

RETURN TO ENERGY BRANCH  
ROOM 3102

E-9

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Energy Branch

RESOLUTION E-3174  
December 18, 1989

R E S O L U T I O N

RESOLUTION E-3174 - Pacific Gas and Electric Company.  
For authority to offset the January 1, 1990 increase  
in its Electric and Gas Service Revenue Requirement  
with Unspent Demand Side Management and Research,  
Development and Demonstration Funds.

BY ADVICE LETTERS 1563-G-, 1270-E-, FILED ON November  
8, 1989 and supplemented By A.L. 1563-G-A, 1270-E-A,  
November 28, 1989.

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SUMMARY

1. By Advice Letters 1563-G-A and 1270-E-A, Pacific Gas and Electric (PG&E) requested authorization to offset the January 1, 1990 increase in its electric and gas revenue requirement with unspent Demand-Side Management (DSM) and Research, Development and Demonstration (RD&D) funds totalling \$52.166 million (\$36.844 million electric and \$15.322 million gas) out of an estimated year-end balance of \$71.708 million (adjusted for encumbrances). PG&E also seeks authorization to retain the rest of the year-end balance, or approximately \$20 million, in its DSM and RD&D balancing accounts to use for new DSM and DSM-related RD&D programs and initiatives that PG&E plans to implement.

2. This resolution approves the Advice Letters as filed.

BACKGROUND

1. These Advice Letters are submitted in accordance with Decision (D.) 86-12-095 issued December 22, 1989, in PG&E's 1987 General Rate Case. In Conclusion of Law No. 14, D.86-12-095 states "All unspent funds for DSM programs should be returned to the ratepayer on completion of this rate case cycle. Interest on the balance at the end of each year will be provided at the short-term paper rate."

2. These filings are also submitted in accordance with D.87-07-021 dated July 8, 1987, which modified the decision in the 1987 General Rate Case. In Ordering Paragraph 1, D.87-07-021, the Commission orders that "Pacific Gas and Electric Company will,

as described in this opinion, implement a one-way balancing account for Research, Development and Demonstration funding [so that] unexpended funds are returned to the ratepayer with interest." In its discussion in this decision, the Commission states "No later than 90 days after the end of each rate case cycle, PG&E will file an Advice Letter rate if a rate reduction is in order which will credit unexpended funds and interest accrued to its Electric Revenue Adjustment Mechanism (ERAM) account."

#### NOTICE

1. Public notification of these filings has been made by mailing copies of the advice letter to other utilities, governmental agencies and to all interested parties who requested such notification.

#### PROTESTS

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

#### DISCUSSION

1. Although no protests were filed, CACD did receive comments dated December 8, 1989 from Division of Ratepayer Advocates (DRA). It stated:

"DRA has no objection to the PG&E Advice Letter filing regarding the carryover of unspent DSM and RD&D dollars. Although it is regrettable that PG&E chose to underspend by such large amounts, and regrettable that the Commission did not establish useful guidelines for CACD to use as a basis for objecting to this development over the last three years, DRA believes that the PG&E proposal constitutes a prudent use of these funds at this time.

DRA's concurrence is based on the following understanding: (1) that the amount being carried over will remain in an interest bearing account; (2) that PG&E will file additional information in January which will identify more precisely where the carryover dollars will be spent, and (3) that a subsequent filing by PG&E in response to the DSM Collaborative process is likely to request additional monies to be directed to a 'renewed' DSM effort."

2. The CACD Energy Branch agrees with DRA that it is unfortunate that the authorized funds were not spent as proposed. CACD recommends that the Advice Letters be approved as filed, however, relying on two factors. First, no ratepayer harm has resulted because PG&E is refunding with interest authorized but unspent test year monies; and second, the carry forward of \$20 million still has the potential to provide ratepayer benefits.

FINDINGS

1. PG&E underspent its 1987, 1988 and 1989 authorized revenues for DSM and RD&D by an estimated \$71.708 million, including interest.
2. PG&E proposes to refund \$52.166 million in accordance with D.86-12-095 and D.87-07-021.
3. PG&E proposes to reasonably redirect the balance of approximately \$20 million and accrued interest to DSM and DSM-related RD&D projects in 1990.
4. The refunds proposed by PG&E in Advice Letters 1563-G and 1270-E-A are reasonable and should be authorized.

**THEREFORE, IT IS ORDERED that:**

1. PG&E is authorized to refund \$52.166 million by offsetting the revenue requirements for the Test Year 1990 beginning January 1, 1990 as proposed by Advice Letters 1563-G and 1270-E.
2. PG&E is authorized to retain the remaining balance in its Demand-Side Management and Research, Development and Demonstration balancing accounts of approximately \$20 million and continue to accrue interest for 1990 Demand Side Management and Demand Side Management-related Research, Development & Demonstration projects.
3. This Resolution is effective five (5) days from today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 18, 1989. The following Commissioners approved it:

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

  
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Acting Executive Director