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Decision 84 05 101 MAY 16, 1984 ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY for authority, among other things, to increase its rates and charges for electric and gas service. (Electric and Gas)	Application 82-12-48 (Filed December 20, 1982)

ORDER MODIFYING DECISION 83-12-068 AND DENYING REHEARING

On December 22, 1983 the Commission issued Decision (D.) 83-12-068, authorizing a general rate increase for Pacific Gas and Electric Company's (PG&E) Electric and Gas Departments. Applications for rehearing were filed by PG&E, Industrial Users (IU), Western Mobilehome Association (WMA), County of Contra Costa (County), City and County of San Francisco (City), Toward Utility Rate Normalization (TURN), and the Bay Area Rapid Transit District (BART). A petition for modification was filed by the Independent Energy Producers (IEP). In D.84-05-100, issued today, we shall address issues argued by TURN and the City regarding cancelled projects and PG&E's coal properties. We have considered herein all of the other allegations raised in these filings and have determined that sufficient grounds for granting rehearing have not been shown.

However, as discussed below, we will make certain modifications to the decision. Some are prompted by the filings of the parties listed above, and some are the result of our own further review of the record. We will briefly summarize the major modifications.

In response to PG&E, we first clarify our intent that the procedures to be developed for computer access apply to any party to a proceeding wherein PG&E is relying on computer models for calculation of its marginal costs. These procedures are being developed in OIR 2-related proceedings. For our present purposes, the important factors are that access need only be provided in proceedings where PG&E is making use of such models for marginal cost development, and that only parties to those proceedings may have access to the models.

We also acknowledge errors in both the electric and gas rate bases, which result in underestimation of the necessary revenue requirements for the Electric and Gas Departments by $2,012,000 and $612,000 respectively. We will not increase PG&E's rates now, however. Rather, we will increase the electric and gas margins by the appropriate amounts, and in the next ERAM and SAM proceedings we will increase rates incrementally to reflect these changes. We will handle any other revenue requirement-related changes made by this decision in same manner.

We point out to PG&E, in response to another of its arguments, that the table on page 247a of the decision is in 1981 dollars. When escalated to 1984 dollars, the correct figure for the adopted load management budget -- $27,185,000 -- is reached. Erroneous references to this latter figure as $28,185,000 have been corrected.

Finally, we have reviewed PG&E's argument and the record relevant to the Westinghouse Photovoltaic Cell Module, and have decided to allow PG&E to expense its $300,000 1984 contribution. The project as described does not appear to consist of tangible plant which will become used and useful, as it produces at most 1kW of electricity which will never be integrated into PG&E's system. We stress, however, that this decision applies to this project only. Future projects which in any way make use of or build upon this one will be evaluated independently.

In response to a point raised by Industrial Users, and consistent with D.84-04-015, issued April 4, 1984, we correct the contradictions in the language of D.83-12-068 setting a guideline for Schedule G-2.

In reference to arguments presented by Contra Costa County, we make clear that we fully considered the evidence presented by that party in making our decision on the time of use program.

The City seeks two changes in its streetlighting contract rates. We grant the reductions reflecting our adoption of a lower return on equity than assumed by PG&E's study, and correction of PG&E's mathematical errors. However, we reject the City's argument on what it terms the pole rental charge. We are not persuaded that this characterization is correct, or that the current level of sophistication of existing cost studies would support the City's position. We do not find either PG&E's charge or its characterization thereof to be unreasonable.

We agree with TURN that authorizing recovery to PG&E of 1983 expenditures relating to repair of its McDonald Island gas storage facility contravenes test year ratemaking principles. We do not consider these expenditures to be totally unforeseen disaster-related costs; after all, the design criteria for the facility were developed using flood potential as the primary consideration. PG&E had the opportunity to, but did not, provide estimates of expenses covering each year of its 3-year repair program; rather, it sought recovery of the total amount of $1.23 million through amortization over 1984 and 1985. Because PG&E presented no figure for 1983, we will impute 1/3 of the total cost to that year, and will disallow recovery of that amount.

BART points out that its rates were increased approximately 12.6%, about twice the average, because it was placed with the large light and power users for revenue allocation purposes. Although such an allocation would be justified by the fact that PG&E's marginal costs to serve BART and those to serve the large light and power users are almost equal (Table VI-6), we agree that historical relationships of rates should also be considered; our goal of marginal cost-based rates need not be accomplished in merely one decision. Therefore, for this proceeding we will apply the 95% SAPC and 5% EPMC factors to BART as a railway class and set its rates accordingly.

Concerning the requests for modification made by Independent Energy Producers (IEP), we first note that the text of the decision contains incorrect numbers concerning the parties' positions on the availability factor for Diablo Canyon. The decision does, however, adopt avoided costs using the 60% availability factor, thus the remainder of IEP's argument on this point is moot.

We will not consider making retroactive adjustments to the Energy Reliability Index (ERI). The ERI is used as a planning tool; as such, it is not appropriate to give retroactive effect to any changes in it. Moreover, such adjustments would have to work both ways. We do not believe IEP would be agreeable to a retroactive <u>reduction</u> in the ERI if, for example, plants came on line earlier than expected or demand decreased drastically.

IEP's argument concerning special facilities charges (technically termed cost of ownership charges) is more problematic. PG&E filed an advice letter with this Commission on March 16, which became effective on April 15 of this year (Advice Letter No. 1041-E). This advice letter filing establishes new charges for special transmission facilities which are considerably below those for special distribution facilities, and, in fact, are close to the numbers IEP has proposed. However, for whatever reason, it appears IEP, clearly an interested party whose members would be affected by this change, was never served with the advice letter filing. Whether or not IEP would decide to file a protest, it should be given the opportunity to review this document.

Moreover, it has also come to our attention that several members of our staff OIR 2 team were not made aware of the advice filing and consequently did not review it. We think thorough staff review is important, both to ensure consistency between Rule 2 and Rule 21, which is also being revised, and to determine whether the issue of special facilities charges would be impacted by OII 84-04-077.

We will, therefore, require PG&E to serve IEP with a copy of the advice letter, and we will give IEP 20 days from the date of service to file a protest thereto. We will give the staff 30 days from the effective date of this decision to recommend any course of action different from maintaining the status quo. We will not at this time suspend the advice letter.

Finally, we have made several non-substantive revisions. First, the text on page 326 erroneously indicates funding is authorized at one-half the requested level for a "Terrestrial Methods" study. We have not authorized any funding for this study, and we are deleting the reference thereto.

Secondly, several columns of data were inadvertently deleted from Table VI-6, page 355. We correct this. Also, at pages 367-367b, we add two additional tables which show revenue allocation results under the Equal Percentage of Marginal Cost Method, and TURN's Modified Equal Percentage of Marginal Cost Method.

Thirdly, we make appropriate changes to any findings, conclusions, and ordering paragraphs affected by today's order. Results of operations are also modified to reflect the different treatment of the Utah coal sales and Mendocino nuclear project adopted by D.84-05-100. Therefore,

IT IS ORDERED that D.83-12-068 is modified as follows:

1. New page 38a is added for the purpose of including the

following table:

Adopted Modified Producer Price Index

DRI CODE		WEIGHT
057	PETROLEUM PRODUCTS	.0554
06	CHEMICALS & ALLIED PROD	.0707
07	RUBBER & PLASTIC PROD	.0351
08	LUMBER & WOOD PROD	.0249
09	PULP & PAPER PRODUCTS	.0461
10	METALS & METAL PROD	.1666
11	MACHINERY & EQUIPMENT	.1484
12	OFFICE FURNISHINGS	.0102
13	NONMETALIC MINERAL PROD	.0405
14	TRANSPORTATION EQUIP	.1021
US CPI -	WAGE EARNERS	.3000
		1.0000

2. The paragraph on page 218 entitled "Account 837 Other Equipment" is modified to read:

> "PG&E requested $619,000; the staff recommends $614,000, leaving $5,000 at issue. The staff estimate reflects a lower estimate because there was an error in PG&E's workpapers which PG&E subsequently corrected. We will adopt PG&E's estimate, but will disallow 1/3 of the request as representing an expenditure occurring prior to the test year.
>
> "PG&E indicated its repair program was going to cover a three-year period -- 1983, 1984 and 1985. Expenditures incurred prior to the test year will not be allowed; to do so would contravene our test year ratemaking principles. Because PG&E could not provide an estimate of expenditures to be incurred in 1983, or for that matter, for any of the three years, we will impute 1/3 of the total estimated cost to 1983. We will thus allow PG&E to amortize the remaining 2/3 over 1984 and 1985. This comes to $410,000 for each year."

3. The continued portion of Table V-4 at the top of page 293 and the first sentence of text on that page are corrected to indicate that the total load management authorization is $27,185,000, as follows:

TABLE V-4 Cont.

Name of Program Gas Load Management	PG&E	Staff	Adopted
End Use Analysis	$ 574	$ 213	$ 112
Energy End-Use Data Collection	1,967	1,460	388
Marginal Cost/Economic Analysis	369	0	0*
Total Gas Load Management	$2,910	$1,673	$ 500
TOTAL	$55,070	$19,386	$27,185

* Funded through the Conservation budget.

> "We authorize a total of $27.2 million for load management programs in 1984, slightly over half PG&E's requested budget."

4. On page 309, the following language is added to the first full paragraph:

> "In deciding to proceed on this basis, we have considered all the evidence on the issue, including that sponsored by the County, as to TOU programs of other utilities and the transferability of the results thereof to PG&E's service area."

5. The last sentence in the first full paragraph on page 326 is modified to read:

> "We are reluctant to have ratepayers fund generic environmental studies, and will not authorize the requested funding amount."

6. The last sentence in the third full paragraph and the first sentence in the fourth full paragraph on page 335 are modified to read:

> "We agree that the availability factors of 65% and 75%, respectively, used by PG&E for these two plants are unduly optimistic.
>
> "IEP argues that the availability factors for Diablo Canyon Units 1 and 2 should be reduced an additional 5% beyond the 60% assumed by staff, for the first two years of operation."

7. Table VI-4 on page 349 is corrected to read:

Table VI-4

Pacific Gas and Electric Company

Adjusted Capacity Price Schedule*
Test Year 1984

Operating Date	Contract Life in Years									
	1	2	3	4	5	10	15	20	25	30
1984	156	111	95	88	89	103	114	124	131	137
1985	60	58	59	66	73	95	110	120**	129**	135
1986	56	58	69	78	85	106	121	132	141	148
1987	61	77	88	95	101	120	135	147	156	163
1988	96	104	110	114**	119	136	151	163	173	180

* Levelized $/kW/Year; adjusted for reliability levels.

** Corrected figures.

8. Table VI-6 on page 355 is modified as follows:

Table VI-6
Pacific Gas and Electric Company
Marginal Costs by Customer Group
Test Year 1984
(¢/kWh)

Customer Group	Marginal Cost Components				Total*
	Energy	Generation	Transmission	Distribution	
Residential	6.64	1.58	.31	1.11	9.64
Small Light and Power	6.82	1.80	.35	1.16	10.13
Medium Light and Power	6.75	1.12	.36	1.04	9.97
Large Light and Power	6.66	1.55	.30	.88	9.39
Agriculture	6.44	1.82	.36	1.07	9.69
Street Lighting	6.43	0.01	.00	.02	6.46
Railway	6.66	1.54	.30	.92	9.42
Other Public Authority	6.66	1.55	.30	.88	9.39
Inter-departmental	6.69	1.79	.35	.99	9.82

* Sum of columns may not equal total due to rounding.

9. The second full paragraph on page 358 is modified to read:

> "The issue of staff access is but part of the larger issue of access by any party to the computer models. We believe that any interested party to a proceeding wherein the utility relies on computer models for development of its marginal costs should have

> access to those models. A method of providing such access in a reasonable way was not discussed in this proceeding. We instruct PG&E and staff to address this issue in the next OIR 2-related proceeding."

10. The first sentence in the second paragraph on page 365 is modified to read: *

> "TURN's and PG&E's modified EPMC methods, on the other hand, would result in an increase in revenues allocated to the residential class which would be substantially less than the system average increase, as shown in Table VI-7b."

11. The first sentence in the third paragraph on page 365 is modified to read: *

> "4. <u>Adopted Revenue Allocation Method</u>. Moving directly to 100% EPMC would result in a significant, disproportionate increase in revenue allocation to the residential class relative to the system average increase, as shown in Table VI-7a, because the average rates in that class are the furthest away from marginal cost rates, and significantly below system average rates."

12. The first sentence in the second paragraph on page 366 is modified to read: *

> "We will adopt a 95% SAPC - 5% EPMC allocation method in order to mitigate these impacts, as shown in Table VI-7c."

13. On page 394, the following language is added to the discussion in the first full paragraph under "(c) <u>Voltage Discount Power Factor Adjustment and Standby Rates</u>.":

> "Specifically, PG&E proposes increasing the voltage adjustment (Special Condition 4, Schedule Nos. A-21 and A-22) from $0.15 to $0.25 for service at primary distribution voltages, and from $0.25 to $0.50 for deliveries from an existing transmission line (Ex. 8, page 3.5). IU recommended much larger

* See also Ordering Paragraph 31 on page 15.

increases in these discounts, $0.70 for primary service and $1.40 for transmission service (Ex. 97, Sched. AC-3-2), based on studies which IU contends would justify even larger discounts than they recommend.

"The staff supports PG&E's proposal, although its own study shows marginal costs would support larger discounts. However, the staff also took into account other factors, such as the reduced revenue allocations already alloted to this group of users because of their amount of usage at various voltage levels (Tr. page 3791) and decided not to recommend discounts above the level proposed by PG&E.

"We have considered all the evidence on this issue and conclude that some increase in the existing discounts is appropriate but not to the level recommended by IU. As IU pointed out in its opening brief, not all possible inequities can be wiped out in our decision; the effect on other customers must also be considered. Moreover, we agree with the staff witness that comparative return is not the only factor to be considered. We believe PG&E's proposal, which amounts to a significant percentage increase in the discount, is a reasonable step in the right direction and will adopt it."

14. On page 394, the last sentence in the second full paragraph is modified to read:

"The proposal involving standby rates will be adopted."

15. On page 394, add the following language to the discussion under "C. BART and Public Authority.":

"BART's rates will be fixed by applying the 95% SAPC and 5% EPMC factors for revenue allocation purposes."

16. The following new paragraph is inserted between the first and second paragraphs on page 397:

> "We note, however, that the streetlighting rates we adopt today are slightly lower than those established in Exhibit 20-E, for two reasons. First, those rates assume adoption of PG&E's recommended rate of return on equity. Since we have adopted a lower return, PG&E's figures must be adjusted accordingly. Second, in its opening brief, page 443, PG&E points to a mathematical error in the computation of figures in Exhibit 20-E. The correction of this error results in a slight reduction in the 20-E rates."

17. The last sentence on page 397 is modified to read:

> "We adopt this percentage decrease, which will be slightly further reduced commensurate with the reductions discussed above."

18. The last paragraph on page 409 is modified to read:

> "Step 5. Increase (or decrease) the average G-1 and G-2 rates by equal percentages until the revenue requirement is reached."

19. All references in D.83-12-068 to the jurisdictional Electric Department rate base and the Gas Department rate base are corrected to read $5,344,674,000 and $1,714,916,000 respectively. The combined associated revenue requirement is $3,326,938,000.

20. Finding 82a is added to read:

> "Under test year ratemaking principles it is reasonable to deny recovery of $410,000 representing 1983 expenditures incurred to repair the McDonald Island gas storage facility."

21. Finding 129 is corrected to read:

> "The adopted load management budget of $27,185,000 including both capital and operating expenditures is reasonable."

22. Finding 150 is modified to read:

"Staff and other parties to proceedings wherein PG&E has relied on computer models to develop its marginal costs should have access to those models."

23. New Finding 175a is added to read:

"In view of the present incomplete state of cost studies of streetlighting service, we find the component of the operation and maintenance charge assessed by PG&E to recover costs of poles erected solely for streetlighting purposes to be reasonable."

24. New Finding 177(a) is added to read:

"For the reasons stated, the voltage discounts proposed by PG&E and the staff are reasonable."

25. New Finding 191 is added to read:

"PG&E's Advice Letter No. 1014-E, filed March 16 and effective April 15, 1984, established a new cost of ownership charge for special transmission facilities."

26. The following additional conclusions of law are added:

"7. IEP should be allowed to file a protest to Advice Letter No. 1014-E within 20 days of service of the advice letter by PG&E, if it wishes to.

"8. PG&E should be authorized to revise its Annual Energy Rate to 0.00312 $/kWh to reduce AER revenue by $55,000 to recognize the adopted 12.45% rate of return.

"9. The increase in rates and charges authorized by this decision is justified and is reasonable. The electric rate schedules set forth in Appendix B of this decision will allow PG&E an opportunity to collect the additional authorized electric revenues in a just, reasonable, and nondiscriminatory manner."

27. Ordering Paragraph 13 is modified to read:

"PG&E shall file by advice letter not later than April 1, 1984 more appropriate penalties for failure to curtail under rate Schedule No. A-22, as discussed in this decision."

28. Ordering Paragraph 14 is modified to read:

"PG&E shall allow staff and interested parties access to its computer models used to calculate marginal costs. Access need only be provided to parties in a proceeding wherein PG&E is making such use of its models, including, but not limited to general rate cases or OIR 2-related proceedings."

29. The following additional ordering paragraphs are added:

"16. PG&E shall refund to the City the difference in charges represented by the changes in the City's contract rates for streetlighting ordered herein for the time the rates adopted in D.83-12-068 were assessed and collected. PG&E shall make a similar refund to BART. The resulting revenue effect shall be recovered in PG&E's ERAM tariff provisions.

"17. PG&E is authorized to record $2,429,271,000 of California jurisdictional base rate revenues and $172,229,000 of Annual Energy Rate revenues in test year 1984 for the purposes of determining the amount to be recorded under the Electric Revenue Adjustment Mechanism.

"18. PG&E is authorized to record $897,667,000 of base cost revenues in test year 1984 for the purposes of determining the amount to be recorded under the Supply Adjustment Mechanism.

"19. PG&E is authorized to file by advice letter no later than October 31, 1984 a request for additional revenue requirement for attrition year 1985. The revenue requirement will be determined in accordance with the ARA methodology set forth in this decision. The revised rate schedules reflecting this allowance shall become effective on January 1, 1985.

"20. PG&E is authorized to file with this Commission revised tariffs to adjust the AER to 0.00312 $/kWh on or after the effective date of this order. The revised tariff schedules shall apply only to service rendered on or after January 1, 1984."

30. Page 7 of Appendix B to D.83-12-068 shall read, as to "Schedule BART,":

Schedule BART

Traction Power	
Demand (Per kW)	No Change
Energy (Per kWh)	
Base	$0.03025
Annual Energy Rate	0.00312
Energy Cost Adjustment	0.02614
Effective Rate	0.05951
Station Power	
Demand (Per kW)	No Change
Energy (Per kWh)	
Base	$0.03025
Annual Energy Rate	0.00312
Energy Cost Adjustment	0.02614
Effective Rate	0.05951
Facility Charge	No Change

31. To be consistent with the modifications made in Ordering Paragraphs 10-12 above, the table on page 367 is redesignated Table VI-7c and now appears on page 367b. Two new tables are added to precede Table VI-7c: Table VI-7a, on page 367 (Revenue Allocation Using the Equal Percentage of Marginal Cost Method); and Table VI-7b, on page 367a (Revenue Allocation Using 80% System Average Rate for Baseline; Rest at Equal Percentage of Marginal Cost). All three of these tables appear in today's order as Attachment A. The tables reflect the revenue allocation which actually occurred, but have not been updated to reflect changes

made by this order and D.84-05-100, which will be handled through ERAM.

IT IS FURTHER ORDERED that with respect to the issues considered herein, and except as provided above, rehearing of D.83-12-068 as modified herein is denied.

This order is effective today.

Dated MAY 16, 1984, at San Francisco, California.

I abstain on portion pertaining to small power producers.

PRISCILLA C. GREW
Commissioner

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
Commissioners

Commissioner William T. Bagley being necessarily absent, did not participate.

I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY.

Joseph E. Bodovitz, Executive Director

Table VI-7a
Pacific Gas & Electric Company

Revenue Allocation Using The Equal Percentage Of Marginal Cost Method

(Test Year 1984)

Class of Service	Adopted Sales (Gwh)	Present Rates - Revenue (as of Oct. 19, 1983): Base	Offset	Effective ($000's)	Av.Rate (c/kwh)	Marginal Cost Data, Short-Run Marginal Cost: Rates (c/kwh)	Revenue ($000's)	Proposed Rates - Revenue: Base ($000's)	Change (%)	Effective ($000's)	Change (%)	Av.Rate (c/kwh)
	(1)	(2)	(3) <a>	(4)	(5)	(6)	(7)	(8) <b>	(9)	(10) <c>	(11)	(12)
Residential.........:	19743	770054	435326	1205380	6.11	9.64	1903225	908757	18.01	1344083	11.51	6.81
Small Lgt.Power.....:	4792	213554	142599	356153	7.43	10.13	485430	200218	-6.24	342817	-3.74	7.15
Med. Lgt.Power..<d>.:	13855	520228	412272	932500	6.73	9.97	1381344	563251	8.27	975523	4.61	7.04
Lge. Lgt.Power..<e>.:	15106	492734	449569	942303	6.24	9.39	1418453	552162	12.06	1001731	6.31	6.63
Agriculture.........:	3454	125078	103287	228365	6.61	9.69	334693	133077	6.40	236364	3.50	6.84
Sub-Total Marginal Cost Classes.......:	56950	2121648	1543053	3664701	6.43	——	5523144	2357465	11.11	3900518	6.43	6.85
Lighting....<f>.:	360	38688	10657	49345	13.71	——	——	31865	-17.64	42522	-13.83	11.81
Sub-Total Sales.....:	57310	2160336	1553710	3714046	6.48	——	——	2389330	10.60	3943040	6.17	6.88
Other Oper. Rev.....:		17142		17142	——	——	——	16897	——	16897	——	——
Total Revenue.......:	57310	2177478	1553710	3731188	6.51	——	——	2406227 <g>	10.51	3959937	6.13	6.91

Notes :

<a> Total Offset Revenue for Column (3) (as of Oct.19,1983 Rates) with the following reductions effective from Decision (D.8312049) ECAC $8,456,000 ,AER $359,000 ; and $55,000 AER reduction resulting from this Decision..........

:ECAC	=	1350347
:AER	=	178423
:CFA	=	7968
:RCS	=	3434
:SFA	=	3984
:A-100	=	3977
:SSA	=	5584
:Total	=	1553717

<b> Column (8) = Column (10) - Column (3).

<c> Effective Revenues for MC Classes (Column 10) are allocated by an Equal Percentage of Marginal Cost . Col. 10 = (Col.7) x (3900518/5523144).

<d> Other Public Auth.:WAPA (A-12 ,A-21) schedules , and Interdepartmental are included in Medium Light and Power.

<e> Other Public Auth.:WAPA (A-22 , A-23) , SLAC , UCB schedules , and Railway are included in Large Light and Power.

<f> St. Lighting Prop. Rev.(42522) by ALJ ordered Cost of Service study

<g> This Decision adopts Test Year Base Revenues of $2,449,000 (proposed Test Year results of operations of $2,472,665,000 less $22,996,000 Load Management Conservation refund). Adopted Rates have been developed to collect $2,406,227,000 in Base Revenues to amortize an estimated $43,442,000 (as of Dec. 31,1983) Electric Revenue Adjustment Mechanism (ERAM) balancing account overcollection during the Test Year.

Table VI-7b
Pacific Gas & Electric Company
Revenue Allocation using 80% System Average Rate for Baseline ; Rest at Equal Percentage of Marginal Cost

(Test Year 1984)

Class of Service	Adopted Sales (Gwh)	Present Rates - Revenue (as of Oct. 19, 1983) Base ($000's)	Offset ($000's)	Effective ($000's)	Av.Rate (c/kwh)	Marginal Cost Data: Short-Run Marginal Cost Rates (c/kwh)	Revenue ($000's)	Proposed Rates - Revenue Base ($000's)	Change (%)	Effective ($000's)	Change (%)	Av.Rate (c/kwh)
	(1)	(2)	(3) <a>	(4)	(5)	(6)	(7)	(8) <b>	(9)	(10) <c>	(11)	(12)
Residential.........:	19743	770054	435326	1205380	6.11	9.64	1903225	783290	1.72	1218616	1.10	6.17
Small Lgt.Power.....:	4792	213554	142599	356153	7.43	10.13	485430	217043	1.63	359642	.98	7.51
Med. Lgt.Power..<d>.:	13855	520228	412272	932500	6.73	9.97	1381344	611129	17.47	1023401	9.75	7.39
Lge. Lgt.Power..<e>.:	15106	492734	449569	942303	6.24	9.39	1418453	601325	22.04	1050894	11.52	6.96
Agriculture.........:	3454	125078	103287	228365	6.61	9.69	334693	144678	15.67	247965	8.58	7.18
Sub-Total Marginal Cost Classes.......:	56950	2121648	1543053	3664701	6.43	—	5523144	2357465	11.11	3900518	6.43	6.85
Lighting....<f>.:	360	38688	10657	49345	13.71	—	—	31865	-17.64	42522	-13.83	11.81
Sub-Total Sales.....:	57310	2160336	1553710	3714046	6.48	—	—	2389330	10.60	3943040	6.17	6.88
Other Oper. Rev.....:		17142		17142	—	—	—	16897	—	16897	—	—
Total Revenue.......:	57310	2177478	1553710	3731188	6.51	—	—	2406227 <g>	10.51	3959937	6.13	6.91

Notes :

<a> Total Offset Revenue for Column (3)(as of Oct.19,1983 Rates) with the following reductions effective from Decision (D.8312049) ECAC $8,456,000 ,AER $359,000 ; and $55,000 AER reduction resulting from this Decision......:

:ECAC	=	1350347
:AER	=	178423
:CFA	=	7968
:RCS	=	3434
:SFA	=	3984
:A-100	=	3977
:SSA	=	5584
:Total	=	1553717

<b> Column (8) = Column (10) - Column (3).

<c> Effective Revenues for MC Classes (Column 10) are allocated by 80% of System Average Rate applied to Baseline Sales (.80) x (3943040/57310) x 11688 = 643326 .
Rest at Modified Equal Percentage of Marginal Cost .Column 10 =
Column (7) x (3900518 - 643326)/(5523144 - (11688 x 9.64)).

<d> Other Public Auth.:WAPA (A-12 ,A-21) schedules , and Interdepartmental are included in Medium Light and Power.

<e> Other Public Auth.:WAPA (A-22 , A-23) , SLAC , UCB schedules , and Railway are included in Large Light and Power.

<f> St. Lighting Prop. Rev.(42522) by ALJ ordered Cost of Service study

<g> This Decision adopts Test Year Base Revenues of $2,449,000 (proposed Test Year results of operations or $2,472,665,000 less $22,996,000 Load Management Conservation refund). Adopted Rates have been developed to collect $2,406,227,000 in Base Revenues to amortize an estimated $43,442,000 (as of Dec. 31,1983) Electric Revenue Adjustment Mechanism (ERAM) balancing account overcollection during the Test Year.

Table VI-7c
Pacific Gas & Electric Company

Adopted Allocation
Revenue Allocation using 95% System Average Percentage Increase and 05% Equal Percentage of Marginal Cost

(Test Year 1984)

Class of Service	Adopted: Sales (GWh)	Present Rates - Revenue (as of Oct. 19, 1983) Base ($000's)	Offset ($000's)	Effective ($000's)	Av.Rate (c/kwh)	Marginal Cost Data Short-Run Marginal Cost Rates (c/kwh)	Revenue ($000's)	Adopted Rates - Revenue Base:Change ($000's)	(%)	Effective ($000's)	Change (%)	Av.Rate (c/kwh)
	(1)	(2)	(3) <a>	(4)	(5)	(6)	(7)	(8) <b>	(9)	(10) <c>	(11)	(12)
Residential.........:	19743	770054	435326	1205380	6.11	9.64	1903225	850675	10.47	1286001	6.69	6.51
Small Lgt.Power.....:	4792	213554	142599	356153	7.43	10.13	485430	234659	9.88	377258	5.93	7.87
Med. Lgt.Power..<d>.:	13855	520228	412272	932500	6.73	9.97	1381344	579384	11.37	991656	6.34	7.16
Lge. Lgt.Power..<e>.:	15106	492734	449569	942303	6.24	9.39	1418453	553309	12.29	1002878	6.43	6.64
Agriculture.........:	3454	125078	103287	228365	6.61	9.69	334693	139438	11.48	242725	6.29	7.03
Sub-Total Marginal Cost Classes.......:	56950	2121648	1543053	3664701	6.43	---	5523144	2357465	11.11	3900518	6.43	6.85
St. Lighting....<f>.:	360	38688	10657	49345	13.71	---	---	31865	-17.64	42522	-13.83	11.81
Sub-Total Sales.....:	57310	2160336	1553710	3714046	6.48	---	---	2389330	10.60	3943040	6.17	6.88
Other Oper. Rev.....:		17142		17142	---	---	---	16897	---	16897	---	---
Total Revenue.......:	57310	2177478	1553710	3731188	6.51	---	---	2406227 <g>	10.51	3959937	6.13	6.91

Notes :

<a> Total Offset Revenue for Column (3)(as of Oct.19,1983 Rates) with the following reductions effective from Decision (D.8312049) ECAC $8,456,000 ,AER $339,000 ; and $33,000 AER reduction resulting from this Decision..........:ECAC = 1350347

:ECAC	=	1350347
:AER	=	178423
:CFA	=	7962
:RCS	=	3434
:SFA	=	3964
:A-100	=	3977
:SSA	=	5584
:Total	=	1553717

<b> Column (8) = Column (10) - Column (3).

<c> Effective Revenues for MC Classes (Column 10) are allocated by 95% of System Average Percentage Increase and 05% Equal Percentage of Marginal Cost. Column 10 = <(0.95 x column 4) x (3900518/3664701)> + <(0.05 x column 7) x (3900518/5523144)>.

<d> Other Public Auth.:WAPA (A-12 ,A-21) schedules , and Interdepartmental are included in Medium Light and Power.

<e> Other Public Auth.:WAPA (A-22 , A-23) , SLAC , UCB schedules , and Railway are included in Large Light and Power.

<f> St. Lighting Prop. Rev.(42522) by ALJ ordered Cost of Service study

<g> This Decision adopts Test Year Base Revenues of $2,449,000 (proposed Test Year results of operations of $2,472,665,000 less $22,996,000 Load Management Conservation refund). Adopted Rates have been developed to collect $2,406,227,000 in Base Revenues to amortize an estimated $43,442,000 (as of Dec. 31,1983) Electric Revenue Adjustment Mechanism (ERAM) balancing account overcollection during the Test Year.

EX-8 *

L/AKM:lz

Decision 84 05 101 MAY 16 1984 ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY for authority, among other things, to increase its rates and charges for electric and gas service. (Electric and Gas)	ORIGINAL Application 82-12-48 (Filed December 20, 1982)

ORDER MODIFYING DECISION 83-12-068
AND GRANTING LIMITED REHEARING

On December 22, 1983 the Commission issued Decision (D.) 83-12-068, authorizing a general rate increase for Pacific Gas and Electric Company's (PG&E) Electric and Gas Departments. Applications for rehearing were filed by PG&E, Industrial Users (IU), Western Mobilehome Association (WMA), County of Contra Costa (County), City and County of San Francisco (City), Toward Utility Rate Normalization (TURN), and the Bay Area Rapid Transit District (BART). A petition for modification was filed by the Independent Energy Producers (IEP). In a separate order, we shall address issues argued by TURN and the City regarding cancelled projects and PG&E's coal properties. We have considered herein all of the other allegations raised in these filings and have determined that sufficient grounds for granting rehearing have not been shown. However, we will grant limited rehearing on our own motion to give the parties and ourselves an opportunity to further review PG&E's late-filed Exhibits 261A and 261B on incremental energy rates (IERs), and to determine how these filings affect the IERs adopted in D.83-12-068.

In addition, as discussed below, we will make certain modifications to the decision. Some are prompted by the filings of the parties listed above, and some are the result of our own further review of the record. We will briefly summarize the major modifications.

In response to PG&E, we first clarify our intent that the procedures to be developed for computer access apply to any party to a proceeding wherein PG&E is relying on computer models for calculation of its marginal costs. These procedures are being developed in OIR 2-related proceedings. For our present purposes, the important factors are that access need only be provided in proceedings where PG&E is making use of such models for marginal cost development, and that only parties to those proceedings may have access to the models.

We also acknowledge errors in both the electric and gas rate bases, which result in underestimation of the necessary revenue requirements for the Electric and Gas Departments by \$2,012,000 and \$612,000 respectively. We will not increase PG&E's rates now, however. Rather, we will increase the electric and gas margins by the appropriate amounts, and in the next ERAM and SAM proceedings we will increase rates incrementally to reflect these changes. We will handle any other revenue requirement-related changes the made by this decision in same manner.

We point out to PG&E, in response to another of its arguments, that the table on page 247a of the decision is in 1981 dollars. When escalated to 1984 dollars, the correct figure for the adopted load management budget -- \$27,185,000 -- is reached. Erroneous references to this latter figure as \$28,185,000 have been corrected.

Finally, we have reviewed PG&E's argument and the record relevant to the Westinghouse Photovoltaic Cell Module, and have decided to allow PG&E to expense its \$300,000 1984 contribution. The project as described does not appear to consist of tangible plant which will become used and useful, as it produces at most 1kW of electricity which will never be integrated into PG&E's system. We stress, however, that this decision applies to this project only. Future projects which in any way make use of or build upon this one will be evaluated independently.

Moreover, it has also come to our attention that several members of our staff OIR 2 team were not made aware of the advice filing and consequently did not review it. We think thorough staff review is important, both to ensure consistency between Rule 2 and Rule 21, which is also being revised, and to determine whether the issue of special facilities charges would be impacted OII 84-04-077.

We will, therefore, require PG&E to serve IEP with a copy of the advice letter, and we will give IEP 20 days from the date of service to file a protest thereto. We will give the staff 30 days from the effective date of this decision to recommend any course of action different from maintaining the status quo. We will not at this time suspend the advice letter.

Finally, we have made several non-substantive revisions. First, the text on page 326 erroneously indicates funding is authorized at one-half the requested level for a "Terrestrial Methods" study. We have not authorized any funding for this study, and we are deleting the reference thereto.

Secondly, several columns of data were inadvertently deleted from Table VI-6, page 355. We correct this. Also, at pages 367-367b, we add two additional tables which show revenue allocation results under the Equal Percentage of Marginal Cost Method, and TURN's Modified Equal Percentage of Marginal Cost Method.

Thirdly, we make appropriate changes to any findings, conclusions, and ordering paragraphs affected by today's order. Therefore,

IT IS ORDERED that D.83-12-068 is modified as follows:

1. New page 38a is added for the purpose of including the

16. The following new paragraph is inserted between the first and second paragraphs on page 397:

> "We note, however, that the streetlighting rates we adopt today are slightly lower than those established in Exhibit 20-E, for two reasons. First, those rates assume adoption of PG&E's recommended rate of return on equity. Since we have adopted a lower return, PG&E's figures must be adjusted accordingly. Second, in its opening brief, page 443, PG&E points to a mathematical error in the computation of figures in Exhibit 20-E. The correction of this error results in a slight reduction in the 20-E rates."

17. The last sentence on page 397 is modified to read:

> "We adopt this percentage decrease, which will be slightly further reduced commensurate with the reductions discussed above."

18. The last paragraph on page 409 is modified to read:

> "Step 5. Increase (or decrease) the average G-1 and G-2 rates by equal percentages until the revenue requirement is reached."

19. All references in D.83-12-068 to the jurisdictional Electric Department rate base and the Gas Department rate base are corrected to read $5,344,674,000 and $1,714,916,000 respectively. The combined associated revenue requirement is $3,349,281,000.

20. Finding 82a is added to read:

> "Under test year ratemaking principles it is reasonable to deny recovery of $413,000 representing 1983 expenditures incurred to repair the McDonald Island gas storage facility."

21. Finding 129 is corrected to read:

> "The adopted load management budget of $27,185,000 including both capital and operating expenditures is reasonable."

27. Ordering Paragraph 13 is modified to read:

"PG&E shall file by advice letter not later than April 1, 1984 more appropriate penalties for failure to curtail under rate Schedule No. A-22, as discussed in this decision."

28. Ordering Paragraph 14 is modified to read:

"PG&E shall allow staff and interested parties access to its computer models used to calculate marginal costs. Access need only be provided to parties in a proceeding wherein PG&E is making such use of its models, including, but not limited to general rate cases or OIR 2-related proceedings."

29. The following additional ordering paragraphs are added:

"16. PG&E shall refund to the City the difference in charges represented by the changes in the City's contract rates for streetlighting ordered herein for the time the rates adopted in D.83-12-068 were assessed and collected. PG&E shall make a similar refund to BART. The resulting revenue effect shall be recovered in PG&E's ERAM tariff provisions.

"17. PG&E is authorized to record $2,451,614,000 of California jurisdictional base rate revenues and $172,229,000 of Annual Energy Rate revenues in test year 1984 for the purposes of determining the amount to be recorded under the Electric Revenue Adjustment Mechanism.

"18. PG&E is authorized to record $897,667,000 of base cost revenues in test year 1984 for the purposes of determining the amount to be recorded under the Supply Adjustment Mechanism.

"19. PG&E is authorized to file by advice letter no later than October 31, 1984 a request for additional revenue requirement for attrition year 1985. The revenue requirement will be determined in accordance with the ARA methodology set forth in this decision. The revised rate schedules reflecting this allowance shall become effective on January 1, 1985.

"20. PG&E is authorized to file with this Commission revised tariffs to adjust the AER to 0.00312 $/kWh on or after the effective date of this order. The revised tariff schedules shall apply only to service rendered on or after January 1, 1984."

30. Page 7 of Appendix B to D.83-12-068 shall read, as to "Schedule BART,":

Schedule BART	
Traction Power	
Demand (Per kW)	No Change
Energy (Per kWh)	
Base	$0.03025
Annual Energy Rate	0.00312
Energy Cost Adjustment	0.02614
Effective Rate	0.05951
Station Power	
Demand (Per kW)	No Change
Energy (Per kWh)	
Base	$0.03025
Annual Energy Rate	0.00312
Energy Cost Adjustment	0.02614
Effective Rate	0.05951
Facility Charge	No Change

31. To be consistent with the modifications made in Ordering Paragraphs 10-12 above, the table on page 367 is redesignated Table VI-7c and now appears on page 267b. Two new tables are added to precede Table VI-7c: Table VI-a, on page 367 (Revenue Allocation Using the Equal Percentage of Marginal Cost Method); and Table VI-7b, on page 367a (Revenue Allocation Using 80% System Average Rate for Baseline; Rest at Equal Percentage of Marginal Cost). All three of these tables appear in today's order as Attachment A.

IT IS FURTHER ORDERED that limited rehearing is granted for the purpose of further reviewing PG&E's late-filed Exhibits 261A and 261B pertinent to the establishment of incremental energy rates (IERs) and to determine whether the IERs set by D.83-12-068 are at the appropriate levels.

This hearing is to be held at such time and place as shall hereafter be designated by the assigned Administrative Law Judge.

The Executive Director is directed to cause notice of the hearing to be mailed at least ten (10) days prior to such hearing.

IT IS FURTHER ORDERED that with respect to the issues considered herein, and except as provided above, rehearing of D.83-12-068 as modified herein is denied.

This order is effective today.

Dated MAY 16 1984, at San Francisco, California.

I abstain on portion pertaining to small power producers.

PRISCILLA C. GREW
Commissioner

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
Commissioners

Commissioner William T. Bagley being necessarily absent, did not participate.