

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Commission Advisory and
Compliance Division
Energy Branch

RESOLUTION G-2934
December 19, 1990

R E S O L U T I O N

RESOLUTION G-2934. PACIFIC GAS AND ELECTRIC COMPANY REQUESTS AN INCREASE IN ITS STEAM DEPARTMENT REVENUE WHICH WILL RESULT FROM OPERATIONAL AND CAPITAL-RELATED ATTRITION ADJUSTMENT IN 1991.

BY ADVICE LETTER 95-H, FILED ON SEPTEMBER 26, 1990

SUMMARY

1. This Resolution approves an increase of \$878,500 to Pacific Gas and Electric Company's (PG&E) Steam Department Authorized Base Revenue Amount to offset operational and capital-related attrition.

BACKGROUND

1. In Decision (D.)90-03-036 (PG&E's Steam General Rate Case), the Commission authorized PG&E to revise its steam 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 September 26, 1990, PG&E filed Advice Letter 95-H requesting an increase of \$953,500 to its Steam Base Revenue Amount.
2. PG&E has requested \$57,500 for labor inflation and \$32,100 for non-labor inflation. This request is based on D.85-12-076 which allows for the use of updated inflation factors and D.90-03-036 which authorizes the amounts. This request is granted.
3. PG&E requests a total increase of \$142,100 for capital-related items. Using the rates of return adopted for PG&E in D.90-11-057, the Commission Advisory and Compliance Division (CACD) has recalculated PG&E's capital-related attrition to be \$67,100.
4. D.90-03-036 authorizes PG&E an increase of \$721,800 for remaining four year phase-in revenue requirement.
5. PG&E's total authorized increase amounts to \$878,500 as shown in Attachment B.
6. PG&E shall compute attrition rate increases on an "equal dollars per pound" basis, as is conventional.

THEREFORE IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to increase its Steam Department authorized Base Revenue Amount by \$878,500, effective January 1, 1991.
2. PG&E is authorized to increase its steam rates on an "equal dollars per pound" basis, effective January 1, 1991.
3. Pacific Gas and Electric Company shall file a supplement to Advice Letter 95-H with revised Preliminary Statement and tariff schedules updating the increases granted herein.

4. Pacific Gas and Electric Company's Advice Letter 95-H and its tariff sheets shall be marked to show that they are superseded and supplemented as ordered by Ordering Paragraph 3.
5. 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 WALK
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
 Steam Department
 1991 Attrition Allowance
 Revenue requirements
 (\$000)

Description	Requested 1/	Adopted
Operational Attrition:		
Labor Inflation	57.5	57.5
Non-Labor Inflation	32.1	32.1
Capital-Related Items:	142.1	67.1
ARA mechanism for 1991	\$231.7	\$156.7
Other Items:		
Remaining Four Year Phase-In Rev. Req.	721.8	721.8
Total 1991 ARA Base Revenue Amount Increase	\$953.5	\$878.5

1/ Reflects PG&E's cost of capital. See A.90-05-011.