

Decision 09-12-021 December 17, 2009

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company (U39E) for Adoption of Electric Revenue Requirements and Rates Associated with the 2010 Energy Resource Recovery Account (ERRA) and Ongoing Competition Transition Charge (CTC) Forecasts, Tesla Generating Station, and Market Redesign and Technology Upgrade (MRTU).

Application 09-06-001
(Filed June 1, 2009)

DECISION ADOPTING PACIFIC GAS AND ELECTRIC COMPANY'S 2010 ELECTRIC PROCUREMENT COST REVENUE REQUIREMENT FORECAST

1. Summary

Today's decision adopts a 2010 electric procurement cost revenue requirement forecast of \$4,131.2 million for Pacific Gas and Electric Company (PG&E) as well as PG&E's 2010 sales forecast and resulting rates. The total 2010 forecast of \$4,131.2 million is \$608.2 million lower than the 2009 revenue requirement currently reflected in present rates. The \$4,131.2 million forecast consists of PG&E's 2010 Energy Resources Recovery Account revenue requirement forecast of \$3,780.0 million, an Ongoing Competition Transition Charge revenue requirement forecast of \$370.3 million, and a Power Charge Indifference Amount credit of \$19.1 million. The rate changes will be effective on January 1, 2010. The 2010 revenue requirement will be consolidated with the

revenue requirement effects of other Commission decisions in the Annual Electric True-Up process.

Application 09-06-001 is closed.

2. Procedural Background

Pacific Gas and Electric Company (PG&E) filed Application 09-06-001 (Application) on June 1, 2009, requesting Commission adoption of electric revenue requirements of \$3,550.0 million. The \$3,550.0 million includes an Energy Resource Recovery Account (ERRA) forecast amount revenue requirement of \$2,997.1 million, an Ongoing Competition Transition Charge (CTC) revenue requirement of \$540.1 million, a Power Charge Indifference Amount (PCIA) credit of \$38.0 million, recovery in rates of \$4.9 million for the abandoned Tesla Power Plant (Tesla), and recovery in rates of \$35.9 million for costs related to the Market Redesign and Technology Upgrade (MRTU) initiative.

On June 17, 2009, July 23, 2009, and October 12, 2009, PG&E provided proof of compliance with Rules 3.2(c), 3.2(d), and 13.1(b), respectively of the Commission's Rules of Practice and Procedure (Rules) regarding public notice of the Application.

The Division of Ratepayer Advocates (DRA), the Independent Energy Producers Association (IEP), the California Municipal Utilities Association (CMUA), Western Power Trading Forum (WPTF), Californians for Renewable Energy (CARE), the Merced and Modesto Irrigation Districts (the Districts), and The Utility Reform Network (TURN) timely protested the Application. PG&E replied to the protests on July 13, 2009.

On July 27, 2009, a prehearing conference was held to discuss the issues in the proceeding and determine whether evidentiary hearings were necessary.

Parties indicated that if Tesla and MRTU costs are not included in the proceeding, evidentiary hearings would not be necessary.

On August 17, 2009, the Scoping Memo and Ruling of Assigned Commissioner (Scoping Memo) was issued. The Scoping Memo did not include either Tesla or MRTU costs as issues in the proceeding. On August 24, 2009, PG&E filed a motion for reconsideration of the Scoping Memo's exclusion of MRTU issues, and a companion motion to provide interim rate relief. On September 8, 2009, TURN and DRA filed responses in opposition to PG&E's motion for reconsideration of MRTU issues. PG&E replied to TURN and DRA on September 18, 2009. PG&E's motions are denied without prejudice.¹ On August 26, 2009, CMUA filed a motion for reconsideration of the Scoping Memo's exclusion of certain Cost Responsibility Surcharge (CRS) issues, and on September 10, 2009, PG&E responded to CMUA's motion. CMUA's motion is denied.

On September 10, 2009, DRA served its prepared testimony on the 2010 ERRa forecast, and on September 17, 2009, PG&E served public and confidential versions of its rebuttal testimony.

¹ Although this decision denies PG&E's Motion to include MRTU-related costs on procedural grounds and defers the issue to PG&E's ERRa Compliance filing (or separate application), the Commission notes that the scope of its review of PG&E's MRTU costs is not necessarily a traditional reasonableness review. The MRTU project is a project mandated by regulatory and reliability requirements of the California Independent System Operator and Federal Energy Regulatory Commission. Therefore, the Commission expects the review of these costs to primarily focus on whether the costs can be verified and are incremental.

On October 6, 2009, an Administrative Law Judge (ALJ) ruling received PG&E's prepared testimony and rebuttal testimony,² and DRA's prepared testimony into evidence. The ruling also granted confidential treatment of PG&E's confidential information for a period of two years, and addressed PG&E's expected update to the Application.

An opening brief was filed by PG&E on October 19, 2009, and a reply brief was filed by DRA on October 26, 2009. PG&E points out that the revenue requirement adopted in this ERRA forecast proceeding will be consolidated with the revenue requirement of other recent Commission decisions through PG&E's Annual Electric True-Up (AET) process.

On October 26, 2009, PG&E filed a motion requesting that the period for protection of confidential material be three years instead of the two years granted in the October 6, 2009 ALJ ruling. That motion is unopposed and is granted.

On November 6, 2009, PG&E served an update to its application (Update).³ Based on the Update, PG&E's total 2010 electric procurement revenue requirement forecast is \$4,131.2 million, which is \$608.2 million lower than the 2009 revenue requirement currently reflected in rates. PG&E states that this

² The ruling excludes those portions of PG&E's prepared testimony addressing Tesla and MRTU costs.

³ PG&E's Update states that certain confidential information is included in the confidential version of the Update. Therefore, PG&E requests the same protection of this confidential information as was granted in the ALJ's October 6, 2009 ruling, except that PG&E requests that the information be protected for a period of three years. As this request is consistent with PG&E's October 26, 2009 Motion, and is unopposed, that request is granted. PG&E's Update is identified as PG&E Exhibit PG&E-4 and received into evidence, and shall be kept under seal for three years from the effective date of this decision.

change is due primarily to the amortization of a large balancing account undercollection contained in the 2009 rates, and as a result of lower gas prices. PG&E's total 2010 electric procurement forecast revenue requirement consists of PG&E's 2010 ERRA forecast revenue requirement of \$3,780.0 million, and Ongoing CTC forecast revenue requirement of \$370.3 million, and a PCIA credit of \$19.1 million. No responses to PG&E's Update were received.

This matter was submitted for decision on November 6, 2009.

3. PG&E's 2010 ERRA, Ongoing CTC, and Sales Forecasts

The ERRA records energy procurement costs associated with serving bundled electric customers. These costs include: (1) post 2002 contracted resource costs; (2) fuel costs of PG&E-owned generation resources; (3) qualifying facility (QF) and purchased power costs; and (4) other electric procurement costs such as natural gas hedging and collateral costs.

The ERRA regulatory process includes: (1) an annual forecast proceeding to adopt a forecast of the utility's electric procurement cost revenue requirement and electricity sales for the upcoming year, and (2) an annual compliance proceeding to review the utility's compliance in the preceding year regarding energy resource contract administration, least cost dispatch, fuel procurement, and the ERRA balancing account.

The Ongoing CTC forecast revenue requirement consists of the above-market costs associated with eligible contract arrangements entered into before December 20, 1995, and QF contract restructuring costs. CTC costs are recorded in the Modified Transition Cost Balancing Account.

The PCIA is applicable to departing load customers that are responsible for a share of the Department of Water Resources (DWR) power contracts. The PCIA is intended to ensure that the departing load customers pay their share of

the above-market portion of the DWR contract costs and bundled customers remain indifferent to customer departures.

Although DRA's testimony raised questions regarding PG&E's ERRA forecasts, DRA now states it does not oppose the amounts requested by PG&E if these are limited to the ERRA and CTC forecasts and the PCIA credit.

Thus, no party opposes PG&E's forecasts of \$3,780.0 million for ERRA, \$370.30 million for Ongoing CTC, or \$19.1 million for the PCIA credit.

4. Conclusion

For all of the foregoing reasons, PG&E's Application for its forecast of electric revenue requirements and rates associated with ERRA in the amount of \$3,780.0 million, and CTC forecasts of \$370.3 million, and \$19.1 million for the PCIA credit should be adopted.

In addition, PG&E's forecast of electric sales and proposed associated electric rates, subject to the AET process, should be adopted. These rates should be effective January 1, 2010.

5. Categorization and Need for Hearings

In Resolution ALJ 176-3235, June 4, 2009, the Commission preliminarily categorized this Application as ratesetting, and preliminarily determined that hearings were not necessary. Although DRA, IEP, TURN, WPTF, CARE, and CMUA protested the Application, parties agreed that hearings were unnecessary, and that issues should be addressed through briefs. Given this status, an evidentiary hearing is not necessary and the preliminary determinations made in Resolution ALJ 176-3235 with regard to categorization and hearings are affirmed.

6. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3. No comments were received.

7. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Bruce DeBerry is the assigned ALJ in this proceeding.

Findings of Fact

1. PG&E's updated 2010 ERRA forecast revenue requirement, Ongoing CTC forecast revenue requirement, PCIA credit, sales forecast and associated rates, are fully supported by detailed testimony.

2. An October 6, 2009 ALJ ruling received PG&E's Prepared Testimony, Exhibit PG&E-1, DRA's Prepared Testimony, and PG&E Exhibit PG&E-3 into evidence and placed these exhibits under seal for two years from the effective date of this decision.

3. PG&E's Application as updated on November 6, 2009, requests the Commission to adopt a total 2010 electric procurement forecast of \$4,131.2 million, and proposed rate changes effective on January 1, 2010, to collect this revenue.

4. The total 2010 electric forecast of \$4,131.2 million consists of PG&E's 2010 ERRA forecast revenue requirement of \$3,780.0 million, its Ongoing-CTC forecast revenue requirement of \$370.3 million and a PCIA credit of \$19.1 million.

5. No party opposes the amounts requested by PG&E for ERRA, Ongoing-CTC, or PCIA credit.

6. The total 2010 forecast of \$4,131.2 million is \$608.2 million lower than 2009 revenue requirement currently in present rates.

Conclusions of Law

1. PG&E's updated 2010 ERRA forecast revenue requirement of \$3,780.0 million. Ongoing CTC forecast revenue requirement of \$370.3 million, and PCIA credit of \$19.1 million should be adopted.

2. PG&E's 2010 sales forecast and associated rates should be adopted.

3. PG&E's August 24, 2009 motion to reconsider the Scoping Memo's exclusion of MRTU issues should be denied without prejudice.

4. PG&E's August 24, 2009 motion to provide interim rate relief should be denied.

5. CMUA's August 26, 2009 motion to reconsider the Scoping Memo's exclusion of CRS issues should be denied.

6. PG&E's October 26, 2009 Motion should be granted and all confidential information should be placed under seal for a period of three years from the effective date of this decision.

7. The assigned ALJ's October 6, 2009 ruling should be confirmed with the exception that the information should be placed under seal for three years rather than two years.

8. This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to recover a total 2010 electric procurement cost revenue requirement forecast of \$4,131.2 million, consisting of its 2010 Energy Resource Recovery Account forecast revenue

requirement of \$3,780.0 million, an Ongoing Competition Transition Charge forecast revenue requirement of \$370.3 million, and a Power Charge Indifference Amount credit of \$19.1 million.

2. Pacific Gas and Electric Company's 2010 electric sales forecast is adopted.

3. The revenue requirement and sales forecast adopted in this order shall be consolidated with the revenue requirement effects of other recent Commission decisions through the Annual Electric True-Up process.

4. The assigned Administrative Law Judge's October 6, 2009 ruling regarding confidential treatment of information contained in Exhibits PG&E-1, PG&E-3, and PG&E-4 are confirmed with the exception that the confidential information is placed under seal for three years rather than two years.

5. Application 09-06-001 is closed.

This order is effective today.

Dated December 17, 2009, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners