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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation into the reasonableness)
of expenses related to the out-of-)
service status of Pacific Gas and)
Electric Co.'s Geysers Unit 15 and)
the need to reduce electric rates)
related to this non-functioning)
electric generating facility.)

F I L E D
PUBLIC UTILITIES COMMISSION
FEBRUARY 23, 1990
SAN FRANCISCO OFFICE
I.90-02-043

ORIGINAL

ORDER INSTITUTING INVESTIGATION

Pacific Gas and Electric Company (PG&E), whose mailing address is 77 Beale Street, P.O. Box 7442, San Francisco, CA 94105, is a public utility corporation providing electric and gas service in California. Unit 15 of the Geysers Power Plant (Geysers 15) in Sonoma County, California, is an electrical generating facility which is owned and operated by PG&E, and was initially placed in service on May 25, 1979. PG&E notified the Commission on January 8, 1990 that Geysers 15 was taken out of service on April 7, 1989 due to continuing problems with the steam supply and, as of December 29, 1989, the Geysers Unit 15 was retired.

Section 455.5 of the Public Utilities Code (see Appendix) requires the Commission to institute an investigation when any portion of a utility's generating facilities has been out of service for nine or more consecutive months. Geysers 15 has now been off line for more than nine months. Section 455.5(b) further requires that the rates associated with the plant be ordered by this Commission as subject to refund and that the hearing on the investigation be consolidated with the next general rate proceeding for PG&E. We note that it may be possible to effectuate the appropriate ratemaking adjustments through discussions between Commission staff and PG&E or by modification to Dec. No. 89-12-057 (PG&E's recent general rate case decision).

Our investigation will include, but not be limited to, the reasonableness of the operating expenses and the return on investment associated with the idle facilities and the reduction of rates to reflect any disallowed expenses for the idle plant, and the extent of its retirement. We will also require PG&E to establish a memorandum account to track all costs associated with Geysers 15 pending the outcome of our investigation.

By opening this investigation the Commission is responding to its obligations under P.U. Code Section 455.5 and does not presume either reasonable or unreasonable behavior by PG&E. Any such determination would be made based upon the record to be developed in the proceeding.

Good cause appearing; therefore,

1. IT IS ORDERED that an investigation on the Commission's own motion is hereby instituted into the operations, rates and expenses associated with Geysers 15 during the extended period of non-operation beginning April 7, 1989. This investigation shall be for the purpose of determining:

- a. The reasonableness of all allocated expenses associated with Geysers 15 during the period that the unit was not in service, including plant operations which are already subject to review in the Commission's Energy Cost Adjustment Clause (ECAC) procedure.
- b. Any disallowance of operating expense, including depreciation, the reduced revenue requirement as a result of removal of Geysers 15 from rate base, and the resulting reduction, if any, in the utility's electric rates.
- c. The reasonableness of the cost of any capital additions or changes to the unit to be included in rate base which were added during the out-of-service period involved in this investigation.

2. IT IS FURTHER ORDERED that, as required by Public Utilities Code Section 455.5(c), all rates associated with Geysers 15 are subject to refund as of the date of this Order Instituting Investigation.

3. Pacific Gas and Electric Company shall establish a memorandum account for the purpose of tracking all costs associated with Geysers 15 pending the outcome of our investigation. All expenses and return on investment included in such memorandum account shall receive the published 3 month commercial paper interest rates in the event of a refund.

4. This investigation shall commence upon the effective date of this order.

5. Parties will be notified of further scheduling in this case by Administrative Law Judge or Assigned Commissioner ruling.

6. The Executive Director of the Commission is directed to cause a certified copy of this order to be served by mail to Pacific Gas and Electric Company. Copies of this order shall also be served by mail on all parties in Pacific Gas and Electric Company's last general rate case, Application 88-12-005.

This order is effective today.

Dated February 23, 1990 at San Francisco, California.

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

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY


NEAL J. SHULMAN, Executive Director

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Appendix

Public Utilities Code Section 455.5

(a) In establishing rates for any electrical, gas, heat, or water corporation, the Commission may eliminate consideration of the value of any portion of any electric, gas, heat, or water generation or production facility which, after having been placed in service, remains out of service for nine or more consecutive months, and may disallow any expenses related to that facility. Upon eliminating consideration of any portion of a facility or disallowing any expenses related thereto under this section, the Commission shall reduce the rates of the corporation accordingly and shall, for accounting purposes, record the value of that portion of the facility in a deferred debit account and shall treat this amount similar to the treatment of the allowance for funds used during construction. When that portion of the facility is returned to useful service, as provided in subdivision (c), the corporation may apply to the Commission for the inclusion of its value and expenses related to its operation for purposes of the establishment of the corporation's rates.

(b) Every electrical, gas, heat, and water corporation shall periodically, as required by the Commission, report to the Commission on the status of any portion of any electric, gas, heat, or water generation or production facility which is out of service and shall immediately notify the commission when any portion of the facility has been out of service for nine consecutive months.

(c) Within 45 days of receiving the notification specified in subdivision (b), the Commission shall institute an investigation to determine whether to reduce the rates of the corporation to reflect the portion of the electric, gas, heat, or water generation or production facility which is out of service. The Commission's order shall require that rates associated with that facility are subject to refund from the date the order instituting the investigation was issued. The Commission shall consolidate the hearing on the investigation with the next general rate proceeding instituted for the corporation.

(d) Upon being informed by the corporation that any portion of its electric, gas, heat, or water generation or production facility which was eliminated from consideration by the Commission in establishing rates for being out of service for nine or more consecutive months, pursuant to subdivision (a) or (b), has been restored to service and has achieved at least 100 continuous hours of operation, the Commission may again consider that portion of the facility for purpose of establishing rates, and may adjust the corporation's rates accordingly without a hearing, except that a hearing is required on whether to include,

for purposes of establishing rates, any additional plant value added.

(e) Nothing in this section prohibits the Commission from reviewing the effects of any electric, gas, heat, or water generation or production facility which has been out of service for less than nine consecutive months.

(f) For purposes of this section, an electric, gas, heat, or water generation or production facility includes only such a facility that the Commission determines to be a major facility of the corporation, and does not include any facility determined by the Commission to constitute plant held for future use. (Added Stats. 1986, ch. 139).

(End of Appendix)