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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3000
June 25, 1986

RESOLUTION

ORDER REJECTING PACIFIC GAS AND ELECTRIC COMPANY'S (PG&E)
REQUEST TO UPDATE PART J OF THE ELECTRIC PRELIMINARY
STATEMENT, THE DIABLO CANYON ADJUSTMENT CLAUSE (DCAC).

By Advice No. 1113-E filed May 9, 1986 Pacific Gas and Electric Company (PG&E) proposed to increase debits for non-investment related expenses at Diablo Canyon Power Plant Units 1 and 2 booked into the Diablo Canyon Adjustment Account (DCAA), subject to downward adjustment following a future Commission decision on adopted non-investment expenses.

Presently such debits are \$161,862,000 annually (\$69,953,000 for Unit 1 and \$91,909,000 for Unit 2), per Paragraph 5. (b) (1) of the Diablo Canyon Adjustment Clause (DCAC) Preliminary Statement. The requested amount is \$199,130,000 annually (\$106,869,000 for Unit 1 and \$92,261,000 for Unit 2), an increase of \$37,268,000 annually. The requested amount includes ongoing and refueling expenses.

SUMMARY

Although Paragraph J.3 of the Preliminary Statement to the DCAC requires a utility filing of revised DCAC Rates by May 7, 1986, Advice No. 1113-E requests unreasonable changes in excess of tariff requirements by attempting to increase DCAA debits for non-investment expenses. No revision of authorized debit levels is required until the Commission adopts reasonable expense levels following hearings. Those hearings are now underway, and we will issue a decision in due course.

For this reason we reject the filing. We also reject PG&E's notion that the revision become effective automatically, because the change in DCAA debits could result in a rate increase in the future. A new, limited advice filing is authorized.

POSITION OF PG&E

Advice No. 1113-E is intended to respond to DCAC Preliminary Statement Paragraph J.3, which requires that the utility file

revised DCAC Rates twelve months after the Diablo Canyon Power Plant Unit 1 commercial operation date (COD), which occurred May 7, 1985. PG&E believes that it is not appropriate at this time to change the DCAC Rate. PG&E further requests an increase in DCAA debits for non-investment related expenses, in the amount of \$37,268,000 as explained above, to be changed in company tariffs at DCAC Preliminary Statement Paragraph 5.(b)(1). PG&E requests that the debit increase be made effective May 7, 1986.

In addition, PG&E would modify the tariff language of Paragraph 5.(b)(1) to redefine the effectiveness dates of non-investment expense debits for both Units 1 and 2. PG&E correctly states that the filing would not increase any rate or charge, but ignores the possibility that the change in DCAA debits might cause a future rate increase.

POSITIONS OF PROTESTANTS

Timely protests to Advice No. 1113-E have been received from State of California Attorney General John K. Van de Kamp (AG) and from the Commission's Public Staff Division (PSD).

The AG claims that Advice No. 1113-E contradicts the terms of Decisions (D.) 85-03-021 and 85-12-085, which set non-investment related debits on a forecast basis, subject to adjustment following future litigation. The AG argues that changes in such debits can be authorized only after hearings, not by advice letter.

The PSD agrees with the AG that the tariff changes in debit amounts should be made following hearings, not by advice letter. The PSD further argues that Advice No. 1113-E cannot be authorized effective May 7, 1986 due to inadequate notice.

PG&E filed letter responses to the filed protests. In these letters, PG&E claims that the tariff levels for non-investment expense debits are understated.

DISCUSSION

The DCAC tariff first became effective May 7, 1985, and Paragraph J.3 clearly orders that PG&E file revised DCAC Rates to become effective May 7, 1986. PG&E's filing on May 9, 1986 comes late for a May 7, 1986 effective date, but it does respond to the requirement to file revised rates. The advice letter states, "Because of the current proceedings on Diablo Canyon, PG&E believes that it is not appropriate at this time to change the DCAC rate."

Had the filing stopped there, we would be inclined to approve the advice letter. However, PG&E went on to request changes on the debit side of the DCAA, by increasing non-investment related expense debits by \$37,268,000, subject to downward adjustment for both Units 1 and 2. PG&E claims that present debit levels are inadequate, but we have no evidence before us to support such a finding at this time.

In D.85-03-021 we adopted stipulated values for Unit 1 non-

investment related expenses. Section IV of the Stipulation states that the adopted treatment shall be in effect until such time as the Commission can hear and decide the issue, and Section XVII further outlines the hearing schedule. The stipulated level of DCAA debits is confirmed by Ordering Paragraph 2.d of D.85-12-085, which also changes their status from fixed debits to debits subject to adjustment. D.86-01-054 orders similar treatment for Unit 2 non-investment related expenses.

We conclude that PG&E should not be authorized to increase its DCAA debits for non-investment related expenses at the Diablo Canyon Power Plant, and that adjustments to such expense levels must await the outcome of the current hearings on that and other issues.

We also note that Commission rules prohibit statutory acceptance of advice letter filings which would result in an increase of any rate or charge, even though the filing itself contains no increase. PG&E's statement in Advice No. 1113-E concerning rate increases is correct but incomplete.


Because the DCAC tariff does require that PG&E make a rate filing, we will authorize submission of a new advice letter to continue existing DCAC Rates. PG&E may wish to resubmit the clarification language in Paragraph 5.(b)(1) of the DCAC Preliminary Statement at that time.

THEREFORE:

1. Pacific Gas and Electric Company's Advice Letter No. 1113-E is rejected.
2. Pacific Gas and Electric Company is authorized to make a new advice letter filing with the following terms:
 - A. Continuation of the existing Diablo Canyon Adjustment Clause Rate, pending adoption of non-investment related expense levels in Application Nos. 84-06-014 and 85-08-025.
 - B. Addition of clarification language in Paragraph 5.(b)(1) of the the Preliminary Statement to the Diablo Canyon Adjustment Clause, to reflect that debits for non-investment related expenses for both Units 1 and 2 are subject to downward adjustment.
3. The advice letter filing authorized above shall be made within thirty (30) days of the effective date of this order.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on June 25, 1986. The following Commissioners approved it:

DONALD VIAL
President
VICTOR CALVO
PRISCILLA C. GREW
FREDERICK R. DUDA
STANLEY W. HULETT
Commissioners



Executive Director