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Decision 97-09-041 September 3, 1997

(SEP. 3 1997)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of San Diego Gas & Electric Company for Authority to Increase its Gas and Electric Revenue Requirements to Reflect its Accomplishments for Demand-Side Management Program Years 1994, 1995, and 1996 in the 1997 Annual Earnings Assessment Proceeding ("AEAP") (U 902 M).

Application 97-05-002
(Filed May 1, 1997)

ORIGINAL

And Related Matters.

Application 97-05-004
(Filed May 1, 1997)
Application 97-05-005
(Filed May 1, 1997)
Application 97-05-026
(Filed May 5, 1997)

INTERIM OPINION: ACCOUNTING ISSUES

By this order we establish accounting procedures for Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE), and Southern California Gas Company (SoCal) to track earnings associated with Demand-Side Management (DSM) programs pending a final Commission decision on earnings levels in this proceeding.

Background

The purpose of this proceeding is to address the earnings claims of PG&E, SDG&E, SCE, and SoCal, collectively referred to as "the utilities," for their DSM activities. Revenue requirement changes associated with these claims are typically made effective on the first of each year, e.g., January 1, 1998. Because it is anticipated that a final decision in this proceeding will not be issued in time for a January 1, 1998 rate change, parties were asked to comment on accounting issues associated with the

delay. (See assigned Administrative Law Judge's (ALJ) Ruling dated May 20, 1997 and June 17, 1997 Prehearing Conference Reporter's Transcript, p.18.)

On June 17, 1997, SoCal filed a Prehearing Conference statement proposing an interest-bearing tracking account for earnings associated with gas DSM programs, described as follows:

"The purpose of this account is to track the revenues being collected to the 1997 Annual Earnings Assessment Proceedings (AEAP) which are subject to refund. Once the final amount related to the AEAP has been determined and approved by the Commission, the following adjustments are to be made to this tracking account. The first adjustment is to reduce the tracking account balance by the authorized AEAP revenue amount which is to be retained by SoCal. The second adjustment is to record on a monthly basis the difference between the initial and final AEAP rates until the final AEAP amount is reflected in rates. The balance in this tracking account is to reflect either amounts due ratepayers if the final AEAP rate is lower than the initial AEAP rate or amounts due from ratepayers if the final AEAP rate is higher than the initial AEAP rate. The balance in this account is to be included in the next cost allocation proceeding."

SDG&E currently has an interest-bearing electric DSM memorandum account and DSM balancing account, but notes that these accounts may be eliminated in the tariff streamlining proceeding currently underway in the electric restructuring docket (Rulemaking (R.) 94-04-031/Investigation (I.) 94-04-032). Should the Commission act on the 1997 AEAP proceeding before the streamlining decision is issued, SDG&E proposes as an alternative that the Commission approve in this proceeding a single interest-bearing account similar to that proposed by SoCal, but allow both electric and gas DSM rewards to be booked to separate sub-accounts within that account. SDG&E suggests that this account be established recognizing that a later decision in the restructuring docket might require replacement accounts to be established in order to achieve broader goals.

In this AEAP, PG&E is proposing a gas revenue decrease that is less than one percent of gas revenues. PG&E recommends that the decrease, plus interest, be reflected in decisions in its 1998 Biennial Cost Adjustment Proceeding (BCAP) (Application (A.) 97-03-002) or take place with the next scheduled gas rate change.

PG&E does not seek authority to establish a memorandum account to track either gas or electric revenues from the 1997 AEAP because PG&E already has such an account. Similarly, SCE requests that it be authorized to enter estimated electric DSM earnings in its existing DSM memorandum account until the Commission issues a final decision in this proceeding.

PG&E requests that the 1997 AEAP decision become effective on January 1, 1998, even if the decision is not issued until after that date. PG&E contends that this is necessary to permit the utilities to book the estimated 1997 AEAP revenues to shareholders starting January 1, 1998.

Discussion

It appears that PG&E and SCE have existing accounting mechanisms for tracking DSM earnings until a final decision in this proceeding can be issued. For SDG&E and SoCal, we will approve SoCal's recommendation to establish a single interest-bearing account specific to the purpose of tracking earnings associated with the 1997 AEAP. SDG&E's account should include separate sub-accounts to separately track gas and electric earnings.

The 1997 AEAP earnings accruing in these accounts, whether newly established or existing, shall be adjusted to reflect final authorized earnings levels. Interest shall accrue on July 1 of the year following program expenditures at the 90-day commercial paper rate, consistent with past practice. (See Decision (D.) 90-08-068, 37 CPUC 2d 346, 365; D.94-10-059, 57 CPUC 2d 1, 62-63.) We authorize the utilities to book the estimated 1997 AEAP revenues to the tracking accounts starting January 1, 1998, even if a final decision on earnings levels is not issued by that date.

Gas revenue changes arising from the 1997 AEAP will be consolidated with SoCal's, SDG&E's and PG&E's next gas cost allocation proceeding. If possible, we will reflect PG&E's proposed gas revenue decrease in decisions issued in its pending 1998 BCAP, A.97-03-002. We note that there is currently a rate freeze in place on the electric side, pursuant to Public Utilities (PU) Code § 368(a) and D.96-12-077. We make no determination as to the cost recovery or ratemaking treatment of amounts accruing in

the electric tracking accounts authorized by today's decision. The Commission will address ratemaking and cost recovery issues associated with these and other amounts authorized during the freeze in our electric industry restructuring proceeding (R.94-04-031/I.94-04-032).

Findings of Fact

1. PG&E and SCE have existing accounting mechanisms for tracking DSM earnings until a final decision in this proceeding can be issued.
2. SDG&E and SoCal propose establishing an interest-bearing tracking account specific to the purpose of tracking earnings associated with the 1997 AEAP.
3. The Commission has authorized that interest accrue on shareholder earnings at the 90-day commercial paper rate, beginning July 1 of the year following DSM expenditures.
4. Pursuant to PU Code § 368(a) and D.96-12-077, there is currently a rate freeze in place for electric rates. The Commission will address ratemaking and cost recovery issues associated with amounts authorized during the freeze in the electric industry restructuring proceeding (R.94-04-031/I.94-04-032).

Conclusions of Law

1. In order to track shareholder incentive amounts authorized in the 1997 AEAP, it is reasonable to authorize the following:
 - (a) PG&E and SCE should track estimated 1997 AEAP revenues in their existing DSM memorandum accounts.
 - (b) SoCal and SDG&E should establish a single interest-bearing account specific to the purpose of tracking earnings associated with the 1997 AEAP. SDG&E's account should include separate sub-accounts to separately track gas and electric earnings.
 - (c) The 1997 AEAP earnings accruing in these accounts, whether newly established or existing, should be adjusted to reflect final authorized earnings.
 - (d) Interest should accrue on July 1 of the year following program expenditures at the 90-day commercial paper rate, consistent with past practice.

2. Gas revenue changes arising from the 1997 AEAP should be reflected in decisions in SoCal's, SDG&E's, and PG&E's next gas cost allocation proceeding, except as follows: If a final AEAP decision is issued prior to a decision in A.97-03-002, PG&E's pending 1998 BCAP, the gas revenue changes for PG&E should be reflected in decisions issued in that proceeding.

3. Today's decision should not address ratemaking and cost recovery issues associated with the amounts entered in the tracking accounts for electric utilities, since rate freeze issues are to be addressed in our electric industry restructuring proceeding (R.94-04-031/I.94-04-032.)

4. It is reasonable to authorize the utilities to book the estimated 1997 AEAP revenues to the tracking accounts starting January 1, 1998, even if a final decision on earnings levels is not issued by that date.

5. In order to implement the tracking mechanisms as expeditiously as possible, this order should be effective today.

INTERIM ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCal), collectively referred to as "the utilities," are authorized to do the following:

- (a) PG&E and SCE shall track estimated 1997 Annual Earnings Assessment Proceeding (AEAP) revenues in their existing interest-bearing demand-side management (DSM) accounts.
- (b) SoCal and SDG&E shall establish a single interest-bearing account specific to the purpose of tracking earnings associated with the 1997 AEAP. SDG&E's account shall include separate sub-accounts to separately track gas and electric earnings.
- (c) The utilities shall book the estimated 1997 AEAP revenues to the tracking accounts starting January 1, 1998, even if a final decision on earnings levels is not issued by that date.

(d) The 1997 AEAP earnings accruing in these accounts, whether newly established or existing, shall be adjusted to reflect final authorized earnings.

(e) Interest shall accrue on July 1 of the year following program expenditures at the 90-day commercial paper rate, consistent with past practice.

2. Gas revenue changes arising from the 1997 AEAP shall be reflected in decisions in SoCal's, SDG&E's, and PG&E's next gas cost allocation proceeding, except as follows: If a final AEAP decision is issued prior to a decision in Application 97-03-002, PG&E's pending 1998 Biennial Cost Allocation Proceeding, the gas revenue changes for PG&E shall be reflected in decisions issued in that proceeding.

3. The ratemaking and cost recovery issues associated with the amounts entered into the tracking accounts for electric utilities shall be addressed in our electric industry restructuring proceeding (Rulemaking 94-04-031/Investigation 94-04-032).

This order is effective today.

Dated September 3, 1997, at San Francisco, California.

P. GREGORY CONLON
President

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

RICHARD A. BILAS

Commissioners

3. The proposed resolution of this proceeding set forth in Finding of Fact 2 should be approved. For present purposes, such approval is limited to the circumstances presented in this proceeding.

4. Cal Water should seek authority, in a general rate case or other appropriate application, to implement proportional advances for special facilities in Chico and all similarly situated districts throughout its system. Such broader implementation of the approach approved to resolve this proceeding should be considered in another proceeding after all concerned interests have had an opportunity to participate.

5. To enable Webb and Cal Water to complete their arrangements promptly, and for Cal Water to seek the additional authority it desires at the earliest opportunity, today's decision should take effect immediately.

O R D E R

IT IS ORDERED that:

1. The resolution of this proceeding set forth in Finding of Fact 2 is approved, and for this purpose California Water Service Company is authorized to deviate from its Tariff Rule 15.C.1.b.

2. This proceeding is closed.

This order is effective today.

Dated September 3, 1997, at San Francisco, California.

P. GREGORY CONLON
President
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
Commissioners