

Decision 98-04-026 April 9, 1998

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Authority to Adjust its Electric Rates Effective January 1, 1997, and for Commission Order Finding That Electric and Gas Operations During the Reasonableness Review Period from January 1, 1995 to December 31, 1995 Were Prudent.

Application 96-04-001
(Filed April 1, 1996)

ORIGINAL

(See Decision 96-12-080 for appearances.)

FINAL ORDER

Summary of Decision

In response to a joint motion by Pacific Gas and Electric Company (PG&E) and Office of Ratepayer Advocates (ORA), this decision closes the proceeding.

Procedural Background

PG&E filed this application on April 1, 1996, requesting authority to adjust its electric rates and for a reasonableness review of its electric and gas operations during 1995.

The Commission issued interim Decision (D.) 96-12-080¹ in the forecast phase of this proceeding. The Commission issued a second interim decision (D.97-07-052) which addressed the reasonableness of PG&E's electric operations during 1995.

In D.97-07-052, the Commission ordered, among other things, that:

1. The reasonableness of PG&E's action in connection with economy energy sales during the 1995 record period shall be addressed after the Commission has ruled on a similar issue in Application (A.) 94-04-002, for the 1993 record period. (Ordering Paragraph 1.)

¹ D.96-12-080 was modified by D.97-06-063.

2. If the Commission adopts the Gas Accord which is being addressed in A.92-12-043 et al., PG&E shall remove \$15.9 million from its Energy Cost Adjustment Clause balancing account. (Ordering Paragraph 3.)

As discussed later, the Commission has since adopted the Gas Accord and issued a decision in A.94-04-002. Accordingly, on November 10, 1997 PG&E and ORA, in response to the assigned administrative law judge's request, filed a joint motion to close this proceeding.

The Joint Motion

On August 1, 1997, the Commission issued D.97-08-061 in A.94-04-002, which, among other things, found that in 1993, PG&E's expenditure of \$352,000 related to economy energy sales under hydro spill conditions, as defined, was unreasonable and should be disallowed. In their motion, PG&E and ORA agree that with the issuance of D.97-08-061, the issue of the reasonableness of economy energy sales in 1995 is ripe for resolution. PG&E and ORA agree that the amount disallowed is \$13,220,962, plus applicable interest charges accrued since December 31, 1995. PG&E and ORA also agree that within 10 days of the effective date of an order issued in this proceeding, PG&E should place these funds in the Electric Deferred Revenue Account (EDRA).¹

On August 1, 1997, the Commission issued D.97-08-055, which approved the Gas Accord presented in PG&E's A.96-08-043 and its August 21, 1996 motion. The Gas Accord, at pages 65 and 66, addresses the treatment of the 50 Mdth/day of Transwestern Pipeline Company (Transwestern) capacity held by PG&E's Utility Electric Generation (UEG) during the period January 1993 through implementation of the Power Exchange. The Gas Accord specifies that after July 1993 recovery of reservation charges will be determined by comparing PG&E's UEG's monthly commodity and volumetric interstate transportation costs associated with the UEG

¹ D.96-12-025, dated December 9, 1996, ordered PG&E to establish an EDRA account to accumulate credits for electric disallowances ordered by this Commission or the Federal Energy Regulatory Commission (FERC) and electric and Utility Electric Generation amounts resulting from the settlement of reasonableness disputes at this Commission or FERC.

Transwestern capacity to a market benchmark. PG&E is entitled to recover \$3.7 million of its total Transwestern capacity costs plus brokering revenues for the period prior to December 31, 1995. For the period January 1993 through December 1995, PG&E and ORA calculate that \$15,892,120, plus applicable monthly interest charges accrued since January 1, 1993, should be placed in the EDRA within 10 days of the effective date of an order in this proceeding.³

PG&E and ORA further agree that with the resolution of these two issues, the proceedings reviewing the reasonableness of PG&E's electric operations in 1995 should be closed.

Reasonableness of Gas Operations

As stated earlier, PG&E filed this application for, among other things, reasonableness review of its electric and gas operations during 1995. The adoption of the Gas Accord renders moot all issues pertaining to reasonableness of PG&E's gas operations during 1995. This is evident from the terms of the Gas Accord⁴ (which is included as Appendix B in D.97-08-055).

³ PG&E's shareholders should have been charged this amount and they have already incurred this expense through the creation of a reserve account.

⁴ "For the period June 1, 1994, through December 31, 1997, PG&E will recover procurement and transportation costs consistent with the revised CPIM mechanism negotiated with DRA in 1996, and submitted as testimony by PG&E on April 23, 1996, in Application 94-12-039. As a result, this will resolve core procurement reasonableness for such period. Further, as part of such testimony, PG&E will forego its right to seek recovery of the reservation charges associated with the 150 MMcf/d Transwestern core reservation for the periods 1992-1997." (See p. 57, Appendix B of D.97-08-055.)

"Remaining Reasonableness Issues

"(A.93-04-011, 94-04-002, 95-04-002, and 96-04-001)

"All core procurement cost recovery after May 1994 shall be in accordance with PG&E's revised CPIM. All other issues outstanding in reasonableness proceedings are deemed settled and no party shall seek or recommend any disallowance, sanction, or penalty associated any gas reasonableness issue, named or unnamed for years 1992 through 1995." (See p. 68, Appendix B of D.97-08-055.)

Discussion

PG&E and ORA have demonstrated that no issues remain to be resolved in this proceeding. We will grant their motion and close this proceeding.

Findings of Fact

1. On April 1, 1996, PG&E filed this application requesting, among other things, a reasonableness review of its electric and gas operations during 1995.
2. PG&E and ORA are the only active parties in this phase of the proceeding, devoted to the review of the reasonableness of PG&E's electric and gas operations in 1995.
3. On February 27, 1997, PG&E and ORA presented joint testimony that resolved most of the 1995 reasonableness issues between the parties and deferred resolution of certain issues to a latter phase of this proceeding or another proceeding.
4. D.97-07-052, issued on July 16, 1997, adopted the recommendations contained in the joint testimony of PG&E and ORA.
5. D.97-07-052 found that the reasonableness of PG&E's action in connection with economy energy sales during the 1995 record period shall be addressed after the Commission has ruled on a similar issue in A.94-04-002, for the 1993 record period.
6. On August 1, 1997, the Commission issued D.97-08-061 in A.94-04-002 which, among other things, found that in 1993, PG&E's expenditure of \$352,000 related to economy energy sales under hydro spill conditions, as defined, was unreasonable and should be disallowed.
7. PG&E and ORA agree that applying the resolution of D.97-08-061 to their dispute regarding economy energy sales in 1995 results in a disallowance of \$13,220,962, plus applicable interest since December 31, 1995.
8. PG&E and ORA agree that within 10 days of the effective date of this decision, PG&E should place \$13,220,962, plus applicable interest charges accrued since December 31, 1995, in the EDRA.
9. On August 1, 1997, the Commission issued D.97-08-055, which approved the Gas Accord presented in PG&E's A.96-08-043 and in its August 21, 1996, motion.

10. For the period January 1993 through December 1995, PG&E and ORA agree that with the approval of the Gas Accord, \$15,892,120, plus applicable monthly interest charges accrued since January 1, 1993, should be charged to shareholders and placed into the EDRA.

11. PG&E and ORA agree that with the resolution of these two issues, the proceedings reviewing the reasonableness of PG&E's electric operations in 1995 should be closed.

12. The adoption of the Gas Accord renders moot all issues pertaining to PG&E's gas operations during 1995.

Conclusions of Law

1. Of PG&E's expenses in 1995 related to economy energy sales under hydro spill conditions, \$13,220,962 are unreasonable and should be disallowed.

2. PG&E should record in its EDRA \$13,220,962, plus applicable interest charges accrued since December 31, 1995, related to economy energy sales under hydro spill conditions made in 1995.

3. PG&E should record in its EDRA \$15,892,120, plus applicable monthly interest charges accrued since January 1, 1993, of UEG costs associated with the Transwestern contract.

4. The phase of this proceeding reviewing the reasonableness of PG&E's electric and gas operations in 1995 should be closed.

5. Because of the completion of review of PG&E's electric and gas operations during 1995, there are no outstanding issues in this proceeding. Accordingly, this proceeding should be closed.

6. The motion of PG&E and ORA to close this proceeding should be granted.

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) shall not recover in rates \$13,220,962 in Electric Department costs associated with its Diablo Canyon generation during hydro spill conditions during the 1995 record period.

A.96-04-001 ALJ/AVG/bwg

2. PG&E shall credit \$13,220,962, plus applicable interest charges accrued since December 31, 1995, to the Electric Deferred Refund Account (EDRA) within 10 days of the effective date of this order.

3. PG&E shall not recover in rates \$15,892,120 in Electric Department costs associated with the Transwestern Pipeline Company contract settlement amounts.

4. PG&E shall credit \$15,892,120, plus applicable monthly interest charges accrued since January 1, 1993, to the EDRA within 10 days of the effective date of this order.

5. Application 96-04-001 is closed.

6. The motion of PG&E and the Office of Ratepayer Advocates, dated November 10, 1997, is granted.

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