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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION Energy Branch

RESOLUTION E-3393 December 21, 1994

R E S O L U T I O N

RESOLUTION E-3393. PACIFIC GAS AND ELECTRIC COMPANY REQUESTS APPROVAL OF ITS 1995 ELECTRIC ATTRITION RATE ADJUSTMENT TO KEEP ITS ELECTRIC RATES UNCHANGED AT CURRENT LEVELS THROUGH 1995.

BY ADVICE LETTER 1479-E FILED ON SEPTEMBER 12, 1994.

SUMMARY

- 1. Pacific Gas and Electric Company (PG&E) submits for Commission approval revisions to its electric tariffs as authorized in the general rate case Decision (D.) 92-12-057 for its 1995 electric attrition rate adjustment (ARA).
2. PG&E estimates that the updated 1995 authorized attrition amount would be \$167,706,000. The Commission revises the latter amount, after the cost of capital D.94-11-076, and adopts \$170,270,000, as follows:

Table with 3 columns: Description, Requested (\$000), and Adopted (\$000). Rows include revenue requirements, TEFRA adjustments, total revenues, and cost of capital effects.

PG&E, nevertheless, proposes to waive this amount for the sake of keeping rates unchanged in 1995.

3. To this end, PG&E also proposes to relinquish claim to an additional \$334,048,000 of increase in revenues expected in 1995. This amount is further revised to \$275,379,000, as follows, but final decision on the latter amount is deferred to the 1995 ECAC and Helms Pumped Storage decisions.

	Requested (\$000)	Adopted (\$000)
Offset to 1995 Cost of Capital	131,066	100,321
Offset to Diablo Base Revenue	7,115	4,789
Offset to ECAC	157,789	157,789
Offset to Helms	38,078	12,480
	-----	-----
	334,048	275,379
	=====	=====

4. The proposed consolidated 1995 base revenue to be forgone is, therefore, \$501,754,000 which has been revised to \$445,649,000 (see Appendix B, line 51). This amount includes Demand Side Management (DSM) and Research Development and Demonstration (RD&D) reductions totalling \$116,900,000. The latter is part of a separate petition to modify the 1993 GRC D.92-12-057 seeking reductions in 1995 authorized funding levels for two areas as follows:

- o \$100,000,000 in electric DSM programs, and
- o \$16,900,000 in electric RD&D programs.

5. PG&E, moreover, proposes to extend the \$66,667,000 Economic Stimulus Rate (ESR) credit to 1995. The program is due to expire at the end of 1994. PG&E shareholders would bear the cost of the continuation of ESR in 1995. This resolution defers the determination of the ESR's continuation to the 1995 ECAC decision.

6. The proposed net decrease in the base revenue in 1995 would, however, be \$157,789,000, which is the amount requested in the above ECAC proceeding (A.94-04-002). The latter amount is to be deducted from the base revenue to offset the increase requested in the (non-base) ECAC account. The other items would have no net effect on the base revenue because PG&E is declining the 1995 attrition amount; and the modified Cost of Capital, Helms Pumped Storage, and Diablo Canyon authorized base revenues are to be booked in the revenue accounts and subsequently reversed out with equal (negative) amounts (see Appendix A, Line 35, and Appendix B, Line 31).

7. In 1995, PG&E proposes to collect through rates only \$176 million of the \$537 million estimated ECAC undercollection, deferring to future collection the remaining \$364 million. These estimates have been revised. PG&E will collect \$261 million of the \$703 million estimated undercollection, deferring to 1996 the remaining \$442 million.

8. CACD received no protests to Advice Letter 1479-E.

9. This Resolution approves the request, with conditions, as discussed below. It is recommended that concerns of possible deterioration of service and impaired safety be monitored by the Commission in the forthcoming years.

BACKGROUND

1. This filing submits PG&E's 1995 electric ARA request as authorized in Ordering Paragraph 4 of D.92-12-057, PG&E's test year 1993 general rate case.

2. The ARA mechanism provides for changes in base revenue requirements, between general rate cases, to offset the effect on earnings of changes in (non-fuel) operational expenses and capital-related expenses (e.g., taxes, depreciation, and financing costs).

3. Attrition year 1995 is the second of the two attrition years authorized by D.92-12-057. For 1994, the first of the two attrition years, PG&E requested, and was granted, a freeze in electric rates (Resolution E-3352). PG&E's current proposal will, in effect, keep its 1995 electric rates unchanged at the July 15, 1993 levels.

4. To achieve this purpose, PG&E proposes to forego the 1995 electric attrition increase authorized in D.92-12-057 and to offset other 1995 electric revenue requirement increases that would be authorized by the end of 1994 and early in 1995, as discussed below. The offsets will be through decreases in base revenues, after booking the authorized increases.

5. By filing AL 1479-E, PG&E states that it is trying to stay competitive and contain years of electric rate increases that led to a large disparity with nationwide electric rates.

6. PG&E states that, except for the undercollection in the ECAC account, the resulting reduction in the base revenue is a genuine waiver in that the foregone amounts will not be collected later as an undercollection in a balancing account.

NOTICE

1. PG&E served notice of AL 1479-E by mailing copies to other utilities, government agencies, and all other parties that requested such information.

PROTESTS

1. CACD received no protest to AL 1479-E.

DISCUSSION

Components Of The Proposal

A. 1995 Attrition Revenue

1. PG&E is proposing to waive the 1995 attrition increase authorized in its test year 1993 general rate case D.92-12-057. PG&E has estimated the increase to be \$167,706,000 as follows:

	<u>Proposed</u> <u>(\$000)</u>	<u>Revised</u> <u>(\$000)</u>
1995 change in revenue requirement (authorized by D.92-12-057)	\$ 152,384	\$ 152,384
Less: TEFRA/Property Tax adjustments (adopted in D.92-12-057)	(4,683)	(4,683)
	-----	-----
Total additional 1995 revenues	147,701	147,701
Omnibus Budget Reconciliation Act of 1993 (change in Fed. tax rate from 34% to 35%)	24,330	24,330
1994 Cost of Capital (D.93-12-022)	(4,425)	(4,425)
Less: Updated escalation factors	(1,133)	(1,133)
Requested 1995 Cost of Capital effect on 1995 rate base change.	1,233	3,797
	-----	-----
1995 ARA increase (waived)	\$ 167,706	\$ 170,270
	=====	=====

Following the adoption of PG&E's 1995 cost of capital D.94-11-076, the 1995 cost of capital effect on the rate base changed from the above \$1,233,000 to \$3,797,000. This change increases the 1995 ARA waived from the \$167,706,000 to \$170,270,000 (see Appendix A, line 28). CACD has reviewed the above proposal and recommends its adoption by the Commission.

B. 1995 ECAC Proceeding (A.94-04-002) Revenue

2. In the 1995 ECAC proceeding (A.94-04-002, filed in April 1994) PG&E requested a net ECAC/AER/ERAM/LIRA revenue requirement increase of \$157,789,000 to cover fuel-related expenses and amortization of the ECAC undercollection and the ERAM overcollection in the respective balancing accounts. The following is the breakown of the requested amount. The line numbers refer to Appendix B, attached.

	<u>1995</u>
	(\$ Million)
<u>ECAC/AER:</u>	
Forecast Costs (Line 17)	\$ 4,329
Less: Current Rate Rev (Line 17)	(3,986)
Helms Adjustment	<u>2</u>
	345
Consisting of:	
Undercollection (*) (Line 3)	261
Other Items	82
Helms Adjustment	2
<u>ERAM/LIRA:</u>	
Forecast Costs, Lines 43-D & 31-D	\$ 3,677
Less: Current Rate Rev (Line 42)	(3,862)
Helms Adjustment	<u>(2)</u>
	(187)
Consisting of:	
ERAM/LIRA Overcollection (Lines 21 & 39)	(185)
Helms Adjustment	(2)
Net Increase to ECAC/AER/ERAM/LIRA (expected in the ECAC Decision)	\$ 158 =====

PG&E proposes to reduce the base revenue by the authorized increase in the 1995 ECAC account so that electric rates remain unchanged. A decision on PG&E's 1995 ECAC is expected concurrent with this attrition advice letter filing.

C. 1995 Cost of Capital.

3. The ARA mechanism authorizes adjustment to the revenue requirement for changes in the adopted cost of capital. In the cost of capital proceeding (A.94-05-011), PG&E requested a revenue increase of \$131,066,000, based on 1994 authorized rate base. The 1995 cost of capital D.94-11-076, however, causes an increase of only \$100,321,000 (see Appendix A, line 33). CACD has reviewed the calculations leading to the latter amount and recommends its approval by the Commission.

D. 1995 Diablo Canyon Revenues.

4. Diablo Canyon Nuclear Plant revenue requirement is authorized in Appendix C of D.88-12-083. PG&E estimated its base revenue increase for Diablo Canyon plant in 1995 to be \$7,115,000. The latter amount was based on the requested 1995 cost of capital. The 1995 cost of capital D.94-11-076 causes a decrease in the above Diablo Canyon base revenue requirement to

(*) In 1995, PG&E proposes to collect through rates only \$261 million of the 1994 estimated ECAC undercollection of \$703 million, deferring the remaining \$442 million for future collection. Note also that the Current Rate Revenue is at 1995 forecast sales.

\$4,789,000. CACD reviewed the calculations leading to the latter amount and recommends its approval by the Commission.

5. To implement its proposal to set the electric rates unchanged in 1995, PG&E proposes to offset the \$105,110,000 authorized base revenue increases in the cost of capital and Diablo Canyon revenues (= \$100,321,000 + \$4,789,000) with a same magnitude decrease in the base revenues (see Appendix A, Lines 30 and 34).

E. Economic Stimulus Rate

6. In the above ECAC proceeding, PG&E proposed to continue the Economic Stimulus Rate (ESR) credit that would otherwise expire at the end of 1994 (see Resolution E-3329 dated June 23, 1993). The ESR credit reduces rates to customers with demands greater than 999 kilowatts served under schedules E-20 and A-RTP. The extension of the \$66,667,000 credit to 1995 will benefit a few large industrial customers who qualify for that credit. PG&E will have its shareholders bear the cost of continuation of ESR by booking imputed revenues to the ERAM account to avoid undercollection in the ERAM account as a result of the the ESR credit. PG&E requests no substantive change in the ESR other than simplifying the revenue accounting method by which the costs of the ESR will continue to flow through to its shareholders.

F. Helms Pumped Storage Project

7. In the Helms Pumped Storage Project proceeding (A.91-08-061) PG&E requested a revenue requirement increase of \$38,078,000 to recover a portion of the remaining costs of the project not yet in rates. PG&E and DRA have entered into a settlement for a lower amount of \$12,480,000. This resolution adopts the latter amount (see Appendix A, line 31). PG&E proposes that any increase in the base revenue as a result of the Helms decision be offset by a corresponding equal decrease in base revenues, in order to keep the electric rates unchanged in 1995. Because the Helms settlement proposal is still pending before the Commission, the amount adopted in this resolution may be subject to further adjustment depending upon final decision in the Helms proceeding.

G. DSM and RD&D Reductions

8. As part of the electric rate freeze plan, on September 12, 1994 PG&E filed a separate petition to modify the 1993 GRC D.92-12-057 seeking reductions in 1995 authorized funding levels for two areas:

- o \$100,000,000 in electric DSM programs, and
- o \$16,900,000 in electric RD&D programs.

The petition is granted in a companion decision in this proceeding. CACD has incorporated the above reductions in this resolution, Appendix B.

9. CACD supports PG&E's 1995 rates freeze proposal and its commitment to reduce base rates to accomplish this. The resulting future loss of revenues and ensuing layoffs have, nevertheless, raised concerns regarding possible deterioration of quality of service and safety. CACD recommends close monitoring of those concerns in the forthcoming year.

FINDINGS

1. PG&E is authorized by D.85-12-076 to apply for attrition relief.
2. PG&E filed Advice Letter 1479-E in compliance with the 1993 general rate case D.92-12-057.
3. PG&E proposes to keep the 1995 electric rates unchanged at 1994 level.
4. PG&E waives the 1995 authorized attrition revenues.
5. PG&E relinquishes all claims to authorized increases in base revenues that result from the 1995 cost of capital D.94-11-076 and its effect on Diablo Canyon basic revenue requirement.
6. PG&E proposes to offset increases authorized in the ECAC account in A.94-04-002 by decreasing the base revenues by an equal amount.
7. Upon extension of Economic Stimulus Rate program to 1995, PG&E shareholders assume all costs pertaining to the program.
8. PG&E's proposed \$116,900,000 DSM/RD&D reductions are addressed by companion Commission decision in response to PG&E's petition to modify D.92-12-057, as related herein.
9. PG&E foregoes increases authorized in base revenues as a result of the Commission approving the Helms Pumped Project settlement with the DRA.
10. In 1995, PG&E proposes to collect in rates only \$261 million of the ECAC undercollection of \$703 million.
11. CACD has reviewed AL 1479-E and finds the request reasonable.

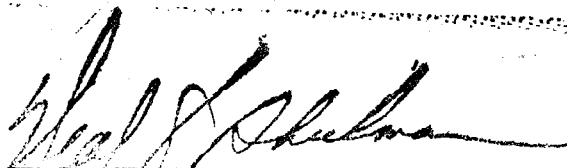
December 21, 1994

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company's request to keep its 1995 electric rate schedules the same as they have been in 1994 is approved.
2. Pacific Gas and Electric Company shall file revised Preliminary Statement and tariff schedules reflecting the changes granted herein, in the Advice Letter ordered in the Decision to A.94-04-002.
3. The new tariffs shall be effective January 1, 1995.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 21, 1994. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

DANIEL Wm. FESSLER
President
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
P. GREGORY CONLON
JESSIE J. KNIGHT, Jr.
Commissioners

PACIFIC GAS AND ELECTRIC COMPANY
ELECTRIC DEPARTMENT
REVENUE REQUIREMENTS
ATTRITION YEAR 1995
\$(000)

Advice 1479-E

Line No.	DESCRIPTION	GRC Decision #92-12-057	1993 Omnibus Reconciliation Act	1994 Cost of Capital Decision #93-12-022	Subtotal Revised Attrition Year	Updated Escalation Factors	Total Revised Attrition Year	Line No.
		(A)	(B)	(C)	(D)=A+B+C	(E)	(F)=D+E	
<u>Operating & Maintenance Expenses</u>								
1	Labor Escalation	19,451	0	0	19,451	2,499	21,950	1
2	Non-Labor Escalation	23,786	0	0	23,786	-3,645	20,141	2
3	Medical Escalation	2,289	0	0	2,289	14	2,303	3
4	Total Oper & Maint Expenses	45,526	0	0	45,526	-1,133	44,394	4
<u>Capital Related Items</u>								
5	Book Depreciation Expense	68,678	1,233	0	69,911	0	69,911	5
6	Ad Valorem Taxes	6,838	0	0	6,838	0	6,838	6
7	CCFT Prior Year	-3,800	3,499	0	-301	0	-301	7
8	State Tax Depreciation	-4,863	-87	0	-4,951	0	-4,951	8
9	Fed Tax Depreciation (ACRS\MACRS)	-23,116	-1,105	0	-24,220	0	-24,220	9
10	Federal Tax Depreciation Deferred	9,383	448	0	9,832	0	9,832	10
11	Rate Base: Debt Cost	14,895	0	0	14,895	0	14,895	11
12	Preferred Stock Cost	3,087	55	0	3,142	0	3,142	12
13	Comm Stk Equity Cost	35,756	642	0	36,398	0	36,398	13
14	Total Capital Related Items	106,858	4,686	0	111,544	0	111,544	14
<u>Financial Component</u>								
15	Debt Cost	0	0	-2,003	-2,003	0	-2,003	15
16	Preferred Stock Cost	0	0	-196	-196	0	-196	16
17	Common Stock Equity Cost	0	0	-2,226	-2,226	0	-2,226	17
18	Total Financial Component	0	0	-4,425	-4,425	0	-4,425	18
19	Federal Income Tax Rate Change	0	19,644	0	19,644	0	19,644	19
	Subtotal	152,384	24,330	-4,425	172,289	-1,133	171,156	20
<u>Other Items</u>								
21	1993 Adjustment	0	0	0	0	0	0	21
22	TEFRA Memorandum Account Recovery	-83	0	0	-83	0	-83	22
23	Property Tax Settlement Adjustment	-4,600	0	0	-4,600	0	-4,600	23
24	Total Other Items	-4,683	0	0	-4,683	0	-4,683	24
25	Total Revenue Requirements	147,701	24,330	-4,425	167,606	-1,133	166,473	25
26	1995 Cost of Capital Impact on 1994/1995 change in Rate Base (Decision 94-11-076)						3,797	26
27	1995 ATTRITION RATE ADJUSTMENT (ARA) INCREASE						170,270	27
28	1995 ARA INCREASE FORGONE						-170,270	28
29	Diablo Canyon Basic Revenue Requirements (DCBRR) (Decision No.88-12-083)						4,789	29
30	Offset to DCBRR						-4,789	30
31	Helms Project Increase						12,480	31
32	Offset to Helms Project						-12,480	32
33	1995 Cost of Capital Filing (Decision 94-11-076)						100,321	33
34	Offset to Cost of Capital (\$100,321) and ECAC (\$157,789)						-258,110	34
35	NET CHANGE TO BASE REVENUE AMOUNT						\$-157,789	35

Pacific Gas & Electric Co. (PG&E)
Electric Department
Summary of Changes
1995 Electric Revenue Requirement

Line No.	Revenue Requirement Categories	PRESENT	NO RATE FREEZE AND NO DEFERRAL	WITH RATE FREEZE AND WITH DEFERRAL				Specific Base Revenue Reductions (\$000)	
		Present Rate Revenue (\$000)	Revenue Requirements (\$000)	Revenue Change (\$000)	Revenue Requirements (\$000)	Revenue Change (\$000)	Deferral Amounts (\$000)		Forgone Amounts (\$000)
		(A)	(B)	(C) = (B)-(A)	(D)	(E) = (D)-(A)	(F) = (B)-(D)		(G) = (B)-(D)
1 Energy Cost Adjustment Clause (ECAC)									
2	Authorized ECAC Costs		3,863,636		3,863,636		0		
3	Estimated ECAA Account Balance on December 31, 1994		702,871		261,406 ***		441,465	***	
4	Diablo Canyon Safety Committee Fee		776		776		0		
5	Less: Designated Sales Transactions to Resale Customers		(44,776)		(44,776)		0		
6	Subtotal		4,522,507		4,081,042		441,465		
7	Franchise Fees & Uncollectible Accounts Expense		43,089		38,892 ***		4,207	***	
8	Total ECAC Related Retail Revenues	3,775,182	4,565,606	790,424	4,119,934	344,752	445,672		
9 Annual Energy Rate (AER)									
11	Adopted AER Costs		211,562		211,562		0		
12	Less: Designated Sales Transactions to Resale Customers		(4,428)		(4,428)		0		
13	Subtotal		207,134		207,134		0		
14	Franchise Fees & Uncollectible Accounts Expense		1,974		1,974		0		
15	Total AER Retail Revenues	210,938	209,108	(1,830)	209,108	(1,830)	0		
16									
17	Total ECAC/AER Revenue Requirement	3,986,120	4,774,714	788,594	4,328,042	342,922	445,672	0	
18 Electric Revenue Adjustment Mechanism (ERAM)									
19	ERAM Revenue @ Present Rates (includes ESR credit of \$86,667)	3,833,848	3,833,848	0	3,833,848	0			
20	ERAM Under/(Overcollection) with Forecast	0	(186,647)	(186,647)	(186,647)	(186,647)			
21	Subtotal, ERAM	3,833,848	3,647,201	(186,647)	3,647,201	(186,647)			
22									
23									
24	Adjustments to ERAM								
25	Attrition Rate Adjustment (ARA)	0	170,270	170,270	0	0	170,270	0	
26	Cost of Capital (COC)	0	100,321	100,321	100,321	100,321	0	0	
27	Helms	0	12,480	12,480	12,480	12,480	0	0	
28	Diablo Canyon	0	4,789	4,789	4,789	4,789	0	0	
29	Base Reduction to Offset the Above Three Increases	0	0	0	(117,590) **	(117,590) **	117,590 **	117,590 **	
30	Helms Adjustment Account Amortization	0	2,000	2,000	2,000 ***	2,000 ***	0	0	
31	Base Reduction to Offset ECAC Proceeding Increase*	0	0	0	(167,789)	(167,789)	167,789	167,789	
32	DSM Funds, 09-12-84 Pet. Mod. of D.92-12-057 **	0	0	0	0	0	0 **	0 **	
33	RD&D Funds, 09-12-84 Pet. Mod. of D.92-12-057 **	0	0	0	0	0	0 **	0 **	
34	Subtotal, ERAM Adjustments	0	289,860	289,860	(165,789)	(165,789)	445,649	275,379	
35									
36	Total ERAM Revenue Requirement	3,833,848	3,937,061	103,213	3,491,412	(342,436)	445,649	275,379	
37									
38									
39	Low Income Rate Assistance (LIRA)								
40	LIRA Revenue @ Present Rates	28,282	28,282	0	28,282	0	0	0	
41	LIRA Under/(Overcollection) with Forecast	0	(486)	(486)	(486)	(486)	0	0	
42	LIRA Revenue Requirement	28,282	27,796	(486)	27,796	(486)	0	0	
43	Total ERAM/LIRA Revenue Requirement	3,862,130	3,964,857	102,727	3,519,208	(342,922)	445,649	275,379	
44									
45	Total ECAC/AER/ERAM/LIRA	7,848,250	8,739,571	891,321	7,848,250	(0)	445,672		
46									
47	Conservation Financing Adjustment (CFA)	1,497	1,497	0	1,497	0			
48	Customer Energy Efficiency (CEE) Incentives	30,705	30,705	0	30,705	0			
49	CPUC Fees	8,987	8,987	0	8,987	0			
50	Other Revenues	42,762	42,762	0	42,762	0			
51									
52	Grand Total Electric Revenue Requirement	7,932,181	8,823,512	891,321	7,932,181	(0)	445,672		

* Base Rate Reductions offset the ECAC/AER/ERAM/LIRA increase in the ECAC Proceeding. See Appendix G, Table 10A of the ECAC Decision.
 ** DSM and RD&D amounts of \$100 million and \$16.9 million, respectively, are included in the base revenue reduction of \$117.59 million.
 *** Helms Settlement ERAM Amortization Adjustment of \$2 million was added to ERAM and subtracted from ECAC for a net impact of zero, but added to the ECAC deferral amount.