

SR

Decision No. 91478 MAR 18 1980

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY for authority, among other things, to increase its rates and charges for electric service.

(Electric)

) Application No. 58545
) (Filed December 26, 1979)
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Application of PACIFIC GAS AND ELECTRIC COMPANY for authority, among other things, to increase its rates and charges for gas service.

(Gas)

) Application No. 58546
) (Filed December 26, 1979)
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)

ORDER MODIFYING DECISION NO. 91107
AND GRANTING LIMITED REHEARING

Petitions for rehearing of Decision No. 91107, which was issued in this proceeding on December 19, 1979, have been filed by Airco, Inc. and General Motors Corporation (collectively referred to as GM), and the California Manufacturers Association (CMA). We have considered each and every allegation of error in these petitions and are of the opinion that rehearing should be granted limited to the issue of the most appropriate treatment of PG&E's distribution costs in the Commission's formulation of marginal cost rates.

In addition, the petitions have identified several areas of ambiguity which we take this opportunity to clarify. Specifically, we will briefly augment our discussion on lifeline rates and we will clarify the basis for setting gas rates under Schedule G-2. We will also correct several errors in the decision.

IT IS THEREFORE ORDERED that rehearing is granted for the purpose of allowing the parties to submit evidence and conduct cross-examination with respect to the limited issue of the most appropriate treatment of PG&E's distribution costs in the Commission's formulation of marginal cost rates. Said rehearing shall be had before such Commissioner or Administrative Law Judge and at such time and place as may hereafter be designated.

IT IS FURTHER ORDERED that Decision No. 91107 shall be modified as follows:

1. The second sentence in the second paragraph on page 113, mimeo, is deleted and the following sentence shall be substituted:

"Section 739(c) of the Public Utilities Code authorizes the Commission to raise lifeline rates when the system average rate is 25 percent or more above the January 1, 1976, level but does not require that lifeline rates be raised when the 25 percent differential is realized."

2. The following discussion shall be added under the sub-heading entitled Electric Department-Adopted Rate Spread:

We reiterate our view that the lifeline legislation, Public Utilities Code Section 739, operates as a constraint on the amount of increase which can be imposed on residential lifeline rates. We also reiterate our determination that the burden imposed by our decision to keep the lifeline rate moderately low should be shouldered by the rest of the residential class, and not by other classes. Consequently, in setting nonlifeline residential rates we have taken into consideration both this extra burden and the relevant marginal costs for this class, to adopt an increase for the nonlifeline residential rate of 17.28%. While this is a rather large

increase, it is tempered by the fact that customers have the opportunity to moderate its impact by decreasing their usage. In addition, it should be noted that the residential nonlifeline rate now approaches its marginal costs.

We recognize that at present, no empirical data exists with respect to the price elasticity of demand for lifeline and non-lifeline residential quantities of electricity within PG&E's system. We believe such data can be of benefit in developing and refining rate design in the future, and in our most recent PG&E ECAC decision (Decision No. 91335, issued February 13, 1980), we have ordered PG&E to initiate a study using accepted statistical methods to determine the effect of the rate design adopted therein on customer usage. This study will, of course, take into account the rates adopted in the instant proceeding.

3. The first two paragraphs on page 149, mimeo, shall be deleted and the following discussion substituted therefor:

"We have analyzed both proposals and reach the conclusion that neither proposal produces a satisfactory result. The G-2 Schedule is applicable to small businesses. These customers are not eligible for the lifeline rates available to residential customers and, unlike the low-priority commercial and industrial customers, they are not required to have alternate fuel capability. As a result, the "value of service" basis for ratemaking which historically has been applied to the low-priority customers is less appropriate for G-2 customers.

"In view of these facts, the G-2 customer is now what may fairly be characterized as the "average customer," i.e., a firm customer whose rates are not subject to lifeline policy restraints.

is reasonable, therefore, that rates for this class be set close to the average system rate, exclusive of lifeline sales and revenues."

4. Finding No. 2 on page 208, mimeo, is hereby corrected to read as follows:

"2. Lifeline rates maintained on the relationship noted in Section 739 of the Public Utilities Code reasonably further the purposes for which the Miller-Warren Lifeline Act was enacted."

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5. Finding No. 8 on page 209, mimeo, is hereby modified by deleting the last sentence thereof and shall read in full as follows:

"8. Service under Schedule G-2 (nonresidential) is primarily to small businesses. It will be reasonable to maintain Schedule G-2 rates at or near the average system rate in cents per therm (less the lifeline sales and revenues). The customers served under this schedule are high priority customers, who do not have the capability to use alternate fuel, and who are not accorded lifeline rates and allowances."

IT IS FURTHER ORDERED that except as indicated above, rehearing of Decision No. 91107 as modified herein is hereby denied.

The effective date of this order is the date hereof.

Dated MAR 18 1980, at San Francisco, California.

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

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President
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Commissioners