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Decision No. 90869 OCT 10 1979 ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY for Authority to Increase its Electric Rates and Charges in Accordance with the Energy Cost Adjustment Clause Included in its Electric Tariff. (Electric)	Application No. 58891 (Filed May 25, 1979)
Application of PACIFIC GAS AND ELECTRIC COMPANY for Authority to Reduce its Electric Rates and Charges under the Energy Cost Adjustment Clause Included in its Electric Tariff. (Electric)	Application No. 58468 (Filed November 16, 1978)

Malcolm H. Furbush and Bernard J. Della Santa, Attorneys at Law, for Pacific Gas and Electric Company, applicant.
Robert E. Burt, for California Manufacturers Association; Richard L. Jensen, for Southern California Edison Company; and Harry K. Winters, for University of California; interested parties.
Elinore C. Morgan, Attorney at Law, for the Commission staff.

O P I N I O N

In Application No. 58891, Pacific Gas and Electric Company (PG&E) proposes to increase effective July 1, 1979, its electric rates and charges under the Energy Cost Adjustment Clause (ECAC) set forth in its electric tariff. The rates proposed in the application would increase PG&E's electric revenues about 6.6 percent or $131 million for the 12-month period July 1, 1979 through June 30, 1980.

Ex parte Interim Decision No. 89916 dated January 30, 1979 in Application No. 58468 reduced PG&E's electric revenues by 6.6 percent, or $143.55 million for the calendar year 1979. The Commission staff recommended a reduction of $5.2 million greater than that proposed by PG&E.

Application No. 58468 was held open for the receipt of evidence with respect to the Commission staff recommendation which would have excluded from ECAC all underlift payments made by PG&E to its oil suppliers.

Applications Nos. 58891 and 58468 were consolidated for hearing. Public hearing was held before Administrative Law Judge Mallory in San Francisco on August 20, 1979 and the matters were submitted.

Evidence in these proceedings was presented on behalf of applicant, the Commission's Revenue Requirements and Utilities Divisions, Kevin Armstrong (an individual), and California Manufacturers Association (CMA).

Application No. 58891

The ECAC adjustment which PG&E proposes herein is composed of two elements: (1) the Offset Rate has been increased to reflect PG&E's current energy costs as defined under the ECAC, based upon the 12-month recorded period ended March 31, 1979, and (2) the Balancing Rate has been increased to reflect an increase in the balance in the Energy Cost Adjustment account. In addition, PG&E proposes to revise the Preliminary Statement in its tariff to include an allowance in the ECAC for amounts paid to others for the transmission of purchased power but not otherwise reflected in rates.

The proposed energy cost adjustment is a result of increases in fossil fuel use and in the cost of fuel oil. During the previous record period ended October 31, 1978, PG&E's hydroelectric production plus purchased hydroelectric power was significantly above normal. ECAC rate reductions totaling $616 million annually reflecting the increase in hydroelectric availability were authorized by this Commission between January 1, 1978 and February 2, 1979. The most recent reduction was authorized in Decision No. 89916 which decreased rates by $143.55 million for the year 1979. The record period in the present application encompasses the 12 months ended March 31, 1979. While hydroelectric production remained at a relatively high rate during this period, power available for purchase declined while PG&E's sales increased. As a result PG&E was required to use greater amounts of fossil fuel for its generation requirements. In comparing the current record period with the previous record period ended October 31, 1978, the Current Cost of Fuel and Purchased Energy has increased 9.2 percent. Part of the increase is due to a 2.5 percent increase in sales. The balance of the increase is due to increases in the cost of fossil fuels.

The specific rate proposals of PG&E set forth in its application were revised to conform to the staff recommendations included in the report in Exhibit No. 5.

The staff accountant testified that PG&E is currently including in its ECAC revenue deficiencies relating to sales to the Department of Water Resources (DWR) in excess of purchases from the DWR. This procedure has been specifically rejected by Decision No. 85731. dated April 27, 1976 in Case No. 9886, filed March 18, 1975. In that decision, the Commission authorized PG&E to deduct DWR sales from total kWh sales only to the extent that such sales did not exceed purchases. That treatment was reaffirmed in Decision No. 90404 dated June 5, 1979 in San Diego Gas & Electric Company's Application No. 58263; which also established that a general rate proceeding is the proper ratemaking forum to consider DWR sales in excess of purchases. Due to PG&E's treatment of DWR sales in excess of purchases, its ECAC balancing account overcollection balance of $16,509,000 at March 31, 1979, is understated by approximately $2,846,000.

The staff accountant recommended that PG&E be directed to exclude from its ECAC recovery losses arising from expenses for sales to DWR in excess of purchases from DWR, and include these deficiencies for consideration in the pending general rate proceeding. The overcollection balance in PG&E's ECAC balancing account at March 31, 1979, should be increased by $2,846,000 to properly reflect the elimination of DWR sales in excess of purchases for ECAC record period.1/

With respect to PG&E's proposal to revise its Preliminary Statement in this current ECAC proceeding to allow amounts paid to others for the transmission of purchased power not otherwise included in rates (wheeling charges) to be included in ECAC, the staff accountant pointed out that in Decision No. 85731 dated April 27, 1976, we determined that wheeling charges should not be included in ECAC, and that such charges should be considered in a general rate proceeding. This position was reaffirmed by Decision No. 90404 dated June 5, 1979, relating to San Diego Gas & Electric Company's most current ECAC Applications Nos. 57780 filed December 30, 1977, and 58263 filed August 1, 1978.

The staff accountant recommended that PG&E's request to revise its Preliminary Statement to include wheeling charges in its ECAC balancing account should be denied, and that these charges should continue to be considered in general rate proceedings in conformance with the decisions cited above.

PG&E concurred with the staff's recommended treatment of losses resulting from DWR sales, and wheeling charges. PG&E can recover those expenses (to the extent it justifies their reasonableness) in base rates when they are set in the pending general rate proceeding; those expenses are now included in PG&E's existing base rates.

Adopting the staff recommendations results in an increased ECAC revenue requirement of $128,199,000, or an increase of approximately 6.5 percent over present electric service revenues.

<u>Rate Design</u>

The Utilities Division staff and applicant propose that the additional ECAC revenue requirement be recovered by increasing all rates including lifeline rates by a uniform amount. The staff

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1/ ENERGY COST ADJUSTMENT CLAUSE

Balancing Account (Adjusted)
As of March 31, 1979

Overcollected Balance as of March 31, 1979	$16,509,000
<u>Staff Adjustment</u>	
DWR sales in excess of purchases	<u>$ 2,846,000</u>
Adjusted Overcollected Balance as of March 31, 1979	$19,355,000

recommends an increase of 0.232 cents per kWh.[2/]

The application and the staff report state as the rationale for the increase in lifeline rates that Section 739(c) of the Public Utilities Code provides that lifeline rates shall not be increased until the system average rate has increased 25 percent or more over the January 1,1976 level. The PG&E lifeline residential rate has not increased since January 1, 1975. Since January 1, 1976, the system average rate has increased 34 percent(using data for a forward-looking basis). In the opinion of the applicant it is within the discretion of the Commission whether lifeline rates should be raised under these circumstances. No information, other than the above, was offered by applicant or the staff in support of the proposed lifeline increase.

Kevin Armstrong, appearing for himself, pointed out that PG&E lifeline electric rates may be subject to the first increase since their inception as a result of this proceeding; that the record is devoid of any data concerning the need to increase lifeline rates at this time other than the facts stated in the preceding paragraph; and that additional facts should be considered, including the effect of an increase in lifeline rates on conservation, before the Commission increases lifeline rates.

A witness appearing for CMA testified in response to the comments of Mr. Armstrong. The CMA witness referred to Exhibit No.14 in OII 43 (of which official notice is taken) for data concerning conservation. Page 1 of that exhibit shows that in the ECAC period electric sales per residential customer have increased, both on a recorded basis and on a seasonally adjusted basis. The witness concluded from these data that lifeline rates do not necessarily result in lower electrical usage by PG&E's electric customers.

2/ The uniform increase proposed by PG&E in Application No. 58891 is 0.237 cents per kWh.

The witness further testified that the Commission has consistently passed on increased electric generating costs to all classes of customers on a uniform basis; that costs incurred in serving large customers are less than residential, at least in the area of line losses; and that lifeline rates equitably should bear the same increase per kWh as other classes of service.

The following table shows the effect of the increases resulting from the alternative rate design set forth in staff's Exhibit No. 5. Column 1 spreads the rate increase to all classes on a uniform cents per kWh basis. Under Column 2 no increase is made in lifeline rates.[3/]

3/ The amount of increase to be recovered is approximately $128,199,000 annually. The totals in Table 1 differ from this number because of rounding error.

TABLE 1

Class	Column 1 Uniform ¢ per kWh To All Classes Of Service Dollars in Thousands	 Percent Increase	Column 2 Uniform ¢ per kWh To All Classes Except Lifeline Dollars in Thousands	 Percent Increase
Residential (lifeline & nonlifeline)	$ 43,047	8.56	$ 27,158	7.8 *
Small Light and Power	10,646	4.83	12,757	5.8
Medium Light and Power	29,870	5.84	35,792	7.0
Large Light and Power	32,840	7.31	39,351	8.8
Public Authority	1,344	5.33	1,610	6.4
Agricultural	8,610	6.25	10,317	7.5
Street Lighting	1,002	3.62	1,201	4.3
Railway	490	8.34	587	10.0
Interdepartmental	431	5.78	517	6.9
Total Jurisdictional	$128,280	6.48	$129,290	6.5

*nonlifeline only.

The increase in lifeline rates under Column 1 is 8.23 percent. The effect of excluding lifeline rates from the proposed rate increase is to raise rates for all schedules other than residential by an additional one percent on the average.

Application No. 58468

The only issue remaining in Application No. 58468, following issuance of Interim Decision No. 89916, was the staff recommendation that a credit to the balancing account of $5.2 million be made as a result of its proposed exclusion of underlift charges.[4/] However, at the hearing, the staff revised its position with respect to exclusion of underlift charges. Staff's Exhibit No. 5 states as follows:

> "The staff recommends that the underlift charges be allowed in ECAC as long as the price paid by PG&E's gas department to its suppliers plus the underlift charges does not exceed the price of oil. In the event that PG&E were to reject oil when the price of gas plus underlifts exceeds the price of oil, the total cost of energy to PG&E's gas and electric customers as a whole would be higher than if the oil were accepted. In this case, the staff would recommend excluding the net increase in total energy cost from ECAC."

As a basis for the above recommendation, the staff engineer testified as follows. The underlift charges were incurred because PG&E underestimated the amount of natural gas available for boiler fuel, the amount of power available for purchase, and the impact of conservation on the consumption of both electrical energy and gas. The staff believes that PG&E contracts with the oil suppliers are neither unreasonable nor that the underlift charges were incurred imprudently. From the standpoint of PG&E's gas and electric customers as a whole, it was less costly to burn gas and incur underlift charges on oil than to burn oil and reject available

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4/ An underlift charge is essentially a liquidated damages payment to the oil supplier (of a set amount per barrel) for oil not taken at the utility or buyer's option under a long term supply contract.

gas. The staff had planned to exclude underlift charges from ECAC on the theory that including such payments would create a subsidy of PG&E's gas customers by its electric customers. PG&E's electric department purchases gas for boiler fuel from PG&E's gas department on the G-55 schedule. The G-55 rates are set higher than the actual cost of the gas to the gas department. The difference between the price paid by the gas department to its suppliers and the G-55 rate is a profit that serves to reduce the rates charged PG&E's gas customers. This difference is immaterial for those customers who receive both gas and electric service from PG&E, but some customers, for instance, customers in Sacramento who receive electric service from Sacramento Municipal Utility District, receive gas service from PG&E but not electric service. As a result of the profit margin built into the G-55 schedule, Sacramento gas customers enjoy slightly lower rates at the expense of all PG&E electric customers. The Utilities Division staff has decided not to recommend exclusion of the underlift charges from ECAC since the real cause of the subsidy of gas by electric customers is the profit margin built into the G-55 rate and not the underlift charges incurred, and indicated that should the Commission wish to eliminate this subsidy, the G-55 rate could be redesigned.

The staff accountant testified that the Revenue Requirements Division is concerned about the future material impact that Diablo Canyon Nuclear Power Plant may have on underlift charges assuming that plant goes into commercial operation. The staff accountant will evaluate the effect that Diablo Canyon Nuclear Power Plant will have on underlift charges in connection with future ECAC proceedings.

Applicant and other parties of record concur in the staff revised recommendation. As there are no remaining issues to be decided in Application No. 58468, Interim Decision No. 89916 will become the final order in Application No. 58468.

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Discussion

The only remaining issues in these proceedings are related to rate design. The first questions to be discussed are whether and, if so, to what extent the lifeline rates should be increased. Then, if the lifeline rate is not to be increased to the same extent as the system average rate, we must determine how the additional burden should be allocated among other rates.

The Commission has in the past followed the practice in PG&E ECAC proceedings of spreading the rate increase to all customer classes (excluding lifeline) on a uniform cents per kWh basis. Section 739(c), the governing Code section, authorizes the Commission to raise lifeline rates when the system average rate is 25 percent or more above lifeline rates, but does not require that lifeline rates be raised when that 25 percent differential is reached.[5/] The average system rate for PG&E electric service now exceeds the January 1, 1976 level by 34 percent based on the customer sales projected for the twelve months ending June 30, 1980, or 40 percent based on customer sales as determined in the last general rate proceeding.

Lifeline quantities of electric service established by Commission decision at the direction of the Legislature represent the level of service necessary to meet the minimum

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5/ The applicable provisions of Public Utilities Code Section 739 are as follows:

> "(c) The commission shall require that every electrical and gas corporation file a schedule of rates and charges providing lifeline rates. The lifeline rates shall be not greater than the rates in effect on January 1, 1976. The commission shall authorize no increase in the lifeline rates until the average system rate in cents per kilowatt-hour or cents per therm has increased 25 percent or more over the January 1, 1976, level."

essential needs of residential customers for each of several basic types of service. Within those quantities, the demand is generally inelastic, inasmuch as such quantities represent basic or minimal amounts of service. Therefore, we can expect less conservation to be achieved in lifeline blocks than in other residential rate blocks where the demand is considerably more elastic. It has been reasonable from the standpoint of stimulating conservation to increase the rates in nonlifeline blocks, where demand is more elastic, in a greater amount than in lifeline blocks, where demand is less elastic. The higher rates for nonlifeline service should more sharply signal to consumers that they may control increases in their electrical bills by keeping their usage as close as possible to lifeline quantities, thus encouraging conservation by customers who use amounts in excess of basic essential needs. As we have often stated, conservation will reduce the need to construct new sources of power generation which, at today's costs, would require further rate increases.

Therefore, for the purpose of promoting energy conservation by residential customers, it is reasonable to maintain ~~and~~ OR to expand the existing differential between lifeline and nonlifeline residential rates. Such action also will permit us to limit increases in the lifeline rate, thus facilitating continued achievement of the legislative and Commission policy of assuring the availability to residential customers of electric service sufficient to meet their minimum essential needs at an affordable rate.

On the other hand, evidence of record does not indicate that there is no potential whatsoever for energy conservation by customers within the lifeline service block. Nor does it make sense, in an era of general inflation of prices and of income, to freeze even lifeline rates on a permanent basis. The decision whether to order an increase in lifeline rates and, if so, to what extent, should be guided by the need to maintain a reasonable relationship between lifeline rate levels and those of the PG&E system as a whole. In determining what relationship is reasonable, the Commission seeks to achieve consistency among the major electric utilities under its jurisdiction, while yet recognizing unique factors calling for special consideration.

Electric rates have increased at a more rapid pace in PG&E's northern California service area than in southern California, initially because of the recent drought, and further as higher ratios of thermal oil-fired generation have been used. Average rate relationships in effect in July 1979 by customer class based on adjustment of the adopted rate levels and sales for each customer class set forth in each utility's last general rate case and subsequent ECAC charges are as follows (as developed from tariffs and utility monthly statements filed with the Commission, of which we take official notice):

TABLE 2

	Pacific Gas & Electric Co. (a)	Southern California Edison Co. (b)	San Diego Gas & Electric Co. (c)
	(¢/kWh	: Base Rate	+ ECAC)
Residential			
Lifeline (Incl. Cust. Charge)	3.230	4.478	4.725
Nonlifeline	3.790	4.701	6.431
Total	3.504	4.578	5.384
Small Light and Power	4.801	4.879	6.390
Medium Light and Power	3.979	3.872	5.339
Large Light and Power	3.173	3.531	4.954
Agriculture	3.713	4.355	6.002
Average System Rate	3.673	4.404	5.671
Differential Lifeline Rate below Average System Rate	12.06%	-1.68%	16.68%

(a) PG&E rates have increased 41.87% since January 1, 1976.
(b) SCE rates have increased 24.76% since January 1, 1976.
(c) SDG&E rates have increased 35.28% since January 1, 1976.

Based on the volumes adopted in its last general rate case Southern California Edison Company rate increases since January 1, 1976 have not yet brought the average system rate above the lifeline rate. With respect to PG&E, in exercising its ~~descretion~~ discretion in determining relative rate levels, the Commission has permitted increases in nonlifeline rate to reach levels which have resulted in the lifeline rate now being 12.06 percent less than the average system electric rate for PG&E (on an historical basis). For San Diego Gas & Electric Company the lifeline rate is now 16.68 percent below the average system electric rate, following a ten percent increase in San Diego Gas & Electric Company's lifeline electric rate authorized in May 1979 by our Decision No. 90405.

It is reasonable at this time, based on the above comparison of rate relationships of major utilities and the need which we have recognized to provide incentives for conservation of electric energy, to raise PG&E's lifeline rate so that the average system rate will exceed the lifeline rate by a proportion roughly comparable to that now in effect for San Diego Gas & Electric Company. Accordingly, we will authorize an increase in the lifeline rate for PG&E sufficient to set the lifeline rate (including customer charges) at a differential of 16.47 percent below the average system rate (computed on a historical basis). The Commission intends to take a broader look at the proper relationship between lifeline and other rates in the context of future general rate decisions for PG&E and other utilities.

Table 3 compares rate levels in cents per kWh for all classes of service resulting from (a) a uniform increase of .232 cents per kWh for all classes of service (Column 2); (b) no increase in the lifeline rates and a uniform increase to all classes of service, including residential service above lifeline quantities of .278 cents per kWh (Column 4); and (c) an increase in the lifeline rate of .032 cents per kWh to provide a differential of 16.47 percent between the current average system rate and the lifeline rate, and a uniform increase of .272 cents per kWh to all other classes of service (Column 3).

TABLE 3

Pacific Gas & Electric Co.
Average System Rate

	Column 1: * As of 5/15/79 ¢/kWh	Column 2: W/Uniform Increase to All Sales ¢/kWh	Column 3: W/Partial Increase to L.L.Sales ¢/kWh	Column 4: W/No Increase to L.L.Sales ¢/kWh
Residential				
Lifeline	3.230	3.462	3.262	3.230
Nonlifeline	3.790	4.022	4.062	4.068
Total Residential	3.504	3.736	3.653	3.640
Small L & P	4.801	5.033	5.073	5.079
Medium L & P	3.976	4.208	4.248	4.254
Large L & P	3.173	3.405	3.445	3.451
Agricultural	3.713	3.945	3.985	3.991
Average System Rate	3.673	3.905	3.905	3.905
% Lifeline below System	12.06%	11.34%	16.47%	17.29%
% Increase Over 1/1/76 Level (2.589¢/kWh)	41.87%	50.83%	50.83%	50.83%
Included ECAC Increases				
Lifeline Sales	-	.232	.032	-
Nonlifeline Sales	-	.232	.272	.278

* Including Lifeline ECAC element = 1.003¢/kWh; Nonlifeline ECAC element = 1.722¢/kWh plus Tax Cost Adjustment = (.071 ¢/kWh); & saleslevel adopted in Decision No. 89316, A.57284 (PG&E's last general rate case).

It can be seen from Table 3 that a uniform increase to all sales would decrease the spread between the lifeline rate and the average system rate to 11.34 percent, while no increase in the lifeline rate would raise the spread to 17.29 percent. The effect of various intermediate combinations of increases on this spread are shown below:

Proposed Increase		
Lifeline ¢/kWh	Nonlifeline ¢/kWh	% Difference Between System Average Rate & Average Lifeline Rate
0.000	0.278	17.29
0.016	0.275	16.88
0.032	0.272	16.47
0.050	0.268	16.01
0.100	0.258	14.72
0.150	0.248	13.44
0.200	0.238	12.16
0.232	0.232	11.34

Table 3 also demonstrates that even with a slight increase of 0.032 cents per kWh, the lifeline rate will become the lowest PG&E rate, by a significant margin.

We conclude that the differential between the average system rate and the lifeline rate may reasonably be set at 16.47 percent for purposes of this proceeding, and therefore that the lifeline rate for PG&E should be increased by 0.032 cents per kWh.

Having determined to increase the lifeline rate substantially less than we must increase PG&E's average system rate, we are faced with the need to allocate the burden not borne by the lifeline rate among other rate classes. In past ECAC decisions we have allocated this burden along with the ECAC rate increase as a whole on a uniform cents per kWh basis to all nonlifeline customer classes, including the nonlifeline residential class. This policy, together with the gradual elimination of declining block rates in general rate increase proceedings, has brought PG&E's total residential rate substantially below its average system rate, as indicated in column 1 of Table 3.

In consideration of the facts that PG&E's system average rate now exceeds the January 1, 1976 level by more than 25 percent, making possible an increase in the lifeline rate, and that the total rate (lifeline plus nonlifeline) for the residential customer class now is substantially less than the average system rate, it no longer appears appropriate to impose upon other customer classes the burden created by our decision to limit the increase in the lifeline rate to less than that imposed on other classes. Rather, that burden should be borne by residential customers through the nonlifeline residential rate. Therefore we shall set rates so as to provide an increase in the total rate to the residential customer class identical to the increase to be imposed uniformly upon all other classes of customer. The resultant increases, with the 0.032 cents per kWh already decided upon for the lifeline rate, will be 0.408 cents per kWh for the nonlifeline residential rate and 0.232 cents per kWh for all other classes of customer.

Table 4 compares rate levels in cents per kWh for this rate design (column 4) with present rates (column 1), those rates which would result from a uniform increase for all classes of service including lifeline (column 2), and those rates which would result from the adopted increase in lifeline with a uniform increase for all other classes of service (column 3).

TABLE 4

Comparison of Rate Designs

	Column 1	Column 2	Column 3	Column 4
Residential				
Lifeline	3.230	3.462	3.262	3.262
Nonlifeline	3.790	4.022	4.062	4.198
Total Residential	3.504	3.736	3.653	3.736
Small L & P	4.801	5.033	5.073	5.033
Medium L & P	3.976	4.208	4.248	4.208
Large L & P	3.173	3.405	3.445	3.405
Agricultural	3.713	3.945	3.985	3.945
Average System Rate	3.673	3.905	3.905	3.905
% Lifeline below System	12.06%	11.34%	16.47%	16.47%
% Increase Over 1/1/76 Level (2.589¢/kWh)	41.87%	50.83%	50.83%	50.83%
Included ECAC Increases				
Lifeline Sales[a]	-	.232	.032	.032
Nonlifeline Residential Sales	-	.232	.272	.408
Nonresidential Sales	-	.232	.272	.232

This increase in the nonlifeline residential rate is a substantial one, resulting in an overall increase in this rate of slightly more than ten percent, whereas the increase we are authorizing in the lifeline rate is just under one percent and the average system rate increase will be a bit over six percent. The effect will be to increase the residential customer's incentive to keep his electric energy consumption as close as possible to the minimum essential service level defined by the lifeline quantity allowances. The burden of the rate design which we adopt in this proceeding will fall where it should, upon those customers who use disproportionate quantities of electric energy beyond the lifeline allowance and who thereby contribute toward a need for the construction of new, ever more expensive electric generating facilities.

Findings of Fact

1. PG&E seeks in Application No. 58891 an increase in ECAC rates effective July 1, 1979 of .237 cents per kWh applicable to all sales. The revenue increase sought in the application is $131,045,000.

2. A duly noticed hearing in Application No. 58891 was held at which all interested parties had an opportunity to be heard.

3. At the hearing PG&E concurred in staff recommendations concerning the treatment in an ECAC proceeding of: (a) revenue deficiencies relating to sales to the California Department of Water Resources (DWR) in excess of purchases from DWR, and (b) payments to others for the transmission of purchased power not otherwise included in rates (wheeling charges). The resultant additional ECAC revenue requirement in Application No. 58891 is thereby reduced to $128,199,000.

4. The average system rate currently in effect is more than 25 percent above the average system rate in effect on January 1, 1976. Lifeline rates can be increased in this proceeding.

5. Based on estimated customer sales for an ECAC test year ending June 30, 1980, the staff and PG&E recommended that a uniform ECAC billing factor increase of .232 cents per kWh be made to all customer classes.

6. The analysis of the rate differential between system average rates and lifeline rates (including customer charges) now in effect for PG&E and those in effect for other major regulated utilities is set forth in Table 2 in this decision.

7. PG&E's total residential rate, including lifeline and nonlifeline portions, is now significantly less than its average system rate.

8. It is reasonable to establish a differential of 16.47 percent for PG&E in this proceeding between the average system rate and the lifeline rate.

9. The revised ECAC billing factor rates authorized herein will increase lifeline rates sufficiently to establish the lifeline rate at a differential level 16.47 percent below the average system rate.

10. The increased revenue requirement should be distributed on a uniform cents per kWh to all classes of service, including the residential class as a whole (Table 4, Column 4).

11. The above-described rate design will require lifeline customers and the residential customer class as a whole to bear a reasonable proportion of PG&E's additional revenue requirements, will recognize the relative inelasticity of lifeline usage and sales, and will emphasize differences in residential rates above the lifeline level that will promote conservation.

12. It has not been demonstrated by any party that application of a $0.00032 per kWh increase in the lifeline ECAC billing factor as compared to a $0.00408 and a $0.00232 increase to the nonlifeline billing factor for nonlifeline residential and nonresidential customers, respectively, will impair the effectiveness of the lifeline quantity as a conservation incentive (whereby customers who keep their usage within the lifeline quantity or close to it have noticeable lower monthly electric bills than those who do not).

13. The increases in electric rates and charges authorized by this decision are justified and reasonable; the present rates and charges insofar as they differ from those prescribed by this decision are for the future unjust and unreasonable.

14. The rate increase authorized herein is consistent with the President's Voluntary Wage and Price Guidelines.

Conclusions of Law

1. An ECAC increase in rates as set forth in the ensuing order should be authorized.

2. Decision No. 89916 should be adopted as the final order in Application No. 58468 and that proceeding should be terminated.

3. Because the date of July 1, 1979 on which the ECAC rates should have gone into effect pursuant to adopted ECAC procedures has passed, and because there is an immediate need for additional revenues resulting from the authorized increase, the effective date of the order should be the date hereof.

ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company shall file with this Commission within five days after the effective date of this order, in conformity with the provision of General Order No. 96-A, revised tariff schedules with rates, charges, and conditions modified as follows:

> The Energy Cost Adjustment Clause rates are increased from $0.01003 to $0.01035 per kilowatt-hour for all lifeline sales, from $0.01722 to $0.02130 per kilowatt-hour for all nonlifeline residential sales, and from $0.01722 to $0.01954 per kilowatt-hour for all nonresidential sales.

The revised tariff schedule shall be effective on the date of filing.

2. Decision No. 89916 is made final, and the proceeding in Application No. 58468 is terminated.

The effective date of this order is the date hereof.

Dated OCT 10 1979, at San Francisco, California.

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

John E. Bryson
President

Vernon L. Sturgeon

Richard D. Gravelle

Leonard M. Grimes, Jr.
Commissioners