

Decision 84 11 026

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ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND
ELECTRIC COMPANY for authority, among
other things, to increase its rates
and charges for electric and gas
service.

} Application 82-12-48
(Filed December 20, 1982)

Peter W. Hanschen and Michael S. Hindus,
Attorneys at Law, for Pacific Gas and
Electric Company, applicant.
Michel Peter Florio, Attorney at Law,
and Sylvia M. Siegel, for Toward Utility
Rate Normalization (TURN), interested
party.
Timothy Treacy, Attorney at Law, for the
Commission staff.

INTERIM OPINION ON REOPENING
OF APPLICATION 82-12-48

I. Summary

We adopt the phase-in approach proposed by Pacific Gas and Electric Company (PG&E) and the Public Staff. The baseline quantities and rates adopted in PG&E's last general rate case are adjusted to ease the transition from lifeline to baseline. ✓

We also direct PG&E and the Public Staff to study the baseline territories and to submit recommendations for alteration of the territories by September 2, 1985. ✓

II. Background

In Stats. 1982, Ch. 1541, the Legislature amended Public Utilities (PU) Code § 739 to require this Commission to designate baseline quantities of electricity and gas for residential

customers. The Commission was further directed to set baseline rates for electricity and gas at 15-25% below the system average rate. This baseline rate structure replaced the lifeline program enacted under the Miller-Warren Energy Lifeline Act.

In Decision (D.) 83-12-068, the Commission established a baseline program in PG&E's service territory. The adopted baseline quantities and rates were actually implemented in May 1984.

On September 19, 1984, the Commission issued D.84-09-122 reopening Application (A.) 82-12-48, PG&E's most recent general rate case. In this decision, the Commission directed PG&E and the Commission's Public Staff to submit proposals for the adjustment of the baseline program. A joint proposal was submitted on October 1, 1984.

Public hearing was held on October 11, 1984, before Administrative Law Judge (ALJ) R. Wu. The joint proposal of PG&E and the Public Staff was received as Exhibit 300. Jackalyne Pfannenstiel and Thomas Bottorff testified on behalf of PG&E; John Yager testified for the Public Staff. TURN participated through cross-examination of these three witnesses. In addition, several legislators, county supervisors, and customers entered statements asking the Commission to adjust the baseline program.

III. Public Staff Proposal

PG&E and the Public Staff jointly propose that the baseline quantities adopted in D.83-12-068 should be phased in to mitigate the impact of the change from lifeline to baseline this winter. The baseline quantities would be adjusted in three ways.

1. The gas allowances will be set at the higher of: (a) the present baseline level, or (b) the level of the former lifeline allowance less 10 therms.
2. The electric allowances will be set at the higher of: (a) the present baseline level, or (b) the level of the former lifeline allowance less 100 kWh.
3. All customers who formerly were billed with an electric water heating allowance will be billed as all-electric customers.

If these phase-in quantities are adopted, PG&E asserts that no gas customers will experience a bill increase this winter greater than 5% due to the change to baseline. And PG&E predicts no electric customer will experience a bill increase greater this winter than 7% due to the change to baseline. ✓

The phase-in quantities are compared to the present baseline quantities and the former lifeline allowances in Tables 1 and 2.

TABLE 1

COMPARISON OF LIFELINE AND BASELINE
QUANTITIES FOR ALL-ELECTRIC CUSTOMERS
KWH

<u>Baseline Territory</u>	<u>Former Lifeline Allowance</u>	<u>Present Baseline Quantity</u>	<u>Phase-in Baseline Quantity</u>
<u>Summer</u>			
T	720	390	620
V	840	540	740
W	770	800	800
X	490	400	400
R	770	740	740
S	720	660	660
Y	720	480	620
Z	850	400	750
<u>Winter</u>			
T	1060	850	960
V	1260	1100	1160
W	1040	1000	1000
X	1290	1000	1190
R	1290	1200	1200
S	1290	1200	1200
Y	1380	1200	1280
Z	1550	1400	1450

TABLE 2

COMPARISON OF LIFELINE AND BASELINE
QUANTITIES FOR GAS SPACE HEATING CUSTOMERS
THERMS

<u>Baseline Territory</u>	<u>Former Lifeline Allowance</u>	<u>Present Baseline Quantity</u>	<u>Phase-in Baseline Quantity</u>
<u>Summer</u>			
T	50	27	40
V	61	25	51
W	26	18	18
X	26	20	20
R	26	20	20
S	26	20	20
Y	50	25	40
Z	-	-	-
<u>Winter</u>			
T	82	69	72
V	106	67	96
W	81	70	71
X	106	75	96
R	106	75	96
S	106	75	96
Y	117	62	107
Z	-	-	-

If the phase-in quantities are adopted, then residential rates must be adjusted to maintain residential class revenues at their present levels. The rates should be adjusted as shown in Tables 3 and 4.

TABLE 3

	Electric (\$ per kWh)		
	<u>Present Baseline Rates</u>	<u>Phase-In Baseline Rates</u>	<u>% Increase</u>
Tier I	.06318	.06318	0.0
Tier II	.08213	.08243	0.4
Tier III	.10677	.10754	0.7

TABLE 4

	Gas (\$ Per Therm)		
	<u>Present Baseline Rates</u>	<u>Phase-In Baseline Rates</u>	<u>% Increase</u>
Tier I	.47433	.47433	0.0
Tier II	.74661	.82118	10.0

The phase-in electric rates are about the same as the present rates. The phase-in gas rate for Tier II increases by 10% due to the larger baseline quantities.

IV. Positions of the Parties

PG&E, the Public Staff, and TURN all support the phase-in quantities and rate adjustments shown in the prior section.

TURN also recommended that PG&E's notice to customers on the seasonal changes in baseline allowances should identify the date on which a customer's baseline allowance actually changes. TURN

stated that PG&E's last notice on seasonal changes reflected the date on which PG&E's billing practices changed. If the notice is clarified, TURN asserts a customer will have an opportunity to alter his consumption of energy when his baseline allowance actually changes.

The Public Staff also recommended that a definitive study on the impact of second homes should be carried out by PG&E. Some customers believe the average energy usage computed for their communities is lowered by the presence of second homes which are occupied for only part of the year. If the second homes are excluded, these customers believe the computed average energy usage would be higher, entitling them to higher baseline quantities.

Last, PG&E stated that it was committed to further study of the climatic conditions of the existing baseline territories. PG&E prefers that this study should be considered in its next general rate case. Most of the public statements received at the October 11, 1984 hearing were directed at refinement of the baseline territories to better reflect individual communities' climatic conditions.

V. Discussion

We are convinced that the baseline program adopted for PG&E's service territory should be phased in. Although the baseline program has greatly simplified the residential rate structure, this administrative improvement is not apparent to PG&E's customers. An individual customer is aware only of his present baseline allowance and his prior lifeline allowance which in many cases was larger. To those PG&E customers, the change from lifeline to baseline seems unfair.

The change from lifeline to baseline has raised some customers' bills, and it has lowered other customers' bills. We do not deny this simple fact. However, it is important to remember that

PG&E's net revenues are the same under the baseline program as they would be under a lifeline rate structure. Some customers will pay more under the baseline program while others will pay less than under the lifeline program; PG&E's net revenues are not affected.

To ease the transition from lifeline to baseline, we will adopt the phase-in quantities and rates proposed by PG&E and the Public Staff. We emphasize that this phasing of the baseline program is separate from rate increases which may be granted to PG&E.

We agree with TURN that PG&E's notice to customers should identify the date on which baseline allowances will change so that customers have an opportunity to alter their energy consumption. Customers should know in advance when their baseline allowances increase or decrease to reflect the different seasons. We expect PG&E to clarify its future notices and suggest that it submit them to our Public Advisor or Public Affairs Office for review prior to printing.

Our action today is a step toward implementation of the baseline program. The requirements of PU Code § 739 regarding baseline quantities and rates are clear. However, we believe that the baseline quantities set in D.83-12-068 may not accurately reflect the average energy consumption of some residential customers in PG&E's service territory. Accordingly, we will direct PG&E and the Public Staff to study the baseline territories and to determine

whether new territories should be fixed to better reflect different climatic conditions. From the complaints and the statements received at our October 11, 1984 hearing, we conclude that this issue must be examined before PG&E's next general rate case. (PG&E's next general rate case will not be decided until December 1986.) In the meantime, we will adopt the phase-in quantities to allow PG&E and the Public Staff enough time to address this issue and to submit a study on the appropriate baseline territories.

In addition, we, PG&E, and the Public Staff should offer studies on other changes in the baseline program such as the exclusion of unmetered units in multifamily dwellings from the baseline program. One participant in the October 11, 1984 hearing claimed that the inclusion of unmetered units in the baseline program will effectively kill the master-meter conversion program. While the master-meter conversion program is a conservation program, its success or failure appears to be dependent on the application of the baseline program. We expect both PG&E and the Public Staff to develop recommendations as to whether unmetered units in multifamily dwellings should continue to receive baseline allowances. These recommendations will be considered in the further hearings to be held in 1985. PG&E should begin the studies necessary to support its recommendations promptly.

Findings of Fact

1. Some residential customers of PG&E have experienced unexpected bill increases because of the change from lifeline to baseline.
2. The phase-in of baseline proposed by PG&E and the Public Staff will ease the rate effects of the transition from lifeline to baseline.
3. PG&E and the Public Staff should study the baseline territories in the baseline program to determine whether new territories should be fixed.

4. Until the baseline territories are studied, the Commission cannot conclude that the baseline quantities set in D.83-12-068 accurately reflect the average energy consumption of all residential customers. ✓

5. Adoption of the phase-in baseline quantities will give PG&E and the Public Staff time to study the baseline territories in PG&E's service territory. ✓

6. This order should take effect on the date of issuance so that the phase-in baseline quantities and rates can take effect before PG&E's winter billing cycle begins. ✓

Conclusions of Law

1. The phase-in proposal of PG&E and the Public Staff is a reasonable way of implementing the baseline program required by PU Code § 739.

2. Further hearing is necessary to determine whether the baseline quantities adopted in D.83-12-068 meet the requirements of PU Code § 739.

INTERIM ORDER

IT IS ORDERED that:

1. The phase-in baseline quantities and rates set forth in Tables 1, 2, 3, and 4 are adopted and shall take effect starting with this winter's billing cycle. |

2. Pacific Gas and Electric Company and the Public Staff shall submit by September 2, 1985 a study of the baseline territories adopted in D.83-12-068. Further hearings shall be held to receive this study. ✓

This order is effective today.

Dated NOV 7 1984, at San Francisco, California.

VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY


Joseph E. Bocovitz, Executive Director

PG&E's net revenues are the same under the baseline program as they would be under a lifeline rate structure. Some customers will pay more under the baseline program while others will pay less than under the lifeline program; PG&E's net revenues are not affected.

To ease the transition from lifeline to baseline, we will adopt the phase-in quantities and rates proposed by PG&E and the Public Staff. We emphasize that this phasing of the baseline program is separate from rate increases which may be granted to PG&E. PG&E projects that its January 1, 1985 residential electric rates will be 25% higher than its January 1, 1984 residential electric rates. Residential gas rates are expected to increase by 4% over the same time period. If PG&E is right, the average residential customer's electric bill will increase this winter by 25% over last winter's bill. This projected rate increase is not related to the change from lifeline to baseline and consequently will not be affected by a phase-in approach.

We agree with TURN that PG&E's notice to customers should identify the date on which baseline allowances will change so that customers have an opportunity to alter their energy consumption. Customers should know in advance when their baseline allowances increase or decrease to reflect the different seasons. We expect PG&E to clarify its future notices and suggest that it submit them to our Public Advisor or Public Affairs Office for review prior to printing.

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