

Decision 90 09 045 SEP 12 1990 .

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Rulemaking Proceeding on the)
Commission's Own Motion to Revise)
the Regulatory Treatment of)
Research, Development and Demons-)
tration in the Electric and Gas)
Industries.)

ORIGINAL

R.87-10-013
(Filed October 16, 1987)

INTERIM OPINION

I. Summary

The Commission believes that effective use of utility Research, Development, and Demonstration (RD&D) is critical for the long-term economic efficiency of California, its utilities, and its ratepayers. In general, successful RD&D programs should work to reduce a utility's costs, thereby providing not only lower rates to utility customers, but also improving the utility's ability to compete in the increasingly competitive environment in which they find themselves. In short, commercialization of successful RD&D is a significant factor for increasing a utility's total factor productivity.

RD&D under our current regulation with its emphasis on review of program budgets and directions in General Rate Cases (GRCs) needs some modification to guide RD&D in a 1990's world where flexibility and adaptability are at a premium and while competition and environmental constraints are increasingly present. This decision attempts to strike a balance between less fettered regulatory oversight and the need to responsibly review RD&D budgets and programs. It is important to emphasize here that we are not referring to a trade-off of regulatory oversight for regulatory freedom. Rather, with respect to utility RD&D programs, greater regulatory freedom comes with the added responsibility of

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RD&D under our current regulation with its emphasis on review of program budgets and directions in General Rate Cases (GRCs) needs some modification to guide RD&D in a 1990's world where flexibility and adaptability are at a premium and while competition and environmental constraints are increasingly present. This decision attempts to strike a balance between less fettered regulatory oversight and the need to responsibly review RD&D budgets and programs. It is important to emphasize here that we are not referring to a trade-off of regulatory oversight for regulatory freedom. Rather, with respect to utility RD&D programs, greater regulatory freedom comes with the added responsibility of

a reliable review and analysis of both the overall performance and direction of utility RD&D.

The Commission believes that RD&D programs can and should be a valuable resource for utilities as they face both increasing competitive pressures and the need to respond to the environmental challenges of the future. To this end, the Commission in this decision is adopting a number of changes in the regulatory treatment for utility RD&D. We seek to encourage cost-effective utility RD&D, to streamline its regulation, and begin to consider incentive approaches to commercialize the products of RD&D activities. In order that these goals may be achieved, we are proposing two broad changes in regulatory treatment for RD&D programs.

First, we are proposing that the utilities be given greater regulatory freedom in terms of both individual program components, as well as overall budgeting discretion. Associated with greater regulatory freedom are added responsibilities for both the utilities and the Commission. For utilities, this means the responsibility of providing necessary annual information on the performance and direction of their RD&D programs. For the Commission, it means the responsibility to commit added staff resources to review and analyze the utility information including greater participation in the California Energy Commission's (CEC) Energy Development Report (EDR).

We believe that the utilities have a comparative advantage relative to the Commission staff both with respect to the technical knowledge inherent in RD&D programs and the knowledge of their own operations to make decisions regarding the selection of individual RD&D projects and budgeting needs. The Commission does not want to be involved in this type of micro-management of the utility's RD&D operations. However, it is incumbent on each utility to provide the Commission with the necessary information by which it can determine the performance and direction of each

utility's RD&D program, as well as the overall coordination of RD&D programs in California.

Here we adopt a procedure and schedule for Commission regulatory treatment of utility RD&D programs. The Commission also adopts criteria to supplement Public Utilities (PU) Code § 740.1(e) for RD&D programs. The respondent utilities and the Commission Advisory and Compliance Division (CACD), in coordination with the California Energy Commission (CEC), Division of Ratepayer Advocates (DRA), and the California Utilities Research Council (CURC), are ordered to develop and file, within 90 days of the effective date of this decision, a suggested standardized reporting format to be used for the utilities' annual RD&D report.

To reduce the need for detailed RD&D program review in GRCs, we want to rely on the annual RD&D reports of the utilities and CACD's review of these reports, the budget "range" discussed below, continued coordination of RD&D through CURC, and utility actions that follow the criteria defined here which are intended to supplement PU Code § 740.1 (see Appendix C).

Second, we want to use this interim decision as a vehicle to have the parties begin to explore the potential for developing utility incentives as a means of encouraging commercially viable innovation in their RD&D program. We are interested in creating greater incentives for utilities to be innovative in RD&D from the inception of a program to the commercialization of RD&D products.

Traditional cost-of-service based regulation may be ill suited to stimulate utility efforts in the development of value-added types of technologies and services. As with demand-side management, it now seems appropriate to consider the use of utility profitability to stimulate the development of innovations which result in customer cost-cutting, mitigation of environmental problems, and value added services.

One approach may be to allow utility shareholders to capitalize and benefit from RD&D they commercialized outside the

service territory in exchange for the cost of service treatment on the commercialization efforts in the utilities' own service territory. If shareholders capitalize and accept the risk of particular RD&D investments, it seems only appropriate that they obtain some of the related rewards in terms of increased profitability. Accordingly, we will set workshops on the role of incentive regulation that focuses on sharing the benefits of innovative research between ratepayers and shareholders and that at the same time encourages greater shareholder participation in this activity.

While in the recent past California utilities seemed inclined to substantially cut RD&D program activities and expenditures, the Commission has been concerned about the overall competitiveness of energy delivery in the state. California utilities should be increasingly ardent in the search for value added RD&D products which focus on improving the efficiency of providing energy services to ratepayers in California. At the same time, environmental concerns demand that RD&D programs are also responsive in addressing the need to reduce emission levels associated with the provision of utility service. However, addressing environmental concerns should not be a substitute for improving the efficient use of energy. Improvements in energy efficiency and reduced emission levels need to be considered together.

II. Background

The Commission issued this Order Instituting Rulemaking (OIR) on October 16, 1987, requesting comments on a rule proposed to revise the Commission's procedures for review and funding of energy utility RD&D programs. The adopted procedure results from consideration of two rounds of comments by the parties on rules proposed by the Commission. The first round of comments addressed

the rule proposed when this OIR was issued. The comments were reflected in Decision (D.) 89-06-046 issued on June 21, 1989.

That decision requested a second round of comments on a revised proposed rule. Comments were received from Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE), Southern California Gas Company (SoCal), the California Energy Commission (CEC), and the CURC. Overall, the comments demonstrate significant support for the revised rule. Rather than suggesting major changes, the comments generally focus on refinements to either clarify the rule, or to make the RD&D review process work more efficiently.

III. Discussion

A. Introduction

After further consideration, the Commission concludes that a formal rule is not necessary in order to achieve the desired goal for RD&D, which is to create a more coordinated and cost effective energy RD&D program for ratepayers in California. This interim order discusses four objectives to strengthen the commitment to RD&D by both the utilities and the Commission. First, we discuss general guidelines for the utilities' annual RD&D reports including the purpose and scope of the reports. Included here is the need to establish a standardized reporting format. Second, we discuss the purpose and scope of CACD's review and analysis of the utilities' annual RD&D reports. Third, we discuss what is the appropriate forum to consider findings and recommendations made by CACD in its biennial report. Finally, we discuss the establishment of workshops to explore ways of incorporating incentive regulation as part of RD&D programs in the future.

B. Annual RD&D Reports to be Filed by the Utilities

In this decision we adopt a procedure for regulatory treatment of utility RD&D, attached as Appendix A. The adopted procedure incorporates many of the suggestions of the parties, most significantly that the utilities, in coordination with the CURC and the CEC, develop a standardized format for the utilities' RD&D annual reports. PG&E and the CURC suggest that an ad-hoc group of utilities and the CURC develop the format. We agree that a standardized format, acceptable to both the Commission and the utilities, is desirable. We will order the utilities and CURC working with CACD to jointly develop and file a suggested standardized format with CACD within 90 days of the effective date of this order. For that reason, this is an interim order.

Comments by PG&E, SDG&E, and the CURC suggest that the utilities file the same report each year, rather than different reports in even-numbered and odd-numbered years as proposed in D.89-06-046. We note that since much of the data required would be the same for both years, furnishing the same information each year offers some advantages, including uniformity. Although this requires furnishing somewhat more information, no party objects, and we have incorporated this change in the procedure. One function of the annual report is to provide the utilities an opportunity to demonstrate that the RD&D programs provide a benefit to ratepayers. In addition, the annual report should include a discussion of the direction of RD&D, potential policy conflicts, RD&D successes, new RD&D activities, and the relative balance of RD&D spending among the various utility activities (e.g., production, transmission, distribution, and end-use). The annual utility reports are meant to assist CACD in preparing its biennial report of utility RD&D activities. For this reason, a standardized format for the utilities' annual reports is essential.

The purpose of these reports is related to the increased need for Commission review associated with greater budgeting and

operating flexibility that is proposed for RD&D programs in the future. In the next Notice of Intention (NOI) and GRC filed by each utility after the effective date of this order, we will adopt both an authorized level of RD&D for test year ratemaking purposes, and an RD&D range to be used in subsequent GRCs. In determining values, we will consider the recommendations of the utility and DRA, as well as any other parties' recommendations. There will be a minimum and maximum level set over which the RD&D budget can range. This range will vary by the overall change in base rate revenue requirement for each utility in each attrition year of the GRC.

C. CACD's Biennial Report on Utility RD&D Programs

The purpose of CACD's biennial report is to provide to the Commission, on an ongoing basis, information on the status, direction, and performance of RD&D programs by the four large energy utilities in California (PG&E, SCE, SDG&E, and SoCal). The annual RD&D reports filed by the utilities will serve as the major source of information for this report. As such, it is important that CACD is involved in establishing the scope and format for the annual RD&D reports to be filed by the utilities. In addition, CACD shall also consider an analysis to be provided by the CEC on the consistency of the utilities' RD&D programs with the state's energy policies as stated in their most recent Energy Development Report (EDR). This analysis should be included in the CACD report as an appendix.

Using this information, CACD is responsible for evaluating the performance of each utility's RD&D program. The emphasis here should not be on a project-by-project review, but rather assessing the overall performance of a RD&D program, realizing that such programs are made up of individual winners and losers. The Commission is concerned that there is a significant benefit accruing to ratepayers from investments made in RD&D.

In addition, CACD's review should include an analysis of whether or not the RD&D program of each of the utilities is achieving the criteria in PU Code § 740.1 and the supplemental criteria listed in Appendix C of this order. This would include an analysis of the focus of RD&D program priorities, the mix of short-, mid-, and long-term projects, and the balance of projects between the various utilities' operations.

CACD should evaluate the scope and balance of the various utilities' RD&D programs with the objective of minimizing the duplication of effort in this area between the utilities. The goal should be to have a coordinated effort on the part of the utilities in examining the problems that are being addressed in the RD&D effort. The CACD report should include recommendations to the Commission with respect to policy changes in utility RD&D programs based on its analysis.

Finally, although this order establishes a biennial reporting requirement for CACD, CACD may choose to file an interim update report in the off years, if it feels that RD&D activities have changed significantly since the last biennial report. This report should be limited to updating utility RD&D activities which CACD believes the Commission should be made aware of through CACD's reporting requirements.

The biennial reporting format is intended to increase the coordination between the CEC and the Commission in the area of RD&D. In this way each commission will have an opportunity to have input into the preparation of the other commission's report. By this increased interaction we expect to achieve a more coordinated, consistent, and streamlined approach to regulatory oversight of RD&D among the major energy utilities in the state.

D. Forum for Reviewing CACD's Annual Report

During the past three years, the Commission has encouraged the utilities to expand the role of CURC to meet the Commission's RD&D objectives. The CURC has proven to be a valuable

forum for communication between the Commission, CEC and the utilities and is an appropriate forum for the discussion of matters concerning utility RD&D in California.

As such, in addition to CACD presenting its biennial report to the Commission, it is both useful and appropriate for CACD to present a draft report of its findings and recommendations at the CURC's mid-year meetings in odd-numbered years. This will provide an opportunity for all parties involved in utility RD&D to comment on the findings and recommendations in CACD's report.

E. Workshops on Incentive Regulation

This interim opinion orders that workshops be established for the purpose of beginning to explore alternative means of developing utility incentive mechanisms for RD&D programs. The objective is to create an incentive package which: 1) encourages greater innovation in RD&D programs and 2) places a higher priority on commercialization of RD&D projects.

In this order we ask CACD to convene workshops as set forth in Appendix D. Following the workshops, CACD should prepare a report summarizing the positions and proposals of the various parties in the workshops. This report should be prepared no later than 20 days after the last workshop. This report along with comments of the parties will serve to guide the Commission in its decision whether or not to incorporate some form of incentive regulation as part of its final order in this rulemaking.

F. Conclusion

This interim decision recognizes the need for the Commission to re-think the way it regulates RD&D activities for California energy utilities in the future. The changes proposed in this decision seek to streamline the regulatory treatment for utility RD&D. Associated with this streamlining is a greater commitment on the part of the Commission and the utilities with respect to the performance of and coordination between utility RD&D programs. Finally, the Commission has taken this opportunity to

have the parties begin to explore the potential use of incentive mechanisms as a means of encouraging greater commitment to RD&D by the utilities themselves.

Although PU Code § 311(d) does not require that a proposed decision of the administrative law judge be issued in this matter, we have decided to do so in order to allow parties an opportunity for comment.

Comments

Comments on the proposed decision were filed by PG&E, SCE, SDG&E, SoCal, CURC, and DRA. The comments generally focus on changes from D.89-06-046 that are perceived as creating a burdensome and overregulated approach. Retrospective review of RD&D programs is viewed by parties as contrary to the stated goals of streamlined regulation of RD&D.

While the concept of exploring incentives regulation is supported, some parties believe that incentives is a separate issue that should not be tied to detailed RD&D program review at this time.

The parties also object to the requirement of an annual OII to consider CACD's annual review of RD&D. PG&E perceives this as a return to a separate RD&D proceeding that was initially proposed in the OIR, and subsequently rejected in D.89-06-046.

PG&E further objects to the concept of evaluating RD&D programs on the basis of "net present value", since the nature of RD&D is exploration and discovery, which in many instances cannot be monetarily quantified.

Further coordination between CACD and CEC is suggested.

The requirement for utilities to provide an update for RD&D programs that have changed 30% or more annually, or 50% or more over three years, is viewed as more restrictive than current reporting requirements.

Other comments focus on certain specific wording that may be perceived differently than we intended.

After careful consideration of the parties' comments, we have made a number of changes to the proposed decision. We have removed the retrospective review language; we intend to prospectively review RD&D programs. References to an OII are removed; we may open an OII if appropriate, but need not so indicate in this decision.

We removed the language relating to net present value of RD&D programs, since we intend to take a longer term view of RD&D, and understand that all programs cannot be determined to have a net present value, especially in their early periods.

Consistent with stressing increased coordination between CACD and CEC, we have also changed the CACD report to a biennial report to be furnished in odd-numbered years between CEC EDR reports.

We have removed the requirement for updated reports on programs when the budget has changed 30% annually or 50% over three years, consistent with taking a longer term view of RD&D. The workshop schedule in Appendix D has been updated.

Finally, some minor language changes have been made for increased clarity.

The comments from all the parties have been helpful in achieving a procedure that will improve RD&D regulation.

Finding of Fact

Comments on the D.89-06-046 proposed RD&D rule were filed by PG&E, SDG&E, SCE, SoCal, CEC, and CURC.

Conclusions of Law

1. The procedure for regulatory handling of RD&D attached as Appendix A is reasonable and should be adopted.
2. The schedule for regulatory treatment of RD&D attached as Appendix B is reasonable and should be adopted.
3. The criteria for supplementing PU Code § 740.1 attached as Appendix C are reasonable and should be adopted.

4. Respondent utilities in coordination with CACD should file a suggested standardized format for the annual RD&D report.

INTERIM ORDER

IT IS ORDERED that:

1. The procedure for Commission regulatory review and treatment of Research, Development, and Demonstration (RD&D) programs for Pacific Gas and Electric Company (PG&E), Southern California Gas Company (SoCal), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E), attached as Appendix A, is adopted.

2. The schedule of Commission regulatory treatment of Research, Development, and Demonstration (RD&D) programs for PG&E, SoCal, and SDG&E, attached as Appendix B, is adopted.

3. Criteria for supplementing Public Utilities Code § 740.1, attached as Appendix C, are adopted.

4. The Commission Advisory and Compliance Division (CACD), the California Energy Commission (CEC), the Division of Ratepayer Advocates (DRA), PG&E, SoCal, SCE, and SDG&E shall coordinate and attempt to develop a standardized format to be used for the Annual Report on Research, Development, and Demonstration as required by the Commission, and file it with the Commission within 90 days of the effective date of this decision.

5. The Commission will adopt a standardized format in a subsequent order.

6. CACD shall conduct workshops to explore the role of incentive regulation for utility RD&D programs. The agenda and anticipated scheduling are set forth in Appendix D. Changes in both the agenda and scheduling may be made as necessary by CACD.

Within 20 days of the last workshop, CACD shall prepare a report summarizing the positions and proposals of the workshop participants. The report shall be filed and served on the parties to this proceeding.

This order becomes effective 30 days from today.

Dated SEP 12 1990, at San Francisco, California.

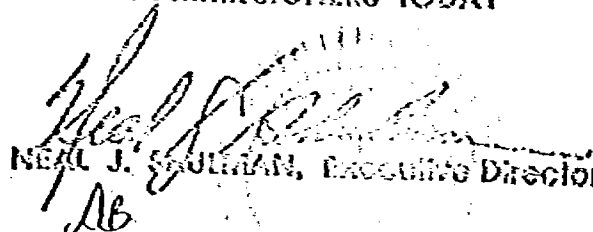
G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
PATRICIA M. ECKERT
Commissioners

Commissioner John B. Ohanian,
being necessarily absent, did
not participate.

I will file a written concurring opinion.

/s/ G. MITCHELL WILK
President

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY


NEAL J. SULLIVAN, Executive Director

APPENDIX A
Page 1

REVISED
PROCEDURE FOR COMMISSION REGULATORY REVIEW AND TREATMENT OF
RESEARCH, DEVELOPMENT, AND DEMONSTRATION (RD&D)
PROGRAMS FOR PACIFIC GAS AND ELECTRIC COMPANY,
SOUTHERN CALIFORNIA GAS COMPANY, SOUTHERN CALIFORNIA
EDISON COMPANY, AND SAN DIEGO GAS & ELECTRIC COMPANY

1. Commencing on March 31, 1991, and annually each March 31 thereafter each utility shall file an Annual Report (Report) on RD&D activities with the Commission.

- a. The Report shall include a three year forecast, as well as the year prior to the report, and the current year.
- b. The Report shall include:
 - (1) An analysis and discussion showing the cost and benefits of the RD&D program with the aim of providing the Commission with information on the net present benefit of the program.
 - (2) A review of the consistency of RD&D activities with the stated policies of the Commission and the most recent California Energy Commission's (CEC's) Energy Development Report (EDR).
 - (3) Information on new RD&D activities. New activities are those begun since the most recent report. Information should include proposed program goals and timetables as well as indicators of program performance.
- c. The Report shall be served on the Commission's Division of Ratepayer Advocates (DRA) and the Commission Advisory and Compliance Division (CACD), and the CEC.

2. The Notice of Intention (NOI) and application for a general rate case shall include the following RD&D funding information:

APPENDIX A
Page 2

- a. Justification for the requested test year RD&D funding level with program level information and a recommended range for attrition years' RD&D funding including maximum and minimum levels:
 - (1) This information will be included in the first NOI filing after the reporting format and specifications are approved by the Commission.
 - (2) The annual report shall be filed in subsequent NOI filings if funding levels requested are not within the RD&D range most recently adopted by the Commission.
 - (3) The annual report shall be filed if the utility recommends a change in the range.
- b. If the requested RD&D funding level is within the adopted range, and no change in the adopted RD&D range is requested in the NOI, the utility need only furnish information on the overall direction and emphasis of the proposed RD&D budget. (The utility is still, of course, obligated to respond to Commission data requests where RD&D funding is involved, as in a GRC.)
- c. If a utility's GRC is deferred, and the utility proposes a RD&D budget outside the adopted range, it may request that the Commission consider RD&D in a separate proceeding.

3. CACD shall review the filings and prepare a report with recommendations within 120 days of receipt of the utilities' annual reports.

4. CACD will present its findings and recommendations to the Commission and CURC for review and possible action.

(END OF APPENDIX A)

APPENDIX B
Page 1

SCHEDULE OF COMMISSION REGULATORY
TREATMENT OF RESEARCH, DEVELOPMENT, AND
DEMONSTRATION (RD&D) PROGRAMS FOR PACIFIC
GAS AND ELECTRIC COMPANY, SOUTHERN CALIFORNIA
GAS COMPANY, SOUTHERN CALIFORNIA EDISON COMPANY,
AND SAN DIEGO GAS & ELECTRIC COMPANY

Schedule for 1991 and Subsequent Years

January

Annual meeting of the California Utilities Research Council (CURC).

March 31

Annual RD&D report from the respondent utilities.

Spring - Even-numbered years.

Issuance of the Energy Development Report (EDR) draft by the California Energy Commission (CEC), followed by public hearings to consider comments.

April - Odd-numbered years

Commission Advisory and Compliance Division (CACD) commences review of utilities' filings, coordinates with CEC, meets with CURC and utilities as appropriate.

Summer - Even-numbered years.

CEC issues the final EDR.

- Odd-numbered years.

CACD shall issue its biennial RD&D status report covering the respondent utilities. An appendix should include the CEC's statement of the utilities' consistency with its policies.

CACD will present a draft report of its findings and recommendations at the CURC mid-year meeting. Resolution of open issues will be handled through the CURC Policy and Planning Committee.

APPENDIX B
Page 2

Subsequent NOI and General Rate Case (GRC) Applications

DRA shall present its RD&D recommendations in individual energy utility GRCs, considering the most recent CACD biennial report and the most recent CEC's EDR.

(END OF APPENDIX B)

APPENDIX C

The following objectives supplement PU Code § 740.11:

1. RD&D priorities and programs should consider and be responsive to environmental concerns, needs, and commitments in the short-, mid-, and long-term. RD&D activities should be conducted with a particular awareness of the need to address issues such as water and air quality, and hazardous waste prevention.
2. RD&D should consider and be responsive to basic changes in the energy industries, including increasing competition and unbundling of services and prices.
3. RD&D programs should focus especially on short-, mid-, and long-term end-use energy applications in an appropriate mix.
4. RD&D programs as a whole should be consistent with long-term resource needs and be balanced among supply (production), transmission, distribution, and demand-side management areas. Energy Efficiency which produces greater work for the same or less energy should be especially emphasized (also called energy conservation).
5. The individual projects and the total RD&D program should demonstrate balanced policy formulation and execution, budget allocation, priorities, and project management and coordination. Planning processes should implement procedures that carry out and comply with Commission policy and guidelines.

(END OF APPENDIX C)

APPENDIX D

RD&D WORKSHOPS:
THE ROLE OF INCENTIVES REGULATION

Schedule¹

Agenda²

Week of Aug. 20, 1990

The first workshop will elicit participants' views on incentive regulation, how to define it, and reporting requirements for eligibility.

Week of Sept. 17, 1990

The mechanics of an incentive regulation formula; criteria for determining project eligibility. Formula for appropriate incentives.

Week of Oct. 9, 1990

Consideration of the procedure for authorizing payment, and the need for a balancing account.

REPORTING REQUIREMENTS

Schedule¹

Agenda²

Week of Sept. 17, 1990

Information necessary to meet the needs set forth in the proposed decision, including format and reporting date.

Week of Oct. 1, 1990

Consideration of need for further information by interested parties.

(END OF APPENDIX D)

1 Actual schedules will be set by the Commission Advisory and Compliance Division (CACD).

2 Additional agenda items may be added by CACD.

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G. MITCHELL WILK, Commissioner, concurring:

I support the movement towards improving the environment for effective research, development, and demonstration programs put forward in this decision. The new approach reached by this decision affords utilities greater flexibility in selecting individual RD&D projects and in developing a budget to support their programs. I am concerned, however, that the role of our Commission Advisory and Compliance Division (CACD) in our new procedure needs further clarification.

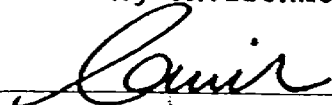
By this decision, we craft a prospective regulatory oversight process that provides utilities greater flexibility without relinquishing our responsibility to review budgets and programs. As the decision notes at page 8, our CACD will evaluate the various utility RD&D programs not on an individual project basis, but rather, with an emphasis on the overall performance of their RD&D program. The CACD staff will analyze to what extent the RD&D programs of each utility meet the criteria established in the PU Code, consistent with their role in regulatory oversight.

I understand this decision to be emphasizing what I would characterize as a portfolio approach to evaluating utility RD&D programs, since the CACD staff will be evaluating the programs based on the mix of projects pursued by each utility and the balance of projects between the various utilities' operations, among other things.

As Commissioner Duda clarified from the bench today, the CACD will not be involved in approval or disapproval of RD&D programs, but will provide summary program information and policy recommendations to the CURC working group and the Commissioners. By its involvement in CURC, the CACD staff will give input to program development, as do other CURC members. Commissioner Duda stated that matters of common concern, such as minimizing duplication of effort between utilities, will continue to be addressed through CURC. I am concerned that the role of CACD as

described on page 8 needs further clarification in a decision. My support of this decision is contingent on such clarification. Since this an interim opinion, the opportunity for such clarification, as Commissioner Duda pointed out, is available.

I expect this program will avoid micro-management of RD&D programs by CACD. As I understand it, this program will, through the reporting requirements, provide the Commission with a policy-oriented analysis of the programs. It is with these understandings and expectations that I support this decision. This is a timely change in procedure and emphasis on RD&D because utilities face a more competitive operating environment coupled with the need to respond to increasing environmental challenges.



G. MITCHELL WILK, Commissioner

September 12, 1990
San Francisco, California