

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
ENERGY BRANCH

RESOLUTION E-3081  
March 23, 1988

R E S O L U T I O N

PACIFIC GAS AND ELECTRIC COMPANY, ELECTRIC DEPARTMENT.  
ORDER AUTHORIZING PACIFIC GAS AND ELECTRIC COMPANY TO  
AMEND SECTION I OF THE PRELIMINARY STATEMENT FOR THE  
PURPOSE OF RE-ALLOCATING ENERGY CHARGES BETWEEN THE  
ENERGY COST ADJUSTMENT CLAUSE, THE ANNUAL ENERGY RATE,  
AND THE BASE ENERGY RATE TO REFLECT ACTUAL FUEL COSTS BY  
TIME-OF-USE PERIOD FOR EACH CLASS OF SERVICE.

(Advice Letter 1186-E, Filed January 12, 1988.)

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SUMMARY

1. By Advice Letter 1186-E, filed January 12, 1988, Pacific Gas and Electric Company (PG&E) requested authorization to amend Section I of the Preliminary Statement, Summary of Rates, applicable to its Electric Department. The purpose of PG&E's proposed amendment is to re-allocate energy charges between the Energy Cost Adjustment Clause (ECAC), the Annual Energy Rate (AER), and the Base Energy Rate components to reflect actual fuel costs by time-of-use period for each class of service. These re-allocated energy charges are intended to eliminate cross-subsidization of fuel recovery costs between customers.
2. By this Resolution, PG&E is authorized to make the proposed rate amendments as requested.

BACKGROUND

3. The rate that customers pay for energy usage is made up of six components or surcharges. These components are described in PG&E's tariff Sections B through H of the Preliminary Statement.
4. The three major components are (a) the ECAC rate, (b) the AER rate, and (c) the Base Energy rate. The Base Energy rate recovers costs associated with rate base.
5. The ECAC and AER rates provide for recovery of fuel-related expenses such as: oil, coal, and nuclear fuel for steam electric generating plants; steam costs for geothermal production; purchased electricity; and water for power costs. ECAC recovers 91 percent of PG&E's fuel-related electric

expenses on a dollar-for-dollar basis so that customers are charged only for expenses actually incurred. The AER covers the remaining 9 percent of PG&E's fuel-related expenses. AER expenses are excluded from balancing account treatment under the ECAC. Any difference between AER revenues collected and expenses charged against AER accrue to or are borne by stockholders unless the difference is enough to change the return on equity by 1.4 percent. The purpose of the AER is to act as an incentive to keep fuel costs as low as possible.

#### DISCUSSION

6. PG&E proposes to re-allocate energy charges between the ECAC, AER, and base energy rate components to ensure that the revenues collected by each component reflects energy usage by time-of-use period and class of service. PG&E believes that it is appropriate that ECAC and AER rates, applicable to each time-of-use period, be reflective of the cost of usage during that time period. Currently, the ECAC and AER components are set residually after the Commission authorizes effective rates and base revenues. The resultant effect is to create ECAC and AER components by time-of-use that bear little or no relation to the variable costs of providing electricity by time of day. The effect of this residual rate setting is to allow for cross-subsidies between customers based on their usage patterns and applicable rate schedules.

7. To correct these cross-subsidies, PG&E proposes that ECAC and AER rate components be set uniformly across rate schedules according to the appropriate time-of-use period. The base energy rate would then be determined residually.

8. This change is designed to be revenue neutral; that is, the change will not affect PG&E's forecast of revenues by rate component nor will it affect the effective rates paid by customers.

9. The Commission Advisory and Compliance Division (CACD) has reviewed this filing and the revenues which would be collected from each of the amended rate components. CACD has determined that the change in revenues resulting from amended rate components would be minor (less than 0.25 percent). CACD recommends approval of this filing.

10. This filing will not increase any rate or charge, cause the withdrawal of service, nor conflict with any other schedules or rules.

11. No protests were received regarding this filing.

FINDINGS

12. We find that the rates, charges and conditions of service as proposed by this filing are just and reasonable.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to amend the Energy Cost Adjustment Clause, Annual Energy Rate, and Base Energy Rate components in Section I of the Preliminary Statement, Summary of Rates, as requested in Advice Letter 1186-F.
2. Advice Letter 1186-E and accompanying tariff sheets shall be marked to show that they were authorized for filing by Resolution E-3081 and that the rates are effective April 1, 1988.
3. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on March 23, 1988. The following Commissioners approved it:

STANLEY W. HULETT  
President

DONALD VIAL  
FREDERICK R. DUDA  
G. MITCHELL WILK  
JOHN B. OHANIAN  
Commissioners



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Executive Director