



# CITY OF LODI

## COUNCIL COMMUNICATION

**AGENDA TITLE:** Notice from Pacific Gas and Electric of Updated Application for Performance-Based Ratemaking for Electric Generation.

**MEETING DATE:** July 16, 1997

**PREPARED BY:** City Clerk

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**RECOMMENDED ACTION:** Information Only

**BACKGROUND INFORMATION:** The City Clerk's Office has received an official notice from Pacific Gas and Electric regarding an Updated Application for Performance-Based Ratemaking for Electric Generation. This notice is being provided to all state, county and local officials for the purpose of information only. No Council action is required.

**FUNDING:** None

*Alice M. Reimche*  
Alice M. Reimche  
Acting City Clerk

APPROVED: \_\_\_\_\_

*Janet S. Keeter - for*

H. Dixon Flynn -- City Manager

Pacific Gas and Electric Company

**MAILING ADDRESS**

P.O. Box 7442  
San Francisco, CA 94120

**STREET/COURIER ADDRESS**

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JENNIFER M. FERRIN  
CITY CLERK



June 19, 1997

**TO STATE, COUNTY AND CITY OFFICIALS:**

**Notice of Updated Application for Performance-Based  
Ratemaking for Electric Generation**

On July 15, 1996, Pacific Gas and Electric Company (PG&E) filed its Application to Adopt Performance-Based Ratemaking (PBR) for Electric Generation (A. 96-07-018) to comply with California Public Utilities Commission (CPUC) Decision 95-12-063. PG&E proposed a PBR mechanism for our hydroelectric and geothermal power plants but did not include a specific revenue change request. On June 11, 1997, PG&E updated the application to include the revenue change request.

The updated application asks the CPUC to authorize an electric revenue increase of \$6.6 million, effective in 1998. This increase is based on an index for inflation and productivity applied to the 1997 hydroelectric and geothermal base revenue requirement proposed in PG&E's Cost Separation Application (A. 96-12-009). However, under a recent state law, PG&E's current electric rates cannot increase until the earlier of March 31, 2002, or when the CPUC-authorized costs for utility generation-related assets and obligations that may become uneconomic as a result of a competitive generation market (transition costs) have been fully recovered. The period when utility generation-related transition costs will be recovered is called the transition period.

Because overall electric rates are frozen during the transition period, if PG&E recovers \$6.6 million in 1998 under its PBR proposal, recovery of \$6.6 million in transition costs will be delayed until a future period. If PG&E is unable to recover this \$6.6 million in transition costs by March 31, 2002, PG&E's shareholders will bear that cost. However, ratepayers will pay that cost if PG&E is able to recover all of its transition costs by March 31, 2002. In either case, electric rates will not change until the end of the transition period.

PG&E's proposed PBR mechanism provides financial incentives for PG&E to operate its hydroelectric and geothermal power plants efficiently and consists of a base revenue amount that is indexed for inflation, minus an offset for productivity. The mechanism includes adjustments for shared earnings and extraordinary costs or savings. PG&E

Notice to Government Officials

June 19, 1997

Page 2

proposes to recover its actual variable energy costs associated with hydroelectric and geothermal generation separate from the PBR mechanism.

**HEARING ON PROCEEDINGS**

Before acting on this application, the CPUC will hold oral argument commencing at 2:00 p.m. on Monday, June 23, 1997, to determine whether this proceeding should continue or be deferred. If the Commission determines to proceed it will hold evidentiary hearings, expected to begin in September 1997. At these hearings, which are open to the public, the CPUC will receive the testimony of PG&E, the CPUC's Office of Ratepayer Advocates and other interested parties. Participants at these hearings may offer proposals that differ from those of PG&E.

After considering these proposals, the CPUC will issue a decision. The actual plan adopted by the CPUC may differ from what PG&E has requested.

If you want to participate in the hearings or send comments, if you need advice or more information, or if you want to get copies of the Office of Ratepayer Advocates' rate proposals when they are available, please write to:

The Public Advisor  
California Public Utilities Commission  
505 Van Ness Avenue, Room 5303  
San Francisco, CA 94102

or via electronic mail to:  
[public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov)

Mention that you are writing about Application 96-07-018 and indicate if you would like a written response, otherwise no reply will be sent. Your letter will be sent to the Commissioners and will become part of the formal correspondence file for this application.

**FOR FURTHER INFORMATION**

You can get more information from PG&E by writing PG&E, P.O. Box 7442, San Francisco, CA 94120. "Attention: Application 96-07-018."

You may review a copy of this application at our corporate headquarters (77 Beale Street, Room 3120, San Francisco, CA 94105), at the San Francisco office of the CPUC or in PG&E's main business offices in the following locations: Auburn, Bakersfield, Belmont,

Notice to Government Officials  
June 19, 1997  
Page 3

Chico, Concord, Cupertino, Hayward, Merced, Oakland, Sacramento, Salinas, San Francisco, San Jose, San Luis Obispo, San Rafael, Santa Rosa and Stockton.

This notice is given in accordance with the requirements of Rule 24 of the CPUC's Rules of Practice and Procedure.

**PACIFIC GAS AND ELECTRIC COMPANY**

By:



WILLIAM H. EDWARDS

Attorney