

ORIGINAL

Decision No. 91277 JAN 29 1980

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's own motion into electric utility Energy Cost Adjustment Clause (ECAC) tariff and the changes, if any, that should be made to its provisions and procedures.

OII No. 56
(Filed August 14, 1979)

Malcolm H. Furbush and Bernard J. Della Santa, Attorneys at Law, for Pacific Gas and Electric Company; John R. Bury, David N. Barry, William E. Marx, and Richard K. Durant by Richard K. Durant, Attorney at Law, for Southern California Edison Company; Jeffrey Lee Guttero and William L. Reed, Attorneys at Law, for San Diego Gas & Electric Company; and Jack C. McElwee, for Sierra Pacific Power Company; respondents.

Boris H. Lakusta, David J. Marchant, and Thomas J. MacBride, Jr., Attorneys at Law, for Western Mobilehome Association and California Hotel and Motel Association; Michel Peter Florio and Edward M. Goebel, Attorneys at Law, and Sylvia M. Siegel, for Toward Utility Rate Normalization; Downey, Brand, Seymour & Rohwer, by Philip A. Stohr and Richard R. Gray, Attorneys at Law, for General Motors Corporation; Allen R. Crown and Glen J. Sullivan, Attorneys at Law, for the California Farm Bureau Federation; John W. Witt, City Attorney, by William S. Shaffran, Deputy City Attorney, for the City of San Diego; Leonard Snaider, Deputy City Attorney, for George Agnost, City Attorney, City and County of San Francisco; and Harry K. Winters, for the University of California; interested parties.

Richard D. Rosenberg, Attorney at Law, for the Commission staff.

San Diego Gas & Electric Company is authorized to make its next filing on either the historic ECAC basis or the estimated-forecast procedure described above. Pacific Gas and Electric Company and Southern California Edison Company shall file at least 40 days prior to their revision dates.

Findings of Fact

1. Existing ECAC procedures have contributed to substantial delays in ECAC relief with resulting undercollections and cash flow burdens.

2. Some interim procedural change is reasonable to provide for more current recovery of ECAC related expenses.

3. An additional ECAC revision on an expedited basis is reasonable.

4. The use of estimated fuel prices and balancing account balance, with forecasted resource mix, is reasonable.

5. Issues relating to reasonableness of ECAC recovery of particular expenses should be deferred to at least the following ECAC filing of each utility.

6. There should be no more than four months between revision dates.

7. Amortization of the balancing account balance should be considered in each proceeding.

8. In order to implement this change on a timely basis, this order should be effective immediately.

Conclusions of Law

1. ECAC procedures should be modified to provide for more frequent relief on a more current basis.

2. Reasonableness issues should be deferred from the next ECAC filing of each utility to at least the following filing.

IT IS ORDERED that respondents shall make their next ECAC filings pursuant to the procedure described herein. Issues relating to the reasonableness of ECAC recovery shall be deferred from the next ECAC filing.

The effective date of this order is the date hereof.

Dated JAN 29 1980, at San Francisco, California.

John E. Bayon
President
James L. Sturgeon
Arthur D. Howell
[Signature]
Commissioners

INTERIM ORDER

This proceeding was initiated to consider modifications in ECAC procedure and practice. The impetus for our action was our extensive experience with operation of the clause and our resulting concern that certain generic issues need to be resolved. By Administrative Law Judge's rulings the scope of the proceeding has been defined and a schedule set for the taking of evidence.

At this stage of the proceeding the utilities have made initial showings responding to the Administrative Law Judge's ruling with regard to procedural and substance issues. Additional hearing days are set for staff and third parties showings and utility reply. A final decision in this matter appears to be several months away.

We are convinced that some change in ECAC procedure is appropriate prior to the final decision in this case. We wish to provide for more timely relief for the utilities (or ratepayers) and to avoid the cash flow burdens that are associated with large undercollections. We find that it is appropriate to act at this stage of the proceeding so that pending ECAC applications can be made pursuant to a revised schedule.

On an interim basis we find that it is reasonable to modify procedures to permit at least one additional filing each year. We make no judgment at this stage of the proceeding as to the reasonableness of quarterly or other interval filings.

In order to make this additional filing effective for the purpose of reducing undercollections and regulatory lag, it is reasonable to defer the issues of the reasonableness of recovery of particular items of expense until at least the following proceeding for each utility. This action does not foreclose any party's opportunity to examine such issues in detail or prejudice the outcome of any of the substantive issues pending in this proceeding.

In order to further enhance the value of this additional filing, it is reasonable to allow each utility to file its application based on estimated fuel prices, estimated balancing account balance, and a forecasted resource mix and sales estimate. For this purpose the prices and balance should be estimated as of the revision date; the forecasted resource mix should be the mix that is the basis of the company's procurement strategy. The price estimates should be examined in the record. The resource mix will be adopted as filed in order to avoid this Commission's prejudging the prudence of the utility's fuel procurement strategy.

Staff counsel and the city of San Diego have objected to the use of forecasts and estimates, citing the experience under the fuel clause as evidence of the problems that may arise. But the fuel clause procedure did not provide for periodic review and amortization as is our intention with regard to ECAC.

For purposes of this interim procedure we will allow each utility to propose a specific amortization period, with the understanding that the next revision date will not be less than four months thereafter. Other parties may propose such amortization as is appropriate.

The following revised schedule is announced for the next ECAC revision dates:

SDG&E	March 1 (present date)
PG&E	April 1
Edison	May 1 (present date)

Sierra Pacific Power Company is presently on an April 1 - October 1 basis. It has not had some of the problems with ECAC that the larger utilities have had and has offered limited participation. We will leave its schedule intact, pending further consideration, but defer reasonableness issues from its April filing to ease the burden on staff.