

C O U N C I L C O M M U N I C A T I O N

TO: THE CITY COUNCIL
FROM: THE CITY MANAGER'S OFFICE

COUNCIL MEETING DATE
MAY 18, 1988

SUBJECT: REPAYMENT OF OVERCHARGE BY PACIFIC GAS AND ELECTRIC COMPANY

PREPARED BY: City Manager

RECOMMENDED ACTION: See attached.

BACKGROUND INFORMATION: Attached is a Council Communication prepared by Electric Utility Director Henry Rice concerning a repayment to the City of Lodi by the Pacific Gas & Electric Company. For the Council's additional information, the recommended reduction of 4 mill per kilowatt hour in the Fuel Cost Adjustment charge will result in a reduction in this category for a residence using 550/KWH per month (considered the standard or comparison purposes) from \$8.80 per month to \$6.60 per month, a reduction of 25%. Like percentage reductions will also be realized by the commercial and industrial customers.

Respectfully submitted,



Thomas A. Peterson
City Manager

TAP: br

Attachment

TXTA.07A COUNC362

COUNCIL COMMUNICATION

TO: THE CITY COUNCIL
FROM: THE CITY MANAGER'S OFFICE

COUPICIL MEETING DATE:
MAY 18, 1988

SUBJECT: REPAYMENT OF OVERCHARGE BY PG&E

A check in the amount of \$464,711.86 and the enclosed brief letter were received May 9, 1988. A telephone call to the PG&E representative, Mr. Harry W. Long, Jr., disclosed that an audit by the Federal Energy Regulatory Commission (FERC) concluded that PG&E improperly charged certain costs to the City of Lodi and other wholesale customers in 1981.

Apparently, PG&E bought out some fuel supply contracts held by Chevron Oil and passed the contract penalty costs through as fuel costs. FERC does not allow utilities to pass such non-fuel cost through wholesale fuel clause applications.

PG&E interpreted its contract with wholesale customers as permitting such costs to be passed through, according to Mr. Long.

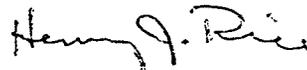
FERC demanded that PG&E repay its wholesale customers with interest from 1981.

The \$464,711.86 is the accrued amount owed Lodi up to the time when the NCPA/PG&E Interconnection Agreement was signed in 1983.

An additional amount for the repayment accrual owed Lodi under the Interconnection Agreement coverage will be distributed by NCPA to the City in the next several weeks following necessary calculation of each NCPA members share. Lodi Staff anticipates the additional repayment be about \$340,000 or a total repayment amounting to approximately \$800,000.

RECOMMENDED ACTION: I respectfully request that the rebate amount in total be handled as follows:

1. An amount equal to the repayment sum be passed through to the Lodi electric customers over a short period of time by appropriate reduction in the monthly Fuel Cost Adjustment (FCA).
2. The total repayment amount should be deposited in the rate stabilization fund and monthly operations cost, needed to cover the reduced fuel cost revenue, could be drawn from that fund.
3. A reduction of 4 mills/KWH in the FCA until September 1988 would appear to be adequate to pass the repayment amount through to the Lodi customers.



Henry J. Rice
Electric Utility Director

HJR:jj

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TXTA.02D

Pacific Gas and Electric Company

77 Beale Street
San Francisco, CA 94106
415/972-7000

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MAY 9 1988

Utility Dept.

May 6, 1988



Mr. Henry Rice
Utility Director
City of Lodi
221 W. Pine Street
Call Box 3006
Lodi, CA 95241-1910

Dear Mr. Rice:

Enclosed please find a check in the amount of \$464,711.86. **This** amount is a refund as a result of our recent FERC audit. The audit centered on the Fuel Cost Adjustment (FCA).

If you have any questions, please feel free to call me at (415) 972-3611.

Sincerely,

Harry W. Long, Jr.

Enclosure