

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Energy Branch

RESOLUTION G-2976  
December 18, 1991

R E S O L U T I O N

RESOLUTION G-2976. PACIFIC GAS AND ELECTRIC COMPANY, (PG&E) REQUESTS REVISING ITS PRELIMINARY STATEMENT TO REFLECT AN INCREASE IN STEAM DEPARTMENT REVENUE WHICH WILL RESULT FROM OPERATIONAL AND CAPITAL-RELATED ATTRITION ADJUSTMENTS IN 1992.

BY ADVICE LETTER 98-H, FILED ON OCTOBER 1, 1991.

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SUMMARY

1. On October 1, 1991, PG&E filed Advice Letter 98-H requesting Commission authority to revise its Steam Department's Authorized Base Rate Revenues effective January 1, 1992, by implementing the 1992 Attrition Rate Adjustment (ARA) mechanism. The requested ARA increase to the Steam Department is \$865,600. Additionally, PG&E is including a revenue requirement increase of \$190,000 to incorporate the PG&E 1991 and 1992 funding of Post-Retirement Benefits Other Than Pensions (PBOP). The total requested increase in base rates is \$1,055,600.
2. This Resolution adopts a level of revenue requirements of \$1,053,600 which is \$2,000 less than the utility is requesting. The difference results from the Commission issuing Decision (D.) 91-11-059 on November 20, 1991, adopting the 1992 ratemaking cost of capital for all energy utilities in California.

BACKGROUND

1. In 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 1992.
2. Operational attrition compensates a utility for increases or decreases in a utility's net operating income because of decreases or increases in operation and maintenance expenses related to inflation between general rate case test years.

3. Capital-related attrition compensates a utility for a change in its net operating income because of rate base and cost of capital changes between general rate case test years.

4. In D.91-11-059 (the aforementioned cost of capital proceeding), the Commission adopted the 1992 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 mailing copies to other utilities, governmental agencies, and to all interested parties who requested notification.

2. No protests to this Advice Letter have been received.

#### DISCUSSION

1. On October 1, 1991, PG&E filed Advice Letter 98-H requesting an increase of \$1,055,600 to its Steam Base Rate Revenues for labor and non-labor inflation, cost of capital related items, PBOPs, and the 1992 portion of a Four Year Phase-in Revenue Requirement.

2. PG&E is requesting \$30,100 for labor inflation and \$27,200 for non-labor inflation. The requests are based on D.85-12-076 which allows for the use of updated inflation factors and D.90-03-036 which authorizes the utility to revise its steam base rates for operational and financial attrition in 1992.

3. PG&E is requesting a decrease of \$31,000 for its financial attrition component of its cost of capital. However, D.91-11-059, issued on November 20, 1991 after PG&E filed the Advice Letter, established the 1992 ratemaking cost of capital for all energy utilities in California. D.91-11-059 adopted a cost of long-term debt reflecting the October DRI control forecast which was more current than the cost of debt used shown in the joint recommendation exhibit in the 1992 Cost Of Capital Proceeding. This change in the cost of long-term debt results in PG&E's financial attrition component to change to (\$33,000).

4. D.90-03-036 authorized PG&E to increase its rates and charges for its steam service by a total of \$3,775,900 to be phased in over a 4-year period. PG&E requests \$797,500 for the 1992 portion of the of the four year phase-in revenue requirement.

5. PG&E has included in this filing \$190,000 for PBOP. D.91-07-006 allowed PG&E to recover both 1991 and 1992 prefunding expenses for the company's PBOP liability through the 1992 ARA filing.

FINDINGS

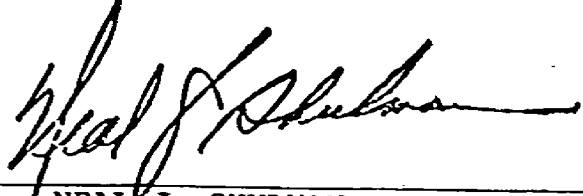
1. PG&E is requesting a total increase in base rates of \$1,055,600.
2. CACD recommends that PG&E's requested increase in base rates should be increased by \$1,053,600 as shown on Attachment B.
4. PG&E shall compute attrition rate increases on an "equal dollars per pound" basis, as is conventional.

December 18, 1991

**THEREFORE, IT IS ORDERED that:**

1. PG&E is authorized to increase its Steam Department authorized base rate revenues by \$1,053,600, effective January 1, 1992.
2. PG&E is authorized to increase its steam rates on an "equal dollars per pound" basis, effective January 1, 1992.
3. PG&E shall submit a supplement to Advice Letter 98-H with revised Preliminary Statement and tariff schedules incorporating the increases granted herein within five business days from the effective date of this Resolution and to all other parties of record as soon as possible but no later than December 26, 1991.
4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 18, 1991. The following Commissioners approved it:

  
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NEAL J. SHULMAN  
Executive Director

PATRICIA M. ECKERT  
President  
JOHN B. OHANIAN  
DANIEL Wm. FESSLER  
NORMAN D. SHUMWAY  
Commissioners

Attachment A

Pacific Gas and Electric Company  
Summary of Capital Structures  
for Attrition Year 1992

Authorized Capital Structure 1991  
(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	46.75	12.90	6.03
Total	100.00%		10.98%

Requested Capital Structure 1992  
(D.91-11-059)

<u>Component</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Long-Term Debt	47.50%	9.20%	4.37%
Preferred Stock	5.75	8.74	0.50
Common Equity	<u>46.75</u>	12.65	<u>5.91</u>
Total	100.00%		10.78%

Authorized Capital Structure 1992  
(D.91-11-059)

<u>Component</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Long-Term Debt	47.50%	9.15%	4.35%
Preferred Stock	5.75	8.74	0.50
Common Equity	<u>46.75</u>	12.65	<u>5.91</u>
Total	100.00%		10.76%

Attachment B

Pacific Gas and Electric Company  
 Steam Department  
 1992 Attrition Allowance  
 Revenue Requirements  
 (\$000)

<u>Description</u>	<u>Requested 1/</u>	<u>Adopted</u>
Operational Attrition:		
Labor Inflation	30.1	30.1
Non-Labor Inflation	27.2	27.2
Capital-Related Items:		
ARA Mechanism for 1991	10.8	8.8
Other Items:		
PBOBs	68.1	66.1
Remaining Four Year Phase-In Rev. Req.	190.0	190.0
	797.5	797.5'
Total 1991 ARA Base Revenue Amount Increase	\$1055.6	\$1053.6

1/ Reflects PG&E's cost of capital, as filed in A.91-05-016.