

Decision 90 02 052 FEB 23 1990**ORIGINAL**

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)
 And Consolidated Cases
 R.86-06-006
 A.87-01-033
 A.87-01-037
 A.87-04-040

 And related matters.)

ORDER DENYING REHEARING
AND MODIFYING DECISION (D.) 90-01-021

TOWARD UTILITY RATE NORMALIZATION (TURN), and Henwood Energy Services, Inc. (Henwood) have filed applications for rehearing of interim Decision (D.) 90-01-021 on the grounds that the Commission is violating Public Utilities Code §1708 in establishing a procedural schedule for considering long-run marginal cost methodologies without first holding evidentiary hearings. The contention is that since the Commission has already adopted an embedded costing methodology in D.86-12-009, any attempt to modify that decision without a hearing violates Public Utilities (PU) Code §1708. We disagree.

In addition, Southern California Gas Company (SoCalGas) and the city of Palo Alto have filed untimely rehearing applications. They were not considered because they were not filed within the time prescribed by PU Code §1731. However, SoCalGas' reply to TURN's rehearing application was considered.

The Commission has not retreated from its announced theoretical preference for a cost allocation method based on marginal costs. The embedded cost approach was adopted for use in the short term due to insufficient data on long-run marginal

costs. The Findings of Fact in D.86-12-009 clearly reflect the Commission's plan of action in the long term:

Findings of Fact

- "1. Adequate marginal cost studies and demand elasticities are not yet developed enough to be a basis for rates set by this Commission.
2. *Temporary use of historical embedded costs is a reasonable basis for cost allocation between market segments.*" (Emphasis added.)

After Commission-ordered studies on long-run marginal costs that the utilities conducted over a period of two years, we have determined that we have sufficient, if not perfect, data to begin calculating long-run marginal costs. To move the proceeding along, we have established an agenda and schedule by which we plan to proceed.

We affirm the Commission's right to establish its own rules and schedules for Commission proceedings, pursuant to PU Code §1701. Neither of the Petitioners has established a constitutional or statutory right to an evidentiary hearing before the Commission establishes its proposed procedural schedule. All the necessary due process has been, and is being, provided for in these protracted proceedings. However, in order to clarify our previous order, we shall modify D.90-01-021 to specifically state that parties shall be allowed to comment, not merely upon the marginal cost methodology workshops, but also upon the methodology chosen by the Commission as its proposed methodology. After receipt of comments on the proposed methodology of the Commission, an interim order will be issued defining the methodology to be used in the remainder of the proceeding, and setting forth a revised procedural schedule.

We have considered all the allegations of error in the applications of TURN and Henwood, and SoCalGas' reply to TURN's rehearing application, and are of the opinion that good cause for

rehearing has not been shown. We do not address the applications filed by the city of Palo Alto and SoCalGas due to their untimeliness. Therefore,

IT IS ORDERED that:

1. D.90-01-021 is hereby modified to add the following paragraph on page 6 after Ordering Paragraph 4 and to be numbered as Ordering Paragraph 5:

"5. After the Commission receives the CACD report and the parties' comments, it will select a proposed methodology. The parties are directed to file an original and 12 copies of any written comments on the selected methodology within 20 days following the Commission's issuance of its order on the proposed methodology, and to serve such comments on all respondents and workshop participants."

2. Ordering Paragraph 5 will be re-numbered as Ordering Paragraph 6.

3. Rehearing of D.90-01-021 on the grounds raised by TURN and Henwood is hereby denied.

4. The rehearing applications filed by Palo Alto and SoCalGas are hereby denied on the basis of their untimely filings, in violation of PU Code §1731.

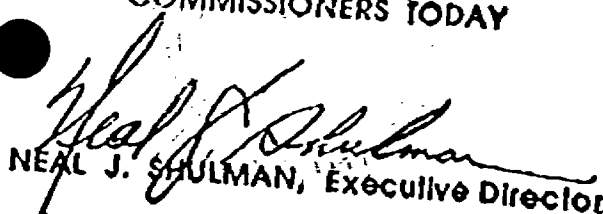
This order is effective today.

Dated FEB 23 1990, at San Francisco, California.

G. MITCHELL WILK
President
FREDERICK R. DUDA
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

Commissioner Stanley W. Hulett,
being necessarily absent, did
not participate.

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


NEAL J. SHULMAN, Executive Director