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Decision 97-09-102 September 24, 1997

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to revise the time schedules for the Rate Case Plan and fuel offset proceedings.

R.87-11-012
(Filed November 13, 1987)

OPINION

Background

On February 5, 1997, Pacific Gas and Electric Company (PG&E) filed a petition requesting a variance to the Rate Case Plan (RCP) set forth in Decision (D.) 89-01-040. The petition seeks Commission authority to excuse PG&E from filing the forecast portion of its 1998 Energy Cost Adjustment Clause (ECAC) application, which was due on April 1, 1997. PG&E also requested from the Executive Director an extension of time for filing the forecast report. If the Commission approves the petition, the forecast report would not be needed. If the petition is denied, PG&E would serve the forecast report within two months following the Commission's decision on the petition. The Executive Director granted this request by letter dated February 13, 1997.

Currently, under the RCP adopted by the Commission in D.89-01-040, PG&E is required to submit a forecast of operations in the first phase of the 1998 ECAC application to be used in setting rates to be effective from January 1, 1998 through December 31, 1998. PG&E states that due to two recent electric industry restructuring decisions, it is no longer necessary to conduct the forecast phase of the 1998 ECAC proceeding, since forecast issues can be handled by alternate means. In the Cost Recovery Plan (CRP) decision, the Commission stated "It is not clear at this time that the sales forecast developed in conventional ECAC proceedings will be needed. The forecast is used to convert authorized revenue requirement into rates, but since rates will be frozen, this function will no longer be needed." (D.96-12-077, mimeo. p. 18.) Similarly, in the Roadmap II decision, the Commission stated:

"With the creation of the PX (Power Exchange) by January 1, 1998, and the requirement that utilities purchase all supplies from the PX, the need to establish a forecast ECAC revenue requirement may be reduced. However, we must continue to have access to the information about the utilities' generation costs and revenues from the PX in order to monitor PX costs billed to customers and properly debiting or crediting the transition cost balancing account. Furthermore, ECAC reasonableness reviews will continue for the interim period, at least until the utilities' fuel procurement practices are no longer undertaken in a regulated regime." (D.96-12-088, mimeo. p. 23.)

The forecast phase considers the ECAC revenue requirement for the following year based on the estimated fuel and purchased power expenses and the estimated ECAC balancing account at the end of the current year. The revenue requirement changes due to ECAC are consolidated with other revenue requirement changes to result in one rate change on or around January 1 of the following year. Individual rate levels are set for each component of the total rates, and incremental energy rates, operation and maintenance adder, energy reliability index (ERI), and combustion turbine capacity cost value are established to determine the energy and as-available capacity payments for certain Qualifying Facilities (QFs).

The enactment of Assembly Bill 1890 (AB 1890) with resulting restructuring of the electric utility industry and the Commission's adoption of Performance-Based Ratemaking (PBR) means these issues and resulting setting of rates will be resolved through other mechanisms and proceedings. Thus there is no need for the forecast phase of the 1998 ECAC proceeding that justifies the burden of conducting such litigation, according to PG&E.

PG&E believes that as of 1998 the need to litigate area load forecasts in ECAC will be eliminated because that responsibility will be moved to the Independent System Operator (ISO) under Public Utilities Code Section 345.

PG&E recommends that the ERI, which is used to calculate the as-available QF capacity payments, not be litigated in the ECAC proceeding since in 1998 it will be dependent on the PX/ISO system. PG&E believes the pending Uniform Standard

Offer 1 (USO1) proceeding (Application 95-11-057 et al.) to be the appropriate place to consider changes to the ERI methodology to reflect electric restructuring.

Comments

Comments to the petition were filed by the Office of Ratepayer Advocates (ORA) and the Independent Energy Producers Association (IEP).

ORA comments, filed on March 7, 1997, support the petition and suggest that additional actions be taken by the Commission, as follows:

1. Permanently eliminate the Annual Energy Rate (AER) which was temporarily suspended by D.96-12-080.
2. Require PG&E to account for all ECAC-related moneys in the reasonableness periods for 1997 and 1998, and show that there are no shareholder benefits due to not filing the 1998 ECAC forecast. Any overcollection should be credited to offset transition costs.
3. Affirm that components of the authorized 1997 ECAC revenue requirement carried over to 1998 are not presumed reasonable for 1998.

PG&E filed a response to ORA's comments on March 17, 1997. PG&E does not object to the first suggestion, that the AER be permanently discontinued, since there are other adequate incentives to control costs. PG&E agrees with the second suggestion that all ECAC moneys be accounted for, but in fairness believes that if overcollections should be credited to the transition cost balancing account, then similarly, undercollections should be debited. PG&E suggests that disposition of existing balancing accounts be deferred to the transition cost and Cost Separation proceedings. Finally, PG&E notes that ratepayers are indifferent to continuing existing rate components into 1998, since PG&E's proposal is to transfer balancing account balances for recovery through the competition transition charge (CTC).

IEP filed comments reacting to PG&E's recommendation that the USO1 proceeding be used to consider changes to the ERI methodology which is used to calculate the as-available QF capacity payments. IEP notes that it filed reply comments in the USO1 proceeding explicitly opposing any proposals to expand the proceeding to

include reconsideration of the capacity payment methodology for existing QFs. IEP states that its position remains unchanged.

Discussion

The only dissent to the petition is IEP's, which opposes using the USO1 proceeding for reconsidering the capacity payment methodology for existing QFs.

We note that ORA also recommends that an additional step be taken by the Commission beyond that sought in the petition, i.e. that we permanently eliminate the AER. This is not the proper forum for considering a change that is clearly beyond the scope of the petition and doesn't directly relate to it. We will not entertain permanently eliminating the AER here.

Next, ORA suggests that we require PG&E to account for all ECAC-related moneys in the reasonableness periods for 1997 and 1998, and require PG&E to show that there are no resulting shareholder benefits, other than avoided filing costs, due to not filing the 1998 ECAC forecast. ORA recommends that any overcollection be credited to the transition cost balancing account. PG&E agrees, but in addition believes that fairness requires any undercollection to be debited to the transition cost balancing account for eventual recovery. We agree with PG&E that both over- and undercollected balances should be recorded in the transition cost balancing account. While PG&E addresses only the 1997 reasonableness period, ORA addresses both the 1997 and 1998 periods. As ORA notes, the disposition of ECAC/ERAM accounts has been addressed in workshops held by the Commission's Energy Division in the proceeding on streamlining balancing accounts.

We also affirm, as ORA requests, that components of the 1997 ECAC revenue requirements, carried over to 1998, are not presumed reasonable for 1998.

Finally, PG&E requests that the ERI not be litigated in ECAC, rather that the USO1 proceeding consider changes to the ERI methodology to reflect electric industry restructuring. IEP objects to the extent that this may affect capacity payments to existing QFs. We wish to avoid litigating this matter in multiple forums. This issue will

be addressed in our proceeding on streamlining ECAC and other balancing accounts in Rulemaking 94-04-031, Investigation 94-04-032.

Since no party requested a hearing, a hearing in this matter is not necessary.

Findings of Fact

1. PG&E requests Commission authority not to file the forecast of operations portion of its 1998 ECAC application.
2. Setting of rates normally affected by the forecast phase will be resolved through other proceedings and mechanisms.
3. PG&E recommends that ERI be handled in the USO1 proceeding.
4. ORA supports the petition.
5. ORA recommends that we permanently eliminate the AER.
6. ORA recommends that PG&E account for all ECAC-related moneys and credit any overcollection to the transition cost balancing account.
7. PG&E argues that any undercollection of ECAC-related moneys should be debited to the transition cost balancing account.
8. ORA requests that the Commission affirm that components of the 1997 ECAC revenue requirements continued into 1998 are not presumed reasonable.
9. IEP opposes using the USO1 proceeding to consider changes to the ERI methodology regarding capacity payments to existing QFs.
10. There is no request for a hearing in this matter.

Conclusions of Law

1. PG&E should be excused from filing the forecast portion of its 1998 ECAC filing.
2. Over- or undercollected amounts of ECAC-related expenses should be recorded in the interim transition cost balancing account.
3. A hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) is authorized not to file a forecast of operations report in its 1998 Energy Cost Adjustment Clause (ECAC) application.
2. PG&E's 1998 ECAC proceeding shall not address the Energy Reliability Index methodology.
3. Over- or undercollected amounts of ECAC-related expenses during 1997 shall be recorded in the interim transition cost balancing account.

This order is effective today.

Dated September 24, 1997, at San Francisco, California.

**JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
Commissioners**

**President P. Gregory Conlon, being necessarily
absent, did not participate.**