

RETURN TO ENERGY BRANCH  
ROOM 3102

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Energy Branch

RESOLUTION NO. E-3115  
November 23, 1988

R E S O L U T I O N

RESOLUTION E-3115. PACIFIC POWER & LIGHT COMPANY.  
AUTHORIZED TO IMPLEMENT AN ATTRITION ADJUSTMENT AND TO  
REVISE ITS ELECTRIC REVENUE ADJUSTMENT MECHANISM WITH NO  
CHANGE IN EFFECTIVE RATES.

(ADVICE LETTER NO. 210-E, FILED SEPTEMBER 28, 1988;  
SUPPLEMENT FILED OCTOBER 18, 1988)

SUMMARY

Pacific Power & Light Company (PP&L) filed this advice letter to implement an attrition increase equal to an Electric Revenue Adjustment Mechanism (ERAM) decrease, resulting in no change in the rates charged to customers. The request is granted.

DISCUSSION

1. In this advice letter, PP&L has requested that a 1989 attrition adjustment be implemented in conjunction with an ERAM adjustment. By letter dated June 30, 1988 from PP&L Controller J. T. Watson to Mr. Terry Mowrey of the Division of Ratepayer Advocates, PP&L notified the Commission that it would not seek a 1989 attrition adjustment. That notice was acknowledged by the Commission in a letter from the Executive Director to PP&L dated July 15, 1988. PP&L has now reconsidered its position, requesting an attrition increase to exactly offset a decrease in its ERAM rate.
2. PP&L, in the past has not requested its full authorized rate relief in order to provide rate stability for its customers. By Resolution E-3064 the Commission allowed PP&L to forego its 1988 attrition increase, while authorizing PP&L a later attrition increase to exactly offset a likely decrease for the effects of the Tax Reform Act of 1986. The present attrition request is similar to the 1988 authorization in that it results in no net rate change to customers.
3. PP&L has requested that the requested rate revisions become effective on four (4) days notice after the ERAM balancing account achieves a zero (0) value. By letter dated November 4,

1988 to the Energy Branch, PP&L notified the Commission that its ERAM account balance would reach zero on about November 8, 1988. The Commission cannot terminate the ERAM rate retroactively to that date. Any small overcollection generated between that date and the effective date of this Resolution should be dealt with in PP&L's Application 88-10-014, in which PP&L seeks to terminate the ERAM mechanism altogether.

4. The Commission Advisory and Compliance Division staff have reviewed this filing. They recommend its approval because even with the conversion from ERAM rates to base rates PP&L will still not be earning the rate of return (10.64%) authorized in its latest general rate case proceeding (Decision 86-12-097). If the requested attrition increase is granted, PP&L estimates that it will earn a 9.24% rate of return in 1989.

5. In Decision 86-12-097 PP&L was authorized but not required to file for an attrition increase for 1988, provided that the overall revenue increase including ERAM and attrition shall not exceed \$2 million per year. The present attrition request is clearly in compliance with that order.

6. By this advice letter, PP&L is not asking for any net change in rates. It is requesting an attrition increase equal to its ERAM decrease. The ERAM rate is currently 0.563 cents per kWh, set to amortize a previous undercollection in the ERAM account. Because the undercollection has now been recovered, the rate should be reduced to zero. At present rates, PP&L's proposal would shift \$3.548 million in revenues from ERAM rates to base rates.

7. PP&L mailed copies of this advice letter to its standard mailing list on September 28, 1988.

8. Although PP&L's 1988 and 1989 attrition adjustments produced no net rate changes, they do include increases in authorized rate base. The 1988 rate base increase was \$2.900 million, and the 1989 increase will be \$1.126 million. The 1989 California-jurisdictional rate base will be \$132.108 million. The attrition rate base increases are authorized by Decision 86-12-097.

9. This Resolution will authorize an increase in base rates and an accompanying increase in Base Revenue Amount, as specified by Section No. 4 of PP&L's ERAM Preliminary Statement. That tariff provision currently defines but does not specify the Base Revenue Amount. PP&L should revise its Preliminary Statement to show the actual value of its Base Revenue Amount, showing its historical development in the same way that the historical development of the ERAM rate is shown in Section No. 7 of the ERAM Preliminary Statement. We note that this may be superseded by Commission orders in Application 88-10-014. For now PP&L should increase its Base Revenue Amount by \$3.548 million.

PROTESTS

No protests regarding this advice letter have been received.

FINDINGS

1. PP&L's proposal will result in no net rate increase for its customers.
2. PP&L is not earning the rate of return last found to be reasonable by this Commission.

**THEREFORE IT IS ORDERED that:**

1. Pacific Power & Light Company is authorized to file the tariff sheets attached to Advice Letter 210-E.
2. Advice Letter No. 210-E and accompanying tariff sheets shall be marked to show that they were adopted by Resolution No. E-3115.
3. Pacific Power & Light Company is authorized to increase its Base Revenue Amount by \$3.548 million.
4. Within thirty days of the effective date of this Resolution, Pacific Power & Light Company shall file tariff sheets which revise its Electric Revenue Adjustment Mechanism Preliminary Statement to show the value of the Base Revenue Amount as described in this Resolution.
5. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on November 23, 1988. The following Commissioners approved it:

STANLEY W. HULETT  
President

DONALD VIAL  
FREDERICK R. DUDA  
G. MITCHELL WILK  
JOHN B. OHANIAN  
Commissioners



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Executive Director