Decision 00-02-037 February 17, 2000

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company For Authority To Revise Its Gas 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

After rehearing, we affirm our decision to adopt a core/noncore allocation of 82%/18% for the revenue shortfalls associated with core to noncore migration described in our 1995 Biennial Cost Allocation Proceeding (BCAP) decision for Pacific Gas and Electric Company (PG&E). (See Decision (D.) 95-12-053, 63 CPUC2d 414, 447-448.)

Background

Limited rehearing of D.95-12-053 was granted because a substantive change from the proposed decision was made in D.95-12-053 based on a Commissioner recommendation, and that change should have been presented in an official alternate. Had it been presented in an alternate, the procedural requirements of Rule 77.6 would have applied. Rule 77.6 provides for review and comment on alternates.

We granted limited rehearing in D.99-02-089. That decision allowed parties to file comments on the changes made under the heading "Revenue Shortfalls from Core to Noncore Migration" (Id.), relevant to the discussion and conclusion set forth under the same heading in the ALJ Proposed Decision of November 20, 1995, at pp. 52-53.

Comments were timely filed by PG&E, the California Industrial Group and the California Manufacturers Association (CIG/CMA), and The Utility Reform Network (TURN). PG&E also filed timely reply comments.

Comments

PG&E asks the Commission to confirm D.95-12-053 as adopted. It argues that the allocation methodology adopted has been used in all other BCAP decisions since the early 1990s and should be upheld in this BCAP. It claims that the result of applying this methodology for PG&E (18% of the shortfall allocated to the noncore) is consistent with the result reached in the Southern California Gas Company (SoCalGas) BCAP where 20% of the shortfall was allocated to the noncore. PG&E argues that this method follows cost causation principles. PG&E explains that it presented the methodology and the inputs for calculating the allocation in its testimony, and included in its comments citations to its rebuttal and the transcripts of cross-examination of its sponsoring witness.

Further, PG&E states that the instability TURN claims results from applying the allocation method PG&E supports is due to errors in TURN's application of the methodology.

TURN argues that the last-minute changes to D.95-12-053 were based upon a misunderstanding of the underlying methodology that the decision purported to adopt, and should be rescinded in favor of the original proposed decision. TURN argues that the methodology PG&E supports is different from that applied to SoCalGas, yet the decision adopts it and describes the PG&E methodology as the methodology adopted for SoCalGas. TURN states that PG&E set forth for the first time its affirmative proposal for the allocation in its opening brief. While the proposed decision relied upon data entered into evidence, TURN argues, the Commission relied upon calculations and explanations set forth in PG&E's opening brief.

CIG/CMA argues that the Commission reached the correct substantive result in D.95-12-053 and need only confirm the result upon receiving comments. It claims that the treatment of the allocation of revenue shortfalls in the proposed decision was erroneous and, as a consequence, it was necessary that the Commission correct the error in adopting D.95-12-053. CIG/CMA characterizes the Office of Ratepayer Advocates' (ORA's) allocation method that was proposed for adoption as causing an extreme result, in that PG&E noncore customers would bear a 60% share of any shortfall, whereas similar SoCalGas customers bear only 20%. CIG/CMA emphasizes the disparity between northern and southern California noncore customers, who are competitors, that would result from the Commission modifying D.95-12-053 to adopt the allocation method recommended in the proposed decision.

CIG/CMA points out two rationales offered to support the proposed decision. The first rationale was an assertion by TURN that PG&E's data has unstable results, an assertion CIG/CMA claims was fully explained in PG&E's opening brief as a misinterpretation and misapplication of the underlying data. The second rationale offered in the proposed decision which CIG/CMA addresses was ORA's view that the costs should be treated as transition costs. CIG/CMA argues that such treatment would not be reasonable since the revenue shortfall costs are not cost obligations that the utility incurred prior to restructuring the gas industry.

Discussion

The Core-to-Noncore Migration Shortfall Account tracks the shortfall caused by migration of customers from higher core rates to lower noncore rates, thus reducing the anticipated revenue collection. The only issue before us at this time is the proper allocation of the shortfall caused by migration.

The parties dispute whether the methodology PG&E applied to reach the 82% core/18% noncore allocation is in fact the same as the SoCalGas methodology. In essence, TURN argues that in D.95-12-053, the Commission relied on application of the

SoCalGas methodology to PG&E as its justification for adopting the core/noncore allocation. TURN asserts that proper application of the SoCalGas methodology would in fact yield a substantially different allocation and therefore recommends an equal-cents per-therm allocation. PG&E disagrees with TURN. At the PHC, PG&E summarized its position by saying "(w)e think even if it isn't exactly the same as the So. Cal. Gas method, it's still correct because it follows the principle [that] the cost shift caused by the migration of the customers [should] go with the customers." (TR PHC 4, p. 57, lines 9-12.) In essence, PG&E argues that its methodology is consistent with cost causation principles and should be adopted on that basis.

We need not find that exactly the same methodology was utilized for PG&E and SoCalGas to conclude that the 82% core/18% noncore allocation is a proper allocation. After reviewing the comments of the parties, we will not disturb the core/noncore allocation of 82%/18% for the revenue shortfalls associated with the core to noncore migration. As we stated in D.95-12-053, "(t)his **result** is both a fair allocation of these shortfall costs and consistent with the **result** reached in the SoCalGas BCAP" (Id. at p. 54, emphasis added).

Comments on Draft Decision

The draft decision of the Administrative Law Judge in this matter was mailed to the parties in accordance with Pub. Util. Code Section 311(g) and Rule 77.1 of the Rules of Practice and Procedure. No comments were filed.

Finding of Fact

An 82% core/18% noncore allocation for the revenue shortfalls associated with the core to noncore migration produces a result that is a fair allocation of shortfall costs and is consistent with the result reached in D.94-12-052.

Conclusion of Law

We should adopt an 82% core/18% noncore allocation of the core to noncore migration revenue shortfall, with interest accrual, and require PG&E to continue tracking shortfall amounts not captured in the demand forecast.

ORDER

IT IS ORDERED that:

1. Decision (D.) 95-12-053, Conclusion of Law 24, is affirmed.
2. An 82% core/18% noncore allocation of the core to noncore migration revenue shortfall, with interest accrual, is affirmed for the Core-to-Noncore Migration Shortfall Account considered in Pacific Gas and Electric Company's Biennial Cost Allocation Proceeding, Application 94-11-015, and adopted in D.95-12-053.
3. This proceeding is closed.

This order is effective today.

Dated February 17, 2000, at San Francisco, California.

RICHARD A. BILAS
President
HENRY M. DUQUE
JOSIAH L. NEEPER
CARL W. WOOD
LORETTA M. LYNCH
Commissioners