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Decision No. 92059 JUL 29 1980

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY for authority to increase rates charged by it for gas service on Santa Catalina Island.

Application No. 58330
(Filed September 1, 1978)

John R. Bury, David N. Barry, William E. Marx, and Richard K. Durant, by Richard K. Durant, Attorney at Law, for applicant.
Charles J. Wagner, City Manager, and George C. Heinrich, Water and Energy Committee, for the City of Avalon; and Dennis F. Reitinger, for himself; interested parties.
Jasper Williams, Attorney at Law, for the Commission staff.

O P I N I O N

I - GENERAL

By this application, Southern California Edison Company (Edison) seeks authority to increase its gas rates for its Santa Catalina Island (Catalina) retail customers. This application was submitted along with similar applications for rate increases in Edison's water (A.58329) and electric (A.58331) operations on Catalina. All told, four rate proposals were introduced in the consolidated proceedings based on a 1979 test year. These rate proposals range from an aggregate increase of $575,000, or 42.5 percent, to $609,600, or 45 percent, which are estimated to yield a 1979 rate of return ranging from 0.37 percent to 0.49 percent on rate base.

After notice, five days of public hearings were held before Administrative Law Judge William A. Turkish between April 17, 1979 and June 5, 1979. Public witnesses' testimony and/or statements were made in the city of Avalon, Catalina, with the remainder of the hearings held in Los Angeles. The matter was submitted upon the filing of concurrent reply briefs submitted by Edison and the Commission staff on July 20, 1979. The electric, water, and gas applications were consolidated for hearing. Following the hearings, questions as to jurisdiction of the Commission over Edison's gas operation arose and while this matter was being resolved, that section of the opinion with respect to Edison's gas operation was severed from the opinion relating to A.58329 and A.58331 and is being treated as a separate opinion herein.

Originally, Edison proposed a general rate increase for its gas operation which amounted to an increase of $31,800, or 8.3 percent, which would yield an estimated negative rate of return of 0.1 percent on rate base. Following a public meeting held in March 1978 by Edison regarding its proposed general rate increases, Edison endorsed a suggestion made at that meeting that it combine its Catalina electric operation with its mainland electric retail operation for ratemaking purposes. Edison included such alternative proposal in its three applications along with its proposed rates, designating it as the "option." Under the "option," electric revenues would be reduced as Catalina electric rates would then be the same as the lower mainland electric rates. The revenue increase which had been proposed originally for electric rate relief by Edison would instead be shifted to water and gas services under the "option," but the overall total revenue increase proposed for all three utilities would have remained the same under the "option" as the original proposed rate increases. Table I presents Edison's present and proposed rates for gas, as well as the alternative proposal designated as the "option." Edison also submitted two additional proposals in its water, gas, and electric operations, designated as the "revised option" and the "alternate revised option." These are contained in the opinion rendered in the water (A.58329) and electric (A.58331) applications, but are omitted herein as they are identical to the "option" herein with respect to Edison's gas operation.

In the separate opinion dealing with Edison's water (A.58329) and electric (A.58331) applications, we rejected Edison's proposals to integrate its Catalina electric operation with its mainland electric system for ratemaking purposes and, as a result, rejected the various "option" rates presented by Edison. In this opinion, we will therefore consider only Edison's originally proposed rates, inasmuch as the "option" rate was tied to the integration of Edison's electric operation. We will also consider Edison's request for a gas cost adjustment clause (GCAC) for Catalina.

TABLE I

SANTA CATALINA ISLAND

Summary of Earnings
1979 Estimated

Item	Present Rates: Total Revenues	Operation and Maintenance	Return b/	Rate Base	Rate of Return
	$	$	$	$	%
Gas	409,200	496,800	(14,900)	622,500	(2.39)

(Red Figure)

Item	Edison Proposed Rates a/: Revenue Increase	Increase	Return b/	Rate of Return
	$	%	$	%
Gas	31,800	8.3	(600)	(0.1)

(Red Figure)

Item	Option c/: Revenue Increase	Increase	Return b/	Rate of Return
	$	%	$	$
Gas	102,300	25.0	33,000	5.3

a/ Keeping the Catalina electric utility separate from Edison's mainland electric utility.

b/ Return is calculated by subtracting total expenses from total revenues.

c/ Integrating the Catalina electric utility with the mainland electric utility.

II - EDISON'S CATALINA PRESENT GAS OPERATION

Although Edison is primarily an electric utility serving customers in the southern California area, it has also operated the water, gas, and electric facilities on Catalina since 1962, when the Commission granted it authority in D.64420 dated October 17, 1962 to acquire all three utilities from the city of Avalon (City) and the Avalon Public Service Company (Santa Catalina Island Company). That decision authorized Edison to continue in effect the utility rates that were being charged at the time of acquisition. Prior to the current gas application being considered herein, Edison has not requested a general gas rate increase since it assumed the responsibility of serving the island's gas customers in 1962. Edison contends that it has consistently realized substantial revenue deficiencies since acquisition of the gas system in 1962 and that the requested proposed rate increase, if effective for the full 1979 test year, would merely recover operating costs associated with its gas operation on Catalina other than return.

Edison's gas production facilities are located at the Pebbly Beach gas plant. An approximate 60-40 mix of butane and propane liquefied petroleum gas (LPG) is delivered to the fuel pier at Pebbly Beach by fuel barge and is pumped from the pier through pipelines to nine storage tanks with an aggregate storage capacity of 100,350 gallons. However, because of the need to maintain a required vapor-head, the total operating capacity is rated at 90,315 gallons. The LPG is stored and kept under pressure of between 50 to 70 psig.

The LPG is changed from liquid to a gaseous form prior to its distribution to Edison's customers. In this process, the LPG is heated and vaporized in a 500-gallons-per-hour hot-water bath vaporizer. The LPG vapor is then delivered to three 12,500-cubic-feet-per-hour vaporizer mixer units. However, only the mixer portion of these units is used under normal conditions. The vaporizer portion of these units acts as standbv in case of failure of the hot-water bath vaporizer. In addition, there is a 10,000-cubic-feet-per-hour vaporizer mixer on standby to back up the three primary vaporizer mixers in case of failure of one of these units.

The LPG vapor is mixed with air through the mixers to produce 1,100 Btu of made gas. The gas is then odorized and delivered into the distribution system at a maintained pressure of 6 psig.

Edison supplies Catalina with this gas-air mixture through an underground pipeline distribution system which serves Avalon and Pebbly Beach Village. The gas distribution system was rehabilitated during 1964-65 at which time major capital expenditures were made to install the present system.

The Commission's Jurisdiction Over Edison's Catalina Island Gas Operation

On September 7, 1979, Section 221 of the Public Utilities Code was amended (effective January 1, 1980) to add the words "except propane." The code section now reads:

> "'Gas plant' includes all real estate, fixtures, and personal property, owned, controlled, operated, or managed in connection with or to facilitate the production, generation, transmission, delivery, underground storage, or furnishing of gas, natural or manufactured, except propane, for light, heat, or power." (Emphasis added.)

Section 2 of Chapter 512 of the 1979 California Statutes, in which Section 221 was amended, further states:

> "The Public Utilities Commission shall notify the Legislature whenever there is a substantial change in federal regulation of propane including, but not limited to, rate deregulation."

According to Edison's tariffs the gas which it supplies to domestic and commercial customers on Catalina Island is "mixed butane-air gas." (Tariff Rule No. 2 (Description of Service).) In its rate schedules, however, the fuel is also described as a "liquefied petroleum gas-air". (Schedules Nos. G-81, G-82.) Gas Branch has determined that the gas supplied to Catalina Island is in fact a commercial mix of approximately 60 percent butane and 40 percent propane.

Effective January 1, 1980, Sections 210, 211, and 212 of Title 10 of the Code of Federal Regulations (CFR) were amended by the Economic Regulatory Administration (ERA) of the Department of Energy (DOE). The amendments exempt butane and natural gasoline from ERA's mandatory petroleum allocation and price regulations. Deregulation of propane was specifically not undertaken.

At the time of the amendment of Section 221, it was generally assumed that the exemption of propane would result in the deregulation of nine utilities, including Edison's Catalina Island operations.

Of importance to the Legislature in undertaking this deregulation was the fact that propane was subject to federal regulation. This basis for amending Section 221 is reflected in Section 2 of Chapter 512, quoted above, in which the Legislature has required the Commission to notify it of any substantial changes in federal regulation of propane "including but not limited to, rate deregulation".

Propane and butane, of course, share many common characteristics. While their chemical properties differ, both are categorized as liquefied petroleum gases and both can be transported and stored in a liquid form at relatively low pressures and normal temperatures, but handled and used as a gas when released at atmospheric pressures and relatively low temperatures. Although butane is a slightly heavier liquid and has a higher boiling point than propane, the heating value of both is similar. Commercial mixtures of propane and butane are common.

Given the similarities between butane and propane and the general assumption that the amendment of Section 221 would exempt Edison's Catalina Island gas operations from its regulation, we could perhaps consider our jurisdiction over Edison's operations as having ended with the amendment of Section 221 despite the precise components of the fuel supplied. The action of the federal government, however, has complicated such a decision. Even if the exemption of "propane" under Section 221 were construed to include "butane," the California Legislature has made it very clear that changes in federal regulation of the fuel, including rate deregulation, would influence continued state deregulation.

As stated previously, butane is no longer subject to federal allocation and price regulation. Further, although the Public Utilities Code does not define either propane or butane, under the ERA's Mandatory Petroleum Price Regulations (10 CFR Part 212), "butane" and "propane" are separately defined. (10 CFR § 212. 31.) Although the difference in these definitions relates to the chemical properties of the two fuels, from the federal government's standpoint it is apparently a difference with a distinction in terms of both the marketplace and regulation.

In its preamble to its amendments exempting butane and natural gasoline from federal allocation and price regulations, the ERA makes very clear that the exemption applies only to those two fuels and "that the removal of price controls on butane and natural gasoline, including the butane and natural gasoline components of natural gas liquids, cannot be used in particular cases to achieve a *de facto* removal of price controls on *propane*." (Federal Energy Guidelines, Para. 40, 476, at p. 41, 014.) While propane deregulation has been considered by the ERA, neither propane nor the propane component of mixed streams has been exempted from federal price regulations. According to the ERA, "if a producer-seller of liquid hydrocarbons prices each component separately, this is a sale of the respective separately priced products."

While the ERA has also determined that a natural gas liquids stream priced without reference to component products would continue to be controlled, this fact alone is insufficient for us to conclude that Edison's predominantly butane gas supply and operations on Catalina Island come within the propane exemption under Section 221. Certainly, the reasons given by the ERA for deregulating butane and natural gasoline (*i.e.*, supply, demand, and price being influenced more by the motor gasoline market than regulatory restraints) could be urged before the California Legislature in an effort to deregulate butane operations. However, given the Legislature's limitation on the Section 221 exemption to propane and its reliance on federal regulation in adopting such an exemption, excepting butane from the definition of "gas plant" would seem to be contrary to the language and intent of the section as it is presently written. Because butane, not propane, is the primary component of the gas supplied by Edison to both domestic and commercial customers on Catalina Island, we should assert jurisdiction over Edison's operations and issue a rate decision.

III - PUBLIC WITNESSES' STATEMENTS AND/OR TESTIMONY

One day of public hearing was held in Avalon to afford Edison's customers an opportunity to present their views concerning this application as well as the water and electric rate applications. Six members of the public, including Avalon's Mayor Hugh T. Smith and Avalon Water and Energy Committee Chairman George Heinrich, either testified or presented short statements. The customers' testimony or statements in opposition to the proposed increases were generally that the increases were too great. One member of the public, an employee of a real estate company, indicated that renters were already having difficulty keeping up with the high rate of rent increases on Catalina and deplored any utility rate increases which would make more of a hardship for them. Several customers stated their belief that Edison had done a good job in operating the utilities up to now and was entitled to a rate increase but did not want to pay for Edison's mistakes, and further that large increases for fixed income people would be hard to absorb.

Mayor Smith testified that the City initially supported integration of Catalina electric rates with mainland electric rates which would lower electric rates, but supported Edison's proposed rates for water and gas. The City later endorsed Edison's late-filed alternate revised option rates which would retain the mainland electric integration feature and lower electric rates, increase water rates in two steps rather than one single increase, and increase gas rates by 25 percent for a 5.3 percent rate of return on rate base.

Testimony on behalf of Edison was presented by Messrs. Robert B. Beck, division vice president in charge of the southern division within the customer service department; Philip D. Lester, senior rate specialist, revenue requirements department; and Rodney L. Larson, supervising regulatory cost engineer, revenue requirements department. Testifying on behalf of the Commission staff were Messrs. Srinivasa Raghavan, assistant utilities engineer, electric branch; Ishwar Garg, associate utilities engineer, electric branch; Richard Finnstrom, senior utilities engineer, electric branch; Robert Durkin, supervising engineer, hydraulic branch; and John P. Hughes, public utility financial examiner IV, finance division.

IV - RESULTS OF OPERATION

Edison contends that the rates now in effect for its gas operation should be increased to reduce the current substantial revenue deficiencies and eventually bring such rates into line with the cost of providing such gas service. It is contended that inflation over the past 15 years has greatly increased Edison's cost to serve its customers and has caused Edison to experience revenue deficiencies since it acquired the gas system in 1962. Edison expects this inflationary trend to continue indefinitely. Edison further points out that even when crediting Catalina gas operation with the effect of the overall impact on Edison's income tax liability of Catalina's gas system expenses, which substantially exceed revenues, the operation of the Catalina gas system has shown a negative rate of return for the past three years. Edison further justifies the need for a rate increase because of future requirements of additional capital improvements to maintain adequate service. Edison further believes that base rates should be based on fully allocated costs to discourage waste and encourage efficient utilization of resources as a conservation measure.

As can be seen in Table I, Edison has limited its rate relief request to merely recovering operating costs for its gas operation. This obviously will not accomplish Edison's ultimate objective of providing an opportunity to earn a reasonable rate of return, and eliminating the earning deficiencies but, according to Edison, is deemed prudent in view of the size of the increase sought in this application and its need to concurrently file similar applications for electric and water rate relief. Edison intends, at a later date, to apply for further rate relief to bring its gas rates for such services up to a level which will recover its costs, including an opportunity to earn a reasonable rate of return on rate base.

The rate relief requested herein will permit Edison an opportunity to achieve only a (0.1) percent rate of return on rate base, or barely enough to cover its expenses.

Edison also requests authority, in this application, to modify its existing rate cost adjustment (RCA) to make it generally consistent with other cost adjustment clauses. The proposed GCAC for Catalina would offset cost increases or decreases in the cost of liquefied petroleum used to provide liquefied petroleum gas-air to Catalina customers. A balancing account is also requested which will provide an accounting of these increases and decreases in liquefied petroleum costs in addition to a procedure for balancing revenues and expenses associated therewith. Under Edison's proposal a GCAC billing factor of .2934 dollars per therm would be made effective with base rates.

Gas Rates

Edison's current rates, in effect since it acquired the system in 1962, were based on cost levels prior to 1956, which was the year this Commission granted the last general rate increase prior to Edison's acquiring the gas utility. Present rates still reflect that cost level except for the component of rates covering LPG costs.

The current rate structure contains a minimum charge as well as a winter/summer rate structure with declining block rates. The proposed rate schedules remove the minimum charge rates as well as the winter/summer rate structure and replace them with a separate customer charge and quantity rates. The proposed tariffs change from a cents-per-hundred-cubic-foot basis to a dollar-per-therm basis. The proposed rate schedules also reduce the number of blocks and increase the cost per therm in excess of the first 25 therms for all domestic service other than lifeline service.

The proposed rates have been designed so that a domestic lifeline customer who uses 25 therms in the summer and 60 therms in the winter will pay the same annual amount as such customer presently pays. Because the average system rate in cents per therm has not increased more than 25 percent above the January 1, 1976 level, we are precluded under Public Utilities Code Section 739(c) from raising lifeline rates. This results in the declining block rate structure shown in Table III, under the column "Proposed Rates - Lifeline Service". We intend to establish an inverted rate structure for this gas service as soon as it becomes possible to do so. Our use of declining block rates here is compelled by statute and does not represent a departure from our established policy of inverting rate blocks.

The estimated annual revenue increase, the average percentage increases, and the increase in unit revenues for 1979 average year sales for each of the several customer groups affected, if the rates proposed by Edison were to be effective for the full test year on which they are based, are shown in Table II.

Table III compares the present and proposed rates for domestic gas service for customers in the city of Avalon and vicinity, and Table IV compares the present and proposed rates for general gas service for customers in the city of Avalon and vicinity.

Tables V and VI show a comparison of typical gas bills calculated at present and proposed rates for domestic and general service customers in addition to showing the amounts for bills calculated at present and proposed rates and indicating the amount and percentage of the increase.

TABLE II

Annual Revenue Increase by Customer Group

CPUC Jurisdictional Customer Group	Annual Revenue Increase	Average Percentage Increase a/	Average Unit Revenue Increase b/
	$	%	$/therm
Proposed			
Domestic	14,200	6.3	.0266
General	17,600	11.1	.0511
Total	31,800	8.3	.0362
Option			
Domestic	52,600	23.4	.0984
General	49,700	31.5	.1442
Total	102,300	26.7	.1164

a/ Calculated for each customer group by dividing the estimated increase in revenues by the total estimated revenues under presently authorized rates and stating the result as a percentage.

b/ Calculated for each customer group by dividing the estimated increase in revenues by the estimated therm sales.

TABLE III

DOMESTIC SERVICE

	Present Rates Per Meter Per Month	
	Base Rates 1100 Btu	Effective Rates 1100 Btu
May-September, inclusive		
First 400 cu.ft. or less	$1.50[a]	$1.50[a]
Next 9,600 cu.ft., per 100 cu.ft.	50.5¢	58.5¢
Next 15,000 cu.ft., per 100 cu.ft.	45.5¢	53.5¢
Next 25,000 cu.ft., per 100 cu.ft.	42.5¢	50.5¢
Over 50,000 cu.ft., per 100 cu.ft.	39.5¢	47.5¢
October-April, inclusive		
First 400 cu.ft. or less	$1.00[a]	$1.00[a]
Next 9,600 cu.ft., per 100 cu.ft.	39.5¢	47.5¢
Next 15,000 cu.ft., per 100 cu.ft.	38.5¢	46.5¢
Next 25,000 cu.ft., per 100 cu.ft.	36.5¢	44.5¢
Over 50,000 cu.ft., per 100 cu.ft.	35.5¢	43.5¢

a/ Minimum Charge

	Proposed Rates Per Meter Per Month	
	Lifeline Service	Other Domestic Service
Customer Charge	$1.00	$1.88
Quantity Charge (to be added to Customer Charge):		
First 25 therms, per therm	$ .0454	.1255
Excess therms, per therm	.0352	.2076

SPECIAL CONDITIONS

1. Minimum Charge: Service to customers shall be on an annual basis only with an annual minimum charge of twelve times the monthly customer charge payable monthly at the Customer Charge Rates.

2. Gas Cost Adjustments: The rates above are subject to adjustment as provided for in Part F of the Preliminary Statement. The applicable Gas Cost Adjustment Billing Factors set forth therein will be applied to liquefied petroleum gas-air billed under this schedule.

3. Lifeline Service: The rates above are subject to adjustment as provided for in Part E of the Preliminary Statement. The applicable lifeline quantity to be filled under rates designated as applicable to lifeline service shall be the sum of the applicable lifeline quantities set forth in Part E of the Preliminary Statement.

TABLE IV

GENERAL SERVICE

	Present Rates Per Meter Per Month Base Rates 1100 Btu	Present Rates Per Meter Per Month Effective Rates 1100 Btu
May-September, inclusive		
First 400 cu.ft. or less	$1.50[a/]	$1.50[a/]
Next 9,600 cu.ft., per 100 cu.ft.	50.5¢	58.5¢
Next 15,000 cu.ft., per 100 cu.ft.	45.5¢	53.5¢
Next 25,000 cu.ft., per 100 cu.ft.	42.5¢	50.5¢
Over 50,000 cu.ft., per 100 cu.ft.	39.5¢	47.5¢
October-April, inclusive		
First 400 cu.ft. or less	$1.00[a/]	$1.00[a/]
Next 9,600 cu.ft., per 100 cu.ft.	39.5¢	47.5¢
Next 15,000 cu.ft., per 100 cu.ft.	38.5¢	46.5¢
Next 25,000 cu.ft., per 100 cu.ft.	36.5¢	44.5¢
Over 50,000 cu.ft., per 100 cu.ft.	35.5¢	43.5¢

The above effective rates are based on a cost of liquefied petroleum of 26.678 cents per gallon and are determined from the base rates as set forth in Part F of the Preliminary Statement.

a/ Minimum charge

	Proposed Rates Per Meter Per Month
Customer Charge	$1.88
Quantity Charge (to be added to Customer Charge):	
First 550 therms, per therm	$ .2059
Excess therms, per therm	.2162

SPECIAL CONDITIONS

1. Minimum Charge: Service to customers shall be on an annual basis only with an annual minimum charge of twelve times the monthly customer charge payable monthly at the Customer Charge Rates.

2. Gas Cost Adjustment: The rates above are subject to adjustment as provided for in Part F of the Preliminary Statement. The applicable Gas Cost Adjustment Billing Factors set forth therein will be applied to liquefied petroleum gas-air billed under this schedule.

TABLE V

TYPICAL MONTHLY GAS-AIR BILLS

DOMESTIC SERVICE

Present Schedule No. G-80 - Proposed Schedule No. G-1

	Cubic Feet	Therms	Present Rates	Proposed Rates	Increase Amount	Increase Percent
May-September	0	0	$ 1.50	$ 1.00	$(0.50)	(33.3)
	500	5.5	2.01	2.86	0.85	42.3
	1,000	11.0	4.53	4.73	0.20	4.4
	2,500	27.5	12.33	10.71	(1.62)	(13.1)
	5,000	55.0	27.46	24.40	(3.06)	(11.1)
	10,000	110.0	57.71	51.76	(5.95)	(10.3)
	17,500	192.5	99.32	92.80	(6.52)	(6.6)
	25,000	275.0	140.95	133.85	(7.10)	(5.0)
	50,000	550.0	272.25	270.66	(1.59)	(0.6)
	100,000	1,100.0	519.68	544.28	24.60	4.7
October-April	0	0	1.00	$ 1.00	$ 0	0
	500	5.5	1.40	2.86	1.46	104.3
	1,000	11.0	3.37	4.73	1.36	40.4
	2,500	27.5	9.30	10.29	0.99	10.7
	5,000	55.0	19.17	19.33	0.16	0.8
	10,000	110.0	43.46	45.85	2.39	5.5
	17,500	192.5	79.84	86.89	7.05	8.8
	25,000	275.0	116.21	127.93	11.72	10.1
	50,000	550.0	232.47	264.75	32.28	13.9
	100,000	1,100.0	459.94	538.37	78.43	17.1

(Red Figure)

Lifeline Amount = 25 therms for bills rendered for May through September.

Lifeline Amount = 60 therms for bills rendered for October through April.

Note: These bill comparisons reflect the application of the present Rate Cost Adjustment provision and the proposed Santa Catalina Island Gas Cost Adjustment Clause. The Rate Cost Adjustment and Gas Cost Adjustment Billing Factor utilized in these comparisons are based upon an average cost of liquefied petroleum of 27.889 cents per gallon in 1979.

TABLE VI

TYPICAL MONTHLY GAS-AIR BILLS

GENERAL SERVICE

Present Schedule No. G-82 - Proposed Schedule No. G-2

	Cubic Feet	Therms	Present Rates	Proposed Rates	Increase Amount	Increase Percent
May-September	0	0	$ 1.50	$ 1.88	$ 0.38	25.3
	5,000	55.0	29.33	29.24	(0.09)	(0.3)
	7,500	82.5	44.46	42.92	(1.54)	(3.5)
	10,000	110.0	59.58	56.61	(2.97)	(5.0)
	17,500	192.5	101.20	97.65	(3.55)	(3.5)
	25,000	275.0	142.82	138.69	(4.13)	(2.9)
	50,000	550.0	274.08	275.51	1.43	0.5
	75,000	825.0	397.83	415.07	17.24	4.3
	100,000	1,100.0	521.58	554.63	33.05	6.3
October-April	0	0	$ 1.00	$ 1.88	$ 0.88	88.0
	5,000	55.0	23.77	29.24	5.47	23.0
	7,500	82.5	36.15	42.92	6.77	18.7
	10,000	110.0	48.52	56.61	8.09	16.7
	17,500	192.5	84.89	97.65	12.76	15.0
	25,000	275.0	121.27	138.69	17.42	14.4
	50,000	550.0	237.51	275.51	38.00	16.0
	75,000	825.0	351.25	415.06	63.81	18.2
	100,000	1,100.0	464.99	554.63	89.64	19.3

(Red Figure)

Note: These bill comparisons reflect the application of the present Rate Cost Adjustment provision and the proposed Santa Catalina Island Gas Cost Adjustment Clause. The Rate Cost Adjustment and Gas Cost Adjustment Billing Factor utilized in these comparisons are based upon an average cost of liquefied petroleum of 27.889 cents per gallon in 1979.

Results of Operation

Witnesses for Edison and the Commission staff have analyzed and estimated Edison's operation results. The staff did not sponsor any exhibit expressing its estimate of Edison's results of operation. The staff witness, in his testimony, agreed substantially with Edison's results of operation report and stated that estimated revenues and operating expenses appear reasonable and acceptable. He further testified in support of the proposed rate structure which revises the existing volumetric rate to therm rates inasmuch as therms are more reflective of heating values and are more widely used in utility rate structures. He also agreed that eliminating the current declining block rates will assist in conservation efforts. Inasmuch as there was no disagreement by the staff as to Edison's estimated results of operation and Edison has justified its estimates as reasonable, we adopt such results as reasonable. Table VII is a summary of earnings at present and proposed rates and the adopted results.

TABLE VII

SANTA CATALINA ISLAND

Summary of Earnings
(Test Year 1979)

GAS

Item	Edison Present Rates	Edison Proposed Rates	Adopted Results
	(Dollars in Thousands)		
Operating Revenues	$409.2	$441.0	$441.0
Operating Expenses			
O & M	409.5	410.7	410.7
A & G	56.6	56.9	56.9
Depreciation	17.7	17.7	17.7
Taxes, Other than Income	13.0	13.0	13.0
Income Taxes	(72.7)	(56.7)	(56.7)
Total Operating Expense	424.1	441.6	441.6
Net Operating Revenues	(14.9)	(0.6)	(0.6)
Avg. Rate Base	622.5	622.5	622.5
Rate of Return	(2.39)	(0.10)	(0.10)

(Red Figure)

V - CATALINA GCAC

Edison's proposed changes in tariff schedules include the replacement of the present RCA by a proposed GCAC, which is designed to offset changes in the cost of liquefied petroleum gas-air. The base rates contained in Tables III and IV do not reflect amounts related to the components of fuel expense which are eligible for inclusion in the GCAC. Table VIII shows the calculation of the Catalina gas cost adjustment billing factor of .2934 per therm, as originally proposed by Edison in its application submitted September 1, 1978.

Since the application was originally submitted in September 1978, the cost of gas has increased from an average cost of $.27889 cents per gallon in the test year to $.42678 cents per gallon as set forth in Edison's Advice Letter No. 57-6 and the rates reflecting such price increases are presently effective and were approved by Commission Resolution No. G-2349 on May 20, 1980. Accordingly, the GCAC billing factor to be made effective by this decision must necessarily be modified to prevent a possible huge increase to ratepayers when Edison submits its initial GCAC application. This increase would result from a negative balancing account were we to adopt the lower billing factor originally submitted by Edison. Table IX reflects the calculation of the billing factor after taking into consideration the recently approved advice letter gas cost adjustment.

TABLE VIII

GAS

1979	Fuel Expense	$255,395
1979	Sales	879,121 Therms

1979 Fuel Expense	$255,395
Increased by .9814% to reflect effect of Franchise Fees and Uncollectibles	2,506
Amount to be recovered	$257,901

Initial Catalina Gas Cost Adjustment Billing Factor

$$\frac{\$257,901}{879,121 \text{ Therms}} = \$.2934/\text{Therm}$$

TABLE IX

GAS

1979	Fuel Expense	$390,845[a/]
1979	Sales	879,121 Therms

1979	Fuel Expense	$390,845
Increased by .98147% to reflect effect of Franchise Fees and Uncollectibles		3,836
Amount to be recovered		$394,681

Catalina Gas Cost Adjustment Billing Factor

$$\frac{\$394,681}{879,121 \text{ Therms}} = \$.4490/\text{Therm}$$

a/ 915,800 gallons used in test year for generation of gas-air at $.42678 per gallon from Advice Letter No. 57-6.

Edison's current RCA tariff provides for rate adjustments whenever the cost of liquefied petroleum changes, including purchased cost or the refinery plus cost of delivery into the utility's storage tanks on Catalina. It is always prospective and based on estimated costs. Staff opposes the proposed GCAC for the same reasons it opposed Edison's proposed electric cost adjustment clause (ECAC) in A.58331, namely, that staff believes recovery of fuel costs through offset procedures is administratively simpler since offsets do not require auditing of balancing accounts and can be processed in shorter time as they do not require public hearings. In addition, the staff witness testified that Edison has used its current RCA 10 times to reflect increased costs and four times to reflect reduced costs since 1974. Staff feels this appears to be an adequate treatment of gas cost variations without the intricacies of the balancing account.

VI - WAGE AND PRICE GUIDELINES

Edison's witness Lester sponsored Exhibit 4G in compliance with Commission Resolution No. M-4704 dated January 30, 1979, which ordered all utilities requesting a general rate increase to show whether the requested increase complies with the voluntary wage and price standards issued by the Council on Wage and Price Stability (COWPS). According to this evidence, Edison applied the alternative price standard for electric and gas utilities to its entire operations. This is a "Gross Margin Standard" which is described in an interim final standard issued by COWPS. According to the evidence, Edison meets the gross margin test from the third quarter of 1978 to the third quarter of 1979.

VII - FINDINGS AND CONCLUSIONS

Findings of Fact

1. Edison has not had a general rate increase for its Catalina gas operation since it acquired the gas system in 1962.

2. Edison has experienced revenue deficiencies in its Catalina gas operation for the past several years and has, likewise, experienced a negative rate of return on rate base for several years.

3. Edison's existing gas tariffs are insufficient to provide revenues to meet its operating expenses or to provide a reasonable return to Edison.

4. Edison applied the COWPS "Gross Margin Standard" to its entire operations.

Conclusions of Law

1. The present rates and charges, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable and that the increase in rates and charges authorized by this decision are reasonable and justified and that the application should be granted to the extent set forth in the order which follows.

2. The establishment of a GCAC for Catalina as proposed in Edison's proposed gas tariffs will enable Edison to recover rapidly increasing gas costs on a dollar-for-dollar basis and is deemed to be reasonable. The adopted initial fuel cost adjustment billing factor of $.4490/therm is calculated by dividing the 1979 fuel expense, increased by .9814 percent to reflect the effect of franchise fees and uncollectibles, by the 1979 gas sales, and is reasonable.

3. The increase in gas rates as authorized in this decision complies with Public Utilities Code Section 739(c).

4. The rate increase sought herein complies with the COWPS' voluntary standards using the Gross Margin Standard.

5. The adopted estimates of operating revenues, operating expenses, and rate base for test year 1979 indicate the probable results of Edison's gas operation for the near future.

ORDER

IT IS ORDERED that:

1. Southern California Edison Company (Edison) is authorized to file with this Commission revised schedules for gas service as set forth in Appendix A hereto on or after the effective date of this order. The revised tariff schedules shall become effective on not less than five days notice to the public and to the Commission to make the revised tariffs effective. Edison's revised schedules shall be in compliance with the requirements of General Order No. 96-A.

2. Edison shall file all future Santa Catalina Island Gas Cost Adjustment Clause applications authorized herein simultaneously with the filing of its Catalina electric Energy Cost Adjustment Clause applications.

The effective date of this order shall be the first day of the month following the date hereof.

Dated JUL 29 1980, at San Francisco, California.

John E. Bryson
President

Vernon L. Sturgeon

Richard D. Gravelle

Leonard M. Grimes, Jr.

Claire T. Dedrick
Commissioners

PRELIMINARY STATEMENT

(Continued)

E. "LIFELINE" SERVICE

1. Applicable only to permanent domestic service billed on Schedule No. G-1.

2. All permanent domestic users are eligible to receive a "Lifeline" volume of gas for cooking, water heating, space heating, or a combination thereof. A "Lifeline" volume is the volume of gas which is necessary to supply the minimum energy needs of the average permanent domestic user as specified in paragraph E.3., below.

3. The "Lifeline" volume of gas to supply the minimum needs of permanent domestic users for cooking and water heating, and space heating is:

Minimum Need	Time Period	Therms Per Meter Per Month
Cooking and Water Heating (Basic)	All Year	25
Space Heating (See E.4.)	November-April	35
Total	November-April	60

4. Each permanent domestic customer may receive the "Lifeline" volume of gas for space heating to be billed under the rate for "Lifeline" service upon application to the Company. The utilization of such end use equipment by the customer is subject to verification by the Company. In the event the Company ascertains that such customer is not eligible for this additional "Lifeline" volume, such customer will be rebilled as if no such "Lifeline" volume had been granted.

5. No more than one "Lifeline" volume will be allowed for each type of end use per dwelling or accommodation on a premises.

6. Eligible domestic customers shall be billed through the appropriate blocks for "Lifeline" service up to the total of the applicable "Lifeline" volumes. Usage in excess of the total applicable "Lifeline" volumes shall be billed in blocks continuing from the point reached by the total of the "Lifeline" volumes but at the rate applicable to other domestic service.

PRELIMINARY STATEMENT

(Continued)

F. SANTA CATALINA ISLAND GAS COST ADJUSTMENT CLAUSE (GCAC)

1. Applicability. Bills rendered under rate schedules and certain special contracts applicable to service on Santa Catalina Island and contained or listed herein shall include amounts resulting from multiplying the therms of liquefied petroleum gas-air for which the bills are rendered by the appropriate Catalina Gas Cost Adjustment Billing Factors (GCABF), (1) to offset increases or decreases in the cost of liquefied petroleum utilized to generate liquefied petroleum gas-air, and (2) to extinguish the balance in the Gas Cost Adjustment Account. Such billing factors are shown in paragraph 9 following.

2. Revision Date. The Revision Date is September 1 of each year. The effective date of the revised billing factors shall be on such date or as soon thereafter as the Commission may authorize. The GCABF, in dollars per therm of liquefied petroleum gas-air sold, shall be applied to service rendered on and after the effective date and continuing thereafter until the next such factor becomes effective. Applications for revisions of the GCABF shall be filed with the California Public Utilities Commission at least 30 days before the Revision Date.

3. Record Period.

a. For purposes of calculating the GCABF, the Record Period shall be the twelve month period ending at the end of the third month prior to the month in which the Revision Date occurs.

b. Record Period Sales shall be the therms of liquefied petroleum gas-air sold during the Record Period.

c. The Record Period Quantity of liquefied petroleum gas-air during the Record Period, in gallons.

4. Current Price. The Current Price of liquefied petroleum shall be the average price, in cents per gallon, of such fuel in inventory on or before the filing date.

5. Current Cost. The Current Cost of liquefied petroleum shall be the respective Record Period Quantity of liquefied petroleum multiplied by its respective Current Price.

6. Gas Cost Adjustment Account. The Company shall maintain a Gas Cost Adjustment Account (Balancing Account) applicable to the GCAC. Entries to be made to this account at the end of each month will be determined from the following calculations:

PRELIMINARY STATEMENT

(Continued)

F. SANTA CATALINA ISLAND GAS COST ADJUSTMENT CLAUSE (GCAC) (Continued)

a. Liquefied petroleum expense, all as recorded during the month;

b. Less: refunds received by the Company from any of its liquefied petroleum suppliers;

c. Plus: an appropriate adjustment to reflect expenses and revenues resulting from sales, purchases, or transfers of liquefied petroleum during the month; and

d. Less: amount of revenue billed during the month under the GCABF reduced by 0.9814% to offset the effect of franchise fees and uncollectible expenses.

If the above calculation produces a positive amount (undercollection) such amount will be debited to the Balancing Account. If the calculation produces a negative amount (overcollection) such amount will be credited to the Balancing Account. Interest per month on the average of the beginning and ending balance in the Balancing Account, debit or credit, will accrue to the Balancing Account. (The interest rate adopted in D.91269 is applicable.)

7. Calculation of the GCAC Amount. The Gas Cost Adjustment Clause Amount shall be determined as follows:

a. The Current Cost of liquefied petroleum calculated according to paragraph 5;

b. Plus: the balance in the Gas Cost Adjustment Account at the end of the Record Period;

c. The sum of "a" through "b" shall be increased by 0.9814% to offset the effect of franchise fees and uncollectible expenses; the result is the GCAC Amount to be recovered through the GCABF.

8. Calculation of the GCABF. The Gas Cost Adjustment Billing Factor shall be determined as follows:

a. The GCABF applicable to lifeline service and other than lifeline service, expressed in cents per therm sold, shall be the GCAC Amount divided by Record Period therms, except that the GCABF for lifeline service shall not exceed $.4490 per therm.

PRELIMINARY STATEMENT

(Continued)

F. SANTA CATALINA ISLAND GAS COST ADJUSTMENT CLAUSE (GCAC) (Continued)

b. When the GCABF exceeds $.4490 per therm, the Gas Cost Adjustment Clause Amount calculated above shall be reduced by the amount to be recovered through the lifeline GCABF and the remainder shall be divided by the remaining Record Period sales to determine the GCABF applicable to other than lifeline service.

c. The GCABF shall be rounded to the nearest .0001 dollars per therm.

9. Billing Factors. The adjustment amount to be added to or subtracted from each bill shall be the product of the therms for which the bill is rendered, multiplied by the effective GACBFs. The factors listed below have been, or are, in effect for the period indicated:

Gas Cost Adjustment Billing Factor $/Therm

Applicable to Domestic Service

Effective Date	Applicable to Lifeline Service	Applicable to Service in Excess of Lifeline Amounts	Applicable to Other Than Domestic Service
________, 19__	.4490	.4490	.4490

Schedule No. G-1

Santa Catalina Island

DOMESTIC SERVICE

APPLICABILITY

Applicable to domestic service of liquefied petroleum gas-air.

TERRITORY

The City of Avalon, and vicinity, Santa Catalina Island.

RATES

	Per Meter Per Month	
	Lifeline Service	Other Domestic Service
Customer Charge..............................	$1.00	$1.83
Quantity Charge (to be added to Customer Charge):		
First 25 therms, per therm..............	$ .0454	$ .1255
Excess therms, per therm................	.0352	.2076

SPECIAL CONDITIONS

1. Minimum Charge: Service to customers shall be on an annual basis only with an annual minimum charge of twelve times the monthly customer charge payable monthly at the Customer Charge Rates.

2. Gas Cost Adjustments: The rates above are subject to adjustment as provided for in Part F of the Preliminary Statement. The applicable Gas Cost Adjustment Billing Factors set forth therein will be applied to liquefied petroleum gas-air billed under this schedule.

3. Lifeline Service: The rates above are subject to adjustment as provided for in Part E of the Preliminary Statement. The applicable lifeline quantity to be billed under rates designated as applicable to lifeline service shall be the sum of the applicable lifeline quantities set forth in Part E of the Preliminary Statement.

Schedule No. G-2

Santa Catalina Island

GENERAL SERVICE

APPLICABILITY

Applicable to general service (other than domestic service) of liquefied petroleum gas-air.

TERRITORY

The City of Avalon, and vicinity, Santa Catalina Island.

RATES

	Per Meter Per Month
Customer Charge	$1.38
Quantity Charge (To be added to Customer Charge):	
First 550 therms, per therm	$ .2059
Excess therms, per therm	.2162

SPECIAL CONDITIONS

1. Minimum Charge: Service to customers shall be on an annual basis only with an annual minimum charge of twelve times the monthly customer charge payable monthly at the Customer Charge Rates. √

2. Gas Cost Adjustment: The rates above are subject to adjustment as provided for in Part F of the Preliminary Statement. The applicable Gas Cost Adjustment Billing Factors set forth therein will be applied to liquefied petroleum gas-air billed under this schedule.

Schedule No. G-SE

Santa Catalina Island

SERVICE ESTABLISHMENT CHARGE

APPLICABILITY

Applicable to General Service and Domestic Service customers.

TERRITORY

The City of Avalon, and vicinity, Santa Catalina Island.

RATE

For each establishment of gas-air service $5.00

SPECIAL CONDITIONS

1. The service establishment charge provided for herein is in addition to the charges calculated in accordance with the applicable schedule and may be made each time an account is established. As used herein, establishment means each time an account is opened, including a turn on of gas-air service or a change of name which requires a meter reading.

2. In case the customer requests that gas-air service be established on the day of his request or outside of regular business hours, an additional charge of $5.00 may be made.

Rule No. 1
DEFINITIONS

For the purposes of these tariff schedules, the terms and expressions listed below shall have the meanings set forth opposite them.

Applicant: A person or agency requesting the Company to supply gas service.

Average Month: 30.4 days.

Billing Period: The time interval between two consecutive meter readings that are taken for billing purposes.

Burner Capacity: The capacity of a burner as evidenced by the nameplate rating approved by the testing laboratories of the American Gas Association.

Company: Southern California Edison Company (See Utility).

Connected Load: The sum of the rated burner capacities of all of a customer's equipment that can be turned on at the same time.

Customer: The person in whose name service is rendered as evidenced by the signature on the application, contract, or agreement for that service, or, in the absence of a signed instrument, by the receipt and payment of bills regularly issued in his name regardless of the identity of the actual user of the service.

Customer's Mailing Address: The address specified in a customer's application or contract or any other address subsequently given to the Company by the customer, to which any notice or other communication is to be mailed.

Date of Presentation: The date upon which a bill or notice is mailed, or delivered by the Company, to the customer.

Domestic Service: Service for residential use at a dwelling premises.

Fixed Charge: That portion of the cost of service representing fixed costs which remains constant regardless of the amount of gas consumed and can be set up separately for billing purposes.

Gas Main Extension: The complete installation (excluding service connections) required to convey gas from the Company's nearest existing distribution main to a point opposite the location where an applicant desires service.

General Service: Service to any gas installation except those eligible for domestic service.