ALJ/jt

Decision 83 11 019 NOV 2 - 1983

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Rulemaking on the Commission's own motion to establish standards for the processing of gas and electric offset rate cases and to revise the current schedule for filing such offset rate cases.	OII 82-09-02 (Filed September 22, 1982)

OPINION

On February 16, 1983, the Commission issued Decision (D.) 83-02-076, adopting a new schedule for the filing of gas and electric offset applications. On March 16, 1983, Pacific Gas and Electric Company (PG&E) filed a petition for modification of D.83-02-076. Southern California Edison Company (Edison) filed a petition for modification of D.83-02-076 on March 17, 1983. PG&E filed a second petition for modification of D.83-02-076 on July 21, 1983. Toward Utility Rate Normalization (TURN) filed a response to PG&E's second petition which fully supports it. The staff responded to all three petitions for modification on August 10, 1983.

PG&E's First Petition

PG&E asks that D.83-02-076 be modified or clarified to show:

1. Whether April 7 is the filing date for PG&E's reasonableness application.
2. Whether the revision dates for the Gas Adjustment Clause (GAC) are affected by D.83-02-076.
3. Whether PG&E's initial annual reasonableness review under the revised procedure is for a 10-month period.
4. Whether the requirement to provide copies of the Uniform Monthly Fuels and Operations Report (UMFOR) refers only to nonconfidential material and pertains only to interested parties who normally participate in energy offset proceedings.

5. Whether D.83-02-076 implicitly modified the Electric Revenue Adjustment Mechanism (ERAM) procedures to require:

   a. One annual ERAM proceeding which will be consolidated with PG&E's annual Energy Cost Adjustment Clause (ECAC) review with an August 1 revision date.

   b. That the forecasted ERAM adjustment for a February 1 revision date will not be included in determining whether a second ECAC filing is triggered.

   c. PG&E to postpone an ERAM adjustment to be effective February 1 if a second ECAC application is triggered.

   d. An amortization period for any balance in the ERAM balancing account corresponding to the amortization period for the ECAC balancing account, that is, a 12-month amortization period for the August 1 revision date and a 6-month amortization period for the February 1 revision date.

6. The definitions that should be used to calculate whether the trigger mechanism authorizes the semiannual ECAC filing.

Only the staff responded to PG&E's first petition, and it largely agreed with the positions taken by PG&E. The staff argued that April 7 is the proper reasonableness filing date for PG&E; that the PG&E's GAC revision dates are unaffected by D.83-02-076 and remain October 1 and April 1; that the record period for PG&E's reasonableness review Application (A.) 83-04-19 is the 10-month period between April 1, 1982, and January 31, 1983; and that in later years the reasonableness review period will be the 12 months ending January 31 of each year. We will adopt these clarifications, as they are uncontroverted.

The staff also agrees with PG&E that it should provide the nonconfidential portions of the UMFOR to parties who have normally participated in its ECAC proceedings and who request it in writing, stating their intent to use the UMFOR to assist them in participating in the next ECAC proceeding. The staff also recommends, by way of further clarification, that "parties who have normally participated" in PG&E's ECAC proceedings be defined as those who have cross-examined witnesses or sponsored testimony in at least one of PG&E's last two ECAC proceedings. These proposals are reasonable and will be adopted. However, consistent with our prior decision allowing parties access to utility fuel contracts we will not restrict parties to obtaining only nonconfidential portions of the UMFOR. The entire report should be made available to parties upon written request.

The staff agrees with PG&E that the ERAM proceeding should coincide with PG&E's annual ECAC proceeding with an August 1 revision date; that ERAM revenues should not be in the ECAC revenue adjustment used to determine whether the semiannual ECAC filing is triggered; and that if an ECAC filing is triggered, an ERAM adjustment should also be filed. However, the staff does not agree that ECAC and ERAM amortization periods should be 12 months for the annual filings and 6 months for triggered filings. Although the staff believes those amortization periods will likely be adopted by the Commission, it recommends that amortization periods be determined in each proceeding. We wish to retain some flexibility to decide the appropriate amortization periods in any given proceeding. Therefore, we will not adopt PG&E's proposal in this respect.

For the purpose of calculating the trigger, staff and PG&E agree on the definition of "12-month fuel cost estimate" and on how the trigger should be calculated (see conclusions of law). However, staff and PG&E differ slightly on the definition of "annual revenue". PG&E proposes this definition:

> "'Annual revenue' is...estimated CPUC jurisdictional revenue from electric sales...at rates in effect as of the December 1 filing date, as opposed to the February 1 revision date. Effective rates includes all base rate revenue (including AER and ERAM) and ECAC, but excludes CFA, SFA, RCS, and SSAC revenues."[1]

Staff proposes the following definition:

> "'Total Annual Revenue' is the total estimated CPUC jurisdictional revenue from electric sales at rates in effect as of the December 1 filing date."

The staff definition apparently includes all revenues that PG&E would have excluded. The difference between the two definitions is negligible. We will adopt the staff definition.

Edison's Petition

Edison requests that D.83-02-076 be modified to:

1. Allow updated data during hearings.
2. Allow updated data to include all data that would change the AER and ECAC billing factors.
3. Clarify that ECAC rates should be developed based upon estimates of costs to be incurred during the 12-month future test period during which rates will be in effect.
4. Allow Edison to change its ECAC and AER rates to track changes in Southern California Gas Company's (SoCal) GN-5 rate by advice letter filing.

The staff agrees with certain of these propositions. As to 1 and 2 the staff agrees that some updating should be allowed at the beginning of hearings. However, staff would limit updated data to the effect of: (a) more recent snow surveys, and (b) recent CPUC, court, or other governmental agency decisions. The staff asserts

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1 AER = Annual Energy Rate.
CFA = Conservation Financing Adjustment
SFA = Solar Financing Adjustment
RCS = Residential Conservation Service
SSAC = Steel Surcharge Adjustment Clause

that it would be unable to analyze other data in a timely manner, and suggests that other updated data should be allowed by the administrative law judge or the Commission only in extraordinary circumstances.

Although Edison's request is broader than the staff's formula, we will adopt the staff position. Major updating has been a significant factor contributing to delay in ECAC proceedings. We must fix the applicant's position at a point that allows the staff a reasonable opportunity to analyze and reply to it. The staff's recommendation does this with a reasonable amount of flexibility.

The staff agrees that the forecast period for determining ECAC rates should be 12 months beginning on the revision date for the annual proceeding. The staff adds that the forecast period should be six months for the triggered proceeding. We will adopt these forecast periods.

Staff rejects Edison's last request, reasoning that the Commission in D.83-02-081 (February 24, 1983) in A.83-02-04 based SoCal's floating GN-5 rate on the price of low sulfur waxy residual (LSWR) fuel oil. For AER purposes, estimating the cost of gas should be no more difficult than estimating the cost of LSWR fuel oil. Moreover, the Commission set up the ECAC trigger mechanism to take care of unforeseen changes in all fuel-related costs. Unless the trigger is pulled, ECAC rates should not be adjusted for changes in gas costs. We do not believe that special handling for SoCal's GN-5 rate is warranted.

PG&E's Second Petition

PG&E requests that D.83-02-076 be modified to allow updated information based on its April 1 snow survey and the effect of recent CPUC decisions to be incorporated into its AER proceedings. The staff and TURN support this request, and it will be adopted.

Conclusions of Law

1. April 7 is the filing date for PG&E's annual reasonableness review.

2. The GAC revision dates (October 1 and April 1) are not affected by D.83-02-076.

3. PG&E's initial annual review is for the ten-month period between April 1, 1982, and January 31, 1983.

4. In later years the reasonableness review period for PG&E will be the fiscal year ending January 31.

5. PG&E should be required to provide all or any portion of the UMFOR to parties who have normally participated in its ECAC proceedings, who request it in writing, and who state their intent to use it only to assist in their participation in the next ECAC proceeding.

6. "Parties who have normally participated" in PG&E's ECAC proceedings are those who have cross-examined witnesses or provided sworn testimony in at least one of PG&E's last two ECAC proceedings.

7. ERAM proceedings should coincide with PG&E's annual ECAC proceeding with an August 1 revision date.

8. ERAM revenues should not be included in the ECAC revenue adjustment used to determine whether the semiannual ECAC filing is triggered.

9. If an ECAC filing is triggered, an ERAM adjustment should also be filed.

10. Amortization periods should be determined in each proceeding.

11. "Total Annual Revenue," for purposes of the trigger mechanism, is the total estimated CPUC jurisdictional revenue from PG&E's electric sales at rates in effect December 1.

12. For trigger mechanism purposes, PG&E's fuel costs should be estimated for the 12-month period beginning with the February 1 revision date.

13. The 5% trigger is pulled if the requested February 1 ECAC revenue adjustment is at least + or - 5% of Total Annual Revenue.

14. Some updating should be allowed at the beginning of hearings but it should be limited to more recent snow survey data and the effect of recent CPUC, court, or other governmental agency decisions. Other updated data may be allowed by the administrative law judge or by the Commission in extraordinary circumstances.

15. The forecast period for the annual ECAC proceeding should be 12 months beginning on the revision date. For the triggered proceeding the forecast period should be six months.

16. PG&E should be allowed to update its AER showing to include the effects of its April 1 snow survey and recent CPUC, court, or other governmental agency decisions.

17. Edison should not be allowed to change its ECAC and AER rates to track changes in SoCal's GN-5 rate by advice letter filing.

O R D E R

IT IS ORDERED that Decision 83-02-076 is modified to be consistent with Conclusions of Law 1 through 16.

This order becomes effective 30 days from today.

Dated November 2, 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
WILLIAM T. BAGLEY
Commissioners

Commissioner Donald Vial, being necessarily absent, did not participate.

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

Joseph E. Bodovitz

Joseph E. Bodovitz, Executive Director

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16. PG&E should be allowed to update its AER showing to include the effects of its April 1 snow survey and recent CPUC, court, or other governmental agency decisions.

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