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Decision 93577 SEP 15 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)
 April 1, 1981, under the)
 Gas Adjustment Clause, and)
 to modify its Gas Adjustment)
 Clause.)

Application 60263
 (Filed February 17, 1981)

(Gas)

ORDER MODIFYING DECISION 93198
AND GRANTING LIMITED REHEARING

Petitions for rehearing of Decision 93198 have been filed by Pacific Gas and Electric Company (PG&E), Southern California Gas Company (SoCal), Toward Utility Rate Normalization (TURN) and City of Palo Alto (Palo Alto). PG&E has also filed a response to SoCal's, TURN's and Palo Alto's petitions, asking they be denied. We have carefully considered each and every allegation of error in these petitions and are of the opinion that good cause for granting limited rehearing of Decision 93198 has been shown and that Decision 93198 should be modified to adopt a rate for Palo Alto which will provide the margin found reasonable in Decision No. 92656, to explain in more detail the basis upon which the increased revenue need is to be assessed among PG&E's various classes of customers and to provide the separately stated findings of fact on each material issue as required by law. SoCal and Palo Alto have raised the issue of whether PG&E's resale customers should be assessed any part of the costs of ZIP, noting that in other recent decisions (Decision Nos. 92906 and 92497), we have exempted certain resale customers from the costs of other conservation programs where it appeared there otherwise would be a double burden on the retail customers of the resale utility.

We remain as convinced as ever that the benefits of ZIP flow to all retail customers, including those who are not eligible for ZIP loans, and that, therefore, they should all bear the cost of the program. Nevertheless, as we have stated in the above noted decisions, there are some instances where to assess conservation costs to resale customers would constitute a double cost burden to their own retail customers.

Whether such is the case with SoCal and Palo Alto in this proceeding we cannot conclude from this record. Therefore,

IT IS ORDERED that:

1. Rehearing of Decision 93198 is hereby granted, limited to the receipt of evidence and argument on the issue of whether PG&E's resale customers should be assessed any of the Conservation Financing Adjustment (CFA).

Said limited rehearing shall be heard along with the ongoing hearings in Application 60701.

Pending a decision on rehearing, G-60, G-61, G-62 and G-63 rates shall be collected subject to refund.

2. Decision 93198 is hereby modified to include the following additional discussion as to "B. Rate Design Guidelines" which begins on page 8, mimeo of that decision:

"As Table 1 on page 9, mimeo, shows, if we rigidly apply the rate design criteria (guidelines) of Decision 91107 as modified by Decision 91720 (Appendix B hereto) the estimated revenues to be derived would exceed the adopted revenue need. Obviously, some substantial adjustments must be made. It is equally obvious that the guidelines provide more flexibility to adjust some classes than others. G-2 rates, for example, are to be set at the average system rate (less lifeline sales and revenues). We see no reason to depart from that guideline in this case. As to resale rates, for the reasons discussed elsewhere, we shall apply the average system increase, rather than the guideline increase.

In the 'Adjusted' column of Table 1 we have shown the result if we were to hold to the criteria as to G-2 and resale rates discussed above and adjusted all other rates by an equal percentage necessary to arrive at the adopted revenue need (92.448% of the guideline rate). However, such a purely mechanical adjustment ignores other factors, such as stability in rates and historic relationships, which we must consider when setting rates which in our best judgment are just and reasonable.

For example, a mechanical adjustment would mean a reduction in all three tiers of residential rates which we believe would send a false message to residential customers at a time when gas costs on the whole are rising. Moreover, frequent swings in rates are to be avoided where possible. For these reasons, although we will not apply any of the adopted increase to residential rates, neither will we reduce them merely to conform to the guidelines.*

The result of the above explained decisions is that much of the adjustment must be achieved in the rates for industrial and electric generation customers (G-50, G-52, G-55-57). In doing so we shall maintain the \$.03/th differential between G-50 and G-52 in recognition of the different alternate fuel usable by those customers. In addition, as we explained elsewhere, we shall set the G-55-57 rate equal to the G-52 rate. The rates which will accomplish the above described relationships are shown in the adopted rate column of Table 1.

* It is worthy of note that the guidelines are for a test year while the rates here are set on a six-month estimate of sales which excludes winter heating sales. This is another reason for using judgment rather than a strict guideline approach.

One further note with respect to the resale rate for SoCal. It is SoCal's position that the language of its contract with PG&E no longer represents the intentions of the parties at the time of the agreement because PG&E's GAC now includes an element for SAM. The language in question is certainly open to interpretation and we trust it will be clarified upon renegotiation. On this record we will not attempt to reform the contract. Were we to adopt SoCal's position it would result in a reduction in SoCal's rates even though the rates for other resale customers would be increased. As we explained elsewhere, we believe, for reasons of equity, that such a disparate treatment should not be adopted in this proceeding."

3. The following finding of fact is added to those now found on pages 14 and 15, mimeo:

"15. For the reasons stated, rate schedule G-2 should be set at the average system rate (excluding lifeline revenues and sales)."

4. The following sentence is added to Ordering Paragraph 5:

"Such revisions shall be prospective in application and refunds are neither necessary nor appropriate."

5. The G-60 rate shown on Appendix C is modified to read as follows:

<u>Commodity Rate</u>	<u>GEDA</u>	<u>Effective Commodity Rate</u>
36.997	0.373	37.370

As noted above, this rate shall be collected subject to refund upon rehearing of the issue of whether the CFA factor should continue to be assessed to resale customers.

6. The revenue effect of the rate change noted above shall be charged against PG&E's GAC balancing account.

7. Finding of Fact 9 shall be revised to read:
"For the reasons stated herein, the system
average increase shall be applied to rate
schedules G-61, G-62, G-63 and SoCal Gas."

8. Finding of Fact 9(a) shall be added to read as
follows:

"The G-60 rate should be set to provide
the margin found reasonable in Decision 92656."

9. Except as granted herein, rehearing of Decision
93198 as modified herein is denied.

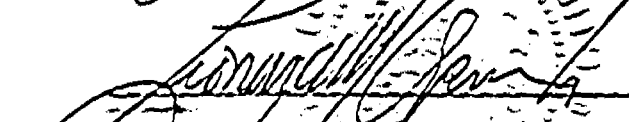
This decision is effective today.

Dated SEP 15 1981 at San Francisco, California.



President









Commissioner