

Decision No. 92642 JAN 21 1981**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC)
 COMPANY for authority to revise its gas)
 rates and tariffs effective July 1,)
 1980, under the Gas Adjustment clause,)
 to change gas rate design, and to modify)
 gas adjustment clause included in its)
 gas tariffs.)
 (Gas))

Application No. 59695
 (Filed May 28, 1980)

ORDER MODIFYING
DECISION NO. 92304
AND DENYING REHEARING

A petition for rehearing of Decision No. 92304 has been filed by Pacific Gas and Electric Company (PG&E) and a response thereto has been filed by Toward Utility Rate Normalization. We have carefully considered each and every allegation of error in PG&E's petition and are of the opinion that good cause for granting rehearing has not been shown. However, Decision No. 92304 should be modified to clarify our findings with respect to the reasonableness of PG&E's gas costs during the period from February 17, 1980 through March 31, 1980.

In its petition PG&E objects to our conclusion that it was imprudent for PG&E to continue to purchase Canadian gas at about 90% of its annual contract amount during that period.

In Decision No. 92304 we discussed the issue of the appropriate level of Canadian gas purchases in terms of prudence largely because that was the manner in which the issue was raised and argued at the hearings and in the parties' briefs.

However it should be apparent that the issue could just as well have been posed in terms of the reasonableness of PG&E's gas costs.

It is well settled that this Commission may only pass along in rates those expenses which are found to be just and reasonable

(City of Los Angeles v. Public Utilities Commission, 15 C 3d 680, 685; Public Utilities Code Sections 451, 453). It is also clear that the burden is on the utility to show the reasonableness of the costs it seeks to recover in rates and not on the other parties to show the contrary (Southern Counties Gas Co., 69 CPUC 351, modified 70 CPUC 65; Suburban Water Co., 60 CPUC 183, aff'd. 60 CPUC 768 (rev. denied); Southern Calif. Gas Co., 58 CPUC 57).

As we discussed and specifically found in Decision No. 92304, PG&E's response to the increase in price for Canadian gas on February 17 was to continue to purchase it at levels far in excess of the minimum required by its contracts even though there was an ample supply of lower cost fuel oil and other gas available and in spite of the national policy to hold such purchases down to the levels "needed immediately to prevent a severe adverse impact on the public health, safety or welfare...." (ERA Order No. 14). Nowhere in this record is there any persuasive evidence supporting the reasonableness of that response nor of the costs of that gas as reflected in PG&E's gas cost for the period.

Although we may not dictate managerial policy to PG&E, it is incumbent upon us to disallow any expenses not shown to be reasonable and we did so in Decision No. 92304 by disallowing the effect on PG&E's ratepayers of its decision to incur the higher than necessary gas costs for that period. We will add a finding of fact to clarify this. Therefore,

IT IS HEREBY ORDERED that Decision No. 92304 is modified to add the following finding of fact:

- 8(a) PG&E has failed to show the reasonableness of those above-minimum purchases and the cost thereof.

A. 59695 L/pm

Rehearing of Decision No. 92304, as modified herein , is denied.

The effective date of this order is the date hereof.

Dated JAN 21 1981, at San Francisco, California.

John E. Bryson
President
Richard W. Howell
Donald M. Smith

Commissioners