

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA U-1*

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RESOLUTION NO G-2334 R

R E S O L U T I O N

UTILITIES DIVISION
 BRANCH/SECTION: Gas
 DATE: November 30, 1979
 and

May 20, 1980

SUBJECT: Pacific Gas & Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, Southwest Gas Corporation, and C.P. National. Order Authorizing Acceptance of Tariff Schedules and Procedures Relating to Incremental Pricing to Non-Exempt Customers.

WHEREAS: PACIFIC GAS & ELECTRIC COMPANY (PG&E), by Advice Letter No. 1059-G, SOUTHERN CALIFORNIA GAS COMPANY (SoCal), by Advice Letter No. 1194, SAN DIEGO GAS & ELECTRIC COMPANY (SDG&E), by Advice Letter No. 439-G, SOUTHWEST GAS CORPORATION (SoWest), by Advice Letter No. 221, and C.P. NATIONAL (CPN), by Advice Letter No. 139-G, all filed November 16, 1979 have requested authority to implement a procedure and to file revised tariff sheets relating to incremental pricing pursuant to Title II of the Natural Gas Policy Act of 1978 (NGPA) as set forth on Cal. P.U.C. Sheets Nos. 10490-G to 10498-G, inclusive (PG&E), Sheets Nos. 15523-G to 15535-G, inclusive (SoCal), Sheets Nos. 2817-G to 2836-G, inclusive (SDG&E), Sheets Nos. 1820-G to 1826-G, inclusive (SoWest), and Sheets Nos. 697-G to 703-G, inclusive (CPN) resulting in the following:

1. The applicable rates for all non-exempt industrial boiler customers will be either the Federal alternative fuel price ceiling established by the Energy Information Administration (EIA) plus applicable taxes, or the existing regular tariff rate, whichever produces the higher bill.
2. Each applicable Commercial and Industrial Natural Gas Service Schedule will show the appropriate alternative fuel price ceiling as well as the current regular tariff rate, the higher of which will become the effective rate.
3. The net increased revenue to the utility, if any, will be credited to the Purchased Gas Adjustment Account of the respective utilities and will be identified separately for rate determination purposes.
4. Any increased revenue collected because of this procedure will be subject to refund to the applicable gas pipeline suppliers in the event that this procedure is later rejected by this Commission, as provided by NGPA.
5. These filings will not raise any rates, other than as herein stated, and the rates will be consistent with those provided by the NGPA, will not cause the withdrawal of service, nor conflict with other schedules or rules, and

G-2334R

WHEREAS: Even though this procedure may increase a rate to a certain class of customers, such increase will not be higher than what the customer otherwise would have to pay in accordance with Title II of the Natural Gas Policy Act of 1978; therefore, good cause appearing,

IT IS ORDERED that:

1. Authority be granted under Sections 454, 489, 490, 491, 532 and 701 of the Public Utilities Code for Pacific Gas & Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, Southwest Gas Corporation and C.P. National to place their above respective tariff sheets into effect as of January 1, 1980.

2. The above tariff sheets shall all be marked to show that they were approved for filing by Resolution No. G-2334R of the Public Utilities Commission of the State of California. The effective date of this resolution is 20 days after the date passed and adopted.

3. Attached and made a part hereof is Attachment A, an Opinion, with Findings of Fact, Conclusions of Law and ordering paragraphs, concerning the comments by various parties to the advice letters referred to above. Attachment B sets forth the Rulemaking Procedure on this matter.

I hereby certify that the foregoing Resolution was duly introduced, passed and adopted at a regular conference of the Public Utilities Commission of the State of California, held on May 20, 1980, the following Commissioners voting favorably thereon:

Executive Director

O P I N I O N

1. PACIFIC GAS & ELECTRIC COMPANY (PG&E), by Advice Letter No. 1059-G, SOUTHERN CALIFORNIA GAS COMPANY (SoCal), by Advice Letter No. 1194, SAN DIEGO GAS & ELECTRIC COMPANY (SDG&E), by Advice Letter No. 439-G, SOUTHWEST GAS CORPORATION (SoWest), by Advice Letter No. 221, and C.P. NATIONAL (CPN), by Advice Letter No. 139-G, all filed November 16, 1979, have requested authority to implement a procedure and file revised tariff sheets relating to incremental pricing for gas used by non-exempt facilities pursuant to Title II of the Natural Gas Policy Act of 1978 (NGPA). The California Public Utilities Commission, by Resolution No. G-2334, dated November 30, 1979, approved placing the respective tariff sheets into effect on January 1, 1980, on an interim basis pending further action of the Commission. These tariffs are to remain in effect for the duration of Federal Energy Regulatory Commission (FERC) "Phase I" regulations.
2. Following this action a letter was sent to all persons known to be affected by the incremental pricing tariffs or thought to have an interest in the matter explaining the impact of Resolution No. G-2334 (Attachment B). Some 263 copies were mailed. The letter requested that comments be submitted by December 21, 1979.
3. Pursuant to the NGPA, regulations for Phase I of incremental pricing were issued by the FERC. These regulations tie the rates for certain retail customers which are not exempt from incremental pricing to the rate established by the federal Energy Information Administration for No. 6 high sulfur fuel oil. This rate is called the alternate fuel price and is set on the basis of dollars per million Btu's. Under the FERC regulations, those non-exempt customers who are using natural gas for boiler fuel must pay their local utilities a rate at least as high as the alternate fuel price in the applicable region. If the tariff rate of the local utility for service to the non-exempt user does not equal or exceed the alternate fuel price, the difference between the two must be collected by the local gas utility and passed on by that gas utility to its interstate gas pipeline supplier. The net effect of this federal program is to make the minimum cost for boiler fuel gas to non-exempt industries at least equal to the federal alternate fuel price.

4. The NGPA clearly permits each state to increase gas rates of non-exempt customers to a level higher than those provided by Title II of the NGPA Alternate Fuel Price. The language from the NGPA Conference Report (pages 100-101) indicates that Congress intended to allow state regulatory agencies to continue to regulate rates of local distribution companies. The conferees stated:

"A state regulatory agency could, for example, raise prices to be paid by incrementally priced industrial facilities to levels higher than the levels required by this Title. The conferees have not mandated such a practice; nor has it been precluded. State law is not preempted in this case and States may wish to place more of the cost of service on to a particular class of industrial users. . ."

Thus, Congress anticipated that some states might wish to raise rates to non-exempt customers to levels above the federal Alternate Fuel Price or determine alternate fuel charges by a method different than that method chosen by the FERC.

5. As permitted by federal regulations California has exercised its option to assess rates for industrial boiler fuel customers at levels that are higher than the Alternative Fuel Price. The Alternative Fuel Price for March 1980 has varied in California between 27.929 and 29.50 cents per therm, based on location. A comparison of Commission approved rates to industrial customers for the five natural gas utility companies in California with the Federal Energy Information Administration (EIA) rates for March 1980 are as follows:

<u>Utility</u>	<u>As of March 15, 1980 Industrial Rate (¢/th)</u>		<u>Federal Determination Alternative Fuel Price (¢/th)</u>
	<u>P-1 & P-2</u>	<u>P-3 & P-4</u>	
PG&E	38.649	43.87	29.60
SoCal	30.14	38.176	29.50
SDG&E	30.51	40.00	29.18
SoWest	46.14	60.07	28.13
CPN	46.773	62.112	27.929

The California policy of alternate fuel cost pricing for large industrial and commercial customers has been a feature of California's ratemaking since before enactment of NGPA in 1978.

6. The comparison shown above demonstrates that the federal incremental pricing program, as implemented by our interim Resolution No. G-2334 and the utility gas tariffs filed on November 16, 1979, has had no present impact on non-exempt industrial customers.^{1/} The rates of the California gas utilities found reasonable by this Commission are in excess of the Federal Alternative Price. The incremental pricing tariffs mentioned in Resolution No. G-2334 only apply should the Federal Alternative Price exceed the rate found to be reasonable by this Commission. Should that occur, the surcharge in those tariffs would apply. This surcharge would be the result of federal action, not that of this Commission, since the surcharge is attributable to the NGPA and FERC regulations flowing from it.

7. The Commission received only nine responses to its letter inviting comments.^{2/} Only that of U. Cal requested a hearing. U. Cal also protested its lack of notice. The letter explaining the Commission's contemplated incremental pricing program was not sent to U. Cal since U. Cal is an exempt boiler fuel gas customer under Section 206 of the NGPA. Our primary purpose in disseminating the letter and accompanying information was to reach those gas customers who would be directly affected by the proposed tariff. Upon receipt of U. Cal's protest the material was dispatched to them.

8. Owens, U.S. Pipe, Ferro, Hollytex, Glass P.I., GM, and U. Cal objected to the fact that gas rates as set by this Commission were higher than the EIA Alternate Fuel Price. Resolution No. G-2334 is applicable only for incremental pricing to non-exempt customers, and states in Paragraph 2 that "Each applicable Commercial and Industrial Natural Gas Service Schedule will show the appropriate alternative fuel price ceiling as well as the current regular tariff rate, the higher of which will become the effective rate." We call attention of these parties to Paragraph 4 of this Opinion. That paragraph cites the intent

1/ Except as to Southern California Gas Company Tariff Schedule No. GN-2 Alternative Fuel Cost Ceiling.

2/ Owens-Corning Fiberglas Corporation (Owens), United States Pipe and Foundry Company - Concrete Pipe Division (U.S. Pipe), Ferro Corporation Products Chemical Divisions (Ferro), California Manufacturer Assoc. (CMA), Hollytex Carpet Mills (Hollytex), Glass Packaging Institute (Glass P.I.), General Motors Corporation (GM), The Regents of the University of California (U. Cal.) and Southern California Gas Company (SoCal).

Attachment A

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of Congress to allow states to exercise independent judgment on rate design. Thus, the federal incremental pricing program with which we are complying does not interfere with state ratemaking so long as the state rates equal or exceed the alternate fuel price.

9. Owens and GM question whether rate changes as proposed in Resolution No. G-2334 comply with Public Utilities Code Sections 451, 453 and 454, which require that rates be just, reasonable and nondiscriminatory. Under the Commission's proposal the revenue requirement of the gas utility will be established in a general rate proceeding. The rate levels for all customers, including non-exempt customers, will also be set in such a proceeding. This is our traditional method of establishing rates, and no objection can be sustained to this procedure. Next, the utilities would file tariffs monthly showing their rates to non-exempt customers and the Alternative Energy Price established by EIA. So long as the non-exempt rate found to be just and reasonable in the general rate case exceeds the alternate fuel price established by EIA, there can be no cause for complaint. It is only when the monthly filing indicates the alternate fuel price exceeds the just and reasonable rate, and the alternate fuel price is charged by the utility, that there is any concern with the Public Utilities Code sections.

If this occurs under Resolution No. G-2334 the alternate fuel price would be charged, and the excess over the just and reasonable rate set by this Commission would be returned to ratepayers by crediting the Purchased Gas Adjustment Clause. Thus, the utility would be no better off than before. The non-exempt customer is not prejudiced by this procedure, since it would be forced to pay the charge under federal law if the California rule were not as described. The only real question is whether the surcharge revenue goes to the out-of-state pipeline or to the California customers. The effect on the utility and the non-exempt customer does not change. Therefore, the rate is just, reasonable and nondiscriminatory in that it complies with California law or is mandated by federal law.

10. The main area of concern expressed by those responding to the Commission's letter was rate design. Rate design is an issue to be considered in a rate proceeding, and the parties should raise any objection to rate levels therein. The rates under these advice letters would apply only at such time as the alternate fuel price were higher than the rates authorized by this Commission.

Attachment A

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11. Owens questions the uncertainty of subjecting the industrial natural gas rates to the possibility of monthly adjustments under this resolution. The monthly potential price adjustment is part of Title II of the NGPA. We are merely matching that requirement. These rates would be imposed by the natural gas pipeline suppliers and by local distribution utilities monthly. We believe that it is preferable for the rate in California to be imposed by the California distribution utility and that our action is not in conflict with the federally imposed surcharge on non-exempt customers. It should also be pointed out that by the mechanism any revenues collected from California incremental pricing will go to the benefit of California gas customers.

12. Owens, U. S. Pipe and GM raised the question of the potential switch of gas customers to fuel oil, or other energy such as electricity. The Commission is aware of this danger. FERC, in Order No. 50 (Docket No. RM79-21), discussed this problem at length and has adopted an alternate fuel price on the low side of #6 high sulfur fuel oil. This Commission, in GCAC and general rate proceedings, takes testimony on this subject and is concerned with the loss of gas customers to oil. It is a matter on which the parties may present evidence in those proceedings.

With respect to electricity, there are a number of energy uses for which electricity is not a substitute. Except for the consideration of cogeneration, it is believed that the cost of electricity is higher than the cost of gas for many services. The conversion from #2 fuel oil usage to #6 fuel oil to obtain a lower gas price is an option for the customer to consider, but one which this Commission has sought to discourage by conservative estimation of the price of #2 fuel oil. Another consideration as to the need for alternate fuel capability is the potential lack of the availability of natural gas from year to year, or during peak requirement periods.

13. Owens points out that there are legal challenges to NGPA control of natural gas prices at the burner tip. The Commission is aware of this and would make appropriate adjustment to this resolution depending on the outcome of that litigation. Another point Owens raises is with respect to PG&E Advice Letter No. 1059-G as it would apply to priority classifications P2A & P2B, which are for

Attachment A

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usage other than boiler fuel. The Advice Letter states that it applies only to alternate fuel costs published by the EIA for non-exempt customers. The first page of the Advice Letter, Preliminary Statement Part C Condition No. 9 Incremental Gas Pricing, and Schedule Nos. G-2, G-50 and G-52 so indicate. The rates apply to general service and alternate fuel costs for non-exempt boiler fuel customers. Generally, industrial customers use gas for a number of purposes and they are classified in the rate schedules according to the predominate usage.

14. Owens questions that the resolution does not state the amount of gas to which alternate fuel pricing is applicable. It has been assumed that it would be the volume determined according to the estimation methodology approved by rule adopted in FERC Docket No. RM80-16. It is true that the tariff made no reference to this fact or to the method of measurement. The utilities should modify their tariffs in this regard. The utilities should also serve copies of such tariff revisions upon their non-exempt customers and others who request a copy of the Advice Letter. San Diego Gas and Electric tariff schedules fail to define a non-exempt customer; this should be done also.

15. Glass P.I. urges an exemption from incremental pricing under Resolution No. G-2334. Certain gas customers, including Glass P.I. are classified as agricultural users, qualify for an exemption from incremental pricing under Section 206 of NGPA. Under these conditions such users are exempt from the regulations of Resolution No. G-2334 as well.

16. Another item which Glass P.I. objected to was that rates were not cost based. The purpose of Resolution No. G-2334 is to conform to the rate requirements of Title II of the NGPA, so as to eliminate surcharge absorption capability and so retain revenues in California. We recognize that rates related to alternate fuel price are not necessarily cost based in the trade mark sense of cost accounting. This is a function of the method by which EIA establishes the alternate fuel price.

Attachment A

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17. SoCal raises two questions. One is that Paragraph 3 of Resolution No. G-2334 would require that the increased revenues associated with incremental pricing be credited to the Purchased Gas Adjustment (PGA) balancing account as a separate entry with distribution to all classes except non-exempt customers during the offset period. SoCal points out that the "Reduced PGA" rate treatment provided for by FERC Order No. 49 (mimeo 11) provided that all customers should benefit by such adjustments. In addition, the present language would make the customers rates cumbersome, complicated and difficult to administer.

18. The "Reduced PGA" comes about by crediting the increased revenues associated with the incremental pricing or surcharge from the federal alternate fuel price to the PGA. Thereby, the PGA is reduced as referred to in Order No. 49. Subsequently issued Order No. 49A, Section E, contains a discussion of the "Reduced PGA" approach and makes clear that this method applies only to sales made by interstate pipelines for resale.

19. This Commission has used its determination of alternate fuel prices in setting rates for sales in industrial customers. This approach renders moot the concern as to whether or not any portion of the "Reduced PGA" is allocated to non-exempt boiler fuel usage.

20. SoCal also criticizes Paragraph 4 of the resolution, which provides that any increased revenues collected under the interim procedure will be subject to refund to those customers paying the charges in the event that the procedure is later rejected by this Commission. SoCal points out that any attempt to order refunds under this paragraph would conflict with the incremental pricing regulations promulgated by the FERC. The FERC regulations require flow-through of surcharge revenues from the distribution company to its pipeline supplier. The Commission has corrected the provision, so that any money refunded would ultimately go to the pipeline suppliers.

21. Certainly, if this Commission rejected at any time the methodology provided in these advice letters the distribution utilities and the non-exempt industrial boiler fuel users, the FERC regulations set forth in Orders Nos. 49 and 50 would require that the incrementally priced gas be billed by the interstate pipeline supplier. Therefore, they would receive the money collected under the advice letter tariffs, if this Commission were at some time, to reject these advice letter filings.

22. Resolution No. G-2334 will be adopted in final form as Resolution No. G-2334R.

FINDINGS OF FACT

1. Title II of the Natural Gas Policy Act of 1978 and regulations adopted by the FERC pursuant thereto provide for incremental pricing of natural gas to non-exempt users.
2. Comments were requested of parties as to the adoption of Resolution No. G-2334.
3. Most of the comments by parties relate to gas rate design in general and are not germane to Resolution No. G-2334.
4. Resolution No. G-2334 eliminates surcharge absorption capability in California.
5. Resolution No. G-2334 will be effective so long as the FERC Phase I regulations are effective.
6. The applicable tariff sheets of SDG&E do not define non-exempt user.
7. The applicable tariff sheets do not indicate the method to be utilized to determine non-exempt gas usage.
8. The third paragraph in Resolution No. G-2334 should be corrected to delete "except non-exempt customers" and provide for the accounting only.
9. The fourth paragraph in Resolution No. G-2334 should be corrected to provide that increased revenues collected as a result of the instant tariffs will be subject to refund to the applicable pipeline supplier should such charges be rejected by the Commission.
10. Under this resolution and applicable tariffs related to the federal incremental pricing, gas rates do not need to be cost based.

CONCLUSIONS OF LAW

1. Incremental Pricing is mandated by Title II of the Natural Gas Policy Act of 1978.
2. Resolution No. G-2334R is consistent with Title II of the Natural Gas Policy Act of 1978.
3. Resolution No. G-2334R is consistent with Public Utilities Code, Sections 451, 453 and 454.

The Commission concludes that Resolution No. G-2334R and applicable tariffs should be approved to the extent set forth in the Order which follows.

O R D E R

IT IS ORDERED that:

1. Resolution No. G-2334 is approved and will be numbered Resolution No. G-2334R.
2. Pacific Gas & Electric Company Tariff Sheets filed by Advice Letter No. 1059-G, Southern California Gas Company Tariff Sheets filed by Advice Letter No. 1195, San Diego Gas & Electric Company Tariff Sheets filed by Advice Letter No. 439G, Southwest Gas Corporation Tariff Sheets filed by Advice Letter No. 221 and CP National Tariff Sheets filed by Advice Letter No. 139G shall be modified to indicate the method to be utilized to determine the terms of gas used for non-exempt purposes by such customers.
3. San Diego Gas & Electric Company shall include in its tariff sheets a definition of non-exempt customer consistent with the FERC Phase I rules.
4. The filings to be made by Paragraphs 2 and 3 shall comply with General Order No. 96A and may be made in not less than five (5) days after the date of certification of this resolution.

Rulemaking Procedure for Compliance with
Incremental Pricing of Natural Gas Under
The Natural Gas Policy Act of 1978 (NGPA)

The incremental pricing provisions of the Natural Gas Policy Act of 1978 (NGPA) require interstate gas pipelines and distribution companies served by interstate pipelines to pass through certain higher gas acquisition costs to their large industrial boiler fuel customers beginning in January, 1980. Beginning in May, 1980, other types of industrial customers also may be covered. The large industrial boiler fuel customers (referred to as "non-exempt" or "incrementally priced" customers) must bear these higher acquisition costs until the gas price to these customers reaches the level of the cost of alternate fuel oil in the region. Only when the gas rates of all non-exempt customers on an interstate pipeline system reach the alternate fuel cost ceiling (determined by the Federal Department of Energy) will other customers, including residential and small commercial users, as well as the exempt industrial customers, have to bear a portion of the increased acquisition costs.

Exemption affidavits were mailed by natural gas suppliers to California industrial boiler fuel customers on October 15, 1979 with a return date of November 1, 1979.

Until November 1, 1980, the federal alternate fuel cost ceiling will be set at the level of high sulfur No. 6 oil. Beginning on November 1, 1980, the alternate fuel cost ceiling will consist of three tiers of prices in each region--a high sulfur No. 6 oil price, a low sulfur No. 6 price (more expensive) and a No. 2 oil price (most expensive). The ceiling applicable to a particular non-exempt customer will depend on his physical and legal capability to burn one of the three types of oil as an alternative to natural gas.

Interstate pipeline must segregate incremental gas costs and recover these costs through surcharges to be billed monthly to distribution companies, who in turn must bill their non-exempt industrial customers on a monthly basis. The amount of the surcharges will depend on the then-existing gas rates to the non-exempt customers served directly or indirectly by the pipeline; if those rates are equal to or higher than the alternate fuel cost ceiling each month, there will be no "surcharge absorption capability" and hence no surcharges to those customers. The balance of incremental gas costs which remains after the pipeline has billed all of the surcharges it is entitled to collect systemwide is added to the regular PGA account of the interstate pipeline company to be recovered through rates to all of the pipeline company's customers in the normal manner.

Prior to the passage of the NGPA this Commission adopted a policy of pricing gas to industrial customers at or near alternative fuel price levels. These rates are adjusted at six months intervals in each gas utility's offset case, based on evidence of the alternate fuel costs (No. 2 and/or No. 6 fuel oil) for the industrial customers.

In order to implement the federal rules, the Commission proposes to adopt a policy to ensure that California not be assessed any surcharges at least until November 1, 1980, the period during which only the high sulfur No. 6 ceiling applies. The means for accomplishing this objective is to maintain gas rates to non-exempt industrial customers within California at or above the federal alternate fuel cost ceiling, which will be changing monthly. A tariff that automatically would charge the higher of: 1) the distribution company rate, or 2) the federal ceiling, consistently will result in a "maximum surcharge absorption capability (MSAC)" of zero in California and hence no surcharge.

As previously indicated, the NGPA requirements mandate surcharges to natural gas prices for non-exempt customers. These surcharges will occur either by order of the regulatory authority, such as this Commission, or by direct application of the NGPA. If this Commission adopts the above proposed policy, no surcharges will be assessed against California industrial customers. Additional revenues realized by California utilities from California industrial customers will be credited to the utility's PGA account.

If this policy is not adopted, the NGPA requires that the resulting surcharge (which would be an amount identical to the additional revenue realized by California utilities) be directly credited to the interstate pipeline. Out-of-state customers of the pipeline would be the prime beneficiaries.

This policy would achieve the following goals:

1. It would further California's policy of pricing gas to industrial customers at the cost of alternative fuels, determined as accurately and timely as feasible;
2. Since rates would be at least equal to the federal ceiling, no surcharges would be allocated to the State's non-exempt customers;
3. Revenues collected from the non-exempt customers would be credited to the utility's PGA account rather than the interstate pipeline's account. The increased revenues would remain in California, rather than being exported out-of-state.
4. The procedure complies with the mandates of the NGPA and might be used as the basis for a state-wide exemption from the federal incremental pricing regulations, which would relieve the substantial administrative burden on the California gas utilities, their non-exempt industrial customers, and the interstate pipeline supplying California.

The California gas utilities filed advice letters amending their respective tariffs in accordance with the above stated policies. These advice letters will amend tariffs as indicated by Attachments B and C, herein, and will be submitted to the Commission for disposition by resolution (Attachment B) at its conference of November 30, 1979. Any rate changes occurring under the proposed tariff will be collected subject to return to the customer billed, pending final determination by the Commission of the above policies, after review of comments submitted by affected customers and other interested persons. Rate changes, if required in subsequent months due to changes in the federal alternative fuel cost ceiling, would be automatic under the proposed tariff provisions unless rejected or suspended by the Commission.

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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 _____ Accounting Officer

RESOLUTION NO. G-2334
 UTILITIES DIVISION
 BRANCH/SECTION: Gas
 DATE: November 30, 1979

R E S O L U T I O N

SUBJECT: Pacific Gas & Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, Southwest Gas Corporation, and C.P. National. Order Authorizing Acceptance of Tariff Schedules and Procedures Relating to Incremental Pricing to Non-Exempt Customers.

WHEREAS: PACIFIC GAS & ELECTRIC COMPANY (PG&E), by Advice Letter No. 1059-G, SOUTHERN CALIFORNIA GAS COMPANY (SoCal), by Advice Letter No. 1194, SAN DIEGO GAS & ELECTRIC COMPANY (SDG&E), by Advice Letter No. 439-G, SOUTHWEST GAS CORPORATION (SoWest), by Advice Letter No. 221, and C.P. NATIONAL (CPN), by Advice Letter No. 139-G, all filed November 16, 1979 have requested authority to implement a procedure and to file revised tariff sheets relating to incremental pricing pursuant to Title II of the Natural Gas Policy Act of 1978 (NGPA) as set forth on Cal. P.U.C. Sheets Nos. 10490-G to 10498-G, inclusive (PG&E), Sheets Nos. 15523-G to 15535-G, inclusive (SoCal), Sheets Nos. 2817-G to 2836-G, inclusive (SDG&E), Sheets Nos. 1820-G to 1826-G, inclusive (SoWest), and Sheets Nos. 697-G to 703-G, inclusive (CPN) resulting in the following:

1. The applicable rates for all non-exempt industrial boiler customers will be either the Federal alternative fuel price ceiling established by the Energy Information Administration (EIA) plus applicable taxes, or the existing regular tariff rate, whichever produces the higher bill.
2. Each applicable Commercial and Industrial Natural Gas Service Schedule will show the appropriate alternative fuel price ceiling as well as the current regular tariff rate, the higher of which will become the effective rate.
3. The net increased revenue to the utility, if any, will be credited to the Purchased Gas Adjustment Account of the respective utilities and will be identified separately for distribution to all classes of customers except non-exempt customers during gas offset proceedings.
4. The Commission, through a rulemaking procedure, will seek comments on a rulemaking procedure from interested parties on the proposed tariffs to implement incremental pricing before issuing a final order.
5. Any increased revenue collected because of this procedure will be subject to refund to those customers paying such charges in the event that this procedure is later rejected by the Commission
6. These filings will not raise any rates, other than as herewith stated which will be consistent with those provided by the NGPA, will not cause the withdrawal of service, nor conflict with other schedules or rules, and

RETURN TO GAS BRANCH

WHEREAS: Even though this procedure may increase a rate to a certain class of customers, such increase will not be higher than what the customer otherwise would have to pay in accordance with Title II of the Natural Gas Policy Act of 1978; therefore, good cause appearing,

IT IS ORDERED that:

1. Authority be granted under Sections 454, 489, 490, 491, 532 and 701 of the Public Utilities Code for Pacific Gas & Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, Southwest Gas Corporation and C.P. National to place their above respective tariff sheets into effect on January 1, 1980 on an interim basis pending further action of this Commission.

2. The above tariff sheets shall all be marked to show that they were approved for filing by Resolution No. G-2334 of the Public Utilities Commission of the State of California. The effective date of this resolution is the date hereof.

I hereby certify that the foregoing Resolution was duly introduced, passed and adopted at a regular conference of the Public Utilities Commission of the State of California, held on the 30th day of November, 19 79, the following Commissioners voting favorably thereon:

JOHN E. BRYSON
President
VERNON L. STURGEON
RICHARD D. GRAVELLE
CLAIRE T. DEDRICK
LEONARD M. GRIMES, JR.
Commissioners


Executive Director