

Decision 99-09-001 September 2, 1999

**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)

**OPINION**

**Summary**

The Commission denies the request of Pacific Gas and Electric Company (PG&E) for authority to forego its year 2000 cost of capital filing.

**Background**

On March 10, 1999, PG&E filed a petition for an order modifying the rate case plan (RCP) requesting authorization to forego filing its year 2000 cost of capital application. Additionally, considering the proximity of the May 8, 1999 filing date for that application, PG&E separately requested an extension of time to file the year 2000 cost of capital application until 60 days after the mailing date of the ruling or decision on its request to forego the application. That request was granted by letter dated March 16, 1999 from the Executive Director.

The RCP adopted in Decision (D.) 89-01-040 requires PG&E to file a cost of capital application on May 8 of each year. Since May 8, 1999 is a Saturday, the year 2000 cost of capital filing was due on May 10, 1999.

In its request, PG&E explains that, in its performance based ratemaking (PBR) Application (A.) 98-11-023, it proposes to use the 1999 adopted cost of capital as the starting point for the PBR adjustment, beginning January 1, 2000. Since the PBR schedule of the PBR results in a decision after January 1, 2000,

PG&E filed an amendment to the PBR application requesting approval of interim rates effective January 1, 2000. The interim rates would be subject to retrospective adjustment based on the final PBR decision.

PG&E argues that if its request for interim rates is granted, its 1999 cost of capital would be used effective January 1, 2000 in the PBR proceeding, and would make a year 2000 cost of capital proceeding unnecessary and a waste of resources.

Additionally, PG&E believes that due to the delay in the 1999 cost of capital proceeding, a decision will not be issued until Spring 1999. Thus, there would be insufficient time to incorporate that decision into a year 2000 cost of capital application, which would also delay the year 2000 cost of capital decision.

No comments or protests to PG&E's request were received.

### **Discussion**

We deny PG&E's request. It is premature to modify the RCP based on a proposed cost of capital adjustment in PG&E's PBR application. PG&E's proposed PBR mechanism, if adopted, would not likely be effective until sometime in the year 2000, at which time the year 1999 cost of capital would be substantially out of date. Current cost of capital proceedings are considering the status of future cost of capital proceedings, and PG&E's proposed trigger mechanism needs a benchmark, which should reasonably current. This request can be more effectively be addressed in those proceedings, since any change in status of PG&E may need to be considered along with the other energy utilities.

### **Comments on Draft Decision**

The draft decision of the ALJ in this matter was mailed to the parties in accordance with Pub. Util. Code § 311(g) and Rule 77.1 of the Rules of Practice and Procedure. Comments on the draft decision were filed by PG&E, with joint

reply comments filed by The Utility Reform network and Aglet Consumer Alliance. No changes have been made to the draft decision based on the comments.

**Findings of Fact**

1. PG&E's request for authority to forgo its year 2000 cost of capital application is premature.
2. The year 1999 cost of capital would be substantially out of date if used to replace the year 2000 cost of capital as a benchmark.

**Conclusion of Law**

The request should be denied.

**O R D E R**

**IT IS ORDERED** that:

1. The request of Pacific Gas and Electric Company (PG&E) to forego its year 2000 cost of capital application is denied.
2. PG&E shall file its year 2000 cost of capital application 60 days from today.
3. This decision disposes of PG&E's petition for modification of Decision 89-01-040, filed in: Rulemaking 87-11-012. Accordingly, this proceeding is closed.

This order is effective today.

Dated September 2, 1999, at San Francisco, California.

RICHARD A. BILAS  
President  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
JOEL Z. HYATT  
CARL W. WOOD  
Commissioners