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Decision No. 91787 MAY 6 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)	Application No. 57202
its rates and charges for steam)	(Filed April 6, 1977;
service provided by the San)	reopened June 1, 1979)
Francisco Steam Sales System.)	
)	
(Steam))	

ORDER GRANTING PARTIAL REHEARING

Pacific Gas and Electric Co. (PG&E) has filed a petition for rehearing of Decision No. 91325 rendered in the above-styled matter. That decision authorized a rate increase of \$394,800 as compared to PG&E's requested increase of \$1,131,900. PG&E contends that the decision is erroneous in two respects: first, that the exclusion of the capital expense associated with the construction of Boiler No. 7 at Station "T" from rate base is punitive and contrary to the Commission's conservation policies; and, second, that the use of a two-factor method for allocating certain common plant and administrative and general expenses is unsupported by the record.

With regard to the first of these contentions, we remain unpersuaded by PG&E's arguments that the construction of Boiler No. 7 at Station "T" was a prudent undertaking. This issue was fully developed during the course of this proceeding and we see no reason to depart from our findings and conclusions on this issue as stated in Decision No. 91325.

We will, however, grant rehearing with respect to the second of PG&E's contentions. In our opinion, further evidence and argument should be taken as to the propriety of using a two-, as opposed to a four-, factor method of allocating common plant and expenses to PG&E's steam sales system. We should point out that further

prosecution of Application No. 57202, inasmuch as that application is based upon a 1977 test year and somewhat stale as a result, may prove to be from the utility's standpoint an empty exercise of principle. Thus, we would leave to PG&E, as the petitioner in this instance, the decision to proceed to rehearing or to dispense with rehearing and defer this matter to its next general rate proceeding, using a more current test year and more timely data. If PG&E should choose the latter course, it should promptly enter an appropriate motion to that effect in this proceeding.

IT IS ORDERED THAT rehearing is granted only with respect to the following issue:

Whether the use of the two-factor method of allocating certain common plant and administrative and general expenses should be adopted for Pacific Gas and Electric Co.'s steam sales department;

and,

IT IS FURTHER ORDERED THAT except as specified hereinabove rehearing of Decision No. 91325 is hereby denied.

The effective date of this order is the date hereof.

Dated MAY 6 1980, at San Francisco, California.

John E. Bryan President
William L. Stegeman
Charles W. Hoyle
David J. DePue
James M. Smith Commissioners