarding the November 1 resale rate increase to be authorized in Application No. 55687 is also included, the deficit for the fiscal year 1976 will be \$601,107.

In Decisions Nos. 84571, 84616, and 84697, the Commission ordered that when PG&E files tariffs for residential customers which exclude any increase due by reason of the increases in price of gas:

- "b. Rates for resale customers will be set to allow similar exclusion of this increase from their residential customers, without burdening their nonresidential customers in any greater degree than those of PG&E."

In Decision No. 84902 at mimeo. page 160 this Commission stated:

"The staff advises us that it would be inappropriate to establish gas rates on the basis of relatively inexact cost studies. Accordingly, we have increased, on an interim basis, resale rates by the system average increase. It is our intention to revise these resale schedules to allow resale customers to provide the ultimate residential consumers with the benefits of the low-usage rates established herein. We will provide an opportunity for resale customers to present a proposed rate structure which will provide a sufficient margin for maintenance of their systems, together with the data on the number of residential customers served, and the number whose monthly consumption of gas falls short of 75 therms."

Counsel for PG&E stated that PG&E is not opposed to the implementation of the Commission's stated intention to revise the resale schedules to allow resale customers to provide the ultimate residential consumers with the benefits of low-usage rates.

California-Pacific Utilities Company (California-Pacific) through its witness Fegan proposes that its resale rate be set at 7 cents per therm which is closer to the cost of El Paso gas to PG&E. He contends that El Paso gas is the only gas that the California-Pacific customers in the Needles district receive, and hence it is unfair to charge them at a rate which includes the cost of gas other than El Paso gas. In the alternative California-Pacific requests that the commodity rate be set no higher than 10.339 cents per therm. The basis of this figure is that of the 3.614 cents per therm increase assigned by the staff to the resale rate in these four applications, 3.177 cents per therm is attributable to increases of other than El Paso gas. The staff's proposed commodity rate of 13.516 cents less 3.177 cents equals 10.339 cents. The record shows, however, that El Paso gas is not sufficient to serve PG&E's firm customers. California-Pacific therefore does benefit from PG&E's gas supplies, including the Canadian gas supply, other than the El Paso gas supply, and should bear a reasonable portion of the cost of all PG&E's gas.

Witness Fegan also testified that the average use of the Needles customers is 40 to 50 therms per month. At the staff's proposed rates, such average customer will pay \$18.51 for 50 therms. For 50 therms the PG&E customer will pay \$7.86 in San Francisco or \$9.11 in Zone G-5. The combined commodity and demand rate of Schedule G-62, which is 15.433 cents per therm, is higher than the rate for the second and third rate block in Zones G-1 to G-5, even though the latter rates have to cover PG&E's capital and operating costs of a distribution system, while the Schedule G-62 rate does not.

The Needles district of California-Pacific consists of 90 percent residential class and 10 percent commercial class customers. Fifty percent of the gas is sold to residential customers and 50 percent to commercial customers. There are no industrial or interruptible customers. Seventy-five to 80 percent of the sales are in the rate blocks below 75 therms. The average monthly use of the residential customer is 40 to 50 therms. The average use of the commercial customer is 350 to 400 therms per month.

If California-Pacific's request for a commodity rate of 7 cents or 10.339 cents per therm is not granted, California-Pacific requests that the Needles customers be given the same consideration as the other PG&E customers are given, and no increase be included for the first 75 therms they use. Since 80 percent of what the Needles customers' use is in that category, only 20 percent of the 3.614 cents per therm assigned by the staff to the resale rate, or .722 cents, should be the increase. This would result in a commodity rate for Schedule G-62 of 10.624 cents. This proposal, of course, would place all of the burden of subsidizing California-Pacific's lifeline rates on PG&E's nonlifeline rates and none of the burden on California-Pacific's nonlifeline rates.

On October 10, 1975, Southwest Gas Corporation (Southwest) filed a petition for leave to intervene in these proceedings. Southwest alleges that it receives deliveries of natural gas from PG&E and distributes and sells such gas to residential and commercial customers in its franchised area in California. Southwest further alleges that Palo Alto has presented evidence in this proceeding which shows that, on a cost-of-service basis, PG&E has been earning a return higher on its sales to resale customers than the system average rate of return and that all resale customers are similarly situated with Palo Alto in this regard. Southwest urges that all



resale customers be treated the same and if special relief is granted to Palo Alto the same relief should be granted to all of PG&E's resale customers. Pursuant to this petition the Commission hereby grants Southwest leave to intervene in these proceedings and to participate at the further hearings set on November 12, 1975 in San Francisco.

Several parties representing mobile home park owners and operators participated at the hearing. They pointed out that the present lifeline rates even with Schedule GM, multi-family service, do not provide them with enough revenue to offset their distribution costs and the cost of gas used in common areas available for use by all the mobile home tenants. Unless their rates are revised their alternatives are to increase their rents or to cease serving gas to the tenants through a master meter. Revision of the rates to provide for a reasonable service charge to be paid by each tenant even though only one such service charge would be paid by the landlord would provide the landlord with additional revenues to offset his additional costs for which insufficient additional revenue is now provided through Schedule GM.

In Decision No. 84721 the Commission at mimeo. page 5 stated:

" . . . But we cannot now impose a rate structure based on end use priorities because of a lack of determination of those priorities. We do have matters pending in which that determination can be made. In the meantime we find that a reasonable basis for rates is a uniform commodity charge."

CMA states that it does not disagree that a uniform commodity charge might be appropriate if the costs that are reflected in the commodity charge are the commodity costs and not the fixed costs. If a fixed cost charge is placed on the customers for whom the utility is incurring fixed costs, then a uniform commodity charge could well be appropriate.

CMA, however, contends that a uniform commodity rate is not necessary to prevent the residential customers from being penalized for their conservation efforts. On July 1, 1975 the G-1 rate, which is the lowest of the firm rates, at a 200-therm rate of usage was 13.485 cents per decatherm, and also on that date the lowest interruptible rate was the G-55 rate of 9.786 cents per decatherm, or a differential of 4.7 cents per decatherm. Assuming that all firm sales were reduced by 5 percent, which the Commission accepted as the level of conservation in the PG&E general rate case, the loss in revenue to PG&E would amount to \$9,133,000. If this \$9 million plus is spread over the interruptible sales that would benefit because of the conservation by the firm customers that would amount to an increase in the interruptible rates of 2 cents per decatherm and not 4.7 cents per decatherm.

CMA admits that the value of the gas to the interruptible customers is still higher than the price of gas considering its value in terms of alternate fuels, but CMA contends that the rate structure proposed by the staff will retard the growth of industry in California and create higher unemployment.

CMA contends that public interest, fairness, and equity demand that the Commission not further implement the lifeline rates at this time and that it restore at least some of the differential between firm and interruptible rates that existed in the past and give the industrial customers an opportunity for some further growth in California.

General Motors is in general agreement with the CMA position reviewed above. General Motors contends that Case No. 9884 is the most appropriate forum for the comprehensive examination of rate designs of the kind recommended by the staff witness.

General Motors contends that the record in these proceedings supports rates designed with reference to cost of service studies and that declining block rates are totally justified by such cost of service studies.

Kerr-McGee Chemical Corporation (Kerr-McGee) operates two chemical processing plants in the Searles Valley region near Death Valley. It purchases gas under the G-53 and G-56 schedules of PG&E and is served El Paso gas off the Topock gas main. The service from the main to Kerr-McGee's plants is through a 60-mile transmission main paid for by a group of customers known as the desert customers.

Exhibit RH-15 shows that based on cost of service the G-56 interruptible customers are entitled to a rate differential of 1.8 cents per decatherm. Counsel for Kerr-McGee pointed out that in Decision No. 80878 issued December 19, 1972 in Application No. 53118, this Commission found that the rates for the desert customers under

Schedules G-56 and G-57 should be lower than those authorized for Schedule G-53 because the customers served under Schedules G-56 and G-57 will be curtailed before the customers served under Schedule G-53.

Counsel for Kerr-McGee urged that the curtailment priority restructuring which is currently under way in Case No. 9642, which is consolidated with Case No. 9884, should be implemented as rapidly as possible and, if possible, prior to or along with the interim order covering the November 1 offset increase.

The counsel for the Executive Agencies of the U.S. and the counsel for the Farm Bureau supported the positions taken by CMA and General Motors.

The Farm Bureau urged that the increase to be authorized in this decision be spread to all rates on a uniform cents-per-therm basis.

This Commission could avoid the resale problem with respect to this particular increase by adopting the recommendation that the increase be spread on a uniform cents-per-therm basis. However, that approach would be inconsistent with our previously declared policy.

In Decision No. 84721 we stated as follows with respect to this anticipated decision:

"We expect to change the general service rate blocks in the next order. We propose to establish a new block at a level of reasonable residential consumption (perhaps 75 therms) and to spread the increase across the remainder of the schedules. We consider such a rate structure essential to encourage residential conservation and consistent with our discussion of priorities. We intend that as further rate increases occur by offset we will retain the 'two-tier' rate structure, at least until we have the opportunity to consider fully some of the more sophisticated rate structures explored in other proceedings. We will hold further hearings in this proceeding for the purpose of ascertaining the appropriate block."

We find the staff recommendation to be consistent with that declaration. We consider the approach to ratemaking reflected in these decisions to be in keeping with the legislative intent underlying the passage of Section 739 of the Public Utilities Code, the Miller-Warren Lifeline Act.

We are satisfied that Palo Alto and the other resale customers have demonstrated that their residential customers are entitled to the benefits of the low-usage rate structure found appropriate for PG&E. Accordingly, with respect to this particular increase, the increase to resale rates shall be based on the amount of increased revenues that would be collected by a resale customer if it were to raise its own customers' rates in an amount identical to the commodity rate increase to PG&E's customers. For the purpose of this particular increase, we find that the characteristics of each resale customer are sufficiently alike that we may reliably make the calculation using the data put into this record by Palo Alto. In the hearing dates to follow we expect the parties to comment on the appropriateness of this formula and to provide the data from which similar calculations can be made with regard to earlier increases and the resale customers restored their original position. We find that we still lack adequate information with respect to the master metering problem and mobile home parks, and will take this matter up further. We direct PG&E and staff to submit at the further hearings a proposal to alleviate this problem.

#### Findings

1. Decision No. 84721 authorized a rate increase of \$82,026,000 for PG&E to become effective November 1, 1975.
2. The additional revenues to be provided by the rates and charges authorized herein will not exceed such unavoidable and necessary increases in expense, will not provide PG&E with additional net earnings, nor will they change PG&E's rate of return on rate base or improve its return on equity.

3. The quantity of 75 therms is a reasonable amount for residential consumption in the PG&E service territory.

4. Residential customers of PG&E resale customers should be entitled to the benefits of the low-usage rates.

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

Conclusion

The \$82,026,000 increase should be apportioned to PG&E's customers on the basis prescribed by the schedules attached as Appendix B.

INTERIM ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized on or after the effective date of this order to file the revised rate schedules attached to this order as Appendix B and concurrently to cancel and withdraw the presently effective schedules. Such filing shall be in accordance with General Order No. 96-A and shall be effective on November 1, 1975 or the date filed, whichever is later, and shall apply only to service rendered on or after the effective date of the filing.

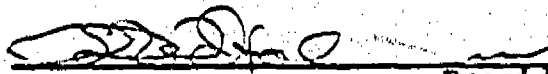
2. Such increases shall be subject to refund as specified in PG&E's Preliminary Statement.

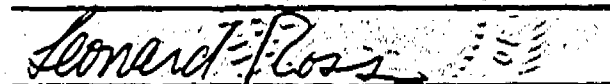
3. The petition of Southwest Gas Corporation for leave to intervene in these proceedings filed October 10, 1975 is hereby granted.

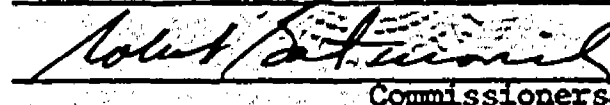
The effective date of this order is the date hereof.

Dated at San Francisco, California, this 31<sup>st</sup>  
day of OCTOBER, 1975.

I will file a  
written dissent  
Vernon L. Sturgeon  
Commissioner

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Leonard J. Ross

  
\_\_\_\_\_  
Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

LIST OF APPEARANCES

Applicant: Malcolm H. Furbush and Robert Ohlbach, by Robert Ohlbach, for Pacific Gas and Electric Company.

Protestants: Silver, Rosen, Fischer & Stecher, by Michael J. Stecher, Attorney at Law, and Edward Agnayan, Director of Utilities, for the City of Palo Alto; Arthur C. Fegan, for California-Pacific Utilities Company; Dennis B. Kavanagh, Attorney at Law, for Golden State Mobilhome Owners League; Sylvia Siegel and George R. Gilmour, for Toward Utility Rate Normalization; and George E. Scott, for 280 Residents and 170 Spaces of Trailer Tel Mobile Home Park.

Interested Parties: William H. Edwards, Attorney at Law, for California Farm Bureau Federation; Brobeck, Phleger and Harrison, by Gordon E. Davis and Thomas G. Wood, Attorneys at Law, for California Manufacturers Association; R. M. Shillito, for California Retailers Association; Norman Elliott and John W. McClure, Attorneys at Law, for Committee to Protect California Economy; Frank J. Dorsey, Attorney at Law, for Consumer Interests of the Executive Agencies of the United States; Downey, Brand, Seymour & Power, by Philip A. Stohr, Attorney at Law, Fraser F. Hilder, General Counsel, and William A. Vaughan, Attorney at Law, for General Motor Corporation; Morrison & Foerster, by Charles R. Farrar, Jr., Attorney at Law, and Thomas R. Cochran, Attorney at Law, for Kerr-McGee Chemical Corporation; and Neil Nordlander and Thomas P. Kerr, for Western Mobilehome Association.

Commission Staff: Peter Arth, Jr., Attorney at Law, and Edmund Texeira.



GENERAL NATURAL GAS SERVICE - BASIC ZONESPer Meter Per Month

<u>G-1</u>	<u>G-2</u>	<u>G-3</u>	<u>G-4</u>	<u>G-5</u>
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RATESCommodity Charge:

First	2 therms, or less	\$1.46964	\$1.57464	\$1.68264	\$1.84464	\$2.11264
Next	23 therms, per therm	13.952¢	13.952¢	14.372¢	14.802¢	15.572¢
Next	50 therms, per therm	13.472¢	13.472¢	13.702¢	13.922¢	14.382¢
Over	75 therms, per therm	15.695¢	15.695¢	15.695¢	15.695¢	15.695¢

Minimum Charge: The charge for the first two therms.

GENERAL NATURAL GAS SERVICE - SUBZONESPer Meter Per Month

<u>G-7</u>	<u>G-11</u>	<u>G-12</u>	<u>G-13</u>
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RATESCommodity Charge:

First	2 therms, or less	\$1.89864	\$2.32664	\$2.70164	\$3.02264
Next	23 therms, per therm	16.112¢	17.312¢	18.042¢	20.112¢
Next	50 therms, per therm	15.512¢	16.232¢	16.692¢	18.032¢
Over	75 therms, per therm	16.512¢	17.232¢	17.692¢	19.032¢

Minimum Charge: The charge for the first two therms.

PUBLIC OUTDOOR LIGHTING NATURAL GAS SERVICE

Per Group of  
Lights Per Month  
G-30

RATES

First 10 lights or less	\$28.32
For each additional gas light	\$2.83
For each cubic foot per hour of total rated capacity for the group in excess of either 1.5 cubic feet per hour per light, or 15.0 cubic feet per hour for the group, whichever is greater	\$1.204

APPENDIX B

Page 2 of 2

INTERRUPTIBLE NATURAL GAS SCHEDULES (all)

RATES

<u>Commodity Charge:</u>	<u>Per Meter Per Month</u>
For all gas deliveries, per therm	15.695¢

Minimum Charge: The charge for the first 5,000 therms per meter per month accumulative annually.

RESALE NATURAL GAS SERVICE

	<u>Per Month</u>
	<u>G-60</u> <u>G-61</u>

RATES

<u>Demand Charge:</u>		
Based on the maximum billing month consumption, per Mcf.	9.8¢	9.8¢

<u>Commodity Charge:</u>		
To be added to the Demand Charge: for all gas deliveries, per therm	13.266¢	13.226¢

Minimum Charge:  
The minimum charge shall be the monthly demand charge.

	<u>Per Month</u>
	<u>G-62</u>

RATES

<u>Demand Charge:</u>	
Based on Maximum billing month consumption	
Per Mcf of firm service in maximum month	8.6¢
Per Mcf of interruptible service in maximum month	2.7¢

<u>Commodity Charge:</u>	
To be added to the Demand Charge: For all gas deliveries, per therm	13.036¢

Minimum Charge:  
The minimum charge shall be the monthly demand charge.

A. 55468)  
A. 55469)  
A. 55470) D. 85082  
A. 55687)

COMMISSIONER VERNON L. STURGEON, DISSENTING

I dissent to that part of the decision which directs PG&E to file rates which will spread the \$82,026,000 increase authorized by Decision No. 84721 in a manner other than uniformly on a cents-per-therm basis.

The spread of rates in any other manner prior to January 1, 1976 does violence to the stated purposes of the Miller-Warren Energy Lifeline Act which will become effective on that date. The Act finds and declares light and heat to be a basic human right which must be made available at less cost for basic minimum quantities. In order to encourage conservation and to assure a basic necessary amount of gas and electricity for residential heating and lighting at a cost fair to small users, it requires, in relative part, that gas corporations provide minimum residential services (lifeline service) at reduced rates. It also requires the PUC to designate a lifeline quantity of gas and prohibits any increase of lifeline rates until PG&E's average system rate in cents-per-therm has increased 25 percent or more over the January 1, 1976 level.

It is self-evident that the rate reduction of 25 percent or more which the lifeline users will enjoy after January 1, 1976 becomes the burden of all non-lifeline customers including residential customers using more than a lifeline quantity and that any such discount afforded by establishing a lifeline rate prior to January 1, 1976 must add to that burden. Such a burden

is, in my opinion, of a magnitude which defeats the stated purpose of the Act.

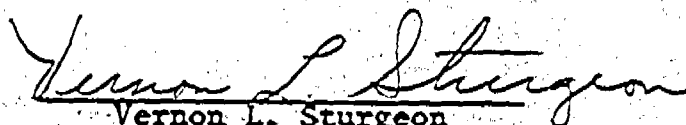
First off, the application of rates other than uniformly requires the determination of the quantity of gas which this Commission deems a lifeline quantity. This the majority has done despite the fact that it does not yet have the results of the investigation which it instituted to make such a determination (Case No. 9988). They have divined 75 therms to be such a quantity.

The majority has in essence accepted the staff rate spread which is not a uniform spread and which was quite obviously prepared in response to the requirement of the Lifeline Act prior to its amendment on September 2, 1975 and which only required that after January 1, 1976 a 25 percent "differential" be maintained. A lifeline rate established prior to that date would do no violence to the intent of the Act because the Commission would have been authorized to make further adjustments once the 25 percent differential had been established.

Under the terms of the present Act, which establishes January 1, 1976 as the base level, a lifeline rate established prior thereto will necessarily affect that level and subsequent rate adjustments will result in rate imbalances so significant as to destroy the objective set by the Act.

For example, a uniform spread of the \$82,026,000 rate increase will result in a relatively acceptable 1 percent increase. The rate spread proposed by the majority, however, will result in the end block rates being 6 percent above the lifeline rate prior to January 1, 1976. It follows that

compliance with the terms of the Act thereafter will produce an end result which would be a 31 percent differential between lifeline and end block rates. I believe such a result to be economically unacceptable and contra to the well-being of the citizens of California and in violation of the stated purposes of the Miller-Warren Energy Lifeline Act to require utilities to provide basic minimum residential service at low cost to the remaining non-lifeline customers and to encourage conservation.

  
Vernon L. Sturgeon  
Commissioner

San Francisco, California  
October 31, 1975