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Decision No. 87998 OCT 12 1977

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Advice Letters Nos. 1053 and 1055 of SOUTHERN CALIFORNIA GAS COMPANY to Increase Revenues to offset Higher Gas Costs Resulting from Increases in the Price of Natural Gas Purchased from TRANSWESTERN PIPELINE COMPANY, EL PASO NATURAL GAS COMPANY and PACIFIC INTERSTATE TRANSMISSION COMPANY.

Application No. 57196
(Filed April 1, 1977;
amended May 2, 1977)

ORDER MODIFYING DECISION NO. 87587
AND DENYING REHEARING

Petitions for rehearing and reconsideration of Decision No. 87587 have been filed by the California Manufacturers Association (CMA) and by General Motors Corporation. Additionally, CMA requests a suspension of the rate increases adopted in that decision and a refund of certain money paid thereunder. A response to these petitions has been filed by Southern California Gas Company (SoCal).

We wish to clarify our rationale in not raising the rates for lifeline quantities at this time. In adopting the rates authorized in Decision No. 87587, we were particularly conscious of the declining availability of natural gas as that fact was so clearly brought out in Case No. 9884 and Case No. 9642. Also we were attempting to make an important first step toward a rate structure which will significantly encourage conservation of a scarce commodity. In deciding not to raise the rates for lifeline quantities at this time we considered it reasonable to conclude that a significant differential between lifeline rates and the inverted rates would tend to encourage conservation by residential customers in the above lifeline blocks. Raising the lifeline rates would tend to diminish that effect.

Moreover, raising lifeline rates in this offset proceeding would require that we balance the revenue effect of that increase by setting lower rates for nonresidential users than those we

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found to be reasonable in light of the critical need to conserve gas. This in turn would work against our conservation goals.

The Commission has carefully considered these petitions and the allegations contained therein and is of the opinion that Decision No. 87587 should be modified but that good cause for rehearing, etc., has not been shown,

therefore,

IT IS ORDERED that Decision No. 87587 is hereby modified to include the following additional findings of fact:

18. Not increasing the rates for lifeline quantities at this time will enhance the conservation effect of an inverted rate structure for residential customers.
19. A rate design which assesses higher rates to SoCal's residential customers for larger quantities used (inverted rates) will promote the conservation of natural gas.
20. It is reasonable to consider the priorities of use previously assigned by this Commission to SoCal's various classes of customers and promote the conservation of gas by setting higher rates for lower priority customers.

IT IS FURTHER ORDERED that rehearing and reconsideration of Decision No. 87587 as hereinabove modified and suspension of adopted rates and refund of money paid are hereby denied.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 12th day of OCTOBER, 1977.

*We will file a dissent
William S. Jones Jr.
Yunon L. Sturgeon*

Robert B. Linares
President

Richard D. Howell
Clare J. DeWitt
Commissioners

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A. 57124) - D. - PACIFIC GAS & ELECTRIC CO.
A. 57138) - D. - SAN DIEGO GAS & ELECTRIC CO.
A. 57179 - D. - SOUTHERN CALIFORNIA GAS CO.
A. 57196 - D. - SOUTHERN CALIFORNIA GAS CO.

DECISIONS RESTRUCTURING PRICES FOR NATURAL GAS --
DENIAL OF REHEARING

COMMISSIONER WILLIAM SYMONS, JR., Dissenting

COMMISSIONER VERNON L. STURGEON, Dissenting

Today the Commission majority passes up the opportunity to retract its rash and destructive action of two months ago. The Commission should reconsider its radical restructuring of gas prices in California. Many observers question whether the state administration has launched into open warfare against the economy of our state. That question presses for an answer.

Those who use energy for production -- the farmer, commercial entrepreneur, manufacturer -- are being penalized unreasonably and arbitrarily by the gas pricing decisions of the California Public Utilities Commission. In the decisions appealed to us today the majority mandated that productive use of natural gas would be priced more per unit than even the most wasteful residential use. Rather than put California in the vanguard of "rate reform", such craziness will leave us choking on the dust of departed industry and staggering under the burden of more workers unemployed.

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As petitioners for rehearing point out, no evidence of the economic or social consequences was taken or considered when these three routine gas offset cases were transformed into thunderous decisions in natural gas pricing. Farmers, business and industry have yet to fully assess the disastrous consequences of these changes. Even so, in the next gas offset case (A. 57481 PG&E) these three decisions are quoted by staff in lieu of reasons for more of the same. We are critical of staff in this regard because they are aware that they gave no evidence or studies to support the departure followed in these three cases. Instead, the record shows that staff merely introduced tables of possible rates, together with mathematical consequences of these figures. For all the light such a showing sheds on policy choices, they could have introduced the "multiplication tables".

These words may seem to convey that we are in an agitated state over these decisions -- well we are. When our society's productive efforts are dealt such a blow, without rhyme or reason, it is not in the public interest to be silent.

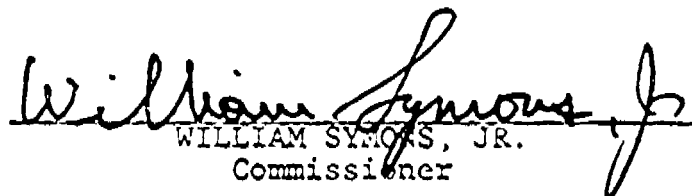
"Conservation" is the word-screen behind which the majority abuses the economy of the state. Assuming (which we do not) that conservation is the supreme task that we should set for society, even that goal has not been pursued with reason. For not one shred of evidence has been introduced on the two factual questions essential to any conservation plan: (1) the elasticity of demand for each user class or (2) how much waste is there and where this


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waste is still occurring. These three decisions have assumed without evidence, that it is not in residential use where big cutbacks in waste can be made, but instead the decisions price gas as if big waste occurs in the productive sectors of the California economy.

"Conservation" is pursued so blindly that it lumps any cutback in usage into the same basket -- be that usage wasteful or be it productive. Conservation pursued so ruthlessly, reveals a "life-raft" mentality which grips certain high-placed officials in California government. A "starvation regime" in energy is being imposed in the state, as if, in the "life-raft" analogy, just enough bread and water were rationed to "make it through" one day to the next. In such a situation the only goal is, for as long a time as possible, to eke out life. Yet, this is a distorted model for everyday life. Our situation is more properly akin to the farm on the mainland. Seed corn, water and energy must be used if we are to multiply our stores of food. Forcing a life-raft lifestyle will bring stagnation and suffering to the people of California. This is a mentality of mismanagement that must be rejected. We should instead pursue a policy which allows management of our resources most consistent with their productive use.

San Francisco, California
October 12, 1977


WILLIAM SYMONS, JR.
Commissioner


VERNON L. STURGEON
Commissioner