Decision 83 06 004 JUN 1 1983

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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)	Application 82-12-48 (Filed December 20, 1982)

(See Appendix A for appearances.)

INTERIM OPINION

In its test year 1984 general rate case filed in December 1982, Pacific Gas and Electric Company (PG&E) proposed a new gas rate schedule (Schedule G-58) which is designed to address the problem of fuel switching by industrial gas customers who have the capability of burning residual fuel oil. Subsequently, PG&E attempted to raise the G-58 issue in its Gas Adjustment Clause (GAC) proceeding, Application (A.) 83-01-62. By Administrative Law Judge's Ruling evidence on the G-58 rate was excluded from the GAC proceeding. At the same time presentation of the gas rate design testimony was rescheduled in the general rate case to be the first rate design issue heard. The gas rate design testimony was heard during the week of March 28, 1983, and upon the motion of PG&E, the matter of early implementation of a G-58 rate was submitted subject to written closing arguments.

Proposal

The tariff sheets describing the proposal are attached as Appendix B. The essence of the G-58 proposal is that PG&E will sell gas at a low rate to customers that are likely to switch to an alternate fuel. The low rate would be accompanied by a reduced level of service reliability. The G-58 rate would float based upon an index of residual fuel oil prices. Sales of gas at the low rate would be stopped whenever these sales did not contribute to PG&E's fixed costs. This failure to contribute to fixed cost would occur whenever PG&E was required to buy discretionary high cost gas or when the alternate price of fuel oil (and the fluctuating G-58 rate) fell below a certain level.

Positions of the Parties

PG&E

PG&E's evidence shows that 97 million therms per year will be lost at current rates because of fuel switching. These sales would contribute between $10 and $12 million to margin at the proposed G-58 rate. In its brief PG&E argues that:

> "Proposed Schedule No. G-58 will succeed only if it retains existing customers with alternate fuel capabilities or serves former gas customers who have already switched. If Schedule G-58 becomes available to customers other than bona fide fuel-switchers, the effect would be to shift revenue requirement from such customers to residential and small commercial gas customers, as demonstrated by the original California Public Utilities Commission Staff proposal in the GAC (Application No. 83-01-62, Ex. 12). PGandE strongly opposes any modification of its proposal which would have that effect."

A major premise of the proposal is that low priority customers can be segmented into three groups as follows:

1. Those who can, will, and readily do switch between gas and residual fuel oil.
2. Those who have the capability to switch but do not do so readily.

3. Those who cannot burn residual fuel oil, but instead must use higher quality distillate fuel oil.

PG&E's fuel switching model indicates that the potential loss of 97 million therms is contained in sales to the first group of customers. It is toward this group of about 30 high volume customers that the G-58 rate is targeted. Consequently, PG&E proposes several special conditions that are designed to ensure that only these customers will participate in this rate in a manner that will benefit all ratepayers. These special conditions were the cause of most of the controversy surrounding the proposal.

Staff

The Commission staff (staff) in the hearing opposed the rate on the economic theory that all sales should reflect PG&E's marginal cost of gas which is the cost of Canadian gas. However, in its brief the staff recognized the need to mitigate the fuel switching problem. The staff, with certain qualifications, supports the early implementation of a G-58 rate. The staff's major concerns are (1) the ability of PG&E to police the special conditions regarding the customer's alternate fuel and (2) the adequacy of Special Condition No. 2 concerning the security deposit.

Toward Utility Rate Normalization (TURN,) California League of Food Processors (Food Processors), and Southern California Edison Company (SoCal Edison)

TURN supported the G-58 proposal as a necessary evil and agreed with PG&E that the special conditions be rigorous, at least initially, to maintain the integrity of the stated purpose of the G-58 rate. Also, TURN supported the concept of Food Processors that the eligibility criterion be modified from 2,400,000 therms per year to 200,000 therms per month for three months. This adjustment is for seasonal customers and PG&E acquiesced in it. With this adjustment the Food Processors supported immediate implementation of the new rate schedule.

SoCal Edison supports the rate as long as the schedule explicitly indicates that SoCal Edison will be eligible to receive service under G-58.

El Paso

El Paso Natural Gas Company (El Paso) indicated that it supports the new schedule. It supports the concept because El Paso, like PG&E, must continue to have high sales in California to mitigate future El Paso rate increases.

General Motors Corporation and Nabisco Brands, Inc. (GM), California Manufacturers Association (CMA), and University of California (UC)

These representatives of industrial commercial users oppose the G-58 proposal and instead propose that rates for all industrial sales be lowered to prevent fuel switching. CMA argues that the special conditions are too stringent to retain existing customers, much less attract old customers back onto the system.

GM however proposes that if the G-58 proposal is adopted then:

1. The G-52 rate should be maintained.
2. The G-58 schedule should be on an interim experimental basis.
3. The overall priority scheme should not be changed.

Borax and Chemical Corporation (BCC)

BCC is an industrial customer with No. 2 fuel oil as its alternate fuel and takes service under Schedule G-50. BCC is also planning to become a cogenerator with a Priority 3A classification and receive service under Schedule G-55A.

BCC is concerned with the lack of a rate similar to the proposed G-58 rate that would be available to G-50 customers. It feels that the lack of such a rate will induce uneconomic investment in No. 6 fuel oil facilities so that current G-50 customers will become eligible for the G-58 rate. Also, BCC feels that cogenerators should retain their Priority 3A classification even if they take service under the G-58 rate.

Discussion

We have considered the comments and arguments of each of the parties and will authorize immediate implementation of the G-58 rate schedule as modified in this order. Service under the G-58 rate will be on a contractual basis between the utility and the customer and the standard contract must be submitted to the Commission for prior approval.

The following discussion follows the main subject headings of the proposed schedule attached as Appendix B.

Applicability

The unopposed modification suggested by the Food Processors to meet the needs of seasonal customers will be adopted. The clause will read as follows:

> APPLICABILITY
>
> Applicable to natural gas service, estimated by the Utility to exceed 2,400,000 therms per year or 200,000 therms per month for three months capable of burning, as the exclusive fuel on a regular basis, oil with a viscosity higher than 150 Saybolt Second Universal (SSU) at 100 F (commonly referred to as Grade No. 5 and Grade No. 6 fuel oil).

Territory

The territory clause will not be changed.

Rates

The initial commodity rate of $.46 per therm suggested by PG&E is within the range of prices of the alternate fuel oil price and was virtually uncontested and will be adopted. The commodity rate will be indexed according to Special Condition No. 9 and allowed to change twice each month. The floor below which the rate will not go is $.42 per therm, and the ceiling above which the rate may not exceed is a rate equal to the G-52 rate. We recognize that the lower G-58 rate will result in a revenue shortfall. This shortfall will accumulate in the GAC balancing account until the next GAC proceeding.

These parameters are determined on the low side by taking the price of El Paso gas to PG&E ($.375 per therm) and increasing that figure by 12%. Compressor fuel and line losses account for one-third of the 12% figure. The remaining 8% is a minimum contribution to the margin that we will require to receive gas. This concept represents our concern for the more than immediate short-term rate considerations. We remain concerned with the longer-term supply picture. If large volumes of low cost gas are sold because of very low rates, then this supply of low cost gas will be decreased rapidly. The result will be that in the longer run we will be forced to use high cost supplies at a sooner date. If the price of fuel oil falls below our floor, we do not believe that the best interests of the public are served by encouraging the sale of gas without recognizing the long-term value of low-cost gas supply.

<u>Deposit Rate</u>

The deposit rate will be the difference between the current G-52 rate and the G-58 rate.

<u>Minimum Charge</u>

We have decided to modify the minimum charge provision in order to ensure that customers who elect to take service under the G-58 schedule actually purchase substantial volumes of gas. The annual minimum charge will be the charge for 40% of the annual projected minimum take.

Special Condition No. 1

The second sentence currently reads "Service through this meter shall be exclusively P6 as defined by contract with the customer". This sentence shall be removed in order to take out any reference to the term Priority 6. By this order we are not changing the priority system previously established. Rather we are allowing customers to voluntarily reduce their service reliability in exchange for a lower rate. These customers on Schedule G-58 will be curtailed prior to customers on Schedule G-55 when gas is unavailable.

Special Condition No. 2

The deposit charge will be accumulated over three months and will equal the deposit rate times the therms taken in a month. The method for return of the deposit, as proposed, remains unchanged.

This modification is an attempt to reduce the deposit burden which is made possible by the higher minimum charge which will be included in the contract for service.

Special Condition No. 3

This condition allows no flexibility regarding the burning of No. 2 fuel oil. Several parties and PG&E agreed that under certain conditions an industrial customer is required to burn No. 2 fule oil for certain purposes.

PG&E is directed to modify this condition in its filed Tariff and Standard Contract. It shall be modified to reflect a greater degree of flexibility. We will not further define the condition ourselves but are confident that PG&E, working with our staff, can satisfactorily modify this clause.

Special Condition No. 4

This condition provides for curtailment when it is uneconomical for the utility to serve G-58 customers. The term "uneconomical" deserves further comment. It is our understanding that service will be curtailed only on <u>those days</u> when a discretionary gas supply source more expensive than El Paso gas is required. What is unclear is whether service should be curtailed if the indexed rate falls below our floor rate of $.42 per therm. Certain parties argue that customers should be allowed to curtail themselves, that is, continue to buy gas at $.42 per therm even if the alternate fuel price index goes below $.42 per therm. We agree with PG&E that if they have successfully targeted the appropriate customer group, then this would not occur. However, since this schedule is to be experimental in nature, we will not provide for curtailment if the index indicates an alternate fuel price less than $.42 per therm. If this occurs, however, it will be a strong indication that either the alternate price index is not proper or that the customer target group is not appropriate. PG&E should advise us if this occurs.

Special Conditions
<u>Nos. 5, 6, 7, 8, and 9</u>

These conditions will not be modified by this order.

<u>Cogenerators</u>

Our current policy regarding cogenerators will remain unchanged. Cogenerators will be eligible for the lower of either the rate normally applicable or the G-55A rate; also cogenerators will be eligible for the G-58 rate on the same terms and conditions as all other customers.

<u>G-50 Customers</u>

The issues raised by BCC in its brief were not raised during the hearings. If the facts alleged by BCC are true, there appears to be a potential problem regarding these customers. Although the G-58 rate is targeted to G-52 customers, the effects on G-50 customers should be considered. PG&E is directed to investigate these effects and present its recommendations no later than its next GAC filing.

Findings of Fact

1. A.82-12-48 contains a proposal that PG&E be authorized to implement a new gas rate Schedule G-58.

2. PG&E has made a motion that it be allowed to implement this schedule in an expedited fashion.

3. The G-58 proposal involves the following:

   a. PG&E will sell gas at a low rate to high volume customers.

   b. The gas rate is indexed to the price of alternate fuel oil.

   c. The low gas rate is accompanied by a corresponding reduction of service reliability.

4. PG&E will lose 97 million therms of sales from the G-52 schedule at present rates because of fuel switching.

5. High volume seasonal customers are not eligible for the G-58 rate as modified to apply to customers who burn 200,000 therms or more per month for three months.

6. The concept of the G-58 proposal is untested.

7. The initial commodity rate of $.46 per therm is reasonable.

8. PG&E's method of indexing the G-58 rate according to Special Condition 9 is reasonable.

9. A G-58 rate of $.42 per therm. equal to the alternate fuel price of El Paso gas escalated by 12% is reasonable to assure the continued supply of low-cost natural gas and to mitigate fuel switching in large commercial and industrial customers.

10. A G-58 rate less than $.42 per therm is unreasonably low since it encourages a more rapid depletion of low-cost gas supply.

11. The G-58 rate should not exceed the G-52 rate which would otherwise be applicable to customers who elect the G-58 rate.

12. The modification of the G-58 proposal as discussed in the decision is reasonable.

13. Both cogenerators as a class and SoCal Edison are eligible for the G-58 rate schedule under the same terms and conditions as G-52 customers.

14. Because of the potential for fuel switching and consequent loss of contribution to margin, this order should be effective on the date it is signed.

Conclusions of Law

1. The G-58 rate proposal, as modified here, should be authorized.

2. The G-58 rate schedule should be implemented on an experimental basis with review in PG&E's next GAC proceeding.

3. PG&E should investigate the effect of the G-58 rate on G-50 customers and should present its recommendations no later than its next GAC filing.

4. PG&E's motion for early implementation of the G-58 schedule should be granted.

5. There is a need to implement this new schedule without further delay.

INTERIM ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) shall within 30 days file a plan for implementation of rate Schedule G-58 on an experimental basis.

2. PG&E shall investigate the effect of the G-58 rate on G-50 customers and shall present its recommendations no later than its next GAC filing.

This order is effective today.

Dated June 1, 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
Commissioners

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

Joseph E. Bodovitz, Executive Director

APPENDIX A
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LIST OF APPEARANCES

Applicant: Peter W. Hanschen, William E. Edwards, Michael S. Hindus, and Gail A. Greely, Attorneys at Law, for Pacific Gas and Electric Company.

Interested Parties: Susan L. Steinhauser, John R. Bury, Charles R. Kocher, H. Robert Barnes, David N. Barry, III, Richard K. Durant, Frank J. Cooley, and Donald M. Clary, Attorneys at Law, for Southern California Edison Company; Robert M. Loch and Thomas D. Clarke, Attorneys at Law, for Southern California Gas Company; Biddle & Hamilton, by Richard L. Hamilton, Attorney at Law, for Western Mobilehome Association; Robert Kihel, by Thomas Vargo, for Naval Facilities Engineering Command; Bruce J. Williams, for San Diego Gas & Electric Company; Major Robert J. Boonstoppel and David A. McCormick, for Consumer Interest of U.S. Department of Defense and other affected Federal Executive Agencies; Downey, Brand, Seymour & Rohwer, by Philip A. Stohr, Attorney at Law, for Nabisco Brands, Inc., General Motors Corporation, and Union Carbide Corporation (under the designation "Industrial Users"); McCracken & Antone, by Michael D. McCracken, Attorney at Law, for California Street Light Association; Brobeck, Phleger & Harrison, by Richard C. Harper and Gordon E. Davis, Attorneys at Law, for California Manufacturers Association; Greve, Clifford, Diepenbrock & Paras, by Thomas S. Knox, Attorney at Law, for California Retailers Association; George Agnost, City Attorney, by Leonard Snaider, Deputy City Attorney, for the City and County of San Francisco; Gary D. Fay and Gregg Wheatland, Attorneys at Law, for California Energy Commission; William L. Knecht, Attorney at Law, for California Association of Utility Shareholders; Walters, Bukey & Shelburne, by Diana D. Halpenny, Attorney at Law, for Schools Committee for Reducing Utility Bills (SCRUB); Sara M. Hoffman, Energy Coordinator, for Contra Costa County; Randy Baldschun and Donald H. Maynor, Attorneys at Law, for City of Palo Alto; Michel Peter Florio, Attorney at Law, for Toward Utility Rate Normalization (TURN); Nancy R. Teater and William E. Swanson, for Stanford University; Anita P. Arriola, Attorney at Law, and Dan Becker, for Public Advocates; Brobeck, Phleger & Harrison, by William H. Booth, Attorney at Law, and Jane S. Kumin, Attorney at Law, for Natomas Company; Mark R.

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Farman, for Resource Management International, Inc.; Stephen S. Slauson, for Independent Electrical Contractors of Alameda County; Harry K. Winters, for University of California; William B. Marcus, for California Hydro Systems, Inc. and Independent Energy Producers Association; John W. Krautkraemer, Thomas J. Graff, and David B. Roe, for Environmental Defense Fund; Craig Merrilees, for Campaign for Economic Democracy; Nicholas R. Tibbetts, for Congressman Douglas H. Bosco; Douglas M. Grandy, for State Government Energy Task Force; Antone S. Bulich, Jr. and Allen R. Crown, Attorneys at Law, for California Farm Bureau Federation; Wayne L. Meek, for Simpson Paper Company; Barbara Kyle, for Citizens Action League; Rita Norton, for the City of San Jose; John T. Owens, for Williams Brothers Engineering Company; James F. Sorensen, for Friant Water Users Association; E. D. Yates, for California League of Food Processors; Robert G. MacFarlane and Richard Owen Baish, Attorney at Law,, for El Paso Natural Gas Company; Norman J. Furuta, Attorney at Law, for the U.S. Department of the Navy; Susan L. Rockwell and Wayne L. Emery, Attorneys at Law, for United States Steel Corporation; Donald G. Salow, for Association of California Water Agencies; Hanna & Morton, by R. Lee Roberts, Attorney at Law, and Douglas K. Kerner, for Ultrasystems, Inc. and Occidental Geothermal, Inc.; John F. Powell, Attorney at Law, for Bay Area Air Quality Management District; John R. Vickland, Attorney at Law, for San Francisco Bay Area Rapid Transit District; Morrison & Foerster, by John M. Adler and Charles R. Farrar, Jr., Attorneys at Law, for United States Borax & Chemical Corporation; and Matthew V. Brady, Attorney at Law, Graham & James, by James D. Squeri, Attorney at Law, Lee Martin Lambert, and Robert B. Innes; for themselves.

Commission Staff: Michael Day and Thomas Corr, Attorneys at Law, Bruce DeBerry, and Martin J. O'Donnell.

(END OF APPENDIX A)

Pacific Gas and Electric Company
San Francisco, California

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

Schedule No. G-58

NATURAL GAS SERVICE

APPLICABILITY

Applicable to natural gas service, estimated by the Utility to exceed 2,400,000 therms per year for uses classified by contract between customer and Utility as P6 at facilities capable of burning, as the exclusive fuel on a regular basis, oil with a viscosity higher than 150 Saybolt Seconds Universal (SSU) at 100°F (commonly referred to as Grade No. 5 and Grade No. 6 fuel oil).

TERRITORY

The entire territory served natural gas by the Company.

RATES

Commodity Charge:

	Per Meter Per Month
For all gas deliveries, per therm	$0.46000

The above commodity charge is indexed to the price of high sulfur fuel oil as set forth in special condition 9 below.

Deposit Charge:

For all gas deliveries, except as provided for in special condition 8, per therm	$0.11648

Annual Minimum Charge:
The charge for the first 5,000 therms per meter per month, accumulative annually.

The number of therms shall be determined in accordance with Rule 2B.

SPECIAL CONDITIONS

1. Service shall be through one recording type meter and equipment served through this meter shall be interconnected to no other source of natural gas. Service through this meter shall be exclusively P6 as defined by contract with the customer.

2. With each monthly bill the customer will include a Deposit Charge equal to the Deposit Rate times the number of therms delivered in that month. The Deposit Rate is equal to $.01 per therm plus the difference between the Schedule No. G-50 commodity charge and the Schedule No. G-58 commodity charge. This deposit will be returned to the customer, with interest calculated in accordance with Rule No. 7.c, with the first bill rendered after the passing of one year from the deposit date provided that forfeiture has not occurred. No other portion of Rule No. 7 shall apply to the Deposit Charge.

3. Use of any fuel at any time with a viscosity less than that set forth above will result in an immediate forfeiture of the accumulated Deposit Charge and interest held by the Utility and described in Special Condition 2. At the Utility's option, service will subsequently be made under Schedule No. G-50.

(Continued)

Advice Letter No. ______
Decision No. ______

Issued By
W. M. Gallavan
Vice-President—Rates and Valuation

Date Filed ______
Effective ______
Resolution No. ______

Pacific Gas and Electric Company
San Francisco, California

_______ Cal. P.U.C. Sheet No. _______
Cancelling _______ Cal. P.U.C. Sheet No. _______

Schedule No. G-58

NATURAL GAS SERVICE

(Continued)

4. Service under this schedule is subject to discontinuance in whole or in part without notice in case of actual or anticipated shortage of natural gas resulting from an insufficient supply, inadequate transmission or delivery capacity or facilities, or storage requirement. Service under this schedule is also subject to discontinuance in whole or in part upon three (3) hours notice whenever, at the sole discretion of the Utility, the Utility determines that it is uneconomical to provide service. Service under this schedule is subject to complete discontinuance prior to discontinuance of service to P5 uses. The Utility will not be liable for damages occasioned by interruption or discontinuance of service supplied under this schedule. Such interruption or discontinuance of service will be made pursuant to the contract and consistent with Rule Nos. 14 and 21.

5. Failure of the customer to curtail gas use upon notification by the Utility shall result in immediate forfeiture of the accumulated Deposit Charge and interest held by the Utility. Failure of the customer to curtail gas use upon notification by the Utility twice in one 12-month time period shall result in termination of all service under this schedule for that customer at the sole option of the Utility.

6. Service under this schedule is subject to a continuous requirements that the customer's exclusive alternate fuel is of a viscosity not less than that set forth above. Prior to the establishment of service under this schedule, the customer shall execute a contract on the Utility's Form No.

7. Bills for Non-Exempt Boiler Fuel Customers. The Charge for gas consumed shall be the higher of the regular gas bill (Customer Charge plus Commodity Charge) or the Alternative Fuel Cost, adjusted for local taxes where applicable, applied to volumes determined to be non-exempt in accordance with Section C.9. of the Preliminary Statement plus the regular Commodity Charge applied to exempt volumes, if any.

8. Payment of the deposit charge may be deferred if the customer provides adequate security which is acceptable to the Utility in lieu of the charge.

9. The per therm charge for gas consumed shall be increased or decreased by the percentage change in the oil price index, specified below, if that calculation should change the commodity charge by more than 2.5 percent. The oil price index shall be the average of the wholesale prices of No. 6 residual oil for U.S. Tank Car Truck Transport Lots in the San Francisco - East Bay area as quoted in the Platt's Oilgram Price Report for the first trading day of the billing month. The percentage change in the oil price index shall be calculated over the period from the last commodity charge change to the present billing month.

(END OF APPENDIX B)

Advice Letter No. ___________
Decision No. ___________

Issued By
W. M. Gallavan
Vice-President—Rates and Valuation

Date Filed ___________
Effective ___________
Resolution No. ___________

Special Condition No. 1

The second sentence currently reads "Service through this meter shall be exclusively P6 as defined by contract with the customer". This sentence shall be removed in order to take out any reference to the term Priority 6. By this order we are not changing the priority system previously established. Rather we are allowing customers to voluntarily reduce their service reliability in exchange for a lower rate.

Special Condition No. 2

The deposit charge will be accumulated over three months and will equal the deposit rate times the therms taken in a month. The method for return of the deposit, as proposed, remains unchanged.

This modification is an attempt to reduce the deposit burden which is made possible by the higher minimum charge which will be included in the contract for service.

Special Condition No. 3

This condition allows no flexibility regarding the burning of No. 2 fuel oil. Several parties and PG&E agreed that under certain conditions an industrial customer is required to burn No. 2 fule oil for certain purposes.

PG&E is directed to modify this condition in its filed Tariff and Standard Contract. It shall be modified to reflect a greater degree of flexibility. We are unable to further define the condition ourselves but are confident that PG&E, working with our staff, can satisfactorily modify this clause.

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This condition provides for curtailment when it is uneconomical for the utility to serve G-58 customers. The term "uneconomical" deserves further comment. It is our understanding that service will be curtailed only on those days when a supply

source more expensive than El Paso gas is required. What is unclear is whether service should be curtailed if the indexed rate falls below our floor rate of $.42 per therm. Certain parties argue that customers should be allowed to curtail themselves, that is, continue to buy gas at $.42 per therm even if the alternate fuel price index goes below $.42 per therm. We agree with PG&E that if they have successfully targeted the appropriate customer group, then this would not occur. However, since this schedule is to be experimental in nature, we will not provide for curtailment if the index indicates an alternate fuel price less than $.42 per therm. If this occurs, however, it will be a strong indication that either the alternate price index is not proper or that the customer target group is not
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Special Conditions
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These conditions will not be modified by this order.

<u>Cogenerators</u>

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<u>G-50 Customers</u>

The issues raised by BCC in its brief were not raised during the hearings. If the facts alleged by BCC are true, there appears to be a potential problem regarding these customers. Although the G-58 rate is targeted to G-52 customers, the effects on G-50 customers should be considered. PG&E is directed to investigate these effects and present its recommendations no later than its next GAC filing.

Findings of Fact

1. A.82-12-48 contains a proposal that PG&E be authorized to implement a new gas rate Schedule G-58.

2. PG&E has made a motion that it be allowed to implement this schedule in an expedited fashion.

3. The G-58 proposal involves the following:

   a. PG&E will sell gas at a low rate to high volume customers.

   b. The gas rate is indexed to the price of alternate fuel oil.

   c. The low gas rate is accompanied by a corresponding reduction of service reliability.

4. PG&E will lose 97 million therms of sales from the G-52 schedule at present rates.

5. High volume seasonal customers are not eligible for the G-58 rate as proposed.

6. The concept of the G-58 proposal is untested.

7. The initial commodity rate of $.46 per therm is reasonable.

8. PG&E's method of indexing the G-58 rate is reasonable.

9. A G-58 rate less than $.42 per therm is unreasonably low.

10. The modification of the G-58 proposal as discussed in the decision is reasonable.

11. Both cogenerators as a class and SoCal Edison are eligible for the G-58 rate schedule under the same terms and conditions as G-52 customers.

12. Because of the potential for fuel switching and consequent loss of contribution to margin, this order should be effective on the date it is signed.

Conclusions of Law

1. The G-58 rate proposal, as modified here, should be authorized.

2. The G-58 rate schedule should be implemented on an experimental basis with review in PG&E's next GAC proceeding.

3. PG&E should investigate the effect of the G-58 rate on G-50 customers and should present its recommendations no later than its next GAC filing.

4. PG&E's motion for early implementation of the G-58 schedule should be granted.

5. There is a need to implement this new schedule without further delay.

INTERIM ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) shall within 45 days file a plan for implementation of rate Schedule G-58 on an experimental basis.

2. PG&E shall investigate the effect of the G-58 rate on G-50 customers and shall present its recommendations no later than its next GAC filing.

This order is effective today.

Dated JUN 1 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
Commissioners