

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**RESOLUTION E-3535
MAY 7, 1998**

RESOLUTION

RESOLUTION E-3535. PACIFIC GAS AND ELECTRIC COMPANY SUBMITS FOR FILING, A \$10 MILLION INCREASE IN ITS 1998 BASE REVENUES TO IMPLEMENT A SETTLEMENT BETWEEN ITSELF, THE COUNTY OF SAN LUIS OBISPO, AND THE SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT. APPROVED.

BY ADVICE LETTER 1745-E FILED ON FEBRUARY 13, 1998.

SUMMARY

1. By Advice Letter (AL) 1745-E, Pacific Gas and Electric Company (PG&E) submits for filing a \$10 million increase in base revenues for calendar year 1998 only, as authorized by Chapter 282, Section 8660-001-0462, Paragraph 3 of Statutes of 1997 ("U1997 Budget Bill"). This \$10 million base revenue increase would allow PG&E to recover from ratepayers, the amount of a settlement between PG&E, the County of San Luis Obispo (County), and the San Luis Coastal Unified School District (School District). The settlement resolves a dispute over the reduction in property tax revenues which resulted from implementation of Assembly Bill 1890 and PG&E's Diablo Canyon ratemaking.
2. Upon Commission approval, PG&E would make a \$10 million adjustment to its base revenues by making a one-time entry to the Transition Recovery Account (TRA) at the time of payment to the County and School District. Because of the "rate freeze" imposed by AB 1890 (Brulte), enacted 1996, Chapter 854 and the Commission's implementing decisions, this adjustment to base revenues will not immediately change PG&E's level of rates from those shown on rate schedules as of June 10, 1996. It does have the potential to increase future rates.
3. PG&E requests that this advice filing be effective March 25, 1998. A Commission Resolution is required because of its impact on future rates.
4. The Utility Reform Network (TURN) protested AL 1745-E on March 16, 1998, TURN argues that PG&E is required to demonstrate that the additional amount of base revenues is necessary.
5. PG&E is authorized to make the requested \$10 million base revenue adjustment for 1998 by making a one-time entry to the TRA at the time of payment to the County and School District, as allowed by the referenced legislation.

May 7, 1998

BACKGROUND

1. On May 21, 1997, the Commission adopted an initial incremental cost incentive price (ICIP) for Diablo Canyon Power Plant output and determined the level of sunk costs that will be associated with the plant (D. 97-05-088, superseding D.88-12-083 and D.95-05-043). In that proceeding (Application 96-03-054), the Commission denied the pleadings of the County and School District for tax relief, which they felt would be necessary because of anticipated tax revenue shortfalls resulting from the Commission's decision.
2. Addressing the concerns of the County and School District, the Commission stated in D.97-05-088 that "[t]he County must direct its request for relief to the Legislature and the Board [of Equalization], not this Commission." (Conclusion of Law 14, p. 83) After the Commission's Decision was issued, the California Legislature passed into law Chapter 282, section 8660-001-0462, paragraph 3, of Statutes of 1997. This new law states that if PG&E and the County and School District enter into a settlement that resolves claims by the latter parties relating to the effects of AB 1890 (Brulte), enacted 1996, Chapter 854, then PG&E may recover an additional amount, not to exceed \$10 million, through base rates in 1998.

NOTICE

1. Notice of AL 1745-E was made by publication in the Commission's calendar and by mailing copies of the filing to adjacent utilities and interested parties.

PROTESTS

1. In its protest filed March 16, 1998, TURN sites the statute (Chapter 282, section 8660-001-0462, paragraph 3, of Statutes of 1997) to support its position that PG&E is required to demonstrate that the additional amount of base revenues is "necessary" for the utility to meet the costs associated with the payment to San Luis Obispo County. Turn's objection is that "PG&E has not even attempted to show that the requested increase is 'necessary' in order for it to be able to meet these costs."

2. In its March 23, 1998 response, PG&E notes the qualification made in the sentence following TURN's cite, that the "additional amount is included in those base revenues without regard to the reasonableness of the settlement or the payment." PG&E argues that if the Legislature had intended that the Commission scrutinize whether the base revenue increase was "necessary," it would not have exempted the increase from its broader reasonableness review.

DISCUSSION

1. PG&E, the County, & the School District settled their dispute with the one-time payment in the amount prescribed by the previously referenced legislation. Therefore, PG&E is authorized to make the requested \$10 million base revenue adjustment for 1998 by making a one-time entry to the TRA at the time of payment to the County and School District.
2. In its AL, PG&E states, "This filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule." As previously noted, the requested base revenue increase will not have an immediate effect on rates because of the rate freeze presently in effect. However, the \$10 million base revenue adjustment will at least potentially increase rates in future years.

FINDINGS

1. PG&E filed AL 1745-E on February 13, 1998 requesting authority to make a \$10 million adjustment to its base revenues for 1998 by making a one-time entry to the Transition Recovery Account.
2. The requested \$10 million base revenue increase allows PG&E to recover from ratepayers, the amount of a settlement between PG&E, the County of San Luis Obispo and the San Luis Coastal Unified School District. The settlement resolves a dispute over the reduction in property tax revenues which resulted from implementation of AB 1890 (Brulte), enacted 1996, Chapter 854 and PG&E's Diablo Canyon ratemaking.
3. Notice of AL 1745-E was made by publication in the Commission's calendar and by mailing copies of the filing to adjacent utilities and interested parties.

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4. In a protest filed March 16, 1998, TURN cites the legislation and objects that PG&E is required to demonstrate that the additional amount of base revenues is "necessary" for the utility to meet the costs associated with the payment to San Luis Obispo County.
5. With respect to TURN's Protest, the legislation is clear that the \$10 million is to be included in PG&E's base revenues without further review of the "reasonableness" of the payment (Chapter 282, section 8660-001-0462, paragraph 3, of Statutes of 1997).
6. PG&E requests that this advice filing be effective March 25, 1998, which is 40 days after the date filed.
7. Notwithstanding PG&E's statement that, "This filing will not increase any rate or charge, ..." the requested base revenue increase at least has the potential to increase rates in future years.
8. Advice Letter 1745-B requires a Commission Resolution to become effective.

THEREFORE IT IS ORDERED THAT:

1. PG&E is authorized to increase its base revenues for 1998 by \$10 million by making a one-time entry to the Transition Recovery Account at the time of payment to the County of San Luis Obispo and the San Luis Coastal Unified School District.
2. This Resolution is effective today.

Resolution E-3535
PG&E AL 1745-E/KDA

May 7, 1998

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on May 7, 1998. The following Commissioners approved it:


WESLEY M. FRANKLIN
Executive Director

Richard A. Bilas, President
P. Gregory Conlon
Henry M. Duque
Josiah L. Neep
Commissioners

Commissioner Jessie J. Knight, Jr., being
Necessarily absent, did not participate.

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PG&E AL 1745-B/KDA

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