

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Commission Advisory and  
Compliance Division  
Energy Branch

RESOLUTION E-3207  
December 19, 1990

**R E S O L U T I O N**

RESOLUTION E-3207. PACIFIC GAS AND ELECTRIC COMPANY REQUESTS REVISING ITS PRELIMINARY STATEMENT TO REFLECT AN INCREASE IN ELECTRIC DEPARTMENT REVENUE WHICH WILL RESULT FROM OPERATIONAL AND CAPITAL-RELATED ATTRITION ADJUSTMENT IN 1991.

BY ADVICE LETTER 1319-E, FILED ON OCTOBER 1, 1990

**SUMMARY**

1. This Resolution approves an increase of \$198,603,000 to Pacific Gas and Electric Company's (PG&E) Electric Department Authorized Base Revenue Amount to offset operational and capital-related attrition, and the recording of a \$9,680,000 debit to its Electric Revenue Adjustment Mechanism (ERAM) Account for the adjustment of 1990 California Corp. Franchise Tax, recovery of costs associated with the earthquake in 1989, and environmental studies compliance.

**BACKGROUND**

1. In Decision (D.) 89-12-057 (PG&E's test year 1990 General Rate Case), the Commission authorized PG&E to revise its electric base rates to compensate for operational and financial attrition in 1991.
2. Operational attrition is a decrease in a utility's net operating income because of increase in operation and maintenance expenses related to inflation between general rate case test years.
3. Capital-related attrition is a change in a utility's net operating income because of rate base and cost of capital changes between general rate case test years.
4. In D.90-11-057 (the cost of capital proceeding), the Commission adopted the 1991 capital structure and cost of capital for PG&E as shown in Attachment A.

**NOTICE**

1. Public notice of this advice letter was made by PG&E's mailing copies to other utilities, governmental agencies, and to all interested parties who requested notification.

PROTESTS

1. No protests to this advice letter have been received.

DISCUSSION

1. On October 1, 1990, PG&E filed Advice Letter 1319-E, and on December 6, 1990, PG&E filed Advice Letter 1319-E-A, requesting an increase of \$271,644,000 to its Electric Base Revenue Amount and a debit recording of \$9,680,000 to its ERAM Account.
2. PG&E has requested \$37,076,000 for labor inflation and \$17,904,000 for non-labor inflation. This request is based on D.85-12-076 which allows for the use of updated inflation factors. PG&E's request is based on the amount authorized in D.89-12-057 and its petition to modify D.89-12-057. D.90-12-078 denies PG&E's petition to modify D.89-12-057. Using updated inflation factors, the Commission Advisory and Compliance Division (CACD) has recalculated the portion that is authorized in D.89-12-057 to be \$36,990,000 for labor expenses and \$17,904,000 for non-labor expenses. The amounts as recalculated by CACD are granted.
3. PG&E requests a \$150,333,000 increase to accommodate the higher rate of return it requested in Application (A.)90-05-011. Using the rates of return adopted for PG&E in D.90-11-057, CACD has recalculated PG&E's capital-related attrition to be \$89,893,000.
4. PG&E in its petition to modify D.89-12-057, dated July 6, 1990, has requested a \$2,537,000 increase. D.90-11-078 denies this petition.
5. PG&E requests a \$917,000 revenue increase for an increase in Federal Insurance Contribution Act (FICA) base amount. D.85-12-076 authorizes utilities to be reimbursed for Payroll Tax changes in attrition rate adjustment filings. This request is granted.
6. As authorized by D.85-12-076, a decrease in California Unemployment taxes related revenue to reflect lower payroll unemployment taxes by \$524,000 is granted. The current Federal Unemployment Tax rate is unchanged. PG&E is therefore allowed to withdraw its request for a decrease of \$174,000.
7. As authorized by D.85-12-076, PG&E's request to increase revenue requirements by \$422,000 related to Contribution-in-Aid-of-Construction (CIAC) is granted.
8. PG&E requests an amount of \$3,162,000 related to the change in Federal Income Taxes resulting from the California Corp. Franchise Tax (CCFT) Adjustment to comply with D.89-11-058. Using the rates of return adopted for PG&E in D.90-11-057, CACD has recalculated this amount to be \$154,000.

9. As authorized in Resolution E-3174 and then modified by Resolution E-3188, unspent electric department Demand Side Management/Research and Development (DSM/R&D) funds of \$29,217,000 were reduced from the 1990 Base Revenue Amount. PG&E's request to add back this amount to the 1991 Base Revenue Amount is granted.

10. D.90-12-071 authorizes PG&E to increase its Base Revenue Amount by \$38,713,000, to recover the increase in Customer Energy Efficiency (CEE) program expenses.

11. As authorized by D.88-12-083, PG&E requests an increase of \$1,913,000 for the inclusion of the Diablo Canyon Basic Revenue Requirement in the Base Revenue Amount. Using the rates of return adopted for PG&E in D.90-11-057, CACD has recalculated this amount to be a decrease of \$5,001,000.

12. D.89-12-057 authorizes PG&E to decrease its Base Revenue Amount by \$13,821,000 for Humboldt Nuclear Decommissioning, by \$2,400,000 for SMUD Discounted Sales Adjustment, and by \$24,000 for Abandoned Project Amortization.

13. PG&E requests an amount of \$4,372,000 for recovery of costs related to the October 17, 1989 earthquake. D.90-12-070 authorizes this increase. Using the rates of return adopted for PG&E in D.90-11-057, CACD has recalculated PG&E's request to be \$4,222,000.

14. PG&E requests an amount of \$2,021,000 for recovery of costs for two environmental compliance projects. D.90-12-077 authorizes these increases. Using the rates of return adopted for PG&E in D.90-11-057, CACD has recalculated PG&E's request to be \$1,941,000.

15. PG&E requests an increase of \$1,944,000 to true-up the Federal Income Taxes due to the CCFT Adjustment for the test year 1990 ratemaking. This request, as a debit entry to PG&E's ERAM Account, is granted.

16. PG&E requests a debit recording of \$5,643,000 to its ERAM Account associated with its 1990 costs related to October 1989 earthquake recovery.

17. PG&E also requests a debit recording of \$2,093,371 to its ERAM Account associated with its 1990 costs related to the environmental compliance projects.

18. PG&E's total increase amounts to \$208,283,000 as shown in Attachment B.

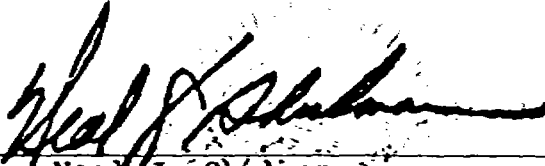
19. PG&E's rate schedules are to be revised in its pending Energy Cost Adjustment Clause (ECAC), A.90-04-003. Base Rate changes resulting from the revenue increases granted herein are to be consolidated with ECAC rate changes which will be adopted in A.90-04-003.

THEREFORE IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to increase its Electric Department authorized Base Revenue Amount by \$198,603,000, and debit its ERAM balancing account by \$9,680,000, and increase its rates to reflect a total increase of \$208,283,000, effective January 1, 1991.
2. Pacific Gas and Electric Company shall consolidate its base rate changes for the total increase granted herein with its Energy Cost Adjustment Clause (ECAC) rate changes in A.90-04-003.
3. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 19, 1990. The following Commissioners approved it:

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. CHANIAN  
PATRICIA M. ECKERT  
Commissioners

  
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Neal J. Shulman  
Executive Director

Attachment A

Pacific Gas and Electric Company  
1991 Attrition Allowance

1990 Authorized Capital Structure  
(D.89-11-068)

<u>Component</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Long-Term Debt	47.00%	9.32%	4.38%
Preferred Stock	6.25	8.79	0.55
Common Equity	<u>46.75</u>	12.90	<u>6.03</u>
Total	100.00%		10.96%

PG&E Requested Capital Structure  
(Attrition Year 1991)

<u>Component</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Long-Term Debt	47.25%	9.35%	4.42%
Preferred Stock	6.00	8.76	0.53
Common Equity	<u>46.75</u>	13.75	<u>6.43</u>
Total	100.00%		11.38%

1991 Attrition capital structure  
(D. 90-11-057)

<u>Component</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Long-Term Debt	47.25%	9.35%	4.42%
Preferred Stock	6.00	8.76	0.53
Common Equity	<u>46.75</u>	12.95	<u>6.03</u>
Total	100.00%		10.98%

Attachment B

Pacific Gas and Electric Company  
Electric Department  
1991 Attrition Allowance  
Revenue requirements  
(\$000)

Description	Requested 1/	Adopted
<b>Operational Attrition:</b>		
Labor Inflation	37,076	36,990
Non-Labor Inflation	17,904	17,904
Capital-Related Items:	150,333	89,893
ARA mechanism for 1991	\$205,313	\$144,787
Petition to modify D.89-12-057	2,537	0
Payroll Taxes:		
FICA	917	917
Federal Unemployment	-174	0
California Unemployment	-524	-524
CIAC	422	422
FIT/CCFT per D.89-11-058	3,162	154
DSM/RD Offset	29,217	29,217
CEE	38,713	38,713
Diablo Canyon	1,913	-5,001
Other items:		
Humboldt Nuclear	-13,821	-13,821
SMUD Disc. Sale Adj.	-2,400	-2,400
Abandoned Project Amort.	-24	-24
Earthquake Recovery	4,372	4,222
Environmental Studies	2,021	1,941
<b>Total 1991 ARA Base Revenue</b>	<b>\$271,644</b>	<b>\$198,603</b>
Amount Change		
FIT/CCFT Adjustment 2/	1,944	1,944
Earthquake Recovery Account 2/	5,643	5,643
Environmental Compliance 2/	2,093	2,093
<b>Total debit to ERAM Account</b>	<b>\$9,680</b>	<b>\$9,680</b>
<b>Total Increase for Rate Design</b>	<b>\$281,324</b>	<b>\$208,283</b>
Purposes		
Previously Authorized Base Revenue Amount for Rate Design Purposes		\$3,322,852
Add: Attrition Increase for 1990		\$198,603
<b>Adopted Base Revenue Amount for 1991</b>		<b>\$3,521,455</b>

1/ Reflects PG&E's requested cost of capital. See A.90-05-011.  
2/ Debit entries to the ERAM Account.