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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-3479
JANUARY 23, 1997

R E S O L U T I O N

RESOLUTION E-3479. PACIFIC GAS AND ELECTRIC COMPANY (PG&E) PROPOSES TO CONTINUE ITS ECONOMIC STIMULUS RATE AND TO REVISE THE RATEMAKING TREATMENT FOR THE DISCOUNT TO PUT SHAREHOLDERS AT RISK FOR THE DISCOUNT RATHER THAN THE CURRENT METHOD WHICH REQUIRES SHAREHOLDERS TO FUND THE DISCOUNT.

BY ADVICE LETTER 1624-E, FILED ON NOVEMBER 22, 1996.

SUMMARY

1. This Resolution confirms that Pacific Gas and Electric Company (PG&E) should continue the Economic Stimulus Rate (ESR) in order to maintain its rates in effect on June 10, 1996, consistent with Assembly Bill (AB) 1890 (Stats. 1996, Ch. 854). PG&E has also proposed to modify its current ratemaking treatment of the ESR discount to remove the requirement that its shareholders fund the discount. This Resolution rejects PG&E's proposed funding modification in favor of the 1996 funding mechanism.

2. The Utility Reform Network (TURN) filed a protest regarding PG&E's proposed modification of its ratemaking treatment of the ESR discount. TURN's protest is granted.

3. PG&E is ordered to file a supplemental Advice Letter to retain the 1996 ratemaking treatment for the ESR revenue shortfall.

BACKGROUND

1. As of June 10, 1996, PG&E's rate schedules A RTP and E-20 contain an Economic Stimulus Rate Credit. The ESR Credit provides a reduction to regular rates and was scheduled to terminate on December 31, 1996.

2. In Resolution E-3429, the Commission approved PG&E's request to extend the ESR Credit for 1996 and required that "PG&E's shareholders shall fund the revenue shortfall resulting from the discount." (Ordering Paragraph 2, Resolution E-3429)

3. The purpose of Advice Letter 1624-E is to continue the ESR which was scheduled to expire at the end of 1996. PG&E states that it must continue the ESR because of the rate freeze adopted in AB 1890.

4. PG&E proposes to revise the ratemaking treatment of the ESR discount effective January 1, 1997. PG&E's new ratemaking treatment would eliminate the requirement that PG&E's shareholders fund the revenue shortfall associated with the ESR Credit. Instead, PG&E proposes that the revenue shortfall be treated as a revenue reduction which can be collected from all customers prior to 2001, the end of the competition transition charge (CTC) collection period. Because there is some risk that PG&E will not fully recover its transition costs prior to 2001, PG&E believes that its shareholders will remain at risk for the ESR revenue shortfall.

NOTICE

1. The Advice Letter was noticed in accordance with Section III of General Order 96-A by publication in the Commission Calendar and distribution to PG&E's advice filing service list.

PROTESTS

1. On December 12, 1996, TURN filed a protest regarding PG&E's proposed modification of the ratemaking treatment of the Economic Stimulus Rate Credit revenue shortfall.

2. On December 19, 1996, PG&E responded to TURN's protest.

DISCUSSION

1. No party disputes that PG&E must continue the ESR Credit into 1997. The Energy Division recommends that PG&E's removal of the termination date of the ESR in the affected rate schedules be approved.

2. PG&E states that the current requirement that shareholders fund the ESR revenue shortfall "creates an obligation for PG&E's shareholders beyond those established in AB 1890 and beyond the obligation PG&E accepted when it agreed to continue the ESR through 1996." PG&E states that its shareholders are already at risk for CTC collection pursuant to AB 1890 and that the ESR revenue shortfall should be treated consistent with that general CTC risk.

3. TURN disputes PG&E's claim that continuing the ratemaking treatment of the EST Credit represents a new obligation for PG&E's shareholders; it is TURN's position that continuation of the current ratemaking treatment maintains a current obligation. TURN notes PG&E's failure to cite specific language in AB 1890 in support of its position that this ratemaking treatment should be modified.

4. TURN also identifies that PG&E has taken positions in other electric restructuring related proceedings that TURN believes are inconsistent with PG&E's proposed ratemaking treatment for the ESR revenue shortfall. TURN cites the transcript from hearings in A.96-03-054, PG&E's Diablo Canyon Ratemaking proceeding, where PG&E indicated its belief that shifting costs from ratepayers to shareholders violates the legislative intent of AB 1890. TURN's protest states its belief that shifting of costs from shareholders to ratepayers "would be equally violative of the statute." (Protest, p. 2.)

5. PG&E's response reiterates its original position that shareholders were under no obligation to continue the ESR Credit for 1997, or to fund the revenue shortfall resulting from the rate, and therefore PG&E's proposal to change the ratemaking treatment does not constitute cost shifting.

6. As early as July 1, 1993, long before Resolution E-3429 stated that PG&E's shareholders were to fund the revenue shortfall resulting from the ESR discount, PG&E's tariffs included a reduction to PG&E's authorized base revenues to offset the revenue shortfall associated with the ESR Credit. Given the long history of this funding responsiblity, the Energy Division finds PG&E's arguement that continuing the current ratemaking treatment represents a new obligation for its shareholders lacks merit.

7. PG&E has argued that continuing the current ratemaking treatment for the ESR revenue shortfall presents them with risk above and beyond what AB 1890 contemplates. AB 1890 is silent as to the ratemaking treatment of the ESR revenue shortfall. Given AB 1890's specificity in exempting various existing obligations, contracts, and arrangements from its provisions, it would appear that AB 1890 envisioned that funding obligations not specifically identified, would continue. As an active participant in the legislative process leading up to AB 1890, PG&E had ample opportunity to seek the change in ratemaking treatment for the ESR revenue shortfall that it now seeks through its Advice Letter.

8. After reviewing the history of the ESR, PG&E's proposed ratemaking modification, TURN's protest, PG&E's response, and AB 1890, the Energy Division concludes that PG&E should be required to retain the current ratemaking treatment of the ESR revenue shortfall, consistent with TURN's recommendation.

9. The Energy Division recommends that PG&E be required to file a Supplemental Advice Letter which retains the current ratemaking treatment for the ESR revenue shortfall.

FINDINGS

1. PG&E filed Advice Letter 1624-E on November 22, 1996, to continue its economic stimulus rate and to revise the ratemaking treatment for the discount to put shareholders at risk for the discount rather than the current method which requires shareholders to fund the discount.

2. PG&E's removal of the termination date of the ESR in the affected rate schedules should be approved.

3. PG&E should be required to file a Supplemental Advice Letter which retains the current ratemaking treatment for the ESR revenue shortfall.

4. On December 12, 1996, TURN filed a protest regarding PG&E's proposed modification of the ratemaking treatment of the Economic Stimulus Rate Credit revenue shortfall. TURN's protest should be granted.

THEREFORE, IT IS ORDERED THAT:

1. Pacific Gas and Electric Company is authorized to remove the termination date of the Economic Stimulus Rate Credit in its affected rate schedules.

2. Pacific Gas and Electric Company shall file a Supplemental Advice Letter which retains the current ratemaking treatment for the Economic Stimulus Rate Credit revenue shortfall.

3. The Utility Reform Network's protest regarding PG&E's proposed modification of the ratemaking treatment of the Economic Stimulus Rate Credit revenue shortfall is granted.

4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on January 23, 1997. The Following Commissioners approved it:

Wesley Franklin
WESLEY FRANKLIN
Executive Director

P. GREGORY CONLON
President
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
Commissioners