

Decision 90 03 036 MAR 14 1990

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
Pacific Gas and Electric Company for)
authority, among other things, to)
increase its rates and charges for)
steam service provided by the)
San Francisco Steam Sales System.)

Application 89-06-001
(Filed June 5, 1989)

Shirley Woo, Attorney at Law, for applicant.
Alberto Guérrero, Attorney at Law, and
Maurice D. Monson, for Division of Ratepayer
Advocates.

O P I N I O N

Pacific Gas and Electric Company (PG&E) is a public utility which is principally engaged in the business of furnishing electric and natural gas service in California. It also produces and sells steam to approximately 200 customers in the City and County of San Francisco. Most of its steam customers consist of large apartment houses, hotels, commercial enterprises, and social clubs which are located in the downtown area of San Francisco.

PG&E requests authority to increase its rates and charges for its steam service by a total of \$3,775,900 to be phased in over a 4-year period as follows:

<u>Test Year</u>	<u>Amount</u>	<u>Percentage</u>
1990	\$ 838,300	16.94%
1991	\$ 892,300	14.96%
1992	\$ 956,300	13.54%
1993	\$1,089,000	13.18%

The amount of increases for test years 1991 thru 1993 would be implemented through the attrition mechanism and would be subject to change.

PG&E alleges that for the first three test years the requested increases are not designed to produce its full revenue requirement increase. PG&E's last general rate increase was granted by Decision (D.) 91325 dated February 13, 1980 in Application (A.) 57202. Since that time the only rate relief for PG&E's steam department has been through annual fuel cost adjustments.

Subsequent to the filing of the application, the Commission's Division of Ratepayer Advocates (DRA) conducted an examination of PG&E's operations. The results of DRA's examination together with its recommendations were set forth in a report which was transmitted to PG&E on or about November 19, 1989.

Notices of the filing of the application and the date of the public hearing were mailed to all customers.

Prehearing conferences were held at San Francisco on September 18, and November 8, 1989. Public hearings for the receipt of evidence, including testimony and/or statements from PG&E's customers, were held before Administrative Law Judge O'Leary at San Francisco on December 11 and 14, 1989. The matter was submitted at the conclusion of the December 14 hearing.

During the course of the hearings it was determined that DRA concurred with PG&E's proposal to increase revenues as set forth above, with the exception of 1993.

Table 1 sets forth results of operations at present and proposed rates for test year 1990.

Table 1

Pacific Gas and Electric Company
 San Francisco Steam Sales System
 Results of Operations - Non Fuel
 Test Year 1990
At Present and Proposed Rates

(000's of \$)

<u>Description</u>	<u>Present Rates</u>	<u>Proposed Rates</u>
Revenues	\$1,111.8	\$1,950.1
Operating Expenses		
Production	1,445.6	1,445.6
Distribution	625.3	625.3
Uncollectibles	2.3	4.0
Administrative and General	235.0	235.0
Franchises	9.5	16.7
Wage Change Impacts	76.0	76.0
Other Price Change Impacts	80.2	80.2
Subtotal Expenses	\$2,473.9	\$2,482.8
Taxes		
Property	109.0	109.0
Payroll	91.3	91.3
State Corporation Franchise	-239.7	-162.6
Federal Income	-707.1	-451.3
Total Taxes	-746.5	-413.6
Depreciation	336.7	336.7
Total Operating Expenses	\$2,064.0	\$2,405.9
Net for Return	-952.2	-455.8
Rate Base	\$9,670.1	\$9,670.4
Rate of Return		
On Rate Base	-9.85%	-4.71%
On Equity	-31.61%	-20.63%

Table 2 sets forth the present rates and the proposed rates for test year 1990 which were agreed upon between PG&E and DRA to produce the additional revenue requirement.

Table 2

<u>Description</u>	<u>Present Rate</u>	<u>Proposed Rate</u>
Monthly Customer Charge	\$7.00	\$ 20.00
Commodity Rate		
1. Nonfuel (\$/mlb)	\$5.409	\$ 2.954
2. Fuel (\$/mlb)	\$3.816	\$ 7.524
3. CPUC Fee (\$/mlb)	\$0.014	\$ 0.014
Total Commodity Rate	\$9.239	\$ 10.492

PG&E and DRA also agree that for the years 1991 through 1993 the monthly customer charge should be increased by \$10 in each year resulting in monthly customer charges as follows:

<u>Test Year</u>	<u>Monthly Customer Charge</u>
1991	\$30
1992	\$40
1993	\$50

PG&E also proposes that future increases for its Steam Sales System be incorporated in its electric and gas general rate applications commencing with its 1993 test year application. It is possible that the 1993 test year application may have to be postponed until 1994. The postponement may be necessary because personnel resources of the Commission including DRA may be unavailable to perform the necessary tasks associated with all of the scheduled major utility general rate applications in the immediate future because of the assignment of personnel to the Southern California Edison/San Diego Gas and Electric Company merger proceeding.

In the event such a postponement occurs DRA recommends that the attrition increases for 1993 be limited to the forecast level set forth herein of \$1,089,000. Should PG&E require more than the \$1,089,000 DRA proposes that PG&E should file another

general rate application for its Steam Sales System which application would be limited to test year 1993.

A general rate proceeding entails much more staff work than an attrition filing. At a time when we may well be experiencing a shortage of personnel to assign to work on a general rate proceeding because of the impact of the merger proceeding discussed above, it would be foolhardy to take on an additional general rate proceeding in lieu of an attrition filing. We will authorize the attrition filing for test year 1993 should the PG&E electric and gas general rate proceeding be postponed until 1994. Said filing will not be subject to the \$1,089,000 cap recommended by DRA.

PG&E and DRA agreed to waive the requirement set forth in Public Utilities Code § 311 (d) that: "The Commission shall issue its decision not sooner than 30 days following and service of the proposed decision by the administrative law judge,"

Comments to the Proposed Decision

The ALJ's proposed decision was filed and mailed to the parties on February 14, 1990. Comments on the proposed decision were filed by DRA and PG&E. The comments suggest clarification of the ALJ's proposed decision concerning specific guides which can be used for the authorized attrition filings and whether the proposed DRA attrition cap for test year 1993 is being adopted. This decision makes changes in the ALJ's proposed decision to clarify these two areas.

Findings of Fact

1. By this application PG&E seeks authority to increase its rates for its Steam Sales System to be phased in over a four-year period as follows:

<u>Test Year</u>	<u>Amount</u>	<u>Percentage</u>
1990	\$ 838,300	16.94%
1991	\$ 892,300	14.96%
1992	\$ 956,300	13.54%
1993	\$1,089,000	13.18%

2. The proposed increases for test years 1991 through 1993 as shown in PG&E and DRA Comparison Exhibit 9 would be implemented through the attrition mechanism and would be subject to change as provided for in Commission D.85-12-076.

3. PG&E will not earn its authorized rate of return on rates even with the increases until the increases for 1993 are implemented.

4. PG&E's last general rate increase for its Steam System was granted by D.91325 dated February 13, 1980 in A.57202. Since that time the only rate relief for PG&E's steam department has been through annual fuel cost adjustments.

5. Properly noticed hearings were held at which all interested parties had an opportunity to be heard.

6. The rate design set forth in Appendix A attached hereto is reasonable and should be adopted.

7. The rates and rate designs shown in Appendix A will produce additional annual revenue of \$838,300.

8. The increase in rates and charges authorized by this decision are justified and are reasonable, and the present rates and charges insofar as they differ from those prescribed by this decision are for the future unjust and unreasonable.

Conclusions of Law

1. PG&E should be authorized to place into effect the increased rates found to be reasonable in the findings set forth above.

2. PG&E should be authorized to file increases for test years 1991 and 1992 through the attrition mechanism as shown in PG&E and DRA Comparison Exhibit 9 and subject to change as provided for in Commission D.85-12-076.

3. PG&E should be ordered to incorporate future requests for general increases in its Steam Sales System in its electric and gas general rate applications commencing with its 1993 test year application.

4. Should PG&E's test year 1993 electric and gas application be postponed until 1994, PG&E should be authorized to seek the increases for test year 1993 in its Steam Sales System through the attrition mechanism as shown in PG&E and DRA Comparison Exhibit 9 and subject to change as provided for in Commission D.85-12-076 and not subject to the cap recommended by DRA.

5. Since there is an immediate need for the relief sought herein this order should be effective on the date signed.

ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) is authorized to file revised rate schedules reflecting the rates and rate increases set forth in Appendix A to this decision and concurrently withdraw and cancel its presently effective schedules. Such filings shall comply with General Order 96-A and shall be effective 5 days after filing applicable to service on and after the effective date of the tariffs.

2. PG&E is authorized to file for rate increases for test years 1991 and 1992 through the attrition mechanism as shown in

PG&E and DRA Comparison Exhibit 9 and subject to change as provided for in Commission D.85-12-076.

3. Commencing with test year 1993 PG&E shall incorporate its Steam Sales System in its rate applications for electric and gas service.

4. In the event PG&E's rate application for test year 1993 is postponed until 1994, PG&E is authorized to file for rate increases for test year 1993 through the attrition mechanism as shown in PG&E and DRA Comparison Exhibit 9 and subject to change as provided for in Commission D.85-12-076 and not subject to the cap recommended by DRA.

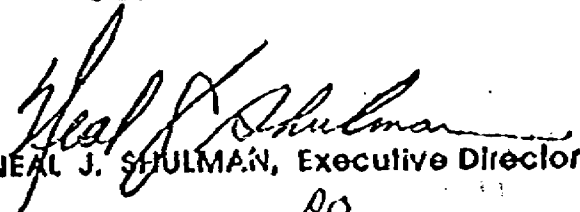
5. To the extent not granted herein Application 89-06-001 is denied.

This order becomes effective today.

Dated MAR 14 1990, at San Francisco, California.

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

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


NEAL J. SCHULMAN, Executive Director
RS

APPENDIX A

Schedule S-1--General Service

APPLICABILITY: This schedule is applicable to all steam service.

TERRITORY: Certain portions of the City and County of San Francisco.

RATES: Customer charge \$20.00
Commodity Charge (for all deliveries,
per 1,000 lbs.) \$10.492

The Commodity Charge shown above is
made up of the following components:

Base Rates \$ 2.954
Fuel Cost Adjustment (Preliminary
Statement, Part B) \$ 7.524
CPUC Reimbursement Fee* \$ 0.014

SPECIAL

CONDITIONS: Steam under the above rates is available
only on contract (Form 62-4530).

* In 1983 the Legislature established the Public Utilities (PU) Commission Reimbursement Fee to be paid by utilities to fund their regulation by the Commission (PU Code §§ 401-443). The fee is ordered by the Commission under authority granted by PU Code § 433. The fee is not applicable to interdepartmental sales or transfers and sales to electric, gas, or steam heat public utilities.

(END OF APPENDIX A)