

Decision 98-04-011 April 9, 1998

APR 9 1998

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.

Rulemaking 87-11-012
(Filed November 13, 1987)

ORIGINAL**O P I N I O N****1. Summary**

The Commission grants the December 8, 1997 petition by Pacific Gas and Electric Company (PG&E) for authority to defer filing the electric rate design portion of its 1999 general rate case (GRC) until December 1, 1998.

2. Background

The Rate Case Plan adopted in Decision (D.) 89-01-040 requires PG&E to file electric rate design exhibits and testimony on Day 90 of the GRC processing schedule, i.e., on the 90th day after the GRC application is filed. The electric rate design filing initiates what has historically been designated Phase 2 of each GRC. PG&E filed its test year 1999 GRC (Application (A.) 97-12-020) on December 12, 1997, so PG&E is due to make a Phase 2 filing on March 12, 1998.¹ The Rate Case Plan schedule provides for a final Phase 2 decision on Day 502, or 412 days after the initiating filing. Based on a March 12, 1998 Phase 2 filing, the Phase 2 decision would be expected by May 1, 1999.

D.89-01-040 provided that gas rate design and revenue allocation criteria would be resolved in each gas utility's Annual Cost Allocation Proceeding (subsequently modified to the Biennial Cost Allocation Proceeding (BCAP)).

¹ However, on December 19, 1997, the Executive Director granted an interim extension of 120 days pursuant to the authority granted by Ordering Paragraph 9 of D.89-01-040.

4. Responses

Responses to PG&E's petition were filed by the Office of Ratepayer Advocates (ORA), The Utility Reform Network (TURN), and the Western Mobilehome Parkowners Association (WMPA).

ORA has no objections to the requested delay in the Phase 2 filing, and it concurs that delaying Phase 2 will conserve the resources of the Commission and interested parties. However, ORA believes that the rate freeze period could and hopefully will end before the statutorily allowed period. ORA believes that any further delays in Phase 2 should be considered in conjunction with an assessment of the progress of PG&E's recovery of transition costs.

TURN states that it will be especially interested in Phase 2 issues. Based upon the expected workload of its staff and its outside consultants in 1998, TURN believes that the requested delay will enable it to participate more fully in Phase 2. TURN therefore supports the requested delay and recommends that the petition be granted.

However, TURN objects to part of the reasoning underlying PG&E's petition. Referring to PG&E's statement that the expected completion of Phase 2 by February 2000 (if the petition is granted) is "well before" the end of the rate freeze/transition cost recovery period, TURN objects to the implication that the Commission may safely anticipate that the rate freeze will not end until a date closer to March 31, 2002. TURN believes there is a danger that such a perception will become reality, and, therefore, that it is appropriate for the Commission to state, at every available opportunity, its commitment to having the rate freeze in place for the shortest period consistent with AB 1890.

WMPA does not oppose PG&E's request generally, but it opposes any delay in possible revision to Electric Rate Schedule ET and Natural Gas Rate Schedule GT master-meter discounts. The discounts, established pursuant to Public Utilities Code Section 739.5, are set equal to PG&E's costs to provide distribution services within mobilehome parks that PG&E serves directly. The discounts are the means by which master-meter customers recover their submetering costs. WMPA believes that it is reasonable to assume that master-meter customers performing distribution functions

than interest and carrying costs, there is a greater chance of full recovery of those costs." (D.97-06-060, pp. 37-38.)

Since D.89-01-040 modified the Rate Case Plan in 1989 by shifting consideration of rate design to a later phase, both phases of electric utility GRCs have been processed under a single docket. Extending the Phase 2 filing by nine months requires that we undertake a new procedural approach in order to comply with Senate Bill (SB) 960 (Stats. 1996, Ch. 856). Section 1 of SB 960 states the Legislature's intent that the Commission resolve proceedings within 18 months. We are approving an extension of PG&E's GRC which would result in resolution of rate design issues more than 24 months after PG&E made its Phase 1 filing. Accordingly, Phase 2 should be processed as a separate proceeding. We will require PG&E to file a new application for Phase 2.

We agree with WMPA that it is reasonable to provide for timely consideration of possible revisions to the master-meter discounts, but as WMPA acknowledges, the master meter discount for electric service cannot be changed due to the rate freeze. On the other hand, while gas rate design issues are generally addressed in BCAPs, issues related to the gas and electric master-meter discounts have been considered together in the electric rate design phase of PG&E's GRCs due to the similarity of issues involved. (See, for example, D.92-10-051, p. 68.) Thus, there is some merit to WMPA's claim that the nine-month delay in Phase 2 should not result in comparable delay in possible revision to the gas master-meter discount. However, we will not move consideration of the master-meter discounts to Phase 1 of PG&E's GRC, since a heavy agenda has already been identified for that proceeding. Instead, we believe that the Rate Design Window mechanism provides the appropriate forum for considering possible revisions to both the electric and gas master-meter discounts.

Findings of Fact

1. In light of both the current electric rate freeze and the need to schedule litigation of proceedings according to resource considerations, it is reasonable to defer filing Phase 2 of PG&E's GRC until no later than December 1, 1998.

CORRECTION !!

*THE PREVIOUS DOCUMENT(S) MAY HAVE
BEEN FILMED INCORRECTLY*

RESHOOT FOLLOWS

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2. Background

The Rate Case Plan adopted in Decision (D.) 89-01-040 requires PG&E to file electric rate design exhibits and testimony on Day 90 of the GRC processing schedule, i.e., on the 90th day after the GRC application is filed. The electric rate design filing initiates what has historically been designated Phase 2 of each GRC. PG&E filed its test year 1999 GRC (Application (A.) 97-12-020) on December 12, 1997, so PG&E is due to make a Phase 2 filing on March 12, 1998.¹ The Rate Case Plan schedule provides for a final Phase 2 decision on Day 502, or 412 days after the initiating filing. Based on a March 12, 1998 Phase 2 filing, the Phase 2 decision would be expected by May 1, 1999.

D.89-01-040 provided that gas rate design and revenue allocation criteria would be resolved in each gas utility's Annual Cost Allocation Proceeding (subsequently modified to the Biennial Cost Allocation Proceeding (BCAP)).

¹ However, on December 19, 1997, the Executive Director granted an interim extension of 120 days pursuant to the authority granted by Ordering Paragraph 9 of D.89-01-010.

3. PG&E's Petition

PG&E has filed a petition for modification of D.89-01-040 in which it requests a variance from the Rate Case Plan. PG&E seeks authority to defer the Phase 2 filing for its 1999 GRC to December 1, 1998. PG&E notes that under the electric rate freeze mandated by Assembly Bill (AB) 1890,² electric rates will not change until the earlier of March 31, 2002 or the date on which authorized transition costs are fully recovered. Yet, under the Rate Case Plan, Phase 2 would be decided by May 1999 if the filing is made in March 1998. Given the AB 1890 rate freeze, PG&E believes that it would be premature to initiate Phase 2 in March 1998 since the purpose of Phase 2 is to consider changes to electric rates based on updated rate design principles.

PG&E notes that deferring the Phase 2 by approximately nine months will still allow rate changes to be developed by February 1, 2000. PG&E asserts this is still "well before the anticipated end of the rate freeze period." PG&E believes that by deferring the filing, the Commission can conserve its own, PG&E's, and other interested parties' resources at a time when such resources need to be focused on industry restructuring proceedings.

D.97-09-101 dated September 24, 1997 granted an earlier petition by PG&E to move consideration of electric marginal costs to Phase 2 of PG&E's 1999 GRC. In the current petition, PG&E requests that the extension be made applicable to electric marginal costs as well as rate design. In addition, at the January 29, 1998 prehearing conference in A.97-12-020 PG&E confirmed its intention that revenue allocation issues also be deferred to Phase 2. (Tr. PHC p. 49.)

² Stats. 1996, Ch. 854. Public Utilities Code Section 368(a), added by AB 1890, effectively requires an electric rate freeze (along with a 10% rate reduction for residential and small commercial customers) until the earlier of March 31, 2002 or the date on which authorized costs for utility generation-related assets and obligations have been fully recovered.

4. Responses

Responses to PG&E's petition were filed by the Office of Ratepayer Advocates (ORA), The Utility Reform Network (TURN), and the Western Mobilehome Parkowners Association (WMPA).

ORA has no objections to the requested delay in the Phase 2 filing, and it concurs that delaying Phase 2 will conserve the resources of the Commission and interested parties. However, ORA believes that the rate freeze period could and hopefully will end before the statutorily allowed period. ORA believes that any further delays in Phase 2 should be considered in conjunction with an assessment of the progress of PG&E's recovery of transition costs.

TURN states that it will be especially interested in Phase 2 issues. Based upon the expected workload of its staff and its outside consultants in 1998, TURN believes that the requested delay will enable it to participate more fully in Phase 2. TURN therefore supports the requested delay and recommends that the petition be granted.

However, TURN objects to part of the reasoning underlying PG&E's petition. Referring to PG&E's statement that the expected completion of Phase 2 by February 2000 (if the petition is granted) is "well before" the end of the rate freeze/transition cost recovery period, TURN objects to the implication that the Commission may safely anticipate that the rate freeze will not end until a date closer to March 31, 2002. TURN believes there is a danger that such a perception will become reality, and, therefore, that it is appropriate for the Commission to state, at every available opportunity, its commitment to having the rate freeze in place for the shortest period consistent with AB 1890.

WMPA does not oppose PG&E's request generally, but it opposes any delay in possible revision to Electric Rate Schedule ET and Natural Gas Rate Schedule GT master-meter discounts. The discounts, established pursuant to Public Utilities Code Section 739.5, are set equal to PG&E's costs to provide distribution services within mobilehome parks that PG&E serves directly. The discounts are the means by which master-meter customers recover their submetering costs. WMPA believes that it is reasonable to assume that master-meter customers performing distribution functions

similar to PG&E's are experiencing distribution cost increases similar to those asserted by PG&E in A.97-12-020. Accordingly, WMPA contends that it is reasonable and critical to assure timely consideration of possible revisions to the master-meter discounts. WMPA agrees to shifting consideration of the master-meter discounts to Phase 1 of PG&E's GRC or other proceedings that will not be delayed beyond the normal conclusion of Phase 2 under the Rate Case Plan.

5. Discussion

If PG&E defers its Phase 2 filing to December 1, 1998, rate changes flowing from Phase 2 could become effective by February 2000 under the 412-day rate design processing schedule adopted by D.89-01-040. While we make no determination regarding the date on which the transition cost recovery/rate freeze period is likely to end, we find that deferring Phase 2 for approximately nine months as proposed is reasonable. There is little reason to require litigation of electric rate design principles during 1998 when the end product of such litigation, changes in tariff rates, cannot be implemented until the rate freeze period is concluded. We note that no party opposes the limited extension proposed by PG&E, and that both ORA and TURN agree with PG&E that deferring Phase 2 as proposed is preferable from the standpoint of resource availability. We will grant PG&E's petition for the foregoing reasons.

We agree with ORA that no further deferral of Phase 2 should be granted in the absence of a thorough review of the status of transition cost recovery and a determination of a likely date for completion of the transition cost recovery/rate freeze period. We also concur with TURN that we should not make any assumption that full transition cost recovery will necessarily be delayed until the end of the statutory period, or that PG&E may be unable to fully recover eligible transition costs. We have previously addressed the need for expeditious recovery of transition costs:

"It is in the interests of both ratepayers and shareholders that the greatest amount of revenues be available to collect transition costs. Ratepayers benefit because if transition costs are collected as expeditiously as possible, the rate freeze may end before the end of the mandated transition period. Shareholders benefit because if the utilities maximize the amount of available dollars to recover actual transition costs, rather

than interest and carrying costs, there is a greater chance of full recovery of those costs." (D.97-06-060, pp. 37-38.)

Since D.89-01-040 modified the Rate Case Plan in 1989 by shifting consideration of rate design to a later phase, both phases of electric utility GRCs have been processed under a single docket. Extending the Phase 2 filing by nine months requires that we undertake a new procedural approach in order to comply with Senate Bill (SB) 960 (Stats. 1996, Ch. 856). Section 1 of SB 960 states the Legislature's intent that the Commission resolve proceedings within 18 months. We are approving an extension of PG&E's GRC which would result in resolution of rate design issues more than 24 months after PG&E made its Phase 1 filing. Accordingly, Phase 2 should be processed as a separate proceeding. We will require PG&E to file a new application for Phase 2.

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Findings of Fact

1. In light of both the current electric rate freeze and the need to schedule litigation of proceedings according to resource considerations, it is reasonable to defer filing Phase 2 of PG&E's GRC until no later than December 1, 1998.

2. In approving PG&E's petition, the Commission makes no assumptions or findings regarding whether or for how long the transition cost recovery/rate freeze period will continue after February 2000, and it makes no assumptions or findings that the transition cost recovery/rate freeze period will not end before February 2000.

Conclusion of Law

The relief sought by PG&E in its petition is reasonable, and the petition should therefore be granted.

O R D E R

IT IS ORDERED that:

1. The December 8, 1997 petition by Pacific Gas and Electric Company (PG&E) is granted as provided herein.
2. PG&E is authorized to defer filing the electric rate design portion of its 1999 general rate case, including its electric marginal cost and electric revenue allocation showing, until no later than December 1, 1998. PG&E shall file a new application for its electric rate design and related proposals. PG&E shall propose in its application a procedural timetable which is consistent with the 412-day schedule established by Decision 89-01-040 for processing rate design issues.

3. Proposals to adjust the master-meter discounts in PG&E's Electric Rate Schedule ET and its Natural Gas Rate Schedule GT may be considered in PG&E's next Rate Design Window.

This order is effective today.

Dated April 9, 1998, at San Francisco, California.

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