

Decision 82 07 070 July 5, 1984

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS and ELECTRIC COMPANY for authority to institute an adjustment procedure for Unit Nos. 1 through 3 at the Helms Pumped Storage Project and to adjust its rates in accordance therewith.

Application 82-04-12 (Filed April 6, 1982; amended April 26, 1982)

- Daniel E. Gibson and J. Michael Reidenbach, Attorneys at Law, for Pacific Gas and Electric Company, applicant.
- Donald M. Clary and Stephen E. Pickett, Attorneys at Law, for Southern California Edison Company; John R. Asmus, Jr., Attorney at Law for San Diego Gas & Electric Company.
- Antone S. Pulich, Jr., Attorney at Law, for California Farm Bureau Federation; Robert Spertus, Attorney at Law for TURN, Toward Utility Rate Normalization; Nick Tibbets and Mary Reiter, for Assemblyman Douglas H. Bosco; Erobeck, Phleger & Harrison, by Gordon E. Davis, William H. Pooth, and Richard C. Harper, Attorneys at Law, for California Manufacturers Association; Downey, Brand, Seymour & Rohwer, by Philip A. Stohr, Attorney at Law, for General Motors Corporation; Thomas Greene and Richard A. Elbrecht, Attorneys at Law, for California Department of Consumer Affairs; Greggory Wheatland and Catherine Johnson, Attorneys at Law, for the California Energy Commission; and George P. Agnost, City Attorney by Leonard L. Snaider, Attorney at Law, for City and County of San Francisco; interested parties.
- Lionel B. Wilson and Robert Cagen, Attorneys at Law, and Martin Abramson, for the Commission staff.

INTERIM OPINION

Summary

By this order, we establish an interim ratemaking procedure to allow Pacific Gas and Electric Company (PG&E) to reflect the costs of owning, operating, and maintaining the Helms Pumped Storage

Project (Helms) Unit Nos. 1, 2, and 3. This ratemaking treatment will apply only to the portion of the revenue requirement associated with the commercial operation of Helms prior to our decision on the reasonableness and prudence of the Helms' plant costs. We expect to issue that decision toward the end of 1984.

Background

By Application (A.) 82-04-12, PG&E requests, inter alia, interim rate relief to reflect the costs of owning, operating, and maintaining Unit Nos. 1, 2, and 3 at Helms when all three units are declared commercially operative. PG&E had believed that the Helms units would be commercially operative by June 1, 1984.¹ We have been advised that all three units have now been declared commercially operative.

The Commission has held forty-three days of evidentiary hearings on A.82-04-12 as well as nine days of hearing on the consolidated OII 82-01-01. Additional days of hearing will be scheduled in the next few months to receive the remaining rebuttal testimony of PG&E. Consequently, A.82-04-12 will be submitted for a final decision after the date on which PG&E expects Helms to start commercial operation.

PG&E Request for Interim Relief

Since A.82-04-12 was filed, PG&E has revised its revenue requirement for Helms several times. The latest revision is due to delays in the commercial operation date for Helms, the issuance of Decision (D.) 82-12-068 in PG&E's 1984 General Rate Case, and a ruling by the Internal Revenue Service that flow-through of Qualified Progress Expenditure Investment Tax Credits accrued through 1981 is permissible.

PG&E now estimates that Helms' revenue requirement is \$60,915,000 for the last seven months in 1984 and \$122,432,000 for twelve months in 1985. This estimate is based upon a rate base computation of \$738 million. However, the current estimated cost of

¹ Before the Lost Canyon pipe crossing incident and various start-up problems, PG&E asserted that Helms Unit No. 1 would start commercial operation in October 1982.

Helms is \$942 million. The difference of \$204 million arises from PG&E's separate accounting of cost increases due to the Lost Canyon pipe crossing incident and various start-up problems at Helms.

PG&E asks that the Commission defer its review and order on the \$204 million cost increase attributable to the Lost Canyon pipe crossing incident and various start-up problems. PG&E intends first to resolve the outstanding claims and litigation related to these costs and then to present the result of the claims and litigation to the Commission for review. Pending resolution of these claims and litigation and the Commission's review, PG&E requests authority to place the \$204 million cost increase in a memorandum account as a deferred debit. In this way, PG&E believes it can continue to accrue carrying costs on the \$204 million when Helms begins commercial operation and is transferred from Construction Work In Progress (CWIP) to plant in service.

As an interim rate mechanism, PG&E proposes that the Commission grant rates for 90 percent of the estimated revenue requirement for seven months in 1984 and place the remaining 10 percent of the revenue requirement in a balancing account. Under this proposal, the Commission would adjust rates at the time Helms starts commercial operation. At the same time, enough revenue is deferred to cover a range of potential plant cost disallowance. A deferral of 10 percent of the revenue requirement could cover a disallowance from rate base up to \$50-55 million in plant costs. PG&E emphasizes that in making this proposal it does not concede any plant disallowance is appropriate; the 10 percent revenue deferral is intended only to cover the conceivable range of potential plant disallowance.

In summary PG&E requests as interim relief that (1) the Commission authorize a rate increase of 90 percent of the seven months 1984 revenue requirement (\$54.8 million), (2) the Commission place the remaining 10 percent (\$6.1 million) in a balancing account,

and (3) the Commission allow PG&E to account for the \$204 million cost increase due to the Lost Canyon pipe crossing incident and various start-up problems as a deferred debit in a memorandum account. PG&E's proposed interim rate increase is allocated among the customer classes as follows:

<u>Class of Service</u>	<u>90% Interim Rate Increase Proposal</u>
Residential	.151 cents per kilowatt hour (¢/kWh)
Light and Power:	
Small	.182 ¢/kWh
Medium	.164 ¢/kWh
Large	.153 ¢/kWh
Agricultural	.162 ¢/kWh
Street lighting	.157 ¢/kWh

Staff Review

Staff has reviewed PG&E's interim rate proposal and recommends that the Commission adopt it. Staff asserts that, given the need for interim relief, PG&E's proposal is better than staff's earlier proposal for deferral of 100 percent of the revenue requirement and PG&E's first proposal for authorization of 100 percent of the revenue requirement subject to refund. Staff counsel also stated that staff has not found any discrepancies in PG&E's calculations and as a result has not sponsored an alternative revenue requirement.

Discussion

Interim relief is necessary since Helms is expected to begin commercial operation before this proceeding is submitted and before the Commission can issue a final ratemaking decision. Once commercial operation begins, PG&E must transfer the plant from CWIP to plant in service and no longer may accrue an Allowance for Funds Used During Construction (AFUDC). As a result, PG&E would not be compensated for all the costs of owning, operating, and maintaining Helms unless some form of interim relief is granted by the Commission.

At this stage of the proceeding, we prefer a form of interim rate relief which meets the following criteria:

- 1) The relief granted should not prejudice our decision on the reasonableness and prudence of the Helms plant's costs.
- 2) In this interim period, the costs of Helms borne by ratepayers should closely match the benefits they receive.
- 3) The ratepayers should be provided with some protection should there be a continuation of the protracted start-up problems experienced by the Helms units.
- 4) The relief granted should be consistent with our handling to date of other recent major plant additions, such as the San Onofre Nuclear Generating Station Unit 2 (SONGS 2) and PG&E's Kerckhoff 2 hydroelectric project.

Unlike the rate relief proposal that both PG&E and staff now recommend, PG&E's and staff's earlier interim relief proposals both meet our first criterion: they are proposals which will not limit in any way our final decision. However, we are also concerned that none of the proposals of PG&E and staff satisfactorily address our remaining goals. In those proposals, there is no direct connection between the Helms plant's first year revenue requirement associated with ownership costs, or some percentage thereof, and the benefits that ratepayers will receive from the operation of Helms in 1984. To the extent such benefits accrue to current ratepayers, they should pay an appropriate increment in rates. The improvement in PG&E's cash flow which might result from the commercial operation of the Helms units should also be tied to those benefits. This is more equitable to ratepayers who might otherwise pay rate increments in excess of the benefits they receive from Helms were we to adopt the current joint PG&E-staff proposal. Any difference between the value of those benefits and Helms ownership costs must, of course, be justified by PG&E in the prudency review. Finally, in adopting an interim ratemaking treatment for Helms we wish to draw from our decisions over the past year on other major plant additions, including SONGS 2 and Kerckhoff 2.

In Decision No. 82-09-007 (September 7, 1982), we allowed Edison and San Diego Gas and Electric to establish a Major Additions Adjustment Clause (MAAC) procedure to reflect the cost of owning, operating and maintaining SONGS 2. The MAAC procedure provides balancing account treatment for investment-related SONGS 2 costs. The utility recovers a portion of these costs now, subject to refund when the MAAC account is reconciled in our final cost prudence decision. D.82-09-007 initially allowed a MAAC rate increase equal to the expected fuel savings resulting from commercial operation of SONGS 2. The fuel savings were reflected in a decrease in Energy Cost Adjustment Clause (ECAC) and Annual Rate (AER) rates. The result was no net rate increase. We adopted this approach as a conservative starting point for SONGS 2 rate relief. Given the uncertainties in our ultimate ratemaking treatment of SONGS 2, we balanced the utilities' need for rate relief against our desires to maintain ratemaking flexibility and to match the first year costs of SONGS 2 with its benefits.

In May, 1982, we authorized a balancing account to cover the ownership costs of PG&E's Kerckhoff 2 project, from the plant's commercial operating date in May, 1982, until a decision on permanent rates was issued in December, 1982, in PG&E's general rate case. This account was debited with the 1982 ownership and operating costs of Kerckhoff 2 and credited with the value of the energy actually produced by the plant. The same value of energy produced was used to correspondingly debit the ECAC balancing account over the same period. The debit to the ECAC balancing account enabled PG&E to recover its ownership and operating costs through rates, and the corresponding credit to the Kerckhoff 2 balancing account permitted an ultimate reconciliation of PG&E's reasonable costs to the value of the energy actually produced. In a companion decision today we approve the ultimate reconciliation of the Kerckhoff 2 balancing account. We note that in 1982 the value of power generated by Kerckhoff 2 exceeded the costs of ownership and operation found reasonable in PG&E's general rate case decision, D.82-12-068. Today we return the additional savings to ratepayers by crediting this amount, plus accrued interest, to PG&E's ECAC account.

We will follow the examples of SONGS 2 and Kerckhoff 2 in structuring interim rate relief for Helms, keeping in mind that there is an important difference between these projects and Helms. Helms was built principally to provide capacity to the PG&E system, whereas the primary benefit of Kerckhoff 2 and SONGS 2 is reduced fuel costs. Therefore, in addition to energy savings, the appropriate measure of ratepayer benefits from Helms should include a component reflecting the value of the capacity it provides. We will authorize PG&E to establish a Helms Adjustment Account (HAA) balancing account. PG&E shall debit this account with its estimate of the plant's revenue requirement for 1984, as of the effective date of this decision. The HAA will be credited with the value of energy and capacity actually produced by Helms from the effective date of this decision to the end of 1984. Should our final ratemaking and cost prudence decision be delayed into 1985, the same treatment shall apply to the portion of 1985 preceding that decision. At the time of our final decision, the revenue requirement debited to the HAA shall be altered to correspond to the final revenue requirement found prudent in that decision. It is fully our intent to render that decision near the end of this year.

The capacity value of generation from Helms will be calculated using the as-available capacity prices approved in PG&E's recent general rate case decision. These prices reflect PG&E's current shortage cost for capacity, on a cents per kWh basis. Those prices are as follows:

1984 As Available Capacity Price (¢/KWh)

	<u>On-Peak</u>	<u>Mid-Peak</u>	<u>Off-Peak</u>
Summer (May-September)	16.717	3.171	0.003
Winter (October-April)	1.382	0.168	0.002

Helms should generate virtually all of its power on-peak. We note that these prices reflect our adoption in the general rate case of the maximum value of 2.0 for the 1984 Energy Reliability Index (ERI); the staff testimony on the cost-effectiveness of Helms uses much lower 1984 ERIs.

The energy savings from Helms should be calculated in a manner similar to that used for Kerckhoff 2, recognizing that Helms requires energy for pumping. The savings should be derived from PG&E's daily average on-peak incremental generation cost per kWh, multiplied by Helms' daily kWh generation, less the product of the daily average off-peak incremental generation cost per kWh and the kWh consumption for pumping.

We will allow PG&E to recover in its rates the energy and capacity benefits of Helms from the effective date of this order until our decision on final ratemaking treatment for the plant. To accomplish this we authorize PG&E to debit its ECAC balancing account by amounts equal to the credits applied to the HAA, based -as we discussed above- on actual generation at Helms. We recognize the possibility that the final balance in the HAA could show an overcollection, should Helms generate more energy and capacity benefits than expected or should our final cost prudence decision significantly reduce the revenue requirement debited to the HAA. We shall treat such an overcollection just as we are disposing of the overcollection in the Kerckhoff 2 balancing account, that is, by refunding the overcollection to ratepayers through ECAC. An undercollection would similarly be recovered by PG&E through the ECAC account.

In establishing the SONGS 2 MAAC we excluded from balancing account treatment that plant's non-investment-related costs, principally operation and maintenance (O&M) expenses. We will make a similar refinement in this case, by fixing at PG&E's estimate of \$524,000 the allowable production expenses for Helms in 1984. This estimate should be adjusted if the commercial operating date differs from June 1, 1984. In doing this we provide ratepayers with the protection of a definite budget for 1984 O&M expenses at Helms.

We feel that the ratemaking treatment described above will best meet the criteria set forth. We do not prejudge our final decision on cost prudence, as the revenue requirement in the HAA can be adjusted at the time of that decision. In the interim before that decision, ratepayers will pay through ECAC for the costs of Helms to the extent they realize benefits from the energy and capacity produced by the plant. Because ratepayers will pay for energy and as-available capacity on a cents per kWh basis for actual kWh produced, ratepayers will be protected should the Helms plant's start-up difficulties continue following commercial operation. Consistent with our standard practice, the prudence of the manner in which PG&E operates Helms will also be reviewed in our ECAC reasonableness review proceedings.

Also, we will allow PG&E to place the \$204 million in increased cost due to the Lost Canyon pipe crossing incident and various start-up problems in a memorandum account for treatment as a deferred debit. The recovery of this amount and any accrued carrying charges will be reviewed in a subsequent proceeding after PG&E has concluded any claims or litigation pertaining to these costs. Our action now in no way determines whether this amount should be recovered by PG&E or should be disallowed.

Last, we recognize that in other major facility rate cases the Commission has developed ratemaking standards to establish and define the date of commercial operation. Because the parties in this proceeding did not pursue this ratemaking issue, the record on commercial operation tests is meager. PG&E's ratemaking witness did speak to commercial operation tests during brief examination by the Administrative Law Judge.

"ALJ WU: Could you explain to me what tests you are aware of that have to be completed at the Helms facility before it's considered to be commercially operable?"

"THE WITNESS: My understanding is that the unit will be tested for electrical integrity, to make sure there are no short circuits within the unit itself, the control system will be tested to make sure that the unit will respond in a way that the operators can predict. These tests will include running the unit up to various load levels, such as 25, 50, 75, 100 percent of load, and then rejecting that load to make sure that the control systems properly control the units.

"After those tests are complete and the operating departments are assured that the unit will operate in a predictable way, then they will be ready to accept it for operation."

"ALJ WU: Apart from PG&E's personnel, is there anyone else who would be involved in determining whether or not the facility meets all standards for commercial operation, or is it entirely a determination made by PG&E that the facility is commercially operable?"

"THE WITNESS: I can give you a partial answer. I know of no outside party who have input to the determination that the plant is operable, provided, of course, that any contractual requirements of the manufacturers may have to be met first, and that's just an assumption on my part.

"I would assume that this would be very similar to the case of Kerckhoff earlier this month, where the plant was turned over from construction to operations purely on the basis of an internal decision."

Thus, the determination of commercial operation has been left to PG&E since the company selects, administers, and evaluates the tests for commercial operation. We will allow PG&E to declare different commercial operating dates for each of the Helms units, should the utility desire to take such a course. In that case PG&E should establish a HAA for each unit, with common plant and operating expenses divided equally among the three units.

While we have no reason to doubt PG&E's integrity in determining commercial operation, we find it appropriate to adopt some additional safeguards based upon the actual availability of the Helms units for commercial operation. We find these safeguards necessary since PG&E has experienced protracted difficulties in readying the Helms units for commercial operation. First it is clear from the testimony cited above that PG&E has planned a series of tests for the Helms units. We do not expect PG&E to declare any of the Helms units to be commercially operable until they have successfully completed these tests. We place PG&E on notice that they will bear an especially heavy burden of proof to justify their choice of commercial operation dates, and subsequent recovery of base revenues through the HAA, if any prolonged outage occurs after the commercial operating date due to a problem first identified by PG&E during the pre-commercial testing program. Second, a downward adjustment to the revenue requirement debited to the HAA may be ordered if we later determine in our final decision that PG&E has placed any of the Helms units into commercial operation before the unit was ready for commercial operation. Finally, during the first two years of commercial operation, should an event occur, resulting in an outage of one or more of the Helms units for a period of 30 days or more, PG&E shall notify the Commission and the staff and begin accruing effective the first day of outage the proportion of the revenue requirement associated with each unit out of operation for potential refund to the ratepayers. PG&E shall report every two weeks on the status of any such outage until the outage is remedied. Thereafter, the Commission will determine whether a refund is appropriate. These safeguards will permit the Commission to order a refund if an outage occurs after PG&E has declared the Helms units are commercially operable and is receiving base revenues associated with the commercial operation of Helms.

Findings of Fact

1. By A.82-04-12, PG&E requests, inter alia, interim relief to reflect the cost of owning, operating, and maintaining Helms when it is commercially operative.
2. PG&E expects Helms to be commercially operative on June 1, 1984.
3. Interim relief is appropriate since Helms may begin commercial operation before A.82-04-12 is submitted.
4. Interim rate relief should substantially match the costs and benefits from Helms to ratepayers when Helms is commercially operative.
5. Staff supports PG&E's proposal for interim rate relief.

6. PG&E's estimated revenue requirement for seven months 1984 is uncontested and should be adopted.

7. The Commission has recently adopted interim ratemaking procedures for other major plant additions, notably PG&E's Kerckhoff 2 hydro project and Southern California Edison's San Onofre Nuclear Generating Station Unit 2.

8. The interim ratemaking procedures adopted for these plants have allowed rate recovery to the extent of the actual or estimated fuel savings produced by the plants.

9. Helms was built primarily to provide on-peak capacity; it may also provide appreciable energy savings.

10. The as-available capacity prices listed in this order represent the 1984 shortage value of capacity to PG&E, on a cents per kWh basis, adopted in the utility's most recent general rate case decision.

11. The Helms units have experienced protracted start-up problems.

12. This order should take effect on the date of issuance so that interim rate relief is received near the date of commercial operation.

Conclusions of Law

1. PG&E is entitled to interim relief since Helms may begin commercial operation before the Commission issues a final decision on A.82-04-12.

2. Interim ratemaking based on our Kerckhoff 2 will best meet our goals in allowing such relief.

3. The interim ratemaking procedure authorized in this decision is just and reasonable.

INTERIM ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) is authorized to establish a Helms Adjustment Account (HAA) balancing account. PG&E may have the option to declare each of the Helms units commercially operable at different times; in that case PG&E shall establish a HAA for each

unit, with common plant and operating expenses divided equally among the three units. PG&E shall debit the HAA with the estimate of the plant's revenue requirement for 1984, submitted in this case, adjusted for effective date of this decision.

PG&E shall use its current as-available capacity prices in determining the value of capacity credited to the HAA. PG&E shall derive the daily energy savings from Helms from the product of its daily average on-peak incremental generation cost per kWh and Helms' kWh generation for that day, less the product of the daily average off-peak incremental generation cost per kWh and that day's kWh consumption by Helms for pumping.

2. PG&E is authorized to debit its ECAC balancing account by amounts equal to the credits applied to the HAA reflecting the value of energy and capacity actually produced by Helms.

3. PG&E's estimate of production expenses at Helms in 1984 shall not be subject to later revision, except due to a change from June 1 in the commercial operating date.

4. PG&E shall enter as a deferred debit in a memorandum account the \$204 million in increased cost due to the Lost Canyon pipe crossing incident and various start-up problems. Interest shall accrue at a rate equal to the AFUDC rate.

5. PG&E is placed on notice that it will bear an especially heavy burden of proof to justify its choice of commercial operation dates, and subsequent recovery of base revenues through the HAA, if any prolonged outage at Helms occurs after the commercial operating date due to a problem first identified by PG&E during the pre-commercial testing program.

6. If an event occurs within the first two years of commercial operation resulting in an outage of one or more of the Helms' units for a period of 30 days or more, PG&E shall notify the Commission and the staff. PG&E shall accrue effective the first day of outage the proportion of revenue requirement associated with each unit out of operation, for potential refund to customers. PG&E shall report every two weeks on the status of any such outage until the outage is remedied.

This order is effective today.

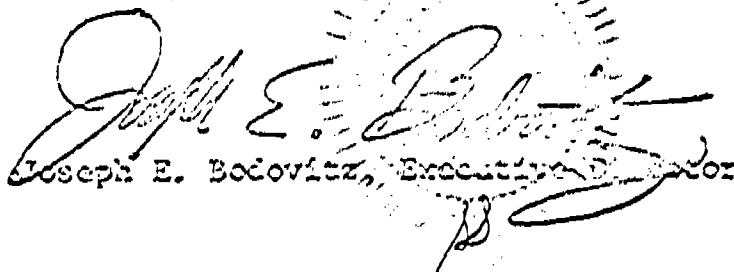
Dated July 7, 1984, at San Francisco, California.

I dissent; I would adopt the Administrative Law Judge's proposed order - which would institute a present rate increase - in light of other PG&E Company rate base increases in the immediate offings.

/s/ WILLIAM T. BAGLEY
Commissioner

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

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


Joseph E. Bodovitz, Executive Director

ORIGINAL

Decision 84 07 070

JUL 5 1984

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Nick Tibbets and Mary Reiter, for
Assemblyman Douglas H. Bosco; Brobeck,
Phleger & Harrison, by Gordon E. Davis,
William H. Booth, and Richard C.
Harper, Attorneys at Law, for California
Manufacturers Association; Downey, Brand,
Seymour & Rohwer, by Philip A. Stohr,
Attorney at Law, for General Motors
Corporation; Thomas Greene and Richard A.
Elbrecht, Attorneys at Law, for
California Department of Consumer Affairs;
Greggory Wheatland and Catherine Johnson,
Attorneys at Law, for the California
Energy Commission; and George P. Agnost,
City Attorney, by Leonard L. Snaider,
Attorney at Law, for City and County of
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Project (Helms) when Unit Nos. 1, 2, and 3 are declared commercially operative. This ratemaking treatment will apply only to the portion of the revenue requirement associated with the commercial operation of Helms prior to our decision on the reasonableness and prudence of the Helms' plant costs. We expect to issue that decision toward the end of 1984.

Background

By Application (A.) S2-04-12, PG&E requests, inter alia, interim rate relief to reflect the costs of owning, operating, and maintaining Unit Nos. 1, 2, and 3 at Helms when all three units are declared commercially operative. PG&E now believes that the Helms units will be commercially operative by June 1, 1984.¹

The Commission has held forty-three days of evidentiary hearings on A.82-04-12 as well as nine days of hearing on the consolidated OII S2-01-01. Additional days of hearing will be scheduled in the next few months to receive the remaining rebuttal testimony of PG&E. Consequently, A.82-04-12 will be submitted for a final decision after the date on which PG&E expects Helms to start commercial operation.

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The capacity value of generation from Helms will be calculated using the as-available capacity prices approved in PG&E's recent general rate case decision. These prices reflect PG&E's current shortage cost for capacity, on a cents per kWh basis. Those prices are as follows:

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The energy savings from Helms should be calculated in a manner similar to that used for Kerckhoff 2, recognizing that Helms requires energy for pumping. The savings should be derived from PG&E's daily average on-peak incremental generation cost per kWh, multiplied by Helms' daily kWh generation, less the product of the daily average off-peak incremental generation cost per kWh and the kWh consumption for pumping.

We will allow PG&E to recover in its rates the energy and capacity benefits of Helms from the date of commercial operation until our decision on final ratemaking treatment for the plant. To accomplish this we authorize PG&E to debit its ECAC balancing account by amounts equal to the credits applied to the HAA, based -as we discussed above- on actual generation at Helms. We recognize the possibility that the final balance in the HAA could show an overcollection, should Helms generate more energy and capacity benefits than expected or should our final cost prudence decision significantly reduce the revenue requirement debited to the HAA. We shall treat such an overcollection just as we are disposing of the overcollection in the Kerckhoff 2 balancing account, that is, by refunding the overcollection to ratepayers through ECAC.

In establishing the SONGS 2 MAAC we excluded from balancing account treatment that plant's non-investment-related costs, principally operation and maintenance (O&M) expenses. We will make a similar refinement in this case, by fixing at PG&E's estimate of \$524,000 the allowable production expenses for Helms in 1984. This estimate should be adjusted if the commercial operating date differs from June 1, 1984. In doing this we provide ratepayers with the protection of a definite budget for 1984 O&M expenses at Helms.

We feel that the ratemaking treatment described above will best meet the criteria set forth. We do not prejudge our final decision on cost prudence, as the revenue requirement in the HAA can be adjusted at the time of that decision. In the interim before that decision, ratepayers will pay through ECAC for the costs of Helms to the extent they realize benefits from the energy and capacity produced by the plant. Because ratepayers will pay for energy and as-available capacity on a cents per kWh basis for actual kWh produced, ratepayers will be protected should the Helms plant's start-up difficulties continue following commercial operation. Consistent with our standard practice, the prudence of the manner in which PG&E operates Helms will also be reviewed in our ECAC reasonableness review proceedings.

Also, we will allow PG&E to place the \$204 million in increased cost due to the Lost Canyon pipe crossing incident and various start-up problems in a memorandum account for treatment as a deferred debit. The recovery of this amount and any accrued carrying charges will be reviewed in a subsequent proceeding after PG&E has concluded any claims or litigation pertaining to these costs. Our action now in no way determines whether this amount should be recovered by PG&E or should be disallowed.

An overcollection would similarly be recovered by PG&E through the ECAC account

6. PG&E's estimated revenue requirement for seven months of 1984 is uncontested and is reasonable for use in the HAA.

7. The Commission has recently adopted interim ratemaking procedures for other major plant additions, notably PG&E's Kerckhoff 2 hydro project and Southern California Edison's San Onofre Nuclear Generating Station Unit 2.

8. The interim ratemaking procedures adopted for these plants have allowed rate recovery to the extent of the actual or estimated fuel savings produced by the plants.

9. Helms was built primarily to provide on-peak capacity; it may also provide appreciable energy savings.

10. The as-available capacity prices listed in this order represent the 1984 shortage value of capacity to PG&E, on a cents per kWh basis, adopted in the utility's most recent general rate case decision.

11. The Helms units have experienced protracted start-up problems.

12. This order should take effect on the date of issuance so that interim rate relief is received near the date of commercial operation.

Conclusions of Law

1. PG&E is entitled to interim relief since Helms may begin commercial operation before the Commission issues a final decision on A.82-04-12.

2. Interim ratemaking based on our Kerckhoff 2 decision will best meet our goals in allowing such relief.

3. The interim ratemaking procedure authorized in this decision is just and reasonable.

INTERIM ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) is authorized to establish, effective on the Helms plant's commercial operating date, a Helms Adjustment Account (HAA) balancing account. PG&E may have the option to declare each of the Helms units commercially operable at different times; in that case PG&E shall establish a HAA for each

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I dissent. I would adopt the Administrative Law Judge's proposed order - which would institute a present rate increase - in light of other PG&E Co. rate base increases in the immediate offing.

WILLIAM T. BAGLEY
Commissioner

unit, with common plant and operating expenses divided equally among the three units. PG&E shall debit the HAA with the estimate of the plant's revenue requirement for 1984 submitted in this case, adjusted for the date of commercial operation. PG&E shall credit the HAA with the value of energy and capacity actually produced by Helms during commercial operations in 1984. PG&E shall use its current as-available capacity prices in determining the value of capacity credited to the HAA. PG&E shall derive the daily energy savings from Helms from the product of its daily average on-peak incremental generation cost per kWh and Helms' kWh generation for that day, less the product of the daily average off-peak incremental generation cost per kWh and that day's kWh consumption by Helms for pumping.

2. PG&E is authorized to debit its ECAC balancing account by amounts equal to the credits applied to the HAA reflecting the value of energy and capacity actually produced by Helms.

3. PG&E's estimate of production expenses at Helms in 1984 shall not be subject to later revision, except due to a change from June 1 in the commercial operating date.

4. PG&E shall enter as a deferred debit in a memorandum account the \$204 million in increased cost due to the Lost Canyon pipe crossing incident and various start-up problems. Interest shall accrue at a rate equal to the AFUDC rate.

5. PG&E is placed on notice that it will bear the burden of proof to justify its choice of commercial operation dates, and subsequent recovery of base revenues through the HAA, if any prolonged outage at Helms occurs after the commercial operating date due to a problem first identified by PG&E during the pre-commercial testing program.

6. If an event occurs within the first two years of commercial operation resulting in an outage of one or more of the Helms' units for a period of 30 days or more, PG&E shall notify the Commission and the staff. PG&E shall accrue effective the first day of outage the proportion of revenue requirement associated with each unit out of operation, for potential refund to customers. PG&E shall report every two weeks on the status of any such outage until the outage is remedied.

This order is effective today.

Dated JUL 5 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.
President

VICTOR CALVO
PRISCILLA C. CREW
DONALD VIAL

Commissioners

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— I would ~~of~~ adopt the Administrative Law Judge's
proposed order — which would institute a present rate increase —
in light of ^{P.G. & E. Co.} appropriate base increases in the immediate offering.

Barley