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Decision 92-04-063 April 22, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

Application of PACIFIC GAS AND ELECTRIC COMPANY for authority, among other things, to increase its rates and charges for electric and gas service. (Electric and Gas) (U 39 M)	Application 88-12-005 (Filed December 5, 1988)

(See Decision 91-04-062 for appearances.)

INDEX

OPINION

I. Summary

This decision adopts a limited number of residential electric rate design changes for Pacific Gas and Electric Company (PG&E) to become effective May 1, 1992, as set forth in Appendix A. The adopted rate design changes have no impact on the adopted revenue requirement of PG&E or customer class revenue allocations. The changes in adopted rate schedules are based upon effective rates as adopted January 1, 1992 in Decision (D.) 91-12-061.

II. Procedural Background

D.89-01-040 established a "Rate Design Window" (RDW) to consider rate design changes for the major electric utilities on a limited basis for years other than general rate case test years. This procedure established for PG&E a five-day window, between November 20 and November 25, when rate design proposals may be submitted for attrition year implementation. As prescribed by D.89-01-040, the RDW addresses two types of issues:

1. Standard rate design modifications which would have otherwise been considered in Energy Cost Adjustment Clause (ECAC) proceedings, or in advice letters, and

2. Other changes which result from information not available at the time of the previous General Rate Case (GRC).

On November 25, 1991, PG&E filed its RDW proposals to become effective May 1, 1992. On January 22, 1992, the Administrative Law Judge (ALJ) ruled that PG&E's proposals conformed to the scope of the RDW and accordingly reopened the rate design portion of PG&E's last general rate case Application (A.) 88-12-005 to hear evidence on the issues raised by PG&E. The

Commission's Division of Ratepayer Advocates (DRA), Toward Utility Rate Normalization (TURN), and Western Mobilehome Association (WMA) were the active parties in this proceeding. On February 18 and 21, 1992, evidentiary hearings were held in San Francisco.

III. Rate Design Issues

A. Residential Tier Closure

1. PG&E's Proposal

PG&E's Schedule E-1 residential customers are billed based upon a two-tiered inverted rate structure. In 1982, the Legislature enacted Assembly Bill 2443, which set Tier I gas and electric rates at 75 to 85% of the System Average Rate (SAR). In recent years, we have progressively moved towards flattening the differential between the tiers. In this RDW, PG&E proposes a further flattening of the Schedule E-1 Tier I/Tier II rate differential, to yield a 5% Tier I increase and a 6.9% Tier II decrease effective May 1, 1992. PG&E's proposal would reduce the ratio between the tiers from 1.25 to 1.10. PG&E asserts that its proposal is consistent with the approach adopted in D.91-04-062 for its 1991 RDW proceeding.

2. Positions of Other Parties

DRA and TURN were the only other parties sponsoring testimony on this issue. DRA agrees with PG&E's proposed 5% capped Tier I approach to residential rate realignment, stating that it is "generally consistent with DRA's past recommendations for tier reduction, as well as with past Commission decisions...."

TURN opposes any further tier flattening until the matter is addressed in PG&E's currently pending GRC. TURN opposes any reduction in the tier differential. TURN believes PG&E's proposal will: (1) exacerbate rate shock to 22% of PG&E's residential customers whose energy usage does not exceed baseline quantities; (2) mechanically close the residential tier differential to a point that results in essentially a "flat" rate structure without providing a proper forum for the Commission to address important policy considerations; and (3) reduce conservation signals to residential users.

3. Framework for Evaluating Tier Closure Issues

We consider the merits of parties' arguments in the context of our legislatively mandated goal of reducing residential customers' tier differential. An understanding of this mandate is essential in adjudicating the parties' dispute over the issue of tier closure.

In late 1987, an unseasonably cold winter in Southern California caused inordinately high Tier II usage by many customers and large month-to-month bill increases.

The following year, in response to public complaints about such bill volatility, the Legislature enacted Senate Bill (SB) 987, which requires realignment of residential rates by reducing the differential between the two tiers. The legislation eliminated the formula for setting Tier I, and ordered the Commission to "reduce high nonbaseline rates as rapidly as possible" subject to "avoiding excessive rate increases for residential customers." The legislation also specified that tier realignment should "not eliminate any significant differential between baseline and nonbaseline rates for at least 30 months after the effective date of this bill." SB 987 also provided for the establishment of a program to assist low-income gas and electric customers.

The Commission initiated Investigation (I.) 88-07-009 for purposes of implementing this legislation. The proceeding was divided into two phases. Phase 1 addressed baseline rate design revisions. This phase culminated in D.88-10-062, which reduced the gas and electric tier differentials in absolute cents per kWh by 10% for PG&E, and by varying degrees for other California energy utilities, effective November 1, 1988. Subsequent tier realignment was to be addressed individually for energy utilities in their respective rate proceedings.

Phase 2 of I.88-07-009 addressed the development of a low-income rate assistance (LIRA) program. This resulted in D.89-07-062 (low-income eligibility criteria) and D.89-09-044 (15% discount) for a LIRA rate effective November 1, 1989. D.89-09-044 states:

> "It is clear from the enabling legislation that the LIRA program's continued existence depends on the closure of Tier 1 and Tier 2. To ensure that such realignment will be pursued vigorously, the Commission will examine its progress in baseline reform in May of 1991, the 30 month deadline in SB 987. (32 CPUC 2d 406, 410.)
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> "We intend that the LIRA discount replace the baseline subsidy inherent in each utility's existing Tier 1/Tier 2 differential....By today's action, we confirm our strong policy to proceed with baseline reform as needed to address the high bill problem caused by the Tier 1/Tier 2 rate differential, and to ensure that in the very near future the level of the LIRA discount and the size of the Tier 1/Tier 2 rate differential are essentially commensurate ....No timetable for continued realignment for Tier 1/Tier 2 rates was established. However, the level of the adopted LIRA discount will cause us to accelerate the pace at which further realignment occurs. (32 CPUC 2d at 411.)

In its next opportunity to alter PG&E's electric tier differential, the 1990 GRC, the Commission reinforced its commitment to tier closure, adopting a 25% tier reduction:

> "For several reasons, we believe substantial progress should be made at this time toward reducing the differential between Tier 1 and Tier 2 rates. The Legislature has clearly directed us to reduce high Tier 2 rates by reducing this differential, although it has also instructed us to proceed at a moderate

> pace in closing the gap until the end of 1990. Our determinations in D.89-09-044, as we indicated in that decision, provide a significant benefit to low-income customers that mitigates the effect of lower differentials between rates for the two tiers. Our action in that case allows a more rapid movement toward closing the spread between these rates. (D.89-12-057, 34 CPUC 2d 199, 345-346.)

Finally, in D.91-04-062 issued in PG&E's 1991 RDW filing, we adopted further tier closure to yield a 2.5% increase in Tier I.

4. Bill Impacts

TURN and PG&E disagree in their interpretations of the severity of residential bill impacts which would result from further tier closure. A comparison of Tier I rate changes from January 1987 with PG&E's proposed May 1, 1992 rates shows an 84% increase in Tier I rates versus an increase in total residential rates of 53% and a system average rate increase of 39% over the same period. Since PG&E's current proposal would increase the Tier I cumulative change since January 1, 1987 to 53.45% above the average rate increase for Schedule E-1 customers, and 60% above cumulative inflation for the same period, TURN views PG&E's proposal as constituting "extreme rate shock." TURN claims that 66% of PG&E's Schedule E-1 customers would receive bill increases from PG&E's proposal, with 26% of those customers seeing bill increases in the 4%-5% range. Only 18% of Schedule EL-1 customers (basis residential service at LIRA rates) would actually see lower rates while the remaining 82% of LIRA customers would receive rate increases, with 38% receiving increases in the 4.5%-5% range.

PG&E argues that its proposed 5% increase to Tier I rates is sufficiently moderate while still providing some further movement toward tier closure. PG&E notes that it also proposed 5% caps above system average increases in its 1991 ECAC update testimony as a basis for limiting rate increases under individual tariff schedules relative to class rate increases. PG&E also believes its proposal provides relatively moderate bill impacts when comparing the 1.9% Tier I increase adopted on January 1, 1992 with the 13.7% Tier I increase adopted last year. Based on a 1.9% Tier I increase for the residential class effective January 1, 1992, PG&E's additional proposed 5% increase on May 1 would yield a cumulative Tier I increase for all of 1992 of 6.9%.

Based on a bill impact analysis, PG&E claims its proposal provides 98% of all customers either bill decreases (one-third of all customers) or bill increases of less than $2.50 per month. PG&E faults TURN for focusing exclusively on Tier I impacts rather than looking at overall residential ratepayer benefits. PG&E also argues that TURN strategically selected the January 1987 benchmark to cast PG&E's proposed rate increases in the worst possible light. By using an alternative May 1985 benchmark, PG&E computes only a 7.4% Tier I increase from May 1985 to May 1992, or 1.4% above the residential class average increase.

5. Discussion

While we are persuaded to exercise restraint in imposing further increases on customers who do not exceed Tier I quantities, we still believe a moderate increase in Tier I rates can be authorized without undue detriment to such customers. As stated above, our adoption of the LIRA program provides an alternative means of mitigating utility bill impacts for low-income customers while still allowing the Tier I increase we authorize today. We also take into account the relatively small Tier I increase which we authorized on January 1, 1992 as a basis for further flexibility in closing the Schedule E-1 tiers.

We must balance the potential limited detriment to the 22% of customers who always stay within Tier I against the offsetting benefits to ratepayers overall from lower Tier II rates and reduced bill volatility.

Given the mandate of SB 987, we cannot simply order a halt to any further progress toward tier closure, as TURN requests.

Yet, in recognition of the disproportionate billing increases which have fallen upon sectors of residential customers over time, we believe a somewhat smaller increase than PG&E proposes is appropriate. This conclusion is further reinforced by comparing PG&E's tier differential to that of other utilities, as discussed below.

6. PG&E's Tier Differential Relative to Other Utilities

Parties introduced evidence comparing PG&E's tier differentials to that of other California utilities as a further basis for evaluating PG&E's proposed tier closure. TURN believes PG&E's proposal goes too far in eliminating the differential between the tiers. TURN contends that any further closure beyond PG&E's current 25% ratio would effectively cross the threshold from inverted to flat rates. TURN argues that if the Commission intends to eliminate inverted rates for residential customers in all but name, it must make the explicit policy decision in PG&E's GRC, based on a full record.

PG&E disputes TURN by attempting to show that its existing and proposed tier differentials are within the range of other California utilities. PG&E notes statistics on tier differentials for Southern California Gas Company (SoCalGas) and Pacific Power and Light Company. As illustrated in PG&E's computations, the tier differential experienced by individual customers can vary depending on usage differences. This result occurs when fixed customer charges are treated as part of the Tier I rate, and converted into a per-unit amount based upon different levels of customer demand. PG&E refers to this combined effect of a fixed customer charge and a variable Tier I rate as a "composite tier differential." Thus, customers whose total consumption is less than the total baseline allowance experience a higher composite Tier I rate and a lower tier differential than those of other customers who use at or above the total baseline allowance.

PG&E showed that the composite tier differential for SoCalGas and Pacific Power and Light Company has been as low as 1.06-1.07 for low-usage customers. Their system average differentials of 1.21 and 1.09, respectively, are below PG&E's current 1.25. Accordingly, PG&E believes these comparisons indicate that PG&E's proposed tier ratio of 1.11 is well within the scope of what the Commission considers acceptable.

7. Discussion

We are unpersuaded by TURN's argument that "a two tier rate structure that maintains a differential of less than 25% is essentially a flat rate structure." TURN provided no empirical evidence to support this conclusion beyond the judgment of its witness Mr. Marcus. Contrary to TURN's argument, we consider it somewhat arbitrary to conclude that any tier closure beyond PG&E's current 1.25 ratio would "eliminate inverted rates for the residential class in all but name."

Yet we also are unpersuaded by PG&E's conclusion that its proposed tier closure ratio of 1.11 is "well within the scope of what the Commission views as acceptable." PG&E's proposed tier ratio would be markedly below the 1.21 composite tier ratio for SoCalGas. PG&E's statistical comparison omits the ratios for the other two largest California electric utilities, Southern California Edison Company (Edison) and San Diego Gas & Electric Company (SDG&E).

TURN presents (in its opening brief) a statistical comparison of changes in PG&E's tier differential in recent years relative to that of SDG&E and Edison (which we have appended as Appendix B). The 1.11 tier differential resulting from PG&E's proposal is well below the 1.26 ratio for SDG&E and the 1.33 ratio for Edison. Our rate of progress toward tier closure is somewhat obscured by TURN's comparisons, which combine ECAC, GRC, and RDW proceedings. As DRA points out, we have not traditionally considered tier closure as an explicit goal in ECAC proceedings. DRA computes that for proceedings where tier closure has been considered, the average Tier I increase has been 5.12% above the class average increase, which is more than PG&E has proposed in this proceeding.

If comparisons with other utilities have relevance at all in this context, the statistics for all California electric utilities should be considered, not just those that serve PG&E's (or TURN's) predetermined purpose. Though PG&E and TURN have each selected different statistics on tier differentials of other utilities to support opposite arguments, we find limited value in relying on such comparisons to support either party's position. The tier differentials for other utilities do not necessarily indicate what is appropriate for PG&E. The circumstances leading to other utiltities' tier differentials may not be analogous to PG&E's situation. In its comments on the proposed ALJ's Decision, PG&E notes various factors that may warrant divergent tier differentials among utilities such as timing of rate cases and inherent differences in customers' rate structures.

There are no mechanical rules dictating a precise answer as to the proper adjustment to PG&E's tier differential. Accordingly, our adopted result must rely on a measure of subjective judgment. On balance, while some progress toward tier closure in this RDW is defensible, we conclude that PG&E's proposed tier differential would move too far. Thus, we decline to adopt the full 5% Tier I increase requested by PG&E. We agree with TURN that this RDW is not the proceeding to completely eliminate inverted rates. We conclude, however, that the modest tier closure we adopt in Section A.10 maintains the principle of inverted rates and is broadly consistent with our progress in tier closure for other California electric utilities.

8. Effect of Unresolved Policy Questions on Tier Closure Feasibility

TURN argues that we should halt any further progress toward tier closure until evidence is heard in PG&E's GRC regarding adverse impacts on conservation incentives due to a movement toward flatter rates. TURN cites a 1982 study conducted by PG&E which concluded that inverted rates result in a net usage decline by residential customers.

PG&E objects that the 1982 study addressed the effects of changing from a declining block to an inverted-block rate structure. Accordingly, PG&E believes the study is not in conflict with its proposal merely to reduce, but not eliminate, inverted rates.

TURN raises a second policy issue which should be explored in PG&E's pending GRC before further tier closure is ordered. TURN suggests that a seasonally differentiated second tier, with larger tier differentials in the summer, may be explored in PG&E's GRC. TURN is concerned that any further tier reduction beyond 25% is likely to make it practically very difficult to implement such a rate design change without raising the summer second tier significantly.

9. Discussion

The 1982 PG&E study cited by TURN fails to provide any basis to halt further progress toward tier closure until PG&E's GRC is completed. The study dealt with a change from declining block to inverted block rates. It did not show that modest changes in tier differentials pose a serious threat to conservation incentives. In reviewing the study's 10-year-old findings, we find no conflict with the modest adjustment in tier differentials we adopt herein.

Although one of our residential rate design goals is to maintain conservation incentives stated in D.90-01-015, that goal has not conflicted with our related goal to reduce the Schedule E-1 tier differential. The statistical comparison of steadily declining tier differentials over recent years presented in Appendix B demonstrates this fact.

We likewise find no basis to halt further tier closure because of a potential effect it may have on a party's litigation success in advancing a position in a separate proceeding. This is particularly true when the position being advanced would contradict the mandate of SB 986 by increasing, instead of closing, tier differentials.

Accordingly, we do not believe the two policy issues related to inverted rates raised by TURN must be resolved in PG&E's pending GRC before any further progress can be made toward further tier closure. Our policy mandate to make progress in closing the tier differential for Schedule E-1 residential rates has been clearly enunciated over the past several years, as reviewed above. TURN has not shown that there are conflicting policy issues so compelling as to warrant a complete halt to further progress in pursuing that mandated goal.

10. Adopted Tier Differential

Based on the considerations discussed above, we conclude, on balance, an increase of 3% in Tier I is appropriate. We hereby authorize Tier I rates to be increased by this amount effective May 1, 1992. Our refusal to authorize the full 5% increase proposed by PG&E reflects a balanced policy which gives some weight to billing impacts and our past rate of progress toward tier closure.

Our historical rate of progress is illustrated in the Appendix B (revised) appended to PG&E's comments to the proposed ALJ decision. PG&E included this table as a revision to the Appendix B in the proposed ALJ decision which had incorporated a table from TURN's brief which had also included data for other California utilities. For our final decision, we replace the Appendix B from the proposed ALJ decision with PG&E's Appendix B

(Revised). As shown in Appendix B (Revised), we have generally adjusted PG&E's tier differential by annual increments of 10% or less except in the context of a GRC. A 3% Tier I increase results in a reduction of the tier differential of 9% (i.e., 25% - 16%) which is generally in keeping with our past rate of progress in tier closure for PG&E.

An increase of 3% strikes an appropriate balance between rate increase mitigation for low-usage customers and moderate progress toward tier closure. Our 3% increase is somewhat higher than the 2.5% increase we authorized in PG&E's last RDW, but is justified given the substantially lower January 1, 1992 Tier I increase of 1.9% (compared with a 13.7% increase in January 1991). Accordingly, the billing impacts of our adopted 3% Tier I increase are well within the bounds of the total Tier I increases we imposed on residential customers last year, which involved a much higher overall rate impact.

Our 3% increase likewise places PG&E's tier differential roughly within the range of values currently adopted for other California energy utilities, although we recognize it is at the low end of this range. Our 3% increase also represents comparable progress toward tier closure relative to the closure we adopted in last year's RDW (see Appendix B).

Consistent with the 3% increase in Tier I, we shall adopt a 4.1% decrease in Tier II rates, to yield an overall tier differential of 1.16. The effects of our action on Schedule E-1 rates are summarized below:

	Present 1/1/92 Rates	Proposed 5/1/92 Rates	Adopted 5/1/92 Rates
Energy Charge:			
Baseline (Tier I) Quantities, per kWh	$0.11107	$0.11661	$0.11439
Tier II Quantities, per kWh	0.13865	0.12907	0.13290
Ratio Tier I: Tier II	1.25	1.11	1.16
Tier Differential ¢/kWh	0.03465	0.02471	0.01851

These adopted changes balance our goals of continuing to make progress toward tier closure while mitigating the billing impacts on the residential class. They also allow some room for flexibility in considering further tier adjustments in the pending PG&E GRC. Finally, they also recognize that higher tier ratios are still in place for Edison and SDG&E.

At the adopted rates, the typical customer who has only Tier I usage of 328 kWh/month receives an increase of $1.09 for a total bill of $37.52. With some Tier II usage, say 500 kWh/month, the customer receives an increase of 10¢ for a total bill of $60.38. For usage of 1,000 kWh/month, the decrease is $2.78 for a total bill of $126.83.

Similarly, a residential customer on the LIRA program, who has usage of 328 kWh/month, receives an increase of 93¢ for a total bill of $31.82. For usage of 500 kWh/month, the increase is 9¢ for a total bill of $51.21. For usage of 1,000 kWh/month, there is a decrease of $2.35 for a total bill of $107.58.

B. <u>Schedule E-7 Baseline Credit Reduction</u>

PG&E proposes that the Schedule E-7 (time-of-use) baseline credit be reduced to reflect the proposed level of Schedule E-1 tier flattening. In D.91-04-062, the Schedule E-7 baseline credit was set equal to the arithmetic difference between the Schedule E-1 Tier 1 and Tier 2 rates. PG&E proposes that this precedent be applied to the current case to reflect the

Schedule E-1 tier closure proposed by PG&E. PG&E's tier closure proposal yields a Schedule E-7 baseline credit of $0.01246.

PG&E proposes a similar adjustment for Schedules E-A7 and EL-A7, experimental time-of-use rate options which were adopted in May 1991. These rate options incorporate the Schedule E-7 baseline credit rate structure.

No party challenged PG&E's rationale that the Schedule E-7 credit should be linked to a change in the Schedule E-1 tier differential. While TURN objects to further tier flattening, it does not contend that PG&E is wrong in pointing out the logical connection between tier flattening and the Schedule E-7 baseline credit reduction.

1. Discussion

PG&E's proposal to adjust the baseline credit for the Schedule E-7 and related TOU rate schedules to recognize the change in the Schedule E-1 tier differential is consistent with our prior practice as adopted in D.91-04-062, and we will adopt it. Since our adopted tier flattening as previously discussed results in an arithmetic difference of $0.01851 between Tier I and Tier II, the corresponding Schedule E-7 baseline credit to be applied is $0.01851. We adopt similar adjustments for Schedules E-A7 and EL-A7.

C. Master Meter Discount Increase

PG&E proposes that the Schedule ES and ET master-meter discounts be increased to reflect the lower baseline diversity benefits resulting from its proposed Schedule E-1 tier closure. Schedules ES and ET, respectively, apply to multifamily apartment and mobilehome park service where PG&E serves the master-meter account through a central meter, and the master-meter customer then submeters and bills his tenants. The diversity benefit neutralizes, on average, the windfall that would otherwise accrue to the master-meter customer. The windfall can result when the master-meter customer purchases electric power from PG&E in amounts below the baseline quantity for the complex as a whole, paying Tier I rates, and resells it at Tier II rates to tenants who exceed their individual baseline quantity.

To the extent the Schedule E-1 tier differential is reduced, the magnitude of the average diversity benefit to master-meter customers likewise decreases. Accordingly, PG&E proposes to increase the current Schedule ES and ET master-meter discounts from $3.00 and $10.74, to $3.37 and $11.20, respectively.

1. Discussion

PG&E's proposal to adjust the Schedule ES and ET master-meter discounts consistent with changes in the Schedule E-1 tier differential is reasonable. No party contested the logical linkage between master meter discounts and the tier differential. In this decision, we adopt a different tier differential than that proposed by PG&E; therefore, we adopt an increase in the master-meter discounts consistent with the adopted tier closure. We agree with PG&E that this adjustment is a simple application of Commission precedent.

We will address adjustments to the discount in the rate design window proceeding only if there is a significant impact from proposed rate design window changes or from significant changes adopted by the Commission in other proceedings.

D. Proposed Elimination of the Minimum Average Rate Limiter (MARL) for Schedule ET/ETL

In PG&E's 1990 GRC D.89-12-057, we established a MARL for gas and electric mobilehome park master meter customers (Schedules GT and ET) as a means of assuring that PG&E recovers at least enough revenue from each Schedule ET customer to cover its ECAC-related fuel costs. Historical data in that proceeding showed that over 36% of Schedule ET bills paid average rates (after deducting the allowable master-meter discount) which were insufficient to even cover PG&E's cost of fuel. We implemented the MARL to rectify this problem by triggering an additional charge on such deficient Schedule ET accounts. Any Schedule ET customers whose average bill per kilowatthour, net of the master-meter discount, is less than the ECAC tariff rate is assessed an additional MARL charge, so that PG&E at least recovers the ECAC-related costs incurred to serve the Schedule ET customer.

In this RDW, there are two proposed changes before us relative to the MARL: one by PG&E to expand it and a second by WMA to eliminate it. We first address WMA's proposal to eliminate the MARL, and then separately consider PG&E's proposed MARL changes.

1. Parties' Positions

WMA proposes the complete elimination of the MARL for Schedule ET and ETL (mobilehome park) master-meter customers. WMA believes the MARL unfairly forces certain Schedule ET customers to bear the burden of shortfalls of revenue to PG&E. WMA argues that the MARL prevents certain ET customers from receiving the full amount of the submetering discount authorized in D.89-12-057.

PG&E opposes WMA's proposed elimination, and in fact proposes expansion of the MARL. DRA agrees with PG&E, and opposes WMA's proposal to eliminate the MARL.

Only a relatively small number of the more than 1,400 Schedule ET accounts are negatively impacted by the MARL. WMA states that the MARL reduced the dollar amount of submetering differential payments made by PG&E to 330 Schedule ET accounts by an average $2.29 per space per month during calendar year 1990. In the first 11 months of 1991, WMA estimated a monthly average of 208 Schedule ET accounts experienced a $2.58 per space reduction in monthly submetering differential payments.

WMA believes that the MARL violates Public Utilities Code Section 739.5. Section 739.5 applies to owners of mobilehome parks and multifamily dwellings which receive service from PG&E through master meters and which, in turn, provide submetered service to their tenants under Schedules ET and GT (mobilehome parks) and Schedules ES and GS (multifamily dwellings). Section 739.5

requires master-meter customers who provide such submetered service to tenants to charge the tenants the same rate that the utility would charge if it provided the service directly.

This submetered service allows the utility to avoid distribution and customer costs for services provided by the master-meter customer. Accordingly, Section 739.5 requires the utility "to establish uniform rates for master-meter service at a level which will provide a sufficient differential to cover the reasonable average costs to master-meter customers of providing submeter service...." WMA believes the MARL results in certain Schedule ET customers receiving lower master-meter differential payments than the amount adopted in D.89-12-057, thereby violating the cited code section.

WMA further argues the MARL is a discriminatory rate since directly metered low-use customers are not billed for shortfalls in cost recovery. PG&E makes up such shortfalls through rates charged other customers, including submetered residents. WMA also objects to the MARL on the grounds it is anti-conservation, and that no Commission policy exists for continuing the MARL.

2. <u>Discussion</u>

On balance, we reject WMA's proposed elimination of the MARL at this time, based upon the arguments it presents. Yet we leave open the option for WMA to raise the issue of MARL elimination in PG&E's 1993 GRC, in the context of a reevaluation of the master-meter discount.

Although retaining the MARL, we still provide some mitigation of MARL impacts through our adopted tier closure discussed elsewhere in this decision. Through our increase in the Tier I rate in this decision by 3%, we automatically increase the amount of revenue that low-usage Schedule ET customers will pay, irrespective of the master-meter discount. Due to the increased revenue from low-usage Schedule ET customers paying higher Tier I rates, cost recovery deficiencies will be reduced and the MARL should be triggered less often.

Contrary to WMA's interpretation, we find no basis to conclude that the MARL violates Section 739.5. WMA's interpretation of Section 739.5 focuses on the rights of master-meter customers, but fails to give proper weight to the statute's dual requirements. Section 739.5 not only requires an allowance to compensate master-meter customers, but also to prevent overcompensation of differential payments. Section 739.5 also requires that the differential payments "shall not exceed the average costs that the corporation would have incurred in providing comparable services directly to the users of the service."

Contrary to WMA's claim that the MARL violates Section 739.5, we imposed the MARL to promote compliance with the provisions of Section 739.5. By imposing the MARL, we provided a safeguard that the master-meter differential "shall not exceed the average cost that [PG&E] would have incurred in providing comparable services directly to the users of the service," as required by Section 739.5(a).

Accordingly, the MARL balances the Schedule ET customer's entitlement to the master-meter discount (which constitutes the differential payment) against the the utility's entitlement to limit the discount to the cost of providing comparable service to other customers. If the allowed master-meter discount is overstated, then Schedule ET customers are compensated in excess of the cost avoided by the utility, thereby violating the intent of Section 739.5. It was such a concern over the reliability of the discount allowance, and cost studies underlying it, that led us to devise the MARL. As we further noted in that decision: "The fact that some [Schedule ET] bills are lower than the cost of fuel indicates that the existing [master-meter] discounts are skewed."

We clearly stated in D.89-12-057 the reasons why we were establishing the MARL, noting:

> "The statistics on the percentage of master-meter customers with average rates less than the ECAC...rates, combined with the somewhat shaky basis for the master-meter discounts, leads us to adopt a safeguard to ensure that the limitations of Section 739.5(a) are observed." (34 CPUC 2d at 352.)

WMA's proposal fails to resolve the concerns raised in D.89-12-057 regarding the reliability of the master-meter differential payments we adopted therein. WMA asks us to remove the safeguard provided by the MARL without providing any acceptable alternative to assure the fairness of the adopted master-meter differential payments.

We also reject WMA's argument that the MARL is unfair in that it prevents certain ET customers from recovering the full master-meter differential payment we authorized in D.89-12-057. We adopted the MARL as an integral element in our determination of the allowable differential payment to master-meter customers. Had we not adopted the MARL, we would also have reconsidered the allowance for the differential payment. Thus, the net billings to Schedule ET customers which include the MARL are proper.

Although Section 739.5 provides, in part, for a master-meter discount, that does not mean that every individual customer is guaranteed that other billing determinants may not otherwise increase the net bill. We acknowledged the MARL's potential impact on the master-meter discount, as we stated in D.89-12-057: "This minimum rate should be collected from customers even if master-meter discounts would result in a lower bill." (34 CPUC 2d at 352-353.) Thus, WMA has failed to justify an elimination of the MARL on the basis of violation of Section 739.5.

We further reject WMA's argument that no Commission policy exists for continuing the MARL. Our policy warranting continuation of the MARL is presented in D.89-12-057, as discussed above. WMA complains that the MARL was adopted without being subject to scrutiny, cross-examination, or argument during the hearing process leading to adoption of D.89-12-057. Yet, WMA was allowed to comment on the proposal during the review phase of the ALJ's proposed decision. WMA also filed a petition for rehearing opposing the MARL which we denied in D.90-05-049. Thus, our adoption of the MARL resulted from a fair adjudication process and legally constitutes our adopted policy.

WMA challenges the premise we adopted in D.89-12-057 in which we assumed that "elementary arithmetic shows that costs underlying the discount exceed the utility's average cost of providing customer access" in those instances where the customer bill, net of the discount, was less than the cost of fuel. Our assumption underlying this statement was that, absent the master-meter discount, PG&E would at least recover the variable fuel costs it incurred to provide service indirectly to submetered tenants. Since submetering services provided by master-meter customers do not allow PG&E to avoid the cost of fuel to serve tenants, we concluded that the master-meter discount should not be so high as to allow the customer to avoid compensating PG&E for the cost of fuel at a minimum. Thus, the MARL was set at the ECAC-related rate.

WMA challenges this reasoning, arguing that the MARL itself does not adhere to the requirements of "elementary arithmetic" and logic in that it mixes "apples and oranges" by subtracting the master meter discount (an average fixed charge) from individual customer bills (a variable amount based upon usage).

It is not the intent of the MARL to assure PG&E recovery from each individual ET customer of all of its unavoidable costs. The primary goal of the MARL is to avoid overcompensating the master-meter customer through an inflated discount allowance. Since limitations of cost studies left us with uncertainty as to the correct allowance of master-meter discounts in D.89-12-057, we devised the MARL as a compromise measure. The MARL provides a pragmatic hedge against our own reluctance to otherwise adopt the discount allowance we did. By maintaining PG&E's net recovery from each account at a floor level equal to the ECAC fuel cost, we hedge against the uncertainty that the discount is overstated.

We agree that the master-meter discount covers average fixed costs. Yet, if the discount is overstated, it may result in the total revenues (for both fixed and variable costs) collected by PG&E from an individual Schedule ET account to be deficient. Even though WMA is correct that the actual ECAC tariff factor paid by Schedule ET customers covers the associated ECAC-related cost of fuel, PG&E is still left with a net deficiency from certain customers. To the extent that the master-meter discount may be overstated, it contributes to this deficiency. Thus, although the MARL compares an individual bill with an average fixed charge, the resulting goal is still to assure that the overall floor level of revenue does not fall below the equivalent ECAC costs.

We recognize that overstatement in the master-meter discount is not the only possible factor potentially contributing to Schedule ET bills which yield less in total than the equivalent cost of fuel. The other possible reason is simply the inherent subsidy built into Tier I rates, resulting in underrecovery of fixed costs. Low customer usage at subsidized Tier I rates may yield insufficient revenue to provide breakeven recovery of fixed costs irrespective of any overstatement in the master-meter discount. Thus, such low-usage revenues may fail to equal the fixed costs of providing service, resulting in the discount exceeding the fixed costs recovered from the customer. This may not necessarily mean that the discount exceeds the actual fixed costs of service, but rather that subsidized Tier I rates simply undercompensate for the cost of service.

Yet, without a further cost study of the master-meter discount, there is no exact way to determine how much of the Schedule ET customer shortfall is due to an overly inflated master-meter discount and how much is due to the inherent shortfall resulting from low-usage customers being billed at Tier I rates set below the cost of service. Accordingly, the MARL's measurement methods are an acceptable trade-off between imprecision and risk-hedging.

Likewise, WMA's other arguments advocating elimination of the MARL do not compel us to remove this safeguard. WMA's anticonservation argument is unpersuasive. There is no basis to conclude that the effect of the MARL's price signals on 330 customer accounts has any measurable impact on conservation of PG&E's resources.

For all of the above reasons, we reject WMA's proposal to eliminate the MARL at this time. It would be premature to consider elimination of the MARL and the safeguards it provides prior to full consideration of the reasonableness of the master-meter differential payments themselves. In D.89-12-057, we directed PG&E to develop a more accurate method of calculating the master-meter differential payment, and to report the results in its next general rate case application. Until a complete record is developed in PG&E's pending 1993 GRC on the reasonableness of the master-meter differential payments for Schedule ET, it is appropriate to continue the provision of the MARL at least in the interim for the reasons we explained in D.89-12-057.

WMA argues that we need not wait until the GRC to resolve the uncertainty over the reasonableness of the master-meter discount. WMA has expressed its agreement with PG&E over its revised study results which WMA believes are very similar to the existing fixed cost amount of the discount. Despite WMA's support for PG&E's revised cost study, the issue of the reasonableness of the master-meter discount is properly within the scope of the GRC. It would be premature to speculate in this RDW as to what findings on the master-meter discount we will make in the GRC, without the benefit of a complete record on the matter.

By deferring further consideration of the MARL issue to the GRC, we also provide a more comprehensive forum to consider all aspects of the MARL in one integrated proceeding. For example, PG&E is also proposing to change its gas department MARL in its currently pending BCAP; the GRC provides a forum to consider any interrelationships between gas and electric department MARL impacts on a consolidated basis. Also, while WMA presented evidence opposing the MARL for Schedule ET/ETL (mobilehome park) customers, it provided no evidence nor opposition to adopting a MARL for Schedule ES/ESL (multifamily dwelling) customers. A more complete record should be developed to determine if it would be discriminatory to impose a MARL for one group of master-meter customers but not the other.

E. Proposed Expansion and Extension of the MARL

PG&E proposes to extend the provisions of the MARL for Schedules ET and ETL to also include Schedules ES and ESL. The current MARL for Schedules ET and ETL equals only the Schedule E-1 ECAC tariff component. PG&E seeks to expand the MARL energy charge to equal the sum of the ECAC, Annual Energy Rate (AER), and CPUC fee rate components, or $0.05386, and also to add a fixed charge component equal to the Schedule ET submetering discount of $11.19. In support of its proposal, PG&E states that the intent of the MARL as adopted in D.89-12-057 was that master-meter customers who submeter fully cover the unavoidable costs they impose on the utility. PG&E believes its proposal accomplishes that intent.

Only two parties, DRA and WMA, took positions on PG&E's proposal. DRA generally supports PG&E's proposal, and believes it is consistent with the intent of D.89-12-057. DRA is neutral, however, on the proposal to expand the MARL to include a fixed charge equal to the master-meter discount. As stated above, WMA opposes PG&E's proposal to expand the cost elements of the MARL, and in fact, advocates its elimination for Schedule ET and ETL customer accounts.

1. <u>Discussion</u>

In responding to PG&E's request, we must again clarify the intent of the MARL and what its limitations are. As discussed previously, the MARL merely provides a hedge against the risk of an overstated master-meter discount unduly reducing revenues otherwise due PG&E. The MARL is not intended to completely indemnify PG&E against individual billing shortfalls caused by reasons other than master-meter discount anomalies. Even in the absence of the master-meter problem, PG&E could still fail to recover all unavoidable costs from certain customers.

In its comments to the ALJ's proposed decision, PG&E argues that the MARL must be viewed as entirely independent of the issue of whether the submetering discount is too high. If we were to adopt PG&E's proposal to justify the MARL merely on the basis that net average revenues from Schedule ET customers fell below a certain minimum level, we would unfairly discriminate against Schedule ET customers based on the limited record on this issue. Although PG&E proposes that Schedule ET customers make up any shortfalls relative to unavoidable costs, PG&E fails to explain why we should not similarly impose minimum charges on all other customer classes whose net revenue fails to cover its unavoidable cost of service.

PG&E tries to distinguish Schedule ET customers from other customers, arguing that only the former fail to cover their variable ECAC costs in rates. This argument arbitrarily attempts to link net billed revenue received under Schedule ET specifically with ECAC-related costs, and obscures the relationship between cost incurrence and revenue recovery.

As PG&E, itself, explains (PG&E's Reply Brief, pg. 11), its own accounting procedures treat the revenue shortfall, not as a deficiency in recovery of ECAC rates, but as a deficiency in fixed base rate costs. As PG&E explains, upon receipt of Schedule ET billing revenues, each of its balancing accounts are first credited with the full tariff components applicable to the Schedule ET customer's variable Kwhr consumption. Accordingly, PG&E is made whole for these balancing account cost elements, contrary to its arguments. PG&E then posts <u>a negative ERAM entry</u> to record the remaining shortfall (i.e., the difference between the submetering discount paid to the Schedule ET customer and the amounts applied to the respective balancing accounts).

Accordingly, as a negative ERAM entry, the shortfall is properly viewed as a deficiency in recovery of <u>fixed base rate</u> costs, not in fuel costs. Moreover, the negative ERAM entry will eventually be recovered by PG&E through subsequent amortization of the undercollection through rates. Thus, the ultimate concern is how the shortfall is allocated among customer classes.

The alleged ECAC shortfall results from PG&E's attempts to subtract a fixed discount from bills which are based on variable usage. In reality, a customer with low usage will correspondingly impose a lower variable cost on the utility. Thus, although a low-usage customer generates less revenue, its corresponding costs of service are reduced likewise. In this manner, Schedule ET customers pay their full share of ECAC and other usage-related tarrif costs, but underpay their fixed costs.

From this perspective, the source of the shortfall is in recovery of fixed costs rather than variable ECAC costs. PG&E is not entitled to reduce payment of the master meter discount otherwise authorized merely because the revenue received from Schedule ET customers fails to cover all fixed costs of submetering (as reflected in the master-meter discount). A shortfall in fixed costs is not unique to Schedule ET customers billings. Yet, we impose no extra obligation on other customers to make up their individual shortfalls resulting from low usage or subsidized rates.

PG&E's argument that other ratepayers disproportionately subsidize Schedule ET customers' fixed costs fails to factor in the offsetting savings related to the submetering costs avoided by

PG&E. Irrespective of low usage, the Schedule ET customer must pay the fixed submetering costs incurred to serve tenants. If these tenants were directly metered customers, PG&E could not avoid incurring these fixed costs merely due to low customer usage. Likewise, PG&E should not be relieved of paying the master-meter discount (a proxy for its own system costs) merely because of billing shortfalls.

The rationale for continuing a MARL is to compensate for the uncertainty that the master-meter discount, itself, is skewed, as discussed above. Because of the uncertainty over the degree to which a skewed discount allowance contributes to PG&E's revenue shortfall for certain ET accounts, we decline to expand the MARL allowance to include additional cost elements as PG&E proposes. PG&E's proposal would compensate it not just for any unrecovered variable ECAC costs, but also for other variable costs and fixed costs embedded in the master-meter discount. Although we recognize that the MARL covers only the ECAC portion of PG&E's fuel costs, this limitation maintains the status quo in the absence of convincing evidence to the contrary.

Until the the record is further developed in the pending GRC as to what extent master-meter discounts may be skewed, we decline to expand the cost recovery under the MARL, as PG&E proposes. Otherwise, we may unduly upset this balance, increasing the risk of unfairly charging Schedule ET customers for revenue shortfalls unrelated to errors in the master-meter discount. Billing shortfalls due merely to low usage or the effects of subsidized Tier I rates are not necessarily limited to master-meter customers. PG&E's witness admitted he had no way of knowing the extent to which customers not on Schedule ET may also pay less than the costs they impose on PG&E's system (TR. 8385). Yet, we have not used a MARL as a means of requiring such individual customers to pay exactly the full unavoidable costs of serving them. Absent a convincing showing to the contrary, we do not view the MARL as a comprehensive tool to assure 100% recovery of unavoidable costs on a per-customer basis. The $5 minimum bill provides a minimum floor on recovery from each customer.

Accordingly, we may consider further proposals for revisions or elimination in the MARL in the pending 1993 GRC. To the extent that rate design testimony has already been served in the GRC, we will entertain proposals for supplemental testimony to address the issues carried forward from this RDW.

Although we decline to increase the MARL allowance, we will adopt PG&E's proposal to extend the provisions of the MARL to Schedules ES and ESL. This proposal was not opposed by any party, and it simply promotes consistent treatment among master-meter customers.

F. <u>Residential Polyphase Service</u>

PG&E supplies "polyphase" service to customers whose power requirements exceed specified limits. Polyphase service supplies alternating current of three separate phases of the same frequency and voltage, more efficiently supplying power than single-phase service.

PG&E proposes to include polyphase service in the Applicability Section of all residential rate schedules. Currently, polyphase service on residential rate schedules is only allowed for multifamily Schedule EM, ES or ET residential customers who were supplied three-phase service on a general service commercial schedule on August 27, 1976. PG&E believes that extension of polyphase eligibility to all residential end-users will provide more equitable treatment to residential customers forced to take service on non-residential schedules simply because of polyphase metering requirements.

1. <u>Discussion</u>

We conclude that PG&E's proposal has merit, and we will adopt it. There are a number of residential end-uses involving higher connected load or power requirements needed for certain combinations of appliances which are not necessarily covered under existing polyphase rate schedules. As PG&E points out, polyphase service is increasingly necessary even in new housing subdivisions for new single-family dwellings.

We likewise adopt PG&E's proposal for an implementation period to identify and process relevant customer accounts eligible for residential polyphase service. PG&E cautions that it is extremely difficult to identify which customers currently on polyphase non-residential rate schedules have residential end uses. Accordingly, we will allow an administrative implementation period of one year beginning May 1, 1992 during which time PG&E shall identify and switch all eligible polyphase customers to the appropriate residential schedule.

G. Second Meters at Single Residences

PG&E proposes to modify existing residential tariff rules to permit use of second meters at a single residence. Current rules prohibit single residences from receiving service from second meters that are polyphase to prevent the same customer from receiving multiple baseline quantities. Although PG&E's tariff's do not specifically state that single-phase second meters are ineligible for residential service, we have ruled accordingly in a number of complaint cases. In such cases, second meters are required to take service on a general service, non-residential schedule.

PG&E's proposal would apply to second meters receiving either single-phase or polyphase service. This may include multiple meters on apartments or flats now converted to single residences, or separately metered well-water pumps.

Under PG&E's proposal, residential service would be provided to second meters at a single residence under regular E-1 residential rates. All such meters would receive the basic electric allowance, or an all-electric allowance if it is a polyphase meter serving permanently installed electric space heating.

1. Discussion

PG&E's proposal appears reasonable and is uncontested by parties. By allowing second meters to qualify for residential service, residential customers will not be denied service under a residential rate schedule merely because a second meter is being used. We agree with PG&E's conclusion that the flattening of residential rate tiers neutralizes customers' incentive to incur the cost of rewiring their homes merely to receive multiple baseline quantities through second meters.

We also adopt PG&E's proposal for a one-year implementation period beginning May 1, 1992 during which customers with second meters would be identified and required to switch to the appropriate residential rate schedule. The phase-in period permits time for site inspections which would be necessary to identify affected customers. This implementation will coincide with the transition of eligible polyphase customers to residential schedules, as previously discussed.

Findings of Fact

1. To comply with SB 987, the Commission adopted a policy which requires that the difference between Tier I and Tier II rates be gradually reduced consistent with moderate bill impacts on residential customers.

2. Currently PG&E's Schedule E-1 Tier I and Tier II rates are about 11.1 and 13.9¢/kWh, respectively, for a difference of about 2.8¢/kWh.

3. An increase capped at 3% applied to Tier I rates results in a Tier I rate of about 11.4 cents/kWh, and permits a Tier II decrease of 4%, or 13.3 cents/kWh, for a tier difference of about 1.9 cents/kWh.

4. A change from a differential of 2.8 to 1.9¢/kWh in Tier I and Tier II rates causes moderate bill increases to low-use customers, while higher use customers receive bill decreases.

5. The Tier I-Tier II flattening proposal and causes a reduction in the mobile-home and multifamily baseline diversity adjustment.

6. The mobile home submetering discount should be calculated by subtracting a revised diversity adjustment of $0.57 from the current cost of submetering of $11.58 to derive a new submetering discount of $11.01 per space, per month.

7. The Schedule ES submetering discount should be calculated by subtracting a revised diversity adjustment of $.46 from the current cost of metering of $3.68 to derive a new submetering discount of $3.22 per space, per month.

8. D.91-04-062 set the Schedule E-7 baseline credit equal to the arithmetic difference between the E-1 Tier I/II rates.

9. By maintaining this same arithmetic relationship and applying it to a revised tier differential of 1.16, the resulting Schedule E-7 baseline credit is revised to 0.01851.

10. D.89-12-057 adopted a Minimum Average Rate Limiter (MARL) to provide a mechanism for PG&E to at least recover revenue equal to its ECAC-related fuel costs to serve certain Schedule ET customers.

11. D.89-12-057 noted that over 36% of Schedule ET accounts paid average rates which were below the PG&E's average fuel cost (after deduction of applicable master-meter discounts).

12. Due to the operation of the MARL, 330 Schedule ET accounts incurred additional charges of $2.29 per space per month during 1990 on average, thereby reducing the net amount of submetering differential payments.

13. PU Code Section 739.5 provides that rates for master-meter service shall provide a sufficient differential to

cover the reasonable average costs to master-meter customers of providing submeter service.

14. PU Code Section 739.5 also provides that such differentials shall not exceed the average costs that the utility would have incurred in providing comparable services directly to users of the service.

15. The MARL provides a hedge against the uncertainty that the master-meter discount may overcompensate Schedule ET customers.

16. The reasonableness of cost studies underlying master-meter discount allowances is an issue in PG&E's pending 1993 GRC.

17. Residential polyphase service is currently authorized only for multifamily Schedule EM, ES, or ET residential customers who were supplied three-phase service on a general service schedule on August 27, 1976.

18. Extension of polyphase eligibility to all residential end-users would recognize the increasing need for polyphase service even in new single-family dwellings.

19. Current tariff rules prohibit single residences from receiving residential service from second meters.

20. No party opposed PG&E's proposal to allow second meters to qualify for residential tariff service, and no harm was shown to result from granting the request.

Conclusions of Law

1. For residential rate design, a 3% increase in Tier I rates is consistent with SB 987, and achieves some rate realignment with moderate bill impact to residential customers.

2. An increase of 3% should be applied to Tier I residential rates to reduce the Tier I-Tier II differential from about 3.5 to 1.9¢/kWh.

3. The Schedule E-7 baseline credit should be adjusted to 0.01851 to reflect the reduced tier differential of 1.16, based upon the difference between Tier I and Tier II rates.

4. Because of the residential tier closure adopted in this proceeding, the mobile home park submetering discount should be changed to $11.01 per space per month, and the multifamily submetering discount should be changed to $3.00 per unit, per month, to reflect reduced diversity benefits.

5. The Minimum Average Rate Limiter conforms to the legal requirements of PU Code Section 739.5, and fairly balances the rights and obligations of both master-meter customers and PG&E relative to the provision of service to submetered tenants.

6. The MARL is not intended to guarantee 100% recovery of all unavoidable costs from each individual Schedule ET/ETL customer account.

7. PG&E's proposed tariff revisions to expand eligibility for residential polyphase service and to allow second meters to qualify for residential service are fair and reasonable.

8. PG&E should be ordered to file the new rates set forth in Appendix A, which incorporates all the rate design changes adopted in this decision.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) shall file with this Commission on or after the effective date of this order, and at least three days' prior to their effective date, revised tariff schedules for electric rates as set forth in Appendices A, and C through F.

2. The revised tariff schedules shall become effective on or after May 1, 1992 and shall comply with General Order 96-A. The revised tariffs shall apply to service rendered on or after their effective date.

3. PG&E's revised tariff schedules shall retain the Minimum Average Rate Limiter (MARL) in effect for Schedules ET and ETL,

limited to the allowance authorized in Decision 89-12-057. Revised Schedule ES and ESL tariffs shall incorporate a MARL provision on a basis comparable to that authorized for Schedule ET and ETL.

4. PG&E tariffs shall revise the current "Tariff Applicability Section" references from "single-phase service" to include single-phase or polyphase service applicable to Schedules E-1, EL-1, EM, ES, ESL, ET, and ETL. Polyphase service shall also apply to Schedules E-7, EL-7, E-A7, E-B7, E-8, and EL-8 which do not mention a single-phase restriction but reference Schedule E-1 in their applicability section.

5. PG&E is authorized to permit single residence users of second meters to be eligible for residential tariff service.

6. PG&E is authorized a one-year implementation period to identify customers eligible for residential service under the revised tariff rules authorized in Ordering Paragraphs 4 and 5, and to complete processing of account changes effective May 1, 1993.

This order is effective today.

Dated April 22, 1992, at San Francisco, California.

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners

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

NEAL J. SHULMAN, Executive Director

TABLE 1

PACIFIC GAS AND ELECTRIC COMPANY
1992 ELECTRIC RATE DESIGN WINDOW

CURRENT AND ADOPTED RESIDENTIAL RATES

LINE NO.		01/01/92 RATES SUMMER	01/01/92 RATES WINTER	05/01/92 RATES SUMMER	05/01/92 RATES WINTER	LINE NO.
	SCHEDULE E-1					
1	MINIMUM BILL ($/MONTH)	$5.00	$5.00	$5.00	$5.00	1
2	ES UNIT DISCOUNT ($/UNIT/MONTH)	$3.00	$3.00	$3.22	$3.22	2
3	ET UNIT DISCOUNT ($/UNIT/MONTH)	$10.74	$10.74	$11.01	$11.01	3
4	ES/ET MINIMUM RATE LIMITER ($/KWH)	$0.05089	$0.05089	$0.05091	$0.05091	4
5	ES/ET MINIMUM RATE LIMITER ($/MONTH)	N/A	N/A	N/A	N/A	5
6	TIER 1 ENERGY ($/KWH)	$0.11107	$0.11107	$0.11439	$0.11439	6
7	TIER 2 ENERGY ($/KWH)	$0.13865	$0.13865	$0.13290	$0.13290	7
	SCHEDULE EL-1 (LIRA)					
8	MINIMUM BILL ($/MONTH)	$4.25	$4.25	$4.25	$4.25	8
9	TIER 1 ENERGY ($/KWH)	$0.09418	$0.09418	$0.09701	$0.09701	9
10	TIER 2 ENERGY ($/KWH)	$0.11762	$0.11762	$0.11274	$0.11274	10
	SCHEDULES E-7 AND EL-7					
11	MINIMUM BILL ($/MONTH)	$5.00	$5.00	$5.00	$5.00	11
12	E-7 METER CHARGE ($/MONTH)	$4.40	$4.40	$4.40	$4.40	12
13	EL-7 METER CHARGE($/MONTH)	$0.00	$0.00	$0.00	$0.00	13
14	ON-PEAK ENERGY ($/KWH)	$0.31738	$0.10478	$0.31399	$0.10113	14
15	OFF-PEAK ENERGY ($/KWH)	$0.09558	$0.08093	$0.09219	$0.07728	15
16	BASELINE DISCOUNT ($/KWH)	$0.02758	$0.02758	$0.01851	$0.01851	16
	SCHEDULE E-8					
17	CUSTOMER CHARGE ($/MONTH)	$13.92	$13.92	$13.92	$13.92	17
18	ENERGY CHARGE ($/KWH)	$0.11742	$0.06722	$0.11742	$0.06722	18
	SCHEDULE EL-8 (LIRA)					
19	CUSTOMER CHARGE ($/MONTH)	$11.83	$11.83	$11.83	$11.83	19
20	ENERGY CHARGE ($/KWH)	$0.09958	$0.05691	$0.09958	$0.05691	20

TABLE 1

PACIFIC GAS AND ELECTRIC COMPANY
1992 ELECTRIC RATE DESIGN WINDOW

CURRENT AND ADOPTED RESIDENTIAL RATES

LINE NO.		01/01/92 RATES SUMMER	01/01/92 RATES WINTER	05/01/92 RATES SUMMER	05/01/92 RATES WINTER	LINE NO.
	SCHEDULES E–A7 AND EL–A7					
1	MINIMUM BILL ($/MONTH)	$5.00	$5.00	$5.00	$5.00	1
2	E–A7 METER CHARGE ($/MONTH)	$4.40	$4.40	$4.40	$4.40	2
3	EL–A7 METER CHARGE($/MONTH)	$0.00	$0.00	$0.00	$0.00	3
4	ON–PEAK ENERGY ($/KWH)	$0.38177	$0.10406	$0.37839	$0.10041	4
5	OFF–PEAK ENERGY ($/KWH)	$0.08529	$0.08108	$0.08190	$0.07743	5
6	BASELINE DISCOUNT ($/KWH)	$0.02758	$0.02758	$0.01851	$0.01851	6
	SCHEDULE E–B7					
7	MINIMUM BILL ($/MONTH)	$5.00	$5.00	$5.00	$5.00	7
8	E–B7 METER CHARGE ($/MONTH)	$4.40	$4.40	$4.40	$4.40	8
9	CRITICAL ($/KWH)	$0.55856	$0.55856	$0.55856	$0.55856	9
10	HIGH ($/KWH)	$0.32186	N/A	$0.32186	NA	10
11	MEDIUM ($/KWH)	N/A	$0.09294	NA	$0.09294	11
12	LOW ($/KWH)	$0.07278	$0.07278	$0.07278	$0.07278	12

(END OF APPENDIX A)

APPENDIX B

Source: PG&E Comments to Proposed ALJ Decision

PACIFIC GAS AND ELECTRIC COMPANY

TIER I RATE INCREASES VERSUS CLASS AVERAGE RATE INCREASES

UTILITY/CASE PG&E	Dec. No.	Class Average	Class Increase	Tier I Rate	Tier I Increase Above Class Average	Tier Differential
I.88-07-009 [1]	88-10-062	0.08884		0.07099		65%
1988 ECAC	88-12-100	0.09791	11.80%	0.08132	2.75%	57%
1990 TY GRC	89-12-057	0.10542	7.89%	0.09374	7.06%	37%
1990 ECAC	90-12-066	0.11923	12.04%	0.10658	1.66%	33%
1991 RDW	91-04-062	0.11923	0.00%	0.10924	2.50%	25%
1992 ECAC	91-12-061	0.12105	1.53%	0.11107	0.15%	25%
1992 RDW		0.12105	0.00%	0.11661	5.00%	11% [2]

1/ Boldface figures represent revisions from the Proposed Decision.

2/ As proposed by PG&E.

(END OF APPENDIX B)

APPENDIX C

PACIFIO GAS AND ELEOTRIO COMPANY
1992 RATE DESIGN WINDOW
SCHEDULE ET BASELINE DIVERSITY BENEFIT

(BASED ON 23 RANDOM MOBILEHOME PARKS)
At May 1, 1991 Baseline Quantities

1990 TEST YEAR AVERAGE FORECAST SALES (KWH/MO) ***	33,299,000
1990 TEST YEAR AVERAGE FORECAST SPACES ***	99,323
1990 TEST YEAR AVERAGE CONSUMPTION (KWH/MO)	335
AVERAGE BILL ($/MO) 5/01/92 Tariffs @ $0.11439 per kwh	$38.32
LESS COMMON AREA ALLOWANCE – EST 10%	3.83
AVERAGE BILL LESS COMMON AREA ALLOWANCE	$34.49
WEIGHTED AVERAGE FACTOR APPLIED TO AVERAGE BILL ($/MO) $34.49 * 1.01649473	$35.06
LESS – AVERAGE BILL LESS COMMON AREA ALLOWANCE	34.49
DIFFERENCE = BASELINE DIVERSITY FACTOR ADJUSTMENT ($/MO)	$0.57

ASSUMPTIONS

1. BASED ON 12 MONTHS USAGE – FEB 1987 to JAN 1988
2. ONLY ACCOUNTS ACTIVE FOR TOTAL PERIOD USED
3. METHOD DETERMINES BENEFIT FOR FULLY OCCUPIED SPACES NET OF COMMON AREAS
4. TARIFF RATES AND BASELINE QUANTITIES EFFECTIVE 5/01/92 USED — $0.11439 Tier I; $0.13290 Tier II
5. AVERAGE BASELINE QUANITIES CALCULATED USING BASELINE DAILY ALLOWANCES TIMES NUMBER OF DAYS
6. ACTUAL ALL ELECTRIC AND MEDICAL QUANTIES INCLUDED IN CALCULATIONS FOR INDIVIDUAL AND MASTER METER BILLS
7. FACTOR REPRESENTS RATIO OF INDIVIDUAL BILL TO MASTER METER BILL
8. WEIGHTED AVERAGE IS CALCULATED BY WEIGHTING FACTOR BY NUMBER OF ACCOUNTS IN PARK
9. AVERAGE BILL CALCULATED USING ONLY TIER ONE ENERGY CHARGE.
10. COMMON AREA USE ESTIMATED TO BE 10% OF TOTAL (SEE WORKPAPER #5)

(END OF APPENDIX C)

APPENDIX D

PACIFIC GAS AND ELECTRIC COMPANY
1992 RATE DESIGN WINDOW
ET SCHEDULE MASTER-METER DISCOUNT
INSTALLED SPACE BASIS

Line No.	Description	Sources	UNDERGROUND	OVERHEAD	Line No.
	PLANT COST				
1	HISTORICAL COST	WP#8 & WP#9	$509.00	$139.37	1
2	LESS DEPRECIATION	WP#8 & WP#9	125.25	54.60	2
3	NET PLANT		$383.75	$84.77	3
4	WEIGHTED PLANT COST(87%UG & 13%OH)	(Line 3 UG*.87) + (Line 3 OH*.13)	$344.88		4
5	LESS NET MASTER-METER COSTS - PER SPACE (INC TRANSFORMER THAT WOULD SERVE MASTER-METER)	WP#10	82.00		5
6	TOTAL NET AVOIDED PLANT COST PER SPACE		$262.88		6
	ANNUAL EXPENSES				
7	MAINTENANCE & OPERATIONS (INCLUDES SCREWDRIVER SERVICE)	WP#12	$18.03		7
8	CUSTOMER ACCOUNTS	WP#11 Revised	19.51		8
9	SUBTOTAL		$37.54		9
10	ADMINISTRATIVE & GENERAL	Line 9 * .5769 (From WP#12)	21.66		10
11	SUBTOTAL		$59.20		11
12	ESCALATION	WP#13 (Line 11 * 0.1284574)	7.60		12
13	AD VALOREM TAX	((Line 1 UG*.87) + (Line 1 OH*.13))* 0.0072435 from WP#13	3.34		13
14	DEPRECIATION (ANNUAL ACCRUAL)	(WP#8 .87*18.57) + (WP#9 .13*5.26) - (WP#10 2.50)	14.34		14
15	RETURN ON INVESTMENT	Line 6 * .1096 (Weighted Cost)	28.81		15
16	INCOME TAXES	WP#13 (Line 15 * 0.4958967)	14.29		16
17	SUBTOTAL		$127.58		17
18	FRANCHISE & UNCOLLECTIBLES	WP#13 (Line 17 * 0.0117397)	1.50		18
19	SUBTOTAL		$129.08		19
20	BASE MASTER-METER DISCOUNT (WEIGHTED AVERAGE MONTHLY)	Line 19 / 12	$10.76		20
21	DIVERSITY BENEFIT ADJUSTMENT	May 1, 1992 RDW Rates	0.57		21
22	LINE LOSS ADJUSTMENT	WP#4	0.82		22
23	NET MASTER-METER DISCOUNT		$11.01		23

(END OF APPENDIX D)

A.88-12-005

PACIFIC GAS AND ELECTRIC COMPANY
1992 RATE DESIGN WINDOW
SCHEDULE ES BASELINE DIVERSITY BENEFIT

– ASSUMES THAT USE PATTERNS ARE SIMILAR TO MOBILEHOMES AND THUS PREVIOUSLY CALCULATED FACTOR IS USED ON AVERAGE ES UNIT BILL.

Line No.		Sources		Line No.
1	AVERAGE MONTHLY USE 1990 TEST YEAR ES CUSTOMERS (KWH/MO)	***	4,839,000	1
2	AVERAGE NUMBER OF 1990 TEST YEAR UNITS	***	17,930	2
3	AVERAGE TEST MONTHLY YEAR USE (KWH/MO)	Line 1 / Line 2	270	3
4	AVERAGE BILL ($/MO USING ADOPTED 5/1/1992 RATES @ $ 0.11439 /Kwh	Line 3 * .11439	$30.89	4
5	LESS COMMON AREA ALLOWANCE – EST 10%	Line 4 – (Line 4 * .10)	$27.80	5
6	ET DIVERSITY FACTOR APPLIED TO AVERAGE BILL ($/MO) (Diversity Factor at May 1, 1992 adopted ECAC Rates)	Line 5 * 1.01649473 WP#7	$28.26	6
7	BASELINE DIVERSITY ADJUSTMENT ($/MO)	Line 6 – Line 5	$0.46	7

*** SOURCE – FORECAST OF RESIDENTIAL CUSTOMERS,UNITS AND SALES 1990

APPENDIX E

(END OF APPENDIX E)

A.88-12-005

APPENDIX F

PACIFIC GAS AND ELECTRIC COMPANY
1992 RATE DESIGN WINDOW
ES SCHEDULE MASTER-METER DISCOUNT
INSTALLED SPACE BASIS

Line No.	Description	Sources		Line No.
	PLANT COST			
1	HISTORICAL COST	WP#24	$27.01	1
2	LESS DEPRECIATION	WP#24	8.87	2
3	NET PLANT		$18.14	3
	ANNUAL EXPENSES			
4	MAINTENANCE & OPERATIONS (INCLUDES SCREWDRIVER SERVICE)	WP#27	$2.93	4
5	CUSTOMER ACCOUNTS	WP#26 (Revised)	19.36	5
6	SUBTOTAL		$22.29	6
7	ADMINISTRATIVE & GENERAL	Line 9 * .5769 (From WP#27)	12.86	7
8	SUBTOTAL		$35.15	8
9	ESCALATION	WP#13 (Line 8 * 0.1284574)	4.52	9
10	AD VALOREM TAX	WP#13 (Line 1 * 0.0072435)	0.20	10
11	DEPRECIATION (ANNUAL ACCRUAL)	WP#24	0.76	11
12	RETURN ON INVESTMENT	Line 3 * .1096 (Weighted Cost)	1.99	12
13	INCOME TAXES	WP#13 (Line 12 * 0.4958967)	0.99	13
14	SUBTOTAL		$43.61	14
15	FRANCHISE & UNCOLLECTIBLES	WP#13 (Line 14 * 0.0117397)	0.51	15
16	SUBTOTAL		$44.12	16
17	BASE MASTER-METER DISCOUNT (WEIGHTED AVERAGE MONTHLY)	Line 16 / 12 Months	$3.68	17
18	DIVERSITY BENEFIT ADJUSTMENT (At May 1, 1992 RDW Rates)	WP#25	0.46	18
19	NET MASTER-METER DISCOUNT		$3.22	19

(END OF APPENDIX F)