

ORIGINAL

Decision No. 87010

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND
ELECTRIC COMPANY for authority to
include in its electric and gas
tariffs a procedure for Commission
review of conservation programs and
adjustment of PG&E's electric and
gas rates periodically to provide
funds for Commission approved
conservation programs.

(Electric and Gas)

Application No. 56845

SUPPLEMENTAL INTERIM OPINION

By Decision No. 86940 dated February 8, 1977 the Commission ordered Pacific Gas and Electric Company (PG&E) to establish gas and electric conservation adjustment accounts. This supplemental interim opinion is intended to further emphasize the Commission's views with respect to the utilities' conservation efforts and the procedures whereby conservation programs will be reviewed in this and subsequent proceedings.

- (1) The conservation programs should be started now.
- (2) Utility management has full discretion in implementing conservation programs. It is recognized that some new innovative conservation measures are experimental in nature and not all will prove cost effective. It is not our intention to later disallow operating expenses for such programs unless we determine that management has not acted prudently.
- (3) Improper or imprudent expense charges to the balancing account will not be allowed in ratemaking.

- (4) The effectiveness of PG&E's conservation programs and the vigor and imagination of its conservation efforts during 1976 are being considered in detail in Phase II of the current general rate proceeding in deciding upon a fair rate of return. The effectiveness of its 1977 and subsequent conservation programs and the vigor and imagination of its current and future efforts will be considered in future general rate proceedings in deciding upon a fair rate of return.
- (5) Conservation programs which include major customer incentives must be approved in advance by the Commission either in a general rate proceeding or in an offset proceeding. Other programs need not be considered in detail in these offset proceedings. The procedures will deal with establishing a reasonable initial level of offset rates.
- (6) With respect to the extraordinary procedure of offset relief and the establishment of a balancing account, we wish to reiterate that procedures along the line suggested are temporary measures to provide means for temporary problems. At such time as annual expenditures for conservation efforts are fairly constant in relation to total expenses, the special procedure and balancing account can be discontinued.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 23rd day of FEBRUARY, 1977.

Melvin R. Bate

 President

[Signature]

[Signature]

 Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

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COMMISSIONER BATINOVICH, Concurring:

My concurrence and dissent in Decision No. 86940 should not be construed as an intent to later seek disallowance of prudent conservation expenditures under the balancing account. Utilities should strive to reach a maximum level of cost effective conservation efforts as soon as possible to permit termination of balancing accounts.



ROBERT BATINOVICH, President

San Francisco, California,
February 23, 1977