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Decision 91-07-014 July 2, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SCEcorp and its public utility)
 subsidiary SOUTHERN CALIFORNIA EDISON)
 COMPANY (U 338-E) and SAN DIEGO GAS &)
 ELECTRIC COMPANY (U 902-M) for)
 Authority to Merge SAN DIEGO GAS &)
 ELECTRIC COMPANY into SOUTHERN)
 CALIFORNIA EDISON COMPANY.)

ORIGINAL

Application 88-12-035
 (Filed December 16, 1988;
 amended April 17, 1989)

OPINION

San Diego Gas & Electric Company (SDG&E) and the Commission's Division of Ratepayer Advocates (DRA) filed a joint petition for modification of Decision (D.) 91-05-028 on May 29, 1991. The petition requests a Test Year 1993 General Rate Case (GRC) for SDG&E, rather than the Test Year 1994 GRC authorized in the decision.

The petition reflects a change of position for SDG&E. The Administrative Law Judges' Proposed Decision in this proceeding, issued February 1, 1991, recommended a Test Year 1993 GRC for SDG&E. In its comments on the Proposed Decision, SDG&E argued that it could not prepare a full GRC showing in time to meet the schedule of the Commission's Rate Case Plan (Time Schedules for the Rate Case Plan and Fuel Offset Proceedings (1989) 30 CPUC 2d 576). D.91-05-028 responded to SDG&E's concerns and ordered a Test Year 1994 GRC for SDG&E. In the meantime, however, SDG&E followed a suggestion of the Proposed Decision and met with DRA to attempt to eliminate uncontroversial subjects and to narrow the scope of the GRC. These discussions were successful, and now both SDG&E and DRA believe a Test Year 1993 GRC is desirable.

SDG&E and DRA propose to remove certain items from consideration in the GRC:

Sales. A forecast of sales for the test year will be made by extending by eight months the sales forecast developed in SDG&E's Energy Cost Adjustment Clause (ECAC) proceeding. SDG&E will file an ECAC application in September 1991 which will include a sales forecast for May 1992 through April 1993. The Commission's adopted sales forecast in this ECAC proceeding will be the basis for the GRC sales forecast.

Escalation. The escalation methodology agreed to in SDG&E's last two GRCs will again be employed.

Nuclear Expense. Nearly all of SDG&E's nuclear expenses for its partial ownership of the San Onofre Nuclear Generating Station (SONGS) can be derived from the corresponding items in the Test Year 1992 GRC of Southern California Edison Company (Edison), the primary owner and operator of SONGS.

Resource Plan. Resource plan issues will be addressed in the Biennial Resource Plan Update proceeding (Investigation (I.) 89-07-004).

Working Cash. The working cash allowance agreed to in the settlement of SDG&E's last GRC can again be adopted, since the small effect this item has on rates does not justify the time required to perform a comprehensive lead-lag study in these circumstances.

Base Year. DRA and SDG&E agree that data from a base year of 1988 should form the foundation for the GRC, since recorded data from 1989 and 1990 may be distorted because of SDG&E's proposed merger with Edison.

SDG&E and DRA are continuing discussions to attempt to resolve other issues.

SDG&E and DRA also propose certain procedural adjustments to accommodate a Test Year 1993 GRC. These parties propose to do away with the filing of a Notice of Intent (NOI) and to have SDG&E file its application on November 15, 1991. The subsequent events scheduled in the Rate Case Plan would be modified to allow for a

decision on revenue requirements by the end of 1992 and a rate design decision by April 14, 1993.

Utility Consumers' Action Network (UCAN) responded to the joint petition on June 17. UCAN supports the acceleration of SDG&E's GRC and raises three points.

First, UCAN urges that parties should not be precluded from discovering and, if appropriate, presenting data for years later than the proposed 1988 base year. Second, UCAN asks whether the shifting of resource plan issues to the Biennial Update will also remove demand-side management issues from the GRC, a result which UCAN opposes. Third, UCAN believes that the Administrative Law Judge assigned to the GRC should have the authority to refine the schedule proposed in the joint petition.

We will grant part of the petition to modify D.91-05-028. We will authorize SDG&E to file an application for a Test Year 1993 GRC on November 15, 1991. Our primary concern in delaying SDG&E's GRC to Test Year 1994 was the lack of time available for SDG&E to prepare its application. SDG&E and DRA have worked together to eliminate many of the potential disputes between them that would make it difficult to prepare and complete the GRC in accordance with the Rate Case Plan. Of course, other parties to the GRC are free to raise issues as they see fit, but we believe that the resolution between SDG&E and DRA will permit a timely completion of the GRC.

We will also accept SDG&E and DRA's proposals to address resource plan issues in the Biennial Resource Plan Update proceeding and to derive the GRC sales figures from the adopted forecast from SDG&E's ECAC proceeding for May 1992 through April 1993. The resource plan issues that will be addressed in the Biennial Update include the demand forecast and the testing of additions to the resource plan. The details of existing and proposed demand-side management programs will continue to be addressed in the GRC.

We will not adopt SDG&E and DRA's proposed schedule in its entirety. The assigned Administrative Law Judge (ALJ) will develop the schedule for the processing of the GRC. In addition, we regard SDG&E and DRA's other proposals as agreements between only those two parties. Other parties and the ALJ may choose to take other approaches to these issues.

Findings of Fact

1. On May 29, 1991, SDG&E and DRA filed a joint petition to modify D.91-05-028.
2. SDG&E and DRA have agreed between themselves on ways to remove several issues from controversy in SDG&E's next GRC.
3. SDG&E and DRA's agreement makes it possible for SDG&E to complete a Test Year 1993 GRC within the time limits of the Rate Case Plan.
4. UCAN responded to the joint petition on June 17, 1991.

Conclusions of Law

1. SDG&E and DRA's Joint Petition for Modification of D.91-05-028 should be granted in part.
2. SDG&E should be authorized to file an application for a Test Year 1993 GRC on November 15, 1991.
3. Resource plan issues should be addressed in I.89-07-004, rather than in SDG&E's GRC.
4. Sales figures for the GRC should be derived from the adopted sales forecasts from SDG&E's ECAC proceeding for May 1992 through April 1993.

O R D E R

Therefore, IT IS ORDERED that:

1. The Joint Petition for Modification of Decision (D.) 91-05-028 filed by San Diego Gas & Electric Company (SDG&E) and the Division of Ratepayer Advocates on May 29, 1991 is granted in part.

2. The last paragraph of p. 124 of D.91-05-028 is modified to read in its entirety:

"After considering the arguments of the parties, we conclude that the next GRC for SDG&E should be for test year 1993. SDG&E's scheduled GRC has already been deferred one year, and an additional year's deferral would increase the risk that base rates do not reflect current costs."

3. The text on p. 125 of D.91-05-028 is deleted.

4. The Ordering Paragraphs of D.91-05-028 are modified to read as set forth in Appendix A.

5. Resource plan issues that would ordinarily be considered in SDG&E's next general rate case shall be addressed in Investigation 89-07-004.

6. The sales forecast for SDG&E for Test Year 1993 shall be derived from the sales forecast adopted in the decision on SDG&E's Energy Cost Adjustment Clause proceeding for May 1992 through April 1993.

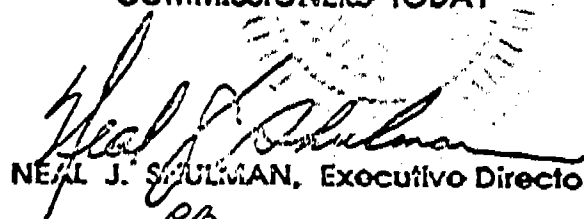
This order is effective today.

Dated July 2, 1991, at San Francisco, California.

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
DANIEL Wm. FESSLER
NORMAN D. SHUMWAY
Commissioners

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

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NEAL J. SHULMAN, Executive Director
PB

APPENDIX A

O R D E R

IT IS ORDERED that:

1. DRA's March 26, 1991 Motion to Strike Applicants' Response to the Attorney General's Supplemental Brief and Southern Cities' April 10, 1991 Motion to Strike Attachment A to Applicants' Supplemental Brief on SB 52 are denied.

2. Since the proposed merger's adverse impacts on competition in the defined wholesale transmission and bulk power markets, as set forth in the preceding findings of fact and conclusions of law, cannot be avoided through adoption of mitigation measures, the acquisition is not authorized.

3. Because applicants have not proved by a preponderance of the evidence that the proposed merger will provide net benefits to ratepayers in the long term, the acquisition is not authorized.

4. Because applicants' proposal does not include a ratemaking method that will ensure, to the fullest extent possible, that ratepayers will receive the forecasted benefits of the proposed merger, the acquisition is not authorized.

5. Because the evidence does not support a finding that, on balance, the proposed merger is in the public interest, the acquisition is not authorized.

6. The application of SCEcorp, SCE, and SDG&E for authority to merge SDG&E into SCE is denied.

7. SDG&E shall file a general rate case application on November 15, 1991, for rates to be effective January 1, 1993.

(End of Appendix A)