

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2844
JANUARY 27, 1989.

R E S O L U T I O N

RESOLUTION G-2844, SOUTHERN CALIFORNIA GAS COMPANY REQUESTS AUTHORIZATION TO ESTABLISH AN INTEREST-BEARING MEMORANDUM ACCOUNT TO TRACK FUTURE DIRECT COSTS OF A MORE INTENSIVE WOMEN AND MINORITY BUSINESS ENTERPRISES PROGRAM THROUGH DECEMBER 31, 1989; BY SUPPLEMENTAL ADVICE LETTER 1833-A, FILED DECEMBER 15, 1988.

SUMMARY

1. By Supplemental Advice Letter 1833-A filed December 15, 1988, Southern California Gas Company (SoCal) requests Commission approval to track direct costs resulting from additional expenses in the Women and Minority Business Enterprise (WMBE) program in an interest-bearing memorandum account.
2. This Resolution authorizes the request.

BACKGROUND

1. The Women and Minority Business Enterprise (WMBE) program was established to increase the participation of women and minority owned business enterprises in procurement of contracts from utilities. The program was implemented by Decision (D.) 88-04-057 and the enabling legislation, Assembly Bill 3678, adding Sections 8281 through 8285 to the Public Utilities Code (PU Code) in September 1986.
2. AB 3678 directed the Commission to require every gas, electric and telephone utility with gross annual revenues exceeding \$25,000,000 (and its Commission regulated subsidiaries and affiliates) to implement a program developed by the Commission to encourage, recruit, and utilize women and minority owned business enterprises (WMBE) to participate in the procurement contract process of those utilities.

3. The Commission issued Order Instituting Rulemaking (OIR) 87-02-026. The resulting decision, D. 88-04-057 was issued in April, 1988, and was appended with General Order 156. Decision 88-04-057 and General Order 156 were modified further by D. 88-09-024 and D. 88-10-066.

4. General Order 156 outlines the adopted rules governing the development of the WMBE program. The program contains an independently run central clearinghouse where WMBE identification and verification information is stored. The clearinghouse functions as a central information source for locating various businesses run by WMBEs. The utilities are on an Advisory Board which oversees the clearinghouse.

5. Apart from the clearinghouse, each utility is responsible for its own internal implementation and program. The requirements are:

- o Each utility shall maintain an appropriately sized staff to provide overall WMBE program direction and guidance and to implement WMBE program requirements.
- o Each utility shall implement an outreach program to inform and recruit WMBEs to apply for procurement contracts.
- o Each utility shall establish and maintain a subcontracting program for the purpose of encouraging its prime contractors to utilize WMBE subcontractors.
- o Each utility shall provide a mechanism through which WMBE contractors or prospective WMBE contractors can present complaints to the utility's management.

DISCUSSION

1. Decision 88-04-057, as modified by D. 88-09-024, established several major WMBE program requirements. SoCal explains that the new requirements necessitate significant new WMBE program expenditures by SoCal in excess of currently budgeted dollars.

2. By foregoing its TY 1988 (Test Year 1988) General Rate Case, SoCal is currently operating its WMBE program in accordance with the budget approved in SoCal's TY 1985 General Rate Case, D. 84-12-060. As a result, SoCal states that its

WMBE program dollars are inadequate to fund the new program requirements as ordered by D. 88-04-057.

3. SoCal has revised and reduced its original request, as submitted in Advice Letter 1833, to only those costs attributable to participation in the central clearinghouse. These costs are projected to be \$300,000 in 1989. SoCal bases this estimate on the number of WMBE firms awarded contracts/orders by SoCal in 1987, (1,406) multiplied by \$200, the per firm cost estimated by other agencies currently providing such service. The resulting amount of \$281,200 was rounded to \$300,000 to account for an expected increase in WMBEs used in 1989 above the 1987 total and to account for SoCal's expected contribution to the shared database of the central clearinghouse.

4. Due to the uncertainty surrounding the actual costs to be incurred, SoCal seeks Commission approval to track direct costs from participation in the central clearinghouse in an interest-bearing memorandum account. SoCal further requests that this account be temporary in nature until the costs can be addressed in its 1990 Annual Cost Allocation Proceeding (ACAP). SoCal will seek appropriate rate relief at that time. General Order 156 provides that the utility may request relief, where the relief is of minor importance or temporary in nature, through an advice letter filing.

5. SoCal believes that the approximately \$300,000 in increased WMBE program expenditures expected from participation in the central clearinghouse are significant costs and well within the parameters for seeking relief through an advice letter filing as described in General Order 156, Section 1.1.3.

6. The staff of the Commission Advisory and Compliance Division (CACD) has reviewed Supplemental Advice Letter 1833-A in conjunction with SoCal's TY 1985 WMBE adopted revenues and the applicable decisions and legislation.

7. Test Year 1985 WMBE adopted revenues and additional, authorized, non-inflated 1985 dollar amounts for the WMBE program from Decision 84-12-069 were:

YEAR	Basic Program	Database Start-Up	Database Year Amount	TOTAL
1985	\$180,000	\$150,000	\$ 0	\$330,000
1986	\$180,000		\$ 40,000	\$220,000
1987	\$180,000		\$ 40,000	\$220,000

Decision 87-05-027 extended Attrition for two more years. These revenues in non-inflated, 1985 dollars are:

YEAR	Basic Program	Database Year Amount	TOTAL
1988	\$180,000	\$40,000	\$220,000
1989	\$180,000	\$40,000	\$220,000

This funding covers personnel costs, computer costs and other related program expenses, such as supplies and the costs of participation and sponsorship of workshops and trade fairs.

8. General Order 156, Section 3.5 states that:

"The Advisory Board shall develop a formula for equitably allocating the costs of establishing and maintaining the clearinghouse among the various utilities. These costs shall be primarily distributed among the large utilities. Any costs allocated to small utilities or IECs shall be substantially less than the costs allocated to the large facilities."

9. SoCal's allotted portion of the funding in support of the central clearinghouse is unknown at this time. This required funding is outside of SoCal's control. Negotiations with the successful bidder for the operation of the clearinghouse are expected to begin in March, 1989.

10. In light of the uncertainty of SoCal's portion of the WMBE clearinghouse funds, SoCal has requested to track clearinghouse expenses in an interest-bearing, memorandum account. A typical memorandum account tracks expenses and revenues, and differs from a balancing account in that no interest is accumulated, and the stockholders are at risk for any over- or undercollection. In addition, memorandum accounts are not recorded on the Utility's financial statements and do not represent a part of ongoing or future revenue requirements. An interest-bearing memorandum account can be used to track the costs of new programs not previously contemplated in a general rate case. A separate account is created to isolated such costs until the Commission can address them in the next scheduled GRC.

11. CACD suggests that recovery of all WMBE costs be addressed in the 1990 Annual Cost Allocation Proceeding (ACAP) and that they be subject to reasonableness review. CACD recommends approval of the request subject to this condition.

12. SoCal requests that the Supplemental Advice Letter 1833-A filing be made effective on January 1, 1989.

13. This filing will not increase any rate or charge, conflict with any rule or schedule, nor cause the withdrawal of service.

14. This advice letter was sent to interested parties and to parties of record in OIR 87-02-026.

15. No protests to this advice letter have been received.

FINDINGS

1. An expanded program for WMBE was adopted by legislation in 1986-1987 and by decision in 1988. An Advisory Board and a central clearinghouse were established to provide a formal source of information on WMBE businesses for California utilities.

2. Southern California Gas Company has not had a General Rate Case proceeding since 1984, so its WMBE budget does not incorporate funding for the expanded program.

3. Proposals for the WMBE clearinghouse operation have not been completed. Negotiations with the successful bidder are expected to occur in March, 1989.

4. Funding of WMBE clearinghouse costs will be apportioned to each California utility. Since the allocation formula has not been determined, SoCal's portion is unknown at this time.

5. SoCal's clearinghouse operation costs should be allowed to be itemized in an interest-bearing memorandum account.

6. The costs for SoCal's portion of the clearinghouse operation should be addressed in the 1990 ACAP proceeding and also should be subject to reasonableness review.

January 27, 1989.

THEREFORE, IT IS ORDERED that,

1. Southern California Gas Company is authorized to establish an interest-bearing memorandum account for the purpose of tracking the costs allocated by the WMBE Advisory Board for establishing and maintaining the Women and Minority Business Enterprise clearinghouse as directed by General Order 156, Section 3.5.
2. Southern California Gas Company shall file, in accordance with General Order 96-A, a revised Preliminary Statement describing the memorandum account as specified in Ordering Paragraph 1 of this Resolution.
3. Southern California Gas Company shall submit a filing with its 1990 Annual Cost Allocation Proceeding identifying all costs tracked in the memorandum account. These costs are subject to Reasonableness Review.
4. Supplemental Advice Letter 1833-A shall be marked to show that it was approved by Commission Resolution G-2844.
5. This Resolution is effective today.

I certify that Resolution G-2844 was adopted by the Public Utilities Commission at its regular meeting of January 27, 1989. The following Commissioners approved it:

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. CHANIAN
Commissioners



Executive Director