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Decision 96-11-004 November 6, 1996

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

Application of PACIFIC GAS AND ELECTRIC COMPANY for Authority to Revise its Rates and Tariffs to be Effective by September 15, 1995, Pursuant to Decision Nos. 89-01-040, 90-09-089, 91-05-029, 93-12-058 and 94-07-024. (U 39 G)	Application 94-11-015 (Filed November 8, 1994)

OPINION

Summary

This decision grants, in part, Pacific Gas and Electric Company's (PG&E) Petition for Modification of Decision (D.) 95-12-053 filed February 23, 1996, as revised on June 19 and July 17, 1996. PG&E requests the Commission modify D.95-12-053 to correct the technical errors that PG&E discovered while implementing D.95-12-053; it maintains these modifications are necessary in order to implement rates that are consistent with the intent of the Commission in five proceedings: this Biennial Cost Allocation Proceeding (BCAP); PG&E's 1996 General Rate Case (GRC); the 1996 Cost of Capital (COC) proceeding; the Annual Earnings Assessment Proceeding (AEAP); and the Demand-Side Management (DSM) audit refund ordered in D.95-11-059.

We adopt changes proposed by PG&E that reflect what the Commission intended to include in the rates adopted in the above proceedings and consolidated in the appendices of D.95-12-053. We do not adopt PG&E's requested changes that (1) contest amounts specifically discussed on the record or (2) are minor errors embedded in PG&E's models from the beginning of the proceedings and never discussed by any party on the record.

The revisions we adopt will result in an annual increase in total gas revenues of less than $1 million. PG&E should reflect collection of this revenue increase in its annual True-up of Balancing Accounts Advice Filing expected to be filed November 15, 1996 for rates effective January 1, 1997.

Background

On February 23, 1996, PG&E filed its petition. On June 19, 1996, PG&E filed a Supplement to its petition, revising its calculation for the California Alternative Rate for Energy Program (CARE) administrative and general component, a change it states results in a decrease of $3,500 per year from the BCAP revenue requirement it originally calculated.

On July 17, 1996, PG&E filed a Substitute Supplement to its petition, including attachments which were inadvertently excluded from its previous filing. These attachments describe the requested changes in detail and show the associated rate table changes. In addition, because PG&E served the June 19 Supplement upon a service list streamlined following issuance of D.95-12-053, PG&E augmented its service of the July 17 substitute to include the revised service list as well as on the more extensive original BCAP service list.

We find that with the service of the July 17 Substitute, PG&E's filing is properly noticed. No party filed comments.

Discussion

PG&E requests changes to the marginal cost calculations, adopted revenue requirement, and rates reflected in Appendices C and D of D.95-12-053. Following is a discussion, by issue, of each proposed change.

1. CARE administrative and general (A&G) expenses (1) PG&E's petition states D.95-12-053 should have removed $270,000 rather than $668,000 in administrative expenses from the total customer account expense, based on the adopted gas 1996 GRC CARE program costs. In its supplemental petition, PG&E amends its proposed figure

from $270,000 to $577,408 based on discussions with TURN. We should not accept PG&E's proposed modification on this issue. The $668,000 used in D.95-12-053 was specifically discussed in the record and not challenged prior to the final decision by PG&E. A petition for modification should not serve as a vehicle to contest the record.

2. <u>Inconsistencies with other Commission decisions</u>. PG&E's proposed modifications in this category accurately reflect what the Commission intended to include in rates in the consolidated appendices of D.95-12-053. However, PG&E should have included these corrections in the workspapers it provided the Commission's Energy Division prior to the issuance of D.95-12-053. We expect it to do so in the future. These modifications are:

   a. Update the Franchise Fees and Uncollectible (F&U) factor to reflect the adopted GRC factor.

   b. Remove the PG&E Expansion Credit adjustment from the consolidated rates as it is already reflected in the GRC base revenue.

   c. Reduce the Core Fixed Cost Account (CFCA) to properly reflect the Demand Side Management (DSM) adjustment ordered in D.95-11-059.

   d. Update the Customer Energy Efficiency (CEE) Shareholder Incentive to reflect the amount adopted in D.95-12-054.

   e. Revise the noncore storage credit to reflect the GRC reduction in the base revenue amount.

   f. Properly reflect the change to Other Operating Revenue adopted in the GRC.

3. <u>Errors in the Marginal cost and rate design models</u>. We found in D.95-12-053 that PG&E had used unduly complex computer models in

the BCAP proceeding and directed it to simplify its models in future filings (see discussion in D.95-12-053, p. 3). We expect this directive to reduce the need for future petitions to modify based on modeling errors. Calculation errors and linkage problems should be corrected when the corrections are necessary to accurately reflect what the Commission intended to include in the rates. The following proposed modifications meet this criteria and should be adopted:

a. Correct unbundled storage linkage from marginal cost model to rate design model.

b. Correct computational error in Core Subscription Subaccount balance.

c. Correct the switch for Equalization of Core pipeline demand charges.

d. Correct computational error for Abnormal Peak Day adjustment for residential volumes.

e. Include Sacramento Municipal Utility District (SMUD) cogeneration throughput adjustment in cold year cogeneration throughput.

f. Correct CARE computational errors except the A&G expenses discussed in (1.) above.

4. Other modeling errors. Minor errors that were in the models from the beginning and were never specifically discussed on the record should not be corrected. Under this criteria, the following PG&E proposed modifications should not be adopted:

a. A small error in the equalization formula for G-NR1 customers.

b. A correction to the linkage from the unbundled storage F&U calculation

PG&E's proposed modifications discussed above in paragraphs 2 and 3 are reasonable and should be adopted, subject to our stated concerns. These modifications should result in an annual increase in total gas revenues of less than $1 million. PG&E should file, by advice letter and with complete workpapers, revised appendices for D.95-12-053. PG&E should include in the revised appendices the effects of Advice Letter 1957-G, its tariff filing made in compliance with the Commission's directive in D.95-12-053 that PG&E reallocate DSM expenses.

We do not adopt an immediate rate change to reflect the approved modifications. Rather, PG&E requests it reflect collection of the revenue difference resulting from its petition in its annual True-up of Balancing Accounts Advice Filing, expected to be filed approximately November 15, 1996 for rates effective January 1, 1997. This proposal is reasonable and should be adopted.

Findings of Fact

1. The following proposed modifications to D.95-12-053 are reasonable:

    a. Update the F&U factor to reflect the adopted GRC factor.

    b. Remove the PG&E Expansion Credit adjustment from the consolidated rates as it is already reflected in the GRC base revenue.

    c. Reduce the CFCA to properly reflect the DSM adjustment ordered in D.95-11-059.

    d. Update the CEE Shareholder Incentive to reflect the amount adopted in D.95-12-054.

    e. Revise the noncore storage credit to reflect the GRC reduction in the base revenue amount.

    f. Properly reflect the change to Other Operating Revenue adopted in the GRC.

g. Correct unbundled storage linkage from marginal cost model to rate design models

h. Correct computational error in Core Subscription Subaccount balance.

i. Correct the switch for Equalization of Core pipeline demand charges.

j. Correct computational error for Abnormal Peak Day adjustment for residential volumes.

k. Include SMUD cogeneration throughput adjustment in cold year cogeneration throughput

l. Correct CARE computational errors except the A&G expenses separately discussed in this decision.

2. PG&E's request to collect the revenue difference resulting from its petition in its True-up of Balancing Accounts filing is reasonable.

Conclusions of Law

1. The proposed modifications to D.95-12-053 found reasonable in this decision should be adopted.

2. Rate changes resulting from these modifications should be implemented through PG&E's True-up of Balancing Accounts filing.

O R D E R

IT IS ORDERED that:

1. PG&E's petition to modify is granted in part, as set forth in this decision.

2. PG&E shall file revised appendices to D.95-12-053 by advice letter filing within 5 days.

This order is effective today.

Dated November 6, 1996, at San Francisco, California.

P. GREGORY CONLON
President
DANIEL Wm. FESSLER
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners