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Decision 82 04 010 APR - 6 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Edison Company for Authority to Revise its Santa Catalina Island Gas Cost Adjustment Billing Factors.

Application 60781
(Filed July 31, 1981)

James M. Lehrer, Attorney at Law, for applicant.
John R. Longley, for the City of Avalon, interested party.
Michael B. Day, Attorney at Law, for the Commission staff.

O P I N I O N

Applicant Southern California Edison Company (Edison) requests authority to make increases in its gas cost adjustment billing factors (GCABF) applicable to liquefied petroleum gas-air service on Santa Catalina Island (Catalina). The requested increases are as follows:

Lifeline Domestic Service	
Present GCABF	0.2934 $/therm
Proposed GCABF	0.5705 $/therm
Nonlifeline Domestic Service	
Present GCABF	0.4993 $/therm
Proposed GCABF	1.0055 $/therm
Other Than Domestic Service	
Present GCABF	0.4993 $/therm
Proposed GCABF	0.8859 $/therm

These increases in rate levels are proposed to become effective for service rendered on and after September 1, 1981. The increases in the GCABF as proposed by Edison are estimated to produce an annual revenue increase of approximately $273,000 based on forecast sales for the 12-month period commencing September 1, 1981. The proposed increases in revenue estimated by revenue class are as follows:

Revenue Class	Therms	Proposed Increase Over Present Rates	
		$ M	%
Residential:			
Lifeline	207,000	57.3	70.0
Nonlifeline	189,560	96.0	70.1
Total	396,560	153.3	70.1
Commercial	309,580	119.7	52.9
Total	706,140	273.0	61.3

Following notice, a public hearing was held on the matter before Administrative Law Judge William A. Turkish on October 26, 1981 in Los Angeles, and the matter was submitted upon the filing of concurrent briefs on November 29, 1981.

Public witness testimony was presented in the form of statements by the mayor and city manager of the City of Avalon, Catalina. Testimony on behalf of Edison was presented by James W. Yee, a rate specialist in Edison's revenue requirements department. Testifying on behalf of the Commission staff was Joseph L. Fowler, Jr., senior utilities engineer.

I. EDISON'S CATALINA GAS OPERATION

Although Edison is primarily an electric utility, it has operated the liquefied petroleum gas-air facilities on Catalina since 1962 when the Commission, in Decision (D.) 64420 issued October 17, 1962, authorized Edison to acquire the electric, gas, and water utilities from the City of Avalon and the Avalon Public Service Company. In 1978 Edison filed an application for a general gas-air service rate increase. In D.92059 issued July 29, 1980, the Commission authorized Edison to increase the rates for gas-air service and to establish a gas cost adjustment clause (GCAC) in its tariffs. D.92120 issued August 19, 1980 modified D.92059 by revising the lifeline GCABF to bring them into compliance with Public Utilities Code (PU Code) Section 739(c). That section prohibits increases in lifeline rates until such time as the average system rate (in cents per therm) has increased 25% above the rate levels in effect on January 1, 1976.

Under the procedures set forth in D.92059, the GCABF is designed to recover the liquefied petroleum gas-air fuel expenses through the operation of a balancing account procedure whereby the applicable revenues and expenses during the record period are compared each month and any accumulated differential is reflected in a subsequent rate adjustment, on an annual basis.

The GCAC procedure established in D.92059 provides for a revision date of September 1 each year. For purposes of calculating the GCABF, the record period is the 12-month period ending at the end of the third month prior to the September 1 revision date. This application is the first one to be filed under D.92059. The record period for this application is July 1, 1980 to June 30, 1981.

II. PUBLIC WITNESS TESTIMONY

In statements made by Mayor George Scott and City Manager John Longley of the City of Avalon, they both voiced their opposition to further increases in the cost of gas on the grounds that recent large increases in utility bills were virtually driving the middle and working class citizens of Catalina off of the island, making it impossible for the people who provide services for tourists to live on the island where they work. The City of Avalon, through the Mayor, indicated its displeasure with the staff recommendation for future advice letter filings to change gas rates on the grounds that it would not be proper to deprive the City of Avalon or its residents of their procedural rights to object to advice letter filings as they now do via the public hearing process.

III. RESULTS OF OPERATION - CATALINA GCAC

The record in this proceeding shows that the Commission staff and Edison are in agreement on several issues. They are in agreement with respect to the revenue requirement of $273,000 for the 12-month period commencing September 1, 1981. The staff has made four rate design recommendations in this matter, three of which were not objected to by Edison. The first is that Edison's rate schedules be revised so that the effective commodity rate is shown in the schedules instead of merely a portion of it. Present schedules show only the small base rate while the larger GCABF rate is shown elsewhere in the Preliminary Statement. The staff's proposal would combine these two rates on the schedule sheet while continuing to show the GCABF rate in the Preliminary Statement. Edison had no objection to this recommendation and since it will provide ease in understanding for the customers, it should be adopted.

The staff also recommends that instead of the present multirate structure, rates should be revised so that there is only a single rate for lifeline use and a single rate for non-lifeline use. Currently two customer charges are shown on Edison's residential rate schedule: a two-tiered declining tail block rate structure for lifeline service and a two-tiered increasing tail block rate structure for other domestic service. General service has a two-tiered increasing tail block rate structure.

Edison's gas operations on Catalina are of a small enough scale that some simplicity in the rate structure makes sense. The differences in patterns of usage in such a small and homogeneous service territory do not warrant a myriad rate structure. We agree with the staff that there be only two rate structures--one for lifeline and another for nonlifeline and commercial. The already high costs of energy should be a sufficient price signal to Catalina consumers to encourage conservation. High rates do help to achieve energy conservation, but more importantly there is no evidence to justify continuing a multirate structure in such a small homogeneous service territory. Edison stipulated that it did not have any particular interest one way or the other in maintaining the current multirate structure as opposed to the staff's proposal. Since the staff recommendation is more in keeping with our often-stated conservation views, it should be adopted.

The third staff recommendation is that the higher service charge now imposed on some residential customers be reduced to a single $1 residential service charge per meter per month. Some 84.4% of residential customers currently pay the $1 service charge while the remainder pay a service charge of $1.88 per month per meter. The staff's proposal is more equitable and is easy to implement, and the revenue impact is negligible. Edison had no objection to this recommendation and it should be adopted.

The issues remaining to be decided in this proceeding relate to the following areas of disagreement between Edison and the staff:

1. What is the appropriate rate design to be applied when allocating the proposed increase in rate levels among the different customer classes.

2. What is the appropriate record period to be used if the staff's proposal to implement semiannual gas cost adjustments (GCA) by means of advice letter filings is adopted.

3. What is the appropriate GCA balancing account amortization period to be used if the semiannual adjustment proposal is adopted.

4. To what extent, if any, should the reasonableness of Edison's transportation expenses for liquefied petroleum gas (LPG) delivered to Catalina be reviewed.

GCAC Balancing Account History

In D.92059 dated July 29, 1980 Edison was authorized to establish a GCA account on its books to collect, on a dollar-for-dollar basis, the reasonably incurred and rapidly increasing cost of LPG used to produce liquefied petroleum gas-air for Catalina. Table I in Edison's Exhibit 1 presents the expense and revenue components of the monthly entries to the balancing account, along with the accumulated differential from the time of the establishment of the balancing account on August 28, 1980 to the end of the record period June 30, 1981. The under-collection balance on June 30, 1981 of $94,346 is indicative of the consistent undercollections of revenues to compensate for the increasing costs of LPG during the record period.

Under the procedures set forth in D.92059, the calculation of the GCABF uses the 12-month record period from July 1, 1980 to June 30, 1980. Edison computed the current cost of LPG by multiplying the record period quantity (741,461 gallons) by the average price of LPG in inventory on June 30, 1981, plus .9814% for franchise fees and uncollectible accounts expense. In addition, the balance in the GCA account at June 30, 1981 is increased by .9814% to offset the effect of franchise fees and uncollectible accounts expense. The result is the GCAC amount which is then divided by the record period quantity of liquefied petroleum gas-air sold (644,034 therms), producing an average GCA factor. The development of the average GCA rate factor is shown in Table I.

TABLE I

SOUTHERN CALIFORNIA EDISON COMPANY

Calculation of Catalina GCA Rate
for a September 1, 1981 Revision Date
(Based on the 12-month Record Period Ending June 30, 1981.)

	Record Period Quantities	Current Price	Current Cost
Average Current Cost Rate			
LPG	741,461 gallons	58.20¢/gallon	$431,530

	Cost $	Sales/Therms	Rate $/Therm
Current Cost	431,530	644,034	
Plus: .9814% for Franchise Fees and Uncollectible Expense	4,235		
Total Current Cost	435,765	644,034	0.6766
Balancing Rate			
Accumulated Differential of GCAC Balancing Account as of June 30, 1981	94,346		
Plus: .9814% for Franchise Fees and Uncollectible Expense	926		
GCAC Balancing Rate for 12-month Amortization	95,272	644,034	0.1479
Average Catalina GCA Rate	531,037		0.8245

Rate Design

Edison has proposed that within the domestic class the existing lifeline/nonlifeline average rate relationship during the record period be maintained. The present rate relationship between lifeline and nonlifeline, as can be seen by dividing the nonlifeline present average rate into the lifeline present average rates, is 54.8%.

$$\frac{\text{Lifeline present average rate}}{\text{Nonlifeline present average rate}} = \frac{\$0.3957}{\$0.7224} = .5478 = 54.8\%$$

Applying this formula to Edison's proposed average rates as shown on Table V-B of Exhibit 1 demonstrates that Edison's proposed rate design maintains this same rate relationship.

$$\frac{\text{Lifeline proposed average rate}}{\text{Nonlifeline proposed average rate}} = \frac{\$0.6728}{\$1.2286} = .5476 = 54.8\%$$

The effect of Edison's proposal would be to increase lifeline rates by 70.0% over the present rate level and total residential rates by 70.1% over the present rate level.

In contrast to Edison's proposal, the staff has recommended that the lifeline GCABF be increased to 75% of the nonlifeline rate so that it is consistent with current rates set by the Commission for other gas utilities in the state. The staff's witness acknowledged that this recommendation would increase the lifeline billing factor from $.3397 to $.7166 per therm, or a total increase of 111% as compared to Edison's increase of 70% which is derived from increasing current lifeline and nonlifeline rates while maintaining their current ratios. The staff justifies its lifeline increase recommendation on the ground that a major cause of the very large undercollection experienced by Edison for Catalina gas operations is due to the very low lifeline rates. The current \$.2934 billing factor applicable to lifeline customers was carried over from previous gas rates authorized in D.92059, as modified by D.92120. In D.92059 the initial Catalina GCABF of \$.4490 was made applicable across the board to all customers. The effect of this, however, would have increased lifeline rates excessively since the average system rate in cents per therm had not increased more than 25% above the January 1, 1976 level, and we were precluded under PU Code Section 739(c) from raising lifeline rates.[1/] We then modified D.92059 by D.92120 and lowered the GCABF for lifeline customers to \$.2934 but retained the \$.4490 amount for service in excess of lifeline amounts and for other than domestic service. According to the staff witness, Catalina lifeline customers have not been paying anywhere near the cost of gas for the last year and the undercollection in the balancing account is due in large measure to the 20.5c differential between the lifeline billing factor and the non-lifeline billing factor.

Edison argues that increasing the lifeline billing factor in proportion to the nonlifeline billing factor will not serve to remedy the chronic undercollection in the GCA balancing account because, with an agreed-upon revenue requirement by the

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1/ Section 739(c) states, in part:

> ". . . Lifeline rates shall not be greater than the rates in effect on January 1, 1976. The commission shall authorize no increase in the lifeline rates until the average system rate in...cents per therm has increased 25 percent or more over the January 1, 1976, level."

staff, shifting the lifeline/nonlifeline allocation so that lifeline customers pay a greater share of the revenue requirement than previously, will only result in a lower proportional share being borne by the nonlifeline customers. However, Edison points out, the total revenue collected will not change, nor will the condition of the balancing account undercollection change. While this may be true, the plain fact of the matter is that lifeline customers do not even come close to paying the average current cost of gas. The average current cost rate of gas for Catalina for the record period ending June 30, 1980, as shown on Table I is $0.6766 per therm. Although not relevant in setting rates in this proceeding because the data are from outside the record period of August 1980-June 1981, Edison's Exhibit 3, presented for information purposes only, indicates that the rates requested by Edison would be even higher if the most current cost of gas and most current balancing account balance were used to set rates in this proceeding. Exhibit 3 shows that the cost of gas has increased by 14.2% since the filing of this application which would have caused the average Catalina GCA rate to increase to $0.9841 per therm instead of the $0.8245 per therm shown on Table I.

Lifeline customers are currently paying an average rate of $0.3957 per therm. This amount, as is evident from Table I, is considerably less than the average cost of gas during the record period. Exhibit 3 shows the spread would be even greater if compared to the latest actual cost of gas.

Edison is correct in stating that increasing the lifeline billing factor in proportion to the nonlifeline billing factor will not serve to remedy the current undercollection in the GCABF account since the revenue requirements reached by Edison and the staff are the same. However, in the long run, if lifeline rates continue to be less than the average cost of gas, then Edison must obtain the difference between lifeline rates and the cost of gas somewhere else. With little or no increases in sales for nonlifeline customers or commercial customers, the undercollection can only increase over time. This will further increase total costs to the consumer because not only must the undercollection be recovered by Edison but the high interest rate accruing on such undercollection in the GCA balancing account will eventually be borne by consumers.

It must be remembered that this application is not a general rate application where Edison is seeking an increased rate of return. It is an application to increase the GCABF so that Edison can recover the undercollection in its balancing account, to which it is entitled due to the rising cost of gas during the 12 months from August 1, 1980 to June 30, 1981. This large undercollection, which Edison has been accumulating, is detrimental to the interests of the ratepayers because unless the undercollection is reduced, ratepayers will be paying market interest rates for Edison's carrying costs on fuel purchased in the past. Lifeline rates should be increased to at least the average cost of gas to reduce undercollections and the interest costs associated with those undercollections.

As can be seen on Table II, the staff's rate design recommendation of raising lifeline average GCABF rates to 75% of nonlifeline average GCABF rates, as has been our policy in other recent gas rates proceedings, would increase lifeline rates by 111.0% while nonlifeline and commercial rates would be increased by 53.8% and 55.1%, respectively. Edison's proposals, by comparison, would increase rates for these customer classes by 70.0%, 70.1%, and 52.9%, respectively. Officials of the City of Avalon, and obviously residential customers as well, favor Edison's rate design proposal. However attractive Edison's proposal appears to be as compared to the staff's recommendations for the short term, we believe it is detrimental to all Catalina customers over the long term because in an era of escalating gas costs, the shortfall of revenues received from lifeline quantity sales, in relation to those escalating gas costs, will further increase undercollections in the balancing account, which along with attendant high interest sales must eventually be recovered by Edison. We believe that increasing lifeline average GCABF to 75% of the nonlifeline average GCABF rates is a desired goal.

On the other hand, we do not wish to place the heavy burden of a 111% increase on the shoulders of Catalina lifeline customers at one time. Instead, we will increase the average lifeline/nonlifeline GCABF rates in steps, until the goal of 75% is reached. This can be achieved through future advice letter filings. **The following table illustrates the staff's rate design proposed:**

TABLE II

SOUTHERN CALIFORNIA EDISON COMPANY

Forecast Period Revenues
With Staff Rate Design Recommendations

Classification	Sales (Therms)	Present Rates ($/Therm)	Present Revenues ($)	Proposed Rates ($/Therm)	Proposed Revenues ($)	Increase ($/Therm)	Increase ($)	Increase (%)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Domestic								
Customer Months (12,744)	-	1.00	12,744	1.00	12,744	-	-	-
Lifeline	205,384	.3397	69,769	.7166	147,178	.3769	77,409	111.0
Nonlifeline	189,005	.7247	136,972	1.1147	210,684	.3900	73,712	53.8
Subtotal	394,389		219,485		370,606		151,121	68.9
Commercial								
Customer Months (1,776)	-	1.88	3,339	1.88	3,339	-	-	-
Commodity	309,580	.7185	222,433	1.1147	345,089	.3962	122,656	55.1
Subtotal	309,580		225,772		348,428			
Net Sales	703,969	-	445,257	1.0214	719,034	.3889	273,777	61.5
Schedule DE Discount	2,171	-	-	-	-	-	-	-
Gross Sales	706,140	-	445,257	-	719,034	-	273,777	61.5

In this proceeding, we will revise the rate design and adjust the lifeline GCABF rate to 62.7% of the nonlifeline average GCABF rate (domestic and commercial). This will result in an increase of 84.1% in lifeline rates, a 52.4% increase in nonlifeline rates, and a 64.7% in commercial rates, an overall increase of 61.6%.

Table III shows the adopted base rates, base revenues at adopted rates, the adopted GCABF rates and revenues, the adopted tariff rate, and the tariff rate revenues. Table IV shows the adopted gas rate design and the increases per class.

TABLE III

SOUTHERN CALIFORNIA EDISON COMPANY

Derivation of Rates
(Based on Recorded Period Ending September 30, 1981)

Classification	Sales (Therms) (a)	Derived Base Rates ($/Therm) (b)	Base Revenues ($) (c)	Adopted Base Rates ($/Therm) (d)	Base Revenues at Adopted Rates ($) (e)	Adopted GCABF Rates ($/Therm) a/ (f)	GCABF Revenue ($) (g)	Adopted Tariff Rate ($/Therm) (h)	Tariff Rate Revenue ($) (i)
Domestic									
Customer Months	-	-	10,830	-	10,830	-	-	1.00	10,830
Lifeline	190,350	.04627	8,808	.0463	8,813	.5792	110,251	.6255	119,064
Nonlifeline	175,138	.22381	39,197	.2210	38,705	.9319	163,211	1.1529	201,917
Subtotal	365,488		58,835		58,348		273,462		331,811
Commercial									
Customer Months	-	-	3,340	-	3,340	-	-	1.88	3,340
Commodity	276,375	.21922	60,586	.2210	61,079	.9314	257,554	1.1529	318,633
Subtotal	276,375		63,926		64,419		257,554		321,973
Net Sales	641,863	-	122,761	.1813	122,767	-	-	-	-
Schedule DE Discount c/	2,171	-	-	-	-	-	-	-	-
Total Sales and Revenues	644,034		122,761		122,767		531,016		653,784 b/

a/ Lifeline GCABF rate is 62.7% of the nonlifeline average rate (domestic plus commercial).

b/ Tariff rate revenue exceeds Edison's by $6.

c/ Domestic sales were reduced, for rate design purposes, to compensate for discounts applicable to employee bills.

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TABLE IV

SOUTHERN CALIFORNIA EDISON COMPANY

Adopted Gas Rate Design

Classification	Sales (Therms)	Present: Rates ($/Therm)	Present: Revenues ($)	Adopted: Rates ($/Therm)	Adopted: Revenues ($)	Increase: ($/Therm)	Increase: ($)	Increase: (%)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Domestic								
Customer Months (12,744	-	1.00	12,744	1.00	12,744	-	-	-
Lifeline	205,384	.3397	69,769	.6255	128,468	.2858	58,699	84.1
Nonlifeline	189,005	.7247	136,972	1.1529	217,904	.4282	80,932	59.1
Subtotal	394,389		219,485		359,116		139,631	63.6
Commercial								
Customer Months (1,776)	-	1.88	3,339	1.88	3,339	-	-	-
Commodity	309,580	.7185	222,433	1.1529	356,915	.4344	134,482	60.5
Subtotal	309,580		225,772		360,254		134,482	60.5
Net Sales	703,969	-	445,257	1.0219	719,370	-	274,113	61.6
Schedule DE Discount	2,171	-	-	-	-	-	-	-
Gross Sales	706,140	-	445,257	-	719,370	-	274,113	61.6

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Frequency and Manner of GCAC Revisions

Because the price of gas has been deregulated and Edison's gas costs can be increased at any time, the staff recommends that the frequency of rate revisions for the Catalina gas system be changed from an annual to a semiannual adjustment so that Edison can be afforded the timely recovery of new and uncollected gas costs while at the same time helping to reduce the size of undercollection and the payment of high interest rates by ratepayers for Edison's carrying costs on undercollections. The staff points out that if semiannual GCAC revisions had been previously authorized (March 1 and September 1), amortization of the balancing account could have started last March at a rate of about two-thirds of the request. Another factor behind the staff's proposal for more frequent revisions is the uncertainty surrounding future gas costs in light of recent U.S. Coast Guard action condemning the Chevron gas barge which has been delivering gas to Catalina for years. Edison had no firm information during this proceeding regarding the plans of Chevron to transport future gas deliveries to Catalina under their contract, or the costs of such transportation. The staff suggests that future semiannual offsets should be in the form of advice letter filings and thus put Edison's Catalina operations on the same basis as other small California gas utilities (e.g. Southwest Gas Corporation and CP National gas operations) with the Commission still retaining the option of a formal proceeding. It is also the recommendation of the staff that if the citizens of Catalina protest an advice letter filing, their request for a formal hearing should be granted. While we will adopt an advice letter procedure, whether we hold hearings will depend on the content of any protests.

Edison concurs with the staff recommendation of adopting semiannual revisions of the GCAC by advice letter but recommends that if such procedure is adopted the record period for any GCAC revisions should be a 12-month recorded period. With a 6-month recorded period for the calculation of fuel costs, customers' bills could fluctuate dramatically, due to different lifeline allowances between summer and winter, and greater sales in winter. The staff confirmed that consumption of liquefied petroleum gas on Catalina is greater in the winter months than in the summer months. We agree that the use of a 12-month recorded period might smooth out the seasonal rate differential caused by the different lifeline allowances and tend to stabilize any increases or decreases in rates. Edison's recommendation should be adopted.

Amortization Period

Although the staff recommended a semiannual GCAC adjustment frequency, it made no recommendation with respect to the amortization period for the balancing rate component of the GCABF. Edison's witness testified that a variable period, either 6 months or 12 months, should be authorized at Edison's option, to amortize any over- or undercollection in the GCAC balancing account. Under Edison's proposal, Edison would select the period most appropriate for the amortization, taking into consideration the amount of the undercollection at the time the advice letter is filed. The reason for this variable period recommendation over a fixed 12-month amortizing period is because the 12-month period would not completely counteract the buildup of any undercollection at the time of the 6-month revision date and thus could cause customers to pay additional interest on the remaining balance. It is not difficult to see that with a 6-month revision period and a 12-month amortization rate, any undercollection balance will only be half amortized by the next semiannual revision rate and Edison would never "catch up"--the balancing account would always be undercollected.

In D.92496 in OII 56, we stated:

> ". . . In general we agree that the amortization period should equal the time between revision rates. However, we recognize that there may be conditions that would support some other period, in order to promote some valid purpose such as rate stablization. Therefore, we will allow each applicant to propose any particular period..."

D.92496 was in the context of electric utility operations. However, the philosophy embraced in that matter is applicable with equal logic to the Catalina GCAC procedure. Edison should **be permitted to propose a 6-month or 12-month amortization period,** according to the **prevailing balancing and fuel expense conditions** at the time of each GCAC adjustment revision date. Under generally prevailing conditions we would expect Edison to calculate the balancing rate component according to a 6-month amortization period in order to keep the balancing account balance as close to zero as possible. However, when conditions are such that the undercollection is less severe and/or fuel-related revenues exceed expenses, use of a 6-month amortization period becomes less critical, and return to a 12-month period could conceivably be appropriate. **In any event, which amortization period is adopted is ultimately our decision on a case-by-case basis.**

Transportation Costs

The staff recommends that the Commission make a specific audit of Edison's market comparisons for propane gas delivered to Catalina in the next general rate case for Catalina gas operations. Currently, Edison purchases all of its propane from Chevron. Edison's market comparisons are conducted in the following manner: Edison takes the spot market price for propane from alternate suppliers in the Los Angeles area and adds a factor for transportation tariffs and a factor to simulate the cost of transporting the propane to Catalina. If this adjusted price is in excess of Chevron's delivered price, Edison contends that Chevron's price is the best.

Table III-B of Edison's Exhibit 1 shows that during the record period for this proceeding, Chevron's price was always lower than Edison's hypothetical alternative. However, the staff notes that no explanation of the "factors" added to the spot market price for transportation were ever revealed so that the staff is unable to verify the calculations. The staff believes it is essential that in the next GCAC offset case dealing with Catalina gas operations, it complete a detailed audit of this price comparison, including the alternative transportation costs to determine if Chevron's prices have actually been the cheapest over time. The staff believes this is particularly important in view of the fact that Chevron's price of late has been approaching the break-even point. More uncertainty is added by the necessity of having to find a new transportation system to replace the Chevron barge which has recently been condemned by the U.S. Coast Guard.

Although the staff and Edison's witnesses agree that what Edison receives is basically a bill from Chevron which does not specifically identify or itemize transportation costs, it would still be possible for the staff to determine the reasonableness of the delivered price, including transportation charges, by reviewing the calculations by which Edison derives the "Los Angeles" LPG price from data listed in Platt's Oilgram and other published lists plus the "additives" calculated by Edison to reflect transportation costs.

Since Chevron is Edison's sole available supplier of LPG to Catalina, there are no alternatives to any transportation charges which may be presently in effect. Although we recognize the unique fuel supply market for Catalina's gas operation, and the method of billing by Chevron for the total cost of delivered LPG without separate breakout of transportation charges, we believe it is desirable for the staff to review Edison's calculations to determine if Edison's price does correspond with Platt's Oilgram data, and to review Edison's transportation "additives" to determine reasonableness. Edison should request Chevron or any other supplier in the future to calculate transportation charges to Catalina and show such charges separately from the cost for the LPG on its invoices so that in the future the staff can audit such transportation charges as to reasonableness. Until such time as Edison has obtained such breakout from its supplier, the staff should limit its review of the reasonableness of transportation charges to verifying the calculations by which Edison derives the "Los Angeles" LPG price from data published in Platt's Oilgram and other published data plus the "additives" calculated by Edison to reflect transportation costs. The next GCAC filed after staff has made a complete audit of Edison's price comparisons may be converted from an advice letter to an application with hearings set to explore the ramifications of the staff's findings. This will be done if the staff requests a hearing.

Findings of Fact

1. Edison provides a mixture of liquefied petroleum gas-air to customers on Catalina which is derived from LPG delivered from Los Angeles.

2. In D.92059 dated July 29, 1980, Edison was authorized to increase its gas rates and to establish a GCAC in its Catalina tariffs.

3. The purpose of the GCAC is to reflect in rates, through the application of GCABF, the cost of LPG used to generate the liquefied petroleum gas-air mixture provided to customers and to amortize the balance in the GCA account. This balancing account allows Edison to collect, on a dollar-for-dollar basis, the reasonably incurred costs of LPG to generate liquefied petroleum gas-air.

4. This GCAC proceeding is the first to be filed by Edison since the GCAC was established in D.92059.

5. For purposes of calculating the GCABF, the recorded period for this application is the 12-month period beginning July 1, 1980 and ending June 30, 1981.

6. The quantity of liquefied petroleum gas-air sold by Edison on Catalina during the recorded period was 644,034 therms.

7. The forecasted liquefied petroleum gas-air sales for the 12-month period beginning September 1, 1981 are 706,140 therms and are reasonable.

8. The undercollection balance in the Catalina GCA account on June 30, 1981 was $94,346.

9. Edison requires an estimated annual revenue increase of approximately $273,000 based on forecasted sales for the 12-month period commencing September 1, 1982 over the rate levels presently in effect in order to balance the GCA account.

10. The existing GCABF are insufficient to produce the revenues required to offset the cost of liquefied petroleum gas-air and amortize the undercollection in the balancing account and thus are unreasonable.

11. The Miller-Warren Lifeline Act prohibits rates for lifeline quantities of energy from being increased above the rates in effect on January 1, 1976, until the average system rate exceeds its January 1, 1976 level by 25%. This has occurred on Catalina.

12. Increases in the GCABF for lifeline domestic service from .2934 $/therm to .5792 $/therm, from .4993 $/therm to .9319 $/therm for nonlifeline domestic service, and from .4993 $/therm to .9319 $/therm for commercial service, in order to increase revenues by approximately $273,000, are required and deemed reasonable.

13. Edison's current rate schedules do not show the effective commodity rates.

14. Edison's residential rate schedule contains a two-tiered declining tail block rate structure for lifeline customers and a two-tiered increasing tail block rate structure for nonlifeline customers.

Conclusions of Law

1. The present base rates and GCABF rates, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable and the base rates and GCABF rates authorized by this decision are reasonable and justified. Therefore, the application should be granted to the extent set forth in the order which follows.

2. The increase in gas rates as authorized in this decision complies with PU Code Section 739(c).

3. Edison should revise its tariff rate schedules to show the effective commodity rates instead of only the base rates.

4. Edison should reduce the residential customer charge from $1.88 to $1.00 per month with the resulting revenue loss recoverable in the newly adopted base rates.

5. The Edison gas operation on Catalina is of a small enough scale for Edison to replace the two-tiered lifeline and nonlifeline rate structure in its residential rate schedule with a single rate for lifeline and a single rate for nonlifeline customers.

6. Edison should be authorized to change the frequency of its GCAC adjustment filings from a 12-month to a 6-month period. The 12-month record period should be retained in order to smooth out seasonal rate differentials. Edison should be authorized to file such 6-month GCAC adjustment filings by advice letter subject to the Commission's right to hold a hearing.

7. Edison should be ordered to require its fuel supplier to give it a breakdown of the supplier's Catalina LPG fuel costs with transportation charges shown separately so as to provide such data to the staff for verification of reasonableness.

8. Until Edison receives such breakdown of fuel costs it should be required, in future offsets, to provide the staff with information regarding its method of calculating transportation charges for LPG fuel delivered to Catalina.

9. Because the rates were originally intended to be effective September 1, 1981, the order should be made effective immediately in order that Edison may begin recovery of the undercollection as soon as possible and help reduce the interest charges accruing on the balancing account.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company (Edison) is authorized to file the revised rate schedules in Appendix A in compliance with General Order Series 96 after the effective date of this order. The revised schedules shall apply only to service rendered on and after their effective date, which shall be 5 days after filing.

2. Edison shall file all future Santa Catalina Island gas cost adjustment clause applications by advice letter filing on a 6-month basis using a 12-month record period.

3. Edison is authorized to file for either a 6-month or 12-month variable amortization period with respect to the balancing rate component of the gas cost adjustment billing factors.

4. Edison shall obtain from its fuel supplier a breakdown of the supplier's Catalina LPG fuel costs with transportation charges shown separately. This data shall be supplied to staff as soon as it is available.

5. Edison shall provide staff with information regarding its method of calculating transportation charges for LPG fuel delivered to Catalina in future Catalina offset proceedings until further order of the Commission.

This order is effective today.

Dated APR 6 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

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

Joseph E. Bodovitz

Joseph E. Bodovitz, Executive Director

Cal. P.U.C. Sheet No.______
Canceling ______ Cal. P.U.C. Sheet No.______

Schedule No. G-1

Santa Catalina Island

DOMESTIC SERVICE

APPLICABILITY

Applicable to domestic service of liquefied petroleum gas-air.

TERRITORY

The City of Avalon, and vicinity, Santa Catalina Island.

RATES

	Per Meter Per Month	
Customer Charge	$1.00	(C)
Quantity Charge (to be added to Customer Charge):		|
Lifeline Use, per therm	0.6255	|
Nonlifeline Use, per therm	1.1529	(C)

SPECIAL CONDITIONS

1. Minimum Charge: Service to customers shall be on an annual basis only with an annual minimum charge of twelve times the monthly customer charge payable monthly at the Customer Charge Rates.

2. Gas Cost Adjustments: The rates above are subject to adjustment as provided for in Part F of the Preliminary Statement. The applicable Gas Cost Adjustment Billing Factors set forth therein are included in the above quantity charges. (C)

(To be inserted by utility) Issued by (To be inserted by Cal. P.U.C.)

Advice Letter No.______ ______ Date Filed______
(Name)
Decision No.______ ______ Effective______
(Title)
Resolution No.______

Cal. P.U.C. Sheet No.________
Canceling ________ Cal. P.U.C. Sheet No.________

Schedule No. G-2

Santa Catalina Island

GENERAL SERVICE

APPLICABILITY

Applicable to general service (other than domestic service) of liquefied petroleum gas-air.

TERRITORY

The City of Avalon, and vicinity, Santa Catalina Island.

RATES

	Per Meter Per Month	
Customer Charge	$1.88	
Quantity Charge (To be added to Customer Charge):		
All usage, per therm	1.1529	(C)

SPECIAL CONDITIONS

1. Minimum Charge: Service to customers shall be on an annual basis only with an annual minimum charge of twelve times the monthly customer charge payable monthly at the Customer Charge Rates.

2. Gas Cost Adjustment: The rates above are subject to adjustment as provided for in Part F of the Preliminary Statement. The applicable Gas Cost Adjustment Billing Factors set forth therein are included in the above quantity charges. (C)
(C)

(END OF APPENDIX A)

(To be inserted by utility) Issued by (To be inserted by Cal. P.U.C.)

Advice Letter No.______ ________ (Name) Date Filed______

Decision No.______ ________ (Title) Effective______

Resolution No.______