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Decision 90-11-079 NOVEMBER 21, 1990

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of Pacific Gas and Electric Company for authority to revise its gas rates and tariffs effective April 1, 1990 in its Annual Cost Allocation Proceeding.	Application 89-08-024 (Filed August 15, 1989)

ORDER MODIFYING AND DENYING REHEARING OF DECISION 90-04-021

Applications for rehearing of Decision (D.) 90-04-021 have been filed by Pacific Gas and Electic Company (PG&E), Toward Utility Rate Normalization (TURN), and the Canadian Producer Group (CPG). Responses to these applications have been filed by PG&E and our Division of Ratepayer Advocates (DRA). PG&E has also filed a petition for modification of the decision, to which DRA has filed a response. We have considered all of the allegations raised in the applications for rehearing, and have determined that insufficient grounds for granting rehearing have been shown. However, we will clarify several aspects of the decision in the discussion which follows. In addition, we will make certain modifications to the decision in accordance with the petition filed by PG&E.

Applications for Rehearing

We first address PG&E's challenge to our treatment of take-or-pay costs. In D.90-04-021, we adopted the aproach we had used in the prior Southern California Gas Company (SoCal) ACAP (annual cost adjustment proceeding) decision, D.90-01-015. This approach was based on the alternative allocation mechanisms the Federal Energy Regulatory Commission (FERC) adopted in its Order No. 500. In the SoCal decision, we presented a detailed analysis of the approach we adopted. PG&E challenged our approach in the SoCal proceeding, and we denied its application for rehearing. PG&E did not seek judicial review of the SoCal decision. PG&E

has presented no new arguments here, and we conclude its arguments have no merit.

Secondly, TURN and CPG argue that the decision unlawfully bases adoption of the commodity rate for Pacific Gas Transmission (PGT)-Canadian gas on a FERC decision which was issued after the close of the record in this ACAP proceeding. Our use of this decision, they argue, is unlawful because while the FERC order authorized not only an increase in the commodity charge, but also a corresponding decrease in the demand charges, consistent with an earlier FERC order (Order 256) which was applicable to the later FERC case, our decision only authorized an increase in the commodity charge.

We do not find these arguments persuasive. The decision does not rest its determination that $2.07/Dth is a more appropriate figure than $1.90/Dth (the figure adopted by the ALJ's proposed decision) solely on the FERC decision. PG&E had proposed a Canadian border figure of $2.04, which becomes $2.07 when delivered at the California side. We affirm our determination that $2.07 represents an updated "rates in effect" approach.

We note, however, that there is disagreement between the parties on the impact of this rate change on revenue requirement, in terms of the way the discount, balancing, and tracking mechanisms will work or not work to even things out in PG&E'S next ACAP. We will monitor this issue, and urge the parties to present testimony in PG&E's next ACAP proceeding on 1) the impact of FERC Order 256 on PGT's and PG&E's commodity rates and demand charges, and how that impact affects PG&E's ability to recover or overrecover its revenue requirement, and 2) how we should address that impact in the ACAP.

TURN further argues that the decision erroneously adopts PG&E's assumption of cold year supply shortages which would result in curtailments on PG&E's system of over 7 Bcf during the winter period, which assumption was challenged by TURN in direct testimony and its opening brief. TURN also alleges that the decision's failure to address this issue in either the text or findings is a violation of Public Utilities Code Section 1705, since this is a material issue in terms of ultimate cost allocation.

In our view, the record on the history of the last two winters does not support TURN's position that no cold year supply curtailments should be expected this winter. PG&E's system has experienced curtailments during the last two winters because of decreased supply from the El Paso system which coincided with increased demand in California caused by very cold temperatures. It would be imprudent for us not to assume that the same could easily happen this winter. We will add a finding addressing this point.

TURN presents several additional arguments challenging the Commission's adopted figures on interutility throughput volumes and rates, and the demand forecast of gas use at Southern California Edison Company's Coolwater generating station. TURN has shown no legal error in the figures adopted, and we will not alter them. However, we will delete the sentence beginning at the bottom of page 52 and continuing on page 53, as it does not comport with the figure we have adopted on interutility throughput volumes.

Petition for Modification

Pursuant to Rule 43 of the Commission's Rules of Practice and Procedure, PG&E filed a petition for modification which purports to correct several computational errors which appeared in Appendixes B and C to D.90-04-021. The specific errors and proposed corrections are attached to PG&E's Petition for Modification as Appendix A and similarly attached to this decision (See Appendix A). PG&E alleges that the proposed corrections reflect the provisions of D.90-04-021 and established Commission policy. The proposed corrections would increase

PG&E's gas transportation revenue requirement of $1.403 billion by approximately $28 million.

DRA filed a protest to PG&E's petition. DRA acknowledges that "the corrections proposed by PG&E in this proceeding appear proper", but protests the petition because similar computational errors in PG&E's General Rate Case (GRC) decision (D.) 89-12-057 have not been corrected. DRA argues that because the corrections of computational errors in the GRC decision would result in a lowering of PG&E's revenue requirement, equity requires that the errors in D.87-12-057 be made at the same time as the ACAP corrections.

PG&E replies to DRA's protest stating that it makes no sense either procedurally or substantively to resolve problems from the GRC in the ACAP proceeding. PG&E stated it would file a petition for modification in its GRC to take care of several computational errors.

We agree with PG&E that this is not the appropriate forum to address GRC modifications. However, we also issue today a decision on the GRC petition for modification; thus the issue has become moot. Since neither DRA nor any other party disputes the computational modifications requested in this ACAP petition, we will adopt the computational corrections to D.90-04-021 as set forth in Appendix A to this decision.

IT IS ORDERED that D.90-04-021 is modified as follows:

1. The sentence beginning at the bottom of page 52 and continuing on page 53 is deleted.

2. New Finding of Fact 138 is added to read:

> "In light of the fact that PG&E's system has experienced curtailments during the last two winters due to reduced supply from the El Paso system which coincided with increased demand in California caused by very cold temperatures, we adopt PG&E's assumption of a supply shortage under cold temperature conditions which will result in curtailments during the winter period."

3. The computational errors identified in PG&E's petition for modification of D.90-04-021 are corrected in Appendix A which is attached to today's order.

IT IS FURTHER ORDERED that rehearing of D.90-04-021, as modified herein, 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. SHULMAN, Executive Director

1. Revenue Requirement - The GEDA cost contained in the decision does not include forecasted test period costs, it only reflects the balancing account balance. The GEDA test period expenses are $27.5 million as shown in Exhibit 1 (pages 7-16). This amount should be added to the GEDA balancing account balance of $26.394 million as shown in PG&E's updated balancing account balances (Appendix D in PG&E's Comments on the Proposed Decision in A. 89-09-024). However, Decision No. 88121 provides that the total GEDA expense recovered in one year cannot exceed $50 million. therefore, the GEDA cost should equal $50 million.

2. Revenue Requirement - The CFA Debt Service and Expense (CFA) test period cost and balancing account balance contained in the decision are incorrect. The CFA forecasted cost should be $5.423 million. The CFA balancing account should be -$4.678 million (Comparison Exhibit, Part 2).

3. Revenue Requirement - The Cogeneration Shortfall Account (CSA) balance of $1.009 million is contained in the revenue requirement; however, the decision ordered that the amount should not be recovered in rates at this time (page 81). The decision also incorrectly referred to the balance as being equal to $.465 million instead of $1.009 million.

4. Revenue Requirement - The LIRA A&G expense estimate contained in the revenue requirement is equal to $1.961 million; However, in the decision the forecast is stated as being equal to $1.4 million for the test period (pages 75-76). In Part 2 of the Joint Comparison Exhibit, both PG&E and DRA forecasted $1.961 million for LIRA expenses (Appendix C, page 2 of PG&E's comments on the proposed decision).

5. Revenue Requirement - The Pilot Banking Reservation Fee Account (PBRFA) balance is excluded from the revenue requirement. This exclusion is consistent with PG&E's proposal; however, the Commission should explicitly adopt PG&E's proposal, as stated in Exhibit 1, Chapter 9, page 9-8, to refund this balance directly to all noncore customers, excluding core-elect customers. (Appendix C, page 3 of PG&E's comments on the proposed decision).

6. Cost Allocation - According to the decision, Franchise Fees & Uncollectibles (FF&U) is allocated on average year annual throughput. This allocation should be based on percent of revenues. The base FF&U expense should be allocated to customer classes based on equal percent of base revenues (except that no uncollectibles are allocated to the wholesale class). The non-base FF&U expense should be allocated based on equal percent of non-base revenues by class (except that no uncollectibles are allocated to wholesale). This allocation treatment is consistent with

both DRA's and PG&E's proposed method for allocating FF&U expenses in this ACAP and the CPUC's adopted method for all prior ACAP cases.

7. Core Rate Table (Appendix C, Table 25) - The Commission adopted PG&E's proposed G-NGV1 and G-NGV2 rates (page 77); however, the rates contained in the decision do not reflect PG&E's proposals. The rates contained in the decision are identical for both schedules. Instead, the rates should differ by the cost of compression which is equal to $1.11610 per therm (Comparison Exhibit, Part 2).

8. Brokerage Fees - The decision shows three different brokerage fee rates for core-elect, noncore, and wholesale customers (Appendix B, Table 6). However, under Commission rulings, the brokerage fee for all three customer classes should be equal. In Decision No. 89-09-094, the Commission stated that "the brokerage fee shall be calculated by dividing the total PG&E noncore marketing and procurement expense...by the total adjusted noncore sales forecast adopted by the Commission...(Appendix A, paragraph 3). Thus, using the total adjusted noncore throughput of 295,166 Mdth and the total noncore marketing and procurement expense of $11.232 million as adopted by the Commission in Decision No. 90-04-021, the correct brokerage fee for the core-elect, noncore, and wholesale customer classes should be $0.0381/Dth.

9. Procurement Rates - Interdepartmental use of 98 Mdth is incorrectly assigned to core sales. Instead, it should be assigned to core-elect sales (Appendix B, Table 4).

10. Procurement Rates - The wholesale procurement rate should be revised to reflect only the franchise fee expense (Comparison Exhibit, Part 2).

(END OF APPENDIX A)