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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION G-3432**
April 16, 2009

R E S O L U T I O N

Resolution G-3432. Pacific Gas and Electric Company (PG&E) request to establish a gas and an electric Memorandum Account to record the revenue requirements on capital expenditures associated with the Marketing Decision Support System (MDSS) database platform replacement project.

By Advice Letter 2989-G/3403-E Filed on January 14, 2009.

SUMMARY

This Resolution authorizes PG&E to establish a gas and an electric memorandum account to track revenue requirement for its proposed MDSS database platform replacement project.

The MDSS project is subject to Commission approval under the open, Energy Efficiency 2009-2011 Portfolio Application 08-07-031 and the PG&E Demand Response Application 08-06-003.

PG&E shareholders are at risk for any and all memorandum account expenditures not approved by the Commission under A.08-07-031.

BACKGROUND

On January 14, 2009, Pacific Gas and Electric Company (PG&E) filed Advice Letter (AL) 2989-G/3403-E requesting to establish a gas and an electric Memorandum Account to record the revenue requirements on capital expenditures associated with the Marketing Decision Support System (MDSS) database platform replacement project, as proposed in PG&E's 2009-2011 Energy

Efficiency Portfolio Application (A.) 08-07-031 and its Demand Response Application (A.) 08-06-003.

PG&E explains that its 20-year old database system, serving many of the information system needs for its energy efficiency and demand response programs, is outdated and can no longer track programs effectively. PG&E has proposed to replace its system with an up-to-date system to improve reporting capabilities and streamline requests for information.

The estimated cost of the project is $31 million, with 90% ($27.9 million) allocated to energy efficiency and 10% ($3.1 million) allocated to demand response.

PG&E states that its request to establish the gas and electric memorandum accounts will allow it to record the revenue requirement on capital expenditures in the early stages of this replacement project so that the full 3–phased implementation can provide timely information during the 2009-2011 program cycle. The memorandum accounts will not guarantee recovery of any of the costs recorded in the accounts prior to Commission approval under A. 08-07-031 (EE) and A. 08-06-003 (DR). Instead, the memorandum accounts will ensure that the MDSS replacement project can proceed in 2009 without precluding cost recovery at a future date and will protect against retroactive ratemaking concerns.

NOTICE

Notice of AL 2989-G/3403-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

PROTESTS

Advice Letter 2989-G/3403-E was protested jointly by the Division of Ratepayer Advocates (DRA/TURN) and The Utility Reform Network (TURN) on February 3, 2009. PG&E responded to the protest on February 10, 2009.

DRA/TURN protest PG&E's request to begin spending money on a project that will ultimately cost ratepayers more than $30 million, prior to the evaluation of the merits of the project. DRA/TURN recommend the Commission deny the request to establish the memorandum accounts in order to prevent the possibility of wasting dollars on a project that is significantly modified or possibly not even approved.

Expenditures should occur only after the Commission has reviewed and authorized the project under the amended EE filing.

DRA/TURN also object to the limited project scope, stating that it continues to direct most of the costs to EE rather than integrate the project cost responsibilities with other DSM projects. DRA/TURN state that PG&E characterizes the project as an integrated demand-side management (IDSM) project, yet does not refer to the California Solar Initiative, the Self Generation Incentive Program, the Advance Metering Initiative or the Low Income Energy Efficiency programs.

DISCUSSION

DRA/TURN request the Commission deny the MDSS memorandum accounts to prevent the possibility of wasting dollars on a project that may not be approved at all. PG&E states that DRA/TURN mistake the advice letter as a mechanism to seek cost recovery of expenditures related to the MDSS replacement project. PG&E asserts that recovery of the revenue requirement for the project will only be approved after a decision in the open energy efficiency proceeding, A. 08-07-031 and the demand response proceeding (A.08-06-003).[1]

Memorandum accounts record and track particular costs for capital projects, but do not provide a guaranteed authorization to meet expenditures using ratepayer

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[1] PG&E describes the development of total MDSS project costs – and the proposed allocation among EE and DR programs – in its 2009-2011 application. The 2009-2011 DR application includes a placeholder for the portion (currently 10 percent) of total MDSS project costs to be collected via DR-related revenue requirements.

funds. Ratepayer funds may be used at a later time, but only after Commission review and authorization of the project. Under a memorandum account, PG&E shareholders are at risk for any and all expenditures, should the Commission deny some or all parts of the project.

DRA/TURN object to the expenditure of any funds prior to a full exploration of the MDSS project, its need and purpose, size, and cost allocation to other demand side management programs not included in the proposed allocation to energy efficiency and demand response, such as the Solar, Advance Metering, and Low Income programs.

PG&E replies that the MDSS Replacement Project is not limited to energy efficiency and will include additional integrated demand side management programs (IDSM). PG&E states that the primary long term objective of the MDSS replacement project is to improve its ability to respond to the changing nature and volume of IDSM programs. PG&E states that "as the project phases are implemented more integration capabilities will be installed For instance, the California Solar Initiative (CSI) programs, are currently required to use state-operated systems and it will take some time to determine the best system integration strategy." PG&E agrees with DRA/TURN that "the replacement system should serve the needs of the entire IDSM portfolio" but that because it takes time to build the capabilities required to fully integrate program management and transaction processing, it needs to begin construction now in order to complete the process within the 3-year budget cycle.

PG&E has provided testimony on this project in its energy efficiency Application A. 08-07-031 (EE application), combining it with its request in its demand response Application A. 08-06-003 (DR application). The project requires a full review before any ratepayer funds are authorized for the project and before the project may be added to rate base. Under the scope of the proceeding, the allocation of costs between EE and DR, and perhaps other DSM programs, may be raised. However, the program cost allocation is outside the scope of the request for a memorandum account. DRA/TURN's arguments are most appropriate for the EE application, where the MDSS project will be fully reviewed.

Delays in the application process have delayed formal vetting of the project. The current schedule for the EE proceeding allows for a proposed decision in August, nearly one year from PG&E's original energy efficiency application. PG&E's request to establish a gas and an electric memorandum account to track the expenditures related to the MDSS system should be approved. PG&E's shareholders will be at risk for any expenditure not approved by the Commission under A. 08-07-031 and A.08-06-003.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

"The 30-day comment period for the draft of this resolution was neither waived or reduced. Accordingly, this draft resolution was mailed to parties for comments.

Only PG&E provided comments to the resolution. We incorporate herein their recommendations to modify the resolution to clarify that the gas and electric memorandum accounts will track the revenue requirement associated with its capital expenditures for the proposed MDSS database platform replacement project.

FINDINGS

1. Pacific Gas and Electric Company (PG&E) requests authorization to establish a gas and an electric Memorandum Account to record the revenue requirements on capital expenditures associated with the Marketing Decision Support System (MDSS), a database platform replacement project.

2. PG&E has proposed the MDSS project in its 2009-2011 Energy Efficiency Portfolio Application (A.) 08-07-031 and its Demand Response Application (A.) 08-06-003. PG&E has proposed to replace its system with an up-to-date system to improve reporting capabilities and streamline requests for information.

3. PG&E explains that its 20-year old database system, serving many of the information system needs for its energy efficiency and demand response programs, is outdated and can no longer track programs effectively.

4. The estimated cost of the MDSS project is $31 million, with 90% ($27.9 million) allocated to energy efficiency and 10% ($3.1 million) allocated to demand response.

5. The gas and electric memorandum accounts would allow PG&E to record the revenue requirement on capital expenditures in the early stages of this replacement project so that the full 3–phased implementation can provide timely information during the 2009-2011 program cycle.

6. The memorandum accounts do not guarantee recovery of any of the costs recorded in the accounts prior to Commission approval under A. 08-07-031 (EE) and A. 08-06-003 (DR).

7. The memorandum accounts can allow PG&E track revenue requirement without precluding cost recovery at a future date and will protect against retroactive ratemaking concerns.

8. DRA/TURN protest that expenditures on the MDSS project should occur only after full review and authorization of the proposed project.

9. DRA/TURN propose that the MDSS replacement project should support the integration all IDSM programs and not just be limited to energy efficiency and demand response programs.

10. DRA/TURN argue that a delay in the energy efficiency proceeding does not justify spending for the MDSS system before it has been fully vetted under the proceeding.

11. Memorandum accounts track expenditures for capital projects. Shareholders are at risk for the expenditures should the project be denied in part or in full.

12. The MDSS project will be fully reviewed and addressed under the energy efficiency proceeding, A.08-07-031.

THEREFORE IT IS ORDERED THAT:

1. The request of Pacific Gas and Electric Company to establish a gas and an electric memorandum account for its MDSS system, as requested in Advice Letter AL 2989-G/3403-E is approved.

2. The MDSS project shall be fully reviewed and addressed under the energy efficiency proceeding, A.08-07-031.

3. PG&E shareholders are at risk for any and all expenditures for the MDSS system not approved by decision in A.08-07-031.

4. The protest of DRA/TURN is denied without prejudice.

5. PG&E's Advice Letter 2989-G/3403 shall be marked approved effective as of the date of this resolution.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on April 16, 2009; the following Commissioners voting favorably thereon:

/s/ Paul Clanon
Paul Clanon
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners