

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**ENERGY DIVISION**

**RESOLUTION E-3574**

**JUNE 24 , 1999**

**RESOLUTION**

**RESOLUTION E-3574. APPROVES WITH MODIFICATIONS ESTABLISHMENT OF A TRANSMISSION REVENUE REQUIREMENT RECLASSIFICATION ACCOUNT (TRRRMA) FOR PACIFIC GAS AND ELECTRIC COMPANY (PG&E).**

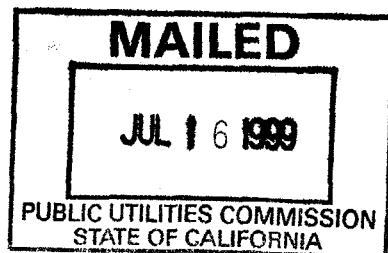
**BY PG&E ADVICE LETTER 1794-E-A, DATED SEPTEMBER 8, 1998.**

**Summary**

1. By Advice Letter 1794-E, Pacific Gas and Electric (PG&E) requests Commission authority to establish a Transmission Revenue Requirement Reclassification Account (TRRRMA) in order to track the revenue requirements associated with those costs requested by PG&E for recovery in transmission rates which the Federal Energy Regulatory Commission (FERC) may, at a later date, not allow to be included in transmission rates.
2. The Office of Ratepayer Advocates (ORA) and the Bay Area Rapid Transit (BART) filed protests to PG&E's Advice Letter.
3. In response to ORA's and BART's protests, PG&E filed supplemental Advice Letter 1794-E-A on September 8, 1998.
4. BART filed a protest to PG&E's supplemental Advice Letter 1794-E-A.
5. This resolution grants ORA's and BART's protests in part, and grants PG&E's request with modifications.

**Background**

1. On July 23, 1998, PG&E filed Advice Letter 1794-E, requesting Commission authority to establish a TRRRMA. PG&E requested that its Advice Letter becomes effective on July 23, 1998, the effective date of Resolution E-3544, in which the Commission authorized a TRRRMA for Southern California Edison Company (Edison) and San Diego Gas & Electric Company (SDG&E).



2. ORA protested PG&E's Advice Letter 1794-E because of the requested effective date, the overly broad purpose, and lack of a procedure to terminate the TRRRMA when it is no longer necessary.
3. BART objected to PG&E's Advice Letter 1794-E, because it "would permit open-ended delays in distribution rate reductions that should instead occur automatically and without delay." BART believes that "Advice Letter 1794-E could result in customers paying duplicate transmission and distribution charges stretching over indeterminate periods of time."
4. In response to ORA's and BART's protests, PG&E filed supplemental Advice Letter 1794-E-A on September 8, 1998. In this supplemental filing, PG&E requested a forty-day effective date and agreed to revise its proposed TRRRMA tariffs to include only amounts in the two currently pending transmission rate cases at FERC.<sup>1</sup> PG&E also agreed to change the requirement to seek recovery of the balances in the TRRRMA based on BART's concern and made changes to its proposed TRRRMA tariffs accordingly.
5. BART protested PG&E's supplemental Advice Letter 1794-E-A.
6. PG&E responded to BART's protest on September 30, 1998.
7. BART and PG&E provide additional comments regarding their positions by letters dated October 5, 1998, and October 15, 1998, respectively.

## Notice

Notice of PG&E's Advice Letter 1794-E and 1794-E-A were made by publication in the Commission Daily Calendar and by mailing copies of the filings to adjacent utilities and interested parties in accordance with General Order (G.O.) 96-A.

## Protests

1. ORA filed a protest to PG&E's Advice Letter 1794-E on August 5, 1998. ORA objected to the requested effective date of the Advice Letter. In its protest, ORA stated that "In order for this filing to become effective on less than 40 days notice, Section V.B. of G.O. 96-A requires Commission authorization." ORA notes that it found no provision of G.O. 96-A which provides for filings to become effective before the filing date. ORA recommends that the filing becomes effective on the regular 40-day notice. In the alternative, ORA suggests that a Commission resolution authorizes a specific date.

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<sup>1</sup> Docket Numbers ER97-2358-000 and ER98-2351-000

2. On August 5, 1998, ORA protested the broad scope of the proposed TRRRMA and recommended that additional language be added to PG&E's Preliminary Statement specifying the FERC Dockets applicable to the entries in the TRRRMA.
3. ORA is also concerned that there is no termination provision for the TRRRMA. ORA recommends that the TRRRMA tariffs specify that PG&E will make all necessary filings to terminate the TRRRMA, once a decision is rendered by the Commission on the balance of the account.
4. BART filed a protest on August 19, 1998. BART objected to the proposed credits to the TRRRMA for those items that were originally classified as distribution-related, but were later determined by the FERC to be transmission-related. BART believes that this provision inappropriately offsets distribution rate reductions that are required to eliminate duplicate charges and have been appropriately reviewed by two agencies with potentially speculative cost entries that PG&E hopes the Commission will ultimately approve for recovery. BART proposes instead to immediately reduce the distribution rates to account for this reclassification.
5. BART is also concerned that PG&E is not **required** to seek recovery of the balance in its TRRRMA.
6. PG&E filed responses to ORA's and BART's protests on August 19, 1998, and August 31, 1998, respectively. PG&E also filed supplemental Advice Letter 1794-E-A on September 8, 1998.
7. BART filed a protest objecting to PG&E's characterization of FERC proceedings as "transmission rate cases". BART asserts that those dockets at FERC seek determination of both transmission and distribution.
8. In addition, BART believes that PG&E's proposed language regarding exclusion from the TRRRMA costs not eligible for recovery in the General Rate Case (GRC) proceeding appears to preclude credits to the TRRRMA. In BART's view, it is not clear whether TRRRMA can be credited to account for FERC decisions that reclassify costs from the CPUC's jurisdiction to FERC's jurisdiction. BART notes that the possible duplication between CPUC-jurisdiction distribution charges and FERC-jurisdiction transmission charges should be corrected by including provisions for promptly eliminating all duplicate charges.
9. Finally, BART notes that FERC decisions related to ER97-2358-000 and ER98-2351-000 can potentially address transmission and distribution costs that are specific to individual customers or customer classes. BART believes that "to the extent that this occurs, customer-specific or class-specific adjustments to CPUC-jurisdiction distribution rates may also be appropriate." Therefore, BART requests that debits and credits to the TRRRMA be tracked per customer class to ensure appropriate credit or charge in the future.
10. PG&E filed a response to BART's protest stating that unlike Edison and SDG&E, which operate under the Performance-Based Ratemaking (PBR) mechanisms, PG&E still operates

under the GRC. Thus the proposed provision for the GRC intends to seek cost recovery through the correct proceeding as it applies to PG&E.

11. PG&E argues that the Commission cannot adjust rates upward or downward without due process in a proceeding. Thus, BART's request regarding immediate elimination of duplicate charges is not appropriate. PG&E asks that it be bound to the same conditions as Finding 5 of Resolution E-3544, which notes that cost recovery and ratemaking issues associated with the amounts entered into the TRRRMA would be considered in future proceedings.
12. BART filed additional comments on October 5, 1998 rearguing the classification of FERC proceedings (ER97-2358-000 and ER98-2351-000), and the potential transmission and distribution costs that are specific to individual customers or customer classes. PG&E replied on October 15, 1998, clarifying the scope of its proceedings before FERC.

### Discussion

1. In response to ORA's protest, in supplemental Advice Letter 1794-A, PG&E changed its requested effective date of July 23, 1998 to 40-days after the original filing date. The Energy Division (ED) believes that the effective date of PG&E's Advice Letter should be the effective date of this Resolution, because costs cannot be booked into a memorandum account prior to authorization by the Commission. This is consistent with Resolution E-3544, where the Commission authorized a TRRRMA for Edison and SDG&E, to become effective on the effective date of that Resolution. ORA's protest regarding the requested effective date of the Advice Letter should be granted.
2. PG&E does not believe that it should be required to provide a termination procedure for its TRRRMA. PG&E believes that this requirement was not placed on Edison or SDG&E, and PG&E should not be singled out. The ED agrees with PG&E that a termination procedure is not necessary at this time. This conclusion, however, is not based on PG&E's claim that it should be bound to the exact requirements as Edison and SDG&E have in Resolution E-3544. The ED believes that the Commission will have the opportunity to direct PG&E to terminate its TRRRMA once it renders a decision on the balance of the account. ORA's protest regarding the termination provision should be denied.
3. BART protested PG&E's Advice Letter 1794-E stating that it was concerned that PG&E is not required to seek recovery of the balance in the TRRRMA. PG&E addressed BART's concern in its supplemental Advice Letter 1794-E-A and revised its proposed tariffs. Therefore, BART's protest regarding this issue is moot.
4. BART believes that PG&E's proposed TRRRMA is confusing and should be corrected to include provisions for eliminating all duplicate charges related to CPUC and FERC - jurisdictional charges. BART recommends that duplicate charges as a result of FERC decisions should be eliminated immediately from rates instead of being booked into TRRRMA because they have been reviewed by both FERC and this Commission. PG&E notes that "without due

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process in a proceeding and a Commission decision specifically addressing the issue, the Commission cannot adjust rates downward (i.e., TRRRMA credit balance), or, for that matter, upward (i.e., TRRRMA debit balance)." PG&E also cites Finding 5 of resolution E-3544, which states:

"Establishment of a TRRRMA does not allow for automatic recovery of costs booked into that account. Cost recovery and ratemaking issues associated with the amounts entered into that account will be considered in future proceedings."

The ED agrees with PG&E that just as any increase in utility rates as a result of a debit balance in the TRRRMA has to be first authorized by the Commission, any reduction to the distribution rates as a result of FERC reclassification and a credit balance in TRRRMA also has to be authorized by this Commission before taking effect. As stated in Resolution E-3544, establishment of a TRRRMA only provides the opportunity for recovery of the balance in the account in future proceedings. Further review of the balance in TRRRMA will be necessary to determine whether the costs in TRRRMA are properly classified as distribution. BART's protest related to the immediate elimination of duplicate charges to account for the FERC decision should be denied.

5. BART is concerned that supplemental Advice Letter 1794-E-A has added new uncertainty through its reference to FERC dockets and its incorrect characterization of those proceedings. PG&E notes that the FERC dockets that BART is referring to primarily deal with transmission issues, although they contain distribution issues as well. PG&E believes that they could be referred to as "rate cases pending at FERC."
6. PG&E clarifies that the requirement that TRRRMA excludes costs not eligible for recovery in the GRC is to verify that cost recovery is sought through the correct proceeding. PG&E asserts that this requirement is in conformance with Resolution E-3544, except that because PG&E still operates under a GRC regime, it replaced "PBR" with the "GRC". PG&E's last GRC is under review at the Commission. PG&E may operate under a PBR in the future. Therefore, the appropriate proceeding for PG&E to request recovery of the TRRRMA will be its next PBR proceeding. PG&E should modify its TRRRMA to reflect this clarification. BART's protest with respect to this issue should be granted.
7. PG&E disagrees with BART's request for class-level subaccounts as a result of a FERC decision. PG&E argues that the decision regarding which costs are transmission or distribution will not be class specific, it is therefore neither necessary nor appropriate to track them in a class-level subaccount. The ED agrees with PG&E that ratemaking issues related to the balances in the TRRRMA will be decided in future proceedings and need not be addressed here. BART's protest regarding this issue should be denied.
8. Ordering Paragraph 1.a of Resolution E-3544 states that:

"Costs booked into the TRRRMA shall meet the following criteria:

- Only costs categorized by FERC to be non-transmission
- Only costs not disallowed by FERC or this Commission”

PG&E's TRRRMA tariffs note that "the TRRRMA shall only include costs not disallowed by FERC or the Commission." PG&E should modify its TRRRMA to add the first criterion as noted above.

### Comments

The draft Resolution of the Energy Division in this matter was mailed to the parties in accordance with PU Code Section 311 (g). No comments were filed with the Commission.

### Findings

1. PG&E filed Advice Letter 1794-E on July 30, 1998.
2. ORA and BART filed timely protests.
3. PG&E responded to both ORA's and BART's protests.
4. PG&E filed supplemental Advice Letter 1794-E-A on September 8, 1998.
5. BART filed a timely protest to PG&E's supplemental Advice Letter 1794-E-A.
6. PG&E filed a response to BART's protest on September 30, 1998.
7. Consistent with Resolution E-3544, the effective date of PG&E's Advice Letter 1784-E-A should be the effective date of this Resolution. ORA's protest should be granted.
8. It is not necessary at this time to include a termination procedure for TRRRMA. The Commission can direct PG&E to terminate its TRRRMA once it renders a decision on the balance of the account. ORA's protest regarding the termination provision should be denied.
9. Just as any increase in utility rates as a result of a debit balance in the TRRRMA has to be first authorized by the Commission, any reduction to the distribution rates as a result of FERC reclassification and a credit balance in TRRRMA also has to be authorized by this Commission before taking effect.
10. BART's protest regarding the immediate elimination of duplicate charges based on the FERC determination should be denied. Amounts tracked in TRRRMA will be reviewed in a future Commission proceeding to determine the appropriateness of including them in distribution rates.
11. PG&E should modify its TRRRMA to exclude costs not eligible for recovery in the GRC or PBR proceeding. BART's protest is granted.

12. PG&E's TRRRMA tariffs should include similar requirement as stated in Ordering Paragraph 1.a of Resolution E-3544, which states that:

Costs booked into the TRRRMA shall meet the following criteria:

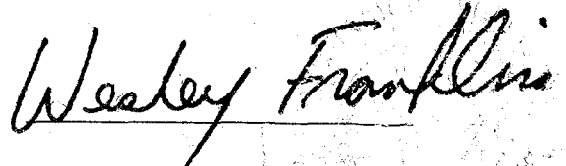
- Only costs categorized by FERC to be non-transmission
- Only costs not disallowed by FERC or this Commission"

**Therefore it is ordered that:**

1. PG&E's Supplemental Advice Letter 1794-E-A is authorized subject to the following modifications:
  - a) Costs booked into the TRRRMA shall meet the following criteria:
    - Only costs categorized by FERC to be non-transmission
    - Only costs not disallowed by FERC or this Commission
  - b) TRRRMA shall not include costs not eligible for recovery in the General Rate Case or PBR proceeding.
2. Should PG&E choose to establish a TRRRMA as modified herein, it shall file a supplemental advice letter consistent with this Resolution within 10 days. PG&E's supplemental advice letter shall become effective after the Energy Division has reviewed the filing for compliance with this Resolution. If PG&E does not file a supplemental advice letter, or if PG&E's supplemental advice letter does not contain all the modifications herein, then Advice Letter 1794-E-A is rejected.
3. ORA's protest regarding the effective date of the Advice Letter is granted.
4. ORA's protest regarding the provision of a termination procedure for the TRRRMA is denied.
5. BART's protest related to the immediate elimination of duplicate charges as a result of the FERC's determination is denied.
6. BART's protest with respect to excluding costs not eligible for recovery in the GRC from TRRRMA is granted.
7. BART's protest with respect to customer or class-specific subaccount is denied.
8. This Resolution is effective today.

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I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on June 24, 1999, the following Commissioners voting favorably thereon:



WESLEY M. FRANKLIN  
Executive Director

RICHARD BILAS  
President  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
JOEL Z. HYATT  
CARL W. WOOD  
Commissioners