Revenue Sales Adjustments

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Revenue Requirements
Overview

Revenue Sales Adjustments

- History
- How They Work
- Benefits
History

• First adopted for PG&E in
  – 1978 for gas
    – Fear of supply shortfalls
    – Effects of inverted rates
  – 1982 for electricity
    – Eliminate disincentives to promote conservation

• In place until the advent of electric restructuring

• Reinstituted in California post electric restructuring
How They Work

Match actual revenue with authorized base revenues

• Base revenues cover O&M, A&G, depreciation, taxes, and return

• Differences between actual and authorized revenues result from differences between recorded and forecast sales

• Differences, plus interest, are tracked and refunded to or recovered from ratepayers in future rates
  – Differences in sales result from weather, economic activity, conservation, energy efficiency

• Earnings are not affected by fluctuation in sales
  – No disincentive for energy efficiency or conservation
Benefits

Required for Energy Action Plan

• Energy efficiency is now part of procurement
• Removes conservation disincentives
• Easier to budget
• Facilitates changes in rate design
• Much less contentious sales forecasting
• Requires more frequent rate cases
• Requires annual attrition increases
• May result in rate volatility
• Delayed recovery reduces cash flow
History

Electric Revenue Adjustment Mechanism Balances

Millions of Dollars