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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY for authority to revise its gas rates and tariffs effective October 1, 1983, under the Gas Adjustment Clause. (Gas)	Application 83-08-38 (Filed August 15, 1983)

Peter W. Hanschen, Shirley Woo, Steven Greenwald, and Michael Hindus, Attorneys at Law, for Pacific Gas and Electric Company, applicant.
Susan L. Steinhauser, for Southern California Edison Company; F. E. John, by Gay Phillips, for Southern California Gas Company; Phillip Stohr, Attorney at Law, for General Motors, Inc.; Richard Owen Baish, Attorney at Law, for El Paso Natural Gas Company; Robert E. Burt, for California Manufacturers Association; Ed Yates for California League of Food Processors; W. Randy Baldschun, for City of Palo Alto; Steven S. Wall, Attorney at Law, for U. S. Borax & Chemical Company; Michael Peter Florio, Attorney at Law, for Toward Utility Rate Normalization; Allen E. Wagner, Attorney at Law, and Harry K. Winters, for The Regents of the University of California; Henry F. Lippitt II, Attorney at Law, for California Gas Producers Association; and H. Richard Carroll, for Glass Containers Corporation; interested parties.
Lionel B. Wilson, Attorney at Law, and Geoffrey Meloche, for the Commission Staff.

INTERIM OPINION

In this application Pacific Gas and Electric Company (PG&E) requests authority to revise its gas rates and charges effective October 1, 1983 under its Gas Adjustment Clause (GAC). The rates proposed by PG&E would decrease PG&E's gas revenue about 0.3% or approximately $13.2 million annually.

The application states that authorization of PG&E's proposal will enable PG&E to recover its gas costs under its GAC, but will not enable PG&E to earn a rate of return above the level which the Commission last found reasonable for PG&E's Gas Department.

Public hearing was held before Commissioner Vial and/or Administrative Law Judge Mallory in San Francisco in the period October 3 through October 12, 1983, and the matter was submitted subject to the receipt of the staff's late filed Exhibit 33, which has been received.

Evidence was presented on behalf of applicant; the staff of the Commission's Utilities Division, Fuels and Operations Branch and Rate Design and Economics Branch (Staff); California Gas Producers Association (Gas Producers); El Paso Natural Gas Company (El Paso); California League of Food Processors (Food Processors); U.S. Borax & Chemical Company (U.S. Borax); Glass Containers Corporation (Glass Containers); Southern California Edison Company (Edison); and the Regents of the University of California (UC). Closing arguments were presented on behalf of all the above parties, except Gas Producers and Glass Containers. Toward Utility Rate Normalization (TURN) also presented closing remarks.

Estimated Gas Sales

The GAC decrease which PG&E had proposed to place into effect on October 1, 1983 reflects (1) changes in the unit costs of natural gas charged by PG&E's California and Rocky Mountain gas suppliers, (2) decreases in the price of Canadian gas from Pacific Gas Transmission Company (PGT), (3) amortization of the under-collection in the Gas Cost Balancing Account (GCBA) estimated as of September 30, 1983, and (4) a change in the GCBA interest rate.

Applicant and the staff are in agreement with respect to the estimated cost of natural gas and estimated gas sales for a twelve-month amortization period beginning October 1, 1983. They are also in agreement as to the GCBA balance as of September 30, 1983 and the related GCBA interest rate.

TURN disputes the estimated cost of gas from California producers. PG&E estimated the cost of California source gas at the ceiling price determined in accordance with the pricing provisions of the federal Natural Gas Policy Act of 1978 (NGPA), which provides for monthly upward adjustments to ceiling prices. The price reflected in PG&E's exhibits is the weighted average price for California gas estimated as of October 1, 1983 as $3.4827 per million British thermal units (MMBtu).

TURN contended that the $3.4827 MMBtu price should be reduced to $3.463 MMBtu because the record shows that PG&E is purchasing a portion of its California source gas below the ceiling price. Such an adjustment would lower the annual cost of California gas by $3,239,000. PG&E opposed this TURN adjustment because 97% of its California source gas is purchased at the ceiling price; the estimated price used in its exhibits is the average price at the beginning of the amortization period; the NGPA ceiling prices escalate monthly; and the actual prices to be paid for the preponderance of its California source gas purchased at the ceiling price will be greater than the price estimated for purposes of this proceeding.

It appears that the savings resulting from the lower-than-ceiling price paid for a portion of California source gas will be offset by the higher than estimated costs paid for the preponderance of California source gas subject to NPGA ceiling prices which escalate monthly. Therefore, we find that TURN's proposed adjustment to the estimated cost of California source gas is not reasonable and will not be accepted.

The following tables sets forth the current cost of gas which we find reasonable for the purposes of this proceeding.

TABLE 1

PACIFIC GAS AND ELECTRIC COMPANY
GAS DEPARTMENT
CURRENT COST OF GAS

FORECAST PERIOD: 12 Months Beginning October 1, 1983

Source	Supply MDTH	Price $/DTH	Cost M$
California	171,907	3.4827	$ 598,701
El Paso			
Demand	-	-	54,345
Commodity	356,463	3.5620	1,269,721
Subtotal	356,463	3.7145	1,324,066
PGT-Canadian			
Base	173,111	4.4269	766,345
Incentive	106,857	3.4224	365,707
Subtotal	279,968	4.0435	1,132,052
Rocky Mountain	18,428	4.3867	80,838
Subtotal	826,766	3.7927	3,135,657
Withdrawal	28,034	2.3403	65,608
Injection	(23,276)	3.7927	(88,278)
Total	831,524	3.7437	3,112,987

Guideline for Sequencing El Paso Gas

Decision (D) 82-12-111, issued December 22, 1982 in Application (A) 82-08-51, established a new sequence of gas takes by PG&E to reflect changes in prices for gas obtained from different sources.[1/] That decision also adopted a guideline for sequencing El Paso discretionary supplies relative to California discretionary supplies of gas. The adopted guideline also would allow both El Paso's and PG&E's California suppliers to know the point at which they become competitive.

A portion of El Paso's total rate is a surcharge representing past unrecovered gas production costs. The surcharge is based on amounts accumulated in a balancing account, and is determined twice yearly. El Paso's jurisdictional customers to which the surcharge applies are PG&E and Southern California Gas Company (So Cal Gas) operating in California, and customers east of California. At the time the guideline was established the two California utilities represented about 75% of El Paso jurisdictional sales, and out-of-state purchasers represented about 25% of sales subject to the surcharge. The adopted guideline removed 25% of the surcharge

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1/ The adopted sequence, placed in effect by PG&E on October 1, 1982, was as follows:

1. California to minimum
2. PGT-Canadian to 80% Daily Contract Quantity (DCQ)
3. Rocky Mountain to minimum
4. Rocky Mountain NPGA Section 102
5. El Paso to minimum
6. California at 42% Load Factor
7. California to maximum
8. El Paso to allocation
9. PGT-Canadian to maximum
10. Rocky Mountain to maximum

from the El Paso price of gas in the comparison of the price of El Paso gas with the price of California discretionary gas. D.82-12-111 contained the following rationale for this deduction:

> "The guideline we adopt today recognizes that any deferral in the collection of El Paso's surcharge adjustment will ultimately result in the recovery of a portion of the deferred amount through higher rates to non-California consumers. California represents 75% to 80% of El Paso's market. Consequently, a minimum of 75% of the surcharge adjustment is recovered through rates applicable to California service. It is therefore reasonable to treat 75% of El Paso's surcharge as an unavoidable cost to be excluded from the El Paso's tariff rate prior to comparing such rate against the cost of California source gas. Stated another way, it is reasonable to add 25% of El Paso's surcharge adjustment to its currently effective commodity rate excluding the surcharge."

The decision contains the following example of the calculation of the then current differential:

		¢/MMBtu
1.	El Paso's then current effective rate excluding surcharge	334.26
2.	0.25 x currently effective surcharge adjustment	8.18
3.	Adjusted El Paso rate	342.44
4.	Estimated January 1983 California gas price	323.90
5.	Price Differential	18.54

Gas Producers presented evidence in support of a changed guideline (Exhibit 15). According to Gas Producers, SoCalGas, in its current Consolidated Adjustment Mechanism (CAM) proceeding (A.83-09-25) proposes for sequencing purposes to price discretionary El Paso gas at a commodity rate of 35.6 cents/therm, less 2.2 cents/therm, resulting in an expected economic cost of 33.4

cents/therm.[2] The rationale for this calculation, set forth in A.83-09-25, is as follows:

> "The 2.2 cents/therm deduction is our estimate of SoCalGas' share of the unavoidable portion of El Paso's Account 191 surcharge. The surcharge in Account 191 is due primarily to prior under-collections by El Paso and represents a liability for all of El Paso's customers. The liability is an unavoidable sunk cost that must be recovered in future PGAs. Based on recent recorded sales, SoCalGas purchases about 55% of El Paso jurisdictional sales. Consequently, about 55% of the current Account 191 surcharge is the amount of unavoidable costs SoCalGas will be obligated to pay in future PGAs if we forego purchases of El Paso gas today."

Gas Producers proposes that we follow the above rationale for developing a new guideline for PG&E's sequencing of discretionary El Paso gas. Gas Producers contends that the 75% ratio of El Paso's California to out-of-state sales subject to surcharge is currently about 85%, of which SoCalGas represents 55% and PG&E represents about 30% of California sales. Gas Producers proposes to substitute 30% for 75% in the surcharges calculation in the guidelines, as more specifically set forth in the following table:

2/ As A.83-09-25 has not been heard, when the hearings in this proceeding took place, SoCalGas' proposal is untested and has not been adopted by this Commission.

CALIFORNIA GAS PRODUCERS ASSOCIATION

Calculation of Cost of PG&E El Paso
Natural Gas Purchases

(From Exhibit 15)
(In cents per Decatherm)

El Paso Rate Component	75%* Basis	30%* Basis
Currently Effective Tariff Rate	372.95¢	372.95¢
First Deduction		
Fixed Monthly Charge (3.1(a)	8.58¢	8.58¢
Fixed Monthly Charge (3.1(b)	8.17	8.17
Total Demand Charge	16.75¢	16.75¢
Remaining Commodity Charge	356.20¢	356.20¢
Second Deduction		
% Surcharge Adjustment*	29.65*	11.86*
Remaining Net Cost	326.55¢	344.34¢

* % of current El Paso Surcharge Adjustment of 39.53¢/Dth.

Under Gas Producers' proposal the effective El Paso rate would be greater than under the present guideline, bringing the El Paso guideline rate closer to the $3.4827 per decatherm (Dth) average cost of California gas. To the extent that California gas is available at a cost lower than that average cost and also below the guideline cost of El Paso gas, additional California gas would be sequenced ahead of El Paso gas.

El Paso strongly opposed the proposed guideline change and presented evidence in support of raising the surcharge deduction or maintaining it at its present level. Extensive background information was presented by El Paso on the purpose of the surcharge and the method of calculation. According to El Paso the surcharge balancing account accruals will be substantially less in the future because of changed Federal Energy Regulatory Commission (FERC) procedures.

El Paso attempted to show that the assumption in D.82-12-111 that surcharge undercollections from PG&E would be shifted to El Paso's out-of-state customers was incorrect. It is El Paso's contention that each major customer should be responsible for its share of the surcharge balancing account. The record shows that if the balancing account is not fully amortized in any surcharge period, the under-collections remain in the balancing account and are subject to surcharge in the next collection period. El Paso showed that PG&E's purchases of El Paso have been declining, while SoCalGas' purchases have been increasing, so that the California utilities' total share of the surcharge burden (80%) remains about the same, or is slightly greater than it was at the time the information in D.82-12-111 was developed. Since any undercollections must be collected in future periods, failure of PG&E to pay its full share of the surcharged amounts through lower purchases from El Paso shifts the burden to SoCalGas.

El Paso takes the position that we should not change the guideline for sequencing El Paso gas ahead of California source gas.

Based on the evidence adduced in this proceeding, Gas Producers has not shown that the guideline in issue is unreasonable. Gas Producers' showing is largely predicated on a SoCalGas proposal which was not yet tested in SoCalGas' CAM proceeding, and that proposal cannot be relied upon to effect a change in the PG&E guideline. Moreover, El Paso has shown that the full amount of the surcharge would be appropriate for deduction under the theory adopted in D.82-12-111, rather than 75% of that amount, as an unavoidable cost in calculating the guideline. Therefore, Gas Producers' proposal will not be adopted.

Sequencing of Canadian Gas

On July 6, 1983, the Canadian government instituted a volume-related incentive pricing program which lowered the price of gas volumes purchased by PGT above 50 percent of the annual licensed export volumes to $3.40 per Dth from $4.40 per Dth. The first year of the program runs from November 1, 1982 to October 31, 1983. On or about July 25, 1983, PGT's Canadian gas takes passed 50 percent of the annual licensed export volumes, so all Canadian gas purchased by PGT from that date to October 31, 1983 has been at the $3.40 border export price. In addition, for the second year of the program beginning November 1, 1983, it is expected that the incentive price will be administered on a monthly basis; consequently, all of PGT's Canadian purchases above current contract minimums will be at the $3.40 per MMBtu incentive price.

PG&E presented testimony (Exhibit 2) that it is basing its sequencing of Canadian gas based on that $3.40 Dth border price, plus additions for compressor fuel and conversion from a wet to dry basis, to reach a delivered cost of $3.49 Dth.

We have pointed out to PG&E our desire that the high take-or-pay provisions in its Canadian gas contract be revised. PG&E witness Rosput testified that PG&E is vigorously pursuing reductions in its minimum obligations through private negotiations between its Canadian supplier and subsidiary, Alberta and Southern, and Canadian producers. PG&E is hopeful that the current discussions between the United States government and the Canadian government will lead to reductions in take-or-pay requirements.

The PG&E witness testified that the total effect on gas costs would be minimal for the forecast period if resequencing does not occur at this time; moreover, there are certain nonquantifiable considerations which support the current sequence. The witness stated that in D.82-12-111, we recognized that the gas-take sequence can be used to signal to suppliers what is necessary to make their prices competitive. She stated that this principle can be applied to the current situation with PG&E's Canadian gas supply. For example, although the $3.40 per MMBtu incentive price is within the competitive range, the base level export price of $4.40 is not. Awarding discretionary Canadian gas a higher position in the gas sequence would effectively reward Canada for high minimum take provisions at a time when PG&E is seeking reductions in those very provisions.

The witness testified that given the ongoing negotiations to reduce the Canadian minimums, and the relatively small difference in gas cost from resequencing even with the present minimums, PG&E believes that under current conditions its present gas sequence best minimizes gas costs consistent with contractual requirements and goals. As a result, PG&E has not resequenced discretionary Canadian gas volumes. The Commission staff and other parties generally agree with this action, inasmuch as gas purchase decisions are subject to review in PG&E's annual reasonableness review.

GAC Revenue Requirement

Based upon our adopted costs of gas, sequencing of gas purchases, GCBA level, and GCBA interest rates, the following table develops the GAC revenue requirement for a twelve-month amortization period beginning October 1, 1983:

TABLE 2

PACIFIC GAS AND ELECTRIC COMPANY
Gas Adjustment Clause
Calculation of Current Recovery Amount
And Revenue Requirement

FORECAST PERIOD: 12 MONTHS BEGINNING OCTOBER 1, 1983

Line No.		M$
1	Current Cost of Purchased Gas	$3,112,987
2	Plus: Gas Cost Balance Account	226,345
3	Plus: Carrying Cost of Prepaid Gas	9,410
4	Subtotal	3,348,742
5	Plus: Adjustment for Franchise & Uncollectible Accounts Expense (Line 4 x 0.783%)	26,221
6	Plus: Base Cost Amount (D.82-12-112)	818,473
7	Subtotal	4,193,436
8	Less: Base and GAC Revenue at Present Rates and Revenue from Returned Check Charges (excluding GEDA, CFA, SFA and RCS revenue)	4,209,413
9	Difference	(15,977)

Request of Food Processors for Rebate

Food Processors wrote to the Commission on July 27, 1983, requesting an immediate reduction in PG&E's natural gas rates applicable to food processors due to reduced purchased gas costs resulting from lower priced Canadian natural gas. The Executive Director of the Commission replied in a letter dated August 30, 1983, indicating that gas rate adjustments are normally handled in GAC proceedings, and that the appropriate procedure for Food Processors to follow would be to seek a reduction through participation in this application.

Food Processors objects to the timing of the decrease and requests a rebate for gas purchased by food processors under Schedules G-2, G-50, G-52, and G-58 for sales occurring during the period from July 25 through October 31, 1983. Food Processors estimates that food processors purchased 100 million therms in that period. It also asserts that such period also coincides with the 1983 food processing season when food processors' gas use is the highest.

Applicant and other parties oppose this request. Applicant argues that the request constitutes retroactive ratemaking and is contrary to the basic concept of the operation of the GBAC. Staff points out that it violates Section 532 of the Public Utilities (PU) Code.[3]

Our balancing account ratemaking procedures were reviewed by the California Supreme Court in Southern California Edison Co. v. Public Utilities Commission (1978) 20 Cal.3d 813. The court held that balancing account treatment of overcollections or under-

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3/ In its relevant part § 532 provides that the public utility shall not refund or remit any portion of its rate and charges for any product furnished, nor extend to any person or corporation any facility or privilege except such as are regularly and uniformly extended to all corporations and persons.

collections of fuel costs does not constitute illegal "retroactive ratemaking." That approval contemplates amortization of over-collections (or undercollections) on a prospective basis only.

Food Processors' request should be denied because the request would grant a rebate to only one class of customer while all other classes of customers would be entitled to a rebate, if it were appropriate for Food Processors. For this reason, Food Processors' request for a rebate for gas used by food processors during the period July 25 through October 31, 1983 will be denied. It should be pointed out that Food Processors' proposed rebates would apply to P-2, P-3, and P-4 schedules. The largest amount of the proposed rebates would be from P-3 and P-4 schedules, which are not tied to cost of gas, but to cost to alternative fuels. Under the ratemaking treatment accorded in the last GAC proceeding and in this proceeding, P-3 and P-4 schedules are not charged as a result of the reduced PGT gas costs, but are related to fuel oil costs. Therefore, rebates would not be reasonable to food processors taking gas under P-3 and P-4 schedules for the reasons advanced by Food Processors.

Rate Design

To implement the decrease in GAC revenues requested in this application, PG&E proposes to allocate the decrease in revenue requirement among its various gas customer classes in accordance with the Commission's rate design guidelines adopted in Decision (D.) 93887, as modified by D.83-06-004 and D.83-06-007 and Resolution G-2544. For the purpose of calculating the revenue effect of the GAC adjustment rates proposed, PG&E used present rates.

As this application will be decided in conjunction with a decision in PG&E's current general rate proceeding in A.82-12-48, we will use the rate design guidelines adopted in that decision, and will incorporate in the rates adopted in this decision the 1984 base cost of gas found reasonable in A.82-12-48.

The guidelines provide for indexing and/or referencing gas rates for priority P-3, P-4, P-5, and P-6 industrial customers to the cost of alternate fuels.[4] Inasmuch as this proceeding contains more

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4/ The following schedules are referenced or indexed to the cost of alternative fuels:

Schedule G-50 - Applicable to P-3 and P-4 commercial and industrial customers with capability to use No. 2 distillate fuel oil.

G-52 - Applicable to P-3 and P-4 commercial and industrial customers with capability to use No. 6 fuel oil.

G-55 - Applicable to PG&E's steam-electric operations (P-5).

G-55A- Applicable to steam-electric operations of cogenerators (P-5).

G-57 - Applicable to Edison's steam-electric operations at its Coolwater generating plant (P-5).

G-58 - Experimental rate applicable to large industrial customers using No. 6 fuel oil as an alternate fuel, who use 200,000 therms or more of gas monthly. Subject to curtailment before P-5 customers (P-6).

G-59 - Experimental contract rate applicable to secondary oil recovery facilities which use crude oil as alternate fuel (P-6).

recent data on fuel prices and the possibility of fuel switching than the record in A.82-12-48, we will use the alternate fuel price data in this record to set P-3 through P-6 rates.

Evidence was presented in this proceeding and in A.82-12-48 on the PG&E's proposed cancellation of its G-52 rate schedule on January 1, 1984, and upon changes in the experimental G-58 schedule established in Interim D.83-06-004 issued June 1, 1983 in A.82-12-48. We rely on the record in A.82-12-48 for review of PG&E's proposed cancellation of its G-52 schedule and upon this record for revision of its experimental G-58 schedule.

In this application PG&E proposes to revise its G-50 schedule to index that schedule to changes in the cost of alternate fuels. PG&E and staff have offered alternate proposals for the G-50 schedule, depending whether or not the G-52 schedule is cancelled.

G-52 Schedule

In the decision issued in A.82-12-48, we have concluded that the G-52 schedule will be cancelled.

Schedule G-50

The present G-50 rate is set at a five-cent differential over the present G-52 rate, and is related to the cost of No. 2 distillate fuel oil.

In the application, PG&E proposed to index its G-50 rate schedule so that it may respond to changes in No. 2 distillate fuel oil prices. PG&E initially proposed that the existing G-50 rate be maintained and that the indexing mechanism reference the G-50 rate to prices of No. 2 distillate fuel oil as posted in Platt's Oilgram on the first trading day of each month. The per therm charge would increase or decrease by the percentage change in the oil price index, if the calculation should change the commodity charge by more than 2.5%. PG&E proposed that, upon cancellation of the G-52 rate schedule, G-52 customers not eligible for Schedule G-58 be transferred to Schedule G-50.

In its initial proposal in Exhibit 8, the staff proposed a three-tier G-50 rate schedule. The first tier would provide a rate of 59.041 cents/therm for the first 35,000 therms used per month, the second tier a rate of 56.541 cents/therm for the next 35,000 therms used per month, and a rate of 54.041 cents/therm for usage over 70,000 therms per month. As part of this proposal, staff recommended retention of the G-52 rate schedule.

In response to the staff proposal, PG&E, in Exhibit 23, proposed an alternate two-tier rate structure; for the first 200,000 therms per month, a rate of 59.041 cents per therm, and over that amount a rate of 54.041 cents/therm. PG&E showed in Exhibit 23 that the staff G-50 rate proposal in Exhibit 8 would reduce annual revenues by $22.6 million, while PG&E's proposal would reduce revenues by $14.512 million.

In Exhibit 33, the staff proposed that should Schedule G-52 be canceled, G-52 customers not qualifying for Schedule G-58 should be transferred to Schedule G-50 and that a two-tier G-50 schedule be established with a rate of 57.041 cents/therm for the first 100,000 therms per month and 54.041 cents/therm for usage over that amount. The staff witness testified that a two-tier rather than three-tier schedule was proposed with higher usage in the first block in view of adverse revenue effect of its initial proposal. PG&E's witness testified that the Exhibit 33 proposal was significantly superior to the Exhibit 8 proposal in that the revenue reduction was cut in half.

While PG&E would index its two-tier rate schedule, staff would not. The base distillate fuel oil price recommended by PG&E to calculate change in its indexing formula is 80.25 cents per gallon, the August 1, 1983 posted price in Platt's Oilgram.[5/]

5/ TURN proposed the following ordering paragraph to avoid a conflict about the initial price to which the indexing is to apply:

> "The G-50 rate shall be set at 59.041 cents per therm, unless the average of the high and low Platt's prices for No. 2 fuel oil for the first trading day of the month in which these rates become effective differs from the base price of 80.25 cents per gallon by more than 2.5 percent. In that event, the G-50 rate shall equal the ratio of the current price to the base price, multiplied by 59.041 cents per therm."

PG&E advanced the following reasons for indexing the G-50 schedule. PG&E has gas available in excess of immediate needs. A significant amount of industrial load may be lost because of fuel-switching when oil prices fall below industrial gas rates. Since industrial sales are desirable for load balancing and fixed cost recovery, it is necessary that PG&E respond to current market conditions and address these divergent supply and demand developments. Through indexing the response in low-priority gas rates to changes in market conditions can be improved.

According to the PG&E witness, the burning of distillate fuel oil, as opposed to heavy residual fuel oil, poses few difficulties. Therefore, PG&E believes that without indexing, the policy of setting the G-50 rate at the level of distillate prices could lead to significant fuel-switching if the No. 2 fuel oil prices subsequently drop. The present G-50 rate has never exceeded distillate prices long enough for serious fuel switching to occur. Nevertheless, in May, 1983, when the G-50 rate was 56.502 cents/therm and the posted price of distillate was 55.83 cents/therm, three customers left the system including U.S. Borax, which annually uses approximately 40 million therms of gas.

The staff witness testified that a tiered G-50 schedule without indexing is preferrable to a nontiered indexed G-50 schedule because a tiered structure would provide a smaller differential between tiers necessary to prevent fuel switching.

Schedule G-55

Schedule G-55 is applicable to sales of gas to PG&E's electric generation facilities. PG&E's witness testified that the proposed rate is equal to PG&E's marginal cost of purchased No. 6 low sulfur residual fuel oil (LSFO). Exhibit 25 states that while no LSFO purchases are estimated to be required during the forecast period, any LSFO purchase would be consummated at its Chevron contract price, which it estimates to be about 53.9 cents/therm. This price has not changed from the preceding offset proceeding. PG&E proposes to maintain the G-55 rate at its present level. Other parties concur.

Schedule G-57

The Schedule G-57 is on the same level as the G-55 rate. PG&E proposes to maintain the G-57 rate at that level. The G-57 rate applies to gas burned at Units 1 and 2 of Edison's Coolwater Electric Generation Plant (Coolwater). Edison proposes an oil indexed rate that (a) is competitive with the cost of LSFO available to Coolwater (which Edison contends is in the 45.8 to 49.2 cents/therm range) and (b) does not exceed SoCal Gas' indexed nonespisode day GN-5 rate.[6/] Because alternate fuel costs are below PG&E's G-57 rate, Edison states that it will continue to use PG&E gas at Coolwater only on episode days or when overriding operating conditions dictate.

Edison's Coolwater plant is used primarily as a peaking facility. All of its other fossil fuel peaking plants are located in SoCal Gas territory. Edison's testimony shows that, even though LSFO costs are substantially below gas costs at Coolwater, Edison would shift load to other peaking plants rather than burn fuel oil at Coolwater. Therefore, Edison's alternative fuel at Coolwater, in essence, is gas supplied to other fossil fuel peaking plants under SoCal Gas' Schedule GN-5.

6/ Fuel oil may not be burned on so-called "episode days" during which air pollution is high. SoCal Gas' GN-5 rate applicable on episode days exceeds PG&E's G-57 rate.

The Commission staff proposed that the G-57 be indexed to Singapore Cargo low-sulfur waxy residual fuel oil (LSWR) in the same manner as SoCal Gas' GN-5 rate is indexed. The rate would change twice monthly. Staff proposed an initial rate of 47.310 cents/therm, which is the current GN-5 rate. The staff reasoned that its proposed G-57 rate would allow PG&E to retain, or perhaps slightly increase, sales to Coolwater.

Cross-examination of Edison's witness developed that Edison's current forecast for Coolwater provides for operations at a 5% capacity level in 1984, assuming the current G-57 rate. Edison would use Coolwater at 20% capacity level on episode days when PG&E gas is cheaper than SoCal Gas episode day gas. Edison may maintain the 20% episode day capacity level on a year-round basis if the staff proposal is adopted. However, the witness indicated projected use of gas at Coolwater probably would not increase appreciably if the G-57 rate is lowered as Edison may decide to burn fuel oil rather than gas.

PG&E opposed both the Edison and staff proposals. It contends that either of the proposals would reduce PG&E's revenues without materially increasing use of gas at Coolwater.

Schedule G-58

Schedule G-58 was established on an experimental basis by D.83-06-004 issued June 1, 1983. The schedule was established to mitigate fuel switching by large industrial customers. The record in A.82-08-51 forecasted a market loss of up to 97 million therms, and a loss of margin contributions of $17.5 to $19.5 million unless the large industrial customers having ability to purchase and burn fuel oil were retained on the system. The margin loss, if it materializes, would have to be made up through higher rates to high priority residential and commercial customers. In order to limit access to the G-58 rate to customers with true fuel-switching potential, the interim order established a number of rigorous tariff provisions.

Considered at that time were reductions in all low priority rates sufficient to prevent additional fuel switching. Because of the substantial increases (up to 65%) required of high priority customers, this alternative was rejected.

In this proceeding representatives of industrial customers have requested that the requirements for service under Schedule G-58 be relaxed or eliminated. In addition the staff proposed changes in the governing rules.

U.S. Borax presented two witnesses. The first testified that U.S. Borax would be able to comply with Kern County air quality control emission requirements, and could modify its plant at Boron to convert its alternate fuel capability from No. 2 distillate fuel oil to No. 6 HSFO. The second witness testified that U.S. Borax (1) burned distillate at Boron for a several-month period when No. 2 distillate fuel oil was cheaper than gas, (2) can purchase No. 6 HSFO on the spot market at a cost substantially cheaper than distillate and cheaper than the present G-58 rate, and (3) is prepared to make the substantial investment necessary to convert its storage facilities from distillate to No. 6 HSFO in order to have the capability of using the cheaper HSFO. U.S. Borax is the largest PG&E industrial customer using No. 2 distillate fuel oil. Borax currently uses more than 40 million therms per year and its annual usage will increase by 29 million therms upon completion of cogeneration facilities scheduled for next year.

U.S. Borax requests the requirement that an industrial customer has the capability of burning No. 6 fuel oil as an alternate fuel be relaxed so that it can continue to use distillate as an alternate fuel, thus avoiding the $7.9 million investment necessary to convert its facilities. U.S. Borax argued that such induced investment is uneconomic because it diverts investment funds from more productive uses, and because U.S. Borax would burn No. 6 HSFO when it is cheaper than the G-58 gas rate. U.S. Borax estimates that it would save about $5 million annually by burning No. 6 HSFO instead of gas. This saving would increase to $8 million annually when its cogeneration facility is completed.

Food Processors testified that recent legislation relaxed air quality control standards for food processors; therefore, food processors could convert present facilities from distillate to No. 6 fuel oil without violating air quality control standards. Food Processors testified that many food processors are not certain at the beginning of the short canning and packing season whether they can meet the minimum charges and/or minimum quantity requirements for service under Schedule G-58 but, because the pack size is greater than expected, find later that they would have qualified. For these reasons, Food Processors asked that the minimum charge and minimum quantity requirements of Schedule G-58 be relaxed, and that the requirement for No. 6 fuel capability be eliminated for food processors. Food Processors also requested removal of the restriction on gas service under other schedules during an economic curtailment of service under the G-58 schedule. Exhibit 27 shows that of the 22 customers served under Schedule G-58 as of September 22, 1983, all but two are food processors.

Glass Containers' witness testified that the company has two manufacturing facilities served by PG&E. It now has distillate alternative fuel oil capacity at these plants. It has requested and received approval from the San Francisco Bay Area Air Quality Management District to burn LSFO at its plants. Glass Containers plans to install No. 6 fuel oil capacity in order to obtain service under the lower G-58 schedule. Glass Containers seeks elimination of the G-58 service requirement to maintain heated oil in storage for immediate use in the event of curtailment. PG&E's witness testified that it expects no curtailments in the forecast year.

UC's witness testified that UC is eligible for service at several campuses under the G-58 schedule but is reluctant to opt for service under that schedule because of uncertainty about the application of some of the conditions for service. The witness urged that Schedule G-52 be retained or that Schedule G-58 be amended to eliminate the provisions which have prevented UC from taking service. These provisions concern curtailments as discussed by Glass Containers above; and whether minimum quantity provisions are, in fact, "take or pay" requirements, which UC is prevented by law from including in its contracts for purchases of materials. The latter question is one which this Commission cannot resolve.

Our staff proposed several changes in the regulations governing the eligibility for service under Schedule G-58. The proposals are summarized below.

1. Delete the requirement that the customer must have the capability of burning No. 6 fuel oil as its exclusive fuel on a regular basis. This provision would be replaced with a requirement that the customer shall have adequate standby equipment and fuel and the equipment which is ready for immediate operation during curtailment.

2. Delete the deposit charge (the difference between the Schedules G-52 and G-58 rate times the number of therms delivered in the monthly billing period). The deposit charge is refundable, with interest, after three months' service under G-58. It is forfeitable if a fuel other than No. 6 fuel oil is used at any time.

3. Deletion of the annual minimum charge. (The monthly minimum charge for service is 40% of one-twelfth the projected annual minimum take, accumulative annually.)

4. Replace the deposit charge and annual minimum charge with a monthly minimum charge for 200,000 therms. In the event of curtailment the monthly minimum charge would be prorated.

5. Retain the 2,400,000 therms per year or 200,000 therms per month requirement for service.

6. Retain the indexing of the G-58 rate at the west coast wholesale price of No. 6 ESFO.

7. Retain the application of the G-58 schedule to cogeneration and G-57 customers which meet the volume requirements for service under the G-58 schedule.

Staff proposed the foregoing changes to alleviate the problems described by industrial customers in this proceeding. Some of these same problems were considered before the adoption of the experimental G-58 rate schedule.

PG&E opposed any changes in rules governing the application of the G-58 rate schedule. It is PG&E's policy not to reduce prices when revenue would drop, as reduced contributions to margin by low priority customers must be offset by increased contributions by high priority customers. PG&E presented in rebuttal Exhibits 29 and 33 calculations of the revenue effect of staff proposals to reduce rates or broaden provisions of schedules applicable to low priority customers. PG&E estimated that annual revenues from industrial and steam electric customers would be reduced by $61 million, and that shortfall would be recovered by increased rates for commercial customers (G-2) of $25 million and residential customers of $31 million. While the assumptions made by PG&E concerning the migration of industrial customers to the G-58 schedule are not supported by the record, the calculations indicate the magnitude of the potential revenue shifts resulting from staff proposals.

PG&E strongly opposed the request of U.S. Borax and Food Processors to open Schedule G-58 to customers who have the potential to burn No. 6 fuel oil, but who have not actually installed No. 6 fuel oil capability on the basis that No. 6 fuel oil is not the customers' true alternate fuel and thus such customers do not require as low a rate to continue to burn gas; and that such proposals would cause a revenue loss from industrial customers without producing any offsetting benefits to other customers.

TURN believes that the G-58 rate should have been raised in accordance with the indexing formula as the initial rate was referenced to the prevailing oil price current at the time of D.82-12-111 rather than the price current on the effective date of the tariff, as contended by PG&E. To remove any further ambiguity, TURN proposed the following ordering paragraph:

> "The G-58 rate shall be set at 46 cents per therm, unless the average of the high and low Platt's prices for No. 6 fuel oil for the first trading day of the month in which these rates become effective differs from the base price of $25.75 per barrel by more than 2.5 percent. In that event, the G-58 rate shall equal the ratio of the current price to the base price, multiplied by 46 cents per therm."

Schedule G-59

In Resolution G-2544, we authorized PG&E to implement an experimental gas Schedule G-59 for gas service to secondary oil recovery facilities which use crude oil as the alternate fuel. The G-59 rate is established monthly based on bids by the customers above a minimum level designated by PG&E. Service under this new rate schedule reflects PG&E's estimates of accepted bids and G-59 sales for the forecast period consistent with Resolution G-2544.

Rate Design Guidelines Adopted
In A.82-12-48

The decision issued in A.82-12-48 contains the rate design guidelines which are to be followed in the proceeding.

The following summarizes the general gas rate guidelines pertinent to this decision:

1. Baseline quantities will be implemented May 16, 1984. Thus, lifeline quantities will be used for this application.

2. Residential rates will be constructed a two tier system in place of the current three tier system.

3. The rates resulting from the application of the guidelines will produce total effective rates rather than preliminary rates to which are added the RCS, CFA, SFA, and GEDA revenues, as we had done in the past.

4. The rate setting utility concept shall be applied to resale rates. Thus, Palo Alto and Coalinga shall be assessed the same resale rate as CP National and Southwest Gas Corporation, including all add-ons, and none of the resale rates shall exceed 85% of PG&E's system average rate.

5. Rates set on marginal cost concepts:

   a. The lowest rate should not be less than 39.9 cents/therm. (Marginal operating cost of 35.62 cents/therm plus 12% premium.)

   b. PG&E's alternate fuel price is 48 cents/therm (spot market price).

   c. The system average rate is 54.223 cents/therm.

d. The G-50 and G-58 rates are set in this proceeding.

e. The G-55 rate (PG&E thermal plant rate) and the G-57 rate (Edison thermal plant rate) should be set at PG&E's contract fuel oil price (53.948 cents/therm).

f. The G-52 rate is canceled and customers formerly on the G-52 schedule are eligible for either a new bifurcated G-50 schedule or a G-58 schedule.

The specific guidelines set forth in the decision in A.82-12-48 are as follows:

Step 1. Adopt a sales profile, marginal cost (alternate fuel oil price), marginal operating cost (swing fuel), revenue requirement and system average rate.

Step 2. Calculate resale rates and associated revenue requirement.

Step 3. Calculate the indexed rates and revenue requirement (G-50, G-58, and G-59).

Step 4. Set the G-55 and G-57 rates equal to PG&E's contract fuel oil price (53.948 cents/therm).

Step 5. Increase the average G-1 and G-2 by equal cents/therm until the revenue requirement is reached.

Discussion

The objectives of the PG&E and staff proposals in this proceeding for Schedule G-50, G-55, G-57, and G-58 are essentially the same, that is, to prevent further fuel switching by customers with alternate fuel capabilities. PG&E's view is that the rate design for P-3 through P-5 customers should maximize PG&E's revenues. Thus, PG&E does not attempt to avoid all fuel switching in its proposed rate design. It believes that rates set so low as to retain all present P-3 through P-5 customers on its system may unnecessarily lower overall revenues, thus shifting a maximum revenue burden on P-1 and P-2 customers. TURN, which is primarily concerned with rates for residential customers, supports PG&E's rate design concepts.

Staff, on the other hand, proposes rates which are designed to retain the maximum number of P-1 through P-5 customers on PG&E's system. These proposals shift an estimated $40 million or more annually from P-3 through P-5 customers to residential and small commercial customers. We cannot accept the staff's rate design in concept, as we do not believe the associated revenue shifts are reasonable, desirable, or necessary.

We should not attempt to refine our rate design guidelines to meet the needs or requirements of individual industrial customers such as U.S. Borax, Glass Containers, or UC. We cannot find reasonable on this record the sweeping changes proposed in the rules governing the G-58 schedule which would open that schedule to customers who do not have the true capability to burn No. 6 fuel oil should an actual curtailment occur.

G-50 Schedule

We concur in PG&E's recommendation that Schedule G-50 rates should be indexed. With the rapid changes in oil prices within each GAC period, indexing will maintain G-50 gas rates as close as possible to alternate fuel prices in order to avoid further fuel switching by P-3 and P-4 customers. We also concur in the staff's proposal for a two-tiered G-50 schedule. With the cancellation of Schedule G-52, a two-tiered Schedule G-50 will provide rates more closely related to alternate fuel costs than a single-tiered rate structure. The staff's proposed breakpoint between tiers of 100,000 therms per month appears reasonable and will be adopted. The second tier will be indexed to the cost of HSFO in the same manner as the present G-52 rate and first tier will be maintained at a level three cents/therm higher. This will restore the former differential between distillate and HSFO in Schedules G-50 and G-52.

Questions were raised concerning the adequacy of Platt's oilgram to produce accurate assessments of the costs of alternate fuels, considering that PG&E's customer surveys indicated that large customers could purchase fuel oil in the spot market at prices lower than shown in Platt's. While Platt's may not precisely measure California fuel oil prices, it accurately reflects the changes in fuel oil prices from one period to another. In this decision, we are moving from fixed P-3 and P-4 rates directly related to Platt's oilgram data, to P-3 and P-4 rates which are indexed to Platt's. The initial rate for each indexed schedule should accurately reflect current price of alternate fuel oil. In setting P-3 and P-4 rates in this decision, we will look beyond Platt's oilgram to other data in the record to assure an accurate assessment of the initially established levels of P-3 and P-4 rates.

Based on the costs of alternate fuel in this record, we conclude that an initial G-50 first-tier rate of 57.041 cents/therm and a second-tier rate of 54.041 cents/therm will be reasonable and consistent with the discussion in the decision in A.82-12-48.

Utility Thermal Generation Rates

In accordance with the specific guidelines in A.82-12-48, the Schedule G-55 and Schedule G-57 rates are set at PG&E's contract fuel price of 53.948 cents/therm.

G-58 Rate Schedule

The G-58 schedule is an experimental rate designed to reduce fuel shifting by major industrial customers. The eligibility rules were designed to restrict the schedule to customers having actual rather than potential capability to burn No. 6 fuel oil. The proposals to modify Schedule G-58 would liberalize the rules so that customers without the actual capability of burning No. 6 fuel oil would be eligible. Similarly, minimum charge provisions would be relaxed to the extent that eligibility would be extended to smaller customers (1) who may not be able to purchase fuel oil at prices available to larger customers, (2) who have less economic incentive to fuel switch, and (3) who may not have the long-term capability to burn fuel oil instead of gas. It does not appear necessary on this record that the G-58 rate must be extended to the latter group of customers to retain them on PG&E's system. The proposed amendments to Schedule G-58 would be contrary to the intended purposes for which the experimental schedule was established.

However, the primary reason for rejecting the proposed amendments to Schedule G-58 is the large revenue shift from P-3 and P-4 industrial customers to residential and commercial customers.

We do not believe the revenue shift would be reasonable or appropriate under circumstances now existing. Therefore, the proposed amendments to Schedule G-58 will not be adopted. U.S. Borax indicated that it is prepared to take the steps necessary to establish eligibility for Schedule G-58. While this would require U.S. Borax to invest in No. 6 fuel facilities which would not otherwise be necessary, we cannot make an exception to the tariff rule for the benefit of one customer, nor should we relax the rule solely to accommodate U.S. Borax. U.S. Borax indicated on the record that it could purchase HSFO at a cost below the G-58 rate, and probably would burn HSFO should the necessary facilities be installed. Thus, gas at the G-58 rate would not be U.S. Borax's true alternate fuel when it actually achieves the ability to burn HSFO.

Proposed rule changes in the G-58 schedule involving curtailments do not appear necessary at this time as PG&E and our staff predict no supply or economic curtailments in the forecast period.

PG&E was directed in D.83-06-004 to report on the effect of G-58 rate on G-50 customers. PG&E made no comprehensive report because this GAC application followed closely the filing date of the G-58 tariff, and it had little experience under Schedule G-58. PG&E testified that it expected substantially more response to Schedule G-58 than the 22 customers served under that schedule in September, 1983. Parties urged that PG&E be directed to make the comprehensive report in its next GAC. PG&E concurred in that request if no substantial changes are made in the G-58 schedule in this proceeding. As we are not at this time adopting any major changes in the schedule, PG&E will be directed to make its comprehensive report in its next GAC filing. We will require PG&E to provide at the time of its next GAC filing.

1. Alternative rate schedules designed for customers who have left or may leave the system. This should include, but is not limited to, additional tier or tiers or changes in existing tiers for G-50, G-58, or some new schedule.

2. A 12-month-ending bill frequency analysis for all industrial customers, which will be revised every six months.

3. An analysis of 24-month of recorded data by each commercial rate schedule.

4. The estimated number of customers and sales by month for G-58 and alternate proposed commercial schedules.

Our staff is directed to analyze the above data and prepare alternative rate proposals for presentation in PG&E's next GAC.

We believe there are at least four viable alternatives which were not fully explored in this proceeding to the present G-58 Schedule for large customers who do not have the capability of burning No. 6 fuel oil.

1. Open Schedule G-58 as proposed by staff.
2. Open Schedule G-58 and change the minimum takes or create one or more additional tiers or some combination of these.
3. Create a new schedule for large volume users who do not have the capability of burning No. 6 fuel oil.
4. Create an additional tier for Schedule G-50.

We are concerned that the record before us does not provide sufficient data to analyze the extent of the possible revenue shifts associated with the adoption of any of the above alternatives. We wish to explore this issue now, rather than deferring it to PG&E's August GAC proceeding. Therefore we will set hearings within the next month or so to undertake this review.

TURN's request that we clarify the reference point fuel oil price for changes in the G-58 rate is reasonable and will be adopted.

Schedule G-59 and resale Schedules G-60 through G-63 were not in dispute. PG&E's proposals with respect to its G-59 Schedule will be adopted. Resale rates will be computed in accordance with the guidelines adopted in the general rate proceeding.

<u>Adopted Revenue Requirement and Rates</u>

The specific revenue requirement which we find reasonable for the purposes of this proceeding is set forth in Table 3. The table includes the 1984 test year base cost amount adopted in A.82-12-48. Table 4 sets forth the specific rates designed to recover that revenue requirement.

TABLE NO 3

PACIFIC GAS AND ELECTRIC COMPANY

GAS DEPARTMENT

RATES EFFECTIVE JAN 1, 1984

GAC REVENUE REQUIREMENT
(12-MONTH AMORTIZATION PERIOD)

Line No.	Item	M$
1	Current Cost of Purchased Gas	3112986
2	Plus Gas Cost Balancing Account	226345
3	Plus: Carrying Cost of Prepaid Gas	9410
4	Subtotal	3348741
5	Plus: Adjmt for Fran. & Uncol Acct Exp @ .739 %	24747
6	Plus Base Cost Amount (Includes Test Year 1984)	897287
7	Subtotal	4270775
8	Less: Base & GAC Revenue @ Present Rates (1)	4209413
9	Difference	61362
10	Plus Present Revenue @ Tariff Rates (2)	4311969
11	GAC Revenue Requirement	4373331

(1) Excludes GEDA, CFA, RCS, & SFA Revenues; Includes Returned Check Revenue

(2) Current Effective Commodity Rates Plus $1580000 For Conservation Adjustment

Based on the above data, the resale rate is:

Base Amount	.03332 $/th
Gas Cost	.38726 $/th
GEDA Rate	.00517 $/th
Total Rate	.42575 $/th

TABLE NO 4

PACIFIC GAS AND ELECTRIC COMPANY

GAS DEPARTMENT

RATES EFFECTIVE JAN 1, 1984

SUMMARY OF RATES AND REVENUES (1)

WITH TEST YEAR 1984 BASE COST AMOUNT

Line No	Classification	Sales (Mth)	Present Rates ($/therm)	Present Revenues (M$)	Adjustment ($/therm)	Adopted Rates ($/therm)	Adopted Revenues (M$)	Increase (%)
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
	Residential (2)							
1	Tier I (Lifeline)	1563733	.44356	693610	.01734	.4609	720725	3.91
2	Tier II (3)	466475	.75153	350572	.0421	.79363	370210	5.60
3	Total Residential	2030263	.51432	1044182	.02303	.53735	1090935	4.48
	Nonresidential							
4	G-2	1409090	.60601	853740	.02722	.63323	892096	4.48
5	G-50 Block 1 (4)	394239	.5755	226884	-.00509	.57041	224877	
6	" Block 2 (4)	515501	.57648	297176	-.03607	.54041	278581	
7	" Total	909740	.57605	524060		.55341	503458	-3.93
8	G-55A	97340	.53948	52512	0	.53948	52512	.00
9	G-55	2448360	.53948	1320841	0	.53948	1320841	.00
10	G-57	75150	.53948	40541	0	.53948	40541	.00
11	G-58	389400	.46	179124	0	.46	179124	.00
12	G-59	624290	.41	255958	0	.41	255958	.00
13	Total Nonresidential	5953370	.54251	3229776		.54549	3247530	.55
	Resale							
14	G-60 (Palo Alto)	32760	.46199	15134	-.03624	.42575	13947	-7.84
15	G-61 (Coalinga)	2440	.43999	1073	-.01423	.42575	1038	-3.26
16	G-62,G-63 (CPN & SWG)	46690	.43317	20224	-.00742	.42575	19878	-1.71
17	Total Resale	81890		36431			34863	
18	Total Sales	8065473	.53442	4310399		.54223	4373325	1.46

NOTES

(1) Includes RCS, CFA, SFA, and EEDA revenues
(2) Residential sales discounted for G-10, GS, and GT discounts of 19470 Mth
(3) Composite rate shown for present rates due to combining Tiers II & III
(4) Composite rate shown for present rates due to combining Schedules G-50 & G-52

Findings of Fact

1. PG&E requests authority to decrease its gas revenues by about 0.3% or approximately $13.2 million annually under its GAC.

2. PG&E's estimates of sales and gas takes for the 12-month forecast period commencing October 1, 1983 are reasonable.

3. The adopted estimates of gas costs for the forecast period are reasonable.

4. The present formula for sequencing El Paso gas versus California Gas is reasonable and should be retained.

5. The revision in PG&E's G-50 schedule which will establish a two-tier rate system and will vary the G-50 rate based on changes in HSFO fuel oil prices will be reasonable in view of the cancellation of Schedule G-52.

6. The proposed revisions to PG&E's G-57 schedule will not result in sufficient additional sales of gas to Edison's Coolwater plant to offset losses to margin.

7. PG&E's experimental G-58 schedule should continue to apply only to large volume customers who have the true capacity to burn No. 6 fuel oil on a continuing basis.

8. Proposed changes to Schedule G-58 have not been shown to be reasonable on this record. Further hearings should be held as indicated in the opinion.

9. The price of alternate fuels have not materially changed from the last proceeding (D.83-06-007).

10. The second-tier Schedule G-50 rate applicable to monthly usage above 100,000 therms shall be set at 54.041 cents/therm unless the high Platt's prices for San Francisco-East Bay low sulfur No. 6 fuel oil for the first trading day of the month in which these rates become effective differs from the base price of $30.62 per barrel by more than 2.5%. In that event, the second-tier G-50 rate shall equal the ratio of the current price to the base price, multiplied by 54.041 cents/therm. The first-tier G-50 rate shall be maintained at a level three cents/therm higher than the second-tier rate.

11. The G-58 rate shall be set at 46 cents/therm, unless the average of the high and low Platt's prices for No. 6 fuel oil for the first trading day of the month in which these rates become effective differs from the base price of $25.75 per barrel by more than 2.5%. In that event, the G-58 rate shall equal the ratio of the current price to the base price, multiplied by 46 cents/therm.

12. No change should be made in rate schedules for P-5 customers, which are tied to alternate fuel prices.

13. It is reasonable and consistent to revise the balance of PG&E's gas rates using the rate design methods described in the decision issued in A.82-12-48.

Conclusions of Law

1. The gas revenue requirement set forth in Table 2 (a reduction of $15,977,000) for the 12-month forecast period beginning October 1, 1983 and the associate rates set forth in Table 4 are reasonable and justified.

2. PG&E should be authorized to revise its gas rates as set forth in Table 3, effective as provided in the decision issued in A.82-12-48.

3. The appropriate rate levels of experimental Schedules G-58 and G-59 should be reviewed in PG&E's August 1, 1984 proceeding.

4. PG&E should complete its investigation of the effect of its G-58 rate on G-50 customers and should present its report and recommendations in its next GAC filing.

5. This order should become effective on the date of issuance so that the revised rates may be published to become effective concurrently with rates established pursuant to the decision issued in A.82-12-48.

6. Food Processor's request for retroactive rate relief is contrary to our balancing account rate-making procedures and would constitute a violation of Section 532 of the PU Code. Such relief should be denied.

INTERIM ORDER

IT IS ORDERED that:

1. Five days after the effective date of this order, Pacific Gas and Electric Company is authorized to file revised gas tariff schedules reflecting the rates shown in this decision and cancel its presently effective schedules. The revised tariff schedules shall become effective when filed, but not earlier than January 1, 1984. The revised schedules apply only to service rendered on or after their effective date and shall comply with G.O. 96-A.

2. Pacific Gas and Electric Company shall investigate the effect of its G-58 rate on G-50 customers and shall present its report and recommendations in its next GAC proceeding.

3. The request of California League of Food Processors for a rebate for food processors for sales occurring from July 25 - October 31, 1983 is denied.

4. This proceeding should remain open for further hearing for the purposes indicated in the opinion.

This order is effective today.

Dated DEC 22 1983, at San Francisco, California.

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

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

Joseph E. Bodovitz

Joseph E. Bodovitz, Executive Director

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