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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3327
June 23, 1993

R E S O L U T I O N

RESOLUTION E-3327. PACIFIC GAS & ELECTRIC COMPANY REQUESTS AUTHORIZATION TO RECOVER UNDERCOLLECTED FUNDS IN THE CUSTOMER ENERGY EFFICIENCY RESOURCE PROGRAM BALANCING ACCOUNT, WITH INTEREST, FROM ITS 1990-1992 GENERAL RATE CASE CYCLE BY CREDITING THE ELECTRIC REVENUE ADJUSTMENT MECHANISM AND THE GAS FIXED COST ACCOUNTS.

BY ADVICE LETTER 1724-G/1413-E AND 1724-G-A/1413-E-A, FILED ON OCTOBER 16, 1992 AND MARCH 31, 1993.

SUMMARY

1. By Advice Letter 1724-G-A/1413-E-A, which superseded Advice Letter 1724-G/1413-E, Pacific Gas & Electric Company (PG&E) requests authorization to recover a total of $33.180 million in unrecovered Demand-side Management (DSM) expenditures reflected in its Customer Energy Efficiency Resource Program Balancing Account (CEERPBA) from its 1990-1992 General Rate Case (GRC) cycle. This amount includes interest, and an allowance for franchise fees and uncollectible accounts expense as of December 31, 1992. PG&E proposes that the Electric Revenue Adjustment Mechanism (ERAM) balancing account and the Core and Noncore Gas Fixed Cost Accounts (GFCA) be increased by $31.160 million and $2.020 million, respectively.

2. This Resolution approves Advice Letter 1724-G-A/1413-E-A to allow the balancing account adjustments.

BACKGROUND

1. In the DSM Collaborative decisions (D.90-08-068 and D.90-12-071), the Commission adopted settlement agreements, with some modifications, that established shareholder incentive mechanisms and authorized expanded funding for DSM programs. The Commission directed PG&E to establish a two-way balancing account for DSM resource programs. The purpose of this balancing account was to allow PG&E the flexibility to expand its budget with an overall limit of 30% above the total budget

of all resource programs and a cap of 50% above the budget of any of the four individual resource programs.

2. Resource programs are cost-effective energy efficiency programs that produce energy savings over the life of the program, and therefore reduce PG&E's need for future capacity investments. As defined in the adopted settlement agreement, the resource programs to which this two-way balancing account applies are:

- Commercial, Industrial, and Agricultural Energy Management Incentive Programs
- Residential Appliance Efficiency Program
- Commercial New Construction Program
- Residential New Construction Program

Multi-unit dwellings were also included as resource programs in 1992, as authorized in D.91-12-015.

3. PG&E filed Advice Letter 1631-G/1340-E on February 13, 1991 to modify its gas and electric Preliminary Statements to include provisions for a Customer Energy Efficiency (CEE) Mechanism to record CEE expenditures eligible for the shareholder incentive calculation and to establish a two-way balancing account for CEE Resource programs. This advice letter was approved by the Commission Advisory and Compliance Division (CACD) on April 1, 1991, which was PG&E's requested effective date.

4. On October 16, 1992, PG&E filed Advice Letter 1724-G/1413-E in accordance with D.90-08-068 and D.90-12-071, requesting to adjust the balances in the ERAM and GFCA accounts as of January 1, 1993.

6. On March 31, 1993, PG&E filed Advice Letter 1724-G-A/ 1413-E-A which superseded Advice Letter 1724-G/1413-E and provided updated account balances.

NOTICE

1. Advice Letters 1724-G/1413-E and 1724-G-A/1413-E-A were noticed by publication in the Commission calendar and were served to other utilities, government agencies, and to all interested parties who requested such notification, in accordance with the requirements of General Order 96-A.

PROTESTS

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

DISCUSSION

1. By definition, a balancing account provides a mechanism to track the difference between actual expenses associated with

certain programs and revenues collected to cover those expenses over a certain time frame. Differences between revenues and expenses accumulate in the balancing account. If revenues are less than expenses, the account is said to be undercollected. An undercollection occurs when the utility has overspent the amount it was authorized in rates. On the other hand, if revenues exceed expenses, the account is said to be overcollected. An overcollection occurs when the utility has underspent the amount it was authorized in rates.

2. At some point, rates are adjusted to collect or refund the balance in the balancing account. Ratepayers either receive a refund in the event of an overcollection or must pay more, through a rate increase, in the event of an undercollection. This is how a two-way balancing account functions.

3. By D.90-08-068, PG&E was authorized expanded funding for its DSM programs, which included its resource programs. PG&E has provided the following information for 1991 and 1992:

CEERPBA Balancing Account ($000)

YEAR	CPUC AUTHORIZED	ACTUAL EXPENSES	BALANCE
1991	$41,639	$60,681	$19,042
1992	66,359	79,252	12,893
Total Over/(Under) Expenditures			$31,935
Interest			959
FF&U[1]			286
Revenue Requirement (Reduction)			$33,180

4. The Commission Advisory and Compliance Division (CACD) has reviewed the account balances submitted by PG&E. According to PG&E, the 130% ceiling is computed on the total authorized budget for electric and gas DSM resource programs. The overall cap is limited to 130% of authorized dollars. Because the CEERPBA was not established until April 1, 1991, PG&E has prorated the authorized resource program dollars to be reflected in the balancing account. However, for purposes of computing the overall spending cap, the full authorized amount was used.

5. In response to a data request prepared by CACD, PG&E has stated that its basis for computing the spending cap is $54.695 million. The 130% cap, then, is equal to $71.104 million. PG&E's expenditures of $60.681 is within the target range, using

1 Franchise Fees and Uncollectibles: Electric @ .008650; Gas @ .009638

this methodology. However, assuming that the pro-rated amount is the basis for computing the cap, the amount that can be recovered is $54.131 million for 1991. This problem does not exist for 1992, because the balancing account was in effect for the entire year. The overall spending ceiling for 1992 was $86.267 million.

6. CACD is concerned that the two-way balancing account was not established until April of 1991. Although D.90-08-068 was issued as an interim decision, it clearly adopted the settlement agreements, with some modifications, including the two-way balancing account. PG&E has justified the calculation of the spending cap on the grounds that the intent of the decision is clear: that a two-way balancing account be implemented for all of 1991 and 1992. CACD concurs, but cautions PG&E to implement such programs and ratemaking mechanisms expeditiously to avoid problems in the future.

7. In addition to the recorded amounts indicated above, PG&E entered into agreements with customers to pay an additional $13.035 million in CEE incentives. These are encumbered funds and are to be recorded in the CEERPBA as payments are made. The committed amounts have been calculated and credited against the 1991 and 1992 spending caps.

8. The analysis performed by CACD is in no way a substitute for an audit. CACD believes that an audit of these balancing accounts is long overdue.

9. CACD found it difficult to track the figures presented in the advice letter and attachments with those presented in the DSM Annual Reports. CACD recommends that summary tables in PG&E's DSM Annual Report, filed each year on March 31, be updated to reflect corrected authorized and recorded balances. Relevant tables in the Technical Appendix, filed on April 15 annually, should also be revised. Such updates should be done on an on-going basis each time the Commission adopts revised funding levels.

FINDINGS

1. Under the terms of the two-way balancing account adopted in D.90-08-068, PG&E has the authority to expand its authorized DSM resource program budget by 130% overall and a cap of 50% above the authorized dollars for the individual resource programs discussed in this resolution.

2. PG&E proposes to recover $33.180 million, which includes interest and franchise fees and uncollectibles, as of December 31, 1992.

3. PG&E should recover the $33.180 million by increasing the ERAM and GFCAs by $31.160 million and $2.020 million, respectively. The total GFCA adjustment of $2.020 million should be divided between the Core and the Noncore GFCAs, using the methodology adopted in D.89-09-094 and the revenue

requirement and throughput forecast adopted in D.92-10-051. The balance in the Core GFCA will be increased by $1.233 million; the balance in the Noncore GFCA by $0.787 million.

4. CACD recommends that an audit be performed on these balancing accounts.

5. PG&E should update its DSM Annual Reports and Technical Appendices to reflect any updated figures adopted in this Resolution. Such updates should be done on an on-going basis each time the Commission adopts revised funding levels.

THEREFORE, IT IS ORDERED that:

(1) Pacific Gas & Electric Company shall recover $33.180 million in overexpended Demand-side Management funds by adjusting the Electric Revenue Adjustment Mechanism balancing account by $31.160 million. The Core and Noncore Gas Fixed Cost Accounts shall be adjusted by $1.233 million and $0.787 million, respectively

(2) Pacific Gas & Electric Company shall revise its Demand-side Management Reports and Technical Appendices to reflect any updates adopted in this Resolution. Such updates shall be done on an on-going basis each time the Commission adopts revised funding levels.

(3) Advice Letter 1724-G-A/1413-E-A shall be marked to show that it was approved by Commission Resolution E-3327.

(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 23, 1993. The following Commissioners approved it:

Neal J Shulman

Neal Shulman
Executive Director

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