

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Commission Advisory and
Compliance Division
Energy Branch

RESOLUTION G-2933
December 19, 1990

R E S O L U T I O N

RESOLUTION G-2933. PACIFIC GAS AND ELECTRIC COMPANY REQUESTS REVISING ITS PRELIMINARY STATEMENT TO REFLECT AN INCREASE IN GAS DEPARTMENT REVENUE WHICH WILL RESULT FROM OPERATIONAL AND CAPITAL-RELATED ATTRITION ADJUSTMENT IN 1991.

BY ADVICE LETTER 1614-G, FILED ON OCTOBER 1, 1990

SUMMARY

1. This Resolution approves an increase of \$80,611,000 to Pacific Gas and Electric Company's (PG&E) Gas Department Authorized Base Revenue Amount to offset operation and capital-related attrition, and the recording of a \$1,009,000 to its Core and Noncore Gas Fixed Cost Accounts for the recovery of costs associated with the earthquake in 1989, and the adjustment for 1990 California Corp. Franchise Taxes.

BACKGROUND

1. In Decision (D.) 89-12-057 (PG&E's test year 1990 General Rate Case), the Commission authorized PG&E to revise its gas base rates to compensate for operational and financial attrition in 1991.
2. Operational attrition is a decrease in a utility's net operating income because of increase in operation and maintenance expenses related to inflation between general rate case test years.
3. Capital-related attrition is a change in a utility's net operating income because of rate base and cost of capital changes between general rate case test years.
4. In D.90-11-057 (the cost of capital proceeding), the Commission adopted the 1991 capital structure and cost of capital for PG&E as shown in Attachment A.

NOTICE

1. Public notice of this advice letter was made by PG&E's mailing copies to other utilities, governmental agencies, and to all interested parties who requested notification.

PROTESTS

1. No protests to this advice letter have been received.

DISCUSSION

1. On October 1, 1990, PG&E filed Advice Letter 1614-G, and on December 11, 1990, PG&E filed Advice Letter 1614-G-A requesting an increase of \$98,369,000 to its Gas Base Revenue Amount.

2. PG&E has requested \$16,475,000 for labor inflation and \$5,902,000 for non-labor inflation. This request is based on D.89-12-057 which authorizes these amounts and the use of updated inflation factors. This request is granted.

3. PG&E requests a \$63,286,000 increase to accommodate the higher rates of return it requested in Application (A.)90-05-011. Using the rates of return adopted for PG&E in D.90-11-057, CACD has recalculated PG&E's capital-related attrition to be \$45,978,000.

4. PG&E in its petition to modify D.89-12-057, dated July 6, 1990, has requested a \$367,000 decrease. D.90-11-078 denies this petition.

5. PG&E requests a \$411,000 revenue requirement increase as a result of an increase in Federal Insurance Contribution Act (FICA) base amount. D.85-12-076 authorizes utilities to be reimbursed for Payroll Tax changes in attrition rate adjustment filings. This request is granted.

6. As authorized by D.85-12-076, a decrease in California Unemployment taxes related revenue to reflect lower payroll Unemployment taxes by \$228,000 is granted. The current Federal Unemployment Federal tax rate is unchanged. PG&E is therefore allowed to withdraw its request for a decrease of \$77,000.

7. As authorized by D.85-12-076, PG&E's request to increase revenue requirements by \$95,000 related to Contribution-in-Aid-of-Construction (CIAC) is granted.

8. PG&E requests an amount of \$3,943,000 related to the change in Federal Income Taxes resulting from the California Corp. Franchise Tax (CCFT) Adjustment to comply with D.89-11-058. Using the rates of return adopted for PG&E in D.90-11-057, CACD has recalculated this amount to be \$3,079,0000.

9. As authorized in Resolution E-3174 and then modified by Resolution E-3188, unspent gas department Demand Side Management/Research and Development (DSM/R&D) funds of

\$14,242,000 were reduced from the 1990 Base Revenue Amount. PG&E's request to add back this amount to the 1991 Base Revenue Amount is granted.

10. D.90-12-071 authorizes PG&E to increase its Base Revenue Amount by \$531,000, to recover the increase in Customer Energy Efficiency (CEE) program expenses.

11. PG&E requests an amount of \$958,000 for recovery of costs related to the October 17, 1989 earthquake. D.90-12-070 authorizes this increase. Using the rates of return adopted for PG&E in D.90-11-057, CACD has recalculated PG&E's request to be \$928,000.

12. D.89-12-057 authorizes PG&E to reduce its Base Revenue Amount by \$6,802,000 for Abandoned Project Amortization.

13. PG&E requests a decrease of \$1,524,000 to true-up the Federal Income taxes due to the CCFT Adjustment for the test year 1990 ratemaking. This request, as a credit entry to Core and Noncore Gas Fixed Cost Accounts, is granted.

14. D.90-12-070 authorizes PG&E an increase of \$2,533,000 related to October 1989 earthquake recovery for 1990. This amount, as a debit entry to Core and Noncore Gas Fixed Cost Accounts, is granted.

15. PG&E's total increase for rate design purposes amounts to \$81,620,000 as shown in Attachment B.

16. PG&E should allocate the total increase between the core and noncore customers based on the Equal Percentage of Base Revenue method, as is conventional.

17. PG&E's rate schedules should reflect the consolidation of the \$81,620,000 increase granted herein and the credits to the Core and Noncore Gas Fixed Cost Accounts ordered earlier in D.90-11-078.

THEREFORE IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to increase its Gas Department authorized Base Revenue Amount by \$80,611,000, and debit its Core and Noncore Gas Fixed Cost Account by \$1,009,000, effective January 1, 1991.

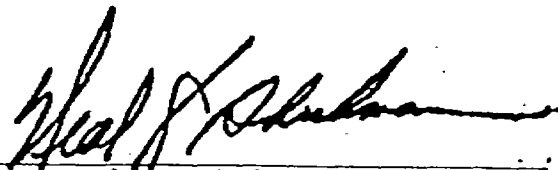
2. PG&E shall allocate the total increase between core and noncore customers based on the Equal Percentage of Base Revenue method.

3. PG&E's rate schedules should reflect the consolidation of \$81,620,000 increase granted herein with the credit to the Core and Noncore Gas Fixed Cost Accounts ordered earlier in D.90-11-078.

4. Pacific Gas and Electric Company shall file a supplement to Advice Letter 1614-G with revised Preliminary Statement and tariff schedules updating the increases granted herein.
5. Pacific Gas and Electric Company's Advice Letter 1614-G and its tariff sheets shall be marked to show that they are superseded and supplemented as ordered by Ordering Paragraph 4.
6. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 19, 1990. The following Commissioners approved it:

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



Neal J. Shulman
Executive Director

Attachment A

Pacific Gas and Electric Company
1991 Attrition Allowance

1990 Authorized Capital Structure
(D.89-11-068)

<u>Component</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Long-Term Debt	47.00%	9.32%	4.38%
Preferred Stock	6.25	8.79	0.55
Common Equity	<u>46.75</u>	12.90	<u>6.03</u>
Total	100.00%		10.96%

PG&E Requested Capital Structure
(Attrition Year 1991)

<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	<u>46.75</u>	13.75	<u>6.43</u>
Total	100.00%		11.38%

1991 Attrition capital structure
(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	<u>46.75</u>	12.95	<u>6.03</u>
Total	100.00%		10.98%

Attachment B

Pacific Gas and Electric Company
Gas Department
1991 Attrition Allowance
Revenue requirements
(\$000)

Description	Requested 1/	Adopted
Operational Attrition:		
Labor Inflation	16,475	16,475
Non-Labor Inflation	5,902	5,902
Capital-Related Items:		
ARA mechanism for 1991	\$85,663	\$68,355
Other Items:		
Petition to modify D.89-12-057	-367	0
Payroll Taxes:		
FICA	411	411
Federal Unemployment	-77	0
California Unemployment	-228	-228
CIAC	95	95
FIT/CCFT per D.89-11-058	3,943	3,079
DSM/RD Offset	14,242	14,242
CEE	531	531
Earthquake Recovery	958	928
Abandoned Proj. Amortization	-6,802	-6,802
Total 1991 ARA Base Revenue		
Amount Change	\$98,369	\$80,611
FIT/CCFT Adjustment 2/	-1,524	-1,524
Earthquake Recover for 1990 2/	2,533	2,533
Total Debits to the Core and Noncore Gas Fixed Cost Account		
	\$1,009	\$1,009
Total Increase for Rate Design Purposes		
	\$99,378	\$81,620
=====		
Base Revenue Amount, effective 4/19/90		\$1,033,147
Less: Decrease ordered in D.90-11-078		\$4,522

Base Revenue Amount, effective 11/21/90		\$1,028,625
Add: Attrition Increase for 1990		\$80,611

Adopted Base Revenue Amount for 1991		\$1,109,236

1/ Reflects PG&E's requested cost of capital. See A.90-05-011.
2/ Debit entries to Core and Noncore Gas Fixed Cost Accounts.