

ALJ/MEG/sid

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Decision 98-09-004 September 3, 1998

ORIGINAL

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)

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)

OPINION

We deny the April 29, 1998 Petition of Southern California Edison Company (SCE) for Modification of Decision (D.) 98-03-063. We find that the allocation of demand-side management (DSM) earnings to the electric distribution revenue requirement is consistent with the language of Public Utilities (PU) Code §§ 381 and 382 and should be implemented in the revenue allocation proceeding, as ordered in D.98-03-063.

Background

The Annual Earnings Assessment Proceeding (AEAP) establishes utility shareholder incentives for DSM accomplishments. In D.98-03-063, the Commission authorized earnings for pre-1998 DSM programs for Pacific Gas and

Electric Company (PG&E), SCE, San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company. For ratemaking purposes, we directed the utilities to use authorized DSM earnings "to adjust the distribution revenue requirement in calculating headroom." (D.98-03-063, mimeo. p.12.) We stated our intention to oversee this allocation matter "in our next revenue allocation proceeding." (*Ibid.*)

On April 29, 1998, SCE filed a petition to modify this ratemaking treatment (Petition). SCE's Petition notes that the tables in the back of D.97-08-056 place recovery of DSM earnings in the public purpose revenue requirement and nonbypassable surcharge, rather than in the electric distribution revenue requirement. To reconcile this difference, SCE proposes that D.98-03-063 be modified to conform to the accounting in the tables in D.97-08-056. SCE argues that this modification is reasonable "[g]iven the careful consideration of cost allocation issues the Commission undertook in the Ratesetting Proceeding." (Petition, pp. 2-3.)

On May 29, 1998, PG&E filed a response to SCE's Petition and, with permission from the assigned Administrative Law Judge, PG&E supplemented its response on June 19, 1998. PG&E opposes SCE's Petition. PG&E argues that the ratemaking treatment ordered in D.98-03-063 is more consistent with the statutory language of Assembly Bill (AB) 1890 and should be retained.

Discussion

In considering SCE's Petition, we note that headroom will be reduced under either ratemaking treatment, i.e., whether DSM earnings are allocated to the distribution revenue requirement or to the public purpose revenue requirement. However, under the approach proposed by SCE, revenue requirements associated with DSM earnings would also become part of the public purpose program nonbypassable surcharge. Therefore, to determine

whether this approach is reasonable, we look first at the statutory provisions establishing that nonbypassable surcharge.

Section 381(a) of PU Code provides in relevant part:

"To ensure that the funding for the programs described in subdivision (b) and Section 382 are not commingled with other revenues, the commission shall require each electrical corporation to identify a separate rate component to collect the revenues used to fund these programs. The rate component shall be a nonbypassable element of the local distribution service and be collected on the basis of usage."

D.97-08-056, at mimeo, p. 10, enumerates the components of the public purpose program nonbypassable surcharge: "AB 1890 requires the establishment of a separate rate component to collect the revenues to fund (1) energy efficiency activities; (2) research and development; (3) operation and development of renewable resource technologies; (4) low income energy efficiency services (LIEE), and (5) the California Alternative Rate for Energy (CARE) program."

The remainder of PU Code §§ 381 and 382 identify the specific components of annual funding for the nonbypassable surcharge and establish minimum funding levels. In D.97-02-014, we determined that initial funding levels would be set at the minimum levels set forth in PU Code §§ 381 and 382. (D.97-02-014, Ordering Paragraph 2.) In doing so, we also made clear that AEAP shareholder incentives would not come from the public purpose program revenue requirement: "However, funding for [AEAP] shareholder incentives will not come from the levels authorized today for § 381(c)(1) energy efficiency programs." (Ibid, mimeo. pp. 36-37.)

In view of the above, we find that the ratemaking treatment directed in D.98-03-063 is more consistent with the provisions of the PU Code §§ 381 and 382 than the treatment proposed by Edison in its Petition. This approach is also consistent with SDG&E's treatment of the public purpose revenues in

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D.97-08-056, as set forth in Table 1 of Appendix C, at lines 19 through 24. Accordingly, we deny Edison's Petition.

As PG&E points out, retaining the ratemaking treatment adopted in D.98-03-063 does not require a modification of D.97-08-056. The revenue requirements and rates adopted in D.97-08-056 remain unchanged.¹ The provisions of D.97-08-056 will remain in effect for 1998, while the requirements of D.98-03-063 will go into effect in the revenue allocation proceeding, to be effective in 1999.

Findings of Fact

1. The ratemaking treatment directed in D.98-03-063 is more consistent with the provisions of the PU Code §§ 381 and 382 than the treatment proposed by SCE in its Petition.

2. The ratemaking treatment adopted in D.98-03-063 does not require a modification of D.97-08-056.

Conclusions of Law

1. SCE's April 29, 1998 Petition for Modification of D.98-03-063 should be denied.

2. In order to incorporate this decision into the revenue allocation proceeding, this order should be effective today.

¹ It should be noted that D.98-03-063 adopted a different AEAP shareholder incentive revenue requirement for 1998 than the incentive revenue requirement underlying the tables appended to D.97-08-056. However, no action has been taken to allocate these revenue requirements to date, since we directed that such allocation should be done in the revenue allocation proceeding. Hence, the revenue change reflecting authorized shareholder incentives (per D.98-03-063) will become effective in 1999.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company's April 29, 1998 Petition for Modification of Decision 98-03-063 is denied.
2. Application (A.) 97-05-002, A.97-05-004, A.97-05-005, and A.97-05-026 are closed.

This order is effective today.

Dated September 3, 1998, at San Francisco, California.

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