

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3429
December 18, 1995

R E S O L U T I O N

RESOLUTION E-3429. PACIFIC GAS AND ELECTRIC COMPANY REQUESTS AUTHORITY TO EXTEND AND ADJUST THE ECONOMIC STIMULUS RATE IN SCHEDULES A-RTP--EXPERIMENTAL REAL-TIME-PRICING SERVICE AND E-20--SERVICE TO CUSTOMERS WITH MAXIMUM DEMANDS OF 1,000 KILOWATTS OR MORE.

BY ADVICE LETTER NO. 1535-E FILED ON September 20, 1995.

SUMMARY

1. In this advice letter Pacific Gas and Electric Company (PG&E) requests authority 1) to extend the Economic Stimulus Rate (ESR) for an additional year through the end of 1996; and 2) to adjust the discount to comply with the Commission's order in Resolution E-3329, dated June 23, 1993.
2. No protests were received to this filing.
3. This resolution authorizes PG&E's request in Advice Letter 1535-E.

BACKGROUND

1. On September 20, 1995, PG&E filed Advice Letter 1535-E requesting authority to extend the period during which the ESR would be applicable and to adjust the size of the ESR discount.
2. The Commission originally approved the ESR in Resolution E-3329. In that resolution, the Commission approved the goal of offering \$100 million in rate discounts to large customers with maximum demand of 1000 kilowatts or more and the period over which the discount would be offered. The magnitude of the discount was calculated on forecasted sales to this customer class such that at the end of the authorized period, December 31, 1994, the cumulative amount of the discount would have been \$100 million. That discount was set at \$0.004 per kilowatt hour.
3. The Commission approved the discount on the condition that no other class of ratepayers would fund the revenue shortfall. In fact, PG&E had proposed that it would absorb the revenue loss associated with the discounts through corporate cost reductions and efficiencies, rather than through increased rates to other customer classes. Resolution E-3329 acknowledged that if PG&E could not offset lost revenues resulting from the discount, PG&E's shareholders would absorb the impact through reduction in earnings.

4. In Resolution E-3329, the Commission ordered PG&E to "track the revenue reduction associated with its Economic Stimulus Rate, and any overage or underage of the proposed \$100 million credit will be allocated to PG&E's customers with a maximum demand above 999 kilowatts served under PG&E Rate Schedule E-20 and A-RTP."

5. In Decision 94-12-047 the Commission approved PG&E's request to extend the applicability of the ESR until December 31, 1995. In so doing, the Commission approved continuation of the rate discount without establishing the total cumulative discount as it had in Resolution E-3329. The discount was \$0.004 per kilowatt hour.

6. In Advice Letter 1535-E, PG&E proposes to continue to offer the \$0.004 per kilowatt hour ESR discount for one additional year. In addition, it proposes to adjust the discount slightly upward. According to PG&E, the cumulative discount offered during the 1993-94 period equalled \$94.4 million, or approximately \$5.6 million short of the \$100 million authorized in Resolution E-3329. It proposes to adjust the discount upward by \$0.00032 per kilowatt hour, yielding a total discount of \$0.00432 per kilowatt hour. PG&E believes this adjustment is consistent with the order in Resolution E-3329 to track and allocate to large customers overages or underages of the \$100 million discount.

7. PG&E notes that since it has already reduced its authorized revenue for the 1993-94 period by the full \$100 million discount, it has effectively accounted for the \$5.6 million shortfall. Thus, it will only impute the 1996 \$0.004 ESR credit to the Energy Rate Adjustment Mechanism (ERAM) for 1996, as the \$0.00032 credit has already been captured in the \$5.6 million.

8. According to PG&E, other ratepayers will not be affected by the extension of the \$0.004 ESR because the ESR discount for 1996 will be imputed to ERAM for services rendered each month, thereby assuring that total credits to ERAM balancing accounts are equal to the amounts that would have been entered if the ESR did not exist.

NOTICE

The original Advice Letter was noticed in accordance with Section III of General Order 96-A by publication in the Commission Calendar and distribution to other utilities, interested parties and PG&E's 1996 General Rate Case service list.

PROTESTS

No protests have been received by the Commission Advisory and Compliance Division (CACD) for this Advice Letter filing.

DISCUSSION

1. CACD recommends that PG&E's request to extend and adjust the ESR should be authorized. Ratepayers not receiving the ESR discount will be protected from bearing any of the costs of the discounts because PG&E commits to assure that the total credits to the ERAM balancing account are equal to the amount that would have been entered if the ESR discount did not exist. Therefore, PG&E's shareholders will fund the revenue shortfall resulting from the discount.

2. CACD recognizes that discounts made available to customers have been approved only if the resulting rate exceeds PG&E's cost of service. Although PG&E has not provided data to demonstrate that the rates under Schedules E-20 and A-RTP including the ESR discount will exceed cost of service, CACD believes that a discount of the magnitude being considered in this Advice Letter request (\$0.00432 per kilowatt hour) is unlikely to cause rates to drop below cost of service. Moreover, CACD notes that the Commission has twice before examined PG&E's request to apply an ESR discount and has in each case found the ESR discount and the resulting effective rates to be reasonable.

3. CACD believes the proposed adjustment to the ESR of \$0.00032 per kilowatt hour is in compliance with the orders in Resolution E-3329.

4. CACD acknowledges that the proposed decision in PG&E's current Energy Cost Adjustment Clause (ECAC) proceeding (Application 95-04-002) contemplates a consolidated advice letter filing which will reflect various adopted rate changes. CACD recommends that PG&E be directed to incorporate the rate changes to Schedules E-20 and A-RTP in its ECAC compliance filing.

FINDINGS

1. On September 20, 1995, Pacific Gas and Electric Company (PG&E) filed Advice Letter 1535-E requesting authority to extend the period during which the ESR would be applicable and to adjust the amount of the ESR discount.

2. PG&E proposes to continue to offer the \$0.004 ESR discount for one additional year.

3. According to PG&E, the cumulative ESR discount offered during the 1993-94 period equalled \$94.4 million, or approximately \$5.6 million short of the \$100 million authorized in Resolution E-3329.

4. PG&E proposes to adjust the ESR discount upward by \$0.00032 per kilowatt hour yield an additional \$5.6 million in discounts. CACD believes this adjustment is consistent with the order in Resolution E-3329 to track and allocate to large customers overages or underages of the \$100 million discount.

5. The total ESR discount proposed by PG&E is \$0.00432 per kilowatt hour.

6. Ratepayers not receiving the ESR discount will be protected from bearing any of the costs of the discounts because PG&E commits to assure that the total credits to the ERAM balancing account are equal to the amount that would have been entered if the ESR discount did not exist. Therefore, PG&E's shareholders will fund the revenue shortfall resulting from the discount.

7. The resulting rates in Schedules E-20 and A-RTP are not likely to fall below PG&E's cost of service.

8. PG&E should be directed to include in its ECAC consolidated compliance filing revised electric rate Schedules E-20 and A-RTP as approved in this resolution.

THEREFORE, IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to revise the electric rate Schedules E-20 and A-RTP as requested in Advice Letter 1535-E.

2. PG&E shall assure that the total credits to the ERAM balancing account are equal to the amount that would have been entered if the ESR discount did not exist. Therefore, PG&E's shareholders shall fund the revenue shortfall resulting from the discount.

3. PG&E shall include in its consolidated compliance filing in its ECAC proceeding (Application 95-04-002) revised electric rate Schedules E-20 and A-RTP as approved by this resolution.

3. Advice Letter 1535-E and the accompanying tariff sheets shall be marked to show that they were approved by Commission Resolution E-3429.

December 18, 1995

4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities commission at its regular meeting on December 18, 1995. The following Commissioners approved it:



WESLEY M. FRANKLIN
Executive Director

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
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