

Original

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3064
December 17, 1987

R E S O L U T I O N

PACIFIC POWER AND LIGHT COMPANY (PP&L). AUTHORIZATION FOR EXEMPTION FROM FILING REQUIREMENTS FOR 1988 OPERATIONAL AND FINANCIAL ATTRITION AND ELECTRIC REVENUE ADJUSTMENT MECHANISM (ERAM) ADJUSTMENTS.

Advice Letter 205-E, filed November 13, 1987.

SUMMARY

By Advice Letter 205-E, filed November 13, 1987, Pacific Power and Light Company (PP&L) requests an exemption from the company's 1988 attrition filing requirement and January 1988 Electric Revenue Adjustment Mechanism (ERAM) filing requirement. PP&L intends to forego its attrition adjustment in order to promote rate stability, a policy discussed in its most recent general rate case decision. However, if PP&L's anticipated compliance filing in Investigation (I.)86-11-019 requires a base rate reduction for the 1988 effects of the Tax Reform Act of 1986, then that reduction may be offset by a 1988 attrition increase, leaving present net rates unchanged. PP&L's request is granted.

DISCUSSION

1. PP&L requests exemption from filing requirements for its 1988 attrition adjustment and accompanying adjustment to its ERAM base revenue amount. PP&L claims that this request is due to economic depression in its California service area and the need to keep electricity rates stable.
2. In Decision 86-12-097, in PP&L's Test Year 1987 General Rate Case the Commission authorized PP&L a 13.9% return on common equity as fair and reasonable, yet allowed the utility to voluntarily constrain its 1987 rate increase to \$1.975 million, which could result in an overall rate of return of less than 9%. In addition Decision 86-12-097 ordered that 1988 and 1989 increases for attrition and ERAM adjustments be limited to \$2.0 million each year.
3. One of PP&L's goals is to achieve rate stability. Therefore, PP&L is now requesting no change in revenue levels for 1988. However, the utility reserves its right to file for a 1989 attrition adjustment or for ERAM adjustments in July, 1988 or in 1989 if needed.

4. PP&L's intentions for no change in 1988 revenue levels could be changed by two factors:

First, PP&L is a respondent in I.86-11-019, an investigation of the Tax Reform Act of 1986. It is anticipated that a Commission decision in I.86-11-019 will require a reduction in PP&L's 1988 revenue requirement. Therefore, PP&L should be allowed to file for a 1988 attrition increase that exactly offsets any 1988 decrease ordered in I.86-11-019.

Second, PP&L's ERAM account may be fully amortized during 1988. As of the end of September, 1987 the ERAM balance was about \$3.4 million undercollected. Present ERAM rates had reduced that balance by about \$1.3 million over the previous 6 months. In addition, a Commission order in I.86-11-019 may reduce the ERAM balance by \$1.4 million to retroactively account for the 1987 effects of the Tax Reform Act. Thus it is possible that the current ERAM undercollection could be amortized prior to the end of 1988. At that time PP&L may wish to terminate the ERAM amortization rate or pursue other rate adjustments consistent with its goal of rate stability.

5. In future attrition filings for 1988 or 1989, PP&L should justify any requested changes to net plant in service and rate base even if the request is for less than previously authorized revenue amounts. PP&L should also justify the reasonableness of the cost of capital and return on equity in the future attrition filings.

6. If PP&L requests a 1988 attrition increase to offset a revenue decrease ordered in I.86-11-019, it should file with its attrition request a revised 1988 summary of earnings showing any changes to rate base and rate of return.

FINDINGS

1. PP&L's request for no change in 1988 revenue levels is fair and reasonable. Therefore, PP&L's request for exemption from 1988 attrition and January 1988 ERAM filing requirements is also fair and reasonable.

2. If PP&L is ordered to reduce its 1988 revenue requirement by Commission decision in I.86-11-019, then it may request by advice letter an offsetting 1988 attrition increase in order to maintain no change in 1988 revenue levels.

3. PP&L may reserve its rights to file for a 1989 attrition adjustment or for ERAM adjustments in July, 1988 or in 1989 if needed.


THEREFORE:

IT IS ORDERED that:

1. Pacific Power and Light Company is exempted from its 1988 attrition and January 1988 Electric Revenue Adjustment Mechanism filing requirements.
2. Pacific Power and Light Company may request by advice letter a 1988 attrition increase to offset any 1988 revenue requirement decrease ordered in Investigation 86-11-019, regarding the 1988 effects of the Tax Reform Act of 1986. That request must include a revised 1988 summary of earnings which shows any requested changes to rate base and/or rate of return.
3. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regularly scheduled meeting of December 17, 1987. The following Commissioners approved it:

STANLEY W. HULETT
President
DONALD VIAL
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners



Executive Director

Commissioner Frederick R. Duda,
being necessarily absent, did not
participate.