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ORIGINAL

Decision No. 85626

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 to Decision No. 85082.)

Appearances in Addition to
Those Listed in Appendix A
To Decision No. 85082

Silver, Rosen, Fischer & Stecher, by John Paul Fischer, Attorney at Law, for City of Palo Alto, protestant.
Constance L. Howard, Attorney at Law, for Southwest Gas Corporation, intervenor.
Brobeck, Phleger and Harrison, by William H. Booth, Attorney at Law, for California Manufacturers Association; Graham and James, by Boris H. Lakusta and David J. Marchant, Attorneys at Law, for Western Mobile Home Association; and William L. Knecht, Attorney at Law, for the California Farm Bureau Federation; interested parties.

FINAL OPINION

Following the issuance of Decision No. 85082 on October 31, 1975, further rehearing on the issues pertaining to the design of the gas rates of Pacific Gas and Electric Company (PG&E) in Applications Nos. 55468, 55469, 55470, and 55687 was held before Examiner Cline on November 12, 13, 24, and 26 and December 12, 1975. At the close of the oral argument on December 12, 1975, the matter was taken under submission.

Issues

The following issues remain to be resolved:

1. Should the general service schedule commodity rates for the first 75 therms be modified?
2. Should the general service schedule commodity rates for over 75 therms be modified?
3. Should the interruptible schedule commodity rates be modified?

4. Should the resale schedule commodity rates be modified?
5. Should the Multi-Family Service Schedule No. GM be modified?
6. Should the proposed gas offset adjustment tariff provision proposed by PG&E be adopted?

Discussion

1. Should the general service schedule commodity rates for the first 75 therms be modified?

The applications which are under consideration on rehearing together with Application No. 54280 involve increases in rate revenue for PG&E as follows:

Application No.	Decision No.	Amount of Rate Increase	Effective
55469	84571	$ 17,578,000	6/17/75
55468	84616	36,366,000	7/1/75
55470	84697	2,365,000	7/26/75
55687	84721	164,049,000	8/1/75
54280	84902	63,230,000	9/21/75
55687	85082	82,026,000	11/1/75
Total		$365,614,000	

Decisions Nos. 84571, 84616, and 84697 granted PG&E a total of $56,309,000 and allocated that increase to all customers for an interim period on a cents-per-therm basis. After the interim period which is required to develop sufficient information residential customers were to be excluded from the increase. The staff recommends that the first 75 therms per month for all general service schedules be reduced by .677 cents per therm rather than reducing all residential usage. In accordance with this recommendation an offsetting increase for over 75 therms per month would be required to stabilize PG&E's revenue.

The increases subsequent to July 26, 1975 were applied in such a manner as to flatten the declining block rate structure and to provide no increase in the rates for the first 75 therms of gas per month which amount is considered on an interim basis to be the lifeline quantity. The purpose of such rate design was primarily to encourage conservation of gas.

By Advice Letter Filing No. 759-G rates, including the rates for the first 75 therms per month, were decreased uniformly by 0.311¢/ therm effective October 1, 1975, as the result of a $26,205,000 decrease in the cost of El Paso gas and the decrease in the Canadian monetary exchange account.

Exhibit RH-33 submitted by PG&E in response to questions by the Presiding Officer shows that based on gas rates effective November 1, 1975, pursuant to Decision No. 85082, the average system rate is $1.5810 per decatherm. Under the general service gas schedules effective October 1, 1975, the average rate for the first 75 therms is $1.6269 per decatherm. Because Decision No. 85082 did not increase rates for the first 75 therms under general service gas schedules, the November 1, 1975 average rate is the same as the October 1, 1975 average rate.

The recently enacted Miller-Warren Energy Lifeline Act adds Section 739(b) to the Public Utilities Code.

Section 739(b) provides:

> "(b) The Commission shall require that every electrical and gas corporation shall file a schedule of rates and charges providing a lifeline rate. The lifeline rate shall be not greater than the rates in effect on January 1, 1976. The commission shall authorize no increase in the lifeline rate until the average system rate in cents per kilowatt-hour or cents per therm [has] increased 25% or more over the January 1, 1976, level."

By reason of this provision the rates in effect on January 1, 1976 for the lifeline quantities cannot be increased until the average system rate has increased 25 percent or more over the January 1, 1976 level of (1) the average system rate, or (2) the average of the rates for the lifeline quantities, depending on how the section is interpreted. If interpretation (2) is given to Section 739(b) the average system rate would have to increase 28.629 percent instead of 25 percent over the average system rate in effect on January 1, 1976 before the lifeline rates could be increased. For purposes of this discussion the Commission will consider the effect on the lifeline rates if they are frozen at the level in effect for the lifeline quantities on January 1, 1976, and if the average system rate increases 25 percent, not 28.629 percent, over the average system rate in effect on January 1, 1976.

In these proceedings the Commission has determined that 75 therms is the lifeline quantity of gas to be used on an interim basis in PG&E rate schedules, until this quantity is modified by later decisions of this Commission.

In proceedings such as Case No. 9988 and Application No. 55510 the Commission can consider whether the rates for the lifeline quantities of gas should be further simplified to promote conservation. However, we wish to take this opportunity to discuss some general ratemaking principles.

Rates authorized to be charged by a utility must be reasonable, justified, and sufficient. Historically, this Commission has held that the primary test of reasonableness is cost of service.

In discussing rate design considerations in Re Pacific Gas and Electric Company, Decision No. 84902 issued September 16, 1975 in Applications Nos. 54279, 54280, and 54281, at mimeo. pp. 132-133, this Commission said:

> ". . . The design of rates is essentially an exercise of opinion and judgment in which we are bound by the statutory requirements that rates of California utilities be just, reasonable, and sufficient, and that there be no unreasonable difference in rates and charges, either between localities or between classes of service.17/ [17/ Public Utilities Code Sections 451, 453, and 728.] The Legislature, having established these guidelines, has left their implementation to the judgment of the Commission.
>
> "Over the years a generally accepted set of attributes of a good rate structure has evolved. These are:
>
> Production of the revenue requirement.
> Simplicity and ease of understanding.
> Stability of revenue.
> Fair apportionment of cost of service.
> Discouragement of wasteful use.
> Encouragement of efficient operation of system.
>
> "In the attempt to design rates possessing these attributes, various factors are usually considered. These are:
>
> Cost of service.
> Historical rate structure.
> Competitive conditions.
> Value of service, including 'what the traffic will bear'.
> Adequacy of service.
> Customer acceptance."

Among these alternatives, "cost of service" is regarded as paramount by a wide variety of regulatory commissions and scholars, and is advanced by many parties to this case as the most equitable and feasible choice. It is worth noting, however, that there is considerable ambiguity both in the term and in its application.

"Cost" can refer to actual historical cost, or to "marginal" or "incremental" cost--in other words, we can be speaking of the average cost of providing existing levels of service, or of the additional cost imposed by furnishing an additional unit of service. In broadest outline, a choice between these two definitions of cost is a choice between two competing goals of utility rate setting: equity and efficiency. Fairness to different groups of customers may be thought to require that the costs charged to each be actual, "bookkeeping" costs--the costs actually experienced by the utility in purchasing the equipment, fuel, and labor needed to provide service. On the other hand, economic efficiency generally dictates that the price of a service be related, not to its cost in some previous period, but to the current cost of replication.

In setting the overall earnings allowed to a utility, this Commission--like many others--has opted for fairness. Setting all rates on the basis of "incremental" cost would, in a period of rapid inflation, produce grossly excessive revenues for utilities. Conversely, in a period of rapid technological progress and stable prices, a rate set on incremental costs might fail to produce sufficient revenue to keep the utility in business. Thus historical cost is used for the purpose of setting the overall level of rates.

It is argued, by analogy, that historical costs should also be used to set rates among various customer classes. But this conclusion does not automatically follow from the premise. It is administratively more difficult, as well as logically more questionable, to apportion historical costs among various customer classes than to use the total of such costs to set a revenue requirement. Most types of utility equipment serve more than one class of customer; a single pipeline, for example, may carry gas for a large manufacturer, a small farmer, a distant householder, and an LNG storage facility.

While there are numerous formulae for making a pro rata allocation of such joint costs, they are all in large degree arbitrary. More importantly, such formulae bear no necessary relation to a pricing system designed to achieve an efficient allocation of resources.

In the simplified world of theoretical economics, efficient resource allocation requires that all prices be set equal to their "incremental" costs. In that way, prospective users of a service are confronted with the real cost to society of providing that service--a cost based on the current valuation of goods and services, not on outmoded historical costs.

As has been indicated, however, our system of regulation precludes setting all utility rates equal to the incremental cost of service. The excess revenues which such rates would produce must be scaled down to the utility's historically-based revenue requirement. Once more, theoretical economics has an answer: services for which there is great elasticity of demand should be priced closest to marginal cost; inelastically demanded services should perform the task of reducing total revenues to the revenue requirement. The reasoning is straightforward. A price varying from marginal cost is a "wrong signal"--it tells prospective purchasers to use too much (or too little, if the price is above marginal cost) of the service in question. If, to meet the constraints of regulation, some prices must diverge from marginal cost, they should be the ones least likely to encourage distorted consumption patterns. If a service is inelastically demanded then, by definition, price does not have too much to do with consumers' decision as to how much to purchase. Thus offering below-marginal cost rates for these services will result in the least distortion from the optimal level of consumption.

This principle is subject to numerous qualifications in theory, and one embracing disability in practice. To apply the elasticity test (known in economics as the "inverse elasticity rule"), one must know something about the demand elasticities of various customer classes. But reliable information on this question is lacking. We agree with the parties who contend that the "inverse elasticity rule" does not offer a precise guide to rate setting. But neither does any other method of cost allocation.

In our view, the usefulness of the "inverse elasticity rule" is that it addresses the right question: which customer classes are most likely to conserve in response to prices? Even without a reliable numerical estimate of elasticities, we can make a common-sense answer to these questions and modify that answer as future research makes data available.

A word is in order about our understanding of the term "conservation." Two definitions could be given:

(a) The reduction in wasteful usage of gas.

(b) The reduction of total usage of gas.

These definitions are compatible if conservation is defined with reference to economic efficiency. Under current conditions, gas rates provide an incentive to use too great a volume. The cost of new supplies of gas is likely to be two or more times greater than the average historical price. Reducing total usage of gas is thus reducing wasteful uses of gas--defined as uses which would not occur if gas were priced at its full incremental cost. Conservation, then, means elimination of any use of gas which is not worth to consumers what it costs society to produce.

Efficiency is closely related, not simply to conservation, but to fairness. While there is no universally agreed criterion of fairness in any economic situation, we think that a system of rates which encourages efficient allocation is also a fair system. It does, to be sure, make distinctions among different classes of user, but the distinctions are rational ones and are not based on any arbitrary preferment.

We have concluded, then, to make conservation in the sense of efficient allocation of gas the keystone of the rate structure. Since the "inverse elasticity rule" cannot be applied without vastly more detailed data, we have decided simply to adopt its most general lesson: that rates should vary according to the likely ability of different classes of customers to adjust their consumption patterns. For this reason, we have adopted a "lifeline" policy for gas as well as electricity, under which a differential will be established between the rate for basic, minimum household needs and for other usage. This policy accords with the policy adopted by the Legislature in the Miller-Warren Lifeline Act, which finds that "Present rate structures for gas and electricity...encourage wastefulness by large users" and directs the Commission to "designate a lifeline volume of gas and a lifeline quantity of electricity which is necessary to supply the minimum energy needs of the average residential user" for specified end uses.

These changes in rate structure represent only a first effort toward the goal of encouraging conservation and careful use of energy. We intend to monitor closely the effect of these rate structure revisions and to make any necessary changes to assure that the rates are equitable and effective in encouraging conservation. We will, in addition, explore the possibilities for offering direct incentives in rates for the purchase of cost-effective solar appliances or conservation hardware.

We have chosen to place such heavy stress on conservation because we are convinced that a vastly accelerated conservation effort is vital to California's economic and environmental future. The natural gas shortage has already caused serious economic dislocation and a grave increase in air pollution through the substitution of fuel oil for gas in electric generation. Future supplies require the costly development of geographical or technological frontiers; in some cases, risks of safety, national security, or environmental damage may also be involved. Needless usage of gas will impose a heavy financial cost on California consumers and a health cost on residents. Conservation, along with continued assurance of necessary supply, must have the highest priority in the action of this Commission and of the utilities we regulate. Toward that end, the Commission has established a Conservation Staff Unit, directed the utilities to file periodic reports of their conservation programs, and set a policy of varying the rate of return allowed to utilities depending on the vigor, imagination, and effectiveness of their conservation efforts. We welcome the participation of the parties in this case--business, labor, agricultural, residential consumer, environmental, and other groups--in a continuing effort to devise effective conservation policies.

In this case, we will adhere to our lifeline policy of placing the burden of rate increases on above-lifeline consumption at least until such time as the rate for lifeline use is 25 percent below the average system rate. We will not order any decrease in the lifeline rates as we believe that such a decrease would be misleading in a period of rapidly rising energy costs.

2. Should the general service schedule commodity rates for over 75 therms be modified?

and

3. Should the interruptible schedule commodity rates be modified?

The reductions in revenue which result from the reduction in the resale commodity rates and the revision of the existing Multi-Family Service Schedule No. GM which are discussed below will result

in increases in the commodity charges for over 75 therms in General Service Schedules Nos. G-1 through G-5 and in the commodity charges in all interruptible schedules in order to promote conservation as previously discussed.

4. Should the resale schedule commodity rates be modified?

In Exhibit RH-24 introduced by the Commission staff, the staff stated:

> "As a result of the last decision [No. 85082] the staff has received information from all of PG&E's resale customers, enabling the staff to make comparisons of each resale customer's gas usage with that of PG&E's G-2 and G-50 customers. As expected, usage patterns differ among gas utilities.
>
> "In the event that the Commission finds that resale customers shall continue to receive increases and decreases in rates proportional to that of PG&E's G-2 customers, then consideration should be given to providing reductions in the interim rate increases assessed in Decisions Nos. 84571, 84616, 84697, and 84721 as follows:"

Utility	Total Reductions $ Total	Total Reductions ¢/therm Total
Palo Alto	$737,996	1.779¢
Coalinga	69,426	2.111
Southwest Gas	800,247	1.645
Cal-Pacific	22,822	1.943

> "A weighted average of the reduction for all resale customers is 1.724¢/therm.
>
> "Reductions in resale rates should be spread to all other PG&E rate schedules using over 75 therms on a uniform cents-per-therm basis with the exception of G-7 through G-13 tariff schedules. Total increases to these schedules is .025¢/therm."

The Commission is of the opinion that, at least for the present, the resale customers should continue to receive increases and decreases in rates proportional to those of PG&E's G-2 customers. Since the G-2 customers will receive additional increases to reflect the reduction provided the multi-family service customers by reason of the revision in Schedule No. GM which is described below, the reduction in the resale rates will be slightly less than those suggested in Exhibit RH-24 which are shown above.

Palo Alto testified that the rates it charges its customers are the same rates as the G-2 schedule of PG&E. There is some question of whether the other resale customers (Southwest Gas Corporation, California-Pacific Utilities Company and the city of Coalinga) should be accorded the same rate treatment as Palo Alto. For purposes of this decision, we will treat all of the resale customers on a similar basis. However, the staff will be directed to make a further analysis of this situation and to place in the record in the next applicable general rate increase application whether the circumstances and conditions of these other resale customers require a different result.

A new Resale Tariff Schedule No. G-63 will be established to reflect the different increases to California-Pacific Utilities Company and Southwest Gas Corporation.

5. Should the Multi-Family Service Schedule No. GM be modified?

Western Mobilehome Association introduced into evidence Exhibit RH-36 to show that the mobile home park owners were receiving less differential for gas utility service purchased through their master meters and sold to tenants under submeters under the rates effective November 1, 1975 than they were receiving under the rates in effect during the twelve months ended August 31, 1975. Although the exhibit showed that the reduction in rates under Schedule No. G-M necessary to make the various mobile home park owners whole ranged from 1 percent to 14 percent, the witness for the mobile park owners

recommended that the reduction be 14 percent as that reduction in rates would restore the dollar differential to the park owners most adversely affected by the new rate structure.

Exhibit RH-37 also introduced by the Western Mobilehome Association showed that the per space expense for submetering gas at mobile home trailer parks for three representative park owners ranged from $5.44 to $5.98, which is greater than the cost per customer for residential customers incurred by PG&E.

The multi-family service schedule presently filed does not differentiate between those master meter customers that submeter and those that do not. Submetering entails significant additional capital expenses for meters and appurtenant facilities as well as additional operational expenses for reading meters, rendering bills, and providing other customer services.

We are of the opinion that the existing multi-family service schedule should be applicable only to those master meter customers that do not submeter, and that another multi-family service schedule should be established for master meter customers that do submeter. This schedule should include the additional provision that the total monthly bill computed in accordance with this schedule be reduced 10 percent on the amount applicable to lifeline blocks and excluding the tail block. Such reduction will compensate such customers for the additional services provided. Furthermore, we are of the opinion that only by having individual submeters will our lifeline rates previously ordered and our continuing conservation efforts be fully implemented. This procedure is temporary in nature as the matter is being further considered in our lifeline investigation proceeding.

6. Should the proposed gas offset adjustment tariff proposed by PG&E be adopted?

Exhibit RH-17 introduced by PG&E showed a comparison in the estimated decline of offset revenue on a uniform cents-per-therm basis and the staff proposed basis for Decisions Nos. 84571, 84616, 84697, and 84721 for the test years 1976 to 1979 as follows:

Table 4

Test Year	Increased Cost of Gas	Offset Revenue Assuming Uniform ¢/Therm	Offset Revenue Assuming Staff Proposal
	(Dollars in Thousands)		
(A)	(B)	(C)	(D)
1974-1975	$302,384	$302,384	$302,384
1976	294,318	288,608	279,005
1977	290,949	275,393	252,780
1978	287,955	263,813	229,957
1979	284,878	253,723	210,169

The differences between the cost of gas in Column (B) above and the offset revenue shown in Column (C) for 1976 and subsequent years are caused by the increasing proportion of higher priced Canadian gas as supplies from El Paso Natural Gas Company and California sources decline. The differences between Columns (C) and (D) represent the revenue deficiencies that will occur as a result of rate design changes proposed by the staff, namely, assigning most of the offset increases to interruptible service which will decline as a percent of total sales.

In order to provide an adjustment to the rates to reflect such declining revenues PG&E requested authorization to include a proposed gas offset adjustment provision in its tariff by the submission of Exhibit RH-4 into evidence.

Exhibit RH-4 provides that PG&E shall maintain a Gas Offset Adjustment Account to which entries shall be made to reflect:

(1) The actual purchased gas cost including the cost of net storage withdrawals during the month, less

(2) An amount equal to the volume of gas sold during the month to which the offset rates are applicable multiplied by the base cost of gas, less

(3) The amount of revenue billed during the month under the offset rates (not including the associated adjustment for franchise and uncollectible accounts expense).

The revision dates are April 1 and October 1, of each year, at which time the adjustment rates are added to or subtracted from the base rates to determine effective rates on each revision date. The adjustment rates are the arithmetic sum of the offset rates and balancing rates. The balancing rates per therm are to be determined by (1) dividing the balance in the Gas Offset Adjustment Account by (2) the total revenue determined by multiplying each offset rate in effect on the filing date hereunder by the current period volumes of gas to be sold under each offset rate, and (3) multiplying that quotient (a) by the corresponding offset rate, if any, in each usage block of each rate schedule and contract and (b) by 1.01 to adjust for franchise and uncollectible accounts expense.

The Commission staff opposed the adoption of the gas offset adjustment tariff provision proposed by PG&E. The staff pointed out that the proposed tariff provision is contrary to the average year concept of setting rates based on estimates with the possibility for revenue over and under recovery. The staff further pointed out that there will be other proceedings, both general rate proceedings and future offset rate proceedings, in which the Commission can consider and, if appropriate, make provision for the revenue deficiencies indicated in Exhibit RH-3. In any case the staff urged that the Commission not take favorable action in this proceeding on the proposal as it may be resubmitted by PG&E in the general rate increase proceedings which are now in progress and at that time be considered in the light of PG&E's total operations.

For the reasons urged by the staff PG&E's proposed gas offset adjustment tariff provision will not be approved in these proceedings.

Findings

1. Seventy-five therms per month is the lifeline volume of gas to be used on an interim basis in PG&E gas rate schedules, until this quantity is modified by later decisions of this Commission.

2. This Commission has never used the cost of service rate-making theory as the sole criteria for setting rates.

3. The major criteria for setting rates are the advancement of conservation and economic efficiency.

4. In order to promote conservation the rates under the general service schedules for over 75 therms per month and under the interruptible schedules, where usage is likely to be relatively elastic, should be increased rather than decreased. Those rates under the general service schedules for the first 75 therms per month, where the usage is likely to be relatively inelastic, should continue to receive no increase, and they should not be reduced below the level in effect on January 1, 1976.

5. The reductions in revenue which result from the reduction in the resale commodity rate and from the revision of the Multi-Family Service Schedule No. GM should be compensated for by increases in the commodity charges for over 75 therms in General Service Schedules G-1 through G-5 and in the commodity charges in all interruptible schedules in order to promote conservation in the use of gas.

6. The resale customers should continue to receive increases and decreases in rates proportional to those of PG&E's G-2 customers. Therefore, further reductions in the resale rates will be provided to adjust such rates by reason of the interim rate increase provided in Decisions Nos. 84571, 84616, 84697, and 84721, and by reason of the reductions provided the multi-family service customers through the modification of Schedule No. GM, as provided in the order below.

7. The existing multi-family service schedule should be applicable only to those master meter customers that do not submeter.

8. PG&E should be directed to establish another multi-family service schedule for master meter customers that do submeter which reduces rates on the lifeline blocks but not on the tail block 10 percent below the present, nonsubmetered schedule, as set forth in Appendix B.

9. 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.

10. PG&E's proposed gas offset adjustment tariff provision should not be approved.

Conclusion

PG&E should be authorized to file the revised rate schedules set forth in Appendices A and B of this decision.

FINAL 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 Appendices A and 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 four days after the date of filing, and shall apply only to service rendered on or after the effective date thereof.

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

3. Paragraphs 4.a. and 5 of (1) the Interim Order of Decision No. 84571, issued June 17, 1975, of (2) the Second Interim Order of Decision No. 84616, issued July 1, 1975, and of (3) the Third Interim Order of Decision No. 84697, issued July 22, 1975, are hereby rescinded and deleted from said orders.

4. Until further order of this Commission, the Commission designates 75 therms per month as the lifeline volume of gas which is necessary to supply the minimum energy needs of the average residential user on the PG&E system.

5. Pacific Gas and Electric Company shall establish a multi-family service schedule for master meter customers that do submeter which reduces rates on the lifeline blocks but not on tail block 10 percent below the present, nonsubmetered schedule.

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

Dated at San Francisco, California, this 30th day of MARCH, 1976.

President

Commissioners

I will file a written concurrence.

I will concur in part and dissent in part with an attached document.
William Symons Jr.

On September 7, 1976, Commissioner Symons indicated he would not file a separate Concurring and Dissenting Opinion.

APPENDIX A

GENERAL NATURAL GAS SERVICE - BASIC ZONES

RATES	Per Meter Per Month G-1	G-2	G-3	G-4	G-5
Commodity Charge:					
First 2 therms or less	1.46964	1.57464	1.68264	1.84464	2.11264
Next 23 therms, per therm	.13952	.13952	.14372	.14802	.15572
Next 50 therms, per therm	.13472	.13472	.13702	.13922	.14382
Over 75 therms, per therm	.15733	.15733	.15733	.15733	.15733

Minimum Charge: The charge for the first two therms.

GENERAL NATURAL GAS SERVICE - SUBZONES

RATES	Per Meter Per Month G-7	G-11	G-12	G-13
Commodity Charge:				
First 2 therms or less	$1.89864	$2.32664	$2.70164	$3.02264
Next 23 therms, per therm	.16112	.17312	.18042	.20112
Next 50 therms, per therm	.15512	.16232	.16692	.18032
Over 75 therms, per therm	.16512	.17232	.17692	.19032

Minimum Charge: The charge for the first two therms.

PUBLIC OUTDOOR LIGHTING NATURAL GAS SERVICE

RATES	Per Group of Lights Per Month G-30
First 10 lights or less	$28.39
For each additional gas light	2.84
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.	1.207

INTERRUPTIBLE NATURAL GAS SCHEDULES (all)

RATES

Commodity Charge:	Per Meter Per Month
For all gas deliveries, per therm	$ .15733

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

APPENDIX A

RESALE NATURAL GAS SERVICE

	Per Month	
	G-60 Palo Alto	G-61 Coalinga
RATES		
Demand Charge:		
Based on the maximum billing month consumption, per Mcf	9.8¢	9.8¢
Commodity Charge:		
To be added to the Demand Charge for all gas deliveries, per therm	11.583¢	11.424¢
Minimum Charge:		
The minimum charge shall be the monthly demand charge.		

	Per Month	
	G-62 Cal-Pacific	G-63 SoWest Gas
RATES		
Demand Charge:		
Based on maximum billing month consumption		
Per Mcf of firm service in maximum month	8.6¢	8.6¢
Per Mcf of interruptible service in maximum month	2.7¢	2.7¢
Commodity Charge:		
To be added to the demand charge for all gas deliveries, per therm	11.286¢	11.519¢
Minimum Charge:		
The minimum charge shall be the monthly demand charge.		

Schedule No. GM-1

GENERAL NATURAL GAS SERVICE

MULTI-FAMILY SERVICE

APPLICABILITY

This schedule is applicable to service for cooking, water heating, space heating, and other residential usages supplied to multi-family accommodations through one meter on a single premise and the individual tenants are not submetered.

TERRITORY

The entire territory served.

RATES

The rates of the appropriate schedule applicable in the territory in which the multi-family accommodation is located.

Commodity Charge

The therms for all blocks shall be multiplied by the number of residential units except for the first two therms.

SPECIAL CONDITIONS

Residential service under this schedule includes service to residential units and trailer units but does not include enterprises such as rooming houses, boarding houses, dormitories, rest homes, military barracks, stores, restaurants, service stations, and other similar establishments.

Schedule No. GM-2

GENERAL NATURAL GAS SERVICE

MULTI-FAMILY SERVICE

APPLICABILITY

This schedule is applicable to service for cooking, water heating, space heating, and other residential usages supplied to multi-family accommodations through one meter on a single premise and submetered to all individual tenants.

TERRITORY

The entire territory served.

RATES

The rates of the appropriate schedule applicable in the territory in which the multi-family accommodation is located, less 10% discount on the lifeline blocks but not on the tail block.

Commodity Charge

The therms for all blocks shall be multiplied by the number of residential units except for the first two therms.

SPECIAL CONDITIONS

1. Residential service under this schedule includes service to residential units and trailer units but does not include enterprises such as rooming houses, boarding houses, dormitories, rest homes, military barracks, stores, restaurants, service stations, and other similar establishments.

2. As a condition to service under this schedule, a master meter customer who has previously been served under Schedule No. GM must attach to his application for such service (1) a certification that he has notified his tenants in writing that he is applying for gas service under Schedule No. GM-2 which provides a 10% discount on the lifeline blocks but not on the tail block and (2) a copy of such written notice.

CONCURRING OPINION OF COMMISSIONER LEONARD ROSS

Today's decision grants the benefits of "lifeline" rates to the residents of thousands of mobile homes in California, and confirms this Commission's commitment to a conservation-oriented rate policy. The old "discount" rate policy -- under which large users received cut rates -- has now been thoroughly repudiated.

Mobile home residents, like other residential customers in California, should receive lower rates for lower usage of natural gas. Under this Commission's lifeline policy and the Miller-Warren Lifeline Act, discount rates for large users of electricity and gas will be phased out by placing the burden of rate increases on these users rather than on basic residential use.

The reason for this change is simple. We can't afford to encourage energy waste through volume discounts. Every aspect of utility regulation must be reviewed to place prime emphasis on conservation rather than energy growth. This Commission has already taken the first steps in that direction by adopting lifeline and by telling the utilities that their profits will depend on the vigor of their conservation efforts. We must go further:

(1) By finding means for encouraging the insulation of several million uninsulated or under-insulated California homes within the next five years;

(2) By providing subsidies for solar installations, such as solar water and space heaters;

(3) By making sure that other cost-effective conservation devices -- such as time-setting thermostats and hot-water regulators -- are placed in California homes.

Without these and other strong conservation measures, we will face a natural gas crisis of truly horrifying dimensions.

It is worth noting that an issue involved in parallel rate applications of the Southern California Gas Company and San Diego Gas and Electric Company is not involved here. Pacific Gas and Electric Company -- alone among the major energy utilities in California -- elected to "flow through" to customers the benefits of the Tax Reduction Act of 1975. This action by PGandE will benefit PGandE's ratepayers by an estimated $98 million over the next six years. PGandE deserves high praise for being the only major California utility to pass on to its customers these tax savings.

Leonard Ross
Commissioner

San Francisco, California
March 30, 1976