

ORIGINAL

Decision No. 92658 FEB 4 1981

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)
 January 1, 1981, under the)
 Gas Adjustment Clause, to)
 change gas rate design, and)
 to modify the gas adjustment)
 clause included in its gas)
 tariffs.)
 (Gas))

Application No. 60006
(Filed October 20, 1980)

O P I N I O N

By Application No. 60006 Pacific Gas and Electric Company (PG&E) seeks authority to increase its gas rates in amounts calculated to yield about \$292.7 million in additional annualized revenue. This filing is made pursuant to its Gas Adjustment Clause (GAC) tariff provisions, based on a January 1, 1981, revision date.

Hearings on the application were originally set to begin December 8, 1980 in San Francisco before Administrative Law Judge Patrick J. Power. However, on November 6, 1980 Toward Utility Rate Normalization (TURN) filed a motion to dismiss the application. On November 19, 1980 PG&E filed its response opposing TURN's motion. On November 21, 1980 the Commission staff filed a statement in support of TURN's motion. Consequently, on November 28, 1980 the matter was taken off calendar, pending an order by this Commission on the motion to dismiss. On December 2, 1980 PG&E filed a response to staff's statement in support of TURN's motion. On December 3, 1980 PG&E filed a motion for "prompt" hearings on this application.

Both TURN's motion and staff's statement in support are based on Decision No. 92304 dated October 8, 1980 in which we denied PG&E's immediately prior GAC application, Application No. 59695. TURN and staff cite the bases for denying that earlier application -- unsettled gas supply issues and present rates that recover current costs -- and argue that these conditions still prevail. Therefore, TURN recommends that this application be denied and PG&E be "directed to delay any subsequent application until such time as a significant change in conditions occurs." Staff supports TURN's recommendation and observes additionally that updated balancing account information would most likely support a rate reduction instead of a rate increase.

PG&E argues that:

"There are always uncertainties in estimates of future demand and supply. . . . For purposes of setting rates, however, one simply takes the best available forecast under conditions then known."

PG&E points out that the balancing account will recognize any subsequent changes in supply mix and urges that the GAC procedure "should be allowed to operate in the manner planned."

It also points out that chronic undercollection has plagued its GAC balancing account:

"Amortization of the undercollection over six months instead of twelve months would bring down the undercollection more quickly and would minimize the attendant interest costs that ratepayers eventually must pay on undercollected amounts. . . . Thus by proceeding with Application No. 60006's requested increase, the Commission can act now to resolve the troublesome problem which could present additional difficulties if recovery is further delayed and adverse conditions materialize."

The requested action is that we proceed with this application.

In response to staff, PG&E states:

"It is surprising and disturbing that the Commission's staff would join in a request that the Commission disregard its own rules regarding the frequency of gas cost offsets and suggest that the huge undercollections already pending for over two years be allowed to drag out for many more months."

It suggests that this Commission would not countenance such a delay in remedying an overcollection.

In its motion for "prompt" hearings, PG&E essentially repeats its earlier arguments:

"...delay of hearings and decision on Application No. 60006 violates the Commission's own rules and principles governing recovery of gas costs under PG&E's tariffs. The tariffs clearly provide for adjustments to gas rates semiannually to reflect gas costs, including Gas Balance Account undercollections or overcollections. . . . Surely the Commission would not countenance such a delay in the operation of the Gas Adjustment Clause if an overcollection were involved."

It cites past delay as the major factor contributing to undercollection and urges that we "proceed expeditiously to decision" in this matter.

We conclude that the motion to dismiss should be granted. There has been no material change in circumstance since Decision No. 92304 denied PG&E's earlier application. Gas supply remains unsettled. Current rates exceed current costs and make a positive contribution to amortizing the balancing account. We recognize the risk that we take in delaying recovery and are prepared to proceed expeditiously upon a new application based on a material change.

PG&E displays a rather limited interpretation of regulatory history in California. As recently as last February the staff joined with PG&E in a "request that the Commission disregard its own rules

regarding the frequency of gas cost offsets" in regard to PG&E's request to recover the increased cost of Canadian Gas (Application No. 59406). The overcollection that occurred by operation of the fuel adjustment clause (Decision No. 85731) was amortized over three years. PG&E's arguments are without merit.

During the pendency of this proceeding Canada has announced an increase in the cost of gas effective April 1, 1981. This is very possibly a sufficient change to support a new filing as provided for by this order. We prefer to proceed with a new application and the attendant notice requirement rather than with an amended application in this matter. We are prepared to address any such filing in a timely fashion.

Findings of Fact

1. By Application No. 60006 PG&E requests a gas rate increase of about \$292.7 million.
2. On November 6, 1980 TURN filed a motion to dismiss Application No. 60006.
3. By Decision No. 92304 PG&E's immediately prior GAC application (Application No. 59695) was denied.
4. There is no material change in circumstances from those prevailing at the time of Decision No. 92304.
5. Current rates exceed current costs and make a positive contribution to the balancing account.

Conclusions of Law

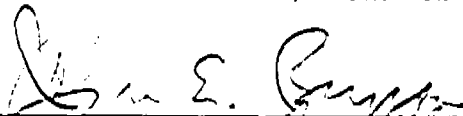
1. Application No. 60006 should be dismissed.
2. PG&E should be authorized to make a new filing under its GAC procedures based upon an allegation of a material change in circumstances.


O R D E R

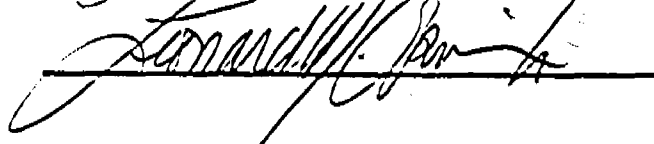
IT IS ORDERED that Application No. 60006 is hereby dismissed. Pacific Gas and Electric Company is authorized to make a new filing under its Gas Adjustment Clause tariff procedures upon a showing of a material change in circumstances from those prevailing at the time of Decision No. 92304.

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

Dated FEB 4 1981, at San Francisco, California.



President




Commissioners