ALJ/KIM/btr

Decision 89 09 087 SEP 27 1989

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for authority to revise its gas rates and tariffs effective January 1, 1989, pursuant to Decision Nos. 87-12-039 and 88-07-070.	Application 88-09-032 (Filed September 15, 1988)

O P I N I O N

This decision addresses two petitions for modification of Decision (D.) 89-05-073, our order in Pacific Gas and Electric Company's (PG&E) annual cost allocation proceeding (ACAP) for test year 1989. PG&E filed a petition on July 13, 1989. The California Industrial Group (CIG) filed a petition on July 14, 1989.

PG&E's Petition for Modification

PG&E requests that we modify D.89-05-073 by establishing a balancing account for that portion of PG&E's noncore gas revenue requirement attributable to the inclusion of "exit costs" in the calculation of the discount adjustment factor. If the Commission concludes in PG&E's next ACAP that exit costs should be excluded or reduced in calculating the discount adjustment factor, a corresponding portion of the balancing account amounts would be added to PG&E's revenue requirement. PG&E requests this change because of "unsubstantiated and conflicting" evidence on the subject of exit charges.

Division of Ratepayer Advocates (DRA), CIG, and Toward Utility Rate Normalization (TURN) all filed responses to PG&E's petition opposing the change. TURN states that implementing a balancing account at this time would provide unwarranted revenue protections to PG&E, and would increase the complexity of Commission proceedings. TURN also comments that counterbalancing events offset any adverse impacts for which PG&E may now be concerned. Specifically, the shutdown of Rancho Seco which increases PG&E's utility electric generating (UEG) throughput above forecasted amounts and thereby increases revenues.

DRA agrees with TURN's comments and adds that increased risk does not justify the establishment of another balancing account.

CIG comments that a balancing account is beyond the scope of the record, and that such an account would unfairly insulate PG&E from risk of revenue recovery. CIG argues the decision's treatment of exit costs is fully supported by the record.

We agree with TURN, DRA and CIG that D.89-05-073 is supported by the record and that nothing in the record suggests the establishment of a balancing account. PG&E's argument that it should be shielded from risk of recovery because the record was "conflicting" is unconvincing. Conflict exists in the ACAP record on dozens of issues. As DRA points out, the existence of conflict in a proceeding is the very reason we hold hearings and issue formal decisions. We will deny PG&E's petition for modification.

CIG's Petition for Modification

CIG's petition requests that the Commission reconsider its decision to allocate Negotiated Revenue Stability Account (NRSA) balances entirely to the noncore class. CIG believes the purpose of the account is to place both core and noncore customers in the same position in which they would have been if ACAP forecasts had been correct. The Commission's decision to allocate all undercollections to noncore customers is contrary to the intent of the account according to CIG, and perpetuates a spiral of noncore rate increases triggered by an erroneous throughput forecast.

DRA supports CIG's petition essentially on the grounds that an overcollection in the NRSA account, were it to occur, would accrue to noncore ratepayers. Under the adopted proposal, benefits accruing to the core, by way of the discount adjustment mechanism, are diluted by comparison.

We do not see any reason to change our adopted allocation at this time, and believe it is consistent with our adopted policies. We remind CIG that noncore customers will realize rate reductions if and when the NRSA account is overcollected in future ACAPs, as DRA points out.

Findings of Fact

1. PG&E has not demonstrated that it should be permitted to establish a balancing account to track revenue requirement associated with "exit costs."

2. The record in Application 88-09-032 does not support the establishment of a balancing account for tracking revenue requirement associated with "exit costs."

3. CIG has not demonstrated that the Commission's decision to allocate to noncore customers undercollections in the NRSA account is unreasonable or inequitable since overcollections in the NRSA account would also accrue to noncore ratepayers.

Conclusions of Law

1. PG&E's petition to modify D.89-05-073 should be denied.

2. CIG's petition to modify D.89-05-073 should be denied.

O R D E R

IT IS ORDERED that

1. Pacific Gas and Electric Company's petition to modify Decision (D.) 89-05-073 is denied.

2. California Industrial Group's petition to modify D.89-05-073 is denied.

This order is effective today.

Dated September 27, 1989, at San Francisco, California.

G. MITCHELL WILK
President
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

Commissioner Frederick R. Duda, being necessarily absent, did not participate.

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

Wesley Franklin

WESLEY FRANKLIN, Acting Executive Director

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