ALJ/rr/jt *

Decision 83 06 005 June 1, 1983

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 to adjust its electric rates effective April 1, 1983. (Electric)	Application 83-01-61 (Filed January 31, 1983)

Peter W. Hanschen, Steven F. Greenwald, and Shirley A. Woo, Attorneys at Law, for Pacific Gas and Electric Company, applicant.
Robert E. Burt, for California Manufacturers Association; Allen R. Crown and Antone S. Bulich, Jr., Attorneys at Law, for California Farm Bureau Federation; Michel Peter Florio, for Toward Utility Rate Normalization (TURN); Messrs. Walters, Bukey & Shelburne, by Diana D. Halpenny, Attorney at Law, for Schools Committee for Reducing Utility Bills (SCRUB); William L. Knecht, for California Association of Utility Shareholders; and Harry K. Winters, forUniversity of California; interested parties.
Lionel B. Wilson, Attorney at Law, and Jeffrey O'Donnell, for the Commission staff.

O P I N I O N

By this application Pacific Gas and Electric Company (PG&E) requests authority to maintain its current electric rates and charges. The filing is made under its Energy Cost Adjustment Clause (ECAC) in its tariff. PG&E proposes that the current rates remain in effect even though it calculates that an ECAC increase of $50 million annually is justified assuming average hydro year conditions. PG&E proposes no rate change because an Electric Revenue Adjustment Mechanism (ERAM) decrease of $27 million is justified and also because PG&E currently is advocating "rate stabilization."

A duly noticed public hearing was held on this matter during the week of March 14, 1983 at which it was submitted.

The four issues raised in this proceeding are:

1. Effects of abnormal hydro conditions.
2. Price of Gas.
3. Amortization of the balancing account.
4. Electric Rate Adjustment Mechanism.

Abnormal Hydro Conditions

PG&E filed this application on January 31, 1983 based on estimates of hydro availability made during late 1982 and early 1983. These estimates did not reflect the full effect of the abundant rainfall occurring since then. The staff recommended that a fuel mix based on last year's results would be more accurate. PG&E and others agreed that the staff's estimates were reasonable. We will adopt the staff's forecast of energy mix. The parties and the staff estimates of energy prices, except for the price of gas (G-55 rate), are reasonable, and they will be adopted. The staff's fuel mix at our adopted prices results in a decrease in estimated fuel costs of approximately $97 million for the four-month forecast period.

Gas Price

The price of gas was estimated by PG&E to be $5.3541 per decatherm. The staff estimated a substantially lower price. All parties agreed, however, that the G-55 rate adopted in Application (A.) 83-01-62 should be used to develop the electric revenue requirement. In A.83-01-62 filed on January 31, 1983, PG&E requests authority to raise its gas rates and tariffs under its Gas Adjustment Clause. We note that in the companion decision issued today the price of gas adopted is $5.3541 per decatherm. This figure will also be our adopted price of gas to develop the electric revenue requirement.

Amortization Period

The estimated balancing account figure is $380 million overcollected. The issue is over what amount of time the balancing account balance should be amortized. PG&E recommends eight months in conjunction with its other estimates leading to its estimated $50 million increase. PG&E in essence recommends that the amortization period be chosen to prevent a change in current rates. The staff on the other hand recommends a 12-month period.

The staff's recommendation is based on two primary reasons:

1. The overcollection has accumulated over a 12-month period and a 12-month amortization would allow returning the overcollection in the same proportion as collected.
2. A 12-month amortization would tend to stabilize rates by preserving some of the overcollection to mitigate future rate increases. Also, a short amortization period would result in a sharp decrease presently accompanied by a drastic rate increase at the next ECAC proceeding.

Other parties have suggested a short amortization period based on the concept that favorable hydro conditions will continue in the foreseeable future. The fallacy of this argument, besides involving an extended weather forecast, is that it foils to acknowledge that we are in the midst of our second abnormally high hydro season. The result is that hydro production is now at a maximum level and rates are unlikely to decline further. In other words, another good hydro year will only result in, at best, constant rates. Most likely hydro production will not continue at this level for another season.

Based on the staff reasoning, we will adopt the staff's recommended 12-month amortization period.

Our resolution of these three pricing issues is shown in Table 1 below which develops an annualized ECAC revenue decrease of $198,836,000.

Table 1

Pacific Gas and Electric Company
Energy Cost Adjustment Clause
Calculation of Change in Revenue Requirement
(Four Months)

	Estimated Quantity (6)	Estimated Price (7)	$(000)
Steam Plants			
Gas	6,331	5.7974	367,033
Oil-Residual	232	6.3453	14,721
Oil-Distillate	42	8.0422	3,378
Subtotal-Fossil	6,605	5.8273	385,132
Geothermal Steam Plants	1,566	3.699	57,926
PG&E Hydro	5,775	0	0
Purchased Electric Energy (1)	8,541	1.560	133,240
Subtotal	22,487	2.5617	576,298
Plus: Oil Inventory Cost Adjustment			5,470
Less: 2% Energy Expense (2)			11,526
Subtotal			570,242
Allocation to CPUC Jurisdictional Sales (3)			553,306
Energy Cost Adjustment Account Balance, estimated as of March 31, 1983, and Adjusted to Provide for Amortization over 12 months			(126,200)
Subtotal			427,106
Adjustment for Franchise Fees and Uncollectible Accounts Expense (4)			3,387
Total ECAC Revenue Requirement			430,493
Total ECAC Revenue at Present Rates (5)			496,585
Change in Revenue Requirement	4 month =		(66,092)
	annualized =		(198,836)

(Red Figure)

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(1) Excludes operation and maintenance payments related to certain energy purchase contracts.
(2) Line 8 x 0.02
(3) Line 11 x .9703
(4) Line 14 x 0.00793
(5) At rates effective January 1, 1983
(6) In millions of kilowatt-hours
(7) In cents per kilowatt-hour

Rate Design

PG&E proposes and the staff concurs that we continue our policy of spreading ECAC increases and decreases among the customer classes on an equal cents-per-kilowatt-hour (¢/kWh) basis. We concur; rate design issues are currently being heard in PG&E's general rate case (A.82-12-48); therefore, no change in our policy is warranted at this time. Appendix A shows the current average effective rates for the customer classes, the adopted effective rates and the percentage change. Additionally, PG&E proposes and the staff concurs that the adopted rates specifically state separate Residential Conservation Service (RCS), Conservation Financing Adjustment (CFA) and Solar Financing Adjustment (SFA) rates in the appropriate portions of the Preliminary Statement.

Public Utilities Code § 742 mandates preferential rates for steel producers. These rates are now in place and result in a revenue shortfall that is being accumulated in a balancing account. In this application PG&E proposes a rate to meet this shortfall. The rate is not applicable to residential customers nor to public authority customers. PG&E's proposal is reasonable and will be adopted.

During cross-examination by Schools Committee for Reducing Utility Bills (SCRUB) the fact was developed that the bill format to industrial and commercial customers regarding exemptions from the steel surcharge was unclear. PG&E is encouraged to work to clarify the exemption of the public authority customers from the steel surcharge.

ERAM

The ERAM balancing account shows a minor overcollection presently. This proceeding should have been the first accurate accounting of the ERAM balance since we recently decided the previous unresolved "billing lag" issue. Our staff is scheduled to conduct an audit of PG&E's ERAM account in conjunction with the Annual Energy

Review Audit. We will postpone consideration of the ERAM revenue requirement change until PG&E's next ECAC proceeding. PG&E's next ECAC proceeding (A.83-04-19) has an August revision date and has already been filed.

Findings of Fact

1. By A.83-01-61 PG&E requests authority to maintain in effect its current effective electric rates.

2. A 12-month period to amortize the balancing account will provide a degree of rate stability and is reasonable.

3. The price of natural gas is $5.3541/dth.

4. The staff's estimates of sales, prices, and fuel mix are reasonable except for the price of natural gas and are adopted for ratemaking purposes.

5. A decrease in ECAC revenues of $66,092,000 for a four-month period, or $198,836,000 annualized, is reasonable.

6. The staff was unable to timely audit PG&E's ERAM account.

7. Our current policy is to spread ECAC revenue increases and decreases on an equal ¢/kWh basis among the customer classes.

8. PG&E's proposed steel surcharge rate is reasonable.

Conclusions of Law

1. A decrease of ECAC revenues of $66,092,000 for a four-month period, or $198,836,000 annualized, is justified and reasonable.

2. Consideration of the ERAM rates should be postponed until PG&E's next ECAC proceeding.

3. The revenue decrease should be spread among the customer classes on an equal ¢/kWh basis.

4. The RCS, CFA, and SFA rates should be separately set forth in the appropriate portions of the Preliminary Statement.

5. PG&E should be authorized to implement the steel surcharge rate as proposed in the application.

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

7. Since the revision date is passed this order should be effective today.

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 this decision on or after the effective date of this order. The revised tariff schedule shall become effective not earlier than June 15, 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 JUN 1 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
Commissioners

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

Joseph E. Bodovitz, Executive Director

APPENDIX A

Customer Class	Present Average Effective Rates	Adopted Average Effective Rates	% Decrease
Residential	6.347¢/kWh	6.078¢/kWh	5.6
Small Light and Power	7.731¢/kWh	7.372¢/kWh	4.6
Medium Light and Power	7.018¢/kWh	6.659¢/kWh	5.1
Large Light and Power	6.544¢/kWh	6.185¢/kWh	5.5
Public Authority	6.068¢/kWh	5.709¢/kWh	5.9
Agricultural	6.879¢/kWh	6.520¢/kWh	5.2
Street Lighting	14.551¢/kWh	14.192¢/kWh	2.5
Railway	6.172¢/kWh	5.813¢/kWh	5.8
Interdepartmental	6.903¢/kWh	6.544¢/kWh	5.2

(END OF APPENDIX A)

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