

Decision 88 01 016 JAN 13 1988

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Commission order finding that gas and electric operations during the reasonableness review period from February 1, 1986 to January 31, 1987 were prudent. (U 39 M)

Application 87-04-005 (Filed April 7, 1987)

Application of Pacific Gas and Electric Company for authority to adjust its electric rates effective August 1, 1987. (U 39 M)

Application 87-04-035 (Filed April 21, 1987)

(See Decision 87-11-019 for appearances.)

INTERIM OPINION

PHASE 4 - RATE DESIGN ISSUES

In Decision (D.) 87-07-091 issued July 29, 1987, we stated that additional rate design issues would be considered in Pacific Gas and Electric Company's (PG&E) Energy Cost Adjustment Clause (ECAC) proceeding. These additional rate design issues were to be considered in a separate phase, Phase 4.

On September 4, 1987, PG&E filed a list of proposed rate design issues for Phase 4. Comments were received from the Commission's Division of Ratepayer Advocates (DRA), Industrial Users (I.U.), California Large Energy Consumers Association (CLECA) and Homestake Mining Company (Homestake), Association of California Water Agencies (ACWA), and California Farm Bureau Federation. A duly noticed informal meeting was held on October 30, 1987 to further discuss the issues and positions of the parties.

After carefully considering all the comments of the parties, we are not convinced that further rate design hearings are necessary. The recent Phase 2 rate design hearings were of sufficient scope to allocate PG&E's 1988 revenue increase and, at the same time, maintain progress towards our goal of rates based on equal percent of marginal cost. ✓

PG&E should be filing a general rate case at the end of 1988. Therefore, it is likely that we will be involved in a full scale PG&E marginal cost/rate design proceeding during 1989. That would be an appropriate time to consider a mechanism for updating marginal costs and all the proposed issues listed by PG&E. Also, we should note that there will be other major energy proceedings before the Commission in 1988, especially the Commission's rulemaking proceeding to revise electric utility ratemaking mechanisms in response to changing conditions in the electric industry (R.86-10-001). ✓

The Commission is reluctant at this time to make further changes affecting revenue allocation and rate design because we generally believe it necessary to present relatively consistent long-term price signals to electricity customers. To entertain further revisions in these areas at this time could be confusing and disruptive to customers who make investments based on the price signals we define. Accordingly, we conclude that Phase 4 should be terminated. ✓

Comments on the Proposed Decision of the  
Administrative Law Judge (ALJ)

The proposed decision of the ALJ was served on the parties. Comments were received from PG&E, DRA, I.U., California Hotel & Motel Association (CH&MA), CLECA and Homestake, and ACWA.

I.U., CH&MA and CLECA and Homestake strongly support cancelling further rate design hearings in this proceeding.

While DRA supports the decision to cancel further rate design hearings in this proceeding, DRA submits that there are

important issues related to PG&E's agricultural rates and residential TOU rates that warrant consideration in 1988.

However, PG&E argues against cancellation and requests that:

1. Issues involving agricultural class definitions and residential time-of-use rates (E-7 TOU) be heard in Phase 4 or a reopened phase of the 1986 ECAC.
2. The scope of rate design in the 1988 ECAC not be set out at this time but instead be determined in that case based on the facts and circumstances known then.
3. Rate design issues involving the industrial and other classes which result from R.86-10-001 may be raised in R.86-10-001, or another appropriate forum, where the issues can be heard and decided in coordination with the adoption of changes to the Electric Revenue Adjustment Mechanism contemplated in that proceeding.

ACWA submits that farmers served by PG&E will be subjected to much higher rates than the Commission intended due to PG&E increasing all agricultural rates to recover the shortfall from the implementation of Schedules AG-5 and AG-6, which are competitive rates set to combat bypass, and whose contribution to margin benefits all PG&E ratepayers. According to ACWA, farmers who cannot take advantage of TOU rates must subsidize PG&E's marketing effort. ACWA contends that this is contrary to the spirit, intent and text of Assembly Bill 2882.

We are not persuaded that there should be further rate design hearings in this proceeding to address the array of issues raised by the parties. However, we recognize that there is a need to address certain agricultural rate design and residential TOU rate design issues prior to PG&E's next general rate case. Accordingly, in PG&E's 1988 ECAC proceeding, we will receive testimony necessary to deal with immediate problems in these two

areas. In order to promote a better understanding of the issues, we expect DRA to conduct workshops on agricultural rates and residential TOU rates prior to filing of testimony in PG&E's 1988 ECAC proceeding. PG&E, DRA and parties filing testimony should present their proposals at the workshops. Hopefully, this approach will reduce the hearing time needed.

With regard to PG&E's request that the scope of rate design issues be determined in its next ECAC proceeding, for the reasons set forth above, the request is denied. Should there be changed circumstances which require additional rate design matters to be reviewed in PG&E's 1988 ECAC proceeding, parties may petition for modification of this decision if there is compelling need.

Findings of Fact

1. There is no compelling reason for further rate design hearings in Phase 4 of this proceeding.
2. Certain aspects of PG&E's agricultural rate design and residential time-of-use rate design need to be examined in 1988. These matters should not be held over for PG&E's next general rate case.

Conclusions of Law

1. Phase 4 rate design hearings should be terminated.
2. Rate design issues in PG&E's next ECAC proceeding in 1988 should be limited to the same scope as Phase 2 of this proceeding. However, since certain aspects of PG&E's agricultural rate design and residential time-of-use rate design need to be examined in 1988, following workshops to be conducted by DRA, testimony related to immediate problems in these two areas should be received in PG&E's 1988 ECAC proceeding.
3. Should there be special circumstances that require the scope of rate design hearings in PG&E's 1988 ECAC proceeding to be expanded, a petition requesting modification of this decision may be filed in that proceeding justifying the request to expand the scope. ✓

4. Because this opinion has been served on the parties for comment, it should be effective today.

INTERIM ORDER

IT IS ORDERED that:

1. Rate design hearings in Phase 4 of Pacific Gas and Electric Company's (PG&E) Application (A.) 87-04-035 are terminated.

2. Within 30 days after the date of this order, Division of Ratepayer Advocates shall conduct workshops on agricultural rates and residential time-of-use (TOU) rates.

3. Following conclusion of the workshops, PG&E may present any agricultural rate design and residential TOU rate design proposals with its 1988 Energy Cost Adjustment Clause (ECAC) filing. Such proposals shall be limited to items necessary to deal with current problems in these areas.

4. Except for the addition of testimony related to agricultural rate design and residential TOU rate design, the scope of rate design testimony in PG&E's 1988 ECAC proceeding shall be limited to the same scope as Phase 2 of this proceeding.

5. This proceeding shall remain open to complete hearings on reasonableness issues and PG&E's TOU meter procurement program only.

This order is effective today.

Dated JAN 13 1988, at San Francisco, California.

DONALD VIAL  
FREDERICK R. DUDA  
G. MITCHELL WILK  
JOHN B. OHANIAN  
Commissioners

Commissioner Stanley W. Hulett  
being necessarily absent, did  
not participate.

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

  
Victor Weisser, Executive Director

Decision PROPOSED DECISION OF ALJ PATRICK

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In Decision (D.) 87-07-091 issued July 29, 1987, we stated that additional rate design issues would be considered in Pacific Gas and Electric Company's (PG&E) Energy Cost Adjustment Clause (ECAC) proceeding. These additional rate design issues were to be considered in a separate phase, Phase 4.

On September 4, 1987, PG&E filed a list of proposed rate design issues for Phase 4. Comments were received from the Commission's Division of Ratepayer Advocates, Industrial Users, California Large Energy Consumers Association and Homestake Mining Company, Association of California Water Agencies, and California Farm Bureau Federation. A duly noticed informal meeting was held on October 30, 1987 to further discuss the issues and positions of the parties.

After carefully considering all the comments of the parties, we are not convinced that further hearings are necessary. The recent Phase 2 rate design hearings were of sufficient scope to allocate PG&E's 1988 revenue increase and, at the same time, maintain progress towards our goal of rates based on equal percent of marginal cost. Additionally, we see no reason why the rate design hearings in PG&E's next ECAC proceeding should not be limited to the same scope as Phase 2.

PG&E should be filing a general rate case toward the end of 1988. Therefore, it is likely that we will be involved in a full scale PG&E marginal cost/rate design proceeding during 1989. That would be an appropriate time to consider a mechanism for updating marginal costs and all the proposed issues listed by PG&E. Also, we should note that there will be other major energy proceedings before the Commission in 1988, especially the Commission's rulemaking proceeding to revise electric utility ratemaking mechanisms in response to changing conditions in the electric industry (R.86-10-001).

The Commission is reluctant at this time to make further changes affecting revenue allocation and rate design because we generally believe it necessary to present relatively consistent long-term price signals to electricity customers. To entertain further revisions in these areas at this time could be confusing and disruptive to customers who make investments based on the price signals we define. Accordingly, we conclude that there is no compelling reason to go beyond the scope of Phase 2 rate design issues in this proceeding, or in PG&E's next 1988 ECAC proceeding. Issues beyond the scope of Phase 2 should wait for PG&E's next general rate case. Phase 4 should be terminated.

Finding of Fact

There is no compelling reason for further rate design hearings in Phase 4 of this proceeding.



Conclusions of Law

1. Phase 4 rate design hearings should be terminated.
2. Rate design issues in PG&E's next ECAC proceeding in 1988 should be limited to the same scope as Phase 2 of this proceeding.
3. Should there be special circumstances that require the scope of rate design hearings in PG&E's 1988 ECAC proceeding to be extended, a petition setting forth the reasons may be filed requesting modification of this decision.
4. Because this opinion has been served on the parties for comment, it should be effective today.

INTERIM ORDER

IT IS ORDERED that rate design hearings in Phase 4 of Pacific Gas and Electric Company's (PG&E) Application (A.) 87-04-035 are terminated. This proceeding should remain open to complete hearings on reasonableness issues and PG&E's time-of-use meter program for residential and agricultural customers.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.