Decision 82 04 117 APR 28 1982

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY for authority effective April 1, 1982 to implement an electric rate stabilization plan, to decrease its ECAC rates in accordance therewith, or in the alternative to decrease rates in accordance with the ECAC tariff, to establish an Electric Revenue Adjustment Mechanism rate pursuant to Decision No. 93887 and to make other rate adjustments. (Electric)	Application 82-02-09 (Filed February 4, 1982; amended March 19, 1982)
Application of PACIFIC GAS AND ELECTRIC COMPANY for authority to revise its gas rates and tariffs effective April 1, 1982, under the Gas Adjustment Clause. (Gas)	Application 82-02-10 (Filed February 4, 1982; amended March 19, 1982)

(See Appendix A for appearances.)

THIRD INTERIM OPINION

I. Introduction

By these applications, Pacific Gas and Electric Company (PG&E) requests the following:

1. Increase gas rates by $642,205,000, annually.
2. Implement an oil costs accumulation account.
3. Establish an initial electric rate adjustment mechanism (ERAM) rate.

4. Decrease rates by $247,977,000 for the four-month period or $743,931,000, annually, in addition to the $100 million annualized reduction granted on an interim basis; or, as an alternative, decrease rates by $227 million for a four-month period for residential customers only and stabilize rates for a 21-month period.

On February 17, 1982 we issued Decision (D.) 82-02-093 which granted an interim electric decrease of $100 million on an annualized basis.

On March 29, 1982 we ordered PG&E to show cause why we should not request PG&E to suspend deliveries of fuel oil under its recently signed fuel oil contract with Chevron-U.S.A. After response by PG&E we requested PG&E to suspend the deliveries.

Ten days of public hearing were held on these applications in San Francisco at which time the matter was submitted subject to a late-filed exhibit on updated hydro conditions.

II. Summary

This decision does the following:

1. Postpones consideration of the oil costsaccumulation account.
2. Denies implementation of an ERAM rate at this time.
3. Increases gas rates by $451,861,000, annually.
4. Implements a decrease of electric rates by $749,754,000, annually.
5. Denies the request for a 21-month rate stabilization program.

The increase in gas rates is caused by the Federal Energy Regulatory Commission's (FERC) approval of higher prices charged by El Paso Natural Gas Company. Electric rates are reduced because last fall's undercollection has been fully amortized and because the great abundance of hydro this season has displaced more costly fuels. The level of electric rates authorized is designed to moderate wide swings in rates through 1982.

III. Oil Costs Accumulation Account

This application contains a request by PG&E to immediately implement an accumulation account for expenses of selling, underlifting, or storing excess fuel oil. PG&E's position is that although these expense items are included in the calculation of the Annual Energy Rate (AER), the amount of hydroelectric energy available is so far in excess of normal that it be allowed to recover some of the expenses associated with managing excess fuel oil. PG&E does not seek recovery of these expenses at this time but seeks to set up an account so that it can recover these expenses after a further hearing.

Toward Utility Rate Normalization (TURN) has filed a motion to dismiss this portion of the application as beyond the scope of an energy cost adjustment clause (ECAC) application. This motion was supported by the staff.

At the prehearing conference held on March 11, 1982, the administrative law judge ruled that that portion of the application concerning the oil costs accumulation account would not be considered during this set of hearings and that if we elected to consider this portion of the application, further hearings would be set.

We affirm the administrative law judge's ruling.

IV. ECAC

In developing the ECAC revenue requirement in this proceeding, the issues that require discussion are as follows:

1. Quantity of natural gas burn;
2. Price of purchased energy;
3. Balancing account balance;
4. Amortization period; and
5. Price of natural gas (G-55 rate).

The quantity of natural gas burned was estimated by PG&E and accepted by all parties except for a certain additional amount required because Diablo Canyon will supply no preoperative generation during the forecast period. The staff figure, which includes that additional amount of gas, will therefore be accepted. The staff deletion of preoperative electric generation expenses related to Diablo Canyon is also accepted.

In developing the price of purchased energy, PG&E has historically used an average price paid during the past 12 months. The staff, on the other hand, based its estimate on the forecast prices for the next four-month period because of the signficantly lower prices expected due to the abundant surplus energy expected from the Pacific Northwest. During cross-examination a 12-month average forecast price of 2.353¢/kWh was developed which will take into account forecast seasonal variations. This price compares to a 12-month recorded figure of 3.194¢/kWh. We will adopt the 12-month forecast figure of 2.353¢/kWh.

In the amended application, PG&E estimated the balancing account balance as of March 31, 1982 to be $47,664,000. During the hearing PG&E supplied a recorded balance as of March 31, 1982 of $97,030,000. We will continue our policy of using the most up to date figure and adopt the recorded balancing as of March 31, 1982.

In recommending a four-month amortization period, PG&E is following its past practice. For this proceeding, the staff recommends a 12-month amortization period which we will adopt. We believe that a 12-month amortization period achieves two important objectives. First, it will moderate seasonal rate fluctuations and thereby reduce the hardships to customers caused by dramatic swings in rates. Second, it will preserve some of the benefits of the overcollections for winter customers who contributed significantly to paying off the large undercollections incurred last fall. The last item to be discussed is the price of natural gas. PG&E, staff, and others estimated various prices but all agreed that whatever price we adopt in the gas adjustment clause (GAC) case (A.82-02-10) should be used in developing the ECAC revenue requirement. This decision adopts a G-55 rate of 52.126¢/therm, which will be used in developing the revenue requirement.

Tables 1 and 2, which follow, illustrate the derivation of a negative revenue requirement for a four-month period of $357,918,000.

Table 1

Energy Cost Adjustment Clause of Fuel and Purchased Energy

Forecast Period: Four Months Beginning April 1, 1982

	$/Million Btu	Quantity	Cost
Applicable Gas Rate:			
Schedule G-55, estimated to be in effect on December 1, 1981	$5.2126	67,296	$350,787
Cost of Fuel:			
Estimated applicable weighted average withdrawal price from inventory in the Forecast Period:			
Residual Fuel Oil	5.9580	1,094	6,518
Distillate Fuel Oil	6.4774	687	4,450
	¢/kWh		
Geothermal steam price based on energy rate under contracts dated May 11, 1980	3.168¢	1,986	62,917
Purchased and interchanged power estimated average rate excluding operation and maintenance payments related to certain energy purchase contracts	2.353¢	8,342	192,287
Preoperative generation charged to expense at estimated average withdrawal price from inventory of residual fuel oil in the forecast period			
Total			$620,959

Table 2

Energy Cost Adjustment Clause Calculation of
Change in Revenue Requirement Over Present Rates

Revision Date: April 1, 1982
Forecast Period: Four Months Beginning April 1, 1982

Line No.		Staff	PG&E	Adopted
1	Cost of Fuel & Purchased Energy	$602,707	$752,875	$620,959
2	Oil Inventory Cost Adjustment	762	762	762
3	Less: 2% Energy Expense(a)	12,054	15,058	12,419
4	Less: Revenue from sales to California Department of Water Resources	2,106	2,106	2,106
5	Subtotal	589,309	736,473	607,196
6	Allocation to CPUC Jurisdictional Sales(b)	563,320	703,995	580,419
7	Energy Cost Adjustment Account recovery amortized over different periods	(15,888)	(47,664)	(32,343)
8	Subtotal	547,432	656,331	548,076
9	Adjustment for Franchise Fees and Uncollectibles Accts. Expense(c)	4,341	5,205	4,346
10	Total ECAC Revenue Requirement	551,773	661,536	552,422
11	Total ECAC Revenue at Present Rates	910,340	910,340	910,340
12	Change in Revenue Requirement	(358,567)	(248,804)	(357,918)

(Red Figure)

(a) Line 1 x 0.02

(b) Line 5 x 0.9559

(c) Line 8 x 0.00793

Rate Design

Consistent with the ECAC reduction granted in interim D.82-02-093 the ECAC revenue requirement changes will be spread among the customer classes on an equal ¢/kWh basis. We therefore will spread $249,918,000 of the rate decrease ($749,754,000 annualized) on an equal ¢/kWh basis. The remaining $108 million reduction ($324 million annualized) which appears possible will be put into effect in the consolidated rate design proceedings currently in progress and in subsequent ECAC proceedings to spread some of the benefits of the hydro year into the winter season as more fully discussed in Section VII on rate stabilization.

Within the time-of-use schedules we will maintain time varying ECAC rates. Within the residential customer class we will continue the 35% inversion between the tiers.

V. GAC

A. Prices and Quantities

The major issues for this portion of the proceeding include the development of a GAC revenue requirement, rate design, and authorization to allow recovery of carrying costs on prepayments for gas at a rate equal to the pretax rate of return on rate base last adopted by the Commission for PG&E's gas department.

The major differences between the staff and PG&E are mainly the results of applying differing interpretations of Commission decisions on fuel cost adjustments.

The first major difference has to do with the quantities of gas takes from various sources. PG&E assumes in its application that it will be obligated to purchase increased quantities of Canadian gas beginning July 1, 1982. Staff witness King testified that he believed that the current favorable amendments to the Canadian contracts could be extended. The California Manufacturers Association (CMA) witness also stated the amendments could be extended. We conclude that it is reasonable to assume at this time that the favorable contract terms will be extended. The staff's estimates of gas takes will therefore be adopted with one minor exception. The single exception is that the staff did not take into consideration 5,520 MDth additional gas burn for electric generation as a result of Diablo Canyon's not furnishing any preoperative generation. Although this additional gas burn will probably be California source gas, the record contains no new gas balance to confirm this. The 5,520 MDth will be included in cost of gas calculations as if it were priced at the system average ($3.8632/Dth).

Another area of disagreement between the staff and PG&E concerns the prices to be used in the calculation of the cost of gas. PG&E uses the average cost of gas over the forecast period. The staff uses the prices in effect as of the revision date as required by current GAC procedures. The staff position will be adopted. In this proceeding we adopt a six-month period to amortize the balancing account balance as of March 31, 1982 of $51,831,000 in order to prevent large undercollections in October 1982.

The two tables immediately following develop the cost of gas and the additional revenue requirement of $451,516,000.

Table 3

Forecast Period: 12 Months Beginning April 1, 1982

Line No.	Source	Supply (MDth) (A)	Price $/Dth (B)	Cost (M$) (C)
1	Cost of California Gas	110,621	3.0620	338,722
2	El Paso	396,612	3.2549	1,290,932
3	PGT-Canadian	257,690	5.0640	1,304,942
4	Rocky Mountain	13,588	5.3710	72,981
5	Subtotal Purchases	778,511	3.8632	3,007,577
6	Additional Gas	5,520	3.8632	21,325
7	Subtotal	784,031	3.8632	3,028,902
8	Withdrawal	28,561	1.7566	50,170
9	Injection	(15,130)	3.8632	(58,451)
10	Subtotal	797,462	3.7873	3,020,621
11	PG&E	(6,362)		
12	Unaccounted For	(20,215)		
13	Total Gas Sales	770,885	3.9184	3,020,621

(Red Figure)

Table 4

Revenue Requirement GAC Only

	Amount In Thousands Of Dollars
Current Cost of Purchased Gas	3,020,621
Balancing Account(a)	103,662
Subtotal	3,124,283
Adjustment for Franchise and Uncollectibles(b)	24,463
Base Cost Amount	782,139
Subtotal	3,930,885
Less: Revenue at Present Rates(c)	3,479,024
Increased Revenue Requirement	451,861

(a) Balancing Account as of March 31, 1982 - annualized.

(b) 0.783%.

(c) Excludes Gas Exploration and Development Adjustment (GEDA), Conservation Financing Adjustment (CFA), and Solar Financing Adjustment (SFA).

B. Rate Design

The rate design issues in this offset proceeding are limited in that rate design basically only requires application of the rate design guidelines adopted in D.93887 issued December 30, 1981, in A.60153, PG&E's last general rate proceeding. (See Appendix D.)

The first issue to be decided is the market price of alternate fuel. The staff testimony indicates that the price of low sulfur No. 6 residual fuel oil is in the range of 51.09¢/therm to 56.68¢/therm. The staff recommends adoption of 51.09¢/therm. PG&E defines a range of 48.58¢/therm to 60.94¢/therm and recommends a price of 48.5¢/therm. PG&E's price is also supported by CMA. In estimating alternate fuel prices we believe that a conservative approach is prudent. We will rely on the staff's testimony projecting a narrower price range. We therefore adopt a price toward the lower end of the staff's range, or 51.5¢/therm, as the alternate fuel price.

Tables 5, 6, and 7 below illustrate the development of the adopted guideline rates following the procedure described in Appendix D and the percentage increases for each schedule.

TABLE 5

Criteria Rates

Line No.	Class of Service and Schedule	Adjusted Sales */ Mth	**/ $/th	M$
	RESIDENTIAL			
1	Tier I	1,532,257		
2	Tier II	417,493		
3	Tier III	91,188		
4	TOTAL RESIDENTIAL	2,040,938	.45954	937,893
	NONRESIDENTIAL			
	COMMERCIAL			
5	G-2	1,567,250	.545	854,151
	INDUSTRIAL			
6	G-50	931,780	.545	507,820
7	G-52	586,500	.515	302,048
8	G-55A	17,880	.515	9,208
9	SUBTOTAL	1,536,160		819,076
	STEAM ELECTRIC			
10	G-55 (PG&E)	2,357,467	.515	1,214,096
11	G-57 (EDISON)	116,430	.515	59,961
12	SUBTOTAL	2,473,897		1,274,057
13	TOTAL NONRESIDENTIAL	5,577,307		
	RESALE			
14	G-60	34,100	.43401	14,800
15	G-61-63	45,710	.41442	18,943
16	TOTAL RESALE	79,810		33,743
17	TOTAL	7,698,055		3,918,920

Rates Excluding GEDA, CFA, and SFA

*/ Notes - criteria rate produces a revenue shortfall of:

3,930,885
-3,918,920
11,965

**/ These are calculated based on the general rate case guidelines set forth in Appendix D.

TABLE 6

Guideline Rates

Class of Service	Sales M-Therms	Criteria Rate	Adjustment*	Guideline Rates**
Tier I	1,532,257			.39343***
Tier II	417,493			.64691
Tier III	91,188			.78686
Total Res.	2,040,938	.45954	.00332	.46286
G-2	1,567,250	.545	.00332	.54832
G-50	931,780	.545		.545
G-52	586,500	.515		.515
G-55-57	2,473,897	.515		.515
G-55A	17,880	.515		.515
G-60	34,100	.43401		.43401
G-61-63	45,710	.41442		.41442

* G-2 sales + Res. Sales = 3,608,188

$$\frac{11,965}{3,608,188} = .00332$$

** Excludes - GEDA, SFA, and CFA

*** Tier I rate is 23% below system average rate.

Table 7

PACIFIC GAS AND ELECTRIC COMPANY

Adopted Effective Commodity Rates and Comparison with Present Rates

	Guideline Rates	CFA	Base Commodity & GAC	GEDA & SFA	Effective Commodity Rates	Present Effective Commodity Rates	Increase
Residential							
Tier I	39.343	0.290	39.633	0.478	40.111	35.244	13.8%
Tier II	64.691	0.290	64.981	0.478	65.459	55.756	17.4
Tier III	78.686	0.290	78.976	0.478	79.454	70.209	13.2
Nonresidential							
G-2	54.832	0.290	55.122	0.478	55.600	49.479	12.4
G-50	54.5	0.290	54.790	0.478	55.268	49.479	11.7
G-52	51.5	0.290	51.790	0.478	52.268	46.479	12.5
G-55A	51.5	0.290	51.790	0.336	52.126	46.479	12.1
G-55	51.5	0.290	51.790	0.336	52.126	46.479	12.1
G-57	51.5	0.290	51.790	0.336	52.126	46.479	12.1
Resale							
G-60	43.401	-	43.401	0.336	43.737	38.709	13.0
G-61, -62, and -63	41.442	0.290	41.732	0.336	42.068	37.453	12.3
SoCal Gas	49.839	-	49.839	-	49.839	43.932	13.4

The only remaining issue on rate design regards a special cogeneration incentive rate proposed by the University of California (UC). UC's proposal is that cogenerators be provided gas at a rate which is a fixed number of cents below the otherwise applicable rate. The proposal by UC would be a major alteration of the rate design guidelines adopted in the general rate case and will not be adopted in this GAC proceeding.

Modification of GAC Tariff

In this application PG&E has requested that it be allowed to recover carrying costs on prepayments for gas. This issue was brought up in the general rate case and referred to a GAC proceeding. The issue concerns the level of compensation. PG&E requests compensation at the pretax rate of return on rate base. The staff recommends compensation at the short-term commercial paper rate. We agree with the staff. Expense items recovered in a balancing account are not at risk and should only receive the commercial paper rate in order to make PG&E whole.

VI. ERAM

In D.93887 in PG&E's last general rate case we authorized an ERAM. We also provided that the ERAM rate would be reviewed at each ECAC proceeding. This proceeding is the initial review of the mechanism.

PG&E in its presentation has failed to meet its burden of proof in showing that its proposed ERAM rate is reasonable. PG&E's failure appears to result from its misinterpretation of our intent in authorizing the ERAM originally. The staff's interpretation, which greatly differed from PG&E's, also contained errors. Although no ERAM will be granted at this time, the record discloses that PG&E will not suffer substantial harm. With our further discussion here, PG&E can make a better showing during its next ECAC proceeding or petition to have D.93887 modified.

The first and most basic misunderstanding by PG&E concerns the purpose of ERAM. PG&E testified that it believed that the purpose of ERAM was to guarantee that it earn a stated revenue. This is incorrect. The purpose of ERAM is to protect PG&E from fluctuations in earnings resulting from differences between estimated and recorded sales. In short, PG&E will not benefit if sales increase more than estimated, nor will PG&E be harmed if customers conserve more than anticipated.

The result of PG&E's interpretation is that it would recover for the so-called billing lag. The billing lag results because PG&E records as sales quantities of energy billed for rather than quantities of energy provided. The so-called billing lag problem is recognized in PG&E's working cash allowance. Were we to follow PG&E's interpretation of ERAM, we would also have to modify the working cash allowance.

The staff, on the other hand, has correctly interpreted this aspect of ERAM. Although the staff has a correct understanding of ERAM, it did not provide a satisfactory estimate of January 1982 actual sales.

Another area of controversy involves inclusion of AER revenue in the ERAM. The staff believes that AER should not be included. PG&E correctly argues the AER should be included. It was our intention in establishing the ERAM to cover all revenues not protected by balancing accounts. Since the AER is not the subject of a balancing account, it should be included in ERAM.

The record in this proceeding indicates that for the period January through March 1982, recorded sales and estimated sales are virtually identical. The postponement of an ERAM rate at this time should cause no great harm. Also, with this further clarification of ERAM, both PG&E and the staff should be able to calculate a reasonable ERAM rate at the next ECAC proceeding.

VII. Rate Stabilization

In this application PG&E has requested authority to implement a rate stabilization program which is intended to maintain rates at the same level for a 21-month period ending at the end of 1983. All electric utilities were requested by our Executive Director to file such a program with their ECAC applications in January of this year. A PG&E witness testified that PG&E had independently concluded that such a program was desirable and would have requested the stabilization program without the Executive Director's request.

The stabilization program is made possible only because there is currently a large and growing overcollection in the balancing account. Instead of lowering rates to all customers at this time, the program would defer the lowering of rates until other expense items have grown to reduce the overcollection to zero. The anticipated expense items are as follows:

Type of Proceeding	Estimated Effective Date	Amount of Increase (Decrease) $ Millions
ECAC (1)	4-82	(697)
ECAC (2)	8-82	50
Helms Offset	10-82	150
ECAC (1)	12-82	550
Attrition Procedure	1-83	190
ECAC (1)	4-83	230
ECAC (2)	8-83	(230)
ECAC (1)	12-83	230

(Red Figure)

(1) Including ERAM.
(2) Including ERAM and AER.

PG&E's position is that the program offers PG&E no direct benefits. Because of the interest payments required on the balancing account and the structure of PG&E's debt funding program, PG&E claims it would receive no quantitative cash flow or financal benefits. PG&E advocates the program simply to serve what it perceives to be the interests of its residential customers.

The record in this proceeding did not reveal any support for the program by any customer group. Rather, the customer groups represented at the hearing by CMA, TURN, California Farm Bureau Federation, and other individual consumers all were opposed to the program.

The staff position in opposition to the program offers the following points:

1. 21-month estimates of expenses and revenues are not dependable.
2. It would be inequitable to withhold refunds from current customers for the benefit of future customers.
3. Both residential and business customers are burdened by high rates presently and need as much relief as possible now.

Although rate stabilization appears attractive in some respects, we will not authorize it. PG&E is to be commended for its response to the request from our Executive Director. However, in balancing the benefits of the program with its drawbacks, as outlined by the staff, we conclude that a certain degree of electric rate stabilization is desirable.

In our view, the two major drawbacks of the program as proposed by PG&E are its 21-month length and the fact that it covers too many different proceedings. A shortened time frame significantly mitigates these defects. The rates we authorize today will attempt to moderate rate increases anticipated for both the winter ECAC and the attrition allowance at the end of this year.

The staff's point regarding the inequity of withholding refunds from current customers to benefit future customers must be tempered by recent rate history. In the fall of 1981, PG&E was substantially undercollected which required a substantial (almost $1 billion) increase in October of 1981. This rate increase was followed by the large general rate increase in January. In both cases the winter customers incurred these large increases and paid off the undercollection. Some reciprocal benefit should accrue to these same customers. Specifically, a portion of the benefits resulting from this year's extremely wet winter should be reserved for next winter's customers so that any large ECAC or attrition rate increases required next winter will be mitigated. We, therefore, will defer implementation of the total possible reduction until a later ECAC proceeding (December 1982). We explicitly state that this postponement of the rate decrease will only be used to offset ECAC or attrition allowance revenue requirements.

<u>Findings of Fact</u>

1. A.82-02-09 requests authority for PG&E to decrease its electric revenues by $743,931,000, annually.

2. The staff figure for natural gas burn of 67,296 million Btu is reasonable.

3. The price of natural gas (G-55 rate) is $5.2126/million Btu.

4. The ECAC balancing account balance as of March 31, 1982, is $97,030,000 overcollected.

5. A 12-month amortization period for the ECAC balancing account is reasonable.

6. PG&E has a negative change in ECAC revenue requirement of $357,918,000 for the four-month forecast period.

7. Spreading the implementation of $249,918,000 of the ECAC revenue requirement change will be spread to the customer classes on an equal cents per kWh basis is reasonable.

8. A.82-02-10 requests authority for PG&E to increase its gas revenues by $642,205,000, annually.

9. Favorable amendments to the Canadian natural gas contracts are likely to be extended.

10. The staff's estimate of gas takes and prices is reasonable and is adopted.

11. It is reasonable to amortize the GAC balancing account over a six-month period.

12. The price of alternate low sulfur No. 6 fuel oil is 51.5¢/therm.

13. An increase in GAC rates to produce an annual increased revenue of $451,861,000 is justified and reasonable.

14. Modification of the GAC tariff to allow for recovery of carrying costs associated with prepayments for gas is reasonable.

15. PG&E has not presented a reasonable basis to establish an ERAM rate at this time.

16. A 21-month rate stabilization plan is not in the public interest, as it prolongs overcollection too long.

17. Deferment of a portion of the electric rate decrease will provide an equitable benefit for 1982-1983 winter customers.

Conclusions of Law

1. The change in rates and charges authorized by this decision is justified and reasonable.

2. Because of substantial ECAC overcollections and GAC undercollections, there is an immediate need for rate relief. Therefore, the following order should be effective today.

3. The GAC of PG&E's tariff should be modified to allow for recovery of carrying costs associated with prepayments for gas at the commercial paper rate as derived under Section 8(d) of Part C of the Preliminary Statement.

4. The ERAM rate proposed by PG&E is not reasonable.

THIRD INTERIM ORDER

IT IS ORDERED that:

1. On or after the effective date of this order Pacific Gas and Electric Company (PG&E) is authorized to file the revised gas tariff schedules attached to this order as Appendix E and cancel its presently effective schedules. The revised tariff schedules shall become effective on date of filing but not earlier than May 4, 1982. The revised schedules shall apply only to service rendered on or after their effective date.

2. PG&E shall file in conformity with the provisions of General Order Series 96-A, revised tariff schedules of ECAC billing factors as shown in Appendix B, and to revise its streetlighting rates accordingly. The revised tariff schedules shall become effective on the date of filing but not earlier than May 4, 1982. The revised schedules shall apply only to service rendered on or after their effective date.

3. PG&E shall send to all its gas customers a bill insert notice explaining the reasons behind today's gas rate increase. The form and content of the notice will be furnished by the Executive Director. Within 50 days after receipt of the notice from the Executive Director the notice shall be sent to all gas customers.

This order is effective today.

Dated April 28, 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

APPENDIX A

List of Appearances

Applicant: Daniel E. Gibson, William H. Edwards, Steven F. Greenwald, and Shirley A. Woo, Attorneys at Law, for Pacific Gas and Electric Company.

Interested Parties: John R. Bury, H. Robert Barnes, and Susan M. Beale, Attorneys at Law, for Southern California Edison Company; Michael D. Gayda, Robert Loch, and E. R. Island, Attorneys at Law, for Southern California Gas Company; Pettit & Martin, by Edward B. Lozowicki, Attorney at Law, for Owens-Corning Fiberglas Corporation; Brobeck, Phleger & Harrison, by William H. Booth, Gordon E. Davis, and Richard Harper, Attorneys at Law, for California Manufacturers Association; Henry F. Lippitt, Attorney at Law, for California Gas Producers Association; Richard L. Hamilton, Attorney at Law, for Western Mobilehome Association; W. Randy Baldschun, for City of Palo Alto; Robert Spertus and Michel Peter Florio, Attorneys at Law, for Toward Utility Rate Normalization (TURN); Downey, Brand, Seymour & Rohwer, by Philip A. Stohr, Attorney at Law, for General Motors Corporation; Glen J. Sullivan, Attorney at Law, for California Farm Bureau Federation; Gary Cavazos, for Stanford University; Harry K. Winters, for the University of California; George Agnost, City Attorney, by Leonard L. Snaider, Deputy City Attorney, for the City and County of San Francisco; and William A. Claerhout, Attorney at Law, for Southwest Gas Corporation and CP National Corporation.

Commission Staff: Freda Abbott and Timothy E. Treacy, Attorneys at Law, and Raymond A. Charvez.

(END OF APPENDIX A)

APPENDIX B

Pacific Gas and Electric Company

Present and Adopted Rates ($/kWh)

Class	Present Rates 1/			Adopted Rates			%
	Base 2/	ECAC	Effective	Base 2/	ECAC	Effective	Increase
Residential							
Tier 1	.03964	.02961	.06925	.03964	.01836	.05800	(16.2)
Tier 2	.03964	.05385	.09349	.03964	.03866	.07830	(16.2)
Tier 3	.03964	.08656	.12620	.03964	.06607	.10571	(16.2)
Non-Residential		.05227			.03868		(26.0)
Time-of-Use ECAC Billing Factors							
Schedule A-21				Period A		Period B	
On-Peak				.06352		.05174	
Partial-Peak				.03528		.03823	
Off-Peak				.02926		.03568	
Schedules A-22 and A-23							
On-Peak				.04485		.04352	
Partial-Peak				.03932		.03911	
Off-Peak				.03591		.03715	

1/ Effective February 18, 1982

2/ Includes SFA = $.00002/kWh
AER = .00276/kWh
CFA = .00018/kWh

(Red Figure)

(END OF APPENDIX B)

APPENDIX C

Pacific Gas and Electric Company

BILL COMPARISONS

	Basic Lifeline - 240 kWh				Basic Lifeline Plus A/C - 520 kWh			
Usage (kWh)	Present Rates	PG&E Proposed Rates	Staff Proposed Rates	Adopted Rates	Present Rates	PG&E Proposed Rates	Staff Proposed Rates	Adopted Rates
100	$ 6.93	$ 5.92	$ 5.39	$ 5.80	$ 6.93	$ 5.92	$ 5.39	$ 5.80
250	17.55	15.00	13.66	14.70	17.31	14.79	13.47	14.50
300	22.23	18.99	17.30	18.62	20.78	17.75	16.17	17.40
500	40.93	34.97	31.85	34.28	34.63	29.59	26.95	29.00
600	52.24	44.63	40.65	43.75	43.49	37.16	33.84	36.42
800	77.48	66.20	60.29	64.89	62.19	53.13	48.39	52.08
1,000	102.72	87.76	79.93	86.04	85.25	72.83	66.33	71.40
1,500	165.82	141.68	129.04	138.89	148.35	126.75	115.44	124.25
2,000	228.92	195.59	178.14	191.75	211.45	180.66	164.54	177.11
2,500	292.02	249.51	227.25	244.60	274.55	234.58	213.65	229.96

(END OF APPENDIX C)

APPENDIX D
Page 1

Determination of Specific Rates

In order to let all parties know with some certainty how specific rates will be determined in this proceeding and in future GAC proceedings, we will establish an orderly sequence of steps.

Step 1. We will adopt a revenue requirement, a sales figure, and a reference price of low sulfur #6 fuel oil.

Step 2. The G-52, G-55, and G-57 rates will be set at the reference price of low sulfur #6 fuel oil in Step 1. The G-50 rate will be set at 3 cents per therm higher than the G-52 et al. rates.

Step 3. The G-2 class rates will be set equal to the G-50 rate. In other words, G-2 sales times the G-50 rate will equal the G-2 revenue requirement.

Step 4. The residential revenue requirement will be determined by multiplying residential sales times a rate which is 10% less than the system average rate.

Step 5. The resale rates will be established by the formulas which we have previously discussed.

Step 6. If at this point the revenue requirement is not met, the residential and G-2 rates will be increased by an equal number of cents per therm to meet the revenue requirement. The G-2 rate should not be more than 3% higher or 3% lower than the G-50 rate.

If excess revenue is produced, the G-2, G-50, G-52, G-55, and G-57 rates will be reduced by an equal cents per therm to meet the revenue requirement.

APPENDIX D
Page 2

Step 7. Within the residential class are:

a. Tier I will be set 15% less than the residential class average rate.

b. Tier III will be set at a rate 70% above the class average rate.

c. Tier II will be set residually.

(END OF APPENDIX D)

APPENDIX E

PACIFIC GAS AND ELECTRIC COMPANY

Statement of Commodity Rates
(Cents per therm)

Type of Service	Effective Commodity Rate**
Residential	
Tier I	40.111
Tier II	65.459
Tier III	79.454
Nonresidential	
G-2	55.60
G-50	55.268
G-52	52.268
G-55	52.126
G-57	52.126
G-60	43.737
G-61	42.068
G-62	42.068
G-63	42.068
SoCal Gas	49.839

*Schedule G1-N: First 300 therms at 65.459¢/therm excess at 70.454¢/therm.
Schedules GM/S/T-N: All use at 65.459¢/therm.
Schedule G-30: Increase commensurately with Schedule G-2.

**Includes the appropriate CFA, GEDA, and SFA as of April 1, 1982.

(END OF APPENDIX E)

The quantity of natural gas burned was estimated by PG&E and accepted by all parties except for a certain additional amount required because Diablo Canyon will supply no preoperative generation during the forecast period. The staff figure, ~~for gas burn~~ which includes that additional amount of gas, will therefore be accepted. The staff deletion of preoperative electric generation expenses related to Diablo Canyon is also accepted.

In developing the price of purchased energy. PG&E has historically used an average price paid during the past 12 months. The staff, on the other hand, based its estimate on the forecast prices for the next four-month period because of the signficantly lower prices expected due to the abundant surplus energy expected from the Pacific Northwest. During cross-examination a 12-month average forecast price of 2.353¢/kWh was developed which will take into account forecast seasonal variations. This price compares to a 12-month recorded figure of 3.194¢/kWh. We will adopt the 12-month forecast figure of 2.353¢/kWh.

In the amended application, PG&E estimated the balancing account balance as of March 31, 1982 to be $47,664,000. During the hearing PG&E supplied a recorded balance as of March 31, 1982 of $97,030,000. We will continue our policy of using the most up to date figure and adopt the recorded balancing as of March 31, 1982.

In recommending a four-month amortization period, PG&E is following its past practice. For this proceeding, the staff recommends a 12-month amortization period which we will adopt. We believe that a 12-month amortization period achieves two important objectives. First, it will moderate seasonal rate fluctuations and thereby reduce the hardships to customers caused by dramatic swings in rates. Second, it will preserve some of the benefits of the overcollections for winter customers who contributed significantly to paying off the large undercollections incurred last fall. The last item to be discussed is the price of natural gas. PG&E, staff, and others estimated various prices but all agreed that whatever price we adopt in the gas adjustment clause (GAC) case (A.82-02-10) should be used in developing the ECAC revenue requirement. This decision adopts a G-55 rate of 52.126¢/therm, which will be used in developing the revenue requirement.

TABLE 5

Criteria Rates

Line No.	Class of Service and Schedule	Adjusted Sales */ Mth	$/th **/	M $
	RESIDENTIAL			
1	Tier I	1,532,257		
2	Tier II	417,493		
3	Tier III	91,188		
4	TOTAL RESIDENTIAL	2,040,938	.45954	937,893
	NONRESIDENTIAL			
	COMMERCIAL			
5	G-2	1,567,250	.545	854,151
	INDUSTRIAL			
6	G-50	931,780	.545	507,820
7	G-52	586,500	.515	302,048
8	G-55A	17,880	.515	9,208
9	SUBTOTAL	1,536,160		819,076
	STEAM ELECTRIC			
10	G-55 (PG&E)	2,357,467	.515	1,214,096
11	G-57 (EDISON)	116,430	.515	59,961
12	SUBTOTAL	2,473,897		1,274,057
13	TOTAL NONRESIDENTIAL	5,577,307		
	RESALE			
14	G-60	34,100	.43401	14,800
15	G-61-63	45,710	.41442	18,943
16	TOTAL RESALE	79,810		33,743
17	TOTAL	7,698,055		3,918,920

SS

Rates Excluding GEDA, CFA, and SFA

*/ Notes - criteria rate produces a revenue shortfall of:

omitted ... - Gr... 4/30/82

3,930,885
-3,918,920
11,965

**/ These values are calculated based upon the general rate case guidelines set forth in Appendix D.

SS

12. The price of alternate low sulfur No. 6 fuel oil is 51.5¢/therm.

13. An increase in GAC rates to produce an annual increased revenue of $451,861,000 is justified and reasonable.

14. Modification of the GAC tariff to allow for recovery of carrying costs associated with prepayments for gas is reasonable.

15. PG&E has not presented a reasonable basis to establish an ERAM rate at this time.

16. A 21-month rate stabilization plan is not in the public interest, as it prolongs overcollection too long.

17. Deferment of a portion of the electric rate decrease will provide an equitable benefit for 1982-1983 winter customers.

<u>Conclusions of Law</u>

1. The change in rates and charges authorized by this decision is justified and reasonable.

2. Because of substantial ECAC overcollections and GAC undercollections, there is an immediate need for rate relief. Therefore, the following order should be effective today.

3. The GAC of PG&E's tariff should be modified to allow for recovery of carrying costs associated with prepayments for gas at the commercial paper rate as derived under Section 8(d) of Part C of the Preliminary Statement.

4. The ERAM rate proposed by PG&E is not reasonable.

<u>THIRD INTERIM ORDER</u>

IT IS ORDERED that:

1. On or after the effective date of this order Pacific Gas and Electric Company (PG&E) is authorized to file the revised gas tariff schedules attached to this order as Appendix E and cancel its presently effective schedules. The revised tariff schedules shall become effective on date of filing but not earlier than May ~~1~~ 4, 1982. SS The revised schedules shall apply only to service rendered on or after their effective date.

2. PG&E shall file in conformity with the provisions of General Order Series 96-A, revised tariff schedules of ECAC billing factors as shown in Appendix B, and to revise its streetlighting rates accordingly. The revised tariff schedules shall become effective on the date of filing but not earlier than May ~~1~~ 4, 1982. 55 The revised schedules shall apply only to service rendered on or after their effective date.

3. This order is effective today.

Dated APR 28 1982, at San Francisco, California.

(to be added)

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

APPENDIX B

Pacific Gas and Electric Company

Present and Adopted Rates ($/kWh)

Class	Present Rates[1]			Adopted Rates			
	Base[2]	ECAC	Effective	Base[2]	ECAC	Effective	% Increase
Residential							
Tier 1	.03964	.02961	.06925	.03964	.01836	.05800	(16.2)
Tier 2	.03964	.05385	.09349	.03964	.03866	.07830	(16.2)
Tier 3	.03964	.08656	.12620	.03964	.06607	.10571	(16.2)
Non-Residential		.05227			.03868		(26.0)

Time-of-Use ECAC Billing Factors

	Period A	Period B
Schedule A-21		
On-Peak	~~.06995~~ .06352	~~.05443~~ .05174
Partial-Peak	~~.03342~~ .03528	~~.03786~~ .03823
Off-Peak	~~.02756~~ .02926	~~.03533~~ .03568
Schedules A-22 and A-23		
On-Peak	~~.04786~~ .04485	~~.04539~~ .04352
Partial-Peak	~~.03856~~ .03932	~~.03885~~ .03911
Off-Peak	~~.03526~~ .03591	~~.03699~~ .03715

SS

1/ Effective February 18, 1982

2/ Includes SFA = $.00002/kWh
AER = .00276/kWh
CFA = .00018/kWh

(Red Figure)

(END OF APPENDIX B)

APPENDIX C

Pacific Gas and Electric Company

BILL COMPARISONS

Usage (kWh)	Basic Lifeline - 240 kWh: Present Rates	PG&E Proposed Rates	Staff Proposed Rates	Adopted Rates	Basic Lifeline Plus A/C - 520 kWh: Present Rates	PG&E Proposed Rates	Staff Proposed Rates	Adopted Rates
100	$$ ~~7.02~~ 6.93	$ 5.92	$ 5.39	$ 5.80	$ ~~7.02~~ 6.93	$ 5.92	$ 5.39	$ 5.80
250	~~17.80~~ 17.55	15.00	13.66	14.70	~~17.56~~ 17.31	14.79	13.47	14.50
300	~~22.53~~ 22.23	18.99	17.30	18.62	~~21.07~~ 20.78	17.75	16.17	17.40
~~490~~ 500	~~40.48~~ 40.93	~~34.17~~ 34.97	~~31.12~~ 31.85	~~33.50~~ 34.28	~~34.42~~ 34.63	~~28.99~~ 29.59	~~26.41~~ 26.95	~~28.42~~ 29.00
600	~~52.83~~ 52.24	44.63	40.65	43.75	~~44.08~~ 43.49	37.16	33.84	36.42
800	~~78.27~~ 77.48	66.20	60.29	64.89	~~62.98~~ 62.19	53.13	48.39	52.08
1,000	~~103.71~~ 107.72	87.76	79.93	86.04	~~86.24~~ 85.25	72.83	66.33	71.40
1,500	~~167.30~~ 165.82	141.68	129.04	138.89	~~149.83~~ 148.35	126.75	115.44	124.25
2,000	~~230.90~~ 228.92	195.59	178.14	191.75	~~213.43~~ 211.45	180.66	164.54	177.11
2,500	~~294.49~~ 292.02	249.51	227.25	244.60	~~277.02~~ 274.55	234.58	213.65	229.96

(END OF APPENDIX C)