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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3303
January 22, 1993

RESOLUTION

RESOLUTION E-3303. PACIFIC GAS AND ELECTRIC COMPANY REQUESTS AUTHORIZATION TO TRANSFER $1.8 MILLION OF 1992 DSM LOAD MANAGEMENT FUNDS INTO THE DSM MEASUREMENT AND EVALUATION PROGRAM AREA.

BY ADVICE LETTER NO. 1412-E/1723-G, FILED ON October 13, 1992.

SUMMARY

1. In this advice letter, Pacific Gas and Electric Company (PG&E) requests authorization to transfer $1.8 million in authorized 1992 Demand-Side Management (DSM) funding from the Load Management program area to the Measurement and Evaluation (M&E) program area.

2. The Commission denies the request and authorizes that the funds be returned to ratepayers.

BACKGROUND

1. Decision (D.) 86-12-095 retained PG&E's ability to reallocate funds within DSM programs up to $2.5 million. This decision also preserved the requirement that underexpenditures for all load management and conservation expenditures be refunded to ratepayers at the end of each rate case cycle. While D.89-12-057 retained PG&E's ability to shift funds within program areas, because the Load Management and Measurement and Evaluation program categories are so distinct, PG&E correctly filed an advice letter requesting such authorization.

2. In D.89-12-057, PG&E's General Rate Case (GRC), the Commission authorized $11.166 million for each year of PG&E's expensed Load Management program in the rate case cycle, 1990 - 1992. Annual M&E authorized expenditures consisted of $9,399 million in expenses and $1.459 million in capital on the electric side, and $$2.661 million in expenses and $.835 million in capital on the gas side.

3. In August 1990, the Commission issued the Collaborative Decision, D.90-08-068, which set up incentives to utilities to promote DSM, and in particular, energy efficiency programs. The Collaborative Decision stressed the importance of M&E, and authorized an additional $2.2 million for 1991 and $0.9 million

for 1992 M&E programs. In addition, PG&E's 1991 Electric Cost Adjustment Clause (ECAC) authorized an additional $1.0 million for M&E.

6. PG&E filed Advice Letter 1721-G/1410-E on September 21, 1992, which proposed to return to ratepayers $28.2 million from the DSM one-way balancing accounts. A component of this refund is $9.8 million of unspent funds from the Load Management program area. These funds were collected during the 1990 - 1992 rate cycle.

7. By October 1992, PG&E had determined that it had overspent in the M&E area by at least $1.8 million. In this advice letter, PG&E therefore requests to shift $1.8 million away from its proposed ratepayer refund into the Load Management sub-account, and then from the Load Management sub-account into the M&E sub-account to cover expenditures over the authorized funding level. This shift would reduce the proposed refund to ratepayers to $26.4 million.

NOTICE

1. This Advice Letter was noticed in accordance with Section III of General Order 96-A by publication in the Commission Calendar and distributed to PG&E's advice filing service list.

PROTESTS

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

DISCUSSION

1. The Commission has authorized ratepayer funds for studies to examine energy savings when the results are used for resource planning and to determine shareholder earnings. While the Commission recognizes that PG&E has accrued some expenses in M&E that were not anticipated, it does not believe that such additional expenses should be funded by ratepayers. This Commission authorizes rates on a prospective basis; therefore, forecasting expenses and the amount of revenue necessary to cover such expenditures is by nature an inexact science.

2. The Commission has recently emphasized the importance of M&E in D.92-02-075 and the anticipated shift to ex post measurement protocols to quantify the savings resulting from increased DSM programs. However, these are not new signals. In the 1987 General Rate Case (D.86-12-095), the Commission stressed the significance of the continued collection, evaluation, and reporting of information regarding demand-side trends. Substantial budgets for M&E have been authorized and augmented in several Commission proceedings.

3. On a prospective basis, as authorized in D.92-12-057, such fund-shifting is allowed:

> The Joint Recommendation also permits PG&E to borrow funds from future years for current DSM expenses or to carry over unused funds in one year into subsequent years. As demonstrated in Table 3 [of the decision] PG&E is allowed to shift funds and/or exceed authorized budgets, as long as the established minimum performance standards, when applicable, are met for each individual program.

As demonstrated in the referenced table, PG&E is allowed to shift funds between program areas of the incentive categories.

FINDINGS

1. PG&E has encumbered more M&E expenses than it anticipated when it initially developed a budget in its 1989 GRC and 1990 Collaborative applications.

2. While the Commission has recently emphasized the importance of M&E, these are not new signals. Substantial budgets have been adopted and augmented for M&E in various proceedings. Therefore, the expenses attributed to the overexpenditure are not reasonable for ratepayers to fund.

THEREFORE, IT IS ORDERED that:

(1) Pacific Gas and Electric Company shall not be allowed to shift $1.8 million of Load Management funds into the Demand-Side Management Measurement and Evaluation program area to cover Measurement and Evaluation costs encumbered in 1992.

(2) Advice Letter 1723-G/1412-E shall be marked to show that it was denied by Commission Resolution E-3303.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities commission at its regular meeting on January 22, 1993. The following Commissioners approved it:

NEAL J. SHULMAN
Executive Director

DANIEL Wm. FESSLER
President
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners