

From: Myers, Richard A.
Sent: 4/21/2014 5:11:59 PM
To: Doll, Laura (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=LRDD); Prusnek, Brian C (BPrusnek@semprautilities.com) (BPrusnek@semprautilities.com)
Cc: Cheng, Franz (franz.cheng@cpuc.ca.gov)
Bcc:
Subject: main and service extension ratemaking

Hi Laura & Brian: I see that the proposed AB 2672 (gas service to disadvantaged communities) was passed by a legislative committee. I and a couple other folks over here would like to learn more about how the ratemaking works for gas main and service extensions. (Laura, John Connolly was very helpful about the main and service extension process, but was a bit uncertain about the ratemaking aspects.)

Please prepare a response to the following requests. The requests refer to both gas main and service line extensions, so if there are difference in the ratemaking between them, please explain that in your response. I understand that refunds are not made for any advances or contributions made for service extensions.

- 1) Please provide an overall explanation of the ratemaking and accounting treatment related to the costs of gas main and service line extensions, and the Contributions and Advances made by applicants for those facilities. In your explanation, please include answers to at least the following questions.
- 2) When facilities become operational, what amounts are recorded in rate base as plant costs – the utility's estimated costs, the actual costs, actual costs less advances/contributions from applicants, etc?
- 3) Under the refundable option for gas main extensions, please explain how the advances/contributions from applicants are recorded and treated for ratemaking. Are the advances/cost of contributions simply recorded and held in some account for future refunds? Are advances considered miscellaneous revenues? Do advances and contributions serve to reduce the amount of cost that is booked to rate base?

- 4) How are the non-refundable advances recorded and treated? Are they considered miscellaneous revenues? Do they reduce the cost of the line extension that is booked to rate base?

- 5) How are “contributions” recorded and treated for ratemaking? Is there any difference between how contributions and advances are treated?

- 6) When refunds are made, from what type of account are the refunds made? When refunds are made, does this in effect increase the rate base that is recoverable from ratepayers?

- 7) If there are differences in the ratemaking or accounting for the “refundable option” vs the “nonrefundable option” please explain the difference.

- 8) If, under the refundable option, all of the advance has not been refunded to an applicant after the 10-year period, what becomes of that remaining amount? Or, does anything need to be accounted for at that point?

- 9) Do the utilities include a forecast of the net costs of main and service line extensions in their General Rate Cases? Do utilities include a forecast of allowances and advances/contributions?

- 10) If after a 3-year period, full refunds have not been made, I see that under PG&E Gas Rule 15 and SoCalGas Rule 20, applicants must pay “cost-of-ownership” amounts. How are the cost-of-ownership charges calculated? How are those payments recorded and treated for ratemaking purposes?

Please feel free to contact me if you need clarifications.

Richard

415-703-1228