

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION  
Energy BranchRESOLUTION G-2687  
August 18, 1986

## RESOLUTION

PACIFIC GAS & ELECTRIC COMPANY (PG&E) ORDER AUTHORIZING APPROVAL OF A PROPOSED REFUND FOR THE ELECTRIC AND GAS DEPARTMENTS, TO BE CREDITED TO THE ELECTRIC REVENUE ADJUSTMENT MECHANISM (ERAM) AND TO THE GAS ADJUSTMENT CLAUSE (GAC) BALANCING ACCOUNTS, RESPECTIVELY

By Advice Letters 1361-G and 1115-E, filed May 30, 1986 PG&E requests Commission approval to adjust refund amounts credited to ERAM and GAC base rate balancing accounts, in accordance with Decision (D.) 85-12-071, as modified by D.86-05-016.

BACKGROUND

By D.85-12-071 the Commission concluded an inquiry into the reasonableness of ratemaking estimates for PG&E's attrition year 1985, which had been adopted in the utility's test year 1984 general rate case. By D.85-12-071 the 1985 attrition year increase (ordered previously by D.84-12-062) was affirmed, with the exception that PG&E would refund revenue related to any shortfall in recorded 1985 weighted average rate base.

PG&E was ordered to file a proposed refund plan by Advice Letter on or before March 31, 1986. D.85-12-071 also ordered that the refund amounts be implemented as credits to PG&E's ERAM and GAC accounts. On March 31, 1986 PG&E requested an extension of time to May 31, 1986, and by D.86-05-016 the extension was granted.

The refunds result from the revenues that flow from the difference between authorized rate base and recorded rate base in attrition year 1985. In lieu of calculation of revenues through a full offset results of operation, D.85-12-071 ordered that the refunds be calculated by a formula which includes the effects of return on rate base and associated income taxes. The formula does not consider PG&E revenues already collected for depreciation on the rate base difference, ad valorem taxes, etc., but was developed to expedite the return of the refund amounts to ratepayers.

Near the end of calendar 1985, in an effort to implement the refunds quickly, PG&E estimated the amounts of the refunds and credited them to the ERAM and GAC accounts. Evaluation and Compliance Division work papers show that the amounts credited at

the end of December, 1985 were \$33,000,000 to ERAM and \$14,881,838 to GAC, for a total of \$47,881,838. It was anticipated that final company figures would be available in time to file the ordered Advice Letters.

PRESENT REQUEST

Advice Letters 1361-G and 1115-E seek authorization to adjust the December, 1985 credits, based on final rate base values. Attachment I to the Advice Letters (duplicated as Attachment I to this Resolution) shows PG&E's calculation of the refund requirements. The refunds are \$28,513,000 for the Electric Department and \$11,931,000 for the Gas Department, for a total of \$40,444,000.

PROTESTS

No protests to Advice Letters 1361-G and 1115-E were received.

DISCUSSION

The Advice Letters are filed in compliance with D.85-12-071, and the proposed refund plan properly accomplishes that compliance.

Although the effect of PG&E's proposal is to grant refunds of \$40.444 million to ratepayers, the Advice Letters themselves will authorize debits to ratepayers, because the refund credits estimated and taken in December, 1985 exceed the final calculated values. The effect of today's authorization is to debit the balancing accounts as shown in the table below:

<u>Refund Requirements (\$000)</u>			
<u>Electric</u>	<u>Gas</u>	<u>Total</u>	
\$ 28,513	\$ 11,931	\$ 40,444	Total requirements
(33,000)	(14,882)	(47,882)	December, 1985 credits
\$ (4,487)	\$ (2,951)	\$ (7,438)	Net debits now authorized

The Evaluation and Compliance Division staff has reviewed PG&E workpapers supporting the calculations on Attachment I and in the table above, and finds that they are adequate to support the refunds requested, subject to further audit of the rate base figures. Because the refunds are based on unaudited 1985 weighted average rate base, today's authorization will be made subject to reasonableness review by Commission staff during its next audit of the ERAM and GAC balancing accounts.

If subsequent audits result in changes to recorded weighted average rate base, the associated revenue adjustment shall be subject to interest charges from the effective date of this order, at the interest rate normally applied to ERAM and GAC balancing accounts.

We find that PG&E's refund plan is fair and reasonable, as modified to make the refunds subject to adjustment following audit. The refund plan should be implemented immediately.

THEREFORE:

1. Pacific Gas and Electric Company is ordered to implement the refunds ordered by D.85-12-071 and D.86-05-016, by debiting \$4,487,000 to its ERAM balancing account and \$2,951,000 to its GAC balancing account, effective today.

2. Implementation of this refund plan will complete compliance with D.85-12-071 and D.86-05-016, subject to reasonableness review and audit by the Commission staff during its next regular audit of PG&E's ERAM and GAC balancing accounts.

3. If those audits result in any change in revenue requirements due to change in recorded weighted average rate base for 1985, the associated revenue adjustments in the ERAM and GAC balancing accounts shall be subject to interest charges, from today, at the interest rates authorized for the balancing accounts.

I certify that this resolution was adopted by the Public Utilities Commission at its meeting on August 18, 1986. The following Commissioners approved it:



Executive Director

DONALD VIAL  
President  
VICTOR CALVO  
PRISCILLA C. GREW  
FREDERICK R. DUDA  
STANLEY W. HULETT  
Commissioners

ATTACHMENT I

PACIFIC GAS AND ELECTRIC COMPANY  
 RECORDED WEIGHTED AVERAGE RATE BASE  
 YEAR 1985  
 REFUND REQUIREMENTS CALCULATION

(Thousands of Dollars)

	<u>Electric Department</u>	<u>Gas Department</u>	<u>Total</u>
<b>AUTHORIZED RATE BASE (D.83-12-068)</b>			
CPUC Jurisdictional	\$5,572,705	\$1,767,925	\$7,340,630
<b>RECORDED RATE BASE</b>			
Total Department	\$5,624,586	\$1,711,479	\$7,336,065
CPUC Allocation	<u>.966730</u>	<u>1.000000</u>	
CPUC Jurisdictional	\$5,437,456	\$1,711,479	\$7,148,935
<b>RATE BASE DIFFERENCE</b>			
CPUC Jurisdictional	\$ 135,249	\$ 56,446	\$ 191,695
<b>REFUND REQUIREMENTS</b>			
Rate of Return	.125300	.125300	
Net-To-Gross Multiplier	<u>1.682482</u>	<u>1.686879</u>	
Total Refund Requirements	\$ 28,513	\$ 11,931	\$ 40,444