ORIGINAL

Decision No. 92613 JAN 21 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of PACIFIC GAS AND ELECTRIC COMPANY for Authority to Revise its Load Management Budget for 1980-1981. (Electric)	Application No. 60065 (Filed November 7, 1980)

OPINION

Pacific Gas and Electric Company (PG&E) requests, by the above-titled application, authority to revise its load management budget for 1980-1981. PG&E proposes to modify that budget to accommodate three types of changes: (1) add the costs of additional programs not previously contemplated or funded at its last general rate case; (2) recognize the differences in the timing of cash outlays between the two years; and (3) recognize the revised estimates of revenue losses for certain load management programs.

In Decision No. 91107 the Commission adopted an $18.8 million load management budget for years 1980 and 1981 with money allocated to various programs. The adopted test year budget reflected the best available information at that time. However, due to the dynamic and evolving nature of load management requirements, actual 1980 expenditures are expected by PG&E to be different. Therefore, a more efficient use of load management resources can be realized through revisions in the 1981 budget. All details are shown in attached Appendix A.

Total expenditures authorized for the two-year period, 1980-1981, total $37,624,000. Adoption of the revised program will result in an estimated total expenditure in the two-year period, 1980-1981, of $38,696,000 (an increase of $1,072,000 over the authorization).

Related to the requested budget changes are changes in estimated revenue losses from load management activities. As described later, those changes result in a decrease of estimated losses from $11,038,000 to $10,085,000, or a net decrease of $953,000. The overall increase in estimated load management program costs (expenses plus revenue losses) thus will be a nominal $119,000. The net increase is not covered in rates, and PG&E makes no request for an offset to recover those costs. See attached Appendix B.

With respect to the cost of additional programs not previously contemplated or funded, PG&E requests recognition in the existing budget of the Cooperative Electricity Management Program and the Group Load Curtailment Program. The former program is a cooperative effort between PG&E and the communities of Chico, Davis, and Merced which offers monetary incentives for peak-load reduction. The program is already in operation in each of these communities and was previously reviewed by the Commission. The Group Load Curtailment Program recruits customers served under General Service-Time Metered Schedule No. A-22 and provides monetary incentives for the cooperative curtailment of peak load.

PG&E views both of these implemented programs as valuable for the purposes of eliciting summer peak-load relief. For this reason, PG&E has chosen not to delay their implementation until a 1982 test-year general rate case decision is issued. Specifically, PG&E requested authority to fund these two new programs and also fund cash timing differences, as explained in the following paragraph, through the diversion of $4,773,000 from the Residential Peak Load Cycling Program. PG&E believes that this transfer will still allow it to meet the 55,000 residential customer implementation goals of the California Energy Commission (CEC) mandated load cycling program by the end of 1981.

The second change in the budget was proposed because of differences between projected expenditures and actual cash outlays for ongoing projects. Due to delays between commitment of expenditures and actual payment for various program expenses, a carry-over of expenditures from one year to the next must be made. PG&E, therefore, requested specific authority to alter the budget to accommodate these timing differences. Where such differences result in net deficiencies to program budgets, the deficiencies would be made up by transferring funds from the Residential Peak Load Cycling Program.

PG&E also proposed two associated changes in addition to the transfer of funds and the reallocation of funds between 1980 and 1981. The metering program required under Section 133 of the Public Utility Regulatory Policies Act of 1978 (PURPA) was not funded **specifically in the original load management budget. In order to** purchase the first 360 load profile units for the residential PURPA program, authority is requested to transfer metering funds from the Residential Peak Load Cycling Program. In addition to that need, there are approximately 450 more units that must be purchased to comply with PURPA in the agricultural sector. Agreement on the exact number for which funding is available has not been reached between PG&E and the Commission staff. PG&E, therefore, requests that it be allowed to transfer funds from the Agricultural Time-of-Use Program to purchase the remainder of the meters. As no agreement has been reached with the Commission staff as to the appropriate number, a change in budget is not shown in Appendix A. Transfer of meters from these programs is not expected by PG&E to impair the reliability of the residential and agricultural data-gathering efforts.

The third major revision for which PG&E requested permission is to change the estimates of revenue loss associated with two time-of-use rate schedules (A-23 and A-18-B). PG&E has updated its estimates of revenue losses for the various load management programs and has revised its projection for 1980 and 1981 accordingly. The revised estimates are summarized in Appendix B.

The appendix shows the projected revenue losses for the new Schedules A-23 and A-18-B at $4,469,000 with an additional increase in losses for the Residential A/C program of $188,000. Those increased losses are more than compensated for by reductions in nonresidential, agricultural, and residential water heater cycling program losses so that total losses are projected to be reduced by $953,000. While PG&E understands that approval of these revenue losses may require a public hearing, it requests permission to make provision in its load management budget for the revenue losses associated with these rates at this time pending the subsequent determination of the revenue losses. Such a procedure would expedite timely revenue recognition for the operation of Schedules A-23 and A-18-B rates when approved, and would obviate the need to authorize coverage of the associated revenue losses in a separate proceeding.

The Commission staff is aware of the projected reduction in the Schedule PA-2X agricultural program revenue losses. The **reduction of losses is due to equipment delays which resulted from manufacturing problems at the company's meter supplier.** The staff with the cooperation of PG&E undertook this summer an urgent and major restructuring of the experimental program related to the agricultural time-of-use effort, so it is confident that the data lost can be adequately compensated for through the additional data to be secured in the summer of 1981. The projected 1980 revenue loss will, however, not occur so that monies will be available to cover the losses forecast in the Schedules A-23 and A-18-B programs.

Revenue losses incurred by agricultural time-of-use rates are currently being collected through rates applied to agricultural customers. By Commission approval of PG&E's application, the revenue losses expected to be incurred by the agricultural class, as approved in Decision No. 91107, would be used to cover revenue losses incurred by the implementation of the A-18-B and A-23 curtailable rates. The staff has advised the California Farm Bureau Federation (Farm Bureau) of this situation, and, as a result, the Farm Bureau stated its concerns in a letter to the Commission dated November 26, **1980, which is received as Exhibit 1. The Farm Bureau has** taken the view that since the forecasted revenue losses for Agricultural Time-of-Use Metering, through rate design, were included as an electricity cost to the agricultural class, **there should** be an opportunity for agricultural customers to seek recovery of these costs. The Farm Bureau also noted that should the Commission grant the opportunity to recover the cost at the forthcoming PG&E general rate case, it would have no objection to the PG&E-proposed load management budget reallocation. Should the Commission not be able to make such a commitment, the Farm Bureau wished to make an appearance in order to seek that recovery under this application. Specifically, the Farm Bureau stated its position in the letter as follows:

> "However, under the current situation, agricultural customers are paying an extra $4,450,000 per year in rates to offset a revenue loss for the agricultural time-of-use program which is largely not occurring. Farm Bureau was planning to contend in the 1982 test year PG&E general rate case that the revenue loss for 1982 and 1983 be reduced by the amount of loss estimated but not occurring during 1980 and 1981. We believe this would be consistent with the Decision No. 91107 language '...**the issue of how to** distribute or redirect the unexpended funds will be considered in the next general rate proceeding.' (P. 218.)

> "If the Commission approves Application No. 60065 so that loss revenues are reallocated to fund industrial interruptible rate incentives, and agricultural customers are foreclosed from a prospective recovery of overpayments in 1982 and 1983 rates,

agricultural customers alone will be paying for the rate incentives offered to industrial customers. This situation would be patently unfair. It should be pointed out that \$4 to \$5 million is a substantial amount in relation to total agricultural base rate revenues of \$158.6 million.

"Farm Bureau would not object to approval of Application No. 60065 if the decision ordered reduction of agricultural rates to make up for the revenue loss which has not occurred. Perhaps a more practical solution would be to authorize the programs and expenditures discussed therein with provision for an agricultural rate adjustment in the next general rate case for overcollection of revenue loss estimated for the agricultural time-of-use program. If the approval of Application No. 60065 would mean that overcollection of revenues from agriculture were to be permanently diverted to fund rate reductions for industrial customers, Farm Bureau would most strenuously object to such approval."

In Application No. 60153, PG&E's 1982 general rate case filing, PG&E has proposed that \$4,469,000 of the \$4,800,000 revenue losses not incurred by agricultural customers during the 1980-1981 period be subtracted from the 1982 and 1983 agricultural customer base rates and be added to the base rates of the commercial/industrial customers impacted by the A-23 curtailable and A-18-B rates. The \$4,469,000 would be split evenly in 1982 and 1983. The Commission recognizes the agricultural customers concerns that they be reimbursed for revenue losses not incurred by the agricultural class. Since no adjustment to rates is being requested in this application, the Commission will not pass judgment at this time on whether agricultural rates in 1982 should be decreased. Any adjustment to rates will be considered in PG&E's general rate case proceeding (Application No. 60153) and will be a part of the decision emerging from that proceeding.

PG&E notified all parties of record in its last general rate case, Application No. 58545, of the filing of this current application.

Findings of Fact

1. The present load management budget can be revised without adversely affecting previously adopted load management programs and the public interest.

2. The proposed load management budget for 1980 and 1981 is just and reasonable and a public hearing is not necessary.

3. Consideration will be given to the effect of reduced 1980 and 1981 agricultural load management revenue losses in PG&E's general rate case Application No. 60153.

Conclusion of Law

The application should be granted to the extent set forth in the order which follows.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to make the proposed revisions to the load management budget for 1980 and 1981 as set forth in Appendix A.

2. The Commission will give consideration to the effect of reduced agricultural load management revenue losses upon the agricultural class revenue requirements to be developed in the proceedings in Application No. 60153.

The effective date of this order shall be thirty days after the date hereof.

Dated JAN 21 1981, at San Francisco, California.

President

Commissioners

APPENDIX A

LOAD MANAGEMENT REVISED BUDGET SUMMARY[a]
1980-1981
(Dollars in Thousands)

Item	Revenues Authorized Decision No. 91107 Per Year (A)	Estimated Revised Budget 1980[b] (B)	Estimated Revised Budget 1981[c] (C)	Estimated Total Budget 1980-1981[d] (D)
Rate Research	$ -	$ 906	$ 997	$ 1,903
TOU Rates				
A-23/A-22/A-21	1,094	980	708	1,688
A-20	-	1,228	150	1,378
Agricultural	3,024	1,914	4,109	6,023[g]
Solar	134	50	55	105
Cooperative Elec. Mgt.	-	478	515	993
Marginal Cost				
Electric Rate Design	154	100	110	210
Gas Rate Design	-	2	-	2
Load Deferral Rates				
Load Management Various	-	200	220	420
Residential A/C-1979	188	250	-	250
Residential A/C-CEC	13,054[e]	5,860	12,445	18,305
Residential W/H-CEC	-	-	2,282[f]	2,282
Residential Cold Storage	-	130	-	130
Group Load Curtailment	-	400	1,442	1,842
Nonresidential A/C	677	190	610	800
General				
Customer Impact	66	10	10	20
Appliance Saturation	69	180	198	378
Load Research	-	90	888	978[g]
Measurement of Conservation	352	471	518	989
Total	$18,812	$13,439	$25,257	$38,696

(M equals a million)

a/ Includes load management capital expenditures and operation and maintenance (O&M) expenditures. This budget includes $0.116M for gas load management.

b/ Estimated 1980 includes: $8.544M capital-electric, $4.570M O&M-electric, and $0.325M gas.

c/ Estimated 1981 includes: $17.470M capital-electric, $7.429M O&M-electric, and $0.358M O&M gas.

d/ PG&E may be obligated for upwards of $2M to purchase visual display meters for A-23/A-22/A-21 customers. Not included in budget.

e/ Includes both A/C and water heater cycling.

f/ Capital only. O&M contained in Residential A/C CEC Program.

g/ Load profile metering funded through 1980-1981 Agricultural TOU Program budget may be used to also satisfy PURPA requirements.

APPENDIX B

LOAD MANAGEMENT
REVISED REVENUE LOSS ESTIMATED

1980-1981

(Dollars in Thousands)

Schedule/Program		1980-1981 A-58545 Revised Estimate (A)	1980-1981 Projected by This Application Rev. Losses (B)	Changes (C)	
AD	- Nonresidential	$ 290	$ 72	$ 218	Reduction
PA-2X	- Agricultural	8,900	4,100	4,800	Reduction
DC	- Residential A/C	1,200	1,388	188	Increase
	- Residential W/H	648	56	592	Reduction
A-23	- Option, Curtailable/Interruptible	0	2,271	2,271	Increase
A-18-B	- Option, Curtailable/Interruptible	0	2,198	2,198	Increase
	Total	$11,038	$10,085	$ 953	Reduction