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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch**

**RESOLUTION E-3133
MARCH 22, 1989**

R E S O L U T I O N

RESOLUTION E-3133, SOUTHERN CALIFORNIA EDISON COMPANY AUTHORIZATION TO ESTABLISH AN INTEREST-BEARING MEMORANDUM ACCOUNT TO TRACK FUTURE DIRECT COSTS OF A MORE INTENSIVE WOMEN AND MINORITY BUSINESS ENTERPRISES PROGRAM.

BY ADVICE LETTER 820-E, FILED FEBRUARY 14, 1989.

SUMMARY

1. By Advice Letter 820-E filed February 14, 1989, Southern California Edison Company (Edison) 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 (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.

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. 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. Edison's request is consistent with the Commission's ruling in Resolution No. G-2844, dated January 27, 1989, authorizing a similar memorandum account for Southern California Gas Company.

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)

2. Edison currently operates a WMBE program which consists of information and outreach programs to encourage WMBE's to bid for Edison contracts. This program is currently funded through Edison's rates. However, Edison's cost to fund its share of the WMBE Clearinghouse is an expense which could not be anticipated in its last General Rate Case (GRC). Edison seeks to record these costs in an interest-bearing memorandum account for inclusion in rates at the next appropriate proceeding.

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. The exact cost of Edison's allotted portion of the contract to establish and administer the clearinghouse is unknown at this time. Therefore, no cost information is available.

5. In light of the uncertainty of Edison's portion of the WMBE Clearinghouse funds, Edison 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 GRC. A separate account is created to isolate such costs until the Commission can address them in the next scheduled GRC.

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. Edison requests that Advice Letter 820-E filing be made effective on the 40th calendar day after the date filed.

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

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

10. No protests to this advice letter 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. Southern California Edison 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, Edison's portion is unknown at this time.

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

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

6. Edison's request in this filing is consistent with the Commission's ruling in Resolution No. G-2844, dated January 27, 1989, authorizing a similar program for Southern California Gas.

March 22, 1989.

THEREFORE, IT IS ORDERED that,

1. Southern California Edison 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 Edison 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 Edison 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 Letter 820-E shall be marked to show that it was approved by Commission Resolution E-3133.
5. This Resolution is effective today.

I certify that Resolution E-3133 was adopted by the Public Utilities Commission at its regular meeting of March 22, 1989. The following Commissioners approved it:

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



Executive Director

Commissioner Patricia Eckert,
present but not participating