

NOV 26 1990

Decision 90-11-078 November 21, 1990

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) (U 39 M)

And Related Matter.

ORIGINAL

Application 88-12-005
(Filed December 5, 1988)

I.89-03-033
(Filed March 22, 1989)

ORDER MODIFYING DECISION 89-12-057

This order grants in part Pacific Gas and Electric Company's (PG&E's) petition to modify Decision (D.) 89-12-057.

On April 20, 1990, PG&E filed a petition to modify D.90-04-021, our decision in PG&E's annual cost allocation proceeding (ACAP). According to PG&E, the purpose of the petition is to correct several computational errors in D.90-04-021.

On May 21, 1990, the Division of Ratepayer Advocates (DRA) filed a protest to PG&E's petition to modify D.90-04-021. While DRA believes that the matters in D.90-04-021 which PG&E seeks to correct are proper, DRA protests the petition because DRA believes that a similar computational error, which appears in the decision in PG&E's last general rate case (GRC), D.89-12-057, has not been corrected. The alleged error to which DRA refers involves the calculation of tax deductions for PG&E's Gas Department in 1990. DRA argues that it is only equitable to correct computational errors in D.89-12-057 at the same time that similar computational errors are corrected in D.90-04-021.

PG&E filed a response to DRA's protest on June 6, 1990. PG&E responded that it makes no sense to correct errors

in the GRC decision in an ACAP proceeding. PG&E requested that the Commission grant PG&E's petition to modify D.90-04-021 and dismiss DRA's Protest.

In response to DRA's concern about errors in the GRC decision, PG&E filed on July 6, 1990, a petition to modify D.89-12-057. PG&E's petition requests correction of a comprehensive list of alleged errors in D.89-12-057, including the alleged error raised by DRA in DRA's May 21 protest.

On August 6, 1990, DRA filed a response to PG&E's petition to modify D.89-12-057. DRA recommends that PG&E's petition be granted with respect to the 1990 Gas Department tax deduction issue. DRA recommends that the remaining portions of PG&E's petition to modify D.89-12-057 be denied.

Discussion

PG&E's petition to modify requests four changes in D.89-12-057:

1. The 1990 Gas Department tax deductions,
2. The amount of allocation for pensions and benefits attributable to Diablo Canyon,
3. The "Other Adjustments" line at page 28 of Appendix B, and
4. Certain 1991 attrition revenue requirement adjustments, including the level of SMUD discounted sales.

Gas Department tax deductions

The first of PG&E's proposed changes involves the 1990 Gas Department tax deductions. As noted by both DRA and PG&E, two errors appear in Appendix E of D.89-12-057 at page 17, in the line "Operating Expenses." Abandoned project amortization expense is mistakenly omitted as a deduction in the calculation of taxes from the 1990 results of operation. Correction of this omission will lower the Gas Department revenue requirement by \$4,618,000. In addition, the tax calculation also omits natural gas used by the

Gas Department. Correction of this error will increase the revenue requirement by \$96,000. The net effect of these two errors is to overstate the revenue requirement for the Gas Department by \$4,522,000 in 1990. These two items were contemplated by both DRA and PG&E as operating expenses, but were inadvertently omitted when the tables to D.89-12-057 were prepared. In fact, PG&E noted the error in its December 4, 1989 comments on the proposed decision, but unfortunately, the error was not corrected.

We will order that Appendix E of D.89-12-057, at page 17 should be revised to include natural gas used by the Gas Department and abandoned project amortization as income tax deductions. The revenue requirement will be revised effective immediately. The resulting rate change should be consolidated with PG&E's pending attrition-year Advice Letter 1614-G.

Other alleged errors

As DRA correctly notes, the three other requested changes in PG&E's petition to modify D.89-12-057 were raised by PG&E in its application for rehearing of D.89-12-057, filed January 22, 1990. After carefully considering each and every point raised in PG&E's Application for Rehearing, we issued D.90-05-049, in which we found no grounds for modifying certain items, such as the allocation of pension costs, the "Other Adjustments" line item or the 1991 attrition revenue requirement. In summary, PG&E was afforded a full and fair opportunity to be heard on each of the items set forth in its application for rehearing. We rejected these contentions and PG&E did not seek further review or rehearing of D.90-05-049. Therefore, the findings and conclusions in D.90-05-049 are final, binding and conclusive, and may not be collaterally attacked by PG&E in a petition to modify D.89-12-057.

Findings of Fact

1. Two errors appear in Appendix E of D.89-12-057 at page 17, in the line "Operating Expenses".

2. Abandoned project amortization expense is mistakenly omitted as a deduction in the calculation of taxes from the 1990 results of operation. Correction of this omission will lower the Gas Department revenue requirement by \$4,618,000.

3. The tax calculation also omits natural gas used by the Gas Department. Correction of this error will increase the revenue requirement by \$96,000.

4. The net effect of these two errors is to overstate the revenue requirement for the Gas Department by \$4,522,000 in 1990.

5. These two items were contemplated by both DRA and PG&E as operating expenses, but were inadvertently omitted when the tables to D.89-12-057 were prepared.

6. All other alleged errors set forth in PG&E's petition to modify D.89-12-057 were previously raised by PG&E in its application for rehearing of D.89-12-057.

Conclusions of Law

1. D.89-12-057 should be modified to include in Appendix E, the natural gas used by the Gas Department and abandoned project amortization as income tax deductions.

2. PG&E is estopped from raising in its petition to modify D.89-12-057 the same issues which it raised in its application for rehearing of D.89-12-057, and which were fully considered by the Commission in D.90-05-049.

Therefore, good cause appearing IT IS ORDERED that D.89-12-057 is modified as follows:

1. Pacific Gas and Electric Company's (PG&E's) annual revenue requirement for the Gas Department shall be reduced by \$4,522,000, as shown in the modified Appendix E attached hereto, to reflect the effect of including the natural gas used by the Gas Department and abandoned project amortization as income tax deductions. The change in revenue requirement shall be effective today.

2. The rate change resulting from this decision shall be consolidated with rate changes resulting from PG&E's currently pending Advice Letter 1614-G.

3. Except as expressly provided herein, PG&E's petition to modify D.89-12-057 is denied.

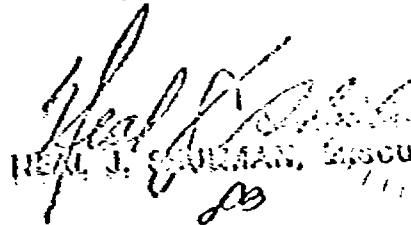
This order is effective today.

Dated November 21, 1990, 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 CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY


NEAL J. SULLIVAN, Executive Director

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
OPERATING REVENUES AT PRESENT RATES
Thousands Of 1990 Dollars
Test Year 1990

Description	Adopted
-----	-----
Residential	\$1,121,549
Core Commercial	455,883
Non-Core Commercial	21,121
Industrial	268,312
Long-Term Transportation Contracts	13,143
Cogeneration	150,221
Power Plants - UEG	386,329
Resale	21,619
Inter-Utility	13,785
Enhanced Oil Recovery	33,801
Other Operating Revenues	9,149

Total Operating Revenues	\$2,494,912
Less: Non-General Revenues	1,453,983

General Rate Case Revenues	\$1,040,929

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
CALCULATION OF FRANCHISE FEES AND UNCOLLECTIBLES
Thousands Of 1990 Dollars
Test Year 1990

Description	Adopted
-----	-----
At Present Rates	

Revenues at Current Rates	\$2,494,912
Less: Interdepartmental	397,516

Current Revenues from Customers	2,097,396
% of Revenues at Current Rates	84.07%

General Rate Case Revenues	\$1,040,929
% of Revenues at Current Rates	84.07%

Revenues from Customers	\$875,077
Uncollectibles Factor	0.00222

Uncollectibles	\$1,943
Revenues From Customers	\$875,077
Less: Uncollectibles	1,943

Net Revenues from Customers	\$873,134
Franchise Requirement Factor	0.00916

Franchise Requirements	\$7,994
Less: Sacramento Franchise Amort.	692

Total Franchise Requirements	\$7,302

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
PRODUCTION EXPENSE
(Thousands Of 1987 Dollars Unless Otherwise Indicated)
Test Year 1990

Account No.	Description	Adopted

Operation		

710.0	Supervision and Engineering	\$1
717.0	Liquefied Petroleum Gas	0
733.0	Gas Mixing	5
735.0	Miscellaneous Production	379
807.2	Purchased Gas Meas. Stations	686
807.4	Purchased Gas Calculation	724
807.5	Other Purchased Gas	421
813.0	Other Gas Supply	329

Total Operation		\$2,545
Maintenance		

740.0	Supervision and Engineering	10
741.0	Structures and Improvements	0
742.0	Production Equipment	1,254
411.7	Losses from Disp. of Plant	0

Total Maintenance		\$1,264
TOTAL PRODUCTION (1987\$)		\$3,809

Escalation Amounts, 1987 to 1990		
Labor		272
Non-Labor		196
Other		0
Total		\$468

TOTAL PRODUCTION (1990\$)		\$4,277

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
UNDERGROUND STORAGE EXPENSE
(Thousands Of 1987 Dollars Unless Otherwise Indicated)
Test Year 1990

Account No.	Description	Adopted
Operation		
814.0	Supervision and Engineering	\$68
815.0	Maps and Records	0
816.0	Wells	80
817.0	Lines	14
818.0	Compressor Station	791
819.0	Compressor Sta. Fuel and Power	2,854
820.0	Measuring & Regulating Station	239
821.0	Purification	3
824.0	Other	432
825.0	Storage Well Royalties	163
Total Operation		\$4,644
Maintenance		
830.0	Supervision and Engineering	37
831.0	Structures and Improvements	2,559
832.0	Reservoirs and Wells	145
833.0	Lines	66
834.0	Compressor Station Equipment	89
835.0	Measuring & Reg Station Equip.	16
836.0	Purification Equipment	301
837.0	Other Equipment	86
Total Maintenance		\$3,299
TOTAL UNDERGR. STORAGE (1987\$)		\$7,943
Escalation Amounts, 1987 to 1990		
	Labor	130
	Non-Labor	1,007
	Other	0
	Total	\$1,137
TOTAL UNDERGR. STORAGE (1990\$)		\$9,080

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
LOCAL STORAGE EXPENSE
(Thousands Of 1987 Dollars Unless Otherwise Indicated)
Test Year 1990

Account No.	Description	Adopted
	Operation	

840.0	Supervision & Engineering	\$16
841.0	Operation Labor and Expenses	33
842.1	Fuel	0
842.2	Power	150

	Total Operation	\$199
	Maintenance	

843.1	Supervision and Engineering	33
843.2	Structures and Improvements	0
843.4	Gas Holders	133
843.9	Other Equipment	1
843.9	Compressor Equipment	12

	Total Maintenance	\$179
	TOTAL LOCAL STORAGE (1987\$)	\$378

	Escalation Amounts, 1987 to 1990	
	Labor	13
	Non-Labor	40
	Other	0
	Total	\$53

	TOTAL LOCAL STORAGE (1990\$)	\$431

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
TRANSMISSION EXPENSE
(Thousands Of 1987 Dollars Unless Otherwise Indicated)
Test Year 1990

Account No.	Description	Adopted
-----		-----
	Operation	

850.0	Supervision and Engineering	\$3,628
851.0	System Con. & Load Dispatch	3,629
853.0	Compressor Station	4,152
855.0	Other Fuel & Power for Compr.	294
856.0	Mains Expense	1,694
856.0	Removal of Condensate	(100)
857.0	Measuring & Reg. Station Exp.	2,752
858.0	Trans & Comp of Gas by Others	0
859.0	Transmission Maps and Records	247
859.0	Other Expenses	3,140
859.0	Joint Expenses	1,468
860.0	Rents	88

	Total Operation	\$20,992
	Maintenance	

861.00	Supervision and Engineering	1,299
862.00	Structures and Improvements	95
863.00	Mains	2,229
864.00	Compressor Station Equipment	6,107
865.00	Measuring & Reg Station Equip.	1,145
867.00	Other Equipment	122

	Total Maintenance	\$10,997

	TOTAL TRANSMISSION (1987\$)	\$31,989
	Escalation Amounts, 1987 to 1990	
	Labor	2,034
	Non-Labor	2,001
	Other	0
	Total	\$4,036

	TOTAL TRANSMISSION (1990\$)	\$36,024

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
DISTRIBUTION EXPENSE
(Thousands Of 1987 Dollars Unless Otherwise Indicated)
Test Year 1990

Account No.	Description	Adopted
-----		-----
Operation		

870.0	Supervision and Engineering	\$9,853
871.0	Load Dispatching	629
874.0	Mains and Services	2,130
875.0	Meas & Reg Station - General	580
876.0	Meas & Reg Station - Industrial	805
878.0	Rem & Res Meters & Regulators	19,383
878.0	Miscellaneous Meter Expenses	745
879.0	Cust. Instal. Exp. - General	15,138
880.0	Maps and Records	3,644
880.0	Other Expenses	21,331
881.0	Rents	156

Total Operation		\$74,394
Maintenance		

885.00	Supervision and Engineering	4,160
886.00	Structures and Improvements	4
887.00	Mains - Leak Clamps	2,704
887.00	Mains - Other	11,779
888.00	Compressor Station Equipment	0
889.00	Meas & Reg Station - General	1,653
890.00	Meas & Reg Station - Industrial	942
892.00	Services	9,020
893.00	Meters	3,608
893.00	House Regulators	972
894.00	Other Equipment	339

Total Maintenance		\$35,181

TOTAL DISTRIBUTION (1987\$)		\$109,575

Escalation Amounts, 1987 to 1990		
	Labor	7,561
	Non-Labor	5,989
	Other	0
	Total	\$13,550

TOTAL DISTRIBUTION (1990\$)		\$123,125

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
CUSTOMER ACCOUNTS EXPENSE
(Thousands Of 1987 Dollars Unless Otherwise Indicated)
Test Year 1990

Account No.	Description	Adopted
901.0	Supervision	\$3,344
902.0	Meter Reading Expenses	15,542
903.0	Customer Contracts and Orders	19,393
903.0	Customer Billing & Accounting	7,609
903.0	Mailing Customer Bills	\$5,893
903.0	Collecting Expenses	14,095
904.0	Uncollectible Accounts	1,943
905.0	Misc. Customer Accounts Exp.	7,403
905.0	Rents	48
	TOTAL CUSTOMER ACCTS. (1987\$)	\$75,270
	Total (Less Uncollectibles)	\$73,327
	Escalation Amounts, 1987 to 1990	
	Labor	5,869
	Non-Labor	2,009
	Other	0
	Total	\$7,877
	TOTAL CUSTOMER ACCTS. (1990\$)	\$83,147
	Total (Less Uncollectibles)	\$81,204

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
DEMAND-SIDE MANAGEMENT EXPENSES
(Thousands Of 1987 Dollars Unless Otherwise Indicated)
Test Year 1990

Account No.	Description	Adopted
	Residential & Non-Residential Conservation, Service Planning, and Measurement and Evaluation	
907.0	Supervision	\$1,093
908.0	Customer Assistance Expense	30,186
909.0	Informational & Instructional Exp	916
910.0	Miscellaneous	1,488
	Subtotal	33,683
	Load Retention & Load Bldg. Exp.	
911.0	Supervision	\$253
912.0	Demonstrating & Selling	1,012
913.0	Advertising	0
916.0	Miscellaneous	641
916.0	Rents	0
	Subtotal	1,906
	TOTAL DEMAND-SIDE MGMT (1987\$)	\$35,589
	Escalation Amounts, 1987 to 1990	
	Labor	1,047
	Non-Labor	3,674
	Other	0
	Total	\$4,720
	TOTAL DEMAND-SIDE MGMT (1990\$)	\$40,309

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
ADMINISTRATIVE & GENERAL EXPENSES
(Thousands Of 1987 Dollars Unless Otherwise Indicated)
Test Year 1990

Account No.	Description	Adopted
-----		-----
	Operation	

920.0	Administrative & Gen. Salaries	\$49,489
921.0	Office Supplies and Expenses	17,583
922.0	Admin. & Gen. Transfer Credit	(12,274)
923.0	Outside Services Employed	4,741
924.0	Property Insurance	1,605
925.0	Injuries and Damages	11,036
926.0	Employee Pensions and Benefits	63,394
927.0	Franchise Requirements	7,302
928.0	Regulatory Commission Expenses	62
930.0	Regulatory Commission Expenses	7,042
930.0	Regulatory Commission Expenses	3,181
930.2	Other Misc. General Expenses	0
931.0	Rents	8,061

	Total Operation	\$161,222
	Maintenance	

932.0	Maintenance of General Plant	1,609

	Total Maintenance	1,609

	TOTAL ADMIN. & GEN. (1987\$)	\$162,831
	Total (Less Franchise Req.)	\$155,528

	Escalation Amounts, 1987 to 1990	
	Labor	4,789
	Wage-related	3,272
	Non-Labor	5,105
	Other	0
	Total	\$13,166

	TOTAL ADMIN. & GEN. (1990\$)	\$175,997
	Total (Less Franchise Req.)	\$168,694

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
EXPENSE SUMMARY
(Thousands Of 1987 Dollars Unless Otherwise Indicated)
Test Year 1990

Description	Adopted

TOTAL NON-ESCALATED (1987\$)	

Production	\$3,809
Underground Storage	7,943
Local Storage	378
Transmission	31,989
Distribution	109,575
Customer Accounts	75,270
Demand-Side Management	35,589
Administrative and General	162,831
Other Adjustments	(6,520)

Total Non-Escalated (1987\$)	\$420,863
TOTAL ESCALATED (1990\$)	

Production	4,277
Underground Storage	9,080
Local Storage	431
Transmission	36,024
Distribution	123,125
Customer Accounts	83,147
Demand-Side Management	40,309
Administrative and General	175,997
Other Adjustments	(7,221)

Total Escalated (1990\$)	\$465,169
TOTAL ESCALATION (1987\$ to 1990\$)	

Production	468
Underground Storage	1,137
Local Storage	53
Transmission	4,036
Distribution	13,550
Customer Accounts	7,877
Demand-Side Management	4,720
Administrative and General	13,166
Other Adjustments	(701)

Total Escalation	\$44,306

PACIFIC GAS AND ELECTRIC COMPANY

Gas Department

LABOR SUMMARY

(Thousands Of 1987 Dollars Unless Otherwise Indicated)
Test Year 1990

Description	Adopted

LABOR NON-ESCALATED (1987\$)	

Production	\$2,528
Underground Storage	1,210
Local Storage	118
Transmission	18,927
Distribution	70,345
Customer Accounts	54,600
Demand-Side Management	9,737
Administrative and General	44,553
Other Adjustments	(6,520)

Total Non-Escalated Labor	\$195,498
Wage-related A&G	30,438
Total	225,936
Labor Escalation Factor	1.10749
LABOR ESCALATED (1990\$)	

Production	2,800
Underground Storage	1,340
Local Storage	131
Transmission	20,961
Distribution	77,906
Customer Accounts	60,469
Demand-Side Management	10,784
Administrative and General	49,341
Other Adjustments	(7,221)

Total Non-Escalated Labor	\$216,512
Wage-related A&G	33,710
Total	\$250,221
LABOR ESCALATION (1987\$ to 1990\$)	

Steam Production	272
Nuclear Production	130
Hydraulic Production	13
Transmission	2,034
Distribution	7,561
Customer Accounts	5,869
Customer Service & Informational	1,047
Administrative and General	4,789
Other Adjustments	(701)

Total Labor Escalation	\$21,014
Wage-related A&G	3,272
Total	\$24,285

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
NON-LABOR SUMMARY
(Thousands Of 1987 Dollars Unless Otherwise Indicated)
Test Year 1990

Description	Adopted
-----	-----
NON-LABOR NON-ESCALATED (1987\$)	

Production	\$1,281
Underground Storage	6,570
Local Storage	260
Transmission	13,062
Distribution	39,089
Customer Accounts	13,110
Demand-Side Management	23,978
Administrative and General	33,321
Other Adjustments	0

Total Non-Escalated Non-Labor	\$130,671
Non-Labor Escalation Factor	1.15321
NON-LABOR ESCALATED (1990\$)	

Production	1,477
Underground Storage	7,577
Local Storage	300
Transmission	15,063
Distribution	45,078
Customer Accounts	15,119
Demand-Side Management	27,652
Administrative and General	38,426
Other Adjustments	0

Total Escalated Non-Labor	\$150,691
NON-LABOR ESCALATION (1987\$ to 1990\$)	

Production	196
Underground Storage	1,007
Local Storage	40
Transmission	2,001
Distribution	5,989
Customer Accounts	2,009
Demand-Side Management	3,674
Administrative and General	5,105
Other Adjustments	0

Total Non-Labor Escalation	\$20,020
Other Taxes	0

Total Non-Labor Escalation	\$20,020

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
OTHER SUMMARY
(Thousands Of 1987 Dollars Unless Otherwise Indicated)
Test Year 1990

Description	Adopted
-----	-----
OTHER NON-ESCALATED (1987\$)	

Production	\$0
Underground Storage	163
Local Storage	0
Transmission	0
Distribution	141
Customer Accounts	7,560
Demand-Side Management	1,874
Administrative and General	54,519
Other Adjustments	0

Total Non-Escalated Other	\$64,257
Other Escalation Factor	1.0000
OTHER ESCALATED (1990\$)	

Production	0
Underground Storage	163
Local Storage	0
Transmission	0
Distribution	141
Customer Accounts	7,560
Demand-Side Management	1,874
Administrative and General	54,519
Other Adjustments	0

Total Escalated Other	\$64,257
OTHER ESCALATION (1987\$ to 1990\$)	

Production	0
Underground Storage	0
Local Storage	0
Transmission	0
Distribution	0
Customer Accounts	0
Demand-Side Management	0
Administrative and General	0
Other Adjustments	0

Total Other Escalation	\$0

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
TAXES OTHER THAN ON INCOME
Thousands Of 1990 Dollars
Test Year 1990

Description	Adopted
-----	-----
Ad Valorem Taxes	

Ca., Ariz., N.M., Nev.	\$23,492

Total Ad Valorem Taxes	23,492
 Payroll Taxes	

Federal Insurance Contrib. Act	16,585
Federal Unemployment Insurance	302
State Unemployment Insurance	414
San Francisco Payroll Tax	1,150

Total Payroll Taxes	18,450
 Miscellaneous Taxes	

Business and Other	639

Total Miscellaneous Taxes	639

Total Taxes OTOI	\$42,581

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
INCOME TAX ADJUSTMENTS
Thousands Of 1990 Dollars
Test Year 1990

Description	Adopted
-----	-----
California Income Tax Adjustments	

Tax Depreciation	\$142,338
Interest Charges	93,625
Fiscal/Calendar Adjustment	1,322
Operating Expense Adjustments	(315)
Capitalized Interest Adjustment	(7,157)
Capitalized Inventory Adjustment	(14,025)
Vacation Accrual Reduction	(1,590)
Ad Valorem Taxes Capitalized	58
Capitalized Pension and Benefits	1,502
Removal Cost	5,180
Repair Allowance	580

	\$221,518
Federal Income Tax Adjustments	

Tax Depreciation	124,658
Fiscal/Calendar Adjustment	1,322
Operating Expense Adjustments	(315)
Interest Charges	93,625
Capitalized Interest Adjustment	(7,157)
Capitalized Inventory Adjustment	(14,025)
Vacation Accrual Reduction	(1,590)
Ad Valorem Taxes Capitalized	58
Capitalized Pension and Benefits	1,502
Removal Cost	5,180
Repair Allowance	160
Preferred Dividend Credit	485

	\$203,903

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
TAXES ON INCOME - ADOPTED RATES
Thousands Of 1990 Dollars
Test Year 1990

Description	Adopted
-----	-----
California Corporation Franchise Tax	

Operating Revenues	\$1,040,929
Operating Expenses	471,830
Taxes Other Than On Income	42,581
Income Tax Adjustments	221,518
Superfund tax	353

California Taxable Income	\$304,647
CCFT Tax Rate	9.30%

CCFT	\$28,332
CCFT CREDITS	
Defense Facilities Credit	(2)
Deferred Taxes - Other	(3)
Deferred Taxes - Interest	(666)
Deferred Taxes - Vacation	(148)

TOTAL CCFT	\$27,513
Federal Income Tax	

Operating Revenues	\$1,040,929
Operating Expenses	471,830
Taxes Other Than On Income	42,581
CCFT	28,332
Income Tax Adjustments	203,903
Superfund tax	353

Federal Taxable Income	\$293,930
FIT Tax Rate	34.00%

FIT	\$99,936
FIT CREDITS	
Flowback of Excess Def'd Taxes	(466)
Defense Facilities Credit	(16)
Deferred Taxes - Other	45
Deferred Taxes - Interest	(2,207)
Deferred Taxes - Vacation	(490)

TOTAL FIT	96,802

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
DEPRECIATION EXPENSE
Thousands Of 1990 Dollars
Test Year 1990

Description	Adopted
-----	-----
Production	61
Underground Storage	6,482
Local Storage	2,290
Transmission	33,679
Distribution	114,414
General Plant	1,031
Common Plant	29,705
6/7 Interest in Stanpac	334

Subtotal	\$187,996

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
DEPRECIATION RESERVE
Thousands Of 1990 Dollars
Test Year 1990

Description	Adopted
-----	-----
Depreciation Reserve - BOY	

Production	\$734
Underground Storage	60,249
Local Storage	4,428
Transmission	392,554
Distribution	989,340
General Plant	11,309
Common Plant	190,242
6/7 Interest in Stanpac	3,785
-----	-----
Depreciation Reserve - BOY	\$1,652,641
Other Adjustments (excl. Depr. expense)	

Production	\$0
Underground Storage	546
Local Storage	796
Transmission	2,107
Distribution	26,796
General Plant	19
Common Plant	(5,682)
6/7 Interest in Stanpac	734
-----	-----
Other Adjustments (excl. depr.)	30,264
Depreciation Reserve - EOY	

Production	\$795
Underground Storage	\$66,185
Local Storage	\$5,922
Transmission	\$424,126
Distribution	\$1,076,958
General Plant	\$12,321
Common Plant	\$225,629
6/7 Interest in Stanpac	\$3,385
-----	-----
Depreciation Reserve - EOY	1,815,321
-----	-----
Depreciation Reserve - Wtd. avg.	\$1,733,981

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
GAS PLANT IN SERVICE - EOY
Thousands Of 1990 Dollars
Test Year 1990

Description -----	Adopted -----
Plant in Service - BOY -----	
Intangibles	659
Production	1,419
Underground Storage	199,865
Local Storage	20,444
Transmission Plant	869,199
Distribution Plant	2,184,119
General Plant	26,605
Common Plant	517,875
6/7 Interest in Stanpac	17,270

Total Plant in Service : BOY	3,837,455
 Plant in Service - Net Additions -----	
Intangibles	0
Production	185
Underground Storage	11,575
Local Storage	(681)
Transmission Plant	123,135
Distribution Plant	141,590
General Plant	247
Common Plant	69,472
6/7 Interest in Stanpac	6,335

Total Net Additions	351,858
 Plant in Service - EOY -----	
Intangibles	659
Production	1,604
Underground Storage	211,440
Local Storage	19,763
Transmission Plant	992,334
Distribution Plant	2,325,709
General Plant	26,852
Common Plant	587,347
6/7 Interest in Stanpac	23,605

Total Plant in Service : EOY	4,189,313

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
GAS PLANT IN SERVICE - WTD. AVG.
Thousands of 1990 Dollars
Test Year 1990

Description	Adopted
-----	-----
Plant in Service - BOY	

Intangibles	\$659
Production	1,419
Underground Storage	199,865
Local Storage	20,444
Transmission Plant	869,199
Distribution Plant	2,184,119
General Plant	26,605
Common Plant	517,875
6/7 Interest in Stanpac	17,270
-----	-----
Total Plant in Service : BOY	3,837,455
Plant in Service - Weighted Average Net Additions	

Intangibles	\$0
Production	92
Underground Storage	4,434
Local Storage	(337)
Transmission Plant	53,778
Distribution Plant	69,234
General Plant	122
Common Plant	26,850
6/7 Interest in Stanpac	3,145
-----	-----
Total Wtd. Avg. Net Additions	157,318
Total Plant in Service - Weighted Average	

Intangibles	\$659
Production	1,511
Underground Storage	204,299
Local Storage	20,107
Transmission Plant	922,977
Distribution Plant	2,253,353
General Plant	26,727
Common Plant	544,725
6/7 Interest in Stanpac	20,415
-----	-----
Total Plant in Service : Wtd. Avg.	3,994,773

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
WEIGHTED AVERAGE DEPRECIATED RATE BASE
Thousands Of 1990 Dollars
Test Year 1990

Description	Adopted

FIXED CAPITAL @ BEGINNING OF YEAR	

Plant in Service - BOY	\$3,837,455
Common Plant Held for Future Use	11

Total Fixed Capital - BOY	\$3,837,466
WTD. AVG. NET ADDITIONS	

Plant in Service - Wtd. Avg. Additions	157,318
Common Plant Held for Future Use	0

Total Wtd. Avg. Additions	\$157,318

Tot. Wtd. Avg. Fixed Capital	\$3,994,784
TAX REFORM ACT ADJUSTMENTS	

Deferred Capitalized Interest	5,225
Deferred Vacation	11,535
Deferred CIAC Tax Effects	6,896

Total Tax Reform Act Adjustments	\$23,656
ADJUSTMENTS	

Cust. Adv. for Construction	(48,231)

Total Adjustments	(\$48,231)
WORKING CAPITAL	

Gas Line Pack	8,639
Materials & Supplies	23,057
Working Cash	48,797

Total Working Capital	\$80,493
Tot. Before Ded. for Reserves	\$4,050,702
DEDUCTIONS FOR RESERVES	

Wtd. Avg. Dépreciation Reserve	1,733,981
Taxes Def. - Défense	18
Taxes Def. - ACRS/MACRS	118,497
Taxes Def. - Other	(2,550)
Deferred ITC	63,196

Total Ded. for Reserves	\$1,913,142

Weighted Average Depreciated Rate Base	\$2,137,560

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
DETERMINATION OF AVERAGE AMOUNTS OF WORKING
CASH CAPITAL SUPPLIED BY INVESTORS
Thousands Of 1990 Dollars
Test Year 1990

Description	Adopted
Operational Cash Requirements	
Cash	37,440
Special Deposits and Working Funds	4,058
Other Receivables	29,219
Prepayments	10,721
Deferred Debits, Company-Wide	4,166
Total	\$85,604
Less: Amounts Not Supplied By Investors	
Accrued Vacation & Empl. Withholdings	88,522
Credit recd. for capitlized supplies	22,033
Total	\$110,555
Subtotal, Total Company	(\$24,951)
Gas Department Allocation Percentage	33.16%
Gas Department Allocation	(8,274)
Franchise Fee Amortization	(1,643)
Deferred Debits - Gas Department	58
Total Operational Cash Requirement	(\$9,859)
Plus: Average Amount Required	
Avg. Amt. Req. as a Result of Paying Expenses in Advance of Collecting Revenues	58,656
Total	\$58,656
Average Net Amount of Working Cash Capital Supplied by Investors	\$48,797

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
DEVELOPMENT OF AVERAGE LAG IN PAYMENT OF EXPENSES
Thousands Of 1990 Dollars
Test Year 1990

Description	Expense	Average Lag Days	Product
-----	-----	-----	-----
	(A)	(B)	(C=AxB)
Natural Gas Purchase	1,130,835	37.08	41931362
Federal Income Tax	110,879	98.96	10972594
Ad Val. Tax	23,492	43.74	1027519
Payroll	242,716	14.20	3446570
Franchise Requiremen	16,336	255.41	4172492
Goods and Services	102,435	32.94	3374212
Pensions	22,622	-3.92	-88677
S.F. Payroll Expense	1,150	137.37	158029
FICA Tax	16,585	6.64	110123
Federal Unempl. Tax	302	73.93	22304
State Unempl. Tax	414	75.66	31288
Group Life Insurance	3,175	-18.84	-59824
State Corp. Tax	31,548	80.33	2534273
Depreciation	187,996	0.00	0
Materials From Store	40,034	0.00	0
Insurance and Casual	12,641	18.84	238156
Income Taxes Deferre	11,628	0.00	0
Abandoned Project Am	6,802	0.00	0
Savings Fund Plan	5,371	0.00	0
Health Vision Dental	27,569	8.21	226343
Adj. to ERTA Tax Bas	(15,581)	98.96	-1541882
	-----		-----
TOTAL	1978949		66554882

Exp. Lag Days 33.63 = (C)/(A)
 Revenue Lag Days 44.45
 Adj. to Rate Bas 58,656

Rate Base Factor 2,078,904

 New Rate Base \$2,137,560

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
SUMMARY OF EARNINGS AT ADOPTED PRESENT RATE
REVENUES AND EXPENSES
(Thousands Of 1990 Dollars Unless Otherwise Indicated)
Test Year 1990

Description	Adopted
-----	-----
Operating Revenues	

Revenues	\$1,040,929

Total Operating Revenues	\$1,040,929
Operating Expenses	

Production	12,130
Transmission	31,989
Distribution	109,575
Customer Accounts	73,327
Uncollectibles	1,943
Customer Service & Informational	35,589
Administrative & General	155,528
Franchise Requirements	7,302
Other Adjustments	(6,520)

Subtotal (1987 Dollars)	\$420,863
Labor Escalation Amount	24,285
Non-Labor Escalation Amount	20,020

Subtotal (1990 Dollars)	\$465,169
Natural Gas Used by the Gas Department	(141)
Project Amortization	6,802
Depreciation	187,996
Taxes Other Than On Income	42,581
Superfund tax	353
CA Corporation Franchise Tax	27,513
Federal Income Tax	96,802

Total Operating Expenses	\$827,076
Net Operating Income	\$213,853
Rate Base	2,137,560
Rate of Return	10.00%
-----	-----
Auth. Rate of Return :	10.96%
Net-to-Gross multiplier :	1.68845

Authorized incr. in Revenues :	\$34,483

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
ADOPTED SUMMARY OF EARNINGS
REVENUES AND EXPENSES
(Thousands Of 1990 Dollars Unless Otherwise Indicated)

Description -----	Adopted -----
Operating Revenues -----	
Adopted Present Rate Revenues	\$1,040,929
Authorized incr. in Revenues	34,483

Total Operating Revenues	\$1,075,412
Operating Expenses -----	
Production	13,787
Transmission	36,024
Distribution	123,125
Customer Accounts	81,204
Uncollectibles	2,007
Cust. Serv. & Inform.	40,309
Administrative & Gen.	168,694
Franchise Requirements	7,567
Other Adjustments	(7,221)

Subtotal (1990 Dollars)	\$465,498
Natural Gas Used by the Gas Department	(141)
Project Amortization	6,802
Depreciation	187,996
Taxes Other Than On Income	42,581
Superfund tax	399
CA Corporation Franchise Tax	30,595
Federal Income Tax	107,406

Total Operating Expenses	\$841,137
Net Operating Income	\$234,275
Rate Base	2,137,560
Rate of Return	10.96%

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
DEVELOPMENT OF THE NET-TO-GROSS MULTIPLIER
Test Year 1990

Description	(A)	(B)	(C=A*B)
Gross Operating Revenues			1.000000
Less: Uncoll.	0.002220	0.840669	0.001866
			0.998134
Less: Franchise	0.009156	0.838803	0.007680
			0.990454
Less: Super Fund	0.001200	0.897365	0.001077
			0.989377
Less: S.I.T.	0.093000	0.989377	0.092012
			0.897365
Less: F.I.T.	0.340000	0.897365	0.305104
			0.592261
Net Operating Revenues			
Uncollectibles & Franchise Fee Factor			1.009638
Superfund, State & Federal Tax Factor			1.672327
Net-To-Gross Multiplier			1.688446

PACIFIC GAS AND ELECTRIC COMPANY
Gas Department
ESCALATION FACTORS
COST OF CAPITAL
Test Year 1990

Description		Adopted
<hr/>		
LABOR ----->	1988	2.750%
ESCALATION FACTORS	1989	2.750%
	1990	4.900%
	1991	4.200%
	1992	4.800%
NON-LABOR ----->	1988	5.170%
ESCALATION FACTORS	1989	4.600%
	1990	4.830%
	1991	5.270%
	1992	5.460%
OTHER ----->	ALL YEARS	0.000%
COMPOSITE ESCALATION FACTORS		
<hr/>		
LABOR	1988 TO 1991	10.749%
NON-LABOR	1987 TO 1990	15.321%
OTHER	1987 TO 1990	0.000%

	COST	CAPITALIZATION	WTD. COST
<hr/>			
Debt	9.32%	47.00%	4.38%
Pref. Stock	8.79%	6.25%	0.55%
Common equity	12.90%	46.75%	6.03%
<hr/>			10.96%
Auth. Return on Rate Base :			

(END OF APPENDIX E)