ALJ/GLW/tcg

Decision 88 10 062 OCT 26 1988

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

Investigation on the Commission's own motion to comply with Senate Bill 987 and realign residential rates, including baseline rates, of California energy utilities.	I.88-07-009 (Filed July 8, 1988)

(See D.88-09-027 for appearances.)

INTERIM OPINION

I. Summary of Decision

This opinion realigns the baseline and Tier II residential rates of seven respondent utilities (Pacific Gas and Electric Company, Pacific Power and Light Company, Sierra Pacific Power Company, CP National, Southern California Gas Company, San Diego Gas & Electric, and Southwest Gas Company) in compliance with Senate Bill (SB) 987 (Ch. 212, Stats. 1988). Southern California Water Company (Bear Valley Electric) will address realignment of baseline rates in its pending general rate case, A.88-05-026. We addressed the realignment of Southern California Edison's baseline and Tier II rates in D.88-09-027.

II. Background

The Miller-Warren Energy Lifeline Act of 1975 (Ch. 1010, Stats. 1975) required the Commission to establish lifeline quantities of energy, based upon a household's specific and essential energy end uses. The Lifeline Act required that a lifeline quantity of energy be provided at a cost less than the system average cost. The objective of the Lifeline Act was to "encourage conservation of scarce energy resources" while also providing "a basic necessary amount of gas and electricity" for specific residential uses "at a cost which is fair to small users."

In 1982, the Legislature revised the lifeline program, by enacting the Baseline Act (Ch. 1541, Stats. 1982). The Baseline Act established baseline quantities of energy equal to 50-60% of average residential consumption by climate zone, and up to 70% of average consumption for all-electric and gas customers. The Baseline Act required baseline quantities to be priced at 75 to 85% of the system average rate (SAR).

On June 28, 1988 Governor Deukmejian signed into law SB 987 (Ch. 212, Stats. 1988). The bill declares a legislative finding that rates for gas service in excess of the baseline quantity are too high and cause extremely high residential bills during cold weather. The Legislature also declares that the Commission should have greater flexibility in pricing the baseline quantity of service, in order to protect residential ratepayers from excessive rate increases and high winter gas bills.

SB 987 grants the Commission greater flexibility in pricing baseline service while assuring residential customers that they will not be economically worse off relative to other customers, as a result of changes to baseline rates pursuant to this bill. SB 987 deletes the requirement that baseline rates be established at a differential of from 15% to 25% less than the system average rate, and instead directs the Commission to increase baseline rates and to use increased revenues from such action exclusively to reduce rates for residential service above the baseline quantity.

SB 987 requires the Commission to reduce nonbaseline rates of each electrical and gas corporation by no later than November 1, 1988. SB 987 directs the Commission to reduce high nonbaseline rates as rapidly as possible, but at the same time, directs the Commission not to substantially eliminate any significant differential between baseline and nonbaseline rates for at least 30 months after the effective date of this bill.

In addition to the provisions regarding rate revision, SB 987 also directs the Commission to establish a program of assistance to low-income electric and gas customers, the cost of which shall not be borne by any single class of customer.

In response to enactment of SB 987, the Commission adopted Order Instituting Investigation 88-07-009 on July 8, 1988. This Order established an expedited schedule for implementing by November 1, 1988 the rate changes mandated by SB 987.

A Prehearing Conference was held on July 19, 1988 in San Francisco. Four days of hearings in San Francisco and Los Angeles were held between August 15 and 22, 1988 before Administrative Law Judge Wheatland. This matter was submitted, without briefs, following closing argument on August 22.

III. Summary of the Evidence

A. Pacific Gas and Electric Company (PG&E)

PG&E proposes to narrow the difference between the rates for baseline quantities of residential gas and electricity (Tier I) and rates for quantities over baseline (Tier II) by 10%. The combined increase in Tier I rates and decrease in Tier II rates would be revenue neutral for the residential class. The realignment would result in no more than a 3% increase in any monthly PG&E gas or electricity bill. PG&E's proposal raises electric baseline rates as a percentage of system average rates from the previous statutory maximum of 85% to approximately 87%. PG&E proposes that the realignment for both residential gas and electric rates take effect November 1.

B. Southwest Gas Company (Southwest Gas)

Southwest Gas proposes to reduce the difference between baseline and Tier II gas rates in its Mojave and Sierra operating divisions by approximately 20%. This proposed realignment is designed to limit customer impact to a maximum increase of approximately 5% for Sierra and 6% for Mojave. This realignment would provide high energy users with decreases of up to 5.1% and 7.3% in the Sierra and Mojave Districts, respectively. Southwest Gas is to implement the rate realignment mandated by SB 987 effective November 1, 1988 with rate changes resulting from its compliance with Resolution G-2789 (Tax Reform Act), changing rates for its Sierra and Mojave Divisions ($136,200 and $1,410,800, respectively).

C. Pacific Power & Light Company (Pacific Power)

Pacific Power proposes to narrow the percentage change in ratios between baseline and Tier II energy prices by 50%. Customers who do not exceed baseline allowances will experience an average increase in their electricity bill of 4%, with a maximum potential increase of 7%. High energy use customers will receive up to a 9% decrease in annual bills. Pacific Power's proposal raises baseline rates from the current 84% of SAR to 91% of SAR when the customer charge is included (86% when excluded). See Appendix A.

According to Pacific Power, the proposed realignment both satisfies SB 987 and helps to accomplish the Company's pricing objectives. In particular, Pacific Power cites the problem of customers switching from electricity to wood as their primary source of heat, resulting in lost sales and declining revenue.

D. Sierra Pacific Power Company (Sierra Pacific)

In Decision (D.) 85-05-017, the Commission adopted a four-year phase-in of baseline allowances for Sierra Pacific which will be completed on January 1, 1989. Using average usage patterns based on current billing data, Sierra Pacific states that most of the usage for all electric customers (i.e., space heating and water heating) and all of the usage of customers with electric space heating only falls within the winter baseline allowance. As a result, a reduction of the inversion between baseline and non-baseline rates will increase Sierra Pacific's space heating customers' winter bills rather than reduce them.

Because of the negative impact the proposed residential rate realignment has on its space heating customers, Sierra Pacific would prefer to make no rate change at this time. However, Sierra Pacific recognizes that this may not be responsive to the statutory directive under SB 987 to change rates by November 1, 1988. Therefore, Sierra Pacific proposes in the alternative to make a minimal realignment between baseline and non-baseline rates at this time and defer any additional consideration until its next general rate case where the question of baseline quantities could also be addressed.

Sierra Pacific proposes to increase the baseline rate for permanent customers from 85% of SAR to 87% of SAR, with a corresponding decrease in the Tier II rate. Sierra's proposal would result in an increase of less than 3% on winter space heating bills.

E. <u>Southern California Water Company</u>

The Southern California Water Company, Bear Valley Electric District (District), serves approximately 18,000 customers. The District did not present a proposal in this proceeding. However, in a statement by Joseph P. Young the District indicated that it is in the midst of a general rate proceeding and would prefer that the realignment take place in that proceeding. Mr. Young stated that the District will accept the recommendation of the Commission staff in that case. Under the District's approach, the realignment of baseline and Tier II rates would be effective upon conclusion of the District's general rate case, approximately January 1, 1989.

F. CP National

CP National proposes to realign residential gas rates in the South Lake Tahoe service territory by raising the baseline rate by 2.7%. Because of a generous winter baseline allowance, this modest increase in baseline rates will decrease Tier II rates by 17%. CP National's proposal reduces the differential between baseline and Tier II rates by 73.5%, yet the maximum increase for customers who consume up to the winter baseline allowance is just 2.5%.

CP National's gas operation in Needles are still under the lifeline rate structure. Since SB 987 relates to baseline rates, CP National did not address its lifeline rates in this proceeding.

G. San Diego Gas & Electric (SDG&E)

SDG&E proposes for November 1 a decrease in the Tier II electric rate of $1 million on an annualized basis with no corresponding increase in the baseline rate. Effective January 1, 1989, SDG&E proposes to reduce electric baseline rates by 1%, and to apply the remainder of the anticipated revenue reduction to the residential class from SDG&E's general rate case (A.87-12-003) to further reduce the Tier II rate.

SDG&E acknowledges that SB 987 requires a reduction in the Tier II rate by November 1. Given conventional rate design criteria, the reduction in Tier II rates would be offset by an increase in baseline rates. Since SDG&E's residential customers are expected to receive a rate decrease effective January 1, 1989, SDG&E seeks to avoid increasing baseline rates on November 1, 1988, when such rates will be decreased two months later. To avoid roller-coaster rates, SDG&E proposes a small decrease in Tier II rates effective November 1, with a more substantial realignment effective January 1, 1989. By reducing Tier II rates by 0.35%

between November 1 and December 31, without an offsetting increase in baseline rates, SDG&E will undercollect approximately $180,000. SDG&E proposes that the undercollection flow through to the ERAM account.

Effective January 1, 1989, under SDG&E's proposal, baseline electric rates will decrease by 1% and Tier II rates will decrease by approximately 8%. The percentage decrease to Tier II rates will be contingent upon the residential rate reduction authorized by the Commission in SDG&E's pending general rate case and ECAC decisions.

SDG&E proposes no increase in its gas rate prior to November 1. Instead, SDG&E proposes to change its residential gas rates in its first ACAP, to be filed by March 15 with rates effective July 1, 1989. SDG&E makes no gas proposal in this proceeding because effective May 1, 1988 its gas rates changed such that the differential between the tiers was reduced. SDG&E contends that this change satisfied SB 987.

H. Southern California Gas Company (SoCal Gas)

SoCal Gas proposes that the differential between its baseline and Tier II rates, now slightly more than 44 cents per therm, be reduced on November 1 to not more than 20 cents per therm. Under SoCal Gas' proposal, the average customer would see a 3.2% increase in its monthly winter bill or $1.19 per month, counterbalanced by a decrease in the average summer bill of 5.1% or $1.20 per month.

Under the SoCal proposal, some low use customers may experience monthly bill increases of almost 20%. SoCal Gas recognizes the need to mitigate the adverse impacts that could result for those residential customers whose usage falls at or below baseline levels; however, SoCal Gas also strongly believes that achieving the goal of reducing high winter gas bills should be accorded the greater weight.

I. DRA

DRA used four criteria to review the realignment proposals of the respondent utilities:

1. Reduction of Tier II rates.
2. Allocation of uncollected revenue from the Tier II reduction to baseline rates.
3. Minimal customer bill impact resulting from the Tier I rate increase.
4. Consistency of rate changes in I.88-07-009 with other rate design and revenue policies adopted or under consideration by the Commission.

DRA endorsed the rate proposals of those utilities which met DRA's stated criteria: PG&E, Pacific Power, Sierra Pacific, CP National, Southwest Gas, SDG&E's electric and Southwest Gas' rate proposal. DRA supported the proposal of Southern California Water Company, to consolidate the realignment of baseline and Tier II rates with its pending GRC proceeding. For two utility proposals which did not meet DRA's criteria, DRA made alternative recommendations.

DRA disagrees with SDG&E's position that the recently adopted gas rate design in D.87-12-039 fulfills SB 987 requirements. DRA recommends that, as an initial step in implementing SB 987, SDG&E Tier II gas rates should be reduced by at least 1.5%. DRA estimates that this proposed realignment will cause less than an 1% increase in the winter bill of the average SDG&E residential customer. DRA notes that even with its proposed reduction in Tier II gas rates, SDG&E will have the highest Tier II gas rates among major California utilities.

DRA argues that the rate realignment proposed by SoCal Gas is too aggressive. DRA believes that the SoCal proposal will result in undesirable rate impacts for a large number of customers who use less than the baseline allowance. Under the SoCal Gas proposal, some low use customers may experience increases in winter bills of up to 20%.

DRA's recommended realignment for SoCal Gas would provide almost a 10% reduction in the tier differential, while limiting the potential bill impact on low use customers to a 5% ($1.00) increase in winter bills.

J. Toward Utility Rate Normalization (TURN)

As a general policy, TURN recommends that the Commission move very cautiously to implement SB 987. TURN states that significant rate restructuring should not be undertaken here, but rather should be considered in the general rate cases and offset proceedings that typically address revenue allocation and rate design in a broader context. If baseline rates are to be increased at all, TURN proposes an increase of 1%.

TURN particularly opposes the SoCal Gas proposal. TURN contends that the SoCal proposal, which would result in bill increases of up to 20% for certain residential customers, is too drastic to be adopted in this limited, expedited proceeding.

TURN also states that Pacific Power and Light and Southwest Gas are proposing larger baseline increases than are appropriate in the context of this case.

K. California/Nevada Community Action Coalition (Cal Neva)

Cal Neva urges the Commission to adopt a relatively moderate rate shift in this phase of the proceeding. Cal Neva cites the Commission's recent study by Price Waterhouse to show that low income is generally correlated with low energy use and that a realignment of baseline and Tier II rates, as considered here, will have a disproportionate impact on low income customers. Thus, Cal Neva contends that major rate shifts should not be implemented until the full low income assistance programs envisioned under SB 987 are put in place.

IV. Discussion

Senate Bill 987 (SB 987) requires the Commission to realign residential baseline rates in a manner which strikes a reasonable balance between the competing goals of bringing down high winter energy bills without excessively increasing any bill. On the one hand, the legislation finds and declares that "rates for gas service in excess of the baseline quantity are too high, and cause extremely high residential bills during cold weather." It requires the Commission to "reduce high nonbaseline residential rates as rapidly as possible" and to reduce rates charged for usage over baseline by November 1.

On the other hand, the legislation also declares that "In establishing these rates, the commission shall avoid excessive rate increases for residential customers, and shall establish an appropriate gradual differential between the rates for the respective blocks of usage."

We find that the proposals to realign residential rates by PG&E, Pacific Power and Light, Sierra Pacific, CP National, SDG&E (electric rates) and Southwest Gas strike a reasonable balance between these two goals. These proposals will reduce Tier II rates from 2% to 20% in this initial step, while not increasing baseline rates, in all cases except Pacific Power, by more than 2% to 6%. Under Pacific Power's realignment proposal, baseline rates could increase up to 9%, with an average expected increase of approximately 4%.

The realigned residential rates which we adopt for PG&E, Pacific Power, Sierra Pacific, CP National (South Lake Tahoe), SDG&E (electric rates) and Southwest Gas, effective November 1, 1988 are set forth in Appendix A of this interim opinion.

We also find that the proposal by Southern California Water Company to consolidate the realignment of baseline rates with its pending rate proceeding is reasonable. For this utility, with a relatively small base of residential energy customers, multiple rate changes implemented only a few weeks apart would be undesirable.

The revised residential rates we adopt for Southwest Gas Company, based on present revenues, are set forth in Attachment A. These rates will be adjusted to reflect compliance with Resolution G-2789 (Tax Reform Act).

For SDG&E's residential gas customers we are presented with two proposals. SDG&E proposes no increase in residential gas rates. SDG&E contends that the changes in gas rates adopted in D.87-12-039 satisfy SB 987 requirements. We cannot accept SDG&E's contention. SB 987 requires the Commission to reduce the rates charged for usage over baseline by <u>each</u> electrical and gas corporation, immediately upon the effective date of the act (June 28, 1988). The rate change in D.87-12-039, occurred prior to the effective date of SB 987, and therefore cannot be said to satisfy section 5 of the Act. There is nothing in the language or history of SB 987 to suggest that the legislature intended to exclude SDG&E's residential gas rates from the requirements which are expressly applicable to <u>each</u> electrical and gas corporation.

Therefore, in the absence of a proposal by SDG&E to realign its residential gas rates, we adopt the modest realignment recommended by DRA. The realigned residential gas rates we adopt for SDG&E, effective November 1, 1988, are set forth in Appendix A. DRA's proposal will reduce SDG&E Tier II rates by just 1.5%, one of the smallest decreases which we adopt today for any of the respondent utilities. Even with this Tier II reduction, SDG&E will have the highest Tier II gas rate among the major California utilities. DRA's proposal will increase baseline rates by less than 1%.

For SoCal Gas' residential gas customers we are also presented with two proposals. SoCal Gas' proposed realignment, which would decrease Tier II rates by up to 20%, would also cause up to a 20% increase in the winter bills of low use customers. We conclude that SoCal Gas' proposal does not strike an appropriate balance between the goals of reducing high Tier II rates while avoiding excessive increases for customers who use lower quantities of gas. In this first phase of implementing SB 987, a more gradual reduction in the differential between baseline and Tier II rates is appropriate. Therefore, we adopt DRA's proposal to reduce the tier differential by 9.62%. The realigned residential gas rates we adopt for SoCal Gas, effective November 1, 1988, are shown in Appendix A. Under DRA's approach winter bills of high use customers will decrease by up to 3%, while limiting increases for customers who use less than baseline quantities to 5% (or $1.00) per winter bill.

The realignment of residential baseline and Tier II rates which we adopt today represents the first step in compliance with SB 987. Further reductions in Tier II rates may be appropriate. These reductions should be considered in subsequent ECAC or ACAP proceedings applicable to the respondent utilities except where otherwise noted. In addition, we note that CP National's Needles district is still operating under the lifeline rate structure. While there was insufficient time in this phase of the proceeding to consider the transition of the Needles district from lifeline to baseline rates, we intend to address this issue in CP National's next rate proceeding.

SB 987 directs the Commission to establish a program of assistance to low income electric and gas customers, the cost of which shall not be borne solely by any single class of customer. We will commence this next phase of the proceeding with a prehearing conference to be set in December 1988.

Findings of Fact

1. SB 987 requires the Commission to reduce the nonbaseline rates of each electrical and gas corporation by no later than November 1, 1988. If the Commission increases baseline rates, it shall apply all revenue derived from that increase to reduce nonbaseline rates.

2. SB 987 directs the Commission to reduce high nonbaseline residential rates as rapidly as possible, while, at the same time, not substantially eliminating any significant differential between baseline and nonbaseline residential rates in less than 30 months following the effective date of this section.

3. SB 987 deletes the requirement that baseline rates be established at 75% to 85% of SAR.

4. Each of the respondent utilities offered a different proposal for realigning residential baseline and Tier II rates as required by SB 987. DRA offered proposals for realigning the rates for SoCal Gas and for SDG&E's gas customers.

5. The proposals by PG&E, Pacific Power, Sierra Pacific, CP National, Southwest Gas, and SDG&E electric rates reasonably balance the goals of reducing high Tier II rates while not causing an excessive increase in baseline rates. The maximum potential increase in baseline rates under any of these proposals is 9%.

6. The proposal by SoCal Gas would cause an excessive increase in baseline rates, up to a 20% increase for some low use customers.

7. The proposal by DRA for realigning SoCal Gas rates would increase winter bills by no more than 5% (or $1.00 per bill) and thus provides a more appropriate balance between the goals of SB 987.

8. There is no evidence that the Legislature intended to exempt SDG&E gas rates from the requirement that the Commission reduce the Tier II rates of each electric and gas utility immediately following the effective date of SB 987.

9. SDG&E has not proposed realignment of its gas rates in this proceeding. DRA has proposed a modest reduction in Tier II rates for SDG&E gas customers.

10. To avoid multiple rate changes for a small utility within a short period of time, it is preferable to consolidate the realignment of baseline and Tier II rates for Southern California Water Company with the rate proceeding currently pending for this utility.

Conclusions of Law

1. It is reasonable to realign the residential baseline and Tier II rates of the seven respondent utilities as set forth in Appendix A of this opinion.

2. It is reasonable to consolidate the realignment of residential rates of Southern California Water Company (Bear Valley Electric District) with A.88-05-026, so that the realignment is effective concurrently with the change in rates resulting from that proceeding.

3. The increases in baseline rates and charges and the corresponding decrease in Tier II rates and charges authorized by this decision are just and reasonable.

INTERIM ORDER

IT IS ORDERED that:

1. The realignment of baseline and Tier II rates for seven respondent utilities, as set forth in Appendix A to this decision, is adopted and shall be effective November 1, 1988, unless otherwise expressly stated herein.

2. The realignment of San Diego Gas & Electric Company (SDG&E) baseline and Tier II residential electric rates shall become effective November 1, 1988 and January 1, 1989, as set forth in Appendix A to this order. SDG&E shall incur a two-month undercollection in the ERAM for the rate change effective

November 1. When SDG&E rates are next revised in its general rate case, SDG&E shall revise residential rates to recover the full revenue requirement allocated to the residential class, terminating the ERAM undercollection.

3. The realignment of Southern California Water Company (Bear Valley Electric District) residential rates shall be determined in A.88-05-026, the District's general rate case, and shall become effective concurrently with the effective date of the change in rates resulting from that proceeding.

4. The realignment of Southwest Gas Company (Southwest Gas) and Sierra Pacific rates as adopted here, shall be modified to reflect the changes in revenue requirements resulting from compliance with Resolutions G-2789 and E-3105, respectively, and shall be effective concurrently with the effective date of the change in rates resulting from these resolutions.

5. The Commission shall address the revision of lifeline rates to baseline rates for the CP National Needles district, in CP National's next rate proceeding.

6. On or before October 28, 1988 Pacific Gas and Electric Company, San Diego Gas & Electric, Southern California Gas Company, Pacific Power and Light Company, Sierra Pacific Power Company, CP National, and Southwest Gas shall file revised tariff schedules for electric and gas rates, as applicable, reflecting the realignment of baseline and Tier II rates authorized by this order.

The revised tariffs shall apply to service rendered on or after November 1, 1988.

This order is effective today.

Dated OCT 26 1988, at San Francisco, California.

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
JOHN B. OHANIAN
Commissioners

Commissioner G. Mitchell Wilk being necessarily absent, did not participate.

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

Victor Weisser, Executive Director

APPENDIX A
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I. 88-07-009 ALJ/GLW
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ITEM NO.	UTILITY	BILLS/ SALES (Mth/Kwh)	PRESENT RATES ($/unit)	PRESENT REVENUES (M$)	ADOPTED BASELINE RATE REALIGNMENT 11/1/88: RATES ($/unit)	REVENUES (M$)	CHANGE OVER PRESENT RATE (Percent)
		(A)	(B)	(C)	(G)	(H)	(I)
1	Pacific Gas and Electric Co.						
	Gas Service						
	Tier I (Baseline)	1,526,276	$0.39970	$610,053	$0.41151	$628,078	2.95%
	Tier II	556,754	0.84441	470,129	0.81174	451,939	-3.87%
	Adjustment			(4,562)		(4,398)	
	Residential Gas Total/Average	2,083,030	0.51637	1,075,619	0.51637	1,075,619	0.00%
	SYSTEM AVERAGE RATE (SAR)	Method A:		Method B:			
		0.36295		0.39055		SAR UNCHANGED	
	Baseline as % of SAR	110%		102%	113%		105%
	Electric Service						
	Minimum Bill Per Month		5.00	8,644	5.00	8,644	0.00%
	Tier I (Baseline)	13,179,806,000	0.06898	909,143	0.07099	935,634	2.91%
	Tier II	8,469,846,000	0.12032	1,019,092	0.1172	992,666	-2.59%
	Adjustment			(4,960)		(13,604)	
	Residential Elec., Total/Average	21,649,652,000	0.08884	1,923,275	0.08884	1,923,275	0.00%
	SYSTEM AVERAGE RATE (SAR)		0.08154			SAR UNCHANGED	
	Baseline as % of SAR		85%			87%	
2	San Diego Gas & Electric Co.						
	Gas Service						
	Tier I (Baseline)	241,998	0.46274	111,982	0.46716	113,052	0.96%
	Non-Baseline	80,398	0.88659	71,280	0.87329	70,211	-1.50%
	Adjustment			(2,036)		(2,037)	
	Residential Gas Total/Average	322,396	0.56212	181,226	0.56212	181,226	0.00%
	SYSTEM AVERAGE RATE (SAR)		0.41481		0.41481		
	Baseline as % of SAR		112%		113%		
	Electric Service						
	Minimum Bill Per Month		5.00	820	5.00	820	0.00%
	Tier I (Baseline)	2,918,657	0.08230	240,205	0.0823	240,205	0.00%
	Non-Baseline	1,951,340	0.14463	282,222	0.14412	281,227	-0.35%
	Adjustment			(417)		(422)	
	Residential Elec., Total/Average	4,869,997	0.10735	522,831	0.10715	521,831	-0.19%
	SYSTEM AVERAGE RATE (SAR)		0.09715		0.09707		
	Baseline as % of SAR		85%		85%		

* NOTE: SDG&E is to reduce its electric baseline rate by 1% on 1/1/89, and apply the remainder of the anticipated decrease to Tier II.

APPENDIX A
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ITEM NO.	UTILITY	SALES (Mth/Kwh)	PRESENT RATES ($/unit)	PRESENT REVENUES (M$)	RATES ($/unit)	REVENUES (M$)	CHANGE OVER PRESENT RATE
3	Southern California Gas Co.						
	Customer Charge		$3.10	146,868	$3.10	146,868	0.00%
	Tier I (Baseline)	1,900,762	0.32618	619,991	0.34160	649,300	4.73%
	Tier II	846,951	0.84620	716,690	0.81159	687,377	-4.09%
	Residential Gas,Total/Average	2,747,713	0.53992	1,483,548	0.53992	1,483,548	0%
	SYSTEM AVERAGE RATE (SAR)		0.41226		0.41226		
	BSLN (incl. CC) as % of SAR		98%		102%		
	BSLN (excl. CC) as % of SAR		79%		83%		
4	C.P. National						
	Needles District						
	Gas Service (LIFELINE)						
	Customer Charge Per Month		5.50	82	See decision.		
	Tier I Lifeline	311	0.78848	245			
	Non-Lifeline	81	1.02061	83			
	Adjustment						
	Residential Gas Total/Average	392	1.04482	410			
	SYSTEM AVERAGE RATE (SAR)						
	Baseline as % of SAR		N/A				
	South Lake Tahoe District						
	Gas Service						
	Customer Charge Per Month		5.50	775	5.50	775	0%
	Baseline	8,512	0.45900	3,907	0.47150	4,013	2.72%
	Non-Baseline	1,005	0.62000	623	0.51408	516	-17.08%
	Adjustment	5		(18)		(18)	
	Residential Gas Total/Average	9,521	0.55524	5,286	0.55524	5,286	0.00%
	SYSTEM AVERAGE RATE (SAR)		N/A				
	Baseline as % of SAR		N/A				
5	Pacific Power & Light Company						
	Basic Charge		2.00	687	2.00	687	0.00%
	Tier I (Baseline)	199,784,403	0.06072	12,131	0.06545	13,076	8.60%
	Tier II	100,430,637	0.09122	9,161	0.08181	8,216	-11.00%
	Residential Total/Average	300,215,040	0.07321	21,979	$0.07321	21,979	
	SYSTEM AVERAGE RATE (SAR)		0.07596		0.07596		
	Baseline as %ofSAR (inc cc)		84%		91%		
	Baseline as %ofSAR (excl cc)		80%		86%		

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ITEM NO.	UTILITY	BILLS/ SALES (Mth/Kwh)	PRESENT RATES ($/unit)	PRESENT REVENUES (M$)	ADOPTED BASELINE RATE REALIGNMENT 11/1/88 RATES ($/unit)	REVENUES (M$)	CHANGE OVER PRESENT RATE
6	Sierra Pacific Power Co. **						
	Customer Charge		$2.00	827	$2.00	827	
	Tier I (Baseline)	88,587,000	0.06449	5,713	0.06631	5,874	2.82%
	Tier I (NonPermanent)	19,118,000	0.08696	1,663	0.08696	1,663	0.00%
	Tier II	110,542,000	0.10163	11,234	0.10017	11,073	-1.44%
	Residential Elec., Total/Average	218,247,000	0.08906	19,437	0.08906	19437	0.00%
	SYSTEM AVERAGE RATE (SAR)		0.08696		0.08696		
	Baseline as % of SAR		85%		87%		

** Sierra Pacific will realign baseline rates 11/1/88 concurrent with its compliance with Resolution E-3105 (8/24/88).

ITEM NO.	UTILITY	BILLS/ SALES (Mth/Kwh)	PRESENT RATES ($/unit)	PRESENT REVENUES (M$)	ADOPTED BASELINE RATE REALIGNMENT 11/1/88 RATES ($/unit)	REVENUES (M$)	CHANGE OVER PRESENT RATE
7	Southern California Water Co.						
	Bear Valley Electric District						
	Electric Service						
	Customer Charge Per Month		$3.00	625			
	Primary - Baseline: Tier I	10,292,000	0.06934	714		See decision.	
	Tier II	169,000	0.06412	11			
	NonBaseline	16,725,000	0.09139	1,528			
	Non-Permanent: Tier I	6,345,000	0.09295	655			
	Tier II	12,026,000	0.10318	1,118			
	Adjustment						
	Residential Total/Average	45,557,000	0.10208	4,650			
	SYSTEM AVERAGE RATE (SAR)	N/A	0.10232				
	Baseline as % of SAR						
8							
	Southwest Gas Corporation ***						
	Mojave Division						
	Gas Service						
	Customer Charge Per Month		$4.25	2,796	$4.25	2,796	0
	Primary: Tier I (Baseline)	25,631	0.35620	9,130	0.37757	9,678	6.00%
	Tier II	9,057	0.75651	6,852	0.69604	6,304	-0.08
		34,688					
	Secondary: Tier I	2,079	0.52646	1,094		NO	
	Tier II	1,277	0.75651	966		CHANGE	
		3,356		2,060			
	Residential Gas Total/Average	38,044	0.54774	20,838	0.54774		0.00%
	SYSTEM AVERAGE RATE (SAR)		0.41906		0.41906		0.00%
	Baseline as % of SAR		111.03%		89.00%		
	Sierra Division						
	Gas Service						
	Customer Charge Per Month		$4.25	128	$4.25	128	0.00%
	Tier I (Baseline)	1,910	0.55028	1,051	0.57780	1,103	5.00%
	Tier II	442	0.77098	340	0.65198	288	-15.43%
	Secondary	3,878	0.83172	3,225	0.83172	3,225	0.00%
	Residential Gas Total/Average	6,229	0.76174	4,745	0.76174	4,744	0.00%
	SYSTEM AVERAGE RATE (SAR)		0.68785		0.68786		
	Baseline as % of SAR		80.00%		84.00%		

*** Southwest Gas is to change rates effective November 1, 1988 to reflect realignment of baseline rates (a baseline rate increase of 6% for Mojave and 5% for Sierra), as well as to change rates in compliance with Resolution G-2789 (9/14/88).

B. Southwest Gas Company (Southwest Gas)

Southwest Gas proposes to reduce the difference between baseline and Tier II gas rates in its Mojave and Sierra operating divisions by approximately 20%. This proposed realignment is designed to limit customer impact to a maximum increase of approximately 5% for Sierra and 6% for Mojave. This realignment would provide high energy users with decreases of up to 5.1% and 7.3% in the Sierra and Mojave Districts, respectively. Southwest Gas is to implement the rate realignment mandated by SB 987 effective November 1, 1988 with rate changes resulting from its compliance with Resolution G-2789 (Tax Reform Act), changing rates for its Sierra and Majave Divisions ($136,200 and $1,410,800, respectively).

C. Pacific Power & Light Company (Pacific Power)

Pacific Power proposes to narrow the percentage change in ratios between baseline and Tier II energy prices by 50%. Customers who do not exceed baseline allowances will experience an average increase in their electricity bill of 4%, with a maximum potential increase of 7%. High energy use customers will receive up to a 9% decrease in annual bills. Pacific Power's proposal raises baseline rates from the current 84% of SAR to 91% of SAR when the customer charge is included (86% when excluded). See Appendix A.

According to Pacific Power, the proposed realignment both satisfies SB 987 and helps to accomplish the Company's pricing objectives. In particular, Pacific Power cites the problem of customers switching from electricity to wood as their primary source of heat, resulting in lost sales and declining revenue.

D. Sierra Pacific Power Company (Sierra Pacific)

In Decision (D.) 85-05-017, the Commission adopted a four-year phase-in of baseline allowances for Sierra Pacific which