

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**RESOLUTION G-3266
SEPTEMBER 16, 1999**

RESOLUTION

Resolution G-3266. Pacific Gas and Electric Company (PG&E) requests authorization to deviate from its gas tariff Preliminary Statement Section C.11.b, and defer its 1999 Annual True-Up of gas balancing accounts until after a decision is issued in PG&E's 1999 General Rate Case (GRC). PG&E requests permission to implement the True-Up gas rate changes with the gas rate changes associated with the GRC and its 1998 Annual Earnings Assessment and 1999 Cost of Capital proceedings. PG&E's request is approved with an effective date of today.

By Advice Letter 2168-G filed on July 16, 1999.

SUMMARY

By Advice Letter 2168-G, Pacific Gas and Electric Company (PG&E) requests authorization to deviate from its Gas Tariff Preliminary Statement Section C.11.b, and defer its 1999 Annual True-Up of Balancing Accounts (True-Up) until after a decision is issued in PG&E's GRC Application (A.) 97-12-020. PG&E also requests permission to implement gas rate changes associated with its 1998 Annual Earnings Assessment (AEAP) proceeding (Decision (D.) 99-06-052) and 1999 Cost of Capital (COC) proceeding (D.99-06-057) with the gas rate changes from the True-Up and the GRC.

No protests have been received by the Energy Division for this Advice Letter filing.

This Resolution approves Advice Letter 2168-G.

BACKGROUND

In D.98-12-078, the Commission granted an interim increase in PG&E's gas and electric revenue requirements in PG&E's 1999 GRC, effective January 1, 1999. However, PG&E's electric rates are frozen, and the Commission declined to increase gas rates. Instead, the Commission granted PG&E's proposal to increase the gas revenue requirement in various balancing accounts. The amount of the revenue requirement increase was based on PG&E's proposal in the GRC.

In D.99-06-057, the Commission authorized 1999 rates of return for PG&E, Southern California

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Edison, and San Diego Gas & Electric Company, and ordered that PG&E's cost of capital should go into effect as of January 1, 1999 to coordinate the rate changes associated with the cost of capital with the GRC rate change.

In D.99-06-052, the Commission ordered PG&E to increase gas revenues, due to approved revenue changes for PG&E in the AEAP, and ordered the rate increase to occur with its next gas rate adjustment.

PG&E's gas tariff Preliminary Statement Section C.11.b. contains the provision that per D. 95-12-053 PG&E is required to make a True-Up advice letter filing to change core and noncore transportation rates 45 days prior to the end of the first year of the BCAP and once every 12 months thereafter until a new BCAP decision is rendered. The filing updates the amortization component of the transportation rate for all transportation-related balancing accounts.

The True-Up for 1999 was due July 16, 1999.

On July 1, 1999, in a letter to the Commission's Executive Director, PG&E requested permission to delay the True-Up for 1999 until a decision is rendered in PG&E's 1999 GRC. PG&E further requested permission to implement the gas rate changes associated with its 1999 COC and its 1998 AEAP with the gas changes from the GRC. On July 12, 1999, the Executive Director responded by letter and stated that PG&E should file an advice letter in order to make its request. The letter also stated that the advice letter was due on July 16, 1999.

On July 16, 1999, in Advice Letter 2168-G, PG&E, in accordance with Section X.A of General Order 96-A, submitted a request for Commission approval to deviate from its Gas Tariff Preliminary Statement Section C.11.b. and defer its 1999 True-Up gas rate change until after a decision is issued in PG&E's GRC, A.97-12-020. PG&E further requests permission to implement the gas rate changes associated with its 1999 COC and its 1998 AEAP with the gas changes from the True-Up and the GRC.

PG&E states that it is requesting deferral of its True-Up "for the reason that, until a final GRC decision is issued, the revenue requirement for the rate change cannot be determined. The major portion of PG&E's gas balancing account balances currently include the GRC interim relief amount authorized in D.98-12-078." PG&E states that granting its request will minimize customer confusion concerning rate swings and changes, provide rate stability, allow rates to reflect the correct revenue requirement, and avoid the administrative burden of implementing several gas transportation rate changes within a period of a few months.

PG&E requested a delay of its True-Up for core customers in 1997, because the amortization of the balances of transportation balancing accounts were being discussed in the Biennial Cost Allocation Proceeding occurring at that time. PG&E made its request in AL 2045-G, and by Resolution G-3231, the Commission approved the delay.

NOTICE

Advice Letter 2168-G was served on all interested parties shown on the mailing list attached to the advice letter, and all parties in A. 97-03-002, A.97-12-020, A.98-05-001, and A.98-05-021.

PROTESTS

No protests were received by the Energy Division.

DISCUSSION

A rate decrease for core customers would result if a true-up of core balancing accounts were made at this time, but the magnitude of the increase depends on whether revenue requirements for GRC interim relief and the cost of capital are included or excluded. PG&E provided to the Energy Division an estimate of the revenue requirement adjustment which would be made if the True-Up and other revenue requirement adjustments were made now. PG&E estimates that core revenue requirements would decrease by \$178 million, including GRC interim relief revenue requirements accrued in the Core Fixed Cost Account (CFCA), the AEAP revenue requirement change, and an estimated cost of capital adjustment. PG&E estimates that core revenue requirement would decrease by \$422 million excluding GRC interim relief revenue requirements accrued in the CFCA and an estimated cost of capital adjustment.

A Proposed Decision in the PG&E GRC is expected soon. By the time a True-Up advice letter is filed and adopted, it's possible that a GRC decision would be issued shortly thereafter.

Core gas rates change monthly, because the procurement charge is changed at the beginning of every month, and the change can be substantial. Overall rate stability will not necessarily be enhanced if deferral occurs. However, it is possible that a gas transportation rate decrease could occur now with a True-Up, and then when the final GRC decision is issued, a gas transportation rate increase may occur. According to the PG&E Comparison Exhibit in the GRC, the Office of Ratepayer Advocates (ORA) advocates a \$104 million gas revenue requirement increase, while PG&E advocates a \$377 million gas revenue requirement increase.

A deferral of implementation of the True-Up could counter-act a potential increase in gas rates when the GRC decision is issued, just as the winter heating season is approaching or already in effect, when gas prices are typically higher and customers' bills are typically higher.

The deferral would be administratively easier, since it would allow consolidation of several revenue requirement adjustments and rate changes, and it would avoid customer confusion associated with multiple rate changes.

In view of the above considerations, we believe PG&E's request in Advice Letter 2168-G to defer implementation of the True-Up and to consolidate the True-Up rate change with other rate

changes is reasonable and should be granted.

PG&E requested an effective date of August 25, 1999. Approval of PG&E's request is effective today. This is the only modification of PG&E's request.

COMMENTS

The only party, PG&E, has stipulated to waive the 30-day waiting period required by PU Code Section 311 (g)(1), and opportunity to file comments on the draft resolution. Accordingly, this matter will be placed on the Commission's agenda directly for prompt action.

FINDINGS

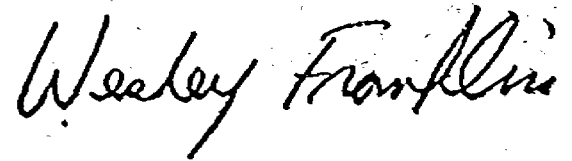
1. PG&E filed Advice Letter 2168-G on July 16, 1999 requesting a deviation from its Gas Tariff Preliminary Statement Section C.11.b, and deferral of its 1999 Annual True-Up of Balancing Accounts (True-Up) until after a decision is issued in PG&E's GRC. PG&E also requests permission to implement gas rate changes associated with the True-Up with the gas rate changes from its 1998 AEAP and 1999 COC proceedings and the GRC.
2. The True-Up of core transportation-related balancing accounts will result in an decrease in core rates at this time.
3. Consolidation of the True-Up with other rate changes will be administratively efficient.
4. Deferral of the True-Up until after a GRC decision is issued may help to lessen the impact of a potential increase in rates due to the GRC.
5. Deferral of the True-up until after a GRC decision is issued and consolidation of the True-Up with gas rate changes associated with PG&E's 1998 AEAP and 1999 COC proceedings and the gas rate changes from the GRC is reasonable and should be approved.

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THEREFORE, IT IS ORDERED that:

1. PG&E is authorized to deviate from its Preliminary Statement on a one-time only basis from the requirement to implement a true-up of core transportation-related balancing accounts effective July 16, 1999.
2. PG&E shall consolidate the rate changes associated with the true-up of balancing accounts with gas rate changes associated with PG&E's 1998 AEAP and 1999 COC proceedings and the gas rate changes from the GRC.
3. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on September 16, 1999; the following Commissioners voted favorably thereon:



WESLEY M. FRANKLIN
Executive Director

RICHARD A. BILAS
President
HENRY M. DUQUE
JOSIAH L. NEPPER
JOEL Z. HYATT
CARL W. WOOD
Commissioners