

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
ENERGY BRANCH

RESOLUTION G-3075
JULY 21, 1993

R E S O L U T I O N

RESOLUTION G-3075. PACIFIC GAS AND ELECTRIC COMPANY REQUESTS APPROVAL TO RECALCULATE PG&E'S FIRM SURCHARGE/INTERRUPTIBLE CREDIT EACH MONTH BASED ON THE METHODOLOGY CURRENTLY USED BY SOUTHERN CALIFORNIA GAS COMPANY.

BY ADVICE LETTER 1764-G, FILED ON APRIL 8, 1993.

SUMMARY

1. By Advice Letter (A.L.) 1764-G, filed on April 8, 1993, Pacific Gas and Electric Company (PG&E) requests approval to recalculate its Firm Surcharge/Interruptible Credit (FS/IC) each month based on the methodology currently used by Southern California Gas Company (SoCalGas).
2. This Resolution approves Advice Letter 1764-G except for the rates filed therein, pending submittal and approval of compliance tariffs filed pursuant to the modifications ordered in this Resolution.
3. Advice Letter 1764-G will become effective with the commencement of partial capacity brokering on the PG&E system, which is expected on August 1, 1993.
4. The FS/IC will no longer be collected nor distributed with the implementation of full capacity brokering. Full Capacity Brokering will occur when capacity reallocation programs for El Paso Natural Gas Company and Pacific Gas Transmission Company have been authorized by the Federal Energy Regulatory Commission, the programs are in place, and the contracts between PG&E and its customers for interstate capacity are accepted by the interstate pipelines and effective.

BACKGROUND

1. As a result of rules adopted in Decision (D.) 90-09-089 which set forth rules for the current procurement program, PG&E's noncore customers electing firm service currently pay a surcharge of \$0.012 per therm. The credit for interruptible customers is set in PG&E's biennial cost allocation proceeding

(BCAP), based on a forecast of firm and interruptible service for the entire BCAP period. Any balance is amortized in the interruptible credit during the next cost allocation cycle.

2. Pursuant to Capacity Brokering rules set forth in D.91-11-025 and D.92-07-025 and Resolution G-3045 which approved PG&E's tariffs, customers have an opportunity to select firm or interruptible service for both intrastate and interstate capacity upon the partial implementation of Capacity Brokering. Unlike Procurement rules, customers may select firm interstate service and interruptible intrastate service during the current open season. PG&E expects many more customers to choose interruptible intrastate service than was forecasted in PG&E's most recent BCAP. As a result, the correct interruptible credit may be significantly smaller than the one adopted in PG&E's most recent BCAP.

3. On April 8, 1993, PG&E filed Advice Letter (A.L.) 1764-G. This Resolution will address A.L. 1764-G.

NOTICE

1. Public notice of A.L. 1764-G was made by publication in the Commission calendar, and by PG&E mailing copies to the gas advice filing mailing list and to all interested parties who requested notification.

PROTESTS

1. Adrian J. Hudson, representing unspecified interruptible noncore customers, filed a late protest to A.L. 1764-G on May 12, 1993. PG&E responded to Mr. Hudson's protest on May 27, 1993.

DISCUSSION

Procedural Protest

Mr. Hudson believes that PG&E's request is procedurally improper because the methodology for the FS/IC was adopted in D.91-02-046 and reaffirmed in PG&E's BCAP, D.92-10-051, therefore, PG&E should file a petition to modify either decision if it wishes to modify the FS/IC methodology.

To emphasize this point, Mr. Hudson notes that "[h]ad affected parties been aware of an impending change to rates of the nature imposed by PG&E, they would have undoubtedly been better afforded the opportunity to fully argue the merits of the issue. An advice letter filing simply does not provide an adequate vehicle to argue an issue that involves significant policy considerations."

PG&E responded that "[d]ecision 91-12-075 [SoCalGas' BCAP] authorized calculation of the monthly interruptible credit either at the end of the ratemaking period or on a monthly basis. The Commission's preference is the latter (D.91-12-075, p. 75). In Advice letter 1764-G, PG&E has requested that it be allowed to use the same methodology that Southern California Gas (SoCal) currently uses to calculate its interruptible credit. This method was approved in D.91-02-046 and Resolutions G-2948 and G-2959....Accordingly, use of an advice letter by PG&E to implement a Commission authorized mechanism is entirely appropriate."

CACD agrees with PG&E that changing the FS/IC crediting methodology through an advice letter is procedurally appropriate. CACD notes that D.91-02-046, in which Mr. Hudson claims to have approved PG&E's current methodology, actually allows the issue of when surcharge revenues should be credited to be decided through an advice letter (Conclusion of Law No. 3).

Rate Stability Protest

Mr. Hudson believes the advice letter would lead to greater rate instability which is counter to the Commission's and parties' goal of a predictable credit level. According to Mr. Hudson, the Commission addressed the issue of rate stability in D.91-02-046 and stated its preference for predictable rates. In D.91-02-046, the Commission stated that a substantial level of rate predictability could be achieved and directed "the utilities to provide estimates to their transportation customers of rebates they may receive at the end of the ratemaking period, based on demand for various transportation services. Alternatively, as PG&E suggests, they may credit interruptible rates immediately based on forecasted demand, subject to adjustment at the end of the ratemaking period." (P. 5)

With respect to rate stability, PG&E responded that its advice letter filing was designed to increase rate predictability. PG&E submits that the Commission has already indicated its policy preference of providing timely, market reflective prices on a monthly basis.

CACD also agrees with PG&E that A.L. 1764-G will help prevent rate instability. In D.91-12-075, the Commission agreed with SoCalGas and the Division of Ratepayer Advocates, that monthly true-up and disbursements of the FS/IC account minimizes variance which could become substantial if the credits are reconciled on an infrequent basis; gets the credit to interruptible customers as fast as possible; and avoids the problem of a mismatch of customers receiving service and receiving credits. CACD believes the Commission's conclusions in D.91-12-075 apply equally well to PG&E's request.

CACD recommends that Mr. Hudson's protest be denied.

Refunds of Balance in FS/IC Account as of July 31, 1993

In A.L. 1764-G, PG&E proposes to calculate the new interruptible credit based on the results of partial implementation open seasons. The balance in the FS/IC account as of July 31, 1993, will be refunded by PG&E within 120 days. CACD recommends that an advice letter be filed within 120 days of July 31, 1993 with the refund methodology and amounts to amortize any balance in the FS/IC account that was in the account as of July 31, 1993, and that the refunds include interest from July 31, 1993 to the date that the refund is issued. The interest rate should equal the interest rate on three-month Commercial Paper lagged one month as reported in the Federal Reserve Statistical Release, G.13 or its successor.

FINDINGS

1. In A.L. 1764-G, PG&E proposes to calculate the new interruptible credit based on the results of partial implementation open seasons. The balance in the FS/IC account on July 31, 1993, will be refunded by PG&E within 120 days.
2. CACD recommends that an advice letter be filed within 120 days of July 31, 1993 with the refund methodology and amounts to amortize any balance in the FS/IC account that was in the account as of July 31, 1993, and that the refunds include interest from July 31, 1993 to the date that the refund is issued. The interest rate should equal the interest rate on three-month Commercial Paper lagged one month as reported in the Federal Reserve Statistical Release, G.13 or its successor.

THEREFORE, IT IS ORDERED that:


1. Pacific Gas and Electric Company is authorized to revise its methodology to calculate the interruptible credit on a monthly basis rather than forecasted basis.
2. Pacific Gas and Electric Company shall amend its monthly core subscription advice letter filing to include the interruptible credit as proposed in Advice Letter 1764-G.
3. Pacific Gas and Electric Company shall make an advice letter filing within 5 days of the effective date of this Resolution that shall modify its Preliminary Statement to explain that the balance in the Firm Surcharge/Interruptible Credit Account as of July 31, 1993 shall be refunded with interest to customers within 120 days of July 31, 1993.
4. In the advice letter, Pacific Gas and Electric Company shall reflect the modifications ordered in this Resolution as well as the modifications ordered in Resolution G-3077 which addresses Pacific Gas and Electric Company's Advice Letter 1776-G.

5. Pacific Gas and Electric Company shall file an advice letter within 120 days of July 31, 1993 with the refund methodology and amounts to amortize any balance in the Firm Surcharge Interruptible Credit Account that is in the account as of July 31, 1993, and that the refunds include interest from July 31, 1993 to the date that the refund is issued. The interest rate should equal the interest rate on three-month Commercial Paper lagged one month as reported in the Federal Reserve Statistical Release, G.13 or its successor.

6. This new advice letter in compliance with this Resolution and Resolution G-3077 shall be effective August 1, 1993 and shall supersede Advice Letters 1776-G and 1764-G.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 21, 1993. The following Commissioners approved it:



Executive Director

DANIEL Wm. FESSLER
President
NORMAN D. SHUMWAY
P. GREGORY CONLON
Commissioners

Commissioner Patricia M. Eckert, being necessarily absent, did not participate.