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ORIGINALDecision 89 01 055 JAN 27 1989

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

ORDER MODIFYING DECISION 88-10-062 AND DENYING REHEARING

An application for rehearing of Decision (D.) 88-10-062 has been filed by Toward Utility Rate Normalization (TURN). A response in opposition thereto has been filed by the Division of Ratepayer Advocates (DRA). We have considered each and every allegation raised by the application, and the arguments in response, and are of the opinion that sufficient grounds for rehearing have not been shown. However, we will modify D.88-10-062 as follows.

We share TURN's view that SB 987 and Section 739(c) of the Public Utilities Code require that residential rates be inverted. We also reaffirm our view that revenues from any customer charge must, as a matter of law, be included in the baseline rate for purposes of Section 739(c). When this is done under the rate structure we have adopted for CP National's South Lake Tahoe District, the inverted rate structure disappears and becomes one of declining blocks, in contravention of the statute.

In order to correct this situation, we will adopt TURN's proposed modifications to the South Lake Tahoe rates. This means that the baseline commodity rate will become 46.4 cents, and the Tier II rate will become 57.612 cents. The "total baseline rate," including the \$5.50 per month customer charge, will be 55.005 cents. This will preserve the inverted rate structure.

IT IS ORDERED that D.88-10-062 is modified as follows:

1. Appendix A is modified to reflect an adopted baseline commodity rate for gas service to CP National's South Lake Tahoe District of \$0.46400 and a non-baseline rate of \$0.57612.

2. New Finding 11 is added to read:

"The residential rates proposed by CP National for its South Lake Tahoe District result in a declining block rate structure when the customer charge is counted as part of baseline."

3. New Conclusion of Law 4 is added to read:

"The revenues collected by a residential customer charge must be counted as part of the baseline rate for purposes of Section 739(c)."

4. New Conclusion of Law 5 is added to read:

"While SB 987 grants this Commission significant additional flexibility in establishing residential rates, the total baseline rate, including any customer charge revenue, must still be less than the non-baseline rate."

5. New Conclusion of Law 6 is added to read:

"Because they result in a declining block rate structure when the customer charge revenue is added to the baseline commodity rate, the rates proposed by CP National for its South Lake Tahoe District are unlawful."

6. New Conclusion of Law 7 is added to read:

"The rates for CP National proposed by TURN in its comments on the ALJ's proposed decision, while not a major change from present rates, satisfy the requirements of SB 987 in reducing the Tier II rate by 7% and narrowing the tier differential from 16.1 cents to 11.2 cents."

7. New Conclusion of Law 8 is added to read:

"TURN's proposed rates are reasonable and lawful and should be adopted."

IT IS FURTHER ORDERED that CP National shall file revised tariff schedules within five (5) days of the effective date of this order, relecting the modifications made herein, which shall apply to gas service rendered on or after February 1, 1989.

This decision is effective today.

Dated JAN 27 1989 at San Francisco, California.

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
Commissioners

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



Victor Weisser, Executive Director

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