ALJ/rr/vdl

Decision 93890 DEC 30 1981

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 Increase Its Electric Rates and Charges Effective December 1, 1981, In Accordance With The Energy Cost Adjustment Clause as Modified By Decision No. 92496.	Application 60961 (Filed October 2, 1981)

Daniel E. Gibson and Bernard J. Della Santa, Attorneys at Law, for Pacific Gas and Electric Company, applicant.
Glen J. Sullivan, Attorney at Law, for California Farm Bureau Federation; Robert E. Burt, for California Manufacturers Association; Harry K. Winters, for the University of California; and Downey, Brand, Seymour & Rohwer, by Philip A. Stohr, Attorney at Law, for General Motors Corporation; interested parties.
Freda Abbott, Attorney at Law, and Cleo D. Allen, for the Commission staff.

O P I N I O N

By this application Pacific Gas and Electric Company (PG&E) requests authority to increase its electric rates under the Energy Cost Adjustment Clause (ECAC) in its tariff. The proposed rates will increase PG&E's electric revenue by $159,038,000 for a four-month period.

A duly noticed public hearing was held on this matter in San Francisco on November 9, 1981 at which time it was submitted.

Summary of Decision

This decision authorizes no increase of the present ECAC rates. Rate design principles result in some minor ECAC factor changes.

There are only two major issues raised in this proceeding which require discussion. The first issue concerns the price of natural gas for electric generation. The second issue concerns the amortization period chosen for the balancing account.

Gas Costs

The first major issue which impacts our decision which was not discussed during the hearing is the price of gas. PG&E in Application (A.)60863 requested a Gas Adjustment Clause (GAC) rate increase and in that application estimated the price of gas for electric generation (G-55) to be $4.4196 $/MMBtu. Today we have issued a decision in A.60863 which combined the results of the general rate case and the gas offset proceeding. In our decision today, we authorized a price of $4.620 $/MMBtu for the G-55 rate which results in a total cost of fuel and purchased energy of $835,997,000 as developed in the following table:

Table 1

Energy Cost Adjustment Clause of Fuel and Purchased Energy
Forecast Period: Four Months Beginning December 1, 1981

	$/Million Btu	Quantity	Cost
Applicable Gas Rate:			
Schedule G-55, estimated to be in effect on December 1, 1981	$4.620	76,671	$354,220
Cost of Fuel:			
Estimated applicable weighted average withdrawal price from inventory in the Forecast Period:			
Residual Fuel Oil	5.9013	55,886	329,801
Distillate Fuel Oil	6.7163	779	5,232
	¢/kWh		
Geothermal steam price based on energy rate pursuant to contracts dated May 11, 1980	2.776	1,965	54,548
Purchased and interchanged power estimated average rate excluding operation and maintenance payments related to certain energy purchase contracts	2.938	2,085	61,257
Pre-operative generation charged to expense at estimated average withdrawal price from inventory of residual fuel oil in the forecast period	6.250	495	30,939
Total			$835,997

Balancing Account Amortization Period

The balancing account contained an undercollection of $323,616,000 as of the revision date. PG&E requests that the full amount of the balancing account be amortized in four months. A four-month amortization should reduce the balancing account to zero by the next ECAC proceeding in April, 1982.

The staff on the other hand argues that if the entire amount is amortized in four months then rates will have to be substantially reduced at the next ECAC proceeding. Therefore, in order to provide rate stability, an eight-month amortization should be chosen.

PG&E countered that an eight-month amortization would result in about a $6 million increase in interest costs over the use of a four-month period. Also, PG&E argued that the necessity of a rate reduction is dependent upon the accuracy of estimates concerning fuel costs and energy mix in the future.

Based on the evidence and arguments, we will follow the recommendations of the staff and adopt an amortization period which results in no ECAC rate increase at this time. The period adopted is 8.4 months. It is our intention to provide for a greater degree of rate stability than in the past. In choosing the eight-month period, we believe that any rate charge, either increase or decrease, in the next April ECAC proceeding will be minimized.

Our decisions concerning the cost of natural gas and our choice of an amortization period results in no increased new revenue requirement as shown in Table 2 which follows. Table 2 also contains, for comparative purposes, the results as recommended by both PG&E and the staff.

Table 2

Energy Cost Adjustment Clause
Calculation of Change in Revenue Requirement
Over Present Rates

Revision Date: December 1, 1981
Forecast Period: Four Months Beginning December 1, 1981

Line No.		Staff	PG&E	Adopted
1	Cost of Fuel & Purchased Energy	$ 820,632	$ 820,632	$ 835,997
2	Oil Inventory Cost Adjustment	1,145	1,145	1,145
3	Less: 2% Energy Expense(1)	(16,413)	(16,413)	(16,745)
4	Less: Revenue from sales to California Department of Water Resources	(2,738)	(2,738)	(2,738)
5	Subtotal	802,626	802,626	817,659
6	Allocation to CPUC Jurisdictional Sales(2)	769,718	769,718	784,135
7	Energy Cost Adjustment Account recovery amortized over different periods	161,808	323,616	151,394
8	Subtotal	931,526	1,093,334	935,529
9	Adjust. for Franchise Fees and Uncollectible Accts. Exp.(3)	7,275	8,539	7,306
10	Total ECAC Revenue Requirement	939,052	1,101,873	942,835
11	Total ECAC Revenue at Present Rates(4)	942,835	942,835	942,835
12	Change in Revenue Requirement	(3,783)	159,038	-

(Red Figure)

(1) Line 1 x 0.02

(2) Line 5 x 0.9590

(3) Line 8 x 0.00781

(4) At rates effective October 25, 1981

Rate Design

As discussed above, there is no additional ECAC revenue requirement as a result of this proceeding. Therefore, the only change in the current ECAC rates will be within the residential class and the time-of-use rate schedules. These changes are the result of our rate design principles adopted in the general rate case decision issued today and in Decision (D.) 93628. In today's decision we eliminated the monthly residential customer charge with the customer charge revenue being, in effect, rolled into the first tier of the effective rates. The other factor that we changed was that the inversion between tiers will be 35% instead of the present 38% inversion. The ECAC time-of-use billing factors are changed to maintain the percentage differentials between time periods adopted in D.93628. The effects of the decisions we issue today are shown in Appendixes A, B, & C.

Findings of Fact

1. By A.60961 PG&E requests authority to increase its electric rates and charges under the ECAC included in PG&E's electric tariff.

2. The proposed rates would increase PG&E's electric revenues by $159,038,000 for a four-month period.

3. A 8.4-month period to amortize the balancing account balance will minimize the undercollection and increase rate stability.

4. The price of natural gas (G-55 rate) is $4.620/million Btu.

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

Conclusions of Law

1. No increase of ECAC revenue is justified and reasonable.

2. The equal ¢/kWh method is reasonable for spreading existing ECAC revenue requirement among customer classes.

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

4. The effective date of this order should be today consistent with the decision in A.60153.

5. PG&E should be authorized to establish the revised rates set forth in the following order which are just and reasonable.

O R D E R

IT IS ORDERED that Pacific Gas and Electric Company is authorized to establish and file with this Commission in conformity with the provisions of General Order Series 96-A, revised tariff schedules of base rates and ECAC billing factors as shown in Appendixes A and C, and to revise its streetlighting rates accordingly. The revised tariff schedules shall become effective on date of filing but not earlier than January 1, 1982. The revised schedules shall apply only to service rendered on or after the effective date of this order.

This order is effective today.

Dated DEC 30 1981, 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

APPENDIX A

Class	Present[1] Base Rates (A)	Adopted[2] Base Rates (B)	Present ECAC Rates (C)	Adopted ECAC Rates (D)	Present[3] Effective Rate (E) = (A)+(C)	Adopted Effective Rate (F) = (B)+(D)	Increase (G) = (F)-(E)
Residential							
Tier I	.03035	.03964	.02939	.03107	.05974	.07071	.01097
Tier II	.02439	.03964	.05920	.05582	.08359	.09546	.01187
Tier III	.02439	.03964	.09029	.08923	.11468	.12887	.01419
Non-res.	-	-	.05406	.05406			

1 Includes AER = $.00257/kWh
SFA = $.00002/kWh
CFA = $.00002/kWh

2 Includes AER = $.00276/kWh
SFA = $.00002/kWh
CFA = $.00018/kWh

3 Includes customer charge in Tier I rate

(END OF APPENDIX A)

APPENDIX B

Increases and Average Rates
From Decisions in General Rate and
ECAC Proceedings Combined

	Sales gWh	Present Effective Revenues	Adopted * Effective Revenues	% Increase	Average Rates ¢/kWh
Residential	18,713	$1,416,363	$1,623,570	14.6	8.676
Light & Power					
Small	4,922	442,635	487,899	10.2	9.913
Medium	13,118	1,067,718	1,213,265	13.6	9.249
Large	14,149	1,048,914	1,220,584	16.4	8.627
Public Authority	479	36,060	40,303	11.8	8.414
Agricultural	3,606	289,918	330,325	13.9	9.160
Streetlighting	372	46,214	57,984	25.5	15.587
Railway	245	17,292	20,365	17.8	8.312
Interdepartmental	124	9,858	11,200	13.6	9.032
Other		61,277	61,824	.9	
Total	55,728	4,436,249	5,067,319	14.2	9.093

* New base rates and AER rates
ECAC revenue unchanged.

(END OF APPENDIX B)

APPENDIX C

Time-of-Use ECAC Billing Factors

In order to maintain the percentage differentials between time periods adopted in D.93628, the following ECAC-TOU billing factors are adopted:

Schedule No. A-21	Period A	Period B
On Peak	$.08426	$.06994
Partial Peak	.04993	.05352
Off Peak	.04261	.05042

Schedule No. A-22 and A-23	Period A	Period B
On Peak	$.06160	$.05999
Partial Peak	.05482	.05458
Off Peak	.05065	.05218

(END OF APPENDIX C)