

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Energy Branch

RESOLUTION G-2923  
August 8, 1990

R E S O L U T I O N

RESOLUTION G-2923. PACIFIC GAS AND ELECTRIC COMPANY REQUESTS AUTHORITY TO DISTRIBUTE TO ITS RATEPAYERS A REFUND FROM PACIFIC TRANSMISSION COMPANY ORDERED BY THE FEDERAL ENERGY REGULATORY COMMISSION ON JANUARY 24, 1990. THE REFUND IS AN OVERCOLLECTION OF DEMAND CHARGES FROM THE REHEARING OF PACIFIC GAS TRANSMISSION COMPANY'S 1987 GENERAL RATE CASE. THE DISTRIBUTION IS TO BE MADE IN THE UTILITY'S ANNUAL COST ALLOCATION PROCEEDING.

BY ADVICE LETTER 1595-G, FILED ON MAY 29, 1990

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SUMMARY

1. Pacific Gas and Electric Company (PG&E) requests authorization to distribute a Pacific Gas Transmission Company (PGT) refund its ratepayers in its 1991 Annual Cost Allocation Proceeding (ACAP). The refund was ordered by the Federal Energy Regulatory Commission (FERC) order dated January 24, 1990.
2. FERC's investigation in PGT's 1987 General Rate Case (GRC) found an overcollection of pipeline demand charges from PG&E's account. FERC ordered PGT to refund the overcollection to PG&E. PG&E shall distribute the refund amount to its ratepayers upon approval of the California Public Utilities Commission (CPUC).
3. This Resolution approves PG&E's request.

BACKGROUND

1. PGT owns and operates a natural gas pipeline system from Canada to the Oregon-California border. PGT purchases natural gas from Alberta & Southern Company Ltd., transports the gas through its pipeline system and then sells it to PG&E at the Oregon-California border under PGT's rate schedule PL-1.
2. FERC regulates PGT and requires the utility to submit a General Rate Case (GRC) at least every three years to maintain its Purchase Gas Agreements. In the review of PGT's 1987 GRC,

FERC found that PGT had an overcollection of pipeline demand charges from PG&E. PERC Order 50 FERC 61,067 on a contested settlement of PGT's 1987 GRC directed PGT to refund<sup>(1)</sup> the overcollection to PG&E.

3. PG&E filed Advice Letter 1595-G requesting authorization to distribute the PGT refund to PG&E's ratepayers in its 1991 ACAP. The total amount of the refund is estimated as 14.2 million dollars. This request is in compliance with D.86-12-095, Ordering Paragraph 14, which requires PG&E to request modification of base rates within 30 days of a FERC Decision on PGT.

#### PROTESTS

1. No protests were received by the Commission Advisory and Compliance Division (CACD). Comments were filed by the Division of Ratepayer Advocates (DRA).

#### DISCUSSION

1. DRA agrees with the PG&E's refund authorization request. DRA recommends that the amount of refunds continue to accrue interest until the refunds are returned to PG&E's ratepayers. DRA further recommends that the refund amount be subject to review by DRA in PG&E's 1991 ACAP. Finally, DRA expects to review PG&E's proposed method of passing through the refunds to ratepayers in PG&E's 1991 ACAP.

2. PG&E agrees with DRA's comments as indicated with a letter to CACD dated July 5, 1990. CACD recommends that PG&E be authorized to distribute the PGT refund in the ACAP subject to Commission review at that time.

3. The amounts of refund components shown in the Advice Letter are incorrect. In its workpapers PG&E shows the calculations of the two components which comprise the refund amount.

4. The first component pertains to PG&E's authorized PGT operating expenses in PG&E's 1987 GRC. Decision 86-12-095 (Appendix B) authorized \$43,896,000 for the PGT expenses for the period from July 1987 to July 1988. PG&E's invoices show that its actual PGT expense was \$36,866,284, leaving a difference of \$7,029,716.

5. In May 1988, base rates authorized in PG&E's 1987 GRC were adjusted by the Commission to collect only the amount of

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1. See Ordering Paragraph (C) of 50 FERC 61,067.

pipeline demand charges actually billed with the implementation of Gas Industry Restructuring (GIR)(2). As a result, a portion of the PGT expenses have been accounted for by the GIR. This leaves the period from July 1987 to April 1988 in which PG&E's actual PGT expenses have not been accounted for.

6. Of the \$7,029,716 overcollection for PG&E's PGT expense, \$5,905,824 corresponds to the July 1987 to April 1988 period. The interest accrued on the \$5,905,824 is \$1,322,609 as of April 1990. The correct amount from PG&E's PGT expense to be refunded is \$7,228,433, not the \$7,276,433 filed by PG&E in the Advice Letter. This figure may change upon the approval of PGT's refund compliance filing. Interest should accumulate until PG&E refunds the amount to the ratepayers. PG&E should provide an updated and correct summary of the refund amount within 14 days of FERC's acceptance of PGT's compliance filing (1).

7. The second component of the refund represents PG&E's portion of PGT's refund to its firm customers. According to PG&E's workpapers, this amount is revised from \$7,000,000 to \$7,044,000. The actual figure should be provided by PG&E upon FERC's approval of the PGT compliance filing.

8. The two components result in a total refund of \$14,272,433 including interest through April 1990. PG&E should include any additional interest that is accrued until the refund is made. PG&E should return the refund by adjustment of its gas rates. The core portion of the refund should be returned through the Core Gas Fixed Cost Account and the noncore portion through the Noncore Pipeline Demand Charge True-up. The refund should be subject to review in PG&E's 1991 ACAP.

#### FINDINGS

1. Advice Letter 1595-G complies with D.86-12-095, of December 22, 1986.
2. PGT overcollected pipeline demand charges from PG&E in the period of July 1987 through July 1988. FERC ordered PGT to refund the overcollected demand charges.
3. The Gas Industry Restructuring Order, Decision 88-05-029, directed the collection of actual pipeline demand charges from May 1, 1988.

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2. See D.88-05-029 in A.88-03-038.

4. The total refund, stated in Advice Letter 1595, to be allocated to PG&E's ratepayers were estimates only. The estimates are revised with this Resolution as stated above.
5. PGT's compliance filing of FERC Order, 50 FERC 61,067, is still under review. The FERC compliance filing will affect the total amount of refund to PG&E's ratepayers.
6. PG&E proposes to refund to its ratepayers through adjustments to the Core Gas Fixed Cost Account and the Noncore Demand Charge True-up in PG&E's 1991 ACAP.
7. DRA expects to review the refund allocation subject to audit and investigation in PG&E's 1991 ACAP.

**THEREFORE, IT IS ORDERED that:**

1. Pacific Gas and Electric Company is authorized to distribute to its ratepayers in the 1991 Annual Cost Allocation Proceeding a prior overcollection and refund from Pacific Gas Transmission Company as requested by Advice Letter 1595 and revised by this Resolution.
2. The amounts to be refunded will continue to accrue interest, based on the commercial paper (prime, three months) rate as reported by the Federal Reserve Statistical Release, until the refund occurs in the Annual Cost Allocation Proceeding.
3. The total amount of refund shall be subject to review in Pacific Gas & Electric Company's 1991 Annual Cost Allocation Proceeding.
4. Upon approval of Pacific Gas Transmission Company's compliance filing with Federal Energy Regulatory Commission's Order 50 FERC 61,067, Pacific Gas & Electric Company will submit a revised total refund amount to Commission Advisory and Compliance Division by letter no later than 14 days from the approval of the compliance filing.
5. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 8, 1990. The following Commissioners approved it:

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

  
Neal J. Shulman  
Executive Director