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Decision 98-03-059 March 26, 1998

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking on the Commission's Proposed Policies Governing Restructuring California's Electric Services Industry and Reforming Regulation.

R.94-04-031  
(Filed April 20, 1994)

**ORIGINAL**

Order Instituting Investigation on the Commission's Proposed Policies Governing Restructuring California's Electric Services Industry and Reforming Regulation.

I.94-04-032  
(Filed April 20, 1994)

**OPINION**

**Summary**

This order addresses the petition to modify Decision (D.) 97-10-057 filed by Pacific Gas and Electric Company (PG&E) on November 25, 1997. We deny that portion of PG&E's petition which seeks an exception to the rule that the Commission may not carry over costs incurred during the transition period. We grant that portion of the petition seeking clarification regarding the disposition of balances in certain regulatory accounts.

**Discussion**

PG&E seeks modification of D.97-10-057 to clarify the disposition of balances in certain accounts. D.97-10-057 directed that balances in Electric Revenue Adjustment Mechanism (ERAM) and Energy Cost Adjustment Clause (ECAC) accounts as of December 31, 1997 be transferred to the interim Transition Cost Balancing Accounts (TCBA) and treated according to subsequent Commission orders. The decision, however, did not specify how balances in other accounts should be treated for those accounts terminated on or after

January 1, 1998. Southern California Edison Company supports PG&E's request. As PG&E proposes, we will modify D.97-10-057 to provide that balances in regulatory accounts should be entered into ERAM accounts if termination of the account occurred on or before December 31, 1997, and into the TCBA if termination occurs on or after January 1, 1998.

PG&E also proposes that the Commission modify D.97-10-057 to permit the utility to change rates after the rate freeze (or "transition") period to reflect costs incurred during the rate freeze period but which had not been approved by the Commission prior to the end of the transition period. PG&E proposes that the utilities should not be prohibited from recovering such costs where the problem arises through no fault of the utility. Edison supports PG&E's request.

D.97-10-057 finds that Assembly Bill (AB) 1890 does not permit the utilities to "accumulate balances associated with various costs or ratemaking mechanisms through the rate freeze period and then collect them at a later date." It also finds that doing so would violate AB 1890 by affecting the method for calculating "headroom" provided in the statute. The mere fact that certain costs have not received regulatory approvals does not change our interpretation of the law, which provides for no such exception. We understand that the associated shortfall may not be the utility's fault. The statute, however, does not make exceptions on the basis of fault. We deny PG&E's request to modify D.97-10-057 to increase rates after the transition period to reflect certain costs incurred during the transition period.

#### **Findings of Fact**

1. D.97-10-057 did not address how the electric utilities should account for balances remaining in regulatory accounts after those accounts are terminated pursuant to AB 1890 or Commission order. It ordered ERAM and ECAC

balances to be entered into the interim TCBA for subsequent disposition by the Commission.

2. AB 1890 does not permit the electric utilities to change rates after the transition period to recover costs incurred during the rate freeze period. The statute does not make exceptions for a circumstance where, because the Commission fails to approve of costs in time for their recovery prior to the end of the transition period, the utility is unable to recover such costs prior to the end of the transition period.

#### **Conclusion of Law**

The Commission should deny PG&E's petition to modify D.97-10-057 except to the extent set forth herein.

### **O R D E R**

**IT IS ORDERED that:**

1. The petition to modify Decision (D.) 97-10-057, filed by Pacific Gas and Electric Company on November 25, 1997, is denied except to the extent set forth herein.

2. The following is added to the second paragraph of Section VI.F. on page 19 of D.97-10-057:

"Balances in the accounts at the time of their termination should be entered into the ERAM accounts if termination occurs on or before December 31, 1997, and into the Transition Cost Balancing Accounts if termination occurs on or after January 1, 1998. Costs entered into

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the TCBA are recoverable only upon the express approval of the Commission by subsequent order. "

This order is effective today.

Dated March 26, 1998, at San Francisco, California.

RICHARD A. BILAS  
President  
P. GREGORY CONLON  
JESSIE J. KNIGHT, JR.  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
Commissioners