

ALJ/BRS/wav

Mailed

APR 23 1998

Decision 98-04-047 April 23, 1998

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 Demonstration in
the Electric and Gas Industries.

Rulemaking 87-10-013
(Filed October 16, 1987)

ORIGINAL

O P I N I O N

Summary

This decision concludes that as a result of the changing energy utility market and regulation, it is no longer necessary for the Energy Division to prepare a biennial status report on Research Development and Demonstration (RD&D) activities of the respondent energy utilities. These utilities also will not be required to file an annual report on RD&D activities after filing the 1998 report. The proceeding will be closed after the 1998 utility reports are filed.

Background

In Decision (D.) 90-09-045 dated September 12, 1990 in this rulemaking we established a schedule and procedures for regulatory review and treatment of RD&D programs, and indicated that we would subsequently adopt a standardized format.

In D.92-02-029 dated February 5, 1992 we adopted a standard format.

In D.96-04-055 dated April 10, 1996 we granted the utilities' request to streamline their reports, and modified D.90-09-045 and D.92-02-029, but denied the request of the Commission Advisory and Compliance Division (CACD) to eliminate the requirement that it file a biennial RD&D Report. However, the

Commission indicated it would revisit the need for the Report at a later time. The last Report was filed on January 17, 1996.

By Administrative Law Judge (ALJ) Ruling dated December 5, 1997 the parties were asked to comment on the renewed request of the Commission's Energy Division, which has assumed CACD's reporting responsibilities, to eliminate the requirement for a Report. The ALJ Ruling stated that if justification for the Report is lacking, the Commission would be advised to eliminate that requirement and close this proceeding.

Comments were filed by the California Energy Commission (CEC) and Pacific Gas and Electric Company (PG&E). Both parties support eliminating the Report, and PG&E believes this proceeding should be closed.

The CEC notes that Assembly Bill 1890 directs the Commission to collect an electricity usage surcharge for public interest RD&D, and transfer those funds to the CEC, except for those relating to transmission and distribution functions. Those RD&D activities will be carried out through the Public Interest Energy Research (PIER) program administered by the CEC. The Energy Division should be relieved of any reporting responsibilities concerning the PIER program. Instead, the CEC will provide copies of PIER reports required by Senate Bill 90, to the Commission and the Energy Division.

CEC further states that the Commission may decide to handle future regulated RD&D activities under performance-based ratemaking (PBR) mechanisms, rather than using one-way balancing accounts as in the past. If so, CEC believes that policy makers will not need detailed biennial reports dealing with cost-effectiveness of individual RD&D programs, and rather will need only limited information summarizing the programs' overall effectiveness in benefiting ratepayers. Additionally, the utilities' regulated RD&D activities will be smaller than previously, and the Commission has already streamlined the

Investor-Owned Utilities' annual reporting requirements. CEC recommends that the Energy Division not be required to report on activities that the utilities are not required to report on.

Based on the recent history of regulation of the electric utility industry, and the effect on RD&D, CEC recommends that the Energy Division be relieved of the obligation to file the detailed Report it has prepared in the past, and instead it should file a short memorandum report, which would consist of:

- a concise summary of RD&D activities that regulated utilities have conducted or are planning to conduct;
- an evaluation of the effectiveness of PBR mechanisms in promoting RD&D activities in the ratepayers' interest; and
- any recommendations for revisions to RD&D programs that would better achieve current policies.

Finally, CEC recommends that no report be prepared by the Commission in 1998 due to the fact that the electric industry restructuring only started in 1998. Instead, CEC would like the Energy Division to work with it and other affected parties to develop a form for the recommended shortened biennial report and to file it with the Commission by March 31, 1999.

PG&E notes the changes that have occurred which dramatically reduce the need for a detailed biennial report. As a result of restructuring of the electric utility industry, PBR, and transferring of major RD&D funding to the CEC, PG&E has disbanded its RD&D department and handles the remaining activities in the directly affected operating departments. PG&E estimates that on January 1, 1998, \$29.7 million of RD&D activities was transferred to the CEC, while only \$300,000 remains with the utility.

PG&E believes that the need for a detailed biennial report from the Energy Division no longer exists, and that similarly, the utilities should be relieved of

their RD&D reporting obligations after the report due March 15, 1998 is filed, and this rulemaking proceeding should then be closed.

Discussion

This rulemaking proceeding was opened over a decade ago, when energy markets were quite different. We indicated in D.96-04-055 that we would subsequently reevaluate whether the biennial report should be continued. The time for that evaluation is now.

PG&E recommends eliminating the Commission's reporting requirement, eliminating the utility reporting requirement, and closing the proceeding. CEC agrees that there is no need for the detailed report from the Commission but believes a less detailed report in the form of a memorandum is needed. This would be delayed until 1999 due to the changes now occurring in the electric and natural gas industries.

We believe the time has come to eliminate the requirement for an RD&D report from the Energy Division. During this active period of energy industry restructuring, our Energy Division staff will be kept very busy even without such a requirement. Preparation of even a less detailed report, as CEC recommends, is not the best use of Energy Division staff. We conclude that it is not necessary to formally require such regular reports.

We believe that the same result can be accomplished and CEC's needs can be met by informal request or meetings between the CEC and the Energy Division, without the deadlines associated with a required report. Additionally, if we ordered a less detailed report to be prepared, we would need to consider and evaluate the contents of that report, and those needs would likely change over time, requiring periodic revisions to the requirements. We wish to eliminate the need to formally address the need for RD&D information, which we believe can be more efficiently handled informally.

We encourage the Energy Division to be responsive to CEC's needs in an informal manner so that establishing mandates to furnish RD&D information can continue to be avoided in the future.

Eliminating the formal reporting requirement by the Energy Division also reduces the need for the utilities to prepare a detailed report. With the filing of the reports that were due March 15, 1998, it is no longer necessary for the utilities to prepare and file separate RD&D reports.

Findings of Fact

1. Changes in RD&D handling and funding eliminate the need for a detailed biennial report from the Energy Division .
2. The needs of the CEC for RD&D information from the Energy Division can be handled informally.
3. There is no longer a compelling need for regular RD&D reports from the utilities.

Conclusions of Law

1. Energy Division should no longer be required to prepare a biennial RD&D report.
2. The utilities should no longer be required to provide RD&D reports after submitting the reports that were due March 15, 1998.
3. This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. Decision 90-09-045 is modified to delete Ordering Paragraphs 1 and 2.
2. Respondent utilities Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company are not required to file an Annual Report on Research

Development and Demonstration (RD&D) activities with the Commission after the report that was due March 15, 1998 is filed. That report shall be filed 45 days after the effective date of this decision.

3. The Energy Division is no longer required to file a biennial RD&D status report covering the respondent utilities.

4. Monitoring of RD&D activities by the Energy Division in the future should be done on an informal basis.

5. This proceeding shall be closed 60 days after the effective date of this decision.

This order is effective today.

Dated April 23, 1998, at Sacramento, California.

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