

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND  
COMPLIANCE DIVISION  
Energy Branch

RESOLUTION G-3192\*\*  
August 2, 1996

R E S O L U T I O N

RESOLUTION G-3192. PACIFIC GAS AND ELECTRIC COMPANY REQUESTS AUTHORIZATION TO REDUCE THE INTERSTATE TRANSITION COST SURCHARGE COMPONENT OF ALL NONCORE CUSTOMERS BY \$0.006/THERM IN ACCORDANCE WITH A MEMORANDUM OF UNDERSTANDING DATED MAY 22, 1996 BETWEEN PG&E AND THE CALIFORNIA INDUSTRIAL GROUP/CALIFORNIA MANUFACTURERS ASSOCIATION DEVELOPED DURING THE COURSE OF GAS ACCORD SETTLEMENT NEGOTIATIONS. PG&E'S ADVICE LETTER IS APPROVED.

BY ADVICE LETTER 1952-G FILED ON MAY 22, 1996.

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SUMMARY

1. Pacific Gas and Electric Company (PG&E) submitted Advice Letter 1952-G seeking Commission approval to reduce the Interstate Transition Cost Surcharge (ITCS) component of the noncore transportation rate by \$0.006/therm.
2. Protests were filed by Toward Utility Rate Normalization (TURN), Southern California Utility Power Pool/Imperial Irrigation District (SCUPP/IID), and El Paso Natural Gas Company (El Paso).
3. This Resolution approves Advice Letter 1952-G for the following reasons:
  - The proposed rate reduction for noncore customers will reduce energy rates for a significant segment of California's business community.
  - Approval of PG&E's Advice Letter is not inconsistent with Public Utilities Code (PU Code) Sections 453(a) and 453(c).
  - The proposed rate reduction in stranded costs at shareholder risk is not inconsistent with the exceptions that this Commission has granted from the prohibition against the discounting of the ITCS, set forth in the Capacity Brokering Decision, D.91-11-025. See D.93-12-020, D.93-07-051 and D.93-09-043.
  - Approval of the proposed rate reduction does not constitute any prejudgement of the Commission's review of this issue or other issues in several pending

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proceedings, including the Gas Accord, if and when it is filed.

#### BACKGROUND

1. PG&E submitted Advice Letter 1952-G on May 22, 1996 seeking Commission approval to reduce the Interstate Transition Cost Surcharge (ITCS) component of the noncore transportation rate from approximately \$0.011/therm to approximately \$0.005/therm. PG&E requested that the proposed rate reduction commence July 1, 1996, or as soon thereafter as possible, with rates effective five days after the Commission's approval. PG&E requests that the rate reduction expire six months from the date it goes into effect.

2. PG&E is currently negotiating a settlement of several pending proceedings (Gas Accord). If PG&E files a Gas Accord Settlement before the Commission by September 30, 1996, PG&E states that it will file to extend the rate reduction beyond 1996.

3. The proposal revises noncore rates in accordance with a Memorandum of Understanding (MOU) dated May 22, 1996, between PG&E and the California Industrial Group/California Manufacturer's Association (CIG/CMA), developed during the course of Gas Accord settlement negotiations. PG&E alleges the MOU does not represent a final Gas Accord settlement.

4. The rate reduction is offered to noncore customers only. Noncore customers already paying a discounted tariff rate or receiving firm gas transportation service at negotiated rates pursuant to the Expedited Application Docket (EAD) Decision (D.) 92-11-052 at a level below the tariff rate proposed in this filing will not receive an additional rate discount.

5. PG&E estimates a revenue reduction of \$13 million from the proposed rate decrease. PG&E's shareholders will absorb the reduction in these revenues. In order to implement this reduction, PG&E proposes to record as revenues in the noncore ITCS subaccount the amounts PG&E would have received had the ITCS reduction not occurred.

6. PG&E conditions its request with the following statement:

This proposal is not intended to prejudice PG&E's rights in any proceeding, nor is it an admission of imprudence or unreasonableness on the part of PG&E. In particular, PG&E reserves its right to prove the prudence of its activities affecting or relating to the balances in its ITCS subaccounts, and its right to recover all amounts recorded in its ITCS subaccounts, except insofar as PG&E is voluntarily forgoing recovery of a portion of its ITCS subaccount in this advice filing.

#### NOTICE

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1. PG&E Advice Letter 1952-G was served on other utilities, government agencies, and to all interested parties who requested such notification, in accordance with the requirements of General Order 96-A and the service lists in Applications 92-12-043 et al, Application 94-11-015, and the Gas Accord service list.

PROTESTS

1. TURN, SCUPP/IID, and El Paso protested Advice Letter 1952-G on June 11, 1996.

2. TURN protests on three points:

- a. The Advice Letter violates PU Code Section 453 in that it "blatantly discriminat (s)" in favor of noncore customers. TURN says that PG&E's request is "unsupported by any record or rational argument." TURN argues that since PG&E provides no basis for its reduction, the reduction should be applied to rates for all customers.
- b. The noncore rate reduction is tied to Gas Accord negotiations between PG&E and CIG/CMA. PG&E declined to provide TURN the MOU except under the Gas Accord nondisclosure agreement, but did provide an excerpt from the MOU. TURN is concerned that the reduction is tied to CIG/CMA's support for the Global Settlement. If approved the rate reduction "would reduce the pot of dollars or other concessions available for trading in the process of reaching a balanced agreement."
- c. TURN protests the manner in which the reduction is to be implemented, namely through the ITCS. TURN states:

If the rate reduction being offered is unrelated to the costs in the ITCS account, as PG&E claims, then the reduction should not be applied to the ITCS component of the rates. If any reduction is adopted, it should be applied to base rates for all customers.

3. SCUPP/IID share TURN's concerns that PG&E is submitting its proposed ITCS adjustment as a quid pro quo for concessions reflected in the CIG/CMA settlement agreement. In response to a SCUPP/IID data request, PG&E provided workpapers, but not the settlement agreement. SCUPP/IID request the Commission reject Advice Letter 1952-G.

4. El Paso believes the rate reduction should be conditioned on two accounts:

- a. The Commission should not consider the \$13 million payment as in the nature of a disallowance since it

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appears to be offered in return for CIG/CMA's support for the proposed Gas Accord.

- b. If the Commission does allow the rate reduction, it should reject PG&E's proposed ITCS accounting treatment of the \$13 million payment, given PG&E's disclaimer regarding any disallowance of ITCS costs.

5. On June 18, 1996, PG&E responded to the protests of TURN, SCUPP/IID, and El Paso. PG&E argues that Commission approval of the Advice Letter would not implicitly give Commission approval to the Gas Accord proposal. PG&E also says that Advice Letter 1952-G does not violate PU Code Section 453. It states:

The Commission has a legitimate interest in supporting constructive negotiations to resolve regulatory issues affecting the natural gas industry, and it is well within the Commission's authority to approve this rate reduction, which does not result in any increased costs to any customers.

6. Regarding TURN's request that the ITCS reduction be expanded to include all customer classes, including residential customers, PG&E states there is "no record which would entitle any customer class to a rate reduction, at shareholder expense, absent PG&E's agreement to it."

7. Finally, PG&E argues that its filing of Advice Letter 1952-G does not entitle protestants to examine the CIG/CMA MOU pursuant to the Commission's settlement rules.

#### DISCUSSION

1. PG&E, in its Advice Letter 1952-G, requests a reduction in the ITCS component of rates for noncore customers.<sup>1</sup> PG&E says the Advice Letter filing was prompted by an MOU between PG&E and CIG/CMA. While an MOU may have precipitated PG&E's filing, it has no bearing whatsoever on our motivations for accepting PG&E's advice letter. The proposed rate reduction for noncore customers will reduce energy rates for a significant segment of California's business community. It will, in turn, improve the economic competitiveness of these customers. It is for this reason, and this reason only, that we approve Advice Letter 1952-G.

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1 In its Advice Letter 1952-G, PG&E initially states that the reduction is for all noncore customers. PG&E later qualifies its request to exclude those noncore customers already paying a discounted tariff rate or receiving firm gas transportation service at negotiated rates pursuant to the Expedited Application Docket (EAD).

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2. Arguments related to the MOU's impact upon the Gas Accord negotiations are not germane to our actions here. If and when a Gas Accord is filed, we will examine it with the same scrutiny that all settlements are afforded to ensure that it is "reasonable in light of the whole record, consistent with law, and in the public interest."<sup>2</sup> It is also irrelevant that we have not seen the MOU between PG&E and CIG/CMA. Again, we are motivated solely by the benefits noncore customers will receive through this rate reduction.

3. PG&E's request to provide certain noncore customers with a rate reduction is not violative of PU Code Section 453(a), which states, in relevant part, that "(n)o public utility shall, as to rates, charges, . . . make or grant any preference or advantage to any corporation or person or subject any corporation or person to any prejudice or disadvantage." (Pub. Util. Code, §453, subd. (a).) A violation occurs if the preference or advantage results in unjust or undue discrimination. (See Rueben H. Donnelley Corp. v. Pacific Bell (D.91-01-016 (1991) 39 Cal.P.U.C2d 209, 243; see also, Portland Cement Co. v. Public Util. Com. (1957) 49 Cal.2d 171, 174-176.)

Although some noncore customers, in particular those who have EAD contracts with PG&E, will not receive the proposed reduction, there is no unjust or undue discrimination. These customers have already received rate reductions, and thus are not prejudiced by the instant proposed rate reduction.

As between the noncore and the core, there is no unjust or undue discrimination between these customers. This is because the core customers will not be prejudiced by the rate reduction since shareholders, and not the core customers, will be absorbing 100% of the revenue shortfalls resulting from the rate reduction. Thus, there is no detriment to the core customers. (See Rueben H. Donnelley Corp. v. Pacific Bell (D.91-01-016), supra, 39 Cal.P.U.C2d at p.243.)

For this same reason, PG&E's request does not violate Section 453(c), which guards against "unreasonable difference" as to rates and charges.

4. The Advice Letter should be approved.

#### FINDINGS

1. Pacific Gas and Electric Company's Advice Letter 1952-G, filed on May 22, 1996, requested Commission approval to reduce the Interstate Transition Cost Surcharge (ITCS) to certain noncore customers by \$0.006/therm.

2. The filing is made in accordance with a Memorandum of Understanding dated May 22, 1996 between PG&E and the California Industrial Group/California Manufacturers Association developed during the course of Gas Accord settlement negotiations.

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<sup>2</sup> California Public Utilities Commission, Rules of Practice and Procedure, Rule 51.1(e).

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3. The rate reduction would expire six months from the date it goes into effect.
- [B4. The forecasted revenue reduction is \$13 million, and it would be absorbed by PG&E shareholders.
5. Toward Utility Rate Normalization, Southern California Utility Power Pool/Imperial Irrigation District, and El Paso Natural Gas Company filed timely protests.
6. The provision in Advice Letter G-1952 that reduces rates for certain noncore customers is reasonable because revenue shortfalls from this reduction will be made up by shareholders, and thus, this provision does not violate Public Utilities Code Section 453.
7. Our rationale for approving Advice Letter G-1952 is that it will result in a reduction of rates for a significant segment of California's business community in way that will improve the economic competitiveness for those customers and will not make any other PG&E customer worse off relative to current rates they pay.
8. PG&E's request is not violative of PU Code Sections 453(a) and 453(c) because it does not unduly discriminate against core customers or noncore customers already paying a discounted tariff rate or receiving firm gas transportation service at negotiated rates pursuant to the BAD.
9. PG&E's Advice Letter 1952-G should be approved.
10. To the extent the protests of TURN, SCUPP/IID, and El Paso recommend rejection of Advice Letter 1952-G, they should be dismissed.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company Advice Letter 1952-G is approved.
2. Advice Letter 1952-G shall be marked to show that it was approved by Resolution G-3192.
3. The protests of Toward Utility Rate Normalization, Southern California Utility Power Pool/Imperial Irrigation District, and El Paso Natural Gas Company are dismissed to the extent they recommend rejection of Advice Letter 1952-G.

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4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 2, 1996. The following Commissioners approved it:

  
WESLEY FRANKLIN  
Executive Director

P. GREGORY CONLON  
President  
DANIEL WM. FESSLER  
JESSIE J. KNIGHT Jr.  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
Commissioners