

ORIGINAL

Decision 84 06 089 JUN 6 1984

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SAN DIEGO GAS & ELECTRIC)
COMPANY for authority to include)
the Southwest Powerlink as a)
specified major addition under)
its Major Additions Adjustment)
Clause (MAAC) and to increase its)
Major Additions Adjustment Billing)
Factor (MAABF) and decrease its)
Annual Major Additions Rate (AMAR))
upon operation of the Southwest)
Powerlink.)

Application 83-12-01
(Filed December 1, 1983)

Manning W. Puette and Jeffrey Lee Guttero,
Attorneys at Law, for applicant.
John W. Witt, City Attorney, for City of
San Diego, by William S. Shaffran, Deputy
City Attorney, interested party.
Patrick L. Gileau, Attorney at Law, for
the Commission staff.

INTERIM OPINION

San Diego Gas & Electric Company (SDG&E) seeks authority to include the Southwest Powerlink (Powerlink) as a Specified Major Addition under its Major Additions Adjustment Clause (MAAC) and to (1) accrue to its MAAC balancing account, effective February 1, 1984, amounts attributable to the operation of Phase 1 of the Powerlink, (2) increase its Major Additions Adjustment Billing Factor, effective as of the commercial operation date of the Powerlink, by 0.485c per kilowatt-hour (kWh), and (3) to decrease its rates to account for adjustments

to its Average Noninvestment Related Expense Rate (ANRER) of 0.105¢ per kWh on June 1, 1984. The requested rate changes will increase SDG&E's electric revenues by \$39.0 million on an annual basis.

After due notice four days of public hearings were held on this matter in Los Angeles before Administrative Law Judge N. R. Johnson from May 8 through May 11, 1984, and the matter was submitted on concurrent briefs due May 25, 1984. Testimony was presented on behalf of SDG&E by its manager of Powerlink, Terry M. Winter, by its manager of the corporate tax department, Christian P. Fonss, by one of its valuation supervisors, Arlyn L. Jespersen, and by its acting manager-rates department, Douglas P. Hanson; on behalf of herself by Sally Anderson-Monahan; and on behalf of the Commission staff by financial examiner III, J. Archie Johnson.

Background

The Powerlink consists of (1) a 230-kilovolt (kV) double circuit transmission line 24 miles in length connecting SDG&E's Mission Substation and Escondido Substation to its Miguel Substation (Phase 1), and (2) a single circuit 500-kV line 278 miles in length extending from the Miguel Substation eastward to the California-Arizona border and then northeast to the Palo Verde Nuclear Generating Station switchyard in Arizona with substations in Imperial Valley, California, and Yuma, Arizona (Phase 2). The total projected SDG&E cost is estimated to be \$207,457,000. The 230-kV line is presently being operated to provide an alternate transmission path while existing circuits are modified at various substations to accommodate the full operation of the Powerlink. Upon operation

of the entire Powerlink, estimated to commence June 1, 1984, the Phase 1 double circuit 230-kV line will be used to transmit power from the Phase 2 500-kV line to SDG&E's load centers.

A certificate of public convenience and necessity (CPC&N) was granted by Decision (D.) 93785 dated December 1, 1981 on Application 59575 as modified by D.82-03-108 and D.82-12-100 and construction of the Powerlink was commenced in September of 1982.

In its application SDG&E requested MAAC rate relief concurrent with the commercial operation of the Powerlink or, in the alternative, an order allowing the accrual of related costs in a deferred debit account pending full implementation of the MAAC rates. Furthermore, because of the proximity of the hearing dates to the anticipated June 1, 1984 commercial operating date of the Powerlink and the amount of public interest shown in the proceeding, SDG&E is concerned that a final ratemaking decision cannot issue prior to or concurrent with the commercial operating date of the Powerlink. Consequently on the first date of hearing SDG&E filed a "Motion For An Interim Decision Authorizing Deferred Debit Treatment From Commercial Operation of the Southwest Powerlink Until A Rate-making Decision Is Reached in Application 83-12-01". The motion specifies the accrual in a deferred debit account of income taxes, property taxes, depreciation expense, and an amount equivalent to the Allowance For Funds Used During Construction (AFUDC). SDG&E notes that in the absence of a final ratemaking decision at the time of commercial operation of the Powerlink, it would experience a decline in earnings in that it would neither be accruing AFUDC nor receiving rate

relief; that granting the motion would preserve both our authority over related expenses and SDG&E's opportunity to recover the expenses found reasonable; and that a grant of the motion would neither increase current rates nor constitute a final decision. Staff opposed SDG&E's motion on the grounds that interim relief is unnecessary. We disagree and wish to protect the company against the financial loss that would occur between the commercial operating date, at which time the company would cease to accrue AFUDC, and a final rate-making decision in this case. We will deny staff's motion.

During the course of the proceedings several complex, controversial issues were raised relating to such matters as arbitrage, the proper portion of costs associated with the acquisition of rights of ways through condemnation proceedings that should be included in rate base, the proper contingency allowances to be included in rate base, and the proper level of allowable operating and maintenance expenses. It is axiomatic that such involved and controversial matters mandate deliberate and careful consideration of each individual issue. Under these circumstances and considering the due date of May 25, 1984 for concurrent briefs on these issues, it would appear that a final decision cannot issue prior to the anticipated commercial operating date of the Powerlink. Consequently SDG&E's motion for an interim decision authorizing deferred debit treatment from the commercial operating date of the Powerlink until a final decision issues is reasonable and will be granted. SDG&E is instructed to notify the Executive Director once the Powerlink has become commercially operable.

Findings of Fact

1. The Powerlink consists of (1) a 230-kv double circuit transmission line 24 miles in length connecting SDG&E's Mission Substation and Escondido Substation to its Miguel Substation (Phase 1), and (2) a single circuit 500-kv line 278 miles in length extending from the Miguel Substation eastward to the California-Arizona border and then northeast to the Palo Verde

Nuclear Generating Station switchyard in Arizona with substations in Imperial Valley, California, and Yuma, Arizona (Phase 2).

2. The estimated commercial operating date for the Powerlink is June 1, 1984.
3. Concurrent briefs for this matter are due May 25, 1984.
4. Several complex and controversial issues were raised at the hearings on this proceeding.
5. Because of the proximity of the briefing date to the estimated commercial operating date of the Powerlink, it is unlikely that a final ratemaking decision will issue prior to commercial operation of the Powerlink.
6. Unless rate relief is granted concurrently with the commercial operation of the Powerlink, SDG&E will experience a decline in earnings in that it would neither be accruing AFUDC nor receiving rate relief.

Conclusions of Law

1. SDG&E's motion for an interim decision authorizing accrual in a deferred debit account of income taxes, property taxes, depreciation expense, and an amount equivalent to AFUDC effective with the commercial operation of the Powerlink and continuing until the issuance of a final decision on this matter should be granted.
2. Because of the immediate need for the relief requested, the order should be effective today.
3. Staff's motion in opposition to interim relief is denied.
4. SDG&E should notify the Executive Director once the Powerlink becomes commercially operable.

INTERIM ORDER

IT IS ORDERED that:

1. San Diego Gas & Electric Company (SDG&E) is authorized to accrue in a deferred debit account the Southwest Powerlink (Powerlink) costs consisting of income taxes, property taxes, depreciation expense, and an amount equivalent to an allowance for funds used during construction from the date of commercial operation of the Powerlink until the effective date of the final decision on this matter.

2. SDG&E is instructed to notify the Executive Director once the Powerlink becomes commercially operable.

3. Staff's motion in opposition to interim relief is denied.

4. SDG&E's motion for an interim decision authorizing deferred debit treatment for the Powerlink expenses is granted as described above.

This order is effective today.

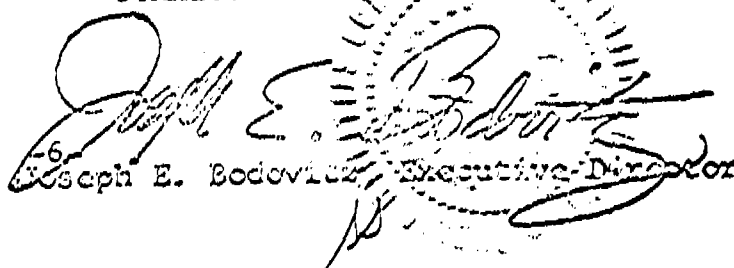
Dated June 6, 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.
President

VICTOR CALVO
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

Commissioner Priscilla C. Grew,
being necessarily absent, did
not participate.

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS.


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Joseph E. Bodovick, Executive Director

INTERIM ORDER

IT IS ORDERED that:

1. San Diego Gas & Electric Company (SDG&E) is authorized to accrue in a deferred debit account the Southwest Powerlink (Powerlink) costs consisting of income taxes, property taxes, depreciation expense, and an amount equivalent to an allowance for funds used during construction from the date of commercial operation of the Powerlink until the effective date of the final decision on this matter.

2. SDG&E's motion for an interim decision authorizing deferred debit treatment for the Powerlink expenses is granted as described above.

3. Staff's motion in opposition to interim relief is denied.

4. SDG&E is instructed to notify the Executive Director once the Powerlink becomes commercially operable.

This order is effective today.

Dated JUN 6 1984, at San Francisco, California.

LEONARD M. CRIMES, JR.
President
VICTOR CALVO
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners

Commissioner Priscilla C. Crow,
being necessarily absent, did
not participate