Decision 82 12 110 DEC 22 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY for authority to decrease its electric rates and charges effective December 1, 1982, and to make certain other rate changes in accordance with the Energy Cost Adjustment Clause as modified by Decision No. 92496, and its electric tariffs.	Application 82-09-51 (Filed September 30, 1982)

Daniel E. Gibson, Shirley A. Woo, and Steven F. Greenwald, Attorneys at Law, for Pacific Gas and Electric Company, applicant.
Robert E. Burt, for California Manufacturers Association; Michel Peter Florio, Attorney at Law, and Sylvia M. Siegel, for Toward Utility Rate Normalization; William E. Swanson, for Stanford University; Harry K. Winters, for University of California; and Biddle & Hamilton by Richard L. Hamilton and Halina Osinski, Attorneys at Law, for Western Mobilehome Association (WMA); interested parties.
Thomas P. Corr, Attorney at Law, for the Commission staff.

OPINION

By this application Pacific Gas and Electric Company (PG&E) requests authority to decrease its electric rates under the Energy Cost Adjustment Clause (ECAC) in its tariff. The proposed rates would decrease PG&E's electric revenue by $147,163,000 for a four-month period.

A duly noticed public hearing was held on this matter on November 17, 1982 at which time it was submitted.

There are three primary issues raised in this proceeding which require discussion. The first is the price of gas, the second is the amortization period for the balancing account, and the third is the Electric Rate Adjustment Mechanism (ERAM) rates. PG&E's estimates of sales, fuel mix, and fuel prices were accepted by all parties and will be adopted.

Gas Price

The price of gas was estimated by PG&E to be 5.5175$/Dth. However, PG&E recommended and all parties concurred that the price of gas which is developed in our decision in Application (A.) 82-08-51 should be used to calculate the ECAC revenue requirement. The price of gas which is contained in the decision issued today is 5.3506$/Dth. This reduction of the gas price reduces the ECAC revenue requirement by about $16.6 million.

Amortization Period

The second issue is whether a six-month or an eight-month period should be used to amortize the $391 million overcollection in the balancing account. PG&E recommended a six-month period in its application but at the close of the hearing changed in favor of the eight-month period. The Utilities Division staff also recommended an eight-month period. The California Manufacturers Association (CMA), however, favored the shorter six-month period.

The basis for the recommendations involve the balancing of the desire to benefit this winter's customers versus the desire to mitigate a rate increase next April. The staff and PG&E both feel that the reduction in rates is substantial even with the eight-month amortization period and that this winter's customers will be sufficiently favored.

The CMA predicts an above-normal hydro year and as a result the April ECAC increase will be mitigated without using an eight-month amortization period.

We agree with the recommendation of the staff and PG&E of an eight-month amortization. Since last winter we have been able to substantially reduce electric rates. Those reductions, together with this further reduction, will benefit those winter customers that paid such high rates last winter. The eight-month amortization period will prevent any abrupt rate increases in the next PG&E ECAC rate proceeding. The table below shows the results of operations at our adopted gas price with both a six-month and an eight-month amortization period and incorporates the chances in ECAC authorized today in A.82-06-08 and A.82-06-20. We will adopt the eight-month period.

Table 1

Pacific Gas and Electric Company
ECAC Revenue Requirement
Four Months Beginning December 1, 1982

	Quantity (Billions of Btu or Gigawatthours)	Price	Results ($000)
Steam Plants			
Gas	99,479	$5.3506	$32,272
Oil-Residual	4,385	5.8436	25,624
Oil-Distillate	918	6.2059	.5,697
Geothermal Steam Plants	2,026	3.164¢	64,103
Purchased Energy	3,372	2.487¢	83,860
Subtotal			711,556
Plus: Oil Inventory Cost Adjustment			392
Less: 2% Energy Expenses (*)			14,231
Less: Sales to DWR			2,924
Plus: Losses on Sale of Fuel Oil			3,000
Plus: Carrying Cost of Excess Oil Inventory			5,277
Subtotal			703,070
Allocation to CPUC Jurisdictional Sales (**)			668,127

	6-Month Amortization	8-Month Amortization
ECAC Balancing Account as of December 1, 1982 ($391,663)	(261,109)	(195,832)
Subtotal	407,018	472,295
Franchise Fees & Uncollectibles (***)	3,228	3,745
Total ECAC Revenue Requirement	410,246	476,040
Total ECAC Revenue at Rates Effective 8-23-82	600,095	600,095
Change in Revenue Requirement	(189,849)	(124,055)
Annualized	(589,732)	(385,355)

(*) 711,556 x .02
(**) 700,070 x .9503
(***) 407,018 x .00793 and 472,295 x .00793

ERAM

In A.82-02-09 PG&E first submitted an ERAM calculation. The major dispute concerned the balance for the first month and more basically the major purpose of ERAM. In Decision (D.) 82-04-117 we did not adopt either the staff's or PG&E's methodology. Rather, we intended for both staff and PG&E to improve their proposed methodologies for our consideration in later cases.

In this proceeding the company rather than proposing a new methodology has instead temporarily eliminated the January calculation from the mechanism. The staff has acquiesced. There were no issues raised concerning PG&E's proposal; its calculation shows a November balance of $26,223,000 and will be adopted. The adopted balance results in a $81.457 million increase on an annualized basis. After submission of this proceeding we resolved the method of calculating ERAM in cases involving Southern California Edison Company and San Diego Gas & Electric Company. We will calculate the January 1982 balance during PG&E's next ECAC proceeding consistent using the method we adopted for those companies.

Rate Design

All parties recommended that rate design be governed by our decision in A.60153 (Rate Design Phase). We concur. The rates for both the ECAC and ERAM revenue requirement developed here are implemented in our decision issued today in A.60153 (Rate Design Phase). The ECAC reduction will be spread on an equal ¢/kWh basis (.6930¢/kWh).

Findings of Fact

1. By A.82-09-51 PG&E requests authority to decrease its electric rates under the ECAC included in PG&E's electric tariff.

2. The proposed rate would decrease PG&E's electric revenues by $147,163,000 for a four-month period or $457,136,000 annualized.

3. An eight-month period to amortize the balancing account will benefit this winter's customers and provide rate stability in the future.

4. The price of natural gas (G-55 rate) is $5.3506/Dth.

5. PG&E's estimates of sales, prices, and fuel mix are reasonable except for the price of natural gas and are adopted for ratemaking purposes.

6. A decrease in ECAC revenues of $124,055,000 for a four-month period or $385,355,000 annualized is reasonable.

Conclusions of Law

1. A decrease of ECAC revenues of $124,055,000 for a four-month period or $385,355,000 annualized is justified and reasonable.

2. The change in rates and charges authorized by this decision is justified and reasonable.

3. The effective date of this order should be today in order to enable PG&E to file rates which can become effective January 1, 1983.

O R D E R

IT IS ORDERED that Pacific Gas and Electric Company is authorized to file with this Commission revised tariff schedules for electric rates in accordance with the decision issued today in the rate design phase of A.60153 on or after the effective date of this order. The revised tariff schedule shall become effective not earlier than January 1, 1983, and shall comply with General Order 96-A. The revised schedules shall apply only to service rendered on or after their effective date.

This order is effective today.

Dated DEC 22 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

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

Joseph E. Bodovitz, Executive Director

ALT-VC

that the reduction in rates is substantial even with the eight-month amortization period and that this winter's customers will be sufficiently favored.

The CMA predicts an above-normal hydro year and as a result the April ECAC increase will be mitigated without using an eight-month amortization period.

We agree with the recommendation of the staff and PG&E of an eight-month amortization. Since last winter we have been able to substantially reduce electric rates. Those reductions, together with this further reduction, will benefit those winter customers that paid such high rates last winter. The eight-month amortization period will prevent any abrupt rate increases in the next PG&E ECAC rate proceeding. The table below shows the results of operations at our adopted gas price with both a six-month and an eight-month amortization period and incorporates the changes in ECAC authorized today in A.82-06-08 and A.82-06-20. We will adopt the eight-month period.

 ALT-VC

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Plus: Oil Inventory Cost Adjustment			392
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Plus: Losses on Sale of Fuel Oil			3,000
Plus: Carrying Cost of Excess Oil Inventory			5,277
Subtotal			703,070 ~~700,070~~
Allocation to CPUC Jurisdictional Sales (**)			668,127 ~~665,276~~

	6-Month Amortization	8-Month Amortization
ECAC Balancing Account as of December 1, 1982 (\$391,663) ~~(\$397,282)(****)~~	~~(257,296)~~ (261,109)	~~(192,972)~~ (195,832)
Subtotal	~~407,900~~ 407,018	~~472,304~~ 472,295
Franchise Fees & Uncollectibles (***)	~~3,235~~ 3,228	3,745
Total ECAC Revenue Requirement	~~411,215~~ 410,246	~~476,049~~ 476,040
Total ECAC Revenue at Rates Effective 8-23-82	600,095	600,095
Change in Revenue Requirement	~~(188,880)~~ (189,849)	(124,0~~46~~55)
Annualized	~~(586,722)~~ (589,732)	(385,3~~27~~55)

(*) 711,556 x .02
(**) 700,070 x .9503
~~(***) Including \$5,719,000 for losses on sale of fuel oil anticipated in fall 1982.~~
(***) 407,~~900~~018 x .00793 and 472,~~304~~295 x .00793

<u>ERAM</u>

In A.82-02-09 PG&E first submitted an ERAM calculation. The major dispute concerned the balance for the first month and more basically the major purpose of ERAM. In D.82-04-117 we did not adopt either the staff's or PG&E's methodology. Rather, we intended for both staff and PG&E to improve their proposed methodologies for our consideration in later cases.

In this proceeding the company rather than proposing a new methodology has instead temporarily eliminated the January calculation from the mechanism. The staff has acquiesced. There were no issues raised concerning PG&E's proposal; its calculation shows a November balance of $26,223,000 and will be adopted. The adopted balance results in a $81.457 million increase on an annualized basis. Subsequent to this proceeding, we have resolved the method of calculating ERAM in cases involving SoCal Edison and San Diego Gas and Electric Co. We will calculate the January 1982 balance during PG&E's next ECAC proceeding consistent with our adopted method.

<u>Rate Design</u>

All parties recommended that rate design be governed by our decision in A.60153 (Rate Design Phase). We concur. The rates for both the ECAC and ERAM revenue requirement developed herein is implemented in our decision issued today in A.60153 (Rate Design Phase). The ECAC reduction will be spread on an equal ¢/kWh basis. (.6930 ¢/kWh).

Findings of Fact

1. By A.82-09-51 PG&E requests authority to decrease its electric rates under the ECAC included in PG&E's electric tariff.

2. The proposed rate would decrease PG&E's electric revenues by $1~~70~~79,163,000 for a four-month period or $457,136,000 annualized.

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