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Application of the Sacramento-Valley)
Limited Partnership for authority)
to increase rates and charges applicable)
to cellular radio telephone service)
within the Greater Sacramento-Valley)
Metropolitan Area)

Application No. ELICE M. REINICHE
CITY CLERK
CITY OF LODI

APPLICATION OF SACRAMENTO-VALLEY
LIMITED PARTNERSHIP (U-3004-C)

I

The Applicant, Sacramento-Valley Limited Partnership (U-3004-C) ("SVLP" or "Applicant"), a California partnership, files this Application for a general rate increase under Sections 454 and 701 of the Public Utilities Code of the State of California requesting authority from the California Public Utilities Commission to increase its authorized rates for cellular radio telephone service in the Greater Sacramento Metropolitan Area encompassing portions of Sacramento, Yolo, Placer, San Joaquin and Stanislaus Counties, California.

II

THE NEED FOR INCREASED RATES

SVLP's proposed increase in rates is needed in order to re-establish the proper balance between the value of the service provided and its price. When rates were established for cellular service in the initial Sacramento MSA service area, those rates were based on consideration of market research, consideration of the value of service, and the financial requirements of the Partnership. (See

A. 84-01-048 filed November 27, 1984, D. 85-05-041 issued May 1, 1985 as amended by D. 85-07-020 issued July 10, 1985). Since then, several major improvements and expansions have been completed and justify an increase in rates.

First, SVLP has expanded the service area by nearly 60%. The addition of service in the adjacent markets of Stockton and Modesto has increased the Cellular Geographic Service Area (CGSA) from 1,200 square miles to 1,900 square miles. SVLP intends further to expand the CGSA to include a major portion of the Yuba City Metropolitan Statistical Area which will bring the total coverage to 2,500 square miles, double the initial coverage area. Exhibit A depicts the initial coverage area, the recent expansion of service and the future expansion.

Secondly, effective January 1, 1987 SVLP eliminated all charges for incomplete calls. This had the immediate effect of reducing SVLP's annual revenues by \$221,000 based on 1986 usage patterns.

Thirdly, SVLP has increased its investment in facilities both within the initial Sacramento area and in the adjacent markets of Stockton and Modesto. This latter investment was not included in the initial pro forma financial statements in Application 84-01-048 filed November 27, 1984.

Finally, SVLP does not forecast any significant change in customer demand at either the wholesale level or at the retail level as a result of the proposed rate change. SVLP has projected what the retail prices might become assuming that the current margin between wholesale and retail rates continues. The resultant retail price levels are consistent with SVLP's earlier marketing studies wherein customer demand was essentially the same at the price levels in effect today and at the price levels expected to result from SVLP's proposed rate increase (see Exhibit A). The proposed increased rates bring the Sacramento market in line with other markets within California and markets of comparable size in other parts of the country (see Exhibit B).

III

FORMAL REQUIREMENTS

1. Applicant (Rule 15(a)). SVLP is a limited partnership, duly organized under the laws of the State of California for the purpose of providing cellular radio telephone service to the public. Applicant maintains its principal place of business at 2355 Main Street, Irvine, California 92714.

2. Correspondence or Communications (Rule 15(b)).

(a) All communications or correspondence with respect to this Application should be addressed to:

Richard C. Nelson
Director-Regulatory Matters
PacTel Cellular
2355 Main Street
P.O. Box 19707
Irvine, California 92714
Telephone: (714) 553-6058

(b) Counsel should direct communications, motions, letters and requests for information to attorney for SVLP:

Roger P. Downes, Esq.
2355 Main Street
P.O. Box 19707
Irvine, California 92714
Telephone: (714) 553-6008

3. Articles of Incorporation (Rule 16). A copy of the General Partner's Articles of Incorporation and a copy of the Applicant's Partnership Agreement were filed with the Commission on November 27, 1984. A copy of the Amendment to the Partnership Agreement is attached hereto as Exhibit C. PacTel Cellular, the General Partner of the Applicant, is a wholly-owned subsidiary of PacTel Personal Communications which in turn is a wholly-owned subsidiary of Pacific Telesis Group. Copies of said Partnership Agreement and said Articles of Incorporation are not included in the service copies. Copies of these documents will be submitted to the parties on the service list upon request.

4. Balance Sheet and Income Statement (Rule 23(a)). A balance sheet as of December 31, 1986 and an income statement covering the period from January 1, 1986 to December 31, 1986 are attached hereto as Exhibit D.

5. Present Rates Proposed to be Increased and Statement of Proposed Increases (Rules 23(b) and (c)). Exhibit E attached hereto sets forth a description of present and proposed rates and proposed revenue increase including percentage increase.

6. Description of Property (Rule 23(d)). SVLP owns and operates a cellular radio telephone system in the Greater Sacramento Valley metropolitan area and the Stockton and Modesto areas of the San

Joaquin Valley. The system is composed of radio facilities, control and switching equipment owned by SVLP and is interconnected with wireline facilities leased from one or more local exchange telephone companies. The original cost of such property along with the depreciation reserve applicable thereto is shown in the balance sheet, which is part of Exhibit D attached hereto.

7. Summary of Earnings (Rules 23(e) and (f)). A summary of SVLP's actual results of operations for the year ending December 31, 1986 and the prospective results for the same period based on the assumption that the proposed rates were effective for all of 1986 are attached hereto as Exhibit F.

8. Exhibits and Date When Ready (Rule 23(g)). The exhibits and documentation required by the Commission's Rules of Practice and Procedure are submitted herewith. SVLP's showing, to its best knowledge and intent, is complete. SVLP is prepared to proceed immediately.

9. Depreciation Methods (Rule 23(h)). As a limited partnership, SVLP does not itself pay income taxes, nor does the General Partner. The ultimate parent of the General Partner, Pacific Telesis Group, does pay income taxes and the Partnership does submit a statement with its annual report to the Commission, which illustrates what its federal income tax might be if it, rather than the partners, were taxed directly. In that statement the Partnership assumes the use of the Internal Revenue Service's Accelerated Cost Recovery System, consistent with the method used by Pacific Telesis Group.

10. Statements Required By Rule 23(i). The General Partner of the Applicant is a wholly-owned subsidiary of PacTel Personal

Communications which in turn is a wholly-owned subsidiary of Pacific Telesis Group. Attached hereto as Exhibit G is a copy of the latest proxy statement sent to the stockholders of Pacific Telesis Group. Copies of said proxy statement are not included in the service copies of this Application. Copies will be provided to the parties on the service list upon request.

11. Summary of Earnings for Total Operations (Rule 23(j)).

SVLP's financial summaries as described in paragraph 7 above do not include a rate of return. The Commission's findings of fact in Decision 85-05-041 (SVLP's Application for a certificate of public convenience and necessity) included the finding that SVLP's "rates are reasonable, and rate structure and tariffs are in accord with Commission policy." The Commission's policy in the regulation of rates and charges by cellular radio telephone system operators was first articulated in Decision 84-04-014 adopted April 4, 1984. In that proceeding, the Commission first considered evidence regarding the appropriate method to establish rates and charges for a premium discretionary telecommunication service such as cellular radio telephone service. In the Commission's findings of fact it adopted the retail rates of the applicant based on market research information rather than on cost. The commission also concluded in its finding of facts,

"the adopted wholesale rates should provide the Partnership's year 2 wholesale operations a return on equity of approximately 18.44% which is reasonable in light of pre-operative and year 1 negative returns."

Thus the Commission has determined that "market-research based prices" appear reasonable (A. 83-01-12). In the several cellular proceedings

heard by the Commission to date (Los Angeles, San Diego, Sacramento, San Francisco/San Jose and Fresno) the Commission relied upon market studies to establish cellular rates. Therefore, on the basis of Commission precedent SVLP requests that the Commission find that SVLP's application is exempt from Rule 23(j). SVLP substitutes Exhibit A as the relevant showing of the value of the service.

12. Nature of Increase (Rule 23(1)). The increased cellular radio telephone service rates, which are the subject of this Application, are the result of increased value of the cellular service as a result of the SVLP's recent increase in coverage area and planned expansions. A portion of the increase in rates may be attributable to additional expenses associated with current and future expansions in coverage area.

13. Notice of Application and Hearings (Rules 23 and 52). Within ten days after the filing of this Application, SVLP will mail notice of the filing of the Application to all those persons and entities identified in Rule 24 and listed in Exhibit H attached hereto and unless exempted by order of this Commission will publish notice of its Application pursuant to Rule 24. Within 45 days after the filing of this Applications, SVLP will furnish each of its customers affected by the proposed increases notice of the Application by including such notice in the regular bill for service rendered. In light of the extremely small base of interested persons, Applicant believes that publication is not likely to provide broader or more complete notice of this Application than the mailing referenced herein. Applicant requests that it be exempt from the provisions of Rule 52.

WHEREFORE, pursuant to Sections 454 and 701 of the California Public Utilities Code, SVLP respectfully requests that the Commission:

- (1) Issue an order exempting this Application from hearing unless good cause is shown to the contrary; and
- (2) Exempt the Applicant from the provisions of Rule 23 and 52 as requested herein; and
- (3) Accept the reasonableness of the showing herein and promptly issue an ex parte order establishing the increases in rates proposed by SVLP herein.

Dated at Irvine, California, this 17 day of April, 1986.

Sacramento-Valley Limited Partnership

by


Roger P. Downes
Attorney for Applicant
2355 Main Street
Irvine, California 92714
(714) 553-6008

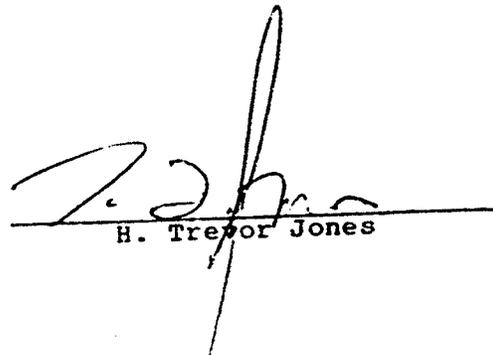
VERIFICATION

I, H. Trevor Jones, am the President of PacTel Cellular, the general partner of the Sacramento-Valley Limited Partnership and as such I am authorized to make this verification on its behalf.

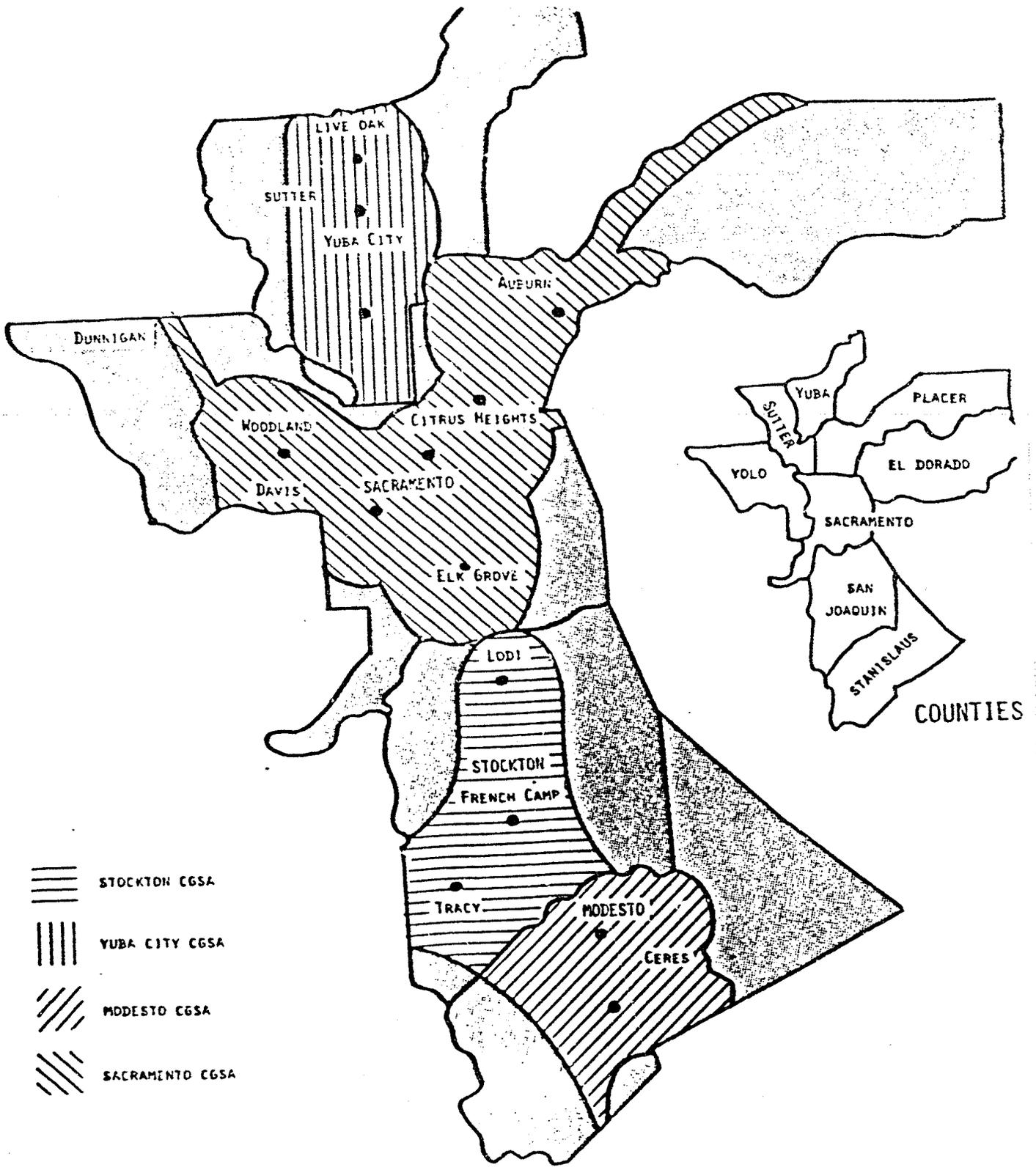
I have read the foregoing Application of the Sacramento-Valley Limited Partnership for authority to increase rates and charges applicable to cellular service within the Greater Sacramento-Valley Metropolitan Area, and know the contents thereof, and verify that the same is true of my own knowledge, except as to those matters therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

EXECUTED this 17 day of April, 1987, at Irvine,
California.


H. Trevor Jones

OF 'ULAR GEOGRAPHIC SERVICE AREAS



INCREASED VALUE OF SERVICE

I. Coverage	<u>Square Miles</u>	<u>Population (000)</u>
Initial Sacramento CGSA	1,200	800
Stockton area	400	347
Modesto area	300	219
% Increase from Initial CGSA	58%	71%
Future expansion - Yuba City	600	91
% Increase with Yuba City	108%	82%

II. Cellular Facilities	<u>Cell Sites</u>
Initial Sacramento system	5
Sacramento Growth	1
Stockton area	2
Modesto area	1
Increase	4
% Increase	60%

III. Customer Demand for Expanded Service

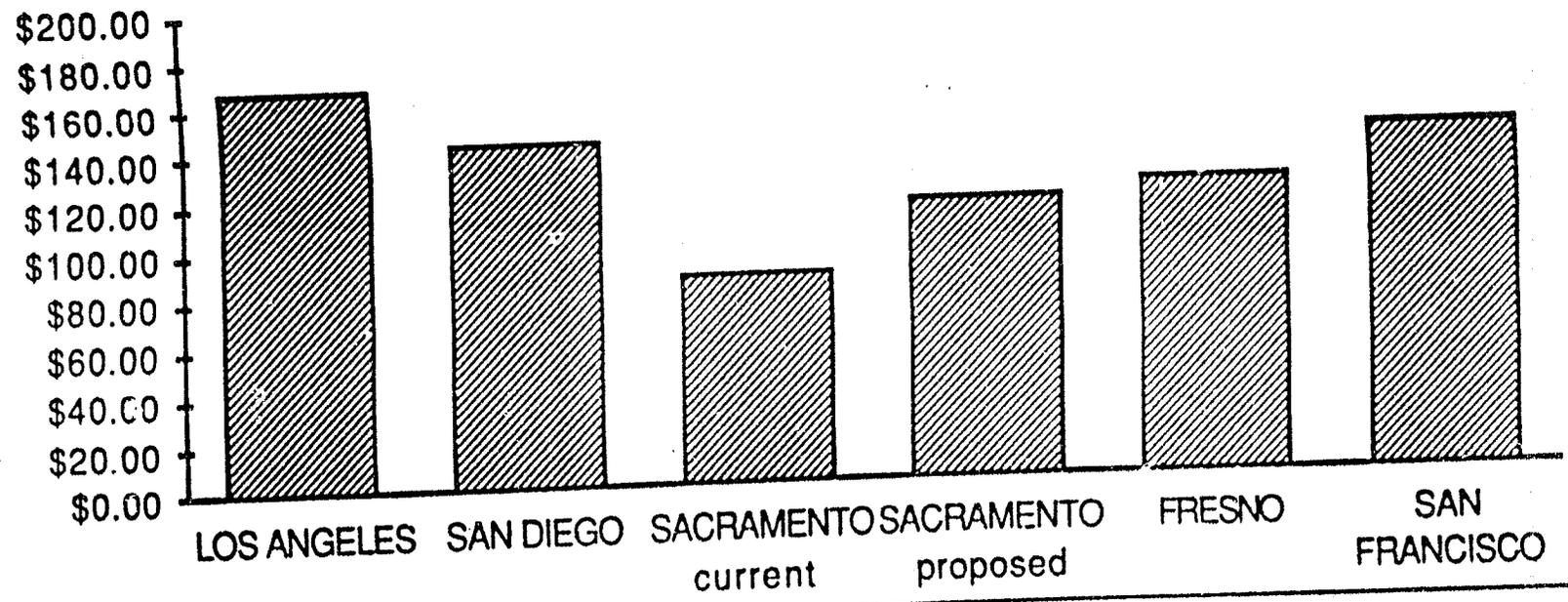
- Stockton/Lodi areas were first preference for expanded cellular service by Sacramento customers in 1986.
- Interdependence of Sacramento and Stockton markets as reported in a small market study:
 - o 42% of those people interviewed in Stockton travel regularly to Sacramento.
 - o 35% of those interviewed in Sacramento travel regularly to Stockton.
- Interdependence of Stockton and Modesto markets.
 - o Approximately half of the businesses in both communities have vehicles operating in the other community.

IV. Price/Demand Relationship

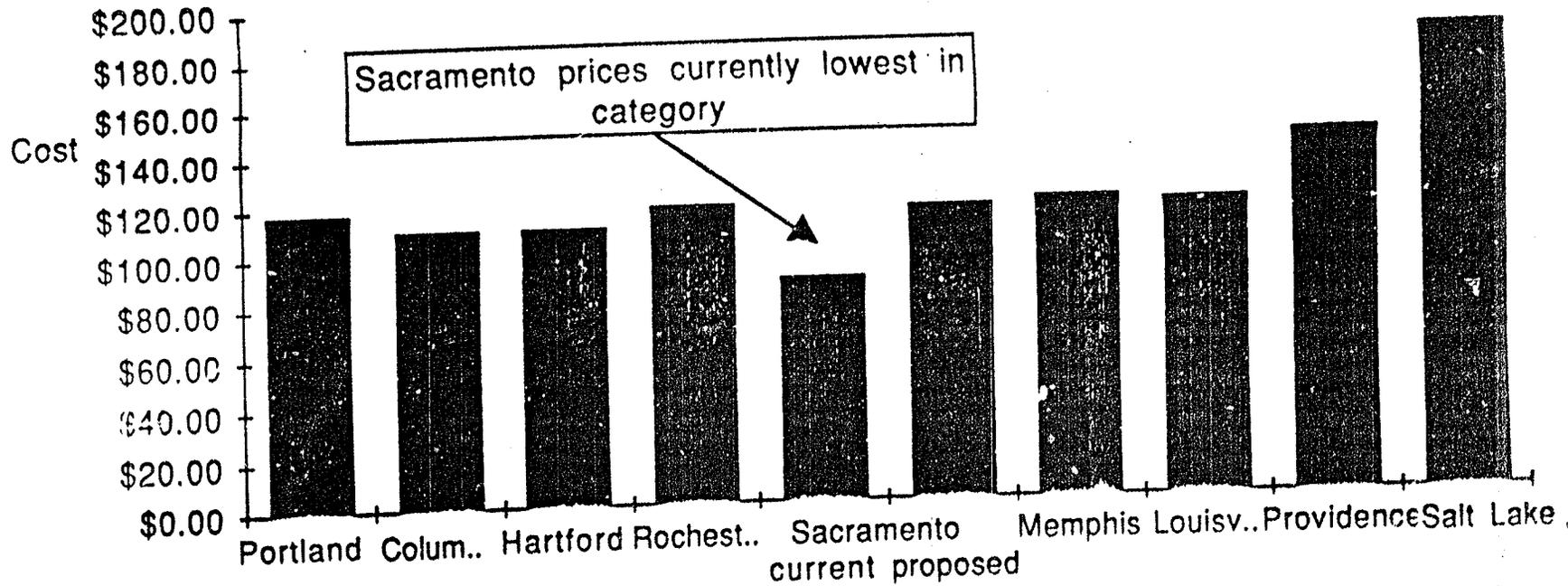
- Sacramento: demand for cellular service by prospective customers did not differ significantly given the proposed rates versus the current rates.
- Stockton: demand for cellular service by prospective customers increased slightly at the current rates as compared to the proposed rates.
- An economy Plan is being introduced to provide customers with a choice of rate plans.

CALIFORNIA MARKET COMPARISONS
(300 minutes of usage)

Average Monthly Bill



**Markets 30-40 Cost Comparison
(300 minute user)**



AMENDMENT
To
AGREEMENT ESTABLISHING
SACRAMENTO-VALLEY LIMITED PARTNERSHIP

This Amendment to Agreement Establishing Sacramento-Valley Limited Partnership is made and entered into as of the 22nd day of July, 1986, by and among Pactel Mobile Access, Contel Mobilcom, Roseville Telephone Co., Citizens Utilities Company of California and Evans Telephone Company (Evans).

WITNESSETH:

In consideration of the mutual execution of this Amendment and the agreement of Evans to be bound by all of the terms and conditions of the Agreement Establishing Sacramento-Valley Limited Partnership dated as of April 2, 1984 (the "Partnership Agreement"), the Partnership Agreement shall be amended as follows:

1. Evans shall be admitted as a limited partner.

2. Section 5.1 of the Partnership Agreement shall be amended to show the following Partnership Interests for the Partners:

- "(A) 49.878% for Pactel as General Partner,
- (B) 23.472% for Roseville as Limited Partner,
- (C) 23.472% for Citizens as Limited Partner,
- (D) .978% for Contel as Limited Partner, and
- (E) 2.200% for Evans as Limited Partner."

3. This Amendment shall become effective when executed (which execution may be in counterparts) by the General Partner and all Limited Partners.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date set forth opposite their respective signatures below:

General Partner

PACTEL MOBILE ACCESS

By: [Signature]

Title: President

Date: _____

Limited Partners

CITIZENS UTILITIES COMPANY OF CALIFORNIA

By: _____

Title: _____

Date: _____

CONTEL MOBILCOM

By: [Signature]

Title: Pres

Date: 8/7/86

ROSEVILLE TELEPHONE COMPANY

By: _____

Title: _____

Date: _____

EVANS TELEPHONE COMPANY

By: _____

Title: _____

Date: _____

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date set forth opposite their respective signatures below:

General Partner

PACTEL MOBILE ACCESS

By: _____
Title: _____
Date: _____

Limited Partners

CITIZENS UTILITIES COMPANY OF CALIFORNIA

By: _____
Title: _____
Date: _____

CONTEL MOBILCOM

By: _____
Title: _____
Date: _____

ROSEVILLE TELEPHONE COMPANY

By: _____
Title: _____
Date: _____

EVANS TELEPHONE COMPANY

By: *D. C. Williams* D. C. Williams
Title: *President*
Date: *10/22/86*

IN WITNESS WHEREOF, the undersigned have executed this
Amendment as of the date set forth opposite their respective
signatures below:

General Partner

PACTEL MOBILE ACCESS

By: _____
Title: _____
Date: _____

Limited Partners

CITIZENS UTILITIES COMPANY OF CALIFORNIA

By: _____
Title: _____
Date: _____

CONTEL MOBILCOM

By: _____
Title: _____
Date: _____

ROSEVILLE TELEPHONE COMPANY

By: Robert L. Hoyle
Title: President
Date: 11-3-86

EVANS TELEPHONE COMPANY

By: _____
Title: _____
Date: _____

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date set forth opposite their respective signatures below:

General Partner

PACTEL MOBILE ACCESS

By: _____
Title: _____
Date: _____

Limited Partners

CITIZENS UTILITIES COMPANY OF CALIFORNIA

By: D. L. Oestreicher
Title: D. L. Oestreicher
Vice President
Date: _____

CONTEL MOBILCOM

By: _____
Title: _____
Date: _____

ROSEVILLE TELEPHONE COMPANY

By: _____
Title: _____
Date: _____

EVANS TELEPHONE COMPANY

By: _____
Title: _____
Date: _____

SACRAMENTO VALLEY LIMITED PARTNERSHIP
BALANCE SHEET
12/31/86

Assets

Current Assets:	
Cash	\$ 0
A/R - Net	728,311
Prepayments	6,535
Other Current Assets	---
Total Current Assets	<u>\$ 734,846</u>
Prop, Plant & Eqpt, Gross	\$ 8,197,750
Accumulated Depreciation	(538,860)
Net	<u>\$ 7,658,890</u>
Deferred Charges	\$ 5,228
Other Long Term Assets	1,308,144
Total Assets	<u>\$ 9,707,108</u>

Liabilities & Equity

Accounts Payable	\$ 5,286,776
Accrued Liabilities	2,249
Advance Billing & Payment	30,304
Customer Deposits	17,700
Total Current Liability	<u>\$ 5,337,029</u>
Total Liabilities	<u>\$ 5,337,029</u>
Partners' Equity	
Partner Capital	<u>\$ 5,201,018</u>
Retained Earnings	<u>\$ (830,939)</u>
Total Partners' Equity	<u>\$ 4,370,079</u>
Total Liab. & Equity	<u>\$ 9,707,108</u>

"Proprietary Information"

SACRAMENTO VALLEY LIMITED PARTNERSHIP
INCOME STATEMENT

	12 Months Ended 12/31/86
Total Revenues	\$ 3,158,303
Operating Expenses:	
Salaries & Benefits	158,604
Housekeeping	17,949
Operations	507,326
Eqpt., Furn. & Tools	4,766
Administration	176,159
Marketing	4,002
Travel & Entertainment	33,891
Research	12,000
Deprec. & Amortiz.	460,092
Prof. Services	92,698
Fees & Licenses	5,685
Other Bus. Expenses	69,366
Total Oper. Expenses	<u>\$ 1,542,538</u>
Corporate Overhead	<u>\$ 1,664,663</u>
Total Operating Costs	<u>\$ 3,207,201</u>
Less: Capitalized E & O	<u>(59,157)</u>
Income Before Taxes	<u><u>\$ 10,259</u></u>

"Proprietary Information"

EXHIBIT E

PRESENT AND PROPOSED RATES AND PROPOSED REVENUE

	<u>Present Rate</u>	<u>Proposed Rate</u>	
I. Basic Plan			
Monthly Access (up to 100 #s/over 100)	\$15.30/14.30	\$19.13/17.88	
Usage Per Minute			
- Peak (up to 20K min & over 20K)	.206/.203	.262/.258	
- Off-peak (up to 2K min/over 2K)	.134/.122	.170/.169	
II. Economy Plan			
Monthly Access (up to 100 #s/over 100)	----	\$ 9.91/9.26	
Usage Per Minute			
- Peak (up to 20K min/over 20K)	----	.49/.48	
- Off-peak (up to 2K min/over 2K)	----	.16/.15	
III. Proposed Revenue			
	<u>1986 Revenues (present rates)</u>	<u>1986 Revenues (proposed)</u>	<u>8 Increase</u>
Basic Plan	\$3,158,300	\$4,071,000	N/A
Economy Plan	---	129,000	N/A
TOTAL	\$3,158,300	\$4,200,000	33%

16-Apr-87
PROFORMA

SACRAMENTO VALLEY - CARRIER (\$000)
PRO FORMA INCOME STATEMENT

	ACTUAL 1986 -----	RECAST* 1986 -----	1987** -----	1988 -----
GROSS REVENUE				
BASIC	\$3,158	\$4,071	\$6,138	\$8,732
ECONOMY	0	129	91	276
TOTAL	3,158	4,200	6,229	9,008
BAD DEBT	0	0	62	90
NET REVENUE	3,158	4,200	6,167	8,918
COST OF GOODS	0	0	0	0
GROSS MARGIN	3,158	4,200	6,167	8,918
OPERATING EXPENSES				
BILLING & COLL	122	122	214	291
DEPREC & AMORT	460	460	957	1,199
FACILITIES	365	365	624	903
ADMINISTRATIVE	537	537	844	949
TOTAL	1,483	1,483	2,639	3,342
OPERATING INCOME	1,675	2,717	3,528	5,576
ALLOCATIONS	1,665	1,665	1,672	1,753
INCOME BEFORE TAX	10	1,052	1,856	3,823
TAXES	5	526	835	1,529
NET INCOME	\$5	\$526	\$1,021	\$2,294
	=====	=====	=====	=====

YE CELLULAR NUMBERS 5,459 5,459 7,912 11,462

*Prospective results if the proposed rates had been effective in 1986.
**Rate increase is assumed to become effective July 1, 1987.

SACRAMENTO VALLEY - CARRIER (\$000)
PRO FORMA BALANCE SHEET

	ACTUAL 1986	1987	1988
	-----	-----	-----
CURRENT ASSETS			
A/R - NET	728	1,024	1,481
OTHER	7	0	0
	-----	-----	-----
TOTAL CURRENT	735	1,024	1,481
FIXED ASSETS			
FP&E	8,193	10,795	13,039
ACCUM DEPR	(534)	(1,494)	(2,693)
OTHER	1,313	1,275	1,243
	-----	-----	-----
TOTAL FIXED	8,972	10,576	11,589
TOTAL ASSETS	9,707	11,600	13,070
LIABILITIES			
A/P	5,287	560	589
OTHER	50	551	836
	-----	-----	-----
TOTAL LIABILITIES	5,337	1,111	1,425
EQUITY	4,370	10,489	11,645
	-----	-----	-----
TOTAL LIAB. & EQU.	9,707	11,600	13,070
	=====	=====	=====

**NOTICE OF 1987
ANNUAL MEETING AND
PROXY STATEMENT**

PACIFIC X TELESIS
Group
140 New Montgomery Street
San Francisco, California 94105

February 27, 1987

Dear Shareowner,

It is with great pleasure that I invite you to attend Pacific Telesis Group's 1987 Annual Meeting of Shareowners, to be held on April 24, 1987 at the California Masonic Memorial Temple, 1111 California Street, San Francisco, California. This annual event will include my personal report to you on the Corporation's 1986 financial and operating performance, as well as an update on the progress we've made in achieving our longer term corporate goals.

A critical aspect of the annual meeting process is the annual shareowner vote on corporate business items. I urge you to exercise your rights as a shareowner to vote and participate in this process. All the materials you need to vote via the mail are enclosed in this package. Please look them over carefully. Then MARK, DATE, SIGN AND PROMPTLY RETURN YOUR PROXY CARD in the envelope provided so that your shares can be voted at the meeting in accordance with your instructions.

Your management representatives are committed to the continued success of Pacific Telesis Group and to the enhancement of your investment in it. As your Chairman, I want to express my appreciation for your confidence and support again during the past year.

Sincerely,

Donald E. Guinn

Donald E. Guinn
Chairman of the Board

ENTITIES NOTIFIED OF APPLICATION
Per P.U.C. Rule 24

STATE OFFICIALS

William J. Anthony
Director
Dept. of General Services
915 Capitol Mall
Office Building No. 1
Sacramento, CA 95814

John D. Van de Kamp
Attorney General
State of California
555 Capitol Mall
Suite 350
Sacramento, CA 95814

City Clerk
City of Auburn
1103 High Street
Auburn, CA 95603

City Attorney
City of Colfax
P.O. Box 703
Colfax, CA 95713

City Clerk
City of Colfax
P.O. Box 703
Colfax, CA 95713

City Attorney
City of Rocklin
P.O. Box 687
Rocklin, CA 95687

City Clerk
City of Davis
23 Russell Blvd.
Davis, CA 95616

CITY OFFICIALS

City Attorney
City of Lincoln
511 5th Street
Lincoln, CA 95648

City Clerk
City of Lincoln
511 5th Street
Lincoln, CA 95648

City Attorney
City of Auburn
1103 High Street
Auburn, CA 95603

CITY OFFICIALS (Continued)

City Clerk
City of Rocklin
P.O. Box 687
Rocklin, CA 95687

City Attorney
City of Roseville
316 Vernon Street
Roseville, Ca 95678

City Clerk
City of Folsom
50 Natoma
Folsom, Ca 95630

City Clerk
City of Sacramento
City Hall
915 "I" Street
Sacramento, CA 95814

City Clerk
City of Galt
380 Civic Center Drive
Galt, CA 95632

City Clerk
City of Roseville
316 Vernon Street
Roseville, CA 95678

City Attorney
City of Davis
23 Russell Blvd.
Davis, CA 95616

City Attorney
City of Escalon
P.O. Box 248
Escalon, CA 95320-0248

City Attorney
City of Lodi
221 W. Pine Street
Lodi, CA 95240

City Clerk
City of Woodland
300 First Street
Woodland, Ca 95695

City Attorney
City of Woodland
300 First Street
Woodland, CA 95695

City Attorney
City of Folsom
50 Natoma
Folsom, Ca 95630

City Attorney
City of Sacramento
City Hall
915 "I" Street
Sacramento, CA 95814

City Attorney
City of Galt
380 Civic Center Drive
Galt, CA 95632

City Clerk
City of Winters
318 First Street
Winters, CA 95694

City Attorney
City of Winters
318 First Street
Winters, Ca 95694

City Clerk
City of Escalon
P.O. Box 248
Escalon, CA 95320-0248

City Clerk
City of Lodi
221 W. Pine Street
Lodi, Ca 95240

CITY OFFICIALS (Continued)

City Attorney
City of Manteca
1001 W. Center St.
Manteca, CA 95336

City Attorney
City of Ripon
311 W. 1st Street
Ripon, CA 95366

City Attorney
City of Stockton
425 North El Dorado St.
Stockton, CA 95202

City Attorney
City of Tracy
325 East 10th Street
Tracy, CA 95376

City Attorney
City of Ceres
2720 Second Street
Ceres, CA 95307

City Attorney
City of Hughson
7018 Pine Street
Hughson, CA 95326

City Attorney
City of Modesto
801 11th Street
Modesto, CA 95353

City Attorney
City of Newman
1200 "O" Street
Newman, CA 95360

City Attorney
City of Oakdale
277 North Second Ave.
Oakdale, CA 95361

City Attorney
City of Patterson
344 W. Las Palmas Ave.
Patterson, CA 95363

City Clerk
City of Manteca
1001 W. Center St.
Manteca, CA 95336

City Clerk
City of Ripon
311 W. 1st Street
Ripon, CA 95366

City Clerk
City of Stockton
425 North El Dorado St.
Stockton, CA 95202

City Clerk
City of Tracy
325 East 10th Street
Tracy, CA 95376

City Clerk
City of Ceres
2720 Second Street
Ceres, CA 95307

City Clerk
City of Hughson
7018 Pine Street
Hughson, CA 95326

City Clerk
City of Modesto
801 11th Street
Modesto, Ca 95353

City Clerk
City of Newman
1200 "O" Street
Newman, Ca 95360

City Clerk
City of Oakdale
277 North Second Ave.
Oakdale, CA 95361

City Clerk
City of Patterson
344 W. Las Palmas Ave.
Patterson, CA 95363

CITY OFFICIALS (Continued)

City Attorney
City of Riverbank
6707 Third Street
Riverbank, CA 95367

City Attorney
City of Turlock
900 North Palm
Turlock, CA 95381

City Attorney
City of Waterford
540 "C" Street
Waterford, CA 95386

City Clerk
City of Riverbank
6707 Third Street
Riverbank, CA 94367

City Clerk
City of Turlock
900 North Palm
Turlock, CA 95381

City Clerk
City of Waterford
540 "C" Street
Waterford, CA 95386

COUNTY OFFICIALS

County Clerk
County of Yolo
County Courthouse, Room 206
Woodland, Ca 95695

County Counsel
Sacramento County
700 H Street
Sacramento, CA 95814

County Clerk
County of Placer
Administrative Services
11493 B Avenue, De Witt Center
Auburn, CA 95603

County Counsel
San Joaquin County
222 E. Weber, Ave., Room 703
Stockton, CA 95292

County Counsel
Stanislaus County
1100 H Street
Modesto, Ca 95353

County Counsel
County of Yolo
County Courthouse, Room 206
Woodland, Ca 95695

County Clerk
Sacramento County
700 H Street
Sacramento, Ca 95814

County Clerk
San Joaquin County
222 E. Weber, Ave., Room 703
Stockton, CA 95292

County Clerk
Stanislaus County
1100 H Street
Modesto, CA 95353

County Counsel
County of Placer
11493 B Ave., De Witt Center
Auburn, CA 95603

CELLULAR RESELLERS

Suzette A. Steiger
Motorola Cellular
Service, Inc.
1301 E. Algonquin Rd.
Schaumburg, ILL 60196

PacTel Mobile Services
1777 Botelho, Suite 160
Walnut Creek, Ca 94596
Attn: Al Feinman

Modesto Celltoll Co.
1200 "G" Street
Modesto, CA 95354

Sacramento Cellular Telephone Co.
2143 Hurley Way, Suite 250
Sacramento, Ca 95825

Fresno Cellular Telephone Co.
1520 East Shaw, Suite 115
Fresno, CA 93710

GTE Mobilnet
616 FM 1960 West
Suite 400
Houston, TX 77090
Attn: Mr. Phil Forbes

Ultratelecom
10500 W. Pico Blvd., Suite B
Los Angeles, CA 90064

Citizens Utilities Company
P.O. Box 2218
Reeding, CA 96001
Attn: Mr. D. L. Ostreicher
Vice Pres./General Mgr.

Roseville Telephone Co.
P.O. Box 969
Roseville, CA 95661
Attn: Mr. Robert L. Doyle
President/General Mgr.

Peter Casciato
Attorney
Media Building
943 Howard Street
San Francisco, CA 94103

2355 Main Street
P.O. Box 19707
Irvine, California 92714
(714) 553-6000

PAC TEL
RECEIVED
Cellular

1987 APR 29 AM 10:56

April 24, 1987

ALICE M. REMORE
CITY CLERK
CITY OF LOS ANGELES

Ms. Diane Elder
Docket Office, Room 2001
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Application of Sacramento-Valley Limited
Partnership (U-3004-C) for authority to
increase rates.

Dear Ms. Elder,

This is to file a correction in the Sacramento-Valley Limited Partnership's (U-3004-C) ("SVLP") rate application which was filed with the Commission on Monday, April 20, 1987. Three typographical errors were made on Exhibits A, E and F. Also, there was an omission on Exhibit E. In Exhibit A, under Cellular Facilities, the percent of increase in cell sites should be 80% not 60%. In Exhibit E, the present off-peak per minute rate was incorrectly shown as \$.134 up to the first 2,000 minutes instead of \$.123. In Exhibit E, the present and proposed roamer rates were omitted. The attached revision includes these rates. Finally, on Exhibit F, the pro forma income statement included an error in the administrative expenses for 1986. The correct amount is \$536,000 instead of \$537,000.

Attached for filing are the original and 13 copies of the corrected Exhibits A, E and F. Copies of these corrections will be provided to persons and entities listed in Exhibit H.

If there are questions on this matter, I can be reached on (714) 553-6058 or Steve Donaldson on (714) 553-6060. Your cooperation is appreciated.

Very truly yours,

Richard C. Nelson
Richard C. Nelson
Director - Regulatory Matters

RCN:jt011

Attachments

cc: All parties on Service List

INCREASED VALUE OF SERVICE

I. Coverage	<u>Square Miles</u>	<u>Population (000)</u>
Initial Sacramento CGSA	1,200	800
Stockton area	400	347
Modesto area	300	219
% Increase from Initial CGSA	58%	71%
Future expansion - Yuba City	600	91
% Increase with Yuba City	108%	82%
II. Cellular Facilities	<u>Cell Sites</u>	
Initial Sacramento system	5	
Sacramento Growth	1	
Stockton area	2	
Modesto area	1	
Increase	4	
% Increase	80%	
III. Customer Demand for Expanded Service		
- Stockton/Lodi areas were first preference for expanded cellular service by Sacramento customers in 1986.		
- Interdependence of Sacramento and Stockton markets as reported in a small market study:		
o 42% of those people interviewed in Stockton travel regularly to Sacramento.		
o 35% of those interviewed in Sacramento travel regularly to Stockton.		
- Interdependence of Stockton and Modesto markets.		
o Approximately half of the businesses in both communities have vehicles operating in the other community.		
IV. Price/Demand Relationship		
- Sacramento: demand for cellular service by prospective customers did not differ significantly given the proposed rates versus the current rates.		
- Stockton: demand for cellular service by prospective customers increased slightly at the current rates as compared to the proposed rates.		
- An economy Plan is being introduced to provide customers with a choice of rate plans.		

PRESENT AND PROPOSED RATES AND PROPOSED REVENUE

	<u>Present Rate</u>	<u>Proposed Rate</u>	
I. Basic Plan			
Monthly Access (up to 100 #s/over 100)	\$15.30/14.30	\$19.13/17.88	
Usage Per Minute			
- Peak (up to 20K min & over 20K)	.206/.203	.262/.258	
- Off-peak (up to 2K min/over 2K)	.123/.122	.170/.169	
II. Economy Plan			
Monthly Access (up to 100 #s/over 100)	----	\$9.91/9.26	
Usage Per Minute			
- Peak (up to 20K min/over 20K)	----	.49/.48	
- Off-peak (up to 2K min/over 2K)	----	.16/.15	
III. Roamer Service Rates			
Occasional			
Monthly Access	N/A	N/A	
Usage per minute			
- Peak	\$.45	\$.55	
- Off-peak	\$.15	\$.27	
Frequent			
Monthly Access	\$ 8.00	To be Discontinued	
Usage per minute			
- Peak	\$.35		
- Off-peak	\$.15		
Automatic			
Monthly Access	N/A	N/A	
Usage per minute			
- Peak	\$.45	\$.55	
- Off-peak	\$.15	\$.27	
IV. Proposed Revenue			
	1986 Revenues (present rates)	1986 Revenues (proposed)	\$ Increase
Basic Plan	\$3,158,300	\$4,071,000	N/A
Economy Plan	---	129,000	N/A
TOTAL	\$3,158,300	\$4,200,000	338

22-Apr-87
PROFORMA

SACRAMENTO VALLEY - CARRIER (\$000)
PRO FORMA INCOME STATEMENT

	ACTUAL 1986 -----	RECAST* 1986 -----	1987** -----	1988 -----
GROSS REVENUE				
BASIC	\$3,158	\$4,071	\$6,138	\$8,732
ECONOMY	0	129	91	276
	-----	-----	-----	-----
TOTAL	3,158	4,200	6,229	9,008
BAD DEBT	0	0	62	90
	-----	-----	-----	-----
NET REVENUE	3,158	4,200	6,167	8,918
COST OF GOODS	0	0	0	0
GROSS MARGIN	3,158	4,200	6,167	8,918
OPERATING EXPENSES				
BILLING & COLL	122	122	214	291
DEPREC & AMORT	460	460	957	1,199
FACILITIES	365	365	624	903
ADMINISTRATIVE	536	536	844	949
	-----	-----	-----	-----
TOTAL	1,483	1,483	2,639	3,342
OPERATING INCOME	1,675	2,717	3,528	5,576
ALLOCATIONS	1,665	1,665	1,672	1,753
INCOME BEFORE TAX	10	1,052	1,856	3,823
TAXES	5	526	835	1,529
NET INCOME	\$5 =====	\$526 =====	\$1,021 =====	\$2,294 =====

YE CELLULAR NUMBERS 5,459 5,459 7,912 11,462

*Prospective results if the proposed rates had been effective in 1986.
**Rate increase is assumed to become effective July 1, 1987.

The Committee requests the participation of oil producers, refiners, and marketers, natural gas producers; intrastate and interstate natural gas utilities and pipeline companies; electric utilities; third-party power producers; major fuel users in all sectors of the economy; federal, state and local government agencies; emergency planners and other interested parties. The Committee invites participants to prepare written testimony to be presented at the hearings.

The hearings will be conducted informally. To the extent possible, hearing participants will have the opportunity to respond to one another's presentations. Expert witnesses in several subject areas will also make presentations.

The Committee may hold additional hearings on topics other than those listed in Part IV of this notice. The Committee also anticipates holding at least one hearing on the draft Biennial Fuels Report prior to adoption by the full Commission.

III. TENTATIVE HEARING TOPICS SCHEDULE

1. Topic: Natural Gas Supply and Price Outlook
Location: Los Angeles, California
Date: May 28 - 29, 1987

California utilities currently obtain natural gas from three principal geographical areas: Southwestern U.S., Canada, and California. Because of resource depletion in the traditional Southwestern U.S. and California supply areas, California may have to look to other areas to meet future needs.

The hearing will investigate these topics:

- a) The long-term perspective on gas supply and price from domestic and foreign sources, with a specific emphasis upon California Outer Continental Shelf (OCS), Rocky Mountain, Gulf Coast and Canadian supply regions.
- b) Long-term transportation rates for natural gas pipelines that might bring gas to California.
- c) Federal Income Tax Reform Act changes applicable to the natural gas industry and the impact of these changes upon exploration, development and production of new and existing natural gas reserves.

2. Topic: The Impact of Increased U.S. Oil Imports on California's Vulnerability and Security
Location: Sacramento, California
Date: June 8, 1987

Recent national studies, as well as CEC analysis, project that imported oil will constitute a growing share of U.S. energy supplies. The increased national dependence on imported oil has renewed concern regarding U.S. energy vulnerability and national security. Many experts recommend that concerted action be undertaken to reduce U.S. reliance on oil imports.

The hearing will investigate these topics:

- a) The expected changes in world oil trade as they relate to the security of supplies. Relevant considerations are the projected rate of growth in imports given expected levels of oil prices and the share of world oil production to be supplied by members of the Organization of Petroleum Exporting Countries (OPEC). Also of interest to the Commission will be the importance of supply from those countries bordering on the Persian Gulf.
- b) The likelihood of possible disruption scenarios and the relative magnitude of the accompanying losses of petroleum supply.
- c) The expected impacts of an oil supply disruption on both California and the nation as a whole.
- d) Actions that could be taken to reduce vulnerability to oil supply disruptions. Appropriate measures include those taken in advance to reduce the likelihood and possible severity of a disruption as well as courses of action to take during an actual supply shortfall.

3. Topic: Petroleum and Natural Gas Price Forecasts
Location: Sacramento, California
Date: June 9, 1987

Staff will present its proposed 20-year crude oil price forecast. The hearing will also consider the relationship between oil and natural gas prices and methodologies for determining natural gas end-use prices. The Committee invites comments and alternative forecasts from the oil industry and other interested parties.

4. Topic: Gas Competition in California
Location: Bakersfield, California
Date: June 16, 1987

Major changes in the structure and operation of natural gas markets have occurred in recent years, with accompanying changes in California and federal government regulations of the gas industry. The Committee wishes to

explore the implications of these changes for the optimal balance between gas regulation and reliance on competitive market forces.

The Committee is interested in the following questions:

- a) How has the balance between regulation and competition changed in recent years and how might it change further?
 - b) What potential problems and opportunities might confront energy policy makers in the future?
 - c) In what areas might additional potential exist for allowing competitive market forces to reduce the need for detailed regulatory prescription?
5. Topic: Potential for Methanol Use in California and its Impact on Air Quality
Location: Los Angeles, California
Date: June 17, 1987

The Energy Commission has identified that the development of methanol as an alternative transportation fuel offers a potential means for reducing the state's long-run dependence on petroleum. Methanol can draw on a wide range of fuel stocks including coal, can be competitive with oil if oil prices rise significantly, and provides benefits to air quality.

The hearing will investigate these topics:

- a) Methanol as a substitute fuel for petroleum in mobil and stationary sources.
- b) Methanol's ability to improve air quality.
- c) Methanol supply sources at the state, national and international level.
- d) Potential demand for methanol.

IV. PROCEDURAL MATTERS RELATED TO HEARING NOTICES

An additional notice for each hearing specifying time, locations and a more detailed list of issues to be addressed will be distributed at a later date.

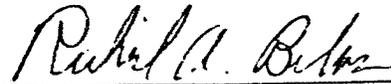
For further information on how to participate in these proceedings, contact Christopher Heard of the Commission's Public Adviser's Office at (916) 324-3009 or toll free at (800) 822-6228.

Questions of a legal or procedural nature should be addressed to John Chandley, Counsel, at (916) 324-3256. Technical questions should be directed to Dennis Eoff, the Project Manager, at (916) 324-3193.

ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

5-11-87

Date



RICHARD A. BILAS, Commissioner
and Presiding Committee Member,
Fuels Planning Committee



BARBARA CROWLEY, Vice Chair
and Second Committee Member
Fuels Planning Committee

RAB:BC:TG:jg

CALIFORNIA ENERGY COMMISSION
1516 NINTH STREET
SACRAMENTO, CALIFORNIA 95814

RECEIVED



MAY 15 AM 9:36

STATE OF CALIFORNIA
Energy Resources Conservation
and Development Commission

ALICE M. REINICHE
CITY CLERK
CITY OF LODI

In the matter of:)	Hearing Notice
)	and
)	Committee Order
)	
1987 Biennial Fuels Report)	Docket 87-BFR-1

NOTICE OF
NATURAL GAS SUPPLY AND PRICE OUTLOOK
HEARING

As indicated in the INITIAL NOTICE OF BIENNIAL FUELS REPORT HEARINGS, the Fuels Planning Committee comprised of, Commissioner Bilas, Presiding Member, and Vice Chair Barbara Crowley, Second Member, will hold a hearing to consider the outlook for natural gas supplies and prices. The hearing will be held:

Thursday and Friday, May 28 and 29, 1987
10 a.m. - 5 p.m.
California Museum of Science and Industry
700 State Drive, Exposition Park
Los Angeles, California

The purpose of this hearing is to take testimony and comments on the long-term prospect for natural gas supplies and prices from domestic and foreign sources, long-term transportation rates for natural gas pipelines serving California, and Federal Income Tax Reform Act changes applicable to the natural gas industry.

Natural Gas Supplies and Price

California utilities currently obtain natural gas from three principal geographical areas: Southwestern U.S., Canada, and California. Because of resource depletion in the traditional Southwestern U.S. and California supply areas, California may have to look to other areas to meet future needs.

Expert witnesses will present testimony covering natural gas supply and price forecasts for four areas from which additional supplies may be obtained: California offshore, Gulf Coast, Rocky Mountains and Canada. These witnesses will assess gas supply at various price levels, discuss possible constraints to resource development, and assess potential gas availability to California from their respective study areas.

The Committee requests Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas and Electric Company to provide written and oral testimony on their respective gas supply and price forecasts. This testimony should discuss the basic assumptions and concepts underlying their forecasts and assignment of supplies to core and noncore supply portfolios.

The Committee also requests pipeline companies currently supplying the California market to provide testimony on their understanding of potential resources available to them and their long-range gas supply and price forecasts from traditional and new supply areas for California. The Committee is especially interested in understanding how the pipeline companies perceive their emerging roles as merchants and transporters and how this might affect long-range supply and price. Potential new suppliers of gas and others with a knowledge of traditional and potential new sources of supply are invited to present their forecasts and concepts.

Natural Gas Transportation

Under Federal Energy Regulatory Commission Order 436, interstate pipelines have the option to open their pipelines to nondiscriminatory transportation. The three pipelines directly serving California have accepted the FERC Order 436 and are in various stages of implementation. In addition, the CPUC has provided procedures for California gas utilities to transport gas for others.

Nondiscriminatory transportation may allow California to obtain supplies from east Texas, Louisiana or the Gulf Coast, areas that were heretofore inaccessible because of regulatory constraints. The Committee invites testimony on whether this will occur and, if so, to what extent this would improve California's ability to obtain adequate gas supplies in the long term.

An expert witness will provide testimony on interstate transportation. The witness will examine current transportation rates to bring supplies to California from the four areas studied by staff's supply witnesses. Further, the transportation witness will comment on the various pressures and influences which may cause a change in transportation rates over the next 20 years.

Several utilities, pipelines, producers and end-users have participated in the formulation of the federal and state transportation regulations and are currently using, attempting to implement or have interest in developing transportation programs. The Committee invites comments from these and other interested parties on the progress and lessons learned in developing and implementing transportation programs.

Federal Tax Reform Act of 1986

During 1986, new federal income tax legislation was enacted which directly affects natural gas producers, pipelines and utilities. The Committee wishes to better understand how the new federal tax laws will affect the operations of various components of the gas industry. Gas utilities, pipelines and producers are requested to provide the results of their analyses and insights on the long term effects of tax legislation on supply and price.

An expert witness will provide an overview of the federal income tax law changes on the natural gas industry. The testimony will include such items as reduced income tax rates, repeal of investment credits, changes in depreciation timing, and repeal of special treatment on capital gains. Testimony will also include the results of a financial analysis to determine the effects of the new tax laws on a hypothetical company involved in exploration, development and production.

General Information

The Committee will receive both written and oral testimony on issues concerning this hearing, including staff sponsored testimony. Written testimony (12 copies) may be delivered to the Commission up to the close of business on June 5, 1987. Testimony should be submitted to:

California Energy Commission
Docket No. 87-BFR-1
1516 Ninth Street, MS 4
Sacramento, CA 95814

If viewgraphs, charts, maps, slides, etc. are to be used in presentations, please make hard copies available at the time of presentation. As a courtesy to other hearing participants, we request that extra copies of the testimony be made available at the hearing.

Hearings will be conducted using legislative style procedures. Witnesses will not be sworn or cross-examined, although the Committee and staff may ask questions relating to the hearing topic. For further information on how to participate in the CEC's proceedings, please call Christopher Heard, the Commission's Public Advisor, at (916) 324-3009 or toll free at (800) 822-6228.

It is not required but it would be helpful if prospective witnesses would notify Dale Bosley, Fossil Fuels Office (916) 324-3183 by May 21, 1987 of their intention to participate in the hearings. This will be of assistance in scheduling witness presentations.

RECEIVED
MAY 17 1987
TELEPHONE 415/777-1000
CITY CLERK
CITY OF LOS ANGELES

PACIFIC GAS AND ELECTRIC COMPANY

22 BEALE STREET, SAN FRANCISCO, CALIFORNIA 94133
P.O. BOX 7442 SAN FRANCISCO, CALIFORNIA 94116

April 23, 1987

TO: The State of California Attorney General, Department
Of General Services, County and City Officials:

Pacific Gas and Electric Company (PGandE) filed Application No. 87-04-035 on April 21, 1987 with the California Public Utilities Commission requesting authority to increase its electric rates by \$210.2 million and to modify its Energy Cost Adjustment Clause (ECAC) and Annual Energy Rate (AER) tariff provisions effective August 1, 1987. In the alternative, PGandE requests an increase of \$216 million in electric rates.

In this proceeding, PGandE proposes to modify its electric tariffs to reduce the Annual Energy Rate (AER) percentage to zero and to make 100 percent of its fuel and energy related expense subject to Energy Cost Adjustment Clause (ECAC) and Energy Cost Balance Account (ECBA) treatment, effective August 1, 1987. If the requested modifications are approved, PGandE further proposes to forgo the ECAC and the AER changes normally scheduled for August 1, 1987. Under PGandE's proposal, the only change to its electric revenues in this case would be a \$210.2 million increase under the Electric Revenue Adjustment Mechanism (ERAM) effective August 1, 1987. The ERAM increase is needed because of changes in PGandE's electric sales estimates since rates were last set in PGandE's last General Rate Case which was decided last December.

Alternatively, in Application No. 87-04-035, PGandE is proposing that if the CPUC does not adopt the requested modifications to the Company's ECAC and AER tariff provisions, PGandE would increase electric rates by \$216 million effective August 1, 1987. That increase is composed of a \$210.2 million ERAM increase and a \$5.8 million AER increase. Under this alternate proposal, PGandE proposes to forgo the regular August 1, 1987 rate adjustment and instead allow ECAC costs to continue to flow into the ECBA for future rate recovery in the Company's next regularly scheduled ECAC proceeding.

If the CPUC were to adopt PGandE's alternative proposal, the ERAM/AER rate adjustment of \$216 million would increase PGandE's electric revenues by approximately 4.4 percent above the level in effect on April 21, 1987. The requested rate adjustment for the 210.2 million ERAM amount would increase PGandE's electric revenues by a slightly lower percentage.

PGandE's proposal to modify the ECAC/AER provisions of its electric tariffs and to forgo the ECAC and possibly AER rate changes normally scheduled for August 1, 1987 are due to the great uncertainty surrounding the CPUC's gas industry restructuring (Application No. 87-04-040, filed April 20, 1987) and the large impact the restructuring of electric utility gas (UEG) rates could have on

ECAC and AER revenue requirements. It is not known whether or how the CPUC will decide those issues. Given the current schedule in that proceeding, the gas rate restructuring issues probably will not be resolved until the 1987 ECAC/AER/ERAM forecast period has begun and the CPUC has issued its decision on this Application. Therefore, PGandE proposes to handle the procedural and revenue requirement uncertainties stemming from the Gas OII/OIR through the above proposals to modify the ECAC/AER and to defer the August 1, 1987 energy cost related changes.

The state, counties, and municipal corporations, and other interested parties in the above mentioned filing will be furnished a copy of Application No. 87-04-035 and related exhibit, upon written request made to PGandE at P. O. Box 7442, San Francisco, California 94120, Attention: Shirley A. Woo.

This Notice is given in accordance with the requirements of the California Public Utilities Commission.

PACIFIC GAS AND ELECTRIC COMPANY

(Case 1) we project that, beginning October 1, 1987, our gas revenues would have to increase by approximately \$210.2 million (9.2%) on an annualized basis. This projection includes an assumption that sales will decrease over current levels.

In contrast to Case 1, we have requested that we be allowed to negotiate transport rates with larger commercial and industrial customers at higher rates than currently permitted. Based upon this proposal, (Case 2) we have asked that, beginning October 1, 1987, we be allowed to increase gas revenues by approximately \$109 million (4.4%) on an annualized basis.

A third case assumes that the current transportation rate ceiling will remain in effect and that we would negotiate some transportation rates at a price below the CPUC established ceiling. If this were to occur, we are projecting a total increase of \$97.9 million (3.9%) on an annualized basis.

PGandE is filing this Application in response to CPUC decisions directing that rates and services to larger commercial and industrial gas customers be separated into transportation and gas purchasing. These customers would be permitted to secure their own gas supply and pay PGandE a transport charge. This charge would, within limits set by the CPUC, be subject to negotiation.

PACIFIC GAS AND ELECTRIC COMPANY

370 BAKER STREET, SAN FRANCISCO, CALIFORNIA 94108
P.O. BOX 9442, SAN FRANCISCO, CALIFORNIA 94111

TELEPHONE 415-774-1000
TELETYPE 415-774-1000

PATRICK G. GOLDEN
ATTORNEY AT LAW

April 27, 1987

TO: THE STATE, COUNTY AND CITY OFFICIALS
AND INTERESTED PARTIES

PACIFIC GAS AND ELECTRIC COMPANY (PGandE) has filed Application No. 87-04-040 in which it requests the CALIFORNIA PUBLIC UTILITIES COMMISSION (Commission or CPUC) to approve an increase in gas rates for residential customers and a decrease in rates for small and medium commercial customers. Rates for larger commercial customers and for industrial customers will be, in part, subject to negotiation; some of these rates may decrease and others may increase. PGandE is proposing that these rates become effective October 1, 1987. The effective date of these proposed rates is dependent upon final Commission action in this proceeding. This Application supersedes Application No. 87-01-032.

In a recent decision, the CPUC has set a ceiling on the maximum rate which gas utilities may charge larger commercial and industrial customers for providing gas transportation service. If this ceiling price is maintained, and we do not negotiate any rates lower than the ceiling rate,

The requested increase is primarily a result of three factors. These include: (1) a large undercollection in the June estimated Gas Cost Balancing Account; and (2) a forecasted decline in deliveries and associated revenues. These factors are partially offset by a third factor, a decline in the cost of gas from Spring 1986 prices, resulting in a net \$109 million increase.

If Case 1 is adopted, a typical residential customer using 30 therms per month in summer months and 100 therms per month during winter months will see a monthly gas bill increase in 1987 of \$3.06, from \$14.42 to \$17.48 per summer month and \$8.71, from \$41.10 to \$49.81 per winter month.

If Case 2 is adopted, the same customer will see a monthly gas bill increase in 1987 of \$2.42, from \$14.42 to \$16.84, per summer month and, \$6.88, from \$41.10 to \$47.98, per winter month.

If Case 3 is adopted, this customer's gas bill will increase by \$2.31 from \$14.42 to \$16.73 and the winter bill will increase by \$6.58 from \$41.10 to \$47.68.

PGandE anticipates that the Commission will hold hearings on the proposals in May, 1987. Parties at the hearings may offer proposals to the Commission which differ from those requested by the Utility. After considering all proposals presented during the formal hearing process, the Commission will issue a Decision. The actual rates adopted

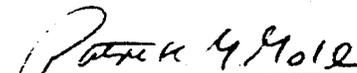
by the Commission may significantly differ from those requested by the Utility, and may result in an increase or decrease in your individual rates.

If you wish to participate formally and need advice, or if you wish copies of Public Staff Division's rate proposals, please write to the Public Advisor, California Public Utilities Commission at 505 Van Ness Avenue, San Francisco, California 94102.

A copy of the Application and related exhibits may be examined at the office of the California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, California 94102; at Pacific Gas and Electric Company, 77 Beale Street, Room 3121, San Francisco, California 94106; or c/o Regional Vice Presidents in PGandE's Regional headquarters in Fresno, Oakland, Sacramento, San Francisco, San Jose and Santa Rosa.

This Notice is given in accordance with Rule 24 of the Rules of Practice and Procedure of the California Public Utilities Commission.

PACIFIC GAS & ELECTRIC COMPANY

By 
PATRICK G. GOLDEN

April 27, 1987