

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Energy Branch

RESOLUTION G-2878  
Date May 26, 1989

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

RESOLUTION G-2878, PACIFIC GAS AND ELECTRIC COMPANY (PG&E) AUTHORIZED TO INCREASE RATES AND CHARGES ON SCHEDULE GC-2, LONG TERM (GAS) TRANSPORTATION SERVICE, BY 3.7%.

BY ADVICE LETTER 1526-G, FILED FEBRUARY 23, 1989.

SUMMARY

1. By Advice Letter 1526-G, filed February 23, 1989, Pacific Gas and Electric Company (PG&E) requests authorization to escalate gas transportation rates and customer and demand charges by \$37.166 million (3.7%) for Schedule GC-2, Long Term Transportation Service.
2. This Resolution authorizes the increase.

BACKGROUND

1. On January 1, 1988, PG&E's Base Revenue Amount (BRA) was \$1,038.596 million.<sup>1</sup> The BRA is the authorized annual operating revenue.
2. Effective May 1, 1988, the components of BRA were revised to exclude Pacific Gas Transmission Company's (PGT) costs of service.<sup>2</sup> The revised BRA, as of May 1, 1988, was \$994.597 million.<sup>3</sup>

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1. See Resolutions G-2755, dated December 18, 1987, and G-2763, dated December 9, 1987. See P.U.C. Sheet No. 12459-G, Attachment 1, effective January 1, 1988.
  2. D. 87-12-039 dated December 9, 1987. PG&E was permitted to recover PGT costs through Annual Cost Allocation Proceedings (ACAP).
  3. PG&E Advice Letter 1453-G-B, effective May 1, 1988. The reduction in BRA was then (\$1,038.596 - \$994.597) million or \$43.999 million.

3. By Resolution E-3105, dated August 24, 1988, the BRA was increased by \$3.983 million effective January 1, 1989. This increase reflects tentative adjustments for the Tax Reform Act of 1986 and Senate Bill 572.

4. By Resolution G-2838, dated December 13, 1988, the BRA was increased by \$33.183 million effective January 1, 1989, to reflect an Attrition Rate Adjustment.

5. The BRA resulting from the above three adjustments was \$1,031.763 million, effective January 1, 1989.

6. The above-noted BRAs do not include small credits<sup>4</sup> for enhanced-oil-recovery (EOR) and interutility revenues of \$2.407 million and \$6.953 million, respectively. Excluding these credits, the BRAs and their effective dates are:

\$994.597 million, effective May 1, 1988  
\$1,031.763 million, effective January 1, 1989

7. Section D of the current Schedule GC-2 provides for yearly escalation of rates and charges, in accordance with CPUC approved changes of PG&E's BRA, up to a maximum of the Consumer Price Index (CPI) for the prior year.

8. Section D further provides "Schedule GC-2 rate(s) will not be affected by cost allocation changes". Thus any rate change should be calculated using BRAs with the same cost allocation categories.

#### DISCUSSION

1. By the present Advice Letter No. 1526-G, PG&E requests an increase in rates of 3.7% for Schedule GC-2, Long Term Transportation Service.

2. PG&E's request is supported by the previously approved increases in PG&E gas Base Revenue Amount (BRA) margin, as discussed above. Using the BRA values in paragraph 6 above, the increase is calculated as follows: (all \$ values are in millions)

$$\frac{\$1,031.763 - \$994.597}{\$994.597} = \frac{\$37.166}{\$994.597} = .03737 = 3.737\%$$

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4. See D. 87-12-039, dated December 9, 1987, for a discussion of these credits; (EOR on p.65, para. A.1.) (interutility revenues on p.72, para. 11).

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3. The requested increase of 3.7% is less than the 1988 aggregate San Francisco Bay Area CPI of 4.4%. This escalation conforms with Section D of Schedule GC-2. The staff of the Commission Advisory and Compliance Division (CACD), therefore, believes the increase is reasonable and justifiable.

PROTESTS

1. A protest from the Simpson Paper Company (Simpson) was filed March 10, 1989. Simpson proposes that the calculation be made using the BRA of January 1, 1988, amounting to \$1,038.596 million and the BRA of January 1, 1989, amounting to \$1,031.763 million. If accepted, Simpson's calculation would imply a decrease of 0.7% in GC-2 rates.

2. PG&E's response to Simpson's protest states that using the January 1, 1988 BRA and the January 1, 1989 BRA does not accurately show the BRA changes authorized by the CPUC from 1988 to 1989.

3. Simpson's protest is based on a calculation comparing the January 1, 1988 BRA (which includes PGT costs) and the January 1, 1989 BRA (which does not include PGT costs). Section D of Schedule GC-2 provides that rates not be affected by cost allocation changes. As Simpson's protest and calculation do not comply with this provision, the CACD staff believes this protest is invalid.

4. A protest was filed by Toward Utility Rate Normalization (TURN) on March 15, 1989. TURN objected to the non-inclusion of the additional revenue from the proposed 3.7% increase of the GC-2 Schedule in the current Annual Cost Allocation Proceeding (ACAP), Application (A.) 88-09-032.

5. PG&E has no comment on TURN's suggested treatment for GC-2 revenues. However, it is understood that PG&E would have no objection to the inclusion of the additional revenue from the GC-2 Schedule in its current ACAP.

6. The protest of TURN is valid. The additional revenues should be included in PG&E's ACAP, A. 88-09-032.

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5. Telephone communication with Phil Ahlstrand, PG&E,  
May 15, 1989.

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FINDINGS


1. PG&E's requested increase in rates of 3.7% for Schedule GC-2 complies with CPUC authorized changes in the utility's BRA and is justifiable under Section D of the Schedule. The effective date of the increase would be later than May 1, 1989. This is more than one year after the BRA was last revised effective May 1, 1988. Simpson has accepted this revised BRA, and its current protest is, therefore, moot. Nevertheless, it appears that the present rate for Schedule GC-2 was subject to a justifiable request for an increase on January 1, 1989.
2. The additional revenues from the Schedule GC-2 rate increase should be included in PG&E's ongoing ACAP, A. 88-09-032.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to increase the rates and charges under Schedule GC-2, Long Term Transportation Service, by 3.7%.
2. The added revenues from this increase shall be included in Application 88-09-032, Pacific Gas and Electric Company's Annual Cost Allocation Proceeding.
3. The tariff sheets accompanying Advice Letter 1526-G shall be marked to show that they were authorized by Resolution G-2878.
4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on May 26, 1989. The following Commissioners approved it:

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

  
Executive Director