

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2883
JULY 6, 1989

R E S O L U T I O N

RESOLUTION G-2883, PACIFIC GAS & ELECTRIC COMPANY AUTHORIZED TO ESTABLISH AN INTEREST-BEARING MEMORANDUM ACCOUNT TO TRACK FUTURE DIRECT COSTS OF A MORE INTENSIVE WOMEN AND MINORITY BUSINESS ENTERPRISES PROGRAM.

BY ADVICE LETTERS 1543-G AND 1252-E, FILED JUNE 7, 1989.

SUMMARY

1. By Advice Letters 1543-G and 1252-E, filed June 7, 1989, Pacific Gas & Electric Company (PG&E) 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, dated April 27, 1989, and the enabling legislation, Assembly Bill (A.B.) 3678.
2. A.B. 3678 added Sections 8281 through 8285 to the Public Utilities Code in September 1986. It 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.

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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 (G.O.) 156. D. 88-04-057 and G.O. 156 were modified further by D. 88-09-024 and D. 88-10-066.

4. Section 1.1.3 of G.O. 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 represented on an Advisory Board which oversees the clearinghouse.

5. Apart from the clearinghouse, each utility is responsible for its own internal implementation 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.

6. PG&E's request is consistent with the Commission's ruling in Resolution G-2844, dated January 27, 1989, and Resolution E-3133, dated March 22, 1989, authorizing similar memorandum accounts for Southern California Gas Company and Southern California Edison Company, respectively.

DISCUSSION

1. D. 88-04-057, as modified by D. 88-09-024, states:

"The utilities shall jointly establish a central Clearinghouse for the sharing of WMBE identification and verification information." (Appendix A, Section 3, Page 8)

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2. D. 88-04-057 (as modified by D. 88-09-024) establishes several major WMBE program requirements, creating significant new expenses that were not identified in PG&E's 1987 Test Year General Rate Case. Additional costs result mainly from the following sources: 1) PG&E must participate in the establishment of a central clearinghouse for the sharing of WMBE identification and verification information and the establishment and maintenance of a WMBE vendor/supplier data base; 2) PG&E must establish an appropriately sized staff to provide WMBE program support in the following areas: a) the establishment of mid-term and minimum long-term goals for use of WMBE contractors; b) the outreach effort to inform and recruit qualifying WMBEs to apply for contracts with PG&E; and c) the establishment and maintenance of a subcontracting program to encourage PG&E's primary contractors to use WMBE subcontractors.

3. In D. 88-04-057, the Commission also stated:

"In cases where the application of any of these rules results in undue hardship or unreasonable expense to a utility, the utility may request relief by filing an application in accordance with the Commission's Rules of Practice and Procedure. Where the relief requested is of minor importance or temporary in nature, the utility may apply for such relief through an advice letter filing."
(Appendix A, Section 1.1.3)

4. PG&E estimates the cost resulting from its share in establishing and maintaining the central clearinghouse to be \$600,000 for calendar year 1989. Since an allocation of clearinghouse costs has not yet been made among the participating utilities, PG&E is uncertain of its portion of expenses. These filings do not request permission to record in an interest-bearing memorandum account other costs associated with administering the WMBE program in accordance with General Order 156.

5. 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 GRC. A separate account is created to isolate such costs until the Commission can address them in the next scheduled GRC.

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6. CACD suggests that recovery of all WMBE costs be addressed in the next appropriate formal Commission proceeding and that they be subject to reasonableness review. CACD recommends approval of the request subject to this condition.

7. PG&E requests that Advice Letters 1543-G and 1252-E be made effective on the 40th calendar day after the date filed.

8. These filings will not increase any rate or charge, cause the withdrawal of service, or conflict with any other rate schedules or rules. These filings are in no way different than similar filings the Commission has already approved for Southern California Gas Company and Southern California Edison Company.

9. These filings were sent to interested parties and to parties of record in OIR 87-02-026.

PROTESTS

1. No protests to these advice letters have been received.

FINDINGS

1. An expanded program for WMBE was adopted by A.B. 3678 in 1986-1987 and by D. 88-04-057 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. Pacific Gas & Electric Company seeks to record the cost to fund its share of the WMBE Clearinghouse as an expense in an interest-bearing memorandum account for inclusion in rates at the next appropriate Commission proceeding.

3. Funding of WMBE clearinghouse costs will be apportioned to each California utility. Since the allocation formula has not been determined, PG&E's portion is unknown at this time. However, PG&E has estimated its share in establishing and maintaining the central clearinghouse to be \$600,000 for calendar year 1989.

4. PG&E's clearinghouse operation costs should be allowed to be itemized in an interest-bearing memorandum account.

5. The costs for PG&E's portion of the clearinghouse operation should be addressed in the next appropriate Commission proceeding and should be subject to reasonableness review.

6. PG&E's request in these filings is consistent with the Commission's ruling in Resolution G-2844, dated January 27, 1989, and Resolution E-3133, dated March 22, 1989, authorizing a similar program for Southern California Gas Company and Southern California Edison Company, respectively.

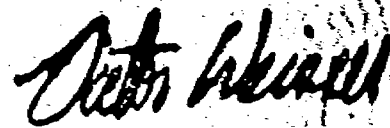
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THEREFORE, IT IS ORDERED that,

1. Pacific Gas & Electric 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. Pacific Gas & Electric 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. Pacific Gas & Electric Company shall submit a filing with the next appropriate proceeding identifying all costs tracked in the memorandum account. These costs are subject to reasonableness review.
4. Advice Letters 1543-G and 1252-E shall be marked to show that they were approved by Commission Resolution G-2883.
5. This Resolution is effective today.

I certify that Resolution G-2883 was adopted by the Public Utilities Commission at its regular meeting of July 6, 1989. The following Commissioners approved it:

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners



Executive Director