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ORIGINAL

Decision No. **88751** APR 19 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of Advice Letter
No. 1092 of SOUTHERN CALIFORNIA
GAS COMPANY to increase revenues
to offset changed gas costs under
its approved PGA procedures
resulting from adjustments in the
price of natural gas purchased
from TRANSWESTERN PIPELINE COMPANY,
EL PASO NATURAL GAS COMPANY, and
PACIFIC INTERSTATE TRANSMISSION
COMPANY.

Application No. 57573
(Filed September 13, 1977)

Les Lo Baugh, Jr., Attorney at Law, for
applicant.

Herman Mulman, for Citizens for Political
Action; and Martin E. Whelan, Jr.,

Attorney at Law, for Tehachapi-Cummings
County Water District; protestants.

Brobeck, Phleger & Harrison, by
Gordon E. Davis, William H. Booth, and
James M. Addams, Attorneys at Law, for
California Manufacturers Association;
Robert W. Russell, by Manuel Kroman,
for Department of Public Utilities &
Transportation, City of Los Angeles;
Bill B. Betz, Attorney at Law, for
Monolith Portland Cement Company;
John Porter, for General Portland, Inc.;
John L. Frogge, Jr., Attorney at Law,
for California Portland Cement Company;
W. E. Emick, Deputy City Attorney, for
City of Long Beach; and Vernon E. Cullum,
for Long Beach Gas Department; interested
parties.

Maxine C. Dremann, Attorney at Law,
Robert C. Durkin, and B. Nagao, for the
Commission staff.

O P I N I O N

Southern California Gas Company (SoCal) seeks authority to increase its rates by an amount sufficient to offset changed gas costs under its approved Purchased Gas Adjustment (PGA) procedures that will result from adjustments in the price of natural gas purchased from El Paso Natural Gas Company (El Paso), Transwestern Pipeline Company (Transwestern), and Pacific Interstate Transmission Company (Pac Interstate) and to restructure its nonresidential rates to reflect the end-use priorities of its customers. PGA filings were made with the Federal Power Commission (FPC) to implement a commodity rate of 109.49¢ per Dth for Transwestern, 121.06¢ per Dth for El Paso, and 167.73¢ per Dth for Pac Interstate, all to become effective October 1, 1977. As of June 30, 1977, SoCal's PGA balancing account, according to the application, reflects unrecovered gas costs including interest, in the amount of \$40,989,200 which, after adjusting for the overcollections for the month of July 1976 in the amount of \$1,049,000, leaves a balance of \$39,940,200. The net effect of the supplier rate changes with the resulting impact on California gas purchases and the unrecovered purchased gas balance is alleged to be \$21,036,000 to be recovered from this proceeding.

After notice, public hearings were held before Administrative Law Judge N. R. Johnson on October 25 and 26, 1977 in Los Angeles, and the matter was submitted upon receipt of concurrent briefs due November 24, 1977. Testimony was presented on behalf of SoCal by its manager of revenue requirements, on behalf of Tehachapi-Cummings Water District (Tehachapi) by its general manager and by its president of the board of directors, on behalf of California Manufacturers Association (CMA), by the president and chief executive officer of Monolith Portland Cement Company, on behalf of General Portland, Inc. (General) by its

bluons compiled tabrocal babrocor and, secondly, side of gabrocora finance manager, and on behalf of the Commission staff by one of its financial examiners and two of its utilities engineers. Commissioner Symons participated in the hearing through examination of SoCal's and one of the staff's witnesses.

Briefs were received on behalf of the city of Long Beach Gas Department (Long Beach), the city of Los Angeles (Los Angeles), Tehachapi, California Portland Cement Company (CPC), CMA, and SoCal. Balancing Account

D.86048 dated June 29, 1976 required SoCal to establish and maintain a balancing account commencing July 1, 1976 showing over- and undercollections of gas costs authorized under the PGA procedure. SoCal was further ordered to include in its regular April and October PGA rate revisions an adjustment to reflect the over- and undercollections of such gas costs for the six-month period ending three months prior to the effective date of the new PGA. D.86048 to show three months preceding

According to the application, SoCal's PGA balancing account reflects unrecovered gas costs including interest in the amount of \$40,989,200 as of June 30, 1977. Ordering Paragraph 2 of D.87587 dated July 12, 1977 on SoCal's previous offset application states: "2. SoCal shall record the July 1976 overcollections of \$1,049,000 in its PGA balancing account." Offsetting the \$40,989,200 by this \$1,049,000 leaves a balance of \$39,940,200.

The Commission staff financial examiner's audit of SoCal's records showed a PGA undercollection of \$8,247,000 for the period July 1976 to December 31, 1976 and an undercollection of \$31,184,000 for the period January 1, 1977 to June 30, 1977, a total of \$39,431,000. The recorded balance for the interest on unrecovered purchased gas costs is \$527,500 as of June 30, 1977.

According to this witness, the recorded interest balance should be reduced \$21,416 to \$506,084 to reflect the interest on the July 1976 overcollection of \$1,049,000. In addition, according to this financial examiner, the purchased gas cost to be recovered should be further reduced by \$2,532,787 to reflect the balance in other deferred credit accounts of Pacific Lighting Service Company (PLS) and SoCal resulting from a 0.375¢ per Mcf fee for gas diverted on an emergency basis to Columbia Gas System by Transwestern and El Paso. The resulting adjusted purchased gas cost to be recovered on these bases is computed to be \$37,404,297 or \$2,535,903 less than claimed by SoCal. SoCal's witness testified that the \$2,532,787 represented additional costs incurred by SoCal from the diversion of gas and included in- and out-of-storage costs and related supplier contract costs. It is axiomatic that such increased costs that are offset by appropriate credits cancel each other and should be reflected as zero balance in the balancing account. The staff financial examiner's recommended balancing account amount of \$37,404,297 will, therefore, be adopted.

Revenue Requirement

According to the record the gas cost changes effective October 1, 1977 for El Paso, Transwestern, and Pac Interstate will lower the average unit cost of gas by 2.9¢ per Mcf. This 2.9¢ per Mcf decrease applied to SoCal's and the staff's estimates of heating value and supply results in a lowered gas purchase cost of \$18.6 million. The inclusion of related reduced uncollectibles and franchise tax results in a total decrease of \$18,889,000 which, applied against the above adopted balancing account undercollection of \$37,404,297, leaves a net revenue requirement of approximately \$18,515,000.

In his testimony relating to the revenue requirement, the staff engineer noted that SoCal was holding some \$75,628,000

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in supplier refunds. He further testified that were this money to be used to offset the PGA increases in lieu of increasing the rates, the refund balances at April 1, 1978 would be approximately \$47,267,000. CPC, CMA, and SoCal argue that such utilization of the refund monies would be contrary to SoCal's tariffs which provide that refunds received from El Paso and PLS will be made to various customer classes in proportion to the contingent offset charges collected during the periods to which the refunds apply, would be contrary to the provisions of Public Utilities Code Section 453.5 added by SB 604 which provides that refunds will be made to all utility customers on an equitable pro rata basis which is stated to mean in proportion to the amount originally paid for the utility service involved, and would be inappropriate at this time because the specific manner in which refunds should be made is presently under consideration in C.10255.

After due consideration, we find that the use of supplier refunds to offset undercollections rather than grant an offset increase at this time is in the public interest. We reach this result in recognition of the repeated and continuing increases in the price of gas by the suppliers and the various 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 PG&E case, A.55627, D.88261 (December 20, 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 D.88261.

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. SoCal should be directed to file tariffs to implement such a procedure. Such a procedure will avoid an undue number of increases while allowing the Commission more time to consider rate design.

After due consideration we find that the use of supplier refunds to offset undercollections rather than grant an offset increase at this time is in the public interest. We reach this result in recognition of the repeated and continuing increases in the price of gas by the suppliers and the various plans previously authorized by the Commission, any of which would apparently satisfy the requirements of newly enacted Public Utilities Code Section 453.2 (2) (a). The public interest is not served by simultaneously adopting a refund plan and rate increases 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

Rate Design

As hereinbefore stated, we have determined not to increase overall gas rates in this proceeding; therefore, we will not make any changes in SoCal's rate design. However, it is appropriate to note and comment on the considerable amount of exhibits and testimony put into the record on the question of gas rate design by the Commission staff and other parties.

A staff engineer presented six alternate designs but did not advocate one over another. Four of the alternates were designed to increase revenues, the other two restructured rates with no revenue increase. As stated, we have decided not to restructure SoCal's rates.

Also, at the request of Commissioner Symons, SoCal was directed to furnish information on "cost-of-service" for individual classes of its gas customers (Exhibit 14). This data was based on a test year 1976 base supply and load equation cost allocation study adjusted to reflect average year conditions for the estimated 12 months beginning June, 1977. CMA and Long Beach used this data to argue for a drastic restructuring of rates.

We note that the method used by SoCal is only one of several methods by which such studies have been prepared in the past and there is no single method which has been accepted above others. This Commission has not, in the past, given special consideration to "cost-of-service" in establishing gas rates and we will not now establish a basis or an accepted method for doing so. As we have often stated, we are faced with the critical need to conserve gas as a diminishing resource and, to the extent that rate design can encourage such conservation, we are committed to restructuring rates toward that goal.

Tehachapi asks that its rates be lowered to the level of the third tier of the residential rates and complained of being billed as a Priority 3, 4 and 5 customer when it is actually a Priority 2 customer. That complaint is now before us in Case No. 10472, Tehachapi-Cummings Water District v. Southern California

Gas Co. and we will not prejudice that matter here. Nor will we, as stated above, change individual rates in this proceeding.

Also, at the request of Commissioner Symons, the staff prepared and submitted considerable data on rates and bills for gas paid by various classes of customers in other states. While such data is of interest, any party who desires that this Commission rely on out-of-state rates as a basis for setting gas rates in California must be prepared to submit a much more detailed analysis of such other rates before their comparability, if any, can be established.

SoCal proposes to offer those customers having multiple priorities of service the option of repiping their plants or entering into contracts providing for the allocation of gas consumption to end-use priorities based on their connected load and curtailment experience during the billing period. This proposal appears reasonable and will be authorized.

We note that the method used by SoCal is only one of several methods by which such studies have been prepared in the past and there is no single method which has been adopted everywhere. This Commission has not, in the past, given special consideration to "cost-of-service" in establishing gas rates and we will not now establish a basis for such studies as a precedent. We are faced with the critical need to conserve gas as a diminishing resource and, to the extent that rate design can encourage such conservation, we are committed to recommending rates toward that goal.

Technical data that has been lowered to the level of the third class of the residential rates and explained of being billed as a Priority 3, 4 and 5 customer when it is actually a Priority 2 customer. That complaint is now before us in Case No. 10-72, Tehachan-California Water District v. Southern California

Findings

1. By letter dated August 31, 1977 Transwestern submitted its regular PGA filing with the FPC, to become effective October 1, 1977, with a commodity rate of 115.81¢ per Dth. On September 9, 1977 Transwestern refiled reducing its commodity rate to 109.49¢ per Dth to become effective October 1, 1977.

2. By letter dated August 31, 1977 El Paso submitted its regular PGA filing with the FPC with a proposed commodity rate of 121.06¢ per Dth to become effective October 1, 1977.

3. By letter dated August 15, 1977 Pac Interstate submitted its regular PGA filing with the FPC with a proposed commodity rate of 167.73¢ per Dth to become effective October 1, 1977.

4. The change in the cost of SoCal's out-of-state gas supplier will result in a related change in the cost of California produced gas.

5. The gross revenue required to offset cost of the gas increase is \$18,515,000 equal to the decreased gas costs of \$18,889,000 plus the undercollection of \$37,404,300.

6. The Purchased Gas Adjustment Balance Account as of June 30, 1977 should be \$37,404,297 consisting of PGA undercollections of \$39,937,084, including interest less other deferred credits totaling \$2,532,787.

7. The staff proposal to offset or defer the rate increase requested by SoCal by use of supplier refunds in the amount of some \$75.6 million held by SoCal is reasonable and is hereby adopted.

8. Such a use of supplier refunds is not prohibited by Public Utilities Code Section 453.5.

9. This is an offset proceeding and SoCal did provide adequate notice as required under Public Utilities Code Section 454(a).

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

11. Existing gas rates should be restructured to reflect end-use priorities as proposed by SoCal. All other rate restructuring should be considered in a general rate proceeding.

12. SoCal's proposal to offer its multiple priority customers the option of repiping their plants or entering into contracts providing for the allocation of gas consumption to end-use priorities based on their connected load and curtailment experience during the billing period is reasonable and should be authorized.

13. The matter of special rates for gas engines used by public agencies should be considered in a general rate proceeding.

Conclusions

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

2. SoCal 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. Southern California Gas 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.

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2. Southern California Gas Company is authorized to record in its gas balancing account refunds received from its suppliers of natural gas, including the approximately \$75.6 million which is presently recorded on its books as refunds received from its suppliers, plus accrued interest, and the similar amount of \$6.3 million of refund and interest recorded on the books of its affiliate, Pacific Lighting Service Company.

The effective date of this order shall be thirty days after the date hereof.

Dated at San Francisco, California, this 19th day of APRIL, 1978.

Robert Batwinich
President

I dissent

Vernon L. Sturgeon

I dissent

William Lyons, Jr.

Richard D. Heath
Clair J. Decker
Commissioners

A. 57573 - D. 88751
Southern California Gas Co.: Rate Increase Application
Re: Price of Purchased Gas

COMMISSIONER WILLIAM SYMONS, JR., Dissenting

I cannot agree with today's decision. The Commission majority refuses to correct the existing malignant rate design. Today's expedient order may well avoid needed rate changes until after the fall elections, but that avoidance comes at too high a price: it robs Peter to pay Paul.

1. The Commission confiscates ratepayers' refunds.

Contrary to law, equity, and controlling tariffs, the Commission withholds refunds from 1972-1976 California gas customers. Under the majority's diversionary scheme, many of these ratepayers, who overpaid during 1972-1976, will never receive their money back. Instead, their money will buy supplies for 1978 customers until the refund account is exhausted. Because of a series of Commission orders on pricing, priorities, curtailments and mandatory development of alternate fuel capabilities, we can identify scores of overpaying customers in the 1972-1976 period who will lose their refunds because they are only standby customers or not customers at all in 1978. For example, protestants Monolith Portland Cement and General Portland Inc. stand to lose \$138,000 between them.

Not only does the Commission ignore equity, the Commission ignores tariffs it has previously approved, and the enactments of the Legislature as well. The Commission first set off on this bold course in Decision 88261 on December 20, 1977 when it diverted refunds returned to PG&E by out-of-state pipeline

companies. Appropriately, the aggrieved parties have appealed that decision to the California Supreme Court. There, as here, the Commission arrogantly seeks to circumvent Public Utilities Code Section 453.5 where the Legislature expressly directed the PUC to refund overpayments to the customers who overpaid in the first place. (See Discussion of this law in Dissenting Opinion to Decision 88261, Application 57481, December 20, 1977.) Like the PG&E case, specific So Cal Gas Co. tariffs on refunds, previously approved by the Commission, are violated by today's Commission order.

2. The Commission fails to correct the existing malignant rate design. The record indicates that the rate design needs changing; the Commission does not serve the public interest when it turns a blind eye to the major problems which have developed in the last nine months.

The majority's response is to try to sweep this issue under the rug. All of the law judge's discussion of the evidence on rate problems was stricken from the majority's decision. Rather than have it disappear down a "1984" memory hole, it is set forth in Attachment "A" hereto. It has an important story to tell.

First, gross injustice has sprung up in the treatment of the sub-classes of customers. This Commission is supposed to prevent discrimination. Questions were asked in this case, and the answers show such a divergence in the rate of return now paid by different classes of customers that the rates must be judged

discriminatory. See the table in Attachment "A", page 1. Residential customers in the Firm General Service category pay no more than 2% rate of return, while the distortion in current rates extracts an 89% rate of return from Regular Interruptible (or Industrial) customers.

Not only are these business rates discriminatory, they are so steep they harm the business climate of California. As the comparison of California rates with rates of 17 selected states in late-filed Exhibit 14 showed, So Cal rates now stand among the highest in the nation in charges to business. At the same time, So Cal rates for residential usage were almost the lowest. Anti-business rate design disadvantages businesses located in California; it also disadvantages the state in competing for new industry and new jobs.

The longer we fail to come to grips with this problem, the longer it will take to recover from the damage the current rate design causes. Time is not on our side. Already we are hearing of additional problems these too-high gas rates cause. The surprise inversion of gas rates (Decision 87587 on July 12th of last year) has left California with business rates that are so high that the utilities report danger from an unexpected quarter. Even though supplies are up, sales are falling. Unexpectedly, the unrealistic rates have created a gas glut! Gas is going unpurchased. Gas is priced so high that large users who are able to switch have gone over to coal or oil which are now cheaper fuels.

The Commission failed to foresee this premature abandonment of our state's gas systems.

This abandonment endangers the financial stability of the utility company because these are the very sales where present rates have heaped all the profit markup. The residential customers, currently enjoying unreasonable subsidies, are in the position of the party at the high end of a teeter-totter. They will come down with a heck of a bang, if the party at the other end drops off. It is to the advantage of all customers to set reasonable rates that keep as many customers on the system sharing the burden of the overhead costs of utility operations. Yet, present harmful rates go uncorrected in today's decision.

3. Prudence advises the Commission to modify unrealistic rates rather than convert refunds. Legal uncertainties concerning (1) the decision that established existing rates, (2) conversion of refunds, and (3) retroactive ratemaking advise us to be more cautious at this juncture.

Three unsettled issues are before the California Supreme Court:

- A. Will the July 12, 1977 gas rate inversion decisions prove invalid? On March 30, 1978 the California Supreme Court filed its Writ of Review and signalled its intentions to examine Decisions Nos. 87585, 87586, 87587. Unlike the record before us today, those rate design decisions are seriously deficient because of inadequacy of notice and evidence.

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B. Is the conversion of refunds illegal? The CPUC's December 20, 1977 Decision 88261 in PG&E's case is under appeal as of last week.

C. What is the new rule on retroactive ratemaking?

We are informed that the California Supreme Court is considering whether to rehear its recent Edison decision, SF 23500.

With so many legal issues up in the air, we should be more cautious in this decision. We should avoid the exhaustion of refunds to pay for 1978 gas. We have a much better record for rate design than we had last summer, as well as a pressing need for corrective rate redesign action now.

San Francisco, California
April 19, 1978

William Simon, Jr.
WILLIAM SIMON, JR.
Commissioner

Attachment "A"

The Administrative Law Judge who conducted the evidentiary hearing in this matter discussed rate design issues raised at the hearing.

Today's Commission majority deleted this information. The stricken language discussing (1) Cost of Service and (2) Comparison of Rates is set forth in full:

"Cost-of-Service

In response to questions by Commissioner Symons, the presiding officer requested SoCal to furnish cost-of-service data as late-filed Exhibit 14. This data was based on a test year 1976 base supply and load equation cost allocation study adjusted to reflect supply and delivery quantities for average year conditions for the estimated 12 months beginning June 1977. Data was available to provide cost and revenue results for the firm general gas service class including residential, commercial, and small industrial customers served under firm rates, the gas engine class, the regular interruptible class, the utility electric generation class, and the wholesale customers, but was not available to provide results for the residential, Priorities 1 through 5, and wholesale customer groups presently reflected in SoCal's tariffs.

The exhibit indicated the following cost-of-service and earned return at presently authorized rates:

<u>Customer Group</u>	<u>c/Mcf^{1/}</u>	<u>Return</u>
Firm General Service	221.8	2.0%
Gas Engine	142.5	57.8
Regular Interruptible	126.5	89.0
Utility Electric Generation	161.7	19.9
City of Long Beach	140.6	18.0
San Diego Gas & Electric Co.	<u>144.0</u>	<u>9.4</u>
Over-all	193.4	6.7

^{1/} Includes 8.8 percent rate of return authorized by D.86595.

This data was utilized as a basis for arguing for the restructuring and drastic modification of existing rates by Long Beach and CMA. Long Beach would have this Commission modify the resale rates to insure that the rates for Long Beach and San Diego Gas & Electric Company (SDG&E) do not recover any amount in excess of the last authorized rate of return of 8.8 percent and CMA would have this Commission return the rate spread to its pre-July 1977 format.

It is noted in the record that the highest unit cost-to-serve is for the firm general gas service customer which includes residential, commercial, and small industrial customers served under firm rates and that the highest priority class, which is the Priority 1 residential, contributes less per unit to the system as contrasted with the lowest priority class which contributes the highest per unit revenue to the system. Such data forms the basis for CMA's argument that there is a very substantial indication that sales to residential customers are not providing any return to the company or are perhaps creating a direct out-of-pocket loss to the company. In this respect, it should be noted that as the supply of gas decreases, the interruptible customer with the high margin of profit will be curtailed to serve the firm customer with the low margin of profit and thereby magnify the effect of declining supplies on revenue requirement.

The cost-of-service data discussed above was based on 1976 test year data updated to the present time. The method utilized in the preparation of the cost study was the base supply and load equation method used by SoCal both for rate and in-house purposes. While this Commission has never adopted any one method of preparing gas cost allocation studies as being superior to all others, it is noted that the results of studies prepared by this method, as well as many others, have been accepted into evidence in past rate proceedings.

Comparison of Rates

As a result of Commissioner Symons' examination of the staff witness, the presiding officer requested the staff to file a late-filed exhibit which would:

- (1) Present a current comparison of rates and customer bills between SoCal and other states involving a representative sample of large industrial, business, and commercial users and a comparison of the average single-family household usage and the lifeline usage in the residential class, and
- (2) Provide a comparison between a theoretical rate structure free of the effects of lifeline with present rates.

Tabulations comparing typical Priority 2A, 3, and 4 customers, as well as lifeline and average residential customers, were prepared for SoCal, the neighboring states of Arizona, Nevada, Oregon, and Washington, the sunbelt states of Florida, Georgia, Louisiana, North Carolina, Oklahoma, Texas, and Utah, and the industrial states of Illinois, Indiana, Michigan, New Jersey, New York, Ohio, and Pennsylvania.

From these tabulations the staff concluded that:

- (1) There appears to be a positive correlation between distance from the source of supply and higher rates, and (2) categorization based on cents per therm and/or total bill size considerations would probably better reflect the options available to private industry customers than the neighboring, sunbelt, and industrial state categories utilized in the tabulations.

CMA stated its belief that the states selected in the tabulations offer a fair cross section of rate jurisdictions in the country and notes that rates for natural gas appear to vary a great deal across the country depending in large part upon proximity to producing fields and the availability of regulated interstate gas. CMA further notes that SoCal's commercial and industrial rates are among the highest whereas its residential rates are among the lowest. Those states that have higher industrial rates than California are either served relatively higher-priced Canadian gas or are at the tail end of very long

interstate pipeline thousands of miles from the producing areas. CMA's analysis of the tabulations indicated that in all states compared, except California and Louisiana, the residential rates are higher than all categories of nonresidential rates as contrasted to SoCal's residential rates that range from 13 to 20 percent lower than corresponding commercial and industrial rates. CMA argues that this relationship between residential and nonresidential rates illustrates the disparity between the natural gas rate structure used in California and other states and points out the economic burden being placed on SoCal's nonresidential customers, particularly its customers who must compete with companies whose manufacturing facilities are located in other states. CMA urges the Commission to begin to reduce this disparity and put California commerce and industry on an equal footing with its competitors.

The staff developed a theoretical rate free of the effects of lifeline by reallocating PGA, gas exploration and development adjustment (GEDA), and general rate increases subsequent to January 1, 1975. The PGA and GEDA increases were reallocated on a system average equal cents per therm basis and the general increases were apportioned with (a) all residential rates assigned a percentage increase equal to the system average increase, and (b) all residential rates assigned a percentage increase equal to that given nonlifeline residential rates. The crossover point at which equal bills would be rendered for equal quantities of gas is 1,233 therms for the first method (with 99.99 percent of residential bills using less than this amount) and 833 therms for the latter method (with 99.98 percent of the residential bills using less than this amount). With such a small percentage of customers having consumption in excess of these crossover points, CMA argues that it is preposterous to claim that existing lifeline rates will be conducive of residential conservation."