

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Commission Advisory and
Compliance Division
Energy Branch

RESOLUTION E-3250
December 18, 1991

R E S O L U T I O N

RESOLUTION E-3250. PACIFIC GAS AND ELECTRIC COMPANY (PG&E) REQUESTS REVISING ITS PRELIMINARY STATEMENT TO REFLECT AN INCREASE IN ELECTRIC DEPARTMENT REVENUE OF \$158,076,000 WHICH WILL RESULT FROM OPERATIONAL AND CAPITAL-RELATED ATTRITION ADJUSTMENT IN 1992.

BY ADVICE LETTER 1372-E, FILED ON OCTOBER 1, 1991.

S U M M A R Y

1. On October 1, 1991, PG&E filed Advice Letter 1372-E requesting commission authority to revise its electric base revenues effective January 1, 1992, to implement the 1992 Attrition Rate Adjustment (ARA) adopted in PG&E's 1990 General Rate Case, Decision (D.)89-12-057. The requested ARA for 1992 is \$81,387,000. Additionally, PG&E is requesting to consolidate the effects of five decisions and one resolution issued by the Commission and two pending proceedings before the Commission. The five decisions and one resolution which PG&E has incorporated are:

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|-------------|--|
| D.88-12-083 | Diablo Canyon Settlement Agreement with a revenue requirement of (\$8,483,000). |
| D.90-12-070 | Earthquake Recovery Application with a revenue requirement of (\$152,000). |
| D.90-12-077 | Environmental Reasonableness Proceeding with a revenue requirement of (\$97,000). |
| D.91-07-006 | The Post-Retirement Benefits Other than Pensions (PBOP) with a revenue requirement of \$63,601,000. |
| D.89-11-058 | California Corporate Franchise Tax (CCFT) Timing with a revenue requirement of (\$1,342,000). This revenue requirement is included in the ARA. |

- R. E-3203 Revenue reduction associated with streetlight rates for the city and county of San Francisco with a revenue requirement of (\$165,000).

The two currently pending proceedings are:

- A.91-05-016 Cost of Capital proceeding with a revenue requirement of (\$823,000). This revenue requirement is included in the ARA.
- A.91-04-003 Customer Energy Efficiency (CEE) related costs requested in PG&E's energy Cost Adjustment Clause (ECAC) with a revenue requirement of \$21,985,000.

PG&E's estimated amount of the consolidated increase in base revenues is \$158,076,000.

2. This Resolution adopts a level of base rate revenues and rates of an increase of \$149,823,000 which is \$8,253,000 less than PG&E is requesting. The Commission Advisory and Compliance Division (CACD) recommends different revenues than PG&E is requesting for capital-related items, payroll taxes, and PBOB as explained later in this Resolution.

BACKGROUND

1. In 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 the 1992.
2. Operational attrition compensates a utility for an increase or decrease in a utility's net operating income because of decreases or increases in operation and maintenance expenses related to inflation between general rate case test years.
3. Capital-related attrition compensates a utility for a change in its net operating income because of rate base and cost of capital changes between general rate case test years.
4. In D.91-11-059 (the energy Cost of Capital proceeding), the Commission adopted the 1992 Capital structure and cost of capital for PG&E as shown in Attachment A.

NOTICE

1. Public notice of this Advice Letter was accomplished by PG&E mailing copies to other utilities, government agencies, and to all interested parties who requested notification.
2. No protests to this Advice Letter have been received.

DISCUSSION

1. On October 1, 1991, PG&E filed Advice Letter 1372-E requesting an increase of \$158,076,000 to its Electric Department Base Rate Revenues.
2. PG&E is requesting \$17,905,000 for labor inflation and \$15,117,000 for non-labor inflation. These requests are based on D.89-12-057 which authorizes these amounts and the use of updated inflation factors.
3. PG&E is requesting \$62,261,000 for its capital-related revenue requirement changes. PG&E's request is based on the joint recommendation exhibit filed in the 1992 cost of capital proceeding. However, in D.91-11-059, issued on November 20, 1991 after this Advice Letter was filed, the Commission adopted a cost of long-term debt updated to reflect the October DRI control forecast which was more current than the cost of debt shown in the joint recommendation exhibit in the 1992 cost of capital proceeding. Incorporating the cost of long-term debt adopted in D.91-11-059 results in PG&E's capital-related revenue requirement changes to change to \$60,592,000. CACD recommends that the \$60,592,000 be used, which is \$1,669,000 less than PG&E is requesting.
4. PG&E is requesting a \$174,000 decrease in revenue requirement for payroll taxes, specifically California Unemployment Tax. Additionally, the Federal Insurance Contribution Act (FICA) base amount will be increasing in 1992, resulting in an increase in payroll taxes of \$227,000. CACD recommends that payroll taxes be increased by the net amount of \$53,000 (\$227,000 less \$174,000).
5. PG&E has included in this filing \$63,601,000 for PBOP. D.91-07-006 authorized PG&E to recover both 1991 and 1992 prefunding expenses for the company's PBOP liability through the 1992 ARA filing. Using the rate of return adopted for PG&E in D.91-11-059, PG&E's PBOP request should be reduced by \$4,000.
6. As required by D.89-11-058, PG&E is requesting a reduction in its revenue requirements by \$1,342,000 to recognize the change in the calculation of 1992 Federal Income Tax (FIT) expense. D.89-11-058 requires PG&E to deduct the 1991 adopted California Corporate Franchise Tax (CCFT) rather than the 1992 CCFT, when calculating FIT to be included in rates.
7. A postage rate increase took effect February 1991. D.85-12-076 allows a utility to recover this type of expense in a attrition year. PG&E is requesting an increase in revenue requirements of \$1,441,000 for the postage rate increase.
8. PG&E's 1991 ECAC, Application 91-04-003, requests an expansion of the utility's CEE program in 1992 and recovery of the incentives earned in 1990 on CEE programs. PG&E is requesting revenue requirements of \$21,985,000 to include the expended program in base rates. D.91-12-015, issued on

December 4, 1991 authorized \$11,255,000 for the expended portion of the program and \$4,105,000 in shareholder incentives in the revised electric rates. CACD recommends that the revenue requirements authorized in D.91-12-015 be used in setting rates.

9. As authorized by D.88-12-083, PG&E is requesting a decrease of \$8,483,000 for the inclusion of Diablo Canyon Basic Revenue Requirement in the Base Revenue Amount. Using the rates adopted for PG&E in D.91-11-059 the amount of the decrease is \$8,660,000.

10. D.89-12-057 authorizes PG&E to decrease its Base Revenue Amount by \$13,821,000 for Humboldt Nuclear Decommissioning Costs.

11. As authorized by D.90-12-070, PG&E is requesting a decrease of \$152,000 in base revenues associated with the October 1989 Loma Prieta Earthquake (Earthquake Recovery Adjustment). This adjustment is the difference between the authorized amounts for 1991 and 1992, \$4,222,000 and \$4,128,000, respectively, plus a reduction of \$58,000 to reflect the rate of return shown in the joint recommendation exhibit filed in the 1992 cost of capital proceeding. Using the rate of return adopted for PG&E in D.91-11-059, the amount of the decrease to reflect the capital-related items is \$155,000, \$3,000 less than PG&E is requesting.

12. D.90-12-077 issued on December 19, 1990, authorized PG&E to recover costs associated with two environmental compliance projects. The change in revenue requirements from 1991 to 1992 is a decrease of \$97,000, using the rate of return shown in the joint recommendation exhibit filed in the 1992 cost of capital proceeding. Using the rate of return adopted for PG&E in D.91-11-059, the amount of the decrease is \$99,000, \$2,000 less than PG&E is requesting.

13. The Commission authorized an increase in the City and County of San Francisco's 1991 and 1992 streetlight charges in Resolution E-3203, dated April 24, 1991. Resolution E-3203 ordered PG&E to reduce its base revenue amount by the increased CCSF streetlight revenue in 1991 and 1992. For 1992 the decrease is \$165,000.

14. CACD believes that PG&E's increase for rate design purposes should be \$149,823,000 as is shown in Attachment B.

FINDINGS

1. On October 1, 1991, PG&E filed Advice Letter 1372-E requesting an increase of \$158,076,000 to its Electric Base Rate Revenues.

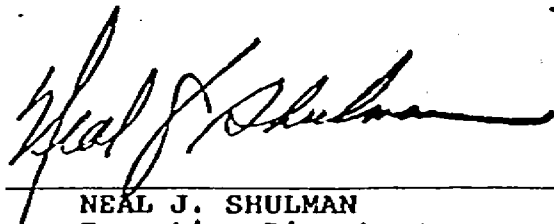
2. CACD recommends that PG&E's Electric Base Rate Revenues and Rates be increased by \$149,823,000 as shown on Attachment B.

December 18, 1991

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to increase its Electric Department authorized Base Rate Revenue and Rates by \$149,823,000.
2. Pacific Gas and Electric Company shall file a supplement to Advice Letter 1372-E with a revised Preliminary Statement and tariff schedules incorporating the increases granted herein within five business days from the effective date of this Resolution and to all other parties of record as soon as possible but no later than December 26, 1991.
3. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 18, 1991. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

PATRICIA M. ECKERT
President
JOHN B. OHANIAN
DANIEL Wm. FESSLER
NORMAN D. SHUMWAY
Commissioners

Attachment A

Pacific Gas and Electric Company
Summary of Capital Structures
for Attrition Year 1992

Authorized Capital Structure 1991
(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	46.75	12.90	6.03
Total	100.00%		10.98%

Requested Capital Structure 1992
(D.91-11-059)

<u>Component</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Long-Term Debt	47.50%	9.20%	4.37%
Preferred Stock	5.75	8.74	0.50
Common Equity	46.75	12.65	5.91
Total	100.00%		10.78%

Authorized Capital Structure 1992
(D.91-11-059)

<u>Component</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Long-Term Debt	47.50%	9.15%	4.35%
Preferred Stock	5.75	8.74	0.50
Common Equity	46.75	12.65	5.91
Total	100.00%		10.76%

Attachment B

Pacific Gas and Electric Company
Electric Department
1992 Attrition Allowance
Revenue Requirements
(\$000)

Description	Requested	Adopted
Operational Attrition:		
Labor Inflation	\$ 17,905	\$ 17,905
Non-Labor Inflation	15,117	15,117
Capital-Related Items	62,261	60,592
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ARA Mechanism for 1991	\$ 95,283	\$ 93,614
Payroll Taxes:		
FICA	917	227
California Unemployment	(174)	(174)
PBOP	63,601	63,597
FIT/CCFT Per D.89-11-058	(1,342)	(1,342)
Postal Increase	1,441	1,441
CEE	21,985	11,255
Diablo Canyon	(8,483)	(8,660)
Humboldt Nuclear	(13,821)	(13,821)
Earthquake Recovery	(152)	(155)
Environmental Studies	(97)	(99)
CCSF Streetlight Charges	(165)	(165)
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Total ARA Base Revenue		
Amount Change	\$158,076	\$145,718
CEE Incentives		4,105
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Total Increase for Rate		
Design Purposes	\$158,076	\$149,823
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Previously Authorized Base		
Revenue Amount	\$3,521,313	\$3,521,313
Attrition Increase for 1992	158,076	145,718
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Adopted Base Revenue for 1992	\$3,679,389	\$3,667,031

1/ Reflects PG&E's requested Cost of Capital as filed in
A.91-05-016