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Decision No. 91225 JAN 8 - 1980

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND
ELECTRIC COMPANY to revise its
gas rates and tariffs under the
Gas Cost Adjustment Clause and
the Supply Adjustment Mechanism
and to change gas rate design.

(Gas)

Application No. 58892

And Related Matters.

Application No. 59045

Application No. 58469

Application No. 58470

Petitions for rehearing of Decision No. 90935 have been filed by California Manufacturers Association, Kerr-McGee Chemical Corporation and General Motors Corporation. Pacific Gas and Electric Company has filed a response, asking that those petitions be denied.

We have carefully considered each and every allegation of error in the petitions and are of the opinion that good cause for granting rehearing has not been shown. However, Decision No. 90935 should be modified to provide findings of fact and conclusions of law on all material issues in the interim phase of these proceedings.

Therefore,

IT IS ORDERED that Decision No. 90935 is hereby modified as follows:

1. Finding 14 is rescinded.
2. Finding 16 is amended to read in full as follows:

"As of January 1, 1980 alternate fuel cost pricing retains benefits to California high priority customers that otherwise may be lost because of federal incremental pricing policies to be implemented under the NGPA."

3. The following new findings are added:

16. (a) Setting rates for G-50, G-52 and G-55 customers at a level near but less than the cost of alternate fuel conforms to the federal policy on gas rate design set forth in Title 2 of the Natural Gas Policy Act of 1978 (NGPA).

16. (b) The rate of 33.00 cents/therm for G-50 customers is close to but less than the price of alternate fuel.

16. (c) The rate of 30.00 cents/therm for G-52, G-55 and G-57 customers is close to but less than the price of alternate fuel.

17. (a) CMA's proposals to increase residential customer charges by 150% and lifeline commodity rates by 47% and 54% are unreasonable because they would effectively negate the stated legislative purpose of Section 739 of the Public Utilities Code that "... [l]ight and heat... must be made available to all people at low cost for basic minimum quantities..." (Warren-Miller Lifeline Act)

17. (b) The Lifeline quantity rates in Appendix B hereto are reasonable because they comply with the legislative purpose of Section 739 as stated in Finding 17 (a) and retain the existing relationship between the lifeline rates and the system average rates.

17. (c) It is reasonable to conclude that residential gas sales in the lifeline allowances will be less elastic as to price than will the non-lifeline sales because those allowances were purposely set to provide only the minimum needs of the average customers for basic uses Public Utilities Code Section 739(a).

18. (a) It is reasonable to set rates for G-50 customers close to but less than the cost of No. 2 fuel oil even though FERC's Rule 51 has delayed use of No. 2 oil prices until November 1, 1980 because this Commission already has a good understanding of the "three-tier approach" and has developed a reporting method for establishing No. 2 fuel prices for ratemaking purposes.

18. (b) Gas rates for low priority customers have traditionally been set at or near the price of alternate fuels rather than on a cost of service basis in recognition of the fact that those customers have the ability to elect which fuel to use.

18. (c) After setting G-50, G-52, G-55 and G-57 rates in accordance with findings 16 (b) and 16 (c) herein, it is reasonable to assess the remaining revenue increase needed on an equal cents per therm basis to the residential class, the G-2 customers and the resale customers because that will retain the existing rate relationship between those classes until the final decision in this proceeding is issued. The adopted rates in Appendix B hereto reflect that policy.

18. (d) In this interim phase we are setting rates which we anticipate will be in effect only a few weeks until the final decision is issued. Further evidence on rate design issues will be heard in the forthcoming hearings. Under these circumstances, it is reasonable to use the existing rate design rather than to make the substantial changes proposed by CMA.

4. The following conclusion of law is added:

5. FERC Rules do not prohibit our setting rates for industrial customers at levels higher than the cost of alternate fuel; nor are we compelled by those rules to exempt certain types of low priority customers from alternate fuel pricing policies.

IT IS FURTHER ORDERED that rehearing of Decision No. 90935
as modified herein is hereby denied.

The effective date of this order is the date hereof.

Dated JAN 8 - 1980, at San Francisco, California.

John E. Guyer

President

Richard W. Howell

David J. Reddy

James M. [unclear]

Commissioners

I dissent

Vernon L. Sturgeon

km

Decision No. 90935 October 23, 1979

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for authority to revise its gas rates and tariffs under the Gas Cost Adjustment Clause and the Supply Adjustment Mechanism and to change gas rate design.

(Gas)

Application No. 58892
(Filed May 25, 1979)

Application of Pacific Gas and Electric Company for authority to revise its gas rates and tariffs under the Gas Cost Adjustment Clause to reflect the effect of an increase in the border export price of Canadian gas.

(Gas)

Application No. 59045
(Filed August 6, 1979)

(Appearances are listed in Appendix A.)

INTERIM OPINION

Pacific Gas and Electric Company (PG&E) requests authority in Application No. 58892 to increase, effective July 1, 1979, its gas rates and charges under the Gas Cost Adjustment Clause (GCAC) and the Supply Adjustment Mechanism (SAM) set forth in PG&E's tariffs. The proposed increase reflects (1) the balance in the Supply Adjustment Account, (2) the effects of differences in SAM current period sales from adopted test year sales on the adopted test year gas margin, as authorized in Decision No. 89316 issued September 6, 1978, (3) the

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balance in the Gas Cost Balance Account (GCBA), and (4) the portion of PG&E's current purchased gas cost expense not recovered in current gas rates.

Approximately 34 percent of PG&E's total natural gas supply comes from El Paso Natural Gas Company (El Paso) whose rates are regulated by the Federal Energy Regulatory Commission (FERC). On June 2, 1979 El Paso's price to PG&E, including the June 1, 1979 general increase, the April 1, 1979 Purchased Gas Adjustment (PGA), the Louisiana First Use Tax Adjustment, and the January 1, 1979 Gas Research Institute (GRI) surcharge, is \$1.79 per decatherm (Dth). PG&E receives approximately 50 percent of its natural gas supply from Pacific Gas Transmission Company (PGT) which obtains virtually all of its gas from Canada. The border export price for the Canadian gas is established by order of the National Energy Board of Canada (NEB). The June 1, 1979 price of PGT Canadian gas to PG&E is \$2.36 per Dth. Each of the above prices are increased over gas prices reflected in PG&E's last GCAC and SAM proceeding (Decision No. 90424 dated June 19, 1979 in Applications Nos. 58469 and 58470). The annual increase initially sought in Application No. 58892 is \$303,200,000.

Application No. 59045 (originally filed as an advice letter filing under paragraph 5 of PG&E's GCAC tariff) seeks an additional revenue increase of \$180,231,000 to offset an increase effective August 11, 1979 of PGT Canadian gas from \$2.30 per million British thermal unit (Btu) to \$2.80 per million Btu.

On July 11, 1979 PG&E filed a petition for an interim order authorizing an immediate increase in rates in Application No. 58892. Applications Nos. 58892 and 59045 were consolidated for hearing. Duly noticed public hearings were held before Administrative Law Judge (ALJ) Mallory in San Francisco on August 16, 17, 23, and 24, 1979. PG&E's request for interim relief was extended to Application No. 59045. The requests for interim relief were submitted on August 24, 1979 subject to the filing of concurrent closing statements on August 31, 1979.

Evidence in the interim phase of the consolidated proceedings was presented on behalf of PG&E, the Commission staff, California Manufacturers Association (CMA), Western Mobile Home Association (WMHA), and California Gas Producers Association. Closing statements were filed by PG&E; the Commission staff; CMA; Kerr-McGee Chemical Corporation, and Amstar Corp, Spreckels Sugar Division (jointly Kerr-McGee); General Motors Corporation (General Motors); and the City and County of San Francisco (San Francisco).

Issues Involved in
Request for Interim Relief

The Commission staff concurred in PG&E's request for interim relief. The staff differs in a small degree with PG&E as to the amount of the GCAC undercollection and in the level of final rates that should be established. PG&E and the staff are in general agreement as to the manner in which rates are to be spread between different classes of customers. In an effort to expedite the proceeding, PG&E and the staff, at the direction of the ALJ, prepared a joint interim rate proposal designed to give effect to the additional revenue requirements calculated by the staff. The joint PG&E and staff rate proposal is opposed by CMA, Kerr-McGee, and General Motors principally on the ground that rates for Priority 3 and 4 (P-3 and P-4) industrial customers subject to Schedules G-50 and G-52 are set on a level reflecting the costs of alternative fuels (fuel oil)^{1/}.

1/ Schedule G-50 is applicable for natural gas service to uses classified in Rule 21 as P-3 and P-4. Schedule G-52 is applicable to natural gas service to uses classified in Rule 21 as P-3 and P-4, for which the alternate fuel is exclusively oil with a viscosity higher than 150 Saybolt Seconds Universal (SSU) at 100°F (commonly referred to as Grade No. 5 and Grade No. 6 fuel oil). Alternative fuel pricing method is also used for Schedule G-55 which is applicable for natural gas service to uses classified in Rule 21 as P-2A and P-5 to steam electric generating plants owned and operated by PG&E; and Schedule G-57 is applicable for natural gas service to uses classified in Rule 21 as P-2A and P-5 utilized for boiler fuel in the steam electric generating plant owned and operated by Southern California Edison Company.

Decision No. 90424, supra, found that for rate design purposes, it is reasonable to base the price for low priority customers on the average price of competing alternate fuel in the absence of compelling evidence that significant demand will be lost resulting in a loss of contribution; that there are many factors besides comparable Btu prices that control the judgment whether to burn gas or oil; and that basing the gas price on the average oil price results in greater stability by not making the price dependent on occasional quirks in the market such as might occur if the price is based on the low or high end of oil price ranges. PG&E was ordered to submit alternate fuel cost reports covering its service area and its interdepartmental operations to the Commission's Gas Branch on a quarterly basis.

Petitions for rehearing of Decision No. 90424 were filed by CMA, General Motors, WMHA, and PG&E. Decision No. 90821 dated September 12, 1979 ordered rehearing of Decision No. 90424 limited to receipt of evidence and argument on the issue of rate design. The rehearing of Decision No. 90424 was consolidated with the further hearings mandated by the California Supreme Court in CMA et al. v CPUC (1979) 24 C 3d 263.^{2/} Hearings in the remanded proceedings have not been set.

Since the record was made in PG&E's last GCAC-SAM proceeding (Decision No. 90424, supra) fuel oil prices (as well as other petroleum product prices) have increased substantially. The result

^{2/} The Supreme Court annulled Decisions Nos. 87585 and 87996 in Applications Nos. 57124 and 57138 which granted PG&E increases in revenue of \$58,000,000 to offset an increase in the cost of purchased gas. The Commission allocated the increase among residential utility users by an inverted rate schedule charging a higher rate for increased consumption to further conservation goals. Also, industrial rates were set at the price of alternative fuel. The court held that the method of allocation adopted was not supported by sufficient findings or evidence, and it remanded to the Commission to determine an appropriate method to spread the rate increase to which the utility was entitled.

of using the rate design criteria found reasonable in Decision No. 90424 is to increase rates in Schedules G-50 and G-52 by greater percentage amounts than for other rate schedules.^{3/}

CMA proposed that rates be increased based on cost-of-service criteria. An interim rate proposal based on those criteria was submitted by CMA. Under the CMA interim rate proposal, Schedule G-50 rates would be increased 7 percent, Schedule G-52 rates would be increased 25 percent, and the overall average rate increase would be 23 percent.

Summary of this
Interim Opinion

The Commission recognizes the urgent need for immediate rate relief due to PG&E's cash-flow problems stemming from the substantial undercollection of GCAC revenues as a result of PG&E's inability to immediately recapture the large increases in purchased gas costs resulting from the higher gas prices as they are assessed by PG&E's two major suppliers.

The parties to the proceeding do not dispute the need for interim relief, nor the amount of revenue requirement to be generated by increased rates in the interim phase of this proceeding. There are major differences, however, with respect to the appropriate criteria to be used in the development of the rates designed to recover the necessary revenue increase.

Because of the urgent need for rate relief and so as not to cause undue prejudice to any customer class pending our final determination of the appropriate criteria on which to establish final rates in this proceeding, we will adopt, as interim rates, the joint

^{3/} Under the joint PG&E-staff interim rate proposal, Schedule G-50 rates would be increased by 40.0 percent and Schedule G-52 rates would be increased by 40.3 percent. The overall increase in rates under that proposal is 22.2 percent.

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PG&E-staff rate proposal modified to the extent that the Schedule G-52 rate does not exceed the Schedule G-55 rate. The Schedule G-52 interim rate of 30 cents per therm is less than the Schedule G-2 interim rate of 32.369 cents per therm^{4/}. The Schedule G-50 rate of 33 cents is 3 cents higher than the Schedules G-55 and G-57 interim rate of 30 cents per therm. Residential interim rates for all service except lifeline exceed 32 cents per therm.

Under the interim rates adopted herein the revenue increase on an annual basis is \$371,293,000 or 19.9 percent above the rates authorized in Decision No. 90424.

Additional Revenue Requirements

PG&E seeks a combined total revenue increase in Applications Nos. 58892 and 59045 of \$463,786,000 (Exhibit 24). It seeks, as interim rate relief, a combined total of \$415,721,000 or 90 percent of the total amount sought (Exhibit 13).

The Commission staff concurs in the supply estimates upon which PG&E's revenue projections are based but disagrees with PG&E's underlying data in connection with sales estimates. The area of disagreement principally involves the amount of gas to be injected into storage. The staff's estimate of sales for the 12-month period ending June 30, 1980 is 7,374 million therms compared with PG&E's estimate of 7,237 million therms. Adoption of the staff's sales estimate would reduce PG&E's estimated revenue requirements by \$5,416,000; this issue will be resolved in the final opinion on these matters.

There is no dispute concerning the amount of additional revenues to be recovered in the interim rates. The staff and PG&E concur in the revenue data set forth in Exhibit 13. CMA's interim

^{4/} Schedule G-52 is applicable for natural gas service to nonresidential uses classified in Rule 21 as P-1, P-2A, or P-2B but excluding electric utilities' start-up and igniter fuel.

rate proposal set forth in Exhibit 22 would produce \$414,939,000 additional revenue on an annual basis.

Rate Design

The contested issues in this proceeding involve the criteria to be used in rate design.

PG&E and the staff, in general, adopted the same rate criteria in developing proposed rates, as follows:

1. The rates for those customers with alternate fuel capability (P-3, P-4, and P-5) are proposed at levels commensurate with costs of alternate fuels.
2. The resale class is established at approximately the system average percentagewise increase. Development of rates for customers within this class follows relationships and principles adopted in PG&E's last general rate increase proceeding.
3. Generally, uniform increases are spread to the remainder of the customer classes, except residential lifeline rates. The average increase in revenue requirement not borne by alternate fuel and resale customers is applied uniformly to nonlifeline residential rates and to nonresidential high priority rates (Schedule G-2). The final rates for the lifeline tiers are set at 90 percent of the rates for nonlifeline residential usage. Exhibit 13 establishes interim lifeline rates which approximate a relationship of about 83 percent of the system average rate for lifeline rates. The staff, in Exhibit 23, proposes a different blocking of residential rates which produces lifeline rates approximately 82.6 percent of the system average rate.

CMA presented, in Exhibit 22, proposed rates based solely on a cost-of-service concept. PG&E's test year 1980 allocated cost-of-study results (12-month method) were introduced into evidence in this proceeding as Exhibit 18. The data in Exhibit 18 were revised in Exhibit 19 to reflect the increased costs of purchased gas sought to

be recovered herein. The allocated costs so developed were used as a foundation for the rates proposed by CMA in Exhibit 22. Separate allocations of broad categories of expenses are made in Exhibits 18 and 19 and costs are assigned based on customer usage. Several alternative methods of allocating costs of service were presented in the general rate proceeding. Only the allocated costs of service on a 12-month basis were presented herein.

Under CMA's proposal the monthly customer charge for residential and high priority commercial customers would be increased from \$1.20 to \$3.00, or 150 percent; residential rates (as a class) would increase 47 percent; high priority commercial rates (Schedule G-2) would be increased 12 percent; and Schedule G-50 rates would be increased only 7 percent. The thrust of CMA's proposal is to bring rates for P-3, P-4, and P-5 industrial customers below the level of the rates for residential and small commercial customers.

The following table compares the present GCAC-SAM rates with interim rates proposed in Exhibit 13 (PGSE) and Exhibit 22 (CMA).

TABLE 1

PACIFIC GAS AND ELECTRIC COMPANY
(GAS DEPARTMENT)SUMMARY OF PRESENT AND PROPOSED
INTERIM GCAC AND SAM RATES
(Dollars per Therm)

	6-19-79 Effective Rate	PG&E-Staff <u>Exhibit 13</u>		CMA <u>Exhibit 22</u>	
		Interim Rates	Percent Increase	Interim Rates	Percent Increase
<u>Residential</u>					
Customer Charge	\$1.20	\$1.20	-	\$3.00	150
Tier I-A	.18322	.22514	23.4	.269	47
Tier I-B	.20002	.24292	21.5	.3051	54
Tier II	.28347	.32639	15.1	.34245	21
Tier III	.29937	.34229	14.3	.3886	30
Tier IV	.37327	.41619	11.5	.4413	18
GM/S/T-N	.30817	.35109	13.9	.3896	27
Total	-	-	17.8	-	47
<u>Nonresidential</u>					
G-2 Customer Charge	\$1.20	\$1.20	-	\$3.00	150
Commodity	.28077	.32369	15.3	.3131	12
Subtotal	-	-	15.2	-	12
G-50	.25792	.37500	40.0	.2872	7
G-52	.22692	.32000	40.3	.2825	25
G-55 & G-57	.24082	.30000	24.6	.2658	11
Total	-	-	24.4	-	-
<u>Resale</u>					
G-60 Lifeline	.17922	.21967	22.6	-	-
G-60 Nonlifeline	.22386	.26431	18.1	-	-
G-61 Lifeline	.17467	.21759	24.4	-	-
G-61 Nonlifeline	.22742	.27034	18.8	-	-
G-62 Lifeline	.17397	.21689	25.0	-	-
G-62 Nonlifeline	.22672	.26964	18.7	-	-
G-63 Lifeline	.17097	.21389	25.1	-	-
G-63 Nonlifeline	.22492	.26784	19.1	-	-
Total	-	-	20.4	.2549	24
SoCal Gas	.24460	.29544	21.0	.29544	20
Total	-	-	22.2	-	23

Alternative Fuel Price Data

In response to the directives in Decision No. 90424, PG&E and the staff developed data with respect to alternative fuel prices.

PG&E's Exhibit 7 contains comparisons of the high and low prices for No. 2 fuel oil and high and low sulphur and No. 6 fuel oil based on data set forth in Platt's Oilgram for the months of January through August 1979,^{5/} and the weighted average prices developed from its customer survey ordered in Decision No. 90424 for No. 2 and No. 6 fuel oil for May and August 1979.

The Platt's Oilgram data shows generally increasing prices in the compared months. The following are the August 1979 data:

TABLE 2

Fuel Oil Spot Prices as Reported in Platt's Oilgram for August 1979 (Cents per Therm)

<u>Price</u>	<u>No. 2 Fuel Oil</u>	<u>No. 6 High Sulphur</u>	<u>No. 6 Low Sulphur</u>
High	51.09	29.71	38.45
Low	45.80	29.91	38.13
Average	48.45	29.31	38.29

Similar data to the above were introduced by the staff in Exhibit 11.

The following table sets forth the results of PG&E's customer survey:

5/ Platt's Oilgram data, as reported for the first trading day of each month, U.S. Tank Car Truck Transport Lots, Los Angeles and San Francisco. Prices are to jobbers and distributors, FOB refineries, pipeline terminals, and inland waterway barge terminals. No west coast prices are quoted for low sulphur (0.5 percent maximum) content fuel oil. Prices for low sulphur content fuel oil are estimated for the west coast based on east coast prices.

TABLE 3

PACIFIC GAS AND ELECTRIC COMPANY

RESULT OF CUSTOMER SURVEY ON
ALTERNATE FUEL PRICES, AUGUST 1979^{1/}

<u>Fuel Type</u>	<u>Number of Customers Responding</u> ^{2/}	<u>Weighted Average Price Per MMBTU</u>	
		<u>August 1979</u>	<u>May 1979</u>
No. 2 Oil	8	\$4.23	\$3.22
No. 6 Oil	6	2.41	2.31
No. 6 Oil ^{3/}	4	2.62	2.33

1/ August 9 and 10, 1979; telephone interviews of 56 P-3 or P-4 customers.

2/ Fifteen customers had purchased a fuel within the last thirty days. One had purchased propane.

3/ Four customers provided estimates of price of No. 6 oil.

The Commission staff, in Exhibit 17, presented the following price information for fuel oil purchased by PG&E and Southern California Edison Company (SCE or Edison) for steam electric plant boiler fuel (for comparison with Schedule G-55 gas rates):

TABLE 4

PACIFIC GAS AND ELECTRIC COMPANY
 STEAM ELECTRIC PLANT FUEL COST
(Weighted Average Monthly Delivered Cost Including Sales Tax^{1/})

<u>Item</u>	<u>No. 6 Fuel Oil</u>		<u>No. 2 Fuel Oil (Includes Diesel)</u>		<u>Total Purchases^{2/}</u>	
	<u>PG&E (0.5% Sulphur)</u>	<u>SCE (0.25% Sulphur)</u>	<u>PG&E</u>	<u>SCE</u>	<u>PG&E</u>	<u>SCE</u>
	<u>Year 1979</u>					
<u>April</u>						
\$/Bbl	17.70	19.92	17.09	-	17.63	19.83
Therms/Bbl	61.80	61.09	58.60	-	61.78	60.39
¢/Therm	28.64	32.60	29.16	-	28.53	32.84
<u>May</u>						
\$/Bbl	17.54	20.04	19.23	-	17.58	19.95
Therms/Bbl	61.75	61.12	58.40	-	61.71	60.24
¢/Therm	28.40	32.79	32.92	-	28.49	33.12
<u>June</u>						
\$/Bbl	17.53	20.14	19.85	-	17.58	20.02
Therms/Bbl	61.71	61.14	58.30	-	61.70	60.12
¢/Therm	28.40	32.94	34.05	-	28.49	33.30
<u>July</u>						
\$/Bbl	-	22.72	-	-	-	22.79
Therms/Bbl	-	61.24	-	-	-	60.13
¢/Therm	29.80	37.10	-	-	-	37.90

^{1/} Prices exclude deferral and deletion charges.

^{2/} Includes purchases of turbine fuel, jet fuel, used auto oil, used transformer oil, etc.

Certain infirmities appear with the respect to the data set forth in Tables 2 and 3. Platt's Oilgram data are spot prices at refineries and shipping points. The data appear to be maximum prices offered by each seller at each location at which data are gathered. There is no information available to determine whether actual sales are made at the prices set forth in Platt's Oilgram; nor whether negotiation between buyer and seller may result in lower prices than those set forth in Platt's Oilgram.

Certain infirmities also appear with respect to the sampling of fuel oil prices of PG&E's customers. The data are gathered over the telephone; there is no verification of the data by review of invoices and records. The data are averaged by numbers of customers. No data were gathered with respect to the amounts purchased at each price so that a weighted average price may be determined.

The testimony of PG&E's witnesses indicates that fuel oil prices after August 1979 (the latest specific information in the record) appear to have softened and that fuel oil prices may be expected to level off or drop from the high August 1979 levels.

The record shows that most of PG&E's industrial customers that can use No. 6 fuel oil, burn oil with a 0.5 percent maximum sulphur content. The price differential between high and low sulphur residual fuel prices in Boston and New York locations in Platt's Oilgram ranges from \$3.75 to \$5.33 per barrel (Bbl) and appears to average about \$4.00 per Bbl.

Application of Alternative Fuel Price Data

PG&E and staff rate witnesses used the data set forth in Tables 2, 3, and 4 to arrive at the levels of rates proposed for P-3, P-4, and P-5 customers in Schedules G-50, G-52, G-55, and G-57. The Schedule G-55 (PG&E) rate reflects the data in Table 4. Schedule G-57 rate (Edison) is the same as Schedule G-55 rate. In general, the proposed rate for Schedule G-52 reflects prices for No. 6 low sulphur fuel oil, and the rate for Schedule G-50 is based on No. 2 fuel oil. The Commission staff and PG&E recommend the following final rates based on those criteria:

TABLE 5

PROPOSED RATES (IN CENTS PER THERM) FOR P-3, P-4, AND P-5 CUSTOMERS WHICH REFLECT ALTERNATIVE FUEL DATA

<u>Schedule</u>	<u>PG&E</u>		<u>Staff</u>	
	<u>Rate</u>	<u>Percent Increase</u>	<u>Rate</u>	<u>Percent Increase</u>
G-50	37.5	40.0	40.0	49.3
G-52	32.0	41.0	34.0	49.8
G-55 and G-57	30.0	24.6	27.0	12.1

Concerning interim rate relief, the staff brief states that the staff participated in the formulation of the rates set forth in Exhibit 13 and supports them because it considers them to reasonably reflect, for interim purposes, the alternate fuel gas pricing policy endorsed by the Commission.^{6/}

^{6/} In PG&E GCAC Decision No. 89316 dated September 6, 1978 in Applications Nos. 57284 and 57285, the Commission, in discussing its adopted gas rate design, stated:

"For the future, PG&E's semiannual Gas Cost Adjustment Clause (GCAC) and SAM filings should be used to develop and maintain rates that are current and competitive with respect to alternative fuels and new gas supplies."
(Page 69.)

In Decision No. 90424 dated June 19, 1979 in Applications Nos. 58469 and 58470, PG&E previous GCAC-SAM proceeding, the Commission declared:

"For rate design purposes, it is reasonable to base the price for low priority customers on the average price of competing alternate fuel in the absence of compelling evidence that significant demand will not be lost, resulting in a loss of contribution." (Finding No. 10, page 25.)

Natural Gas Policy Act

The staff further states that a principal reason for proposing in the instant GCAC-SAM proceeding a rate design that is based on alternate fuel prices is the need to comply with the anticipated imposition of National Energy Act pricing policies under the Natural Gas Policy Act (NGPA). Among other things, the act provides that, effective January 1, 1980, a utility whose gas rates for industrial users lag behind the price of alternate fuel can be required to remit the difference to the transmission pipeline company supplying such gas. In light of this impending policy, the staff asserts that it behooves California to have its utility gas rates for industrial customers set as close to the price of alternate fuel as reasonably possible; not doing so will result in a needless drain of dollars from California for utilization outside the state.

We take official notice of FERC Order No. 51 issued September 28, 1979 in Docket No. RM79-21. That order states, in part, as follows:

"Section 201 of the Natural Gas Policy Act of 1978 (NGPA) (Pub. L. 95-621) requires that the gas used in certain industrial boiler fuel facilities shall be subject to incremental pricing by means of certain surcharges. Section 204 provides, however, that such surcharges may not cause the rates charged for natural gas to incrementally priced industrial facilities to rise above the appropriate alternative fuel price. By this order, under authority of subsection 206(d) of the NGPA, the Commission approves and transmits to Congress a rule affecting the applicable alternative fuel price or ceiling. The rule provides that, until November 1, 1980, each applicable industrial boiler fuel facility shall be exempt from incremental pricing above the level of the price of No. 6 high sulfur fuel oil in the incremental pricing region in which such facility is located."

* * *

"This rule is subject to Congressional review and may be disapproved by either House of Congress. The rule will take effect December 1, 1979 unless, during the first 30 days of continuous session of Congress after a copy of the rule has been submitted to each House of Congress, either House adopts a resolution of disapproval. If, however, Congress permits the exemption embodied in this rule to take effect, the rule shall hold in abeyance until November 1, 1980 so much of the three-tier regulations as are inconsistent with having a high sulfur No. 6 ceiling.

"The exemption which this order implements will expire on October 31, 1980. On November 1, 1980 the three tier approach adopted in the companion Final Rule in this docket will become fully effective, unless that rule is amended in the interim or a further exemption rule is transmitted to Congress and not disapproved."

In the final rule concurrently issued in Docket No. RM79-21 (Order No. 50) the FERC promulgated a three-part ceiling system, which provides that, depending upon a facility's installed capability and legal authority to use certain fuels, an incrementally priced facility would have its ceiling price for natural gas set at the level of the appropriate regional price of No. 2, low sulphur No. 6, or high sulphur No. 6 fuel oil. The FERC found that such a system best met the Congressional purpose embodied in Title II of NGPA. However, FERC also concluded that it would be in the public interest to hold the upper two tiers of the system in abeyance in the period January through October 1980 to provide a period during which a better understanding of the three-tier approach can be obtained.

Western Mobile Home Association

In this proceeding WMHA seeks to restore the rate differentials created in Decision No. 89907 dated January 30, 1979 in Case No. 10273^{7/} WMHA asks we restore the same rate blocking in PG&E's Schedule GT (applicable to park operators) as in PG&E's Schedule G-1 (applicable to park tenants).

WMHA states that Schedule GT was created by PG&E in response to Decision No. 89907. In that decision it was determined that for mobile home parks the discount on lifeline usage should be increased to 15 percent for gas service and 30 percent for electric service in order to produce the differentials required by Public Utilities Code Section 739.5. After the increase in discounts ordered by Decision No. 89907 went into effect, parks providing service through submeters received PG&E service under Schedule GT and other entities such as apartment houses providing service through submeters received PG&E service under Schedule GS.

7/ Decision No. 89907 found, as follows:

1. Public Utilities Code Section 739.5 requires apartment houses and mobile home parks to be considered separately in establishing rate discounts for master meter customers who submeter.
2. Public Utilities Code Section 739.5 requires evidence of the actual average costs incurred by master meter customers in providing submeter service before the discount can be increased.
3. The evidence of actual costs for mobile home parks pertains to the PG&E service area and our inquiry on rates for mobile home parks that submeter is limited to the PG&E service area.
4. The current discount for mobile home parks that submeter in the PG&E service area is inadequate. Adequate discounts include the effect of diversity and are 30 percent for electric and 15 percent for gas.
5. Other modifications to the discount for mobile home parks and apartments can best be determined in each utility's general rate cases and will be examined in those proceedings.

WMHA alleges that Decision No. 90424 modified the Schedule GT blocking in the same manner as it modified the blocking of Schedule GS, thus creating a disparity between the blocking for Schedule GT and for Schedule G-1. WMHA further alleges that since submetered customers of a park must pay the same rates as if served directly by PG&E under Schedule G-1, the reblocking of Schedule GT has no impact whatsoever on the actual user of the gas, i.e., the submetered customer. The only impact of the reblocking is on the master meter customer (the park) served under Schedule GT. That customer assertedly suffers a tremendous detriment by virtue of the fact that while the tenants pay tailblock rates only for usage above 78 therms, the park must pay tailblock rates under the multiplier schedule for usage over 46 therms.

WMHA seeks the restoration of the 15 percent differential established in Decision No. 89907. WMHA's Exhibit 12 contains rate comparisons which support its proposals.

For the purposes of interim rate relief, PG&E and the Commission staff propose that the specific rate differentials established in Decision No. 89907 be restored and that consideration of the request to maintain those differentials at 15 percent be considered in the final phase of this proceeding.

The following table depicts the present residential blocking and adjusted residential blocking which would restore the differentials sought by WMHA.

TABLE 6

PACIFIC GAS AND ELECTRIC COMPANY
 MODIFICATION OF RATE BLOCKS
 UNDER SCHEDULES G-1, GM, GS, GT

Adopted Residential Blocking^{1/}

<u>Schedule</u>	<u>Tier</u>	<u>Basic (B) and Summer (H)</u>	<u>Winter</u>			<u>Nonlifeline(N)</u>
			<u>W</u>	<u>X</u>	<u>Y</u>	
G-1	IA	10	50	50	50	-
	IB	16	31	56	91	-
	II	26	30	30	30	150
	III	26	Excess	Excess	Excess	300
	IV	Excess	-	-	-	Excess
GM	IA	8	30	30	30	-
	IB	13	24	39	60	-
	II	15	20	20	20	All
	III	15	Excess	Excess	Excess	-
	IV	Excess	-	-	-	-
GS,GT	IA	10	50	50	50	-
	IB	16	31	56	91	-
	II	10	30	30	30	All
	III	10	Excess	Excess	Excess	-
	IV	Excess	-	-	-	-

RESIDENTIAL BLOCKING WITH RESTORED DIFFERENTIAL

Rate Blocks for Schedules GS & GT

<u>Schedule</u>	<u>Tier</u>	<u>Basic (B) and Summer (H)</u>	<u>Winter</u>			<u>Nonlifeline(N)</u>
			<u>W</u>	<u>X</u>	<u>Y</u>	
GS,GT	IA	10	50	50	50	-
	IB	16	31	56	91	-
	II	26	30	30	30	All
	III	26	Excess	Excess	Excess	-
	IV	Excess	-	-	-	-

^{1/} From CPUC Staff Exhibit 5, Page 2-1 in Applications Nos. 58469 and 58470

California Gas Producers Association

The California Gas Producers Association (Producers) urges that the Commission revise its policy concerning the amounts of California gas purchased by PG&E. Producers contends that: (1) the price of California gas is less than the prices offered by other suppliers; (2) there is more California gas available than is being purchased; and (3) increased purchases of California gas would benefit both PG&E's customers (in that rates would be lower) and Producers' members (in that their sales would be increased). The foregoing issues are more appropriate for consideration in the final phase of this proceeding and need not be resolved in the interim phase.

Producers also contends, and presented evidence to show, that low-price California gas is a viable alternative fuel for industrial customers because sufficient supply is available at various locations at prices well below PG&E's prices if they are set at the level of alternate fuel oil rates. It is Producers contention that substantial increases in Schedule G-50 and Schedule G-52 rates would cause additional large users of boiler fuel to investigate the costs of construction of pipelines to nearby sources of California gas.

Position of the Parties

In their briefs, PG&E, the Commission staff, and San Francisco urge the Commission to set interim rates based on the last adopted ratemaking criteria in Decision No. 90424 (supra).

San Francisco states that interim rates at the level set forth in Exhibit 13 should not result in any loss of customers to PG&E because most of PG&E's customers are required to use low sulphur fuel and, for practical purposes, with the climbing costs and limited supply of fuel oil, the ability to switch to alternative fuels is extremely limited. San Francisco concludes that in the instant case, the application of the Commission's adopted alternative fuel test will prospectively allow the Commission to charge fair rates to its industrial customers.

It is the position of CMA that the PG&E and staff proposals are based on the "what the traffic will bear" pricing, which is inappropriate and unlawful. CMA claims that NGPA of 1978 provides no support for alternative fuel pricing by this Commission; that PG&E and the staff rely solely on past Commission policy; that cost data are essential to a rational determination of just, reasonable, and nondiscriminatory rates; that cost-of-service indicates that PG&E's present and proposed rate are unlawfully discriminatory and that lifeline rates must be increased in this proceeding in an effort to bring the rate of return for such sales closer to zero.

CMA concludes that it has demonstrated that the purported rationale offered in support of "what the traffic will bear" pricing is invalid and inconsistent. CMA asserts that the sole rationale of that pricing method is to maximize profits from one group of customers in order to benefit other customers. Assertedly, this is beyond the power of the Commission and represents an abrogation of its regulatory responsibility. CMA also asserts it has demonstrated that the present rates and the rates proposed by PG&E and the staff will produce huge revenue shortfalls on sales to residential customers. CMA claims that the proposed rates it has offered will continue a subsidy to residential customers but will place clear limits on the extent of the subsidy. CMA believes this Commission is under a mandate of the California Supreme Court to consider cost evidence such as that presented by CMA in an effort to arrive at rates which are just and reasonable and nondiscriminatory as between customers.

The arguments of Kerr-McGee, General Motors, and Southwestern Cement are essentially those advanced by CMA.

Discussion

PG&E is in urgent need of additional revenues because the substantial undercollections in its GCBA. In order to provide immediate additional revenues, we will not attempt to finally resolve in this interim decision the many rate design issues presented; resolution of such issues should await our final order.

We will adopt for the purposes of granting interim relief the rate design criteria set forth in PG&E's last GCAC-SAM proceeding, Decision No. 90424. However, we shall comment on some of the evidence and argument in applying those rate design criteria to the facts in this proceeding.

Remanded Proceedings

The parties opposing the use of alternative fuel prices as a guide to setting Schedules G-50 and G-52 rates claim that there is no evidence in the record and no lawful ratemaking theory upon which the Schedule G-50 and Schedule G-52 rates proposed in the PG&E-staff interim rate design proposal can be implemented by this Commission consistent with the mandate of the Supreme Court in California Manufacturers Association v Public Utilities Commission, supra, and the governing requirements of the Public Utilities Code either on an interim or permanent basis.

We cannot agree. The Supreme Court in the cited proceeding did not condemn and prohibit the use of alternate fuel pricing criteria; our orders were remanded in order that we provide a rate design which is consistent and fully supported on a factual basis. We believe this record contains the facts which will support the rationale for the rate design adopted herein.

NGPA

We strongly disagree with CMA concerning the effect of NGPA on the rate design issues in this proceeding. The FERC rules, heretofore referred to, will become effective January 1980. On and after that date we must abide by such rules absent an exemption from FERC. PG&E's large customers are well aware of the purposes underlying NGPA and of the rules adopted to place such policies in effect. By adopting the pricing policies of NGPA in advance of their effectiveness on a federal level, we are carrying out the purposes for which those pricing policies were adopted, which are to protect residential and other high priority customers from the initial brunt of gas cost increases resulting from the phased deregulation of domestic natural gas prices.

Canadian Gas Prices

PG&E's principal gas supplier is its affiliate, PGT, whose main source of supply is Canadian gas. The Canadian government has an announced policy of pricing natural gas sold to this country at a level comparable to the cost of Canadian fuel oil imported into eastern Canada. It appears reasonable to follow a similar pricing policy at this end of the PGT pipeline by pricing gas for sale to PG&E's customers that have the ability to use either fuel oil or gas at the level of the fuel oil prices.

Alternative Fuel Oil Price Data

As discussed heretofore, the alternative fuel price data of record which are certain at this time are the fuel oil prices paid by regulated utilities. The record contains data for PG&E and for Edison. We will consider those data for the purpose of establishing interim rates for Schedule G-50 and G-52, as well as the fact that under FERC rules effective January 1, 1980, only the costs of No. 6 high sulphur fuel oil initially are to be considered in implementing the pricing policies of NGPA.

Lifeline Quantities

A key part of CMA's rate proposal is to increase the monthly customer charge for residential and small commercial customers from \$1.20 to \$3.00 (150 percent increase). The effect of that increase is to raise the charge for lifeline quantities by substantially greater amounts than the average increase. The following table demonstrates the effect of the PG&E-staff and CMA proposals on charges for lifeline quantities.

TABLE 7

PACIFIC GAS AND ELECTRIC COMPANY
(GAS DEPARTMENT)

COMPARISON OF PROPOSED CHARGES FOR
LIFELINE QUANTITIES OF GAS
(INCLUDING CUSTOMER CHARGE)

<u>Lifeline Quantity</u>	<u>Present</u>	<u>PG&E- Staff</u>	<u>Percent Increase</u>	<u>CMA</u>	<u>Percent Increase</u>
Summer (26 therms)	\$ 6.23	\$ 7.34	17.8	\$10.59	70.0
Winter (106 therms)	21.56	26.11	21.1	33.59	55.8
Average Rate Increase	-	-	22.4	-	23.0

In the parallel PG&E ECAC proceeding (Decision No. 90869 dated October 10, 1979 in Application No. 58819) we determined that a reasonable level of lifeline rates for electric service (including customer charge) is 16.47 percent below the average system rate. For gas service the present average system rate is 25.34 cents per therm, and the average system rate under the interim proposals approximates 30.97 cents per therm. The relationship between the average system rates and the lifeline rates for gas service would be substantially changed under CMA's proposal but would remain more nearly constant under the PG&E-staff proposal. The lifeline quantities of gas service established by Commission decision at the direction of the Legislature represent the level of service necessary to generally meet the minimum essential needs of residential customers for each of several basic types of service. Accordingly, within those quantities, the demand is generally inelastic, inasmuch as those quantities represent basic or minimal amounts of service. Therefore, we can expect less conservation to be achieved in lifeline blocks where demand is inelastic than in other residential blocks where the demand is considerably more elastic.

It is reasonable from the standpoint of conservation to increase rates for lifeline quantities in an amount the same or less than the average increase in rates in order to preserve the intended conservation-oriented benefits of lifeline rates and to increase by greater amounts the rates for services which are subject to greater elasticity of demand. The interim rate proposal of PG&E-staff would achieve those purposes while CMA's rate proposal would produce contrary results. CMA's proposal would shift to the lifeline blocks percentage-wise increases in rates 2 to 3½ times the average increase in rates. Even if increases in lifeline rates of such magnitude were justified, the ultimate level of lifeline rates to be reached should be achieved over more than one proceeding.

It will be reasonable to adopt the alternative level of lifeline and nonlifeline residential rates recommended by the staff in Exhibit 23 for the purposes of the interim phase of this proceeding. The effect of the staff proposal is to establish a lower increase for lifeline amounts than in Exhibit 13 and to increase the remaining residential blocks by a sufficient amount to offset the revenue reduction for lifeline quantities. This blocking gives effect to the conservation potential inherent in the lifeline block.

The following table depicts the rate spread found reasonable for the purposes of this interim proceeding.

TABLE 8
 PACIFIC GAS AND ELECTRIC COMPANY
 GAS DEPARTMENT
 SUMMARY OF REVENUES
 RATE DESIGN BASED ON ALTERNATE FUEL
 DERIVATION OF ADOPTED INTERIM INCREASE

Line No.		Sales Mth (A)	6-19-79	6-19-79	Interim Increase (a)			Interim
			Effective Rate \$/Th (B)	Revenue M\$ (C)	\$/Th (D)	Amount M\$ (E)	Percent (F)	Rates \$/Th (G)
Residential								
1	Customer Months	31,473.4	\$1.20	37,768	-	-	-	\$1.20
2	Tier I-A	888,419	.18322	162,776	.04149	66,292	22.6	.22171
3	Tier I-B	709,370	.20002	141,888	.04149		20.7	.24151
4	Tier II	312,452	.28347	88,571	.04611	33,060	16.3	.32958
5	Tier III	216,487	.29937	64,810	.04611		15.4	.34548
6	Tier IV	79,410	.37327	29,641	.04611		12.4	.41938
7	GM/S/T-N	108,630	.30817	33,477	.04611	-	15.0	.35428
8	Total	2,314,768	-	558,931	-	99,352	17.8	-
Non-Residential								
9	G-2 Customer Months	2,025.8	\$1.20	2,431	-	-	-	\$1.20
10	Commodity	1,755,540	.28077	492,903	.04292	75,348	15.3	.32369
11	Subtotal	1,755,540	-	495,334	-	75,348	15.2	-
12	G-50	902,930	.26791	241,904	.06209	56,063	23.2	.33000
13	G-52	189,980	.22691	43,108	.07309	13,886	32.2	.30000
14	G-55 & 57	1,813,390	.24081	436,682	.05919	107,335	24.6	.30000
15	Total	4,661,840	-	1,217,028	-	252,632	20.8	-
Resale								
16	G-60 Lifeline	15,140	.17922	2,713	.04045	613	22.6	.21967
17	G-60 Nonlifeline	29,780	.22386	6,667	.04045	1,206	18.1	.26431
18	G-61 Lifeline	1,990	.17467	348	.04292	85	24.4	.21759
19	G-61 Nonlifeline	1,680	.22742	382	.04292	72	18.8	.27034
20	G-62 Lifeline	460	.17397	80	.04292	20	25.0	.21689
21	G-62 Nonlifeline	730	.22672	166	.04292	31	18.7	.26964
22	G-63 Lifeline	21,230	.17097	3,630	.04292	911	25.1	.21389
23	G-63 Nonlifeline	31,220	.22492	7,022	.04292	1,340	19.1	.26784
24	Total	102,230	-	21,008	-	4,278	20.4	-
25	SoCal Gas	295,650	.24460	71,529	.05084	15,031	21.0	.29544
26	Total	7,374,488	-	1,868,496	-	371,293	19.9	.30372

(a) Sales, revenues and revenue requirement based on CPUC staff Exhibit 11 (as corrected) in Application No. 58892, with revenue requirement adjusted for August 11, 1979 unit cost of PGT gas shown in Application No. 59045.

A-58892, 59045 ET/ET * /KS *

Findings of Fact

1. In Applications Nos. 58892 and 59045 PG&E seeks a combined total increase in Gas Department revenues of \$463,786,000 or 25.3 percent for the revenue forecast period of July 1, 1979 through December 31, 1979. Those requests reflect principally the increases in purchased gas obtained from PG&E's principal suppliers, El Paso and PGT (Canada).

2. Substantial undercollections of revenue result from the above-mentioned increases in the cost of purchased gas which, under the GCAC procedures adopted by the Commission, are recoverable in the period beginning July 1, 1979.

3. The aforementioned substantial undercollections have adversely affected PG&E's cash flow, and thus, PG&E should be granted interim relief pending resolution of the rate design and other issues raised in these proceedings.

4. The interim relief sought by PG&E is set forth in its Exhibit 13 in the annual amount of \$415,721,000 or 22.2 percent. The Commission staff concurs that interim relief should be granted and joins in the recommendations set forth in Exhibit 13 (except as provided in Exhibit 23).

5. The Commission in PG&E's last GCAC-SAM proceeding (Decision No. 90424) found that in future GCAC-SAM proceedings it is reasonable for rate design purposes to base the price for low priority gas customers on the average price of competing alternate fuel. In response to directives in that decision, PG&E and the staff presented evidence with respect to current fuel oil prices.

6. The rates for low priority customers (Schedules G-50, G-52, G-55, and G-57) in Exhibit 13 reflect the costs of alternate fuels, except that the rates for low priority industrial customers (Schedules G-50 and G-52) are below the levels proposed by PG&E and the staff in their final proposals. Pending final decision in these proceedings, it will be reasonable to use the data in Table 4 as the appropriate basis of setting rates in Schedules G-50 and G-52.

7. CMA has not demonstrated that its proposed rate design would serve as a greater inducement to encourage conservation than that proposed by the staff and PG&E.

8. PG&E receives its gas from various suppliers at various prices, with Canadian gas being the most expensive.

9. If Canadian gas deliveries to PG&E were substantially reduced, PG&E would not be able to serve many of its low priority (industrial) customers.

10. Canadian gas deliveries to PG&E most directly benefit low priority customers because without this gas they could be curtailed.

11. Use of average system gas costs to determine the contribution of various classes of customer (low priority and high priority) to overall revenue requirement does not reflect the fact that incremental sources serve various priorities.

12. The highest priced gas PG&E purchases serves the lowest priority customers, without such gas those users would have to use alternative fuels.

13. The Canadian government establishes a border sale price for Canadian gas at the level of alternative fuel prices in Canada.

14. The revised gas rates adopted herein will provide PG&E's customers with an economic signal as to the cost of energy.

15. Gas rates established close to the cost of alternate energy will provide incentive for commercial and industrial customers to maximize efficiency and conservation in their use of energy.

16. Alternate fuel cost pricing retains benefits to California high priority customers that otherwise may be lost because of federal incremental pricing policies to be implemented under the NGPA.

17. An increase in the lifeline quantity rate in excess of 4.119 cents per therm could lessen the effectiveness of the conservation potential inherent in the relationship of lifeline to nonlifeline quantities for the residential class.

18. The rate design features of Exhibit 13 are based on those adopted as reasonable in prior PG&E GCAC-SAM proceedings. The rate levels set forth in Exhibit 13 modified so that the Schedule G-52 rate level is the same as the Schedule G-55 rate level and modified so that

residential lifeline and nonlifeline rates are on the level set forth in staff Exhibit 23 are reasonable and justified.

19. The interim rates described in the preceding finding will produce an annual revenue increase of \$371,293,000 or 19.9 percent.

20. In the last GCAC-SAM proceeding Tiers II and III of PG&E's Basic and Summer blocking of PG&E's rate Schedules GS and GT were changed from the equivalent blocking of PG&E's Schedule G-1. This change works to the detriment of mobile home park operators with submetered customers without offsetting benefit. The maximum monthly revenue effect of this change per submetered tenant is approximately \$2.62.

21. Because there is an immediate need for the authorized interim rate relief, the following order should be made effective the date hereof.

22. The increase in rates and charges authorized by this decision is 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.

Conclusions of Law

1. PG&E should be authorized to increase its gas rates on an interim basis as set forth in Table 8.

2. The blocking of PG&E's rate Schedules GS and GT should be made the same as Schedule G-1 from the effective date of the tariffs filed by PG&E under the authorization of Decision No. 90424.

3. PG&E should refund any overcharges to mobile home park operators collected during the period from June 17, 1979 to the effective date of this order.

4. PG&E should charge the amounts of the refund to its GCBA or such successor accounts as authorized by this Commission.

INTERIM ORDER

IT IS ORDERED that:

1. After the effective date of this order Pacific Gas and Electric Company is authorized to file the revised rate schedules attached to this order as Appendix B and concurrently to withdraw and cancel its presently effective schedules. The effective date of the revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

2. Pacific Gas and Electric Company shall make refunds to Schedules GS and GT customers as provided in Conclusion 3 of the preceding opinion, and it shall charge such refunds to its Gas Cost Balancing Account or to successor accounts.

The effective date of this order is the date hereof.

Dated October 23, 1979, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
CLAIRE T. DEDRICK
LEONARD M. GRIMES, JR.
Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

LIST OF APPEARANCES

Applicant: Malcolm H. Furbush, Robert Ohlbach, and Shirley Woo,
Attorneys at Law, for Pacific Gas and Electric Company.

Protestant: Sylvia Siegel, for TURN.

Interested Parties: Henry F. Lippitt, II, Attorney at Law, for California Gas Producers Association; Graham & James, by Boris H. Lakusta, David J. Marchant, and Thomas J. MacBride, Attorneys at Law, for Western Mobile Home Association; 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; Overton, Lyman & Prince, by John Payne, Attorney at Law, for Southwestern Portland Cement Company; George Agnost, City Attorney, by Leonard Snaider, Attorney at Law, for the City and County of San Francisco; Morrison & Foerster, by James P. Bennett and Thomas R. Cochran, Attorneys at Law, for Kerr-McGee Chemical Corporation; W. Randy Baldschun, for the City of Palo Alto; and Harry K. Winters, for the University of California.

Commission Staff: James T. Quinn and Jasper Williams, Attorneys at Law.

APPENDIX B
Page 1 of 2

Pacific Gas and Electric Company
Gas Department

1. Applicant's rates and charges are changed to the level or extent set forth in this appendix (includes TCAC adjustment).

	<u>Per Meter</u> <u>Per Month</u>
a. <u>Customer Charge</u>	
Schedules G-1, G-2, GM, GS, GT	\$ 1.20
b. <u>Commodity Charge</u>	
Schedules G-1, GM, GS, GT: ^{1/}	
Tier IA - All deliveries, per therm	\$ 0.22471
Tier IB - " " " "	0.24151
Tier II - " " " "	0.32958
Tier III - " " " "	0.34548
Tier IV - " " " "	0.41938
GM-N, GS-N, GT-N - " " " "	0.35428
<u>Schedule G-2</u>	
All deliveries, per therm	\$ 0.32369
<u>Schedule G-30</u>	
To be increased commensurately with Schedule G-2	
<u>Schedule G-50</u>	
All deliveries, per therm	\$ 0.33000
<u>Schedule G-52</u>	
All deliveries, per therm	\$ 0.30000
<u>Schedules G-55, G-57</u>	
All deliveries, per therm	\$ 0.30000
<u>Resale Schedules</u>	
	<u>G-60</u> <u>G-61</u> <u>G-62</u> <u>G-63</u>
First (lifeline Volume),	33.7% 53.9% 38.8% 44.0%
per therm	\$0.21967 \$0.21759 \$0.21689 \$0.21389
Excess, per therm	0.26431 0.27034 0.26964 0.26784

2. The gas air-conditioning lifeline allowance shall be billed at the Tier IB rate.

^{1/} Residential quantity blocks are shown on page 2 of 2 of Appendix B.