

ORIGINAL

Decision No. 88261 DEC 20 1977

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for authority to revise its gas service tariff to offset the effect of increases in the price of gas from Pacific Gas Transmission Company. (Gas)

Application No. 57481
(Filed July 28, 1977)

Malcolm H. Furbush, Robert Ohlbach, Peter W. Hanschen, and Shirley A. Woo, Attorneys at Law, for Pacific Gas and Electric Company, applicant.
Sylvia M. Siegel, for TURN, protestant.
Pettit, Evers & Martin, by Susan Paulus, Attorney at Law, for Owens-Corning Fiberglass Corporation;
Leonard Snaider, Deputy City Attorney, for Thomas M. O'Connor, City Attorney, City and County of San Francisco; Downey, Brand, Seymour & Rohwer, by Philip A. Stohr, Attorney at Law, for General Motors Corporation; Brobeck, Phleger & Harrison, by Gordon E. Davis, and William H. Booth, Attorneys at Law, for California Manufacturers Association; Edward Mrizek, for City of Palo Alto Gas Utility; Glen J. Sullivan, Attorney at Law, for California Farm Bureau Federation; Morrison & Foerster, by James P. Bennett, Attorney at Law, for Kerr-McGee Chemical Corporation; Silver, Rosen, Fischer & Stecher, by John Paul Fischer, Attorney at Law, for City of Palo Alto; and Kenneth M. Robinson, Attorney at Law, for Kaiser Steel Corporation and Kaiser Cement & Gypsum Corporation, interested parties.
Timothy E. Treacy, Attorney at Law, for the Commission staff.

O P I N I O N

By this application, Pacific Gas and Electric Company (PG&E) requests authority to increase its rates and charges for natural gas service to offset increases in expense caused by an increase in the cost of natural gas delivered to PG&E from Pacific

Gas Transmission Company (PGT). The increases in expense result from an order of the National Energy Board of Canada (NEB), approved by the Canadian Government, which increases the border export price of Canadian natural gas from \$1.94 (Canadian) to \$2.16 (United States) per Mcf of 1,000 Btu gas on September 21, 1977. PG&E states that the additional annualized revenue requirement necessary to offset this price including the related impact of franchise payments and uncollectibles is \$75,703,000.

PG&E proposes to place in effect on October 1, 1977 natural gas rates which will offset the increase in the cost of PGT gas which the Federal Power Commission authorized to go into effect on September 21, 1977. PG&E proposes that the increase in gas cost for the period September 21 through September 30, 1977, be accrued in the Gas Cost Balancing Account. PG&E seeks authority to increase all nonlifeline rates by 1.246 cents per therm; however, it also offered two other alternate rate design proposals should the Commission decide that lifeline customers should bear some of the increased cost of gas in this proceeding..

After due notice public hearings in this matter were held in San Francisco on September 14, 15, 19, 20, and 21 before Administrative Law Judge Tomita and the matter submitted on September 28, 1977 upon receipt of filed briefs relating to the use of refunds to partially offset the rate relief requested by PG&E.

Dan Hegler, Forecast Analyst in the Economics and Statistics Department, and J. C. Russell, Jr., Supervising Rate Engineer, testified for PG&E and R. C. Durkin, Supervising Engineer in the Gas Branch, testified for the Commission staff. Sylvia M. Siegel as a witness for TURN presented testimony relating to the Monetary Exchange Adjustment Account (MEAA) and urged that the Commission refund to the customers all monies remaining in such fund and also asked for the elimination of the MEAA.

In September of 1977, PG&E filed Advice Letter No. 938-G, requesting rate increases resulting in a total annual revenue increase of \$4,738,000. This net revenue revision request was due to a combination of rate revisions from the utility's suppliers. On July 26, 1977, the Federal Power Commission approved an El Paso Natural Gas Company (El Paso) rate reduction to PG&E of \$16,191,000 to be effective June 1, 1977. An October 1, 1977 PG&E increase in El Paso's rates increased PG&E's gas cost from El Paso for the 12-month period beginning October 1, 1977, by \$22,902,000; however, since PG&E's rates had not yet reflected the earlier decrease from El Paso, the net revenue requirements for this 12-month period is \$6,711,000 plus \$59,000 for losses and unaccounted for gas making a net revenue requirement due to El Paso rate revisions of \$6,770,000.

On July 8, 1977, in Opinion No. 811, the Federal Power Commission modified a PGT decision by decreasing the overall rate of return from 9.10 percent to 9.10 percent. This resulted in a rate reduction to PG&E of \$2,032,000, effective July 1, 1977.

The net effect of all of these Federal Power Commission actions was to increase PG&E's revenue requirement for the 12-month period beginning October 1, 1977, by \$4,738,000. To reflect these changes, PG&E proposed by Advice Letter No. 938-G to increase all nonlifeline rates by 0.078 cents per therm. The staff presented testimony on this advice letter. We will consider the advice letter along with the application.

PG&E, on December 2, 1977, filed Advice Letter No. 954-G to reduce its rates by 0.652 cents per therm or \$36.9 million annually which reduces the excess credit in the gas balancing account. In addition the evidence (Exhibit 6) shows that the accumulated gas refunds being held by PG&E as of October 1, 1977 were \$52.4 million.

The Issues

1. What sales volumes by classes should be used for the purpose of this proceeding?
2. Should increases be spread to lifeline sales as well as other sales?
3. Should refunds be used to offset a portion of PG&E's requested increase?
4. Should refunds be used to defer PG&E's need for rate relief until June 1978?
5. Is an offset proceeding an appropriate vehicle to consider rate design changes?
6. Does Public Utilities Code Section 454 require PG&E to give written notice to all customers of the filing of this application?
7. Should PG&E be ordered to maintain supplemental records so that there can be comparison billings at authorized rates and rates that would result from an equal cents-per-therm rate increase and also records that will provide sales and revenue distribution data?
8. Should this proceeding be phased authorizing PG&E an interim increase on an equal-cents-per-therm basis with further hearings in December 1977 or January 1978 to consider the proper rate design to be adopted?
9. Should the Commission order immediate refunds on balances in the Monetary Exchange Fund and abandon the usage of the Monetary Exchange Fund?

Commission Staff Position

Staff witness Durkin's Exhibit 5 contained eight alternate rate design proposals for the Commission's consideration (Appendix A). The staff witness made it clear, however, that he

was not recommending any one of the alternatives offered but that he was offering the total package of rate design proposals for the information of the Commission. Although Exhibit 5 presented eight rate design proposals, it may better be summarized as four different rate designs involving two different revenue levels. Tables 3-A through 3-D are designed to produce additional revenues of approximately \$75.7 million, the amount requested by applicant, and Tables 3-E through 3-H are designed to produce additional revenues of approximately \$28 million or \$75.7 million plus the \$22.9 million requested in Advice Letter No. 938-G offset by refunds either collected or anticipated to be collected in the near future plus applicable interest.

Tables 3-A and 3-E, described as the differential offset method, spread the increase to residential nonlifeline customers at a rate 25 percent lower than the increase for commercial and industrial customers. Tables 3-B and 3-F, described as the even-cent steps method, attempt to produce rates for the various residential tiers which will be in even number of cents to the extent possible. Tables 3-C and 3-G spread the increase on an equal percentage basis to all tiers and classes except lifeline. Tables 3-D and 3-H spread the increase to all tiers and classes including lifeline with lifeline receiving 75 percent of the residential nonlifeline increase. In addition, Priorities 1 and 2 for the commercial and industrial class receive the same increase as residential nonlifeline customers and Priorities 3, 4, and 5 receive an increase 25 percent higher than the increase for residential nonlifeline customers.

Although the staff engineering witness did not recommend the adoption of any of the rate designs, the staff counsel recommended

the adoption of the rate structure contained in Table 3-C as such rate structure will preserve the same relationship as the rates adopted by the Commission in Decision No. 87585 on July 12, 1977.

The staff counsel further recommended that PG&E be directed to establish a separate balancing account in which detailed information on any deviations from expected sales volumes and revenues would be maintained in order that the Commission may, in a subsequent decision, take corrective action by adjusting rates one way or another. He also recommended that the utility be required to improve its data retrieval capability to meet the requirements expressed by the staff in the El Paso proceedings regarding revenue and sales distribution data.

Commercial/Industrial Intervenors' Position

The commercial/industrial intervenors objected to the introduction of the staff's report on the following grounds:

- (a) Staff is again recommending a major redesign of rates in an offset proceeding.
- (b) Staff is proposing the use of the balancing account to spread refunds by either reducing the amount of the increase or deferring the increase, and that Case No. 10255 is the proper vehicle to resolve the question as to the proper treatment of refunds.
- (c) Staff did not comply with Rule 68 of the Commission's Rules of Practice and Procedures in failing to distribute its exhibit 10 days prior to the hearing.
- (d) If the Commission is to consider rate design issues, notice should be sent to all PG&E customers by bill inserts that adoption of noncost-related increases are being considered.
- (e) The rate designs adopted in Decision No. 87585 are the subject matter of several petitions for rehearing which have not been acted upon.

Upon the completion of cross-examination of the staff witness, the commercial/industrial intervenors made a motion that additional hearings be scheduled on or after December 15, 1977 to afford them an opportunity to present affirmative or rebuttal evidence. Although the intervenors consider an offset proceeding to be inappropriate for the full blown consideration of rate design issues and that a general rate case would be the proper forum for rate design changes, they contend that the staff's rate design proposals expand the scope of offset proceedings. In proposing the phasing of hearings, intervenors recommend that PG&E be granted an interim increase spreading rates to all classes of customers on an equal cents-per-therm basis.

The motion for additional hearings in December or January was denied by the Administrative Law Judge although he did indicate that he would receive any affirmative evidence by any of the parties if introduced in the present set of hearings. The parties in question as participants in prior gas rate proceedings did receive notice and certainly should have been aware that the Commission does consider rate design changes in an offset proceeding as exemplified by the Commission's actions in Decision No. 87585, an El Paso offset proceeding in which the Commission made major rate design changes.

Notice Requirements

On the issue of individual notices to customers, it is clear under Section 454(a) that an increase passing through to customers only increased costs to the corporation does not require individual notice. Since PG&E seeks nothing more in this application than to recover the increased costs of gas from PGT, it has fully complied with the notice requirements of Public Utilities Code Section 454(a).

Rate Design Changes in an Offset Proceeding

Although the Commission generally agrees that it is desirable to consider major rate design changes in the context of a general rate increase proceeding, there is nothing to preclude the Commission from considering rate design changes in an offset matter when there is a serious need for such change. In Decision No. 87585 involving PG&E's El Paso offset proceeding, the Commission found it to be in the public interest to adopt a conservation effective rate design.

Lifeline Rates

Although PG&E's basic rate design recommendation was to spread the increase to all customers except lifeline on a uniform-cents-per-therm basis, it also offered two alternative rate designs should the Commission decide to increase lifeline rates in this proceeding. PG&E's rate design witness Russell testified that lifeline rates first came into effect on August 1, 1975 by Commission action prior to the implementation of the Lifeline Act which became effective January 1, 1976. Including the increase proposed in this proceeding, the witness testified that average system rates would be 39 percent higher than the average system rate as of January 1, 1976 and 78 percent higher than the average system rate in effect on July 31, 1975, prior to the adoption of lifeline rates. He further testified that he agreed with staff witness Durkin that failure to increase lifeline rates has created rate design problems because alternate fuel costs are either equal to or possibly lower than the cost of natural gas. Both witnesses testified that since a decision in the general rate case could not be expected until the latter half of 1978, the Commission should consider increasing lifeline rates in this proceeding.

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Staff introduced into this proceeding the possible use of gas supplier refunds to offset this increase. This proposal was the subject of extensive argument and briefing by the parties. After due consideration we find that such use is in the public interest. Accordingly, it is not necessary to reach a rate design determination at this time with respect to this increase.

We reach this result in recognition of the repeated and continuing increases in the price of gas by the suppliers. Exhibits 7 and 8 describe refund plans previously authorized by the Commission, any of which would apparently satisfy the requirements of newly enacted Public Utilities Code Section 453.5 (SB 604). The public interest is not served by simultaneously adopting a refund plan and rate increase, resulting in a "wash". Rather, we elect to dispose of the supplier refunds by crediting them to a balancing account in the manner of the recent SDG&E case, Application No. 55627, Decision No. 87636 (July 19, 1977). Section 453.5 does not expressly prohibit such a result. In fact, the statement in Section 2 of SB 604 that it is "a clarification of the law and not a change thereof" supports the conclusion that the legislature intended to allow the Commission to continue to act as it did in Decision No. 87636. ✓

Consequently, it is this Commission's intention to apply such occasional gas supplier refunds as may occur as credits to the balancing accounts set up to account for revenue recovered pursuant to authorized purchased gas adjustment increases. In this regard we deem it appropriate to modify current procedures so as to have such increases put into effect twice annually, rather than as often as the increases occur. PG&E is hereby directed to file tariffs to implement such a procedure whereby such filings will be made concurrently with filings under the Energy Cost Adjustment Clause (ECAC). Such a procedure will avoid an undue number of increases while allowing the Commission more time to consider rate design.

Interdepartmental Sales

There has been expressed repeated concern regarding the rates fixed by this Commission for gas sales to the Electric Department. While this decision does not modify that rate, it is appropriate to make some comments in this regard. The Commission intends that the Priority 5 rate reflect the value of gas in relation to oil, both in terms of heat content and air quality effects. Regardless of variations in oil prices we consider the prices set for such gas to be conclusively reasonable for purposes of ECAC calculations and we expect each electric utility subject to this Commission's jurisdiction to continue to regard gas as a premium fuel.

Supplemental Accounting Records

Staff counsel pointed out the need for PG&E to maintain supplemental accounting records to enable the Commission and applicant to weigh the effectiveness of the rate design changes adopted by the Commission to encourage conservation. PG&E, through its witness Russell, testified that information is being accumulated which would provide such information once an EDP program has been completed. Considering the importance of such data, we will require PG&E to file a report to the Commission staff concerning a plan for implementing the two sets of records requested by the staff to provide revenue and sales distribution data, and records to supplement the balancing account which will show deviations from expected sales volumes and revenues.

Monetary Exchange Adjustment Account (MEAA)

PG&E's witness Hegler testified on the issue raised by TURN relating to the balances in the MEAA. He testified that the Commission by Resolution No. G-2004 authorized PG&E to combine the MEAA with the gas costs balancing account and amortize the gas costs balancing account over a one-year period. The witness further testified that because of the new formula adopted by the NE in which prices are set in terms of U.S. dollars, future entries in the MEAA would not be significant. The staff in its closing statement recommended that TURN's request be denied.

Sales Volumes

Although there was a difference in sales estimates by classes between applicant and staff, the estimates of total company sales were reasonably close. Considering that any differences in sales volumes will be adjusted out in the balancing account we will use the staff's estimate for the purpose of this proceeding.

The representative for the city of San Francisco objected to the use of estimated sales figures in an offset proceeding and argued that the Commission should use the volumes used in the last rate case. The Commission has accepted the use of estimated sales volumes in prior gas offset proceedings in order to use the best information available. Furthermore, any discrepancies between actual and estimated volumes will again be picked up in the balancing account. There is no reason why the Commission should not adhere to its current practice of using this latest sales estimate figure in a gas offset proceeding.

Findings

1. NEB has ordered an increase in the border export price of Canadian natural gas from \$1.94 (Canadian) to \$2.16 (United States) per Mcf of 1,000 Btu gas on September 21, 1977.
2. The Federal Power Commission has authorized PGT to increase its rates to PG&E effective September 21, 1977 to reflect the higher export price of Canadian natural gas.
3. The additional annual revenue requirement necessary to offset this price increase including the related impact of franchise payments and uncollectibles is \$75,703,000 and allows PG&E to maintain its rate of return at 8.35 percent for test year 1976 after adjustments for its gas operations, which is less than the last authorized rate of return of 9.20 percent found reasonable in Decision No. 86281. There is an additional revenue requirement of \$4,730,000 to reflect the net of other out of state rate changes that PG&E filed for in its Advice Letter No. 938-G.
4. The reasonable estimates of PG&E's sales for the 12-month period beginning October 1, 1977 are 761,900 Mdth.
5. The staff proposal to offset or defer the rate increase requested by PG&E by use of supplier refunds in the amount of some \$52.4 million held by PG&E and together with the use of the \$36.9 million credit in the gas balancing account is reasonable and is hereby adopted. The estimated \$8.9 million difference between the increase and the offsets will be reflected in PG&E's balancing account.

6. This is an offset proceeding and PG&E did provide adequate notice as required under Public Utilities Code Section 454(a).

7. Offset proceedings are proper vehicles to consider rate design changes.

8. The staff's request that PG&E be required to maintain supplemental records providing comparison billings and other sales and revenue distribution data is reasonable.

9. The Commission has authorized that the balances accumulated in the MEAAs be merged into the Gas Cost Balancing Account.

10. It is proper to use estimated sales volumes.

11. It is reasonable to use balancing accounts to consolidate purchased gas adjustment proceedings so as to have no more than two such changes each year.

12. The rate set by the Commission for Priority 5 sales is conclusively reasonable in ECAC proceedings.

Conclusions

1. It is reasonable to offset this increase with accumulated refunds from PG&E's suppliers and to forego making a rate design determination in this proceeding.

2. PG&E should be directed to file tariffs to implement a procedure for semi-annual rate revision to recover purchased gas cost changes.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company is directed to file with this Commission revised tariffs in conformity with General Order No. 96-A to implement a procedure for semi-annual recovery of changes in the price of gas, with a balancing account to allow for recovery of changes effective prior to the authorization of revised rates. Filings for such changes shall be scheduled concurrently with ECAC filings.

2. Pacific Gas and Electric Company is authorized to offset its increased purchased gas costs against the approximately \$36.9 million reduction in its gas balancing account and such amounts as are presently recorded on its books as refunds received from El Paso Natural Gas Company pursuant to Federal Power Commission orders in FPC Dockets Nos. KP 72-150, 73-104, 74-57, and 75-39, and Dockets Nos. R-478 and KP 76-59 to the extent necessary. The approximately \$8.9 million difference between the increased purchased gas costs and the offsets shall continue to be recorded on PG&E's balancing account.

3. Pacific Gas and Electric Company shall file with the staff within thirty days a plan of supplementary record keeping which will provide revenue and sales distribution data, and records supplementing the balancing account which will provide information relating to deviations from expected sales volumes and revenues.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 20th
day of DECEMBER, 1977.

*See chart attached
William Lyons, Jr.*

~~I concur in part~~

Robert Batiminski
President

Thomas L. Livingston
Richard D. Throckmold

Commissioners

Commissioner Claire E. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Pacific Gas and Electric Company
Gas DepartmentSummary of Staff Rate Proposals

Total Offset MM\$		75.7	75.7	75.7	75.7	28.0	28.0	28.0	28.0
Method of Spreading	Present	3A	3B	3C	3D	3E	3F	3G	3H
Customer Charge	\$1.20	\$1.20	\$1.20	\$1.20	\$1.26	\$1.20	\$1.20	\$1.20	\$1.22
Tier I	.1417	.1417	.1417	.1417	.1486	.1417	.1417	.1417	.1443
Tier II	.1804	.1910	.1800	.1909	.1897	.1843	.1860	.1843	.1838
Tier III	.1896	.2002	.2000	.2006	.1989	.1935	.1960	.1937	.1930
Tier IV	.2160	.2266	.2200	.2286	.2253	.2199	.2160	.2207	.2194
Tier V	.2190	.2296	.2333	.2317	.2283	.2229	.2240	.2237	.2224
Tier P1, P2	.2190	.2322	.2333	.2317	.2283	.2239	.2240	.2237	.2224
P3, P4, P5	.2290	.2422	.2433	.2423	.2406	.2339	.2340	.2339	.2333
Resale									
Lifeline	.1198	.1198	.1198	.1198	.1267	.1198	.1198	.1198	.1224
Nonlifeline	.1727	.1833	.1824	.1822	.1820	.1766	.1774	.1764	.1766

Note

3A and 3E - Differential Offset Method,
 3B and 3F - Even-Cent Step Method,
 3C and 3G - Equal Percentage Method,
 3D and 3H - Lifeline 75% of Nonlifeline Method,

APPENDIX B

Pacific Gas and Electric Company
Gas DepartmentEstimated Sales and Revenue Increase

<u>Class of Customer</u>	<u>Sales^{b/} MM Therms</u>	<u>Revenue Increase^{a/}</u>	
		<u>\$ M2</u>	<u>%</u>
Residential:			
Tier I (Lifeline)	1,700	16.8	22.3
Tier II	260	2.6	3.4
Tier III	92	0.9	1.2
Tier IV	399	4.0	5.3
Tier V	<u>149</u>	<u>1.5</u>	<u>2.0</u>
Total	2,600	25.8	34.2
Commercial and Industrial:			
Priorities 1 and 2	1,800	17.8	23.6
Priorities 3 and 4	1,520	15.0	19.9
Priority 5	<u>1,593</u>	<u>15.8</u>	<u>21.0</u>
Total	4,913	48.6	64.5
Resale	<u>106</u>	<u>1.0</u>	<u>1.3</u>
Company Total	<u>7,619</u>	<u>75.4</u>	<u>100.0</u>

^{a/} Increase of \$.0099 per therm.^{b/} Staff estimates - Exhibit 5 - Tables 2-A, 2-B.

H-4

A. 57481 - D.

PG&E Refund Decision: Purchased Gas Adjustment Rate Increase

COMMISSIONER WILLIAM SYMONS, JR., Dissenting

Today's order distributes 83% of the \$52.4 million in refunds from El Paso Natural Gas Company. I object to the scheme adopted because under its terms many 1972-1976 California ratepayers, who overpaid in the first place, will never receive their money back. This is contrary to equity, controlling tariffs, and the law. It is the act of a malignant Santa Claus who gives some people gifts which he has taken from other folks by force.

Under today's order \$43.5 million of the refunds will be used to pay for gas in 1978. Given the record of growing curtailment over the past 6 years, paying for future gas with refunds from the past is extremely detrimental to the interest of past substantial users of gas. The majority asserts that a separate refund and increase would be equivalent to their cost offset scheme: "The public interest is not served by simultaneously adopting a refund plan and rate increase, resulting in a 'wash'." (Mimeo, p. 8) This is completely unfounded in the evidence. In fact, exhibits show a potential loss to just three ratepayers -- Flintkote, California Portland Cement Company, and Southwestern Portland Cement Company -- of nearly \$500,000. To me, this is a "wash" only in the sense that some ratepayers are going to be put through the wringer.

Further, it is gross arrogance of the Commission to flout the directives of the Legislature. They expressed themselves this year on the refund question in an urgency statute, Public Utilities Code § 453.5. The Assembly adopted the bill 62 - 8; the Senate by 38 - 0. The Governor signed it into law on September 19, 1977.

It provides:

"453.5. Whenever the commission orders rate refunds to be distributed, the commission shall require public utilities to pay refunds to all current utility customers, and, when practicable, to prior customers, on an equitable pro rata basis without regard as to whether or not the customer is classifiable as a residential or commercial tenant, landlord, homeowner, business, industrial, educational, governmental, non-profit, agricultural, or any other type of entity.

"For the purposes of this section, 'equitable pro rata basis' shall mean in proportion to the amount originally paid for the utility service involved, or in proportion to the amount of such utility service actually received.

"Nothing in this section shall prevent the commission from authorizing refunds to residential and other small customers ~~to-be-based-on-current-usage;-or-to-prevent-the-commission from-adopting-procedures-to-amortize-refunds-similar-to those-used-under-the-commission's-procedures-established for-energy-cost-adjustment-clauses;~~ customers to be based on current usage."

This statute was enacted, as Section 3 attests, "In order that refunds ... be distributed equitably and without delay to all utility customers entitled to refunds ...". The Commission's examination of various proposals to change refunds were known to the Legislature, and it is instructive of the Legislature's intent not to approve of an offset balancing account scheme, that the provision empowering the Commission to adopt procedures "to amortize refunds similar to those used under the Commission's procedures established for energy cost adjustment clauses" was deliberately stricken by amendment. Further, it is specious to argue, as the majority does, that Section 2 of SB 604 (which states that it is "a clarification of the law and not a change thereof") supports the way the Commission acted in Decision No. 87636 (July 19, 1977). That order was issued August 9, 1977, was not final, but was subject to petitions for rehearing during the legislative process. Additionally, the language in Section 2 appeared in the bill as introduced on March 21, 1977.

We should also give due respect to the tariffs which were in effect pursuant to our orders. At all times when gas was sold by PG&E to its customers pursuant to the El Paso offset increases, PG&E's tariff provided specifically:

"(b) Refund of Contingent Offset Increases.

The Company will refund to its customers any refund received from El Paso Natural Gas Co. or Pacific Gas Transmission Co., pursuant to an order of the Federal Power Commission in Dockets listed in (a) above."

Indeed, I see no sound argument compelling today's order. The discussion (mimeo p. 8) makes passing reference to avoiding an "undue number of increases" as well as allowing "more time to consider rate design." The size of today's order, given parallel filings, nets out to \$43.5 million on an annual basis. With a present gross revenue of \$1,584 million, this is not an immense increase, but amounts to 2.7%. A change of this size can be accommodated.

Why the important issue of refund distribution must be handled in this PGA offset case is beyond me. Offsets are a limited type of proceeding. We have instituted a full generic case on this issue (Case No. 10255) and have held hearings up and down the state. After 15 days, Case No. 10255 is on the threshold of producing a decision: opening briefs are in, final briefs are due December 29th. I disagreed with the majority when they decided to totally invert gas pricing in California in an offset case. So here, I consider a decision on the refund question in an offset case to be misleading and to be bad administration of the people's business.

San Francisco, California
December 20, 1977


WILLIAM SYMONS, JR.
Commissioner