

ORIGINAL

Decision No. 92657 February 4, 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC)
COMPANY for Authority to Decrease its)
Electric Rates and Charges effective)
December 1, 1980 in accordance with the)
Energy Cost Adjustment Clause as)
modified by Interim Decision No. 91277.)
)
)
(Electric))

Application No. 60007
(Filed October 20, 1980)

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Electric Company, applicant.
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Counsel, and Julius Jay Hollis, Attorney
at Law; William B. Hancock, for Cut
Utility Rates Today; and Michel Peter Florio,
Attorney at Law, for Toward Utility Rate
Normalization; interested parties.
Randolph L. Wu, Attorney at Law, for the
Commission staff.

O P I N I O N

By this application Pacific Gas and Electric Company
(PG&E) requests authority to decrease its electric rates and
charges under the Energy Cost Adjustment Clause (ECAC) contained
in PG&E's tariff. The proposed rates will decrease PG&E's
electric revenues about 5.7 percent or \$178 million for the
twelve-month period December 1, 1980 to November 31, 1981.
On December 22, 1980 a hearing was held on this application before Administrative
Law Judge Henderson at which time the proceeding was submitted.

The ECAC adjustment is composed of two elements:
(1) the offset rate reflecting estimated energy costs as of
December 1, 1980 and (2) the balancing rate reflecting the
amortization of the balancing account as of December 1, 1980.

The offset rate has been increased slightly (\$.00097 per kWh of sales) systemwide to reflect PG&E's estimated energy costs as of December 1, 1980. The systemwide balancing rate has been decreased (\$.00426 per kWh of sales) to reflect the amortization over a six-month period of the overcollections shown in the balancing account as of December 1, 1980. The net result for the system is a net decrease of \$.00329 per kWh.

PG&E proposes that the total average rate change be equal for both residential and nonresidential classes. PG&E also proposes the rate relationships within the residential class remain the same as authorized in Decision No. 91721 in Application No. 59463. In order to maintain these relationships and taking into account the change in base rates which we have authorized in a decision issued today, we will authorize the rate changes as shown in the following table:

<u>Class of Service</u>	<u>Decrease \$/kWh</u>
Tier-I	.00382
Tier-II	.00256
Tier-III	.00267
Average Residential	.00329
Nonresidential	.00329

The application of the proposed rates results in the following percentage change in rates for the different classes of customers:

<u>Class of Service</u>	<u>Decrease</u>
Residential	6.0%
Small Light and Power	4.8
Medium Light and Power	5.6
Large Light and Power	6.3
Power Authority	4.7
Agricultural	5.5
Street Lighting	3.3
Railway	6.8
Interdepartmental	<u>5.7</u>
	5.7% avg.

No other parties objected to granting the authority requested.

The Staff

The Commission staff reviewed the work papers and calculations of PG&E and concluded that:

1. No adjustment to the proposed average ECAC rate reduction is required.
2. The proposed offset rates based on PG&E's forecast are reasonable. Any future over- or undercollection will be compensated through the balancing account mechanism in future ECAC proceedings.

The staff did, however, recommend the adoption of a new rate design for the residential class.

The proposed design would change the quantities allowed for each of the three tiers of service as follows:

	<u>Present</u>	<u>Staff Proposed</u>
Tier I	Lifeline allowance	Lifeline allowance
Tier II	2 times lifeline allowance	500 kWh + $\frac{1}{2}$ lifeline allowance
Tier III	All usage over Tier II	All usage over Tier II

The staff's reasoning is that Tier II should contain more customers and Tier III fewer in order that Tier III usage could more credibly be characterized as luxury usage. The staff points out that currently over 30 percent of PG&E's residential customers have some usage in Tier III and that the average customer (510 kWh/mth) has usage in Tier III.

We will reject the staff's proposal and adopt PG&E's for the following reasons.

The basic reason is that the staff desires to characterize Tier III usage as luxury usage. We do not at this time want to apply this type of characterization to residential usage. In our minds Tier III usage is neither luxury nor essential; neither good nor bad; rather Tier III usage is simply high usage. Our present rate design is based on the simple premise that the greater the amount of energy consumed the higher the costs to produce that energy. We also note that whereas the average customer (510 kWh) has some usage in Tier III, the overwhelming amount of the charge for that usage (480 kWh or 94 percent) is calculated at rates below the Tier III rates.

Another very important reason for not changing rate designs at this time is that this rate decrease is the result of overcollections which occurred while the present rate design was effective. The rate decrease should be applied in the same manner as the overcollections were achieved. ✓

The last reason that we will mention for retaining the present rate design is that PG&E currently has before us a general rate increase application. That proceeding will afford everyone an opportunity to propose and fully explore alternative rate designs. ✓

Findings of Fact

1. By Application No. 60007 PG&E requests authority to reduce its electric rates and charges under the ECAC included in PG&E's electric tariff.
2. The proposed rates will decrease PG&E's electric revenues by about \$178 million.
3. The rate reduction should be spread among customer classes on a uniform cents per kWh basis.
4. The rate reduction should be spread among the different tiers of usage of the residential class of customers so as to maintain the current rate relationships authorized in Decision No. 91721.
5. In order to provide for timely implementation of the rate reduction, the order should be effective the date hereof.
6. The reduction in rates and charges authorized by this decision is justified and reasonable; the present rates and charges, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable.

Conclusion of Law

PG&E should be authorized to establish the revised ECAC billing factors set forth in the following order.

O R D E R

IT IS ORDERED that Pacific Gas and Electric Company is authorized to establish and file with this Commission in conformity with the provisions of General Order No. 96-A, revised tariff schedules of ECAC billing factors as follows:

Nonresidential	3.275¢/kWh
<u>Residential</u>	
Tier I	1.610
Tier II	3.213
Tier III	5.440

The revised tariff schedules shall become effective not earlier than five days after filing, and such filing shall be effective on the

same day as the revised tariff schedules filed pursuant to ^{the decision} ~~Decision~~ *issued today* ~~No.~~ in Application No. 59902. The revised schedules shall apply *Kn* only to service rendered on or after the effective date hereof.

The effective date of this order is the date hereof.

Dated FEB 4 1981, at San Francisco, California.

John E. Bryson

Richard W. ...

Samuel ...

Commissioners