

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3275
June 3, 1992

R E S O L U T I O N

RESOLUTION E-3275. SAN DIEGO GAS & ELECTRIC COMPANY REQUESTS AUTHORIZATION TO TRANSFER \$46,723 FROM ITS RESEARCH, DEVELOPMENT AND DEMONSTRATION ONE-WAY BALANCING ACCOUNT, PLUS INTEREST ACCRUED FROM JANUARY 1, 1992, TO ITS ELECTRIC REVENUE ADJUSTMENT MECHANISM (ERAM) BALANCING ACCOUNT.

BY ADVICE LETTER 842-E, FILED ON MARCH 23, 1992.

SUMMARY

1. By Advice letter 842-E, San Diego Gas & Electric Company (SDG&E) requests authorization to transfer \$46,723 from its Research, Development and Demonstration (RD&D) One-Way Balancing Account, plus interest accrued from January 1, 1992, to its Electric Revenue Adjustment Mechanism (ERAM) Balancing Account.
2. This Resolution approves Advice Letter 842-E, as modified to transfer \$326,864, plus interest.

BACKGROUND

1. In Decision (D.) 87-07-021, the Commission directed Pacific Gas and Electric Company (PG&E) to establish and maintain a separate one-way balancing account for RD&D funds.
2. Consistent with its discussion in D.87-07-021, the Commission ordered Southern California Edison Company (Edison) in D.87-12-066, to implement a one-way balancing account to track its RD&D expenditures.
3. Pursuant to a settlement agreement adopted by D.88-09-063, SDG&E was required to establish a one-way balancing account consistent with the balancing accounts which were ordered for PG&E in D.87-07-021 and Edison in D.87-12-066.
4. Funding levels for RD&D for Test Year 1989 and attrition years 1990 and 1991 were authorized in SDG&E's 1989 General Rate Case (GRC) by Commission Decisions 88-09-063 and 88-12-085.

5. On March 23, 1992, SDG&E filed Advice Letter 842-E in accordance with D.88-09-063, to refund to ratepayers unspent RD&D funds, with interest, from the period 1989 through 1991.

NOTICE

1. Advice Letter 842-E was noticed by publication in the Commission calendar and was served to other utilities, government agencies, and to all interested parties who requested such notification, in accordance with the requirements of General Order 96-A.

PROTESTS

1. No protests have been received by the Commission Advisory and Compliance Division (CACD).

DISCUSSION

1. In D.87-07-021, the Commission required PG&E to implement a one-way balancing account for RD&D so that unexpended funds could be returned to ratepayers, with interest. In establishing this one-way balancing account, the Commission specified the following provisions:

"The amount authorized in rates will be the ceiling. Funds unexpended at the end of each year will accrue interest at the short-term paper rate. Within a rate case cycle, funds not used in one year may be used in subsequent years. No later than 90 days after the end of each rate case cycle, PG&E will file an Advice Letter if a rate reduction is in order which will credit unexpended funds and interest accrued to its Electric Revenue Adjustment Mechanism (ERAM) account." (p.4-5)

2. These same balancing account requirements were subsequently adopted for Edison in D.87-12-066 and SDG&E in D.88-09-063. Also, similar requirements were later adopted for Southern California Gas Company (SoCalGas) in D.90-01-016.

3. By definition, a balancing account provides a mechanism to track the difference between actual expenses associated with certain programs and revenues collected to cover those expenses over a certain time frame. Differences between revenues and expenses accumulate in the balancing account. If revenues are less than expenses, the account is said to be undercollected. An undercollection occurs when the utility has overspent the amount it was authorized in rates. On the other hand, if revenues exceed expenses, the account is said to be overcollected. An overcollection occurs when the utility has underspent the amount it was authorized in rates.

4. At some point, rates are adjusted to collect or refund the balance in the balancing account. Ratepayers either receive a

refund in the event of an overcollection or must pay more, through a rate increase, in the event of an undercollection. This is the way that a "regular" balancing account functions. However, the RD&D balancing account which was first established for PG&E, and later adopted for SDG&E, Edison and SoCal Gas, is a one-way balancing account. This means that ratepayers receive a refund in the event of an overcollection but they do not fund an undercollection.

5. Decisions 88-09-063 and 88-12-085 in SDG&E's 1989 GRC, authorized a level of funding for RD&D test year 1989 and attrition years 1990 and 1991. Pursuant to D.88-09-063, SDG&E established a balancing account to track RD&D expenses. SDG&E submitted the following balancing account information for 1989 through 1991 (in year spent dollars):

YEAR	CPUC APPROVED	ACTUAL EXPENSES	BALANCE
1989	4,937,000	4,997,434	(60,434)
1990	5,229,000	5,448,707	(219,707)
1991	5,605,000	5,278,136	326,864
3-YEAR TOTAL	15,771,000	15,724,277	46,723

6. By Advice Letter 842-E, SDG&E has requested Commission authorization to refund the cumulative balance of \$46,723 to ratepayers, via a transfer to its ERAM Balancing Account. This amount includes an accumulation of the overexpenditures which occurred in 1989 and 1990. CACD believes that the amount to be refunded to ratepayers via a transfer to its ERAM Balancing Account should not be the cumulative balance of over- and underexpenditures, but rather the underexpenditure balance at the end of 1991, or \$326,864. In other words, the amount to be refunded should not include any overexpenditures which occurred in prior years.

7. This is appropriate because the Commission adopted rates based on a specific RD&D expenditure level for each year 1989 through 1991; it did not authorize a general 3-year budget. As specified in D.87-07-021, the amount authorized in rates will be a ceiling. Therefore, those expenditures above the level approved and authorized by the Commission for 1989 and 1990 should not be included in the balance. Under the terms of a one-way balancing account, SDG&E's ratepayers do not fund any undercollection of the balancing account.

8. Even though the utility is not required to refund unexpended funds until the end of a rate case cycle, the balancing account was intended to track underexpenditures annually within the rate case cycle. Accordingly, the Commission specified that any funds unspent at the end of each year could be used in subsequent years within a rate case cycle. However, the Commission did not allow overspent funds at the end

of each year to be "netted out" through an underspending in subsequent years.

9. Also, D.87-07-021 specifies that funds unexpended at the end of each year will accrue interest at the short-term paper rate. Because the funds totaling \$326,864 were unexpended at the end of 1991, interest accrued from January 1, 1992 should also be credited to SDG&E's ERAM Balancing Account.

10. By D.87-07-021, SDG&E was required to file an Advice Letter, if a refund was in order, within 90-days after the end of its rate case cycle. SDG&E's next regularly scheduled GRC was planned to be Test Year 1992. However, in lieu of a Test Year 1992 GRC, the Commission ordered SDG&E, in D. 89-12-052, to file an application seeking a modified 1992 operational attrition allowance.

11. SDG&E has correctly interpreted a rate case cycle to cover the three-year period scheduled to include one test year and two attrition years. Accordingly, it has properly filed Advice Letter 842-E requesting to refund unspent funds for the years 1989 through 1991. Because the Commission authorized an RD&D budget expense level for the 1992 modified attrition year, SDG&E will be required to file an Advice letter by March 31, 1993 to credit any overcollection in the balancing account for 1992, plus interest.

12. SDG&E has filed its Test Year 1993 GRC Application (A.) 91-11-024, presenting detailed information on its funding forecast for Test year 1993 and Attrition Years 1994 and 1995. In response to this application, the Commission will be establishing RD&D funding levels for these years. Consistent with D.87-07-021, SDG&E will be required to file an Advice Letter to credit unspent funds, plus interest, within 90 days after the end of this three-year rate case cycle.

13. Since Advice Letter 842-E does not result in an increase in any rate or charge, and no tariff sheets were submitted, SDG&E requested that the filing be approved on the date filed (March 23, 1992) which is less than the regular statutory (40 days) notice. However, due to the need for a Resolution for this Advice Letter, CACD did not grant SDG&E's request. This filing should be effective no sooner than 40 days from the date filed, or May 2, 1992.

14. For ease in the computation of the interest calculations, the effective date upon which the balance, plus accrued interest, should be transferred to ERAM will be June 1, 1992. Therefore, \$326,864 plus accrued interest from January 1, 1992 through May 31, 1992 shall be transferred to the ERAM with an effective date of June 1, 1992. SDG&E should calculate the amount of interest to be returned to ratepayers based on the actual monthly interest rates in effect during January 1, 1992 through May 31, 1992.

FINDINGS

1. Under the terms of the one-way balancing account adopted in D.87-07-021, annual underexpenditures, or overcollections to the annual authorized RD&D funding level, are placed in an interest bearing account but may be used in subsequent years.
2. Under the terms of the one-way balancing account adopted in D.87-07-021, annual overexpenditures, or undercollections to the authorized RD&D funding level, may not be booked to the account.
3. SDG&E proposes to refund \$46,723, plus interest, to ratepayers through a credit to its ERAM Balancing Account.
4. SDG&E should refund \$326,864, plus interest, to ratepayers through a credit to its ERAM Balancing Account.
5. SDG&E has correctly interpreted its last rate case cycle to include years 1989 through 1991.
6. If an overcollection in the RD&D one-way balancing account occurs in 1992, SDG&E should file an Advice Letter no later than March 31, 1993 requesting that the amount, plus interest be credited to its ERAM Balancing Account.
7. This Advice letter filing could not be approved before the regular statutory (40 days) notice period.

June 3, 1992

THEREFORE, IT IS ORDERED that:

- (1) San Diego Gas and Electric Company shall transfer the December 31, 1991 balance of \$326,864 in its Research Development and Demonstration One-Way Balancing Account, plus interest accrued from January 1, 1992 through May 31, 1992, to the Electric Revenue Adjustment Mechanism Balancing Account, with an effective date of June 1, 1992.
- (2) San Diego Gas and Electric Company is to calculate the amount of interest to be credited to the Electric Revenue Adjustment Mechanism Balancing Account using actual interest rates for the period January 1, 1992 through May 31, 1992.
- (3) Advice Letter 842-E shall be marked to show that it was approved by Commission Resolution E-3275.
- (4) This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on June 3, 1992. The following Commissioners approved it:



Executive Director

DANIEL Wm. FESSLER
President

JOHN B. OHANIAN

PATRICIA M. ECKERT

NORMAN D. SHUMWAY

Commissioners