PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3203
April 24, 1991

R E S O L U T I O N

RESOLUTION E-3203. PACIFIC GAS AND ELECTRIC COMPANY REQUEST TO REVISE THE RATES FOR STREETLIGHTING SERVICE IN THE CITY AND COUNTY OF SAN FRANCISCO.

BY ADVICE LETTER 1316-E, FILED ON AUGUST 28, 1990.

SUMMARY

1. Pacific Gas and Electric Company (PG&E) requests approval for revising its charges for streetlighting service in the City and County of San Francisco (CCSF). Approval of this Advice Letter will result in an estimated increase in revenues of $141,984 on an annualized basis (26.5% increase) for 1991 and an additional $164,653 for 1992 (24.2% increase over 1991 rates). Even after the increase in rates in 1992, most streetlight rates for CCSF will continue to be below the facilities portion of rates which apply to other streetlight customers.

2. This Resolution grants the request.

BACKGROUND

1. The energy for streetlights in CCSF is wheeled from the Hetch Hetchy Project using PG&E's transmission system. A rate for wheeling electrical energy for streetlighting purposes is stated in the contract between PG&E and CCSF. Charges for streetlighting in CCSF are lower than the tariffed charges for two reasons. First, there is no energy component, but only the other costs of the streetlights. Secondly, CCSF had negotiated lower rates with PG&E in connection with an expired Hetch Hetchy agreement, which addressed many other issues as well. CCSF is the only customer who is charged different rates from PG&E's tariffed rates.

2. The contract between PG&E and CCSF for streetlighting service was executed on January 3, 1977, and was to remain in effect so long as the "**Hetch Hetchy Agreement**" dated March 14, 1945, remained in effect. The 1945 Agreement was to terminate at midnight March 11, 1954, (Paragraph 1). That date was subsequently extended by supplemental agreements to; April 30, 1962, April 30, 1972, July 31, 1975, June 30, 1985, and December 31, 1987.

3. On December 21, 1987 a new "**Hetch Hetchy Agreement**" (the 1988 Agreement) was signed superseding the March 14, 1945 agreement. The new agreement, therefore, terminated the agreement for street-lighting service in the CCSF because it was tied to the March 14, 1945 agreement, Paragraph 1. The 1988 agreement provided for; Power Sales to CCSF, Transmission and Distribution, City Reserve Requirements, Coordinated Operation, Hetch Hetchy Dependable Capacity, Assigned Customers and Deferred Delivery Account, and Accounting -- Metering -- Billing and Payment. The current 1988 Agreement makes no mention of streetlighting rates.

4. Following the signing of a new "**Hetch Hetchy Agreement**" (1988) PG&E continued to provide streetlighting service to CCSF at the old rates, pending an agreement between the two parties on a new rate. CCSF has made no counter-offer in response to PG&E's proposed rates. Because no agreement could be reached, PG&E exercised its right, in accordance with Paragraph 22 of the January 3, 1977 agreement, viz:

> "....to file with the appropriate regulatory agency new, increased or decreased, charges which shall apply to streetlighting service supplied from and after the effective date of an order by the CPUC authorizing such rates."

The same paragraph also contains the following language:

> "City may protest the reasonableness of any such proposed increased charges. City shall have the right to make appropriate filings with such regulatory agency."

5. PG&E's Advice Letter requests that CCSF's rate increases be phased in to mitigate the substantial increases that would be required to reflect the full costs of facilities. While PG&E only requests a rate increase in 1991 and 1992, PG&E's phase-in proposal would result in equivalence with the facilities portion of tariff rates by 1996. PG&E's phase-in is similar to that applied to many streetlight customers due to the substantial increase in facilities charges authorized in PG&E's last general rate case decision. In addition, PG&E requests that any rate changes become effective on the first day of the month following Commission approval for administrative ease.

NOTICE

1. Public notice of this filing has been given by publication in the Commission's calendar on August 31, 1990, and by mailing copies of the advice letter to other utilities, government agencies and to California City and County Street Lighting Association (CAL-SLA).

PROTESTS

1. Two timely protests to this Advice Letter were filed with the Commission Advisory and Compliance Division (CACD) by CCSF and by CAL-SLA represented by McCracken, Byers & Martin. Both protestants urge that this Advice Letter be rejected for generally similar reasons. Protestants argue that a hearing is required. Protestants also argue that the increase is not cost-justified and that PG&E's attempts to reduce any alleged subsidy to CCSF do not result in any corresponding rate reduction for other customers.

2. Both protestants point to PG&E's AL 1232-E, which sought an increase in streetlighting rates and request that this filing be rejected as was AL 1232-E. Advice Letter 1232 requested a general increase in streetlighting rates. It was rejected because General Order (GO) 96A does not permit this procedure for seeking a general rate increase by utilities with an annual income in excess of $750,000.

DISCUSSION

1. The original streetlighting agreement, approved by the Commission, stated that it would remain in effect so long as the already existing "**Hetch Hetchy Agreement**" (1945) remained in effect. The "**Hetch Hetchy Agreement**" (1945) has been superseded by a new "**Hetch Hetchy Agreement**" (1988) on December 21, 1987. PG&E contends that the signing the new agreement was a cancellation of the agreement under which PG&E had hitherto been providing streetlighting service to CCSF.

2. CACD's review concludes:

> The 1988 Agreement cancelled the 1945 Hetch Hetchy Agreement, which was the only one to provide for streetlighting.
>
> This Advice Letter is a request for deviation from existing rates for service provided to CCSF. PG&E requests Commission approval to provide streetlighting service to CCSF at rates that are still lower than those contained in the tariffs for all other street-light customers as there should be no energy component included in the rates applicable to CCSF, and to mitigate bill impacts on CCSF.

3. PG&E has continued to provide streetlighting service to CCSF in accordance with the old agreement pending the signing of a new agreement or obtaining Commission approval of revised street-lighting rates.

4. Protestants are incorrect in arguing this case fits the situation of AL 1232-E. Advice Letter 1232-E was rejected because it sought an increase in charges to all of the existing streetlighting tariffs. Such a general rate increase for the customer class could not be accomplished by Advice Letter. This Advice Letter seeks a deviation from the existing streetlighting rates applicable only to CCSF, and is not a request to revise rates for streetlighting service. The reasons for rejecting Advice Letter 1232-E do not apply here.

5. In addition, both protestants object to AL 1316-E on the grounds that it is a rate increase which is not supported by any cost showing. The services offered by PG&E to CCSF are identical to the facilities charge portion of PG&E's tariff rates. Facilities charges were extensively litigated in PG&E's last general rate case (A.88-12-005, D.89-12-057). Protestants have cited no difference between facilities services to CCSF and those provided to streetlight customers on tariff schedules.

6. Streetlight facilities charges are credited to an account "other operating revenues". Other operating revenues are forecast in general rate cases. Generally, any increase in other operating revenues would benefit PG&E's shareholders, not other ratepayers. Under current ratemaking treatment, the test year forecast of other operating revenue results in a reduction to authorized operating revenue. Authorized operating revenue is reduced by other operating revenue to determine Electric Revenue Adjustment (ERAM) base revenue. In a letter dated January 10, 1991, PG&E offered to credit increased revenues to the ERAM, adding them to the revenues used to measure the collection of the ERAM, which will benefit other ratepayers. This addresses the protest that PG&E seeks a rate increase with no corresponding rate reduction.

FINDINGS

1. PG&E requests permission to deviate from its rates for street-lighting as filed in Schedules No. LS-1 "**Utility Owned Street and Highway Lighting**" and LS-2 "**Customer Owned Street and Highway Lighting**" solely to benefit CCSF.

2. The deviation is reasonable because the CCSF provides the energy and pays PG&E to deliver this energy to CCSF to the street-lighting system. No other streetlighting customer of PG&E has a like arrangement.

3. PG&E will receive additional revenues of $141,984 in 1991 as a result of this Advice Letter on an annualized basis.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company shall increase "other operating revenues" by $141,984 in 1991, and decrease adjusted ERAM base revenue by the same amount.

2. Pacific Gas and Electric Company shall increase "other operating revenues" by $164,653 on January 1, 1992, and decrease adjusted ERAM base revenue by the same amount.

3. Advice Letter 1316-E of Pacific Gas and Electric Company is approved as filed.

4. Advice Letter 1316-E, and the attached tariff sheets shall be marked to show that they were approved for filing by Commission Resolution E-3203.

5. This Resolution is effective today. Rates approved by this Resolution shall be charged by PG&E to CCSF beginning on May 1, 1991.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 24, 1991. The following Commissioners approved it:

Neal J. Shulman
Neal J. Shulman
Executive Director

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
DANIEL Wm. FESSLER
NORMAN D. SHUMWAY
Commissioners