

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**RESOLUTION E-3533
APRIL 23, 1998**

RESOLUTION

**RESOLUTION E-3533. MOUNTAIN UTILITIES REQUESTS
APPROVAL TO ESTABLISH A GENERATION AND DISTRIBUTION
PLANNING MEMORANDUM ACCOUNT.
DENIED.**

BY ADVICE LETTER 6, FILED ON MARCH 6, 1998

SUMMARY

1. By Advice Letter (A.L.) 6, Mountain Utilities (Mountain), formerly Kirkwood Gas & Electric Company, requests approval to establish a Generation and Distribution Planning Memorandum Account (GDPMA). Mountain wants to record and track the various expenses and costs incurred as a result of planning for anticipated load growth within its service territory.
2. No protests to A.L. 6 were received by the Energy Division.
3. This resolution denies A.L. 6. Planning for load growth is a normal and expected obligation that every energy utility should address on an ongoing basis. A memorandum account to track these types of costs is not warranted.

BACKGROUND

1. Mountain proposes to establish the GDPMA to record and track the various expenses and costs it will incur as a result of planning for anticipated load growth within its service territory. Mountain anticipates that within the next 18 months, it will be necessary to add generation resources to meet growing demand due to further residential and business development.
2. Mountain contends that it must examine its current generation capacity and estimate the likely load growth it will experience in the near term; once this is done, it can then calculate how much generation capacity it must add and when it should be added. Mountain states that it will be necessary to hire outside consultants to conduct this examination.
3. Along with the generation capacity study, Mountain must also examine its distribution system to determine which additions to (and/or replacements of) the existing distribution system will be necessary to distribute electricity to new and existing customers. As with the generation

study, Mountain believes that an outside consultant will be necessary to conduct this distribution study.

4. Mountain proposes to use the GDPMA to accurately record and track the costs and expenses associated with the generation and distribution studies. During a future proceeding, Mountain would request recovery of the costs and expenses contained in the memo account.

5. Mountain requests that the GDPMA be made effective on March 6, 1998, the date the advice letter was filed.

NOTICE

1. Advice Letter 6 was served on other utilities, government agencies, and to all interested parties who requested such notification, in accordance with the requirements of General Order 96-A. Public notice of this filing has been made by publication in the Commission's calendar.

PROTESTS

1. No protests to A.L. 6 were received by the Energy Division.

DISCUSSION

1. The Energy Division has reviewed A.L. 6.

2. Mountain has never come before the Commission for any type of rate increase. It evidently believes that its existing rates will not cover the costs associated with planning for the anticipated expansion of its generation and distribution systems. Mountain apparently believes that it may lose money until such time as a future proceeding raises its rates to include these costs.

3. To remedy its perceived revenue shortfall, Mountain seeks approval to modify its existing tariffs to include the creation of a Generation and Distribution Planning Memorandum Account (GDPMA). Mountain would create and govern this GDPMA by adding Section 11 to its Preliminary Statement. The proposed Section 11 would establish the GDPMA, and would have Mountain record monthly debit entries for services and equipment used to plan for future generation and distribution expansion, repair, and replacement.

4. During a future proceeding, Mountain would seek Commission approval to recover the costs that have been booked to the GDPMA. In this manner, Mountain would be "made whole" for the costs that it will have incurred between the effective date of the GDPMA and the time of

the future rate increase.

5. It is not reasonable for Mountain to create its GDPMA. As part of its ongoing obligation to provide safe and reliable electric service, Mountain must consider (and plan for) increases to its load; this is a fundamental responsibility for any utility. As such, expenses of this type should be covered in the base rate revenues received by the utility. Setting up a memorandum account to cover a basic obligation such as this would not be appropriate.

FINDINGS

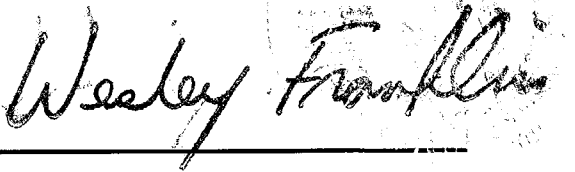
1. By Advice Letter 6, Mountain Utilities requests authorization to create a Generation and Distribution Planning Memorandum Account (GDPMA) to record and track the various expenses incurred as a result of planning for future load growth.
2. No protests to Advice Letter 6 were received by the Energy Division.
3. The Commission should not grant Mountain Utilities' request to create a GDPMA. Setting up a memorandum account to track the expenses associated with a utility's fundamental obligation (such as planning for future growth) is not appropriate.

THEREFORE, IT IS ORDERED that:

1. Mountain Utilities' request in Advice Letter 6 to create a Generation and Distribution Planning Memorandum Account is denied.
2. Advice Letter 6 shall be marked to show that it was denied by Commission Resolution E-3533.
3. This resolution is effective today.

April 23, 1998

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on April 23, 1998. The following Commissioners approved it:

A handwritten signature in cursive script, reading "Wesley Franklin", is written over a horizontal line. To the right of the signature is a faint, circular official seal.

WESLEY M. FRANKLIN
Executive Director
Richard A Bilas, President
P. Gregory Conlon
Jessie J. Knight, Jr.
Henry M. Duque
Josiah L. Neeper
Commissioners