

RETURN TO ENERGY BRANCH  
ROOM 3102

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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND  
COMPLIANCE DIVISION  
Energy Branch

RESOLUTION E-3188  
June 20, 1990

R E S O L U T I O N

RESOLUTION E-3188. PACIFIC GAS AND ELECTRIC COMPANY REQUESTS AUTHORITY TO INCREASE ITS BASE RATE REVENUE BY \$8,707,000 TO RECOVER THE DIFFERENCE BETWEEN ITS ACTUAL 1989 RESEARCH, DEVELOPMENT, AND DEMONSTRATION EXPENDITURES AND THE ESTIMATE PREVIOUSLY FILED IN ADVICE LETTER 1563-G/1270-E.

BY ADVICE LETTER 1582-G AND 1292-E, FILED ON MARCH 23, 1990.

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SUMMARY

1. By Advice Letter 1582-G and 1292-E, Pacific Gas and Electric Company (PG&E) requests authority to increase its gas and electric base revenue amounts by \$1.080 million and \$7.627 million, respectively, a total of \$8.707 million. This increase is requested to true-up the difference between PG&E's actual 1989 Research, Development, and Demonstration (RD&D) expenditures, and the amount estimated in Advice Letter 1563-G and 1272-E, which was approved by Resolution E-3174, dated December 19, 1989.
2. This Resolution approves the request subject to a reasonableness review and directs PG&E to file complete workpapers with all similar filings in the future.

BACKGROUND

1. Decision (D.) 87-07-021, which modified PG&E's 1987 General Rate Case (GRC) decision, ordered PG&E to credit any unexpended RD&D funds to its Electric Revenue Adjustment Mechanism account within 90 days after the end of each rate case cycle.
2. On November 28, 1989, PG&E filed Advice Letter 1563-G and 1270-E. At that time, PG&E stated that \$71.708 million dollars would remain in its Demand Side Management (DSM) and RD&D accounts at the end of 1989, which was the last year of the GRC cycle. PG&E requested that \$52.166 million of this surplus be used to offset the January 1, 1990 gas and electric revenue requirement increase. PG&E also proposed that the remaining money, about \$15 million in DSM funds and \$5 million

in RD&D funds, be used for future programs, in addition to the amounts authorized in PG&E's 1990 GRC, D.89-12-057.

3. In Advice Letter 1563-G and 1270-E, PG&E indicated that "[t]o the extent that actual expenditures differ from these estimates, such differences will be applied to the balancing accounts for determining the starting balances for the 1990-92 rate case cycle."

4. The Commission approved PG&E's request by Resolution E-3174.

#### NOTICE

1. Public notice of this filing was made by mailing copies of the Advice Letter to other utilities, governmental agencies and to other interested parties who requested such notification. Notice of the Advice Letter filing was published in the Commission calendar on March 28, 1990.

#### PROTESTS

1. The Division of Ratepayer Advocates (DRA) filed a protest to Advice Letter 1582-G and 1292-E on April 12, 1990.

#### DISCUSSION

1. DRA believed that the Advice Letter does not comply with D.87-07-021, because it requests an increase in revenue requirement rather than a decrease. DRA stated in its protest that the Advice Letter "begs the question of whether PG&E has 'gamed' its RD&D and DSM expenditures with a 'bait and switch' technique where RD&D and DSM savings were exaggerated to soften the impact of other rate increases."

2. DRA specifically protested the portion of the Advice Letter related to the RD&D budget. DRA recommended that the Commission require PG&E to resubmit the Advice Letter with information "indicating specifically why the actual expenditures have varied so much from the estimated amounts."

3. PG&E responded to DRA's protest in a letter dated April 23, 1990. In its response PG&E contends that DRA confused the issue of whether PG&E is authorized to seek an increase in its base revenue amount. PG&E states its position as follows:

"In Advice 1563-G and 1270-E, PG&E reduced its gas and electric base revenue amounts by returning to ratepayers the estimated overcollection in the RD&D and Demand-Side Management balancing accounts. Advice 1582-G and 1292-E is designed to true-up these estimated reductions in PG&E's gas and electric base revenue amounts. PG&E could have waited until the first quarter of 1990 to refund unspent RD&D revenues as required by Decision 87-07-021. However, PG&E chose and the Commission authorized PG&E to credit this unspent revenue based on estimated 1989 RD&D expenditures to partially offset January 1, 1990, rate

increases. The net effect of these two advice letters is a \$1.43 million reduction in PG&E's revenue requirement. Hence, Decision 87-07-021 authorizes this adjustment because it is related to the initial reduction in PG&E's base revenue amounts, and because the net effect of these two advice letters is a reduction in PG&E's revenue requirement."

4. PG&E contends its explanation of the difference between its actual and estimated RD&D expenditures proves that DRA's accusations of "gaming" are unfounded. PG&E states there are two reasons its estimated expenses were lower than its actual expenses. First, PG&E states it spent \$3.7 million more on RD&D than it estimated in August 1989 because RD&D projects progressed faster than PG&E had anticipated. PG&E felt the increase in project activity was appropriate because the RD&D balancing account was overcollected due to past underexpenditures. Second, PG&E initially omitted \$5 million of planned expenditures from its estimate.

5. In Advice Letter 1582-G and 1292-E PG&E states that its actual DSM expenditures for 1989 exceeded its estimate in Advice Letter 1563-G and 1270-E by \$7.8 million. PG&E does not seek to make any adjustment for this difference. This would leave \$7.2 million for DSM projects in addition to those authorized by the 1990 GRC (D.89-12-057) compared to the \$15 million contemplated in Advice Letter 1563-G and 1270-E. This treatment is consistent with Advice Letter 1563-G and 1270-E. DRA supports the treatment requested for DSM funds. PG&E further states that it spent \$8.707 million more on RD&D projects than it estimated in Advice Letter 1563-G and 1270-E. In order to provide RD&D funding at the authorized 1990 level, plus the additional \$5 million authorized by Resolution E-3174, PG&E proposes to increase its gas and electric base revenue amounts. To do this, PG&E would record \$1.080 million in its Gas Fixed Cost Accounts and \$7.627 million in its Electric Rate Adjustment Mechanism account. PG&E proposes that any undercollection in these accounts would be recovered in future rate cases.

6. PG&E provided no workpapers with this Advice Letter to support its request for an \$8.707 million adjustment. Section VI of General Order 96A states that the Commission may accept an Advice Letter that requests a rate increase "provided justification is fully set forth therein." CACD recommends that PG&E be ordered to automatically provide a complete set of workpapers whenever it requests an increase to its revenue requirement, even if there is an overall revenue requirement reduction from the original order. CACD further recommends that these figures should still be subject to adjustment as a result of any DRA audit conducted in conjunction with a subsequent PG&E GRC.

7. The Commission authorized PG&E's RD&D funds because it believes that RD&D projects ultimately benefit the ratepayers. Therefore, PG&E should be allowed the full amount of RD&D funds authorized in Resolution E-3174 and this Resolution should true-up the existing deficiency in the RD&D fund.

FINDINGS

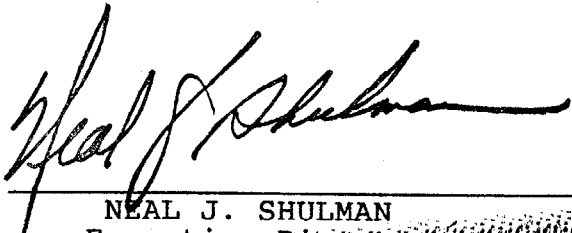
1. PG&E requests no adjustment to its revenue requirement for the difference between its DSM expenses estimated in Advice Letter 1563-G and 1270-E and its actual expenses.
2. PG&E requests an increase of \$8.707 million to its gas and electric base revenue amounts in order to true-up the difference between its estimated and actual RD&D spending.
3. PG&E did not provide supporting workpapers with this advice letter which requested an increase in its revenue requirement.
4. These expenses are still subject to any reasonableness audit conducted by DRA.
5. This Resolution will correctly balance the RD&D funds as authorized in Resolution E-3174.

**THEREFORE, IT IS ORDERED that:**

1. Advice Letter 1582-G and 1292-E and accompanying tariff sheets shall be marked to show that they were approved by Resolution E-3188.
2. The revenue requirement changes authorized by this Resolution are still subject to audit adjustment in Pacific Gas and Electric Company's next General Rate Case.
3. PG&E is ordered to file a complete set of justifying workpapers with any advice letter that increases its revenue requirement, in accordance with General Order 96-A, Section VI.
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 20, 1990. The following Commissioners approved it:

FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
Commissioners

  
NEAL J. SHULMAN  
Executive Director

President G. Mitchell Wilk,  
being necessarily absent, did  
not participate.