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Decision 95-11-059 November 21, 1995

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY for Authority to Adjust its Electric Rates Effective January 1, 1994, and to Adjust its Gas Rates Effective January 1, 1994. Application 93-04-028 (Filed April 15, 1993)

(U 39 M) proposed dollar adjustment, the management, economic conditions, and whether hearings are necessary. On March 27, 1995, BNG filed its

**OPINION**

This decision adopts Pacific Gas and Electric Company's (PG&E) proposal to refund \$11.2 million to its customers based on the independent audit recommendations of the Barrington-Wellesley Group, Inc. (BNG) in its December 20, 1994 report on the cost of items considered to be inappropriately included in PG&E's Demand-Side Management (DSM) balancing accounts during 1990 through 1992. PG&E proposes that: (1) the Electric Revenue Adjustment Account be reduced by \$9.2 million plus interest in this year's Energy Cost Adjustment Clause (ECAC), Application (A.) 95-04-002; and (2) the Core and Non-Core Gas Fixed Cost Accounts be reduced by \$2.0 million, plus accrued interest, in this year's Biennial Cost Allocation Proceeding (BCAP), A. 94-11-015.

In Decision (D.) 93-12-044, in PG&E's 1993 ECAC proceeding, the Commission ordered the independent audit, as discussed in Section 6.5 of the decision and adopted in Paragraph 5. We authorized PG&E to recover in rates \$41,389,000 for its 1992 DSM shareholder incentive earnings, subject to refund pending our receipt and review of the audit report.

By the Administrative Law Judge's (ALJ) Ruling on June 15, 1995 in this docket and related DSM proceedings, it was determined that the accounting recommendations in the BNG audit earnings is proposed to be incorporated in the year-end rate

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report would be addressed in Rulemaking (R.) 91-08-003/  
investigation (I.) 91-08-002 and the ratemaking recommendations  
would be addressed in this proceeding.

Notice of availability of BWG's report was sent to all  
parties on December 20, 1994. By ALJ ruling dated February 24,  
1995 a procedural schedule was set for PG&E to respond to the  
report and then for other parties to file comments addressing the  
proposed dollar adjustment, the management recommendations, and  
whether hearings are necessary. On March 27, 1995, PG&E filed its  
comments; no interested parties filed responsive comments.

On June 26, 1995, BWG wrote the assigned ALJ, with copies  
to all interested parties, that based on PG&E's March 27 filing it  
had examined PG&E's claim that \$822,922 of General Customer  
Conservation Inquiry Program costs should not be reduced from 1990-  
1992 DSM balances. BWG states that its review of additional  
documentation provided by PG&E indicates that, had PG&E provided  
the supporting documentation prior to the issuance of its audit  
report, BWG would not have recommended the \$822,922 reduction.

We find it is reasonable to accept PG&E's proposal to  
refund \$11.2 million plus accrued interest to its electric and gas  
customers as the appropriate dollar adjustment necessary to the  
\$41,389,000 in 1992 DSM shareholder incentive earnings authorized  
in D.93-12-044. We will address BWG's recommendations for  
improvements to PG&E's DSM financial and management reporting  
systems and its accounting recommendations in R.91-08-003/  
I.91-08-002.

Findings of Fact

1. PG&E's proposal to refund \$9.2 million plus accrued  
interest to its electric customers and \$2.0 million plus accrued  
interest to its gas customers is reasonable based on the  
independent audit report of BWG.

2. The refund from authorized 1992 DSM shareholder incentive  
earnings is proposed to be incorporated in the year-end rate

changes scheduled to be authorized in the pending electric proceeding A.95-04-002 and in the pending gas proceeding A.94-11-015. A separate hearing will be held on the issue of the proposed refund.

Conclusion of Law

PG&E's proposed refund should be adopted.

Dated November 21, 1995 at San Francisco, California. O.R. DEER, IS

**IT IS ORDERED that:**

1. On or before December 31, 1995, Pacific Gas and Electric Company (PG&E) shall refund \$9.2 million plus accrued interest to its electric customers through a credit to its Electric Revenue Adjustment Mechanism balancing account. This credit shall be reflected in rate changes authorized in PG&E's pending Energy Cost Adjustment Clause proceeding, Application (A.) 95-04-002. In its end of the year advice filing in compliance with a Commission decision in A.95-04-002, PG&E shall include workpapers showing the calculation of the refund.

2. On or before December 31, 1995, PG&E shall refund \$2.0 million plus accrued interest to its gas customers through a credit to its Core and NonCore Gas Fixed Cost Accounts balancing accounts. This credit shall be reflected in rate changes authorized in PG&E's pending Biennial Cost Allocation Proceeding, A.94-11-015. In its end of the year advice filing in compliance with a Commission decision in A.94-11-015, PG&E shall include workpapers showing the calculation of the refund.

3. The accounting recommendations made in Bafrington+change Wellesey Group, Inc. as December 20, 1994 independent audit report will be separately addressed in Rulemaking 91-08-003/ Investigation 91-08-002.

4. A.93-04-028 is closed.

This order is effective today.

Dated November 21, 1995, at San Francisco, California.

IT IS ORDERED that:

1. On or before December 31, 1995, Pacific Gas and Electric Company shall refund \$2.2 million plus accrued interest to P. GREGORY CONLON, JESSIE J. KNIGHT, JR., HENRY M. DUQUE, and JOSIAH L. NEEPER, Commissioners. This credit shall be reflected in PGE's pending Energy Cost Adjustment Clause proceeding, Application (A.) 92-04-002. In the end of the year advice filing in compliance with a Commission decision in A.92-04-002, PGE shall include worksheets showing the calculation of the refund.

2. On or before December 31, 1995, PGE shall refund \$2.0 million plus accrued interest to its gas customers through a credit to its Core and NonCore Gas Fixed Cost Accounts balancing accounts. This credit shall be reflected in rate changes authorized in PGE's pending Biennial Cost Allocation proceeding, A.94-11-012. In the end of the year advice filing in compliance with a Commission decision in A.94-11-012, PGE shall include worksheets showing the calculation of the refund.