

ORIGINAL

Decision 88 12 086 DEC 19 1988

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation)
on the Commission's motion into)
implementing a rate design for)
unbundled gas utility services)
consistent with policies adopted)
in Decision 86-03-057.)

I.86-06-005
(Filed June 5, 1986)
Mailed

DEC 20 1988

Order Instituting an Investigation)
by rulemaking into proposed)
refinements for new regulatory)
framework for gas utilities.)

R.86-06-006
(Filed June 5, 1986)

ORDER EXTENDING TIME

Under Rule 43 of our Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas) jointly seek a six-month extension to submit marginal cost studies on gas service. Such studies were required in Decisions (D.) 86-12-009 (as modified by D.87-03-044) and D.87-05-046. Pending our consideration of this petition, the Executive Director granted a one-month extension. We now grant the full extension.

PG&E, SDG&E, and SoCalGas say that the extension will enable them to prepare better studies without delaying the use of these studies for gas ratemaking. They note that marginal cost analysis is new to gas ratemaking and that progress toward consensus on methodology will be useful for future proceedings. They further note that the recently enacted Public Utilities (PU) Code Section 739.6 puts some limitations on changes in cost allocation technology for some time, so that the immediate usefulness of gas marginal cost studies seems limited. Finally, the three utilities each have utility-specific reasons for seeking an extension.

Southern California Edison Company (Edison) opposes the requested extension. Edison disputes the rationale for the extension, to the extent that the rationale depends on PU Code Section 739.6. Edison argues that the section deals only with gas cost allocation and does not preclude the Commission from adopting a rate design based on long-run marginal cost principles. In essence, Edison asks that the three gas utilities be required to submit preliminary studies immediately, with the final studies due no later than March 15, 1989. The Division of Ratepayer Advocates (DRA) does not oppose the extension but asks (1) that initial results and workpapers be provided on February 28, 1989, and (2) that the final results be evaluated in a generic statewide proceeding.

We, like Edison and DRA, had hoped that the marginal cost studies would be available by now. We note that the due date for the studies had already been extended once, before the present request. However, as a practical matter, we believe Edison is unrealistic in hoping that SoCalGas' marginal cost study could be applied in its spring annual cost allocation proceeding. These studies are too innovative to be relied upon immediately, as Edison apparently envisions. Instead, we will provide in this docket for a 30-day comment period on the marginal cost studies. After reviewing the written comments, we will direct modifications to the studies, hold hearings, or take such other action as we deem appropriate to ensure that the studies are useful and reliable for our regulatory purposes. Furthermore, in conferring with our staff and interested parties, the gas utilities shall make available, no later than March 15, 1989, their initial results and workpapers.

Finding of Fact

PG&E, SDG&E, and SoCalGas have shown good cause, and immediate need, for a six-month extension in the due date for the gas marginal cost studies that the Commission has previously directed them to prepare.

Conclusion of Law

The petition for an extension of time should be granted.

IT IS ORDERED that:

1. Ordering Paragraph 7 of D.86-12-009, added by D.87-03-044, is modified as follows:

"7. PG&E, SoCalGas, and SDG&E shall submit long-run marginal cost studies based on both the resource planning and replacement cost approaches described in this order. These two studies, along with any alternatives, shall be submitted to the Commission Advisory and Compliance Division staff with complete workpapers no later than May 31, 1989. Copies of the studies shall be provided to parties upon request. If the request is made before May 24, 1989, then the studies shall be served on such requesters concurrent with submission to our staff. The respondent utilities shall regularly confer with the Commission Advisory and Compliance Division staff and interested parties to ensure that the studies are conducted in a way that maximizes their usefulness for capacity planning and pricing. The respondent utilities shall also make their initial results and workpapers available no later than March 15, 1989."

2. Ordering Paragraph 3 of D.87-05-046 is modified as follows:

"3. PG&E, SoCalGas, and SDG&E shall submit long-run marginal cost studies based on both the resource planning and replacement cost approaches described in D.87-03-044. These two studies, along with any alternatives, shall be submitted to the Commission Advisory and Compliance Division staff with complete workpapers no later than May 31, 1989. Copies of the studies shall be provided to parties upon request. If the request is made before May 24, 1989, then the studies shall be served on such requesters concurrent with submission to our staff. The respondent utilities shall regularly confer with the Commission Advisory and Compliance Division staff and interested parties to ensure that the studies are conducted in a way that maximizes their usefulness for capacity planning and pricing. The respondent utilities shall also make their initial results and workpapers available no later than March 15, 1989."

3. Parties may file and serve comments on the long-run marginal cost studies. Such comments shall be due no later than June 30, 1989.


This order is effective today.

Dated DEC 19 1988, at San Francisco, California.

STANLEY W. HULETT
President

DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OZANIAN
Commissioners

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


Victor Weissert, Executive Director

so

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