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Decision No. 92572 JAN 6 1981 ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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| Investigation on the Commission's own motion into the adequacy of summer lifeline gas and electricity allowances of the Pacific Gas and Electric Company in the coastal and mountainous areas of its service territory. | OII No. 77 (Filed July 2, 1980) |

Robert Ohlbach, Daniel E. Gibson, A. Kirk McKenzie, and Harry W. Long, Jr., Attorneys at Law, for Pacific Gas and Electric Company, respondent.
George P. Agnost and Leonard L. Snaider, Attorneys at Law, and Robert R. Laughead, for the City and County of San Francisco; Ann Murphy, Attorney at Law, for Toward Utility Rate Normalization; Brobeck, Phleger & Harrison, by Gordon E. Davis, William H. Booth, James M. Addams, and Cynthia A. Choate, Attorneys at Law, and Robert E. Burt, for California Manufacturers Association; Clarence H. Wikse, for Irate Taxpayers Committee of Sonoma County; Antone S. Bulich, Jr., Attorney at Law, for California Farm Bureau Federation; Gary Michael Kimmel, for Sonoma County Farm Bureau; Martin A. Fellhauer, for San Francisco Commission on Aging and Council of Chapters of American Association of Retired Persons; William B. Hancock, for Cut Utility Rates Today; Philip H. Stohr, Attorney at Law, for General Motors Corp.; and E. F. Westberg, Robin Gigoux, and Roseann Emerson, for themselves; interested parties.
Thomas F. Grant, Attorney at Law, and Robert Weissman, for the Commission staff.

## INTERIM OPINION

Order Instituting Investigation (OII) 77 was issued to determine whether there should be additional gas and electric lifeline allowances designated for space heating by residential customers of Pacific Gas and Electric Company (PG&E), located in the utility's coastal and mountainous service areas, based on climatological considerations. As respondent in this proceeding, PG&E was ordered to submit a report on the results of its inquiry and study of the following matters:[1/]

> "a. An analysis of residential usage on an annual and seasonal basis for each lifeline usage combination and for each climatological zone covered in its tariffs.
>
> "b. An analysis of residential usage on a monthly basis for the various areas within the service area. This analysis should encompass present climatological zones and include recommendations and alternatives for the appropriate monthly level of allowance for space heating usage in the zones as presently designated. The analysis should also include recommendations for prospective climatological zones covering areas of relatively cool summer weather with appropriate monthly level(s) of lifeline allowance for space heating usage in those zones."

OII 77 was assigned to Commissioner Dedrick and referred to Administrative Law Judge Gagnon for hearing. A prehearing conference was held at San Francisco on July 25, 1980. Thereafter, 9 days of duly noticed public hearings were held during the period of August 14, 1980 through October 15, 1980. PG&E's customers were afforded an opportunity to present their views at hearings (including evening sessions) scheduled in the cities of Eureka, Santa Maria, Salinas, San Francisco, Santa Rosa, Sonora, Redding, and Marysville. Further adjourned hearing was also held in San Francisco on September 29, 1980 for the evidentiary presentation by PG&E, the Commission staff, and other interested parties.

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1/ The report of respondent has been received in evidence as PG&E's Exhibits Nos. 1 and 2.

Synopsis

Based on PG&E's climatological studies, this interim decision designates additional gas and electric lifeline allowances for space heating during the summer months of May through October by residential customers located in the utility's relatively cooler coastal and mountainous service areas. At the present time, allowances for residential space heating at the reduced lifeline rates are designated for only the winter months of November through April. The additional energy for summer space heating was provided by reallocating a portion of the existing lifeline allowances designated for winter space heating which PG&E's climatological studies indicate will result in a more complete utilization of the lifeline allowances and a net increase in lifeline sales.

It is estimated that adoption of PG&E's proposed lifeline allowances for summer space heating will reduce the utility's electric revenues by about $991,000 and gas revenues by some $6.9 million annually. To counter any such revenue losses, PG&E's electric lifeline and nonlifeline residential base rates have been adjusted to a uniform cents/kWh rather than the current inverted rate scale. Concurrently, the Energy Cost Adjustment Clause (ECAC) billing factors have been equally revised to ensure that the total rates remain unchanged. No such adjustment in gas rates is required given the sales adjustment mechanism (SAM).

Antecedents

Legislative Mandate

Lifeline rates were first established by PG&E for gas and electric service on August 1 and September 21, 1975, respectively.

The California State Legislature, at its 1975-1976 regular session, by passage of Assembly Bill 167 (AB 167), enacted the Miller-Warren Energy Lifeline Act which in turn added Section 739 to the Public Utilities Code. Pursuant to this legislative action, lifeline energy rates became mandatory for all California gas and electric utilities, effective January 1, 1976.[2/]

Implementation of the Statute

On October 7, 1975 the Commission issued its Order Instituting Investigation in Case No. 9988 to determine the lifeline quantities of electricity and volumes of gas, including the rate structure required to provide minimum lifeline quantities of energy necessary for the average customer for the end uses specified in the lifeline act (Section 739 of the Code). Lifeline quantities of energy were initially established in Case No. 9988 by interim Decision No. 86087 dated July 13, 1976 (80 CPUC 182). In keeping with the Legislature's intent, the basic lifeline allowances were determined as:

> "...the smallest quantity of electricity and volume of gas that would, for the specified end utility service uses, be required to maintain a family of four people living in a five-room, 1,000-square-foot, well-insulated single family dwelling in a modest but reasonably comfortable standard of living." (80 CPUC at 189-190)

The minimum lifeline allowances of energy designated for various specified end uses found to be necessary for an average residential customer by Decision No. 86087 are:

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2/ For the Legislative Counsel's Digest of AB 167 see Decision No. 86087 (80 CPUC 182).

TABLE 1

| End Uses | | | Single/Metered Multi-unit Dwellings | Unmetered Multi-unit Dwellings |
|---|---|---|---|---|
| A. ELECTRIC | | | (kWh/month) | |
| Basic Allowance | | | | |
| Lighting | | | 65 | 50 |
| Refrigeration | | | 100 | 80 |
| Cooling | | | 75 | 60 |
| Total | | | 240 | 190 |
| Water Heating | | | 250 | 200 |
| Space Heating (Winter Season - November 1 through April 30) | | | | |
| Climatic Zones | | Degree Days | | |
| 1. | (Band W) | 2,500 or less | 550 | 330 |
| 2. | (Band X) | 2,501 - 4,500 | 800 | 480 |
| 3. | (Band Y) | 4,501 - 7,000 | 1,120 | 675 |
| 4. | (Band Z) | over 7,000 | 1,420 | 850 |
| B. GAS | | | (Therms/Mo.) | |
| Basic Allowance | | | | |
| Cooking | | | 6 | 5 |
| Water Heating | | | 20 | 16 |
| Total | | | 26 | 21 |
| Space Heating (Winter Season - November 1 through April 30) | | | | |
| Climatic Zones | | Degree Days | | |
| 1. | (Band W) | 2,500 or less | 55 | 33 |
| 2. | (Band X) | 2,501 - 4,500 | 80 | 48 |
| 3. | (Band Y) | 4,501 - 7,000 | 115 | 69 |
| 4. | (Band Z) | over 7,000 | 140 | 84 |

Since the scope of OII 77 was limited to the lifeline allowances designated for space heating by PG&E's residential customers located in the relatively cooler coastal and mountainous service areas of the utility, certain pertinent underlying information set forth in Decision No. 86087, (pages 199-200), supra, are restated here:

> "For the purpose of determining lifeline electric space heating quantities we will estimate the amount of electric energy that would be required to maintain our assumed average family, living in a five-room dwelling, insulated in accordance with the standards specified by the Design Manual, at a temperature of 68°F during waking hours (6 a.m. to 10 p.m.) and at 55°F when the family is asleep (10 p.m to 6 a.m.).
>
> "For heating zones we will adopt a standard statewide set of zones based on the three heating degree day zones established by the California Commission of Housing and Community Development; that is, a zone having 2,500 or less heating degree days, a zone having more than 2,500 but less than, or equal to 4,500 degree days, and a zone having more than 4,500 degree days.
>
> "In addition to the three zones specified in the Design Manual, we believe that a fourth zone is is necessary to recognize the severe winter conditions to be found at the crest of the Sierra Nevada. We will therefore specify a fourth zone for climates with degree days in excess of 7,000 degree days.
>
> "Most of southern California, except for the Tehachapi, San Gabriel, San Bernardino, San Jacinto, and Laguna mountain ranges will fall within the first 2,500 degree days or less zone. The second 2,500 to 4,500 degree zone will include most of the more heavily populated zones north of the Tehachapis.
>
> "The third zone, from 4,500 to 7,000 degree days includes the higher mountain communities of southern California and the area in northern California located generally east of the Mother Lode and north of the foothills of the Siskiyous

> and Cascades. Included in this zone are the communities of Lake Arrowhead, Quincy, Susanville, Weaverville, Eureka, Crescent City, Yreka, Big Bear Lake, and Alturas.
>
> "The zone above 7,000 degree days includes Markleeville, the communities in the Tahoe basin, and Portola.
>
> "In adopting our climatic zones, we are aware that the Commission of Housing and Community Development has recognized that the zone boundary lines, as shown on the maps contained in the Design Manual, may not be completely definable for a specific location, boundary, or topographic demarkation. The Housing Commission has permitted local enforcement agencies to develop local maps which will better define the location of heating degree day contour lines. Where this need exists, but has not been accomplished, we will permit the utilities to define the zone boundary lines in their tariffs.
>
> "Using these four climatic zones we will adopt space heating allowances for the six months of November through April. The matter should be reviewed further to study the desirability of shorter heating seasons in very warm areas or extended heating seasons including consideration of summer heating allowances in the fourth zone or in cooler coastal communities. We will expect our staff, and the affected utilities, to review this problem, and, in the second phase of this proceeding, present appropriate recommendations."

The lifeline volumes of gas adopted by Decision No. 86087 (Table 1) were calculated by first converting the previously determined lifeline quantities of electricity to equivalent heating values of gas, expressed in therms.3/ For space heating with gas the same climatic zones and heating degree days adopted for electric space heating requirements were employed. Both gas and electric lifeline space heating allowances are currently restricted to the designated winter months of November through April for all climatic zones.

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3/ Based on conversion factors presented in Exhibit 33 of record in Decision No. 86087, supra.

With respect to the lifeline allowances initially established by interim Decision No. 86087, supra, the Commission recognized the need for a continuing review of such lifeline designations by noting (at page 202) that:

> "The quantities and volumes designated herein, and the procedures established, are the results of our judgment and may, after being tested by experience, require their modification. The Commission will, therefore, be receptive to modification as experience and social and economic factors indicate."

On April 4, 1978, the Commission issued Decision No. 88651 (83 CPUC 589) as final Phase II of Case No. 9988. Issues deferred by interim Decision No. 86087 for subsequent consideration in final Phase II of Case No. 9988 were considered and disposed of by Decision No. 88651. Additional Findings set forth in this decision particularly pertinent to OII 77 are:

"<u>Additional Findings</u>"

* * *

"2. After further consideration, no changes are required in the uniform six-month heating season nor in the lifeline volumes of gas and quantities of electricity established as interim in Decision No. 86087, and those interim provisions should be made permanent.

"3. The inclusion of additional end uses other than those named in the Miller-Warren Lifeline Act should be limited to those end uses needed to supply the minimum energy needs of the average residential user and to life-support devices.

"4. The proposed end uses of pumping of domestic well water and gas for residential air conditioning do not fall within the criterion set forth in the preceding finding, and lifeline quantities and volumes for such uses should not be generally established. However, we will in future rate proceedings consider allowances for domestic well pumping where significant need by customers is demonstrated.

"5. Air conditioning falls within the end use criterion set forth above, and lifeline quantities for electric air conditioning should be established in separate utility rate proceedings.

"6. Persons who must use life-support devices cannot conserve, by modifying usage, any of the incremental amount of energy necessary to operate such devices.

"7. It is reasonable and equitable to allow an incremental lifelinc allowance for unique energy requirements, such as the required use of essential life-support devices, where customers cannot conserve.

"8. It is reasonable to order utilities to determine the monthly consumption for particular life-support devices, when customers certify that a full-time resident of the household regularly requires such a device, and add that amount to the basic residential billing account lifeline quantities. The utilities should be directed to apprise the public of the availability of a lifeline allowance for life-support devices.

"9. There are no data in the record which will permit us to define reasonable standards of eligibility for lifeline gas and electric service or sufficient evidence to designate lifeline volumes and quantities for permanent residents of single rooms in homes for the aged, boarding and rooming houses, dormitories, hotels, and similar residences."

<u>OII 77 - Background</u>

In Decision No. 86087 it was acknowledged that the designated end uses for lifeline quantities of energy, after being tested by experience, may require modification. Accordingly, the Commission stated it would be receptive to changes in lifeline designations as current social and economic factors indicate. Since lifeline allowances of energy were initially established there have been substantial changes in rate design, rate levels, and relationships between lifeline and nonlifeline residential rate scales. For example, PG&E notes that as of March 1977, the maximum difference for most coastal gas customers between lifeline and nonlifeline rates was 6.8¢/therm. The terminal block rate was only $0.20296. As of April-May 1980 rates applicable in PG&E's coastal service areas reflected price differentials between rate blocks as high as 37.7¢/therm. Differences in gas rate levels are now greater than the highest block rate level effective in 1977. It is now appropriate to question whether certain conclusions reached in Decisions Nos. 86087 and 88651, supra, are valid in light of current empirical knowledge and the known changes in social and economic factors which have occurred since lifeline quantities and volumes were initially established.

PG&E's present electric and gas rate levels reflect substantial increases in the energy-related cost offset billing rate factors as authorized by Decisions Nos. 91721 and 91720, dated April 29, 1980 in Applications Nos. 59463 and 59406[4/] The impact of these energy-related cost offset rate adjustments upon the monthly utility bills of PG&E's residential customers residing in the utility's coastal and mountainous service areas was accentuated by the concurrent existence of the following otherwise unrelated circumstances:

1. An unseasonably cool spring and early summer extended the usage of residential space heating, especially in the coastal and mountainous service areas of PG&E.

2. PG&E's supplemental lifeline quantities and volumes for space heating are applicable only during the six designated winter months of November through April; afterwards lower summer basic lifeline allowances apply. Extended usage of energy for space heating during designated summer months (May through October) resulted in energy sales being billed at the higher nonlifeline rates.

3. Energy-cost offset increases authorized by Decisions Nos. 91721 and 91720 became effective on April 29, 1980 (electric) and May 4, 1980 (gas).

4. A greater portion of the increased cost of energy was allocated to nonlifeline rates than to the lower lifeline rates.

The rather dramatic and sudden increases in PG&E's monthly billings, especially for the early summer months of May and June, generated a flood of literally thousands of petitions and protests addressed to the Commission and PG&E by residential customers of the utility generally located in the relatively cooler coastal and mountainous service areas. Expressions of concern were also received from representatives of the State Legislature and various levels of

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4/ By Decision No. 92249 dated September 16, 1980 in Application No. 59694, ECAC electric billing rate factors were reduced by approximately 7.4 percent.

local government. In response to this public reaction, the Commission immediately issued its OII 77. Public hearings were held in strategic locations in PG&E's coastal and mountainous service areas in order to afford the utility's customers an opportunity to present their views directly to the Commission and PG&E representatives. Several hundred members of the public attended the hearings and numerous public representatives presented statements of their views. State Legislators and their representatives, as well as members of local government, attended the hearings on behalf of their respective constituencies urging the Commission to immediately take all possible action toward alleviating the existing energy crisis.

A review of the public statements, presented by or on behalf of PG&E's residential customers, reveals that most of the lifeline issues considered but not adopted or otherwise deferred in Case No. 9988 (Decisions Nos. 86087 and 88651) are again urged upon the Commission for resolution. In the light of current experience and changed social and economic conditions, the residential customers contend that a favorable consideration of all the several lifeline issues raised by them is imperative to any amelioration of the current energy crisis. PG&E and the staff stated that consideration was given to the various lifeline issues raised by the utility's residential customers in the development of their respective tariff proposals and related recommendations.

PG&E's Summer Space Heating Proposal

At the September 29, 1980 adjourned hearing PG&E presented (Exhibit 3) its "Analysis of Coastal and Mountain Space Heating Lifeline Allowances and Proposed Tariff Recommendations."

In order to mitigate the impact of the present rate structure upon the utility's customers located within the relatively cooler coastal and mountain service areas, the utility proposes to revise its gas and electric tariff schedules to:

1. Establish summer space heating allowances in its coastal service areas (including parts of Alameda and Contra Costa

Counties) ranging from the extreme northern boundary of Humboldt County to the southern boundary in Santa Barbara County.5/

2. Revise the space heating allowances of the remaining Climate Band Y and all of Climate Band Z so that there will be space heating allowances in the May-to-October period. These areas are, with the exception of a portion of Humboldt County, either foothill or mountain areas above 2,000 feet in the northern counties and above 3,500 feet in the southern counties of the service area.

PG&E suggests reallocating a portion of the existing winter space heating allowances applicable in these particular service areas to the designated May through October summer season. The revised summer-winter heating allowances are, in general, proportional to the number of heating degree days in the respective seasons. The adjusted summer-winter space heating allowances recommended by PG&E are:

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5/ Coastal Climate Bands T and V, for which PG&E recommends establishment of summer space heating lifeline allowances, are specifically described in Exhibit 3, Tab K.

TABLE 2

Present and Proposed Space Heating Allowances For Coastal and Mountain Areas

| | Space Heating Allowance | | | | Not Submetered Space Heating Allowance | | | |
|---|---|---|---|---|---|---|---|---|
| | Electric | | Gas | | Electric | | Gas | |
| | Summer | Winter | Summer | Winter | Summer | Winter | Summer | Winter |
| Coastal Band T (1) | | | | | | | | |
| Present | 0 | 800 | 0 | 80 | 0 | 480 | 0 | 48 |
| Change | +230 | -230 | +24 | -24 | +140 | -140 | +14 | -14 |
| Proposed | 230 | 570 | 24 | 56 | 140 | 340 | 14 | 34 |
| Coastal Band V (2) | | | | | | | | |
| Present | 0 | 1120 | 0 | 115 | 0 | 675 | 0 | 69 |
| Change | +350 | -350 | +35 | -35 | +215 | -215 | +21 | -21 |
| Proposed | 350 | 770 | 35 | 80 | 215 | 460 | 21 | 48 |
| Mountain Band Y | | | | | | | | |
| Present | 0 | 1120 | 0 | 115 | 0 | 675 | 0 | 69 |
| Change | +230 | -230 | +24 | -24 | +140 | -140 | +14 | -14 |
| Proposed | 230 | 890 | 24 | 91 | 140 | 535 | 14 | 55 |
| Mountain Band Z | | | | | | | | |
| Present | 0 | 1420 | 0 | 140 | 0 | 850 | 0 | 84 |
| Change | +360 | -360 | +35 | -35 | +215 | -215 | +21 | -21 |
| Proposed | 360 | 1060 | 35 | 105 | 215 | 635 | 21 | 63 |

(1) Coastal Band T is presently in Climatic Band X (Exhibit 3, Tab K.)

(2) Coastal Band V is presently in Climatic Band Y (Exhibit 3, Tab K.)

In Exhibit 3, Tab A, an analysis of residential usage on an annual and seasonal basis is presented by PG&E in response to OII 77. The comparison of space heating allowances with the average monthly usage (therms per customer per month or kilowatt hours per customer per month) were developed for the two-year period ending April 1980. The data for the coastal area are based on total single family gas usage (nearly 100% space heating customers) for major coastal cities, and the data for the mountain areas are based on regular monthly statistics for space heating and combination electric customers in existing Climatic Bands Y and Z. In nearly all instances the present average winter usage is less than the lifeline allowance. A summary of the percent of bills, the percent of usage within lifeline, and the effects thereon under PG&E's proposal is as follows:

TABLE 3

1. The percent of bills within lifeline allowances increase as follows:

| | Percent of Bills | |
|---|---|---|
| | Present | Proposed |
| Coastal Gas | 55.6 | 67.5 |
| Mountain Gas | 62.7 | 73.2 |
| Coastal Electric: | | |
| Space/Water Heating | 56.0 | 61.3 |
| Space Heating | 72.4 | 86.1 |
| Mountain Electric: | | |
| Space/Water Heating | 60.7 | 64.0 |
| Space Heating | 60.3 | 69.0 |

2. The percent of therms and kilowatt hours within lifeline allowances and within second tier:

| | Percent of Usage | | | |
|---|---|---|---|---|
| | Tier I (Lifeline) | | Tier II | |
| | Present | Proposed | Present | Proposed |
| Coastal Gas | 74.7 | 78.0 | 92.3 | 95.9 |
| Mountain Gas | 81.0 | 82.9 | 94.3 | 96.6 |
| Coastal Electric | 76.1 | 79.5 | 93.2 | 95.5 |
| Mountain Electric | 72.1 | 74.8 | 92.3 | 95.7 |

From Tables 2 and 3 it will be observed that, under PG&E's proposed summer space heating allowance, only a reallocation of the existing winter space heating designations is recommended with no changes in the present total annual lifeline allowances designated for space heating. It is PG&E's position that, since the present allowances were established (Decisions Nos. 86087 and 88651) on a statewide basis, any changes initially affecting PG&E only might also affect other utilities serving the same or adjacent areas It is also noted that no study has been conducted to determine whether the total annual space heating allowances should be changed. The company further states that most of the customers affected by the proposal of PG&E (gas customers in the Humboldt coastal area and in the coastal area from Southern Marin County to Monterey) are in degree day areas that are in the lower 50 percent range in heating degree days for the governing climatic band. The proposal of PG&E will generally make available greater lifeline usage than under existing tariff provisions and in most instances both the proposed summer and winter allowances are in excess of the average usage (Exhibit 3, Tab D).[6/] In the absence of any study to the contrary, PG&E also suggests that the present six months summer/winter seasonal periods be retained in order to avoid major changes in the present billing revenue forecasting systems.

The impact of PG&E's proposed lifeline allowances for summer space heating upon the utility's annual revenue is an estimated reduction of $6,858,000 for the Gas Department and a $991,000 reduction for the Electric Department. In order to counter any such losses in base rate revenues, PG&E recommends that the electric lifeline and nonlifeline base rates be adjusted to a uniform cents/kWh rather than the current inverted rate scale. Concurrently, the

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6/ Statistical U. S. Weather Bureau data in Exhibit 3, Tab F indicate that most communities in the cooler coastal and mountain service area of PG&E experience a relatively high percentage of summer heating degree days for which no lifeline space heating allowances are currently provided.

ECAC billing factor rates would be equally adjusted to insure the total effective rate for each block remains unchanged. Thus no customer will receive either an increase or a decrease in total rates. The PG&E witness explained that with these changes the base rate revenue is unaffected by revision in lifeline allowances, such as proposed for summer space heating or by other like changes that may be ordered in the future. Customers will not incur any increase nor decrease in rates and with increased lifeline usage will receive the same reduction in annual bills as would occur without the suggested revision in base rates.[7/] The following table compares the electric rates (effective September 21, 1980) and the gas rates (effective May 4, 1980) with PG&E's proposed base rates proposal:

7/ No such adjustment in gas rates is required since an effective SAM will reflect any changes in the sales volume of record.

TABLE 4

Dollars Per Kilowatt-hour

| | Present Base | Present ECAC | Present Total | Proposed Base | Proposed ECAC | Proposed Total |
|---|---|---|---|---|---|---|
| Tier I | $ .01690 | .01992 | .03682 | .02039 | .01643 | .03682 |
| Tier II | .02430 | .03469 | .05899 | .02039 | .03680 | .05899 |
| Tier III | .02430 | .05707 | .08137 | .02039 | .06098 | .08137 |

In Exhibit 3, Tab K, PG&E has presented proposed tariff sheets for its gas and electric departments which reflect the recommended lifeline allowances for summer space heating within the utility's coastal and mountain service areas. It will be noted that two new Climatic Degree Bands T and V have been created for the affected coastal regions, and for the two mountain Climatic Bands Y and Z the lifeline space heating allowances have been reallocated between the summer and winter seasons. A summary comparison of the present gas and electric lifeline allowances with those resulting under PG&E's proposed summer space heating allowances for single dwelling units is set forth in the following Tables 5 and 6:

TABLE 5

| End Use | Climatic Bands (1) T | V | W | X | Y | Z |
|---|---|---|---|---|---|---|
| | (Therms/Month) | | | | | |
| **A. PRESENT - GAS** | | | | | | |
| Basic Allowance | 26 | 26 | 26 | 26 | 26 | 26 |
| Space Heating: | | | | | | |
| Summer (2) | - | - | - | - | - | - |
| Winter (3) | 80 | 115 | 55 | 80 | 115 | 140 |
| Basic plus Space Heating: | | | | | | |
| Summer (2) | 26 | 26 | 26 | 26 | 26 | 26 |
| Winter (3) | 106 | 141 | 81 | 106 | 141 | 166 |
| **B. PROPOSED - GAS** | | | | | | |
| Basic Allowance | 26 | 26 | 26 | 26 | 26 | 26 |
| Space Heating: | | | | | | |
| Summer (2) | 24 | 35 | - | - | 24 | 35 |
| Winter (3) | 56 | 80 | 55 | 80 | 91 | 105 |
| Subtotal | 80 | 115 | 55 | 80 | 115 | 140 |
| Basic plus Space Heating: | | | | | | |
| Summer (2) | 50 | 61 | 26 | 26 | 50 | 61 |
| Winter (3) | 82 | 106 | 81 | 106 | 117 | 131 |

(1) Degree days for each Climatic Band are set forth in Table 6.

(2) May 1 through October 31.

(3) November 1 through April 30.

TABLE 6

| End Use | T | V | W | X | Y | Z |
|---|---|---|---|---|---|---|
| | Climatic Bands (1) | | | | | |
| | (kWh/Month) | | | | | |
| **A. PRESENT - ELECTRIC** | | | | | | |
| Basic Allowance | 240 | 240 | 240 | 240 | 240 | 240 |
| Water Heating | 250 | 250 | 250 | 250 | 250 | 250 |
| Basic plus Water Heating | 490 | 490 | 490 | 490 | 490 | 490 |
| Space Heating: | | | | | | |
| Summer (2) | - | - | - | - | - | - |
| Winter (3) | 800 | 1,120 | 550 | 800 | 1,120 | 1,420 |
| Basic plus Space Heating | | | | | | |
| Summer | 240 | 240 | 240 | 240 | 240 | 240 |
| Winter | 1,040 | 1,360 | 790 | 1,040 | 1,360 | 1,660 |
| Basic-Space-Water Heating | | | | | | |
| Summer (2) | 490 | 490 | 490 | 490 | 490 | 490 |
| Winter (3) | 1,040 | 1,610 | 1,040 | 1,290 | 1,610 | 1,910 |
| **B. PROPOSED - ELECTRIC** | | | | | | |
| Basic Allowance | 240 | 240 | 240 | 240 | 240 | 240 |
| Basic plus Water Heating | 490 | 490 | 490 | 490 | 490 | 490 |
| Space Heating: | | | | | | |
| Summer (2) | 230 | 350 | - | - | 230 | 360 |
| Winter (3) | 570 | 770 | 550 | 800 | 890 | 1,060 |
| Basic Space Heating | | | | | | |
| Summer (2) | 470 | 590 | 240 | 240 | 470 | 600 |
| Winter (3) | 810 | 1,010 | 790 | 1,040 | 1,130 | 1,300 |
| Basic-Space-Water Heating: | | | | | | |
| Summer (2) | 720 | 840 | 490 | 490 | 720 | 850 |
| Winter (3) | 1,060 | 1,260 | 1,040 | 1,290 | 1,380 | 1,550 |

(1) Climatic Bands - Degree Days

| | | |
|---|---|---|
| T | (Presently in X) | 2,501 - 4,500 |
| V | (Presently in Y) | 4,501 - 7,000 |
| W | | 2,500 or less |
| X | | 2,501 - 4,500 |
| Y | | 4,501 - 7,000 |
| Z | | over 7,000 |

(2) May 1 through October 31.

(3) November 1 through April 30.

Staff Analysis and Recommendations

In Exhibit 4 the Commission staff presented its analysis and recommendations relative to PG&E's proposal to revise its gas and electric tariffs by reallocating the present annual space heating lifeline allowances in coastal and mountainous areas so that customers will receive space heating allowances during the designated summer season. The staff explains that the suggested reallocation of the winter space heating allowances to summer will result in a more complete utilization of the lifeline allowances and a net increase in lifeline sales. PG&E's proposal to revise electric base rates and related ECAC billing factor rates will prevent the dilution of base revenues as a result of the anticipated increase in lifeline sales. The staff confirms, however, that the total domestic rates will remain the same under PG&E's proposal.

According to the staff, PG&E's summer space heating proposal will result in both lower and higher billings. Customers not utilizing the full space heating lifeline allowance will benefit but those who exceed it will experience an increase in their winter bills that may not necessarily be balanced by a reduction in summer billings. On an overall basis, however, the staff does not take issue with PG&E's contention that its proposal will reduce electric revenues by about $991,000 and gas revenues by an estimated $6.9 million.

While the staff does not oppose PG&E's summer space heating proposal, it urges that, if adopted, it be made effective on May 1, 1981 which is the beginning of the summer season designated in PG&E's tariffs. PG&E concurs in this suggestion as do other interested parties.

OII 77 Public Hearings

The Commission staff was represented at all the public hearings held in strategic locations in PG&E's coastal and mountainous service areas to afford the utility's customers an opportunity to present their views and recommendations relative to the single issue pertaining to the establishment of lifeline allowances for summer space heating. However, numerous other issues were raised that the Commission previously accorded various degrees of consideration but deferred action upon pending further empirical knowledge under the lifeline rate structure. The staff quite correctly observes that PG&E's tariff proposal addresses only one of the many problems and/or issues raised by customers which are not necessarily limited to PG&E's service territory. Moreover, some of the issues raised at the public witness hearings may require remedial legislation for resolution and all but the single issue pertaining to summer space heating within PG&E's coastal and mountainous service territory are beyond the existing scope of OII 77.

The lifeline rate concept has now been in effect for approximately 4 years, during which time the residential customers of the various utilities have addressed a steady stream of problems and/or issues relative thereto to the Commission's attention. In light of our current experience under lifeline rates and the social and economic changes that have occurred over the past few years, the staff is now of the opinion that the time has come for the Commission to address the outstanding lifeline issues with which it has been confronted by the customers of the various California utilities. Accordingly, the staff recommends that the present scope of OII 77 be first expanded to make all gas and electric utilities under the Commission's jurisdiction respondents thereto and, secondly, the expanded OII 77 should then institute an investigation into the following additional issues for the purpose of determining whether:

1. Basic lifeline allowances for lighting, cooling and refrigeration should be increased.
2. The annual lifeline allowances for space heating and water heating should be increased or reduced.

3. Additional lifeline allowances should be designated for summer space heating and air conditioning in certain service territories.8/

4. The present domestic schedule should be split to give recognition to the varying lifeline energy requirements of different domestic classes such as apartments/condominiums, single family (detached), mobile homes, agricultural, etc.9/

5. Additional space heating lifeline allowances should be provided for the elderly (senior citizens).

6. Additional lifeline allowances should be provided for domestic water pumping.

7. Additional lifeline allowances should be provided based on the number of persons served by one meter.

8. A lifeline banking concept should be established whereby portions of lifeline allowances not used in one month could be carried over to subsequent months.

9. Supplemental lifeline allowances should be made available as an incentive to invest in approved conservation hardware or home improvements.

10. The quantity or volume of energy applicable to second-tier rate scales should be increased or otherwise adjusted and whether the types of end uses that fall within the so-called "luxury" third-tier rate scales should be specifically defined or otherwise delineated.

11. Base revenues of the utilities should be protected when changes in lifeline allowances result in a net increase in lifeline sales.

12. Additional lifeline allowances should be provided for persons with health problems other than those specified in Section 739 of the Public Utilities Code.

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8/ At the September 29, 1980 adjourned hearing PG&E announced that it would propose to expand air conditioning allowances to all its service areas where summer space heating allowances are not available, (RT 906). PG&E further explained that it would seek to establish its air conditioning proposal by advice letter filing with the Commission. (RT 922).

9/ For a further recognition of this issue by the Commission see Decision No. 92355 dated October 22, 1980 in Case No. 10857.

13. The length of the space heating and air conditioning seasons should be extended or otherwise revised.

The staff's proposal for formally broadening our review of lifeline allowance and the administration of lifeline illustrates the complexity of the entire issue. One may ask after reviewing the thirteen specific areas of inquiry posed by the staff why they cannot be examined very quickly, or why many of them should not be implemented in short order. Although it may appear the answers for those disappointed or disgruntled with lifeline are easily at hand, they are not. For each time a larger quantity is allotted that benefits some ratepayers, others will pay more to compensate for the revenue requirements shift. A thorough review may conclude some existing lifeline allowances are too generous and others inadequate. We know with certainty only that the end result will be that not all ratepayers will be satisfied with the conclusions.

The valuable input from the parties and public on the record in this proceeding will be used, whether we broaden this particular investigation or institute another. Our staff is studying the matter. It is premature at this time to announce the procedure for further analysis of lifeline issues. When we decide on how to proceed, and the issues to address, it will be broadly publicized to ensure those interested know where and when to participate.

We understand the public's frustration over increasing utility rates. Although the cause is primarily due to foreign full pricing which California's utilities must pass on, it does not ameliorate ratepayers' frustration. Sound modifications to rate design may help, and we are giving high priority to searching out reasonable answers. We are determined to have fair rate designs which ensure costs are recovered, conservation is encouraged and rewarded, and essential quantities of energy are affordable. In determining how to proceed we will decide which areas of concern we can address and possibly resolve and which require legislative changes.

Interested Party Proposals

The city and county of San Francisco (CCSF) presented testimony (Exhibit 5) which, with certain reservations, supports the proposal of PG&E as a minimum interim resolution of the issues concerning lifeline allowances for summer space heating. To this end, CCSF also accepts the staff suggestion that adoption of PG&E's summer space heating proposal not be made effective prior to May 1, 1981 when the first rate impact of the proposal by PG&E will occur. However, CCSF strongly objects to that portion of PG&E's proposal that would generate a summer space heating lifeline allowance by a like reallocation from the existing lifeline allowances provided for winter space heating.

To the extent PG&E's proposal results in an increase in lifeline sales and a corresponding negative impact upon revenues, CCSF urges that any such resulting revenue loss be passed on to all of the nonlifeline customers, as it assertedly was initially for existing lifeline allowances for winter space heating and air conditioning. Any revision in rate design deemed necessary in the circumstances would, under current Commission policy, be deferred until PG&E's next general rate case should the position of CCSF prevail. Moreover, it is CCSF's contention that efforts in this proceeding to reallocate any portion of PG&E's established lifeline allowances for winter space heating previously found to be reasonable, in order to create a space heating allotment for the cooler summer seasons of the coastal and mountain service areas of PG&E, are beyond the current scope of OII 77 and, consequently, illegal. We disagree.

First, it should be noted that CCSF seeks the establishment of a summer space heating allowance with the concomitant loss in base revenues being either absorbed by PG&E or at best deferred until such revenue impact can be absorbed by nonlifeline residential customers. No factual evidence other than oral testimony was introduced by CCSF in support of this position. As for the scope of OII 77, an investigation was ordered to be conducted for the purpose of determining "whether there should be an additional lifeline allowance during summer months for PG&E's residential gas and electric customers in the relatively cooler areas of its service territory based on climatological considerations." Obviously, if the OII 77 investigation reveals the need for additional lifeline requirements for summer space heating, the source of such additional lifeline allowance is a critical and integral part of the investigation ordered by OII 77. The factual climatological evidence of record to date reveals that for the territory involved there exist unused quantities and volumes of lifeline designation for space heating during the winter months. Accordingly, PG&E proposes merely to make unused winter allowances for space heating available to customers during the cooler summer months. No factual evidence was introduced by CCSF or other interested parties to support the contention that the remaining winter space heating allowance would be unreasonably low or otherwise not justified.

The California Farm Bureau Federation (CFBF) generally supports PG&E's summer space heating proposal as modified by the staff. The CFBF suggests, however, that the contemplated future expanded scope of OII 77 include the issue as to whether lifeline allowances should be allocated according to families rather than by meters. For example, in rural agricultural areas, a PG&E customer may have 2 or 3 dwellings with separate families living on the premises all served through the customer's single meter and one basic lifeline allowance for all 4 families.

Toward Utility Rate Normalization (TURN) does not specifically oppose PG&E's summer space heating proposal as modified by the staff. However, TURN expressed concern over the possibility that this and other like proceedings may so proliferate lifeline allowances that "lifeline" as an acceptable concept for future rate design may be destroyed in the process. If the proposed summer space heating allowances are to be authorized, TURN requests that PG&E be required to give adequate advance notice to its affected customers, by an appropriate insert in the utility's monthly billings, as to the effective date of the new summer space heating lifeline allowances plus an explanation of the winter-summer reallocation scheme established to provide summer space heating allowances in the utility's cooler coastal and mountainous service areas.

A representative for General Motors Corporation also entered an appearance to assist in the development of the record.

Findings of Fact

1. The rate structure for lifeline quantities of electricity and volumes of gas for specified end utility service uses was initially established by Decisions Nos. 86087 (80 CPUC 182) and 88651 (83 CPUC 589) in Case No. 9988 dated July 13, 1976, to meet the requirement of the Miller-Warren Energy Lifeline Act, as reflected in Section 739 of the Public Utilities Code.

2. Lifeline quantities of electricity and volumes of gas are determined to be the smallest quantity of electricity and volume of gas that would, for specified end utility service uses, be required to maintain a family of four people, living in a five-room, 1,000 square-foot, well-insulated single-family dwelling in a modest but reasonably comfortable standard of living.

3. When initially establishing lifeline quantities of electricity and volumes of gas for designated end uses by residential utility customers, the Commission recognized that empirical knowledge may require their modification as future social and economic factors indicate.

4. Lifeline allowances are currently designated for space heating in utility service areas having designated climatic heating degree days during a six months winter season of November through April.

5. Responsive to OII 77, PG&E introduced climatological and related studies which demonstrate that in certain portions of its existing coastal and mountainous service areas the climatic heating degree days and customer end usages are such as to make lifeline allowances for space heating necessary and available during a May-through-October designated summer season.

6. A comparison of winter space heating lifeline allowances with the average monthly usage in PG&E's coastal and mountainous service areas indicates that, in nearly all instances, the average winter usage is less than the lifeline allowances provided for winter space heating.

7. PG&E recommends revision of its tariffs by reallocating a portion of the present annual winter space heating allowances for the particular service areas involved to the designated summer period on a proportional basis of the number of heating degree days incurred in each season.

8. The following quantities of electricity proposed by PG&E are designated as the lifeline quantities necessary to supply the minimum energy needs of PG&E's average residential customers for space heating:

| Climatic Bands | Degree Days | Single/Metered Multi-unit Dwellings (kWh/month) Summer | Winter | Unmetered Multi-unit Dwellings Summer | Winter |
|---|---|---|---|---|---|
| T (1) - | 2,501 - 4,500 | 230 | 570 | 140 | 340 |
| V (2) - | 4,501 - 7,000 | 350 | 770 | 215 | 460 |
| W | 2,510 or less (N/C) | - | 550 | - | 330 |
| X | 2,501 - 4,500 (N/C) | - | 800 | - | 480 |
| Y | 4,501 - 7,000 | 230 | 890 | 140 | 535 |
| Z | over 7,000 | 360 | 1,060 | 215 | 635 |

(1) Presently in Climatic Band X.

(2) Presently in Climatic Band Y.

(N/C) No change.

9. The following volumes of gas, expressed in therms of heating value, proposed by PG&E are designated as the lifeline volumes necessary to supply the minimum energy needs of PG&E's average residential customers for space heating:

| Climatic Bands | Degree Days | Single/Metered Multi-unit Dwellings (Therms/month) Summer | Winter | Unmetered Multi-unit Dwellings Summer | Winter |
|---|---|---|---|---|---|
| T (1) | 2,501 - 4,500 | 24 | 56 | 14 | 34 |
| V (2) | 4,501 - 7,000 | 35 | 80 | 21 | 48 |
| W | 2,500 or less (N/C) | - | 55 | - | 33 |
| X | 2,501 - 4,500 (N/C) | - | 80 | - | 48 |
| Y | 4,501 - 7,000 | 24 | 91 | 14 | 55 |
| Z | over 7,000 | 35 | 105 | 21 | 63 |

(1) Presently in Climatic Band X.

(2) Presently in Climatic Band Y.

(N/C) No Change.

10. To insure that the current lifeline quantities of electricity and volumes of gas for space heating are still available to PG&E's customers during the present winter season, the reallocated lifeline allowances designated for summer/winter space heating in Findings 8 and 9 hereof should not be made effective prior to May 1, 1981, at which time summer space heating allowances would be available to PG&E's customers.

11. The total annual lifeline allowances for space heating and the designated winter/summer periods therefor were initially established on a statewide basis affecting utilities other than PG&E and should not now be amended for PG&E only since such a change may affect other utilities serving the same or adjacent area.

12. In PG&E's service area affected by the reallocated lifeline allowances designated for summer space heating PG&E will experience an increase in lifeline sales. This will result in estimated revenue reductions of $6,858,000 for the utility's gas department and $991,000 for its electric department.

13. PG&E's electric base rate revenues will not be affected by changes in lifeline allowances, such as designated in this proceeding, with the adoption of the utility's proposal to adjust its electric residential base rate to a uniform ¢/kWh, together with offsetting revisions in the residential ECAC rates.

14. Increases resulting from the tariff revisions authorized herein have been shown to be fully justified.

Conclusion of Law

PG&E should be authorized to establish and make effective not earlier than May 1, 1981, the proposed revised tariff schedules set forth in Exhibit 3, Tab K, of record in this proceeding.

## INTERIM ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) is authorized to establish and file revised tariff schedules, as set forth in Exhibit 3, Tab K, reallocating current annual lifeline allowances designated for domestic winter space heating in the coastal and mountainous service areas so that residential customers in those areas will receive lifeline allowances for summer space heating.

2. PG&E is further authorized to adjust its tariff schedules of residential electric base rates and related Energy Cost Adjustment Clause (ECAC) rates, as proposed in Exhibit 3, Tab K, to insure that the total effective rates assessed domestic electric customers remain unchanged by authorized changes in lifeline allowances.

3. Tariff schedules authorized by this order shall be filed not earlier than the effective date of this order and may be made effective not earlier than May 1, 1981 on not less than five days' notice to the Commission and to the public. Tariff schedules filed pursuant to this order shall comply with the provisions of General Order No. 96-A.

4. OII 77 will be kept open pending a determination on how to proceed with the examination of lifeline issues recommended for further review by our staff or this record.

5. Concurrently with the effective date of the designated lifeline allowances for summer space heating authorized herein, PG&E shall place in the related monthly billings to its domestic customers an appropriate insert clearly explaining the newly established lifeline allowances designated for space heating.

6. Order Instituting Investigation No. 77 is continued pending further determination by the Commission.

The effective date of this order shall be thirty days after the date hereof.

Dated JAN 6 1981, at San Francisco, California.

John E. Bryson
President

Richard D. Gravelle

Leonard M. Grimes, Jr.

Commissioners