

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3385
July 8, 1994

R E S O L U T I O N

RESOLUTION E-3385. SAN DIEGO GAS & ELECTRIC COMPANY (SDG&E) REQUEST FOR AUTHORIZATION TO ESTABLISH SEPARATE ELECTRIC AND GAS PBR CONSULTANT SERVICES MEMORANDUM ACCOUNTS.

BY ADVICE LETTER 916-E/923-G FILED JUNE 10, 1994

SUMMARY

San Diego Gas & Electric Company (SDG&E) requests approval to book into separate electric and gas memorandum accounts the costs of the consultant selected to assist the Commission Advisory and Compliance Division (CACD) in its evaluation of SDG&E's Gas Procurement and Generation & Dispatch Performance Based Ratemaking (PBR) mechanisms. This Resolution approves SDG&E's request.

DISCUSSION

Decision (D.) 93-06-092 in Application (A.) 92-10-017 approved SDG&E's Phase 1 PBR mechanisms and adopted a monitoring and evaluation (M&E) plan which, among other things, charged CACD with producing interim and final evaluation reports on February 1, 1995 and December 1, 1995, respectively.

The Decision authorized CACD to engage an independent consultant to assist in its evaluation of SDG&E's PBR and required SDG&E to fund the consultant services. The contract will be between SDG&E and the consultant.

At the completion of consultant services, SDG&E will be allowed to request rate recovery of the accrued costs, similar to the treatment of costs associated with management and demand side management program audits. The costs will be allocated to SDG&E's electric and gas departments based on their recorded 1993 balances.

As provided in the Decision, CACD will direct the consultant's efforts and pre-approve invoices for payment by SDG&E. SDG&E is instructed to cooperate with the consultant and afford it the same access to company records as that given Commission staff.

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CACD issued a Request for Proposals (RFP) on March 11, 1994 for the purpose of engaging an outside consultant. A bidders' conference was held on March 31, 1994, in which potential bidders were briefed on the project scope. On April 12, 1994, CACD mailed all potential consultants a summary of the bidders' conference and a revised RFP schedule.

Responses to the RFP were received on April 29, 1994. SDG&E, CACD and the Division of Ratepayer Advocates screened the responses for qualifications to perform the job, conceptual framework and quality of the work plan. Consultant finalists were interviewed by SDG&E and CACD and on June 2, 1994, Vantage Consulting Inc. (VCI) was determined to be the winning bidder.

VCI's total project cost is estimated at \$262,901, which includes professional fees of \$230,360, travel expenses of \$25,630, and miscellaneous project expenses (copying, supplies, etc.) of \$6,911. Additional costs to provide testimony or to participate in workshops, if required, are estimated at \$34,000. We did not prescribe a limitation on the total amount in D.93-06-092, nor do we make such a finding in this Resolution.

After conferring with CACD, SDG&E filed AL 916-E/923-G to establish separate gas and electric memorandum accounts. SDG&E explains that, although the Decision contemplated establishing balancing accounts to recover the PBR consultant costs, memorandum accounts are the more appropriate designation. CACD concurs that balancing accounts connote automatic rate components and amortization, while memorandum accounts simply track expenses until rate recovery is authorized by subsequent specific Commission action.

SDG&E considers this Advice Letter to be a compliance filing for D.93-06-092 and requests that this authority become effective on June 10, 1994, the date the Advice Letter was filed. We note, however, that General Order 96A requires advice letters to become effective on not less than 40 days' notice, absent Commission approval. CACD points out that entries to these memorandum accounts will not be made until the consultant has begun work and rendered the first billing. Thus, allowing the accounts to be established on the effective date of this resolution will suffice, and we need not address the problems associated with attempting to implement the accounts retroactively.

NOTICE/PROTESTS

In accordance with Section III-G of General Order 96-A, SDG&E provided notification of AL 916-E/923-G by serving copies to those on its Advice Filing Mailing List and on interested parties in A.92-10-017. No protests have been received.

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FINDINGS

1. Decision 93-06-092 allows CACD to select a consultant to assist in evaluating SDG&E's Performance Based Ratemaking, requires SDG&E to pay the consultant's costs, and allows SDG&E to establish a cost tracking mechanism to facilitate their later recovery in rates.
2. CACD, working cooperatively with SDG&E, has selected Vantage Consulting Inc. to assist in evaluating SDG&E's PBR.
3. SDG&E filed Advice Letter 916-E/923-G to establish Gas and Electric PBR Consultant Services Memorandum Accounts for tracking consultant costs in accordance with D.93-06-092.
4. Memorandum accounts are the appropriate device to track such expenses when consideration will be given at a later time to the specific amounts to be recovered in rates.
5. SDG&E's PBR Consultant Services Memorandum Accounts should be established on the effective date of this order to capture all expected costs of the PBR consultant.
6. SDG&E will file for the Commission's consideration an advice letter or letters to recover in rates amounts booked to these accounts when the consultant's services have been completed.

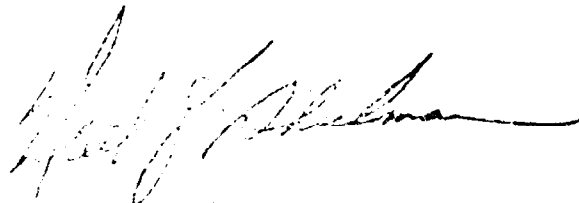
THEREFORE, IT IS ORDERED that:

1. San Diego Gas and Electric Company Advice Letter 916E/923G, the attached tariff sheets, and the Gas and Electric PBR Consultant Services Memorandum Accounts proposed therein are approved and shall become effective on the effective date of this Resolution.
2. The amounts recorded in these memorandum accounts shall not be placed in rates until the completion of contracted services and approval to do so by the Commission.

This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 8, 1994. The following Commissioners approved it:

DANIEL Wm. FESSLER
President
PATRICIA M. ECKERT
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.



NEAL J. SHULMAN
Executive Director

Commissioner Norman D. Shumway, being necessarily absent, did not participate.