Decision 93848 ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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| Investigation on the Commission's own motion into the method to be utilized by the Commission to establish the proper level of income tax expense for ratemaking purposes of public utilities and other regulated entities. | OII 24 (Filed September 6, 1978) |

(See Appendix A for appearances.)

## INTERIM OPINION

### I. Introduction

This is an ongoing Commission investigation into the appropriate ratemaking treatment of income taxes. A prehearing conference had been held and a schedule set for taking evidence regarding the specific issues identified in the original Order Instituting Investigation (OII). However, during the pendency of those proceedings, there was enacted the Economic Recovery Tax Act of 1981 (the Act). In recognition of the Act's significant immediate and long-term implications for ratemaking, the Commission staff (staff) requested that utility respondents be required to furnish information regarding specific impacts of the Act. By Administrative Law Judge's Ruling, this matter was bifurcated, taking up the Act in the first phase. A further prehearing conference was held on September 3, 1981, in order to define the scope and refine the schedule of the proceeding.

The first phase was submitted following six days of public hearing and the receipt of 34 exhibits. Evidence was received from Pacific Gas and Electric Company (PG&E), Southern California Gas Company (SoCal), Southern California Edison Company (Edison), San Diego Gas & Electric Company (SDG&E), Southwest Gas Corporation, Sierra Pacific Power Company, The Pacific Telephone and Telegraph Company (PT&T), General Telephone Company of California (General), Continental Telephone Company of California, California Water Service Company, Southern California Water Company, Citizens Utilities Company of California, Arthur Andersen & Company (Andersen), and staff. Also participating were Southwest Suburban Water Company, the Los Angeles County Department of Communications, and the Cities of Los Angeles, San Diego, and San Francisco. The matter was submitted upon oral argument before Commissioners Bryson and Gravelle.

## II. Background

### A. In General

The Act (which was signed into law on August 13, 1981) makes a number of changes in the tax law that impact all ratepayers. The most significant changes with respect to utilities are an accelerated cost recovery system (ACRS) for depreciation, certain modifications with respect to investment tax credits (ITC), and repeal of the repair allowance deduction. Of particular significance to ratemaking is that a normalization method of accounting must be used for ACRS and ITC applied to property placed in service after December 31, 1980. A transitional rule is provided for utilities that have previously used a method of accounting other than a normalization method.

Process
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B. ACRS

Under the Act, the prior law Asset Depreciation Range (ADR) system is terminated for property placed in service after December 31, 1980, and replaced with ACRS. Under ACRS the cost of an asset is recovered over a predetermined period generally shorter than the useful life of the asset or the period the asset is used to produce income. Prior law although designed to allocate depreciation deductions related more to the period the asset was used in the business so that deductions for the cost of an asset were matched with the income produced by the asset.

ACRS provides classes of 3, 5, 10, and 15 years for tangible property and a 15-year class for real estate. Three tables have been established to provide the amount of recovery deductions allowable each year based on the year property is placed in service and on the class in which property is includable.

ACRS eliminates the concept of salvage value from tax depreciation both in terms of estimating salvage value when property is placed in service and also as a limit on depreciation at or near the end of the life of the property.

Under ACRS all dispositions (other than 15-year real property) reduce basis as of the beginning of the tax year except for property under Section 168(f)(7) of the Internal Revenue Code (acquisitions and dispositions in nonrecognition transactions) and dispositions of mass assets where the taxpayer elects to include all salvage proceeds in income. Correspondingly, gain or loss generally is determined at the time of disposition of an asset.

Under law prior to the Act a public utility company could use an accelerated method of depreciation only if it also used a normalization method of accounting, unless the company had "grandfather rights" to the flow-through method of accounting for an accelerated method of depreciation under the Tax Reform Act of 1969.

Under law prior to the Act, a taxpayer was permitted to use an accelerated method of depreciation with a flow-through method of accounting with respect to pre-1970 public utility property if:

> "(i) the taxpayer used a flow-through method of accounting for such property for its July 1969 accounting period, or
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> "(ii) the very first accounting period with respect to such property is after the July 1969 accounting period, and the taxpayer used a flow-through method of accounting for its July 1969 accounting period for the property on the basis of which the applicable 1968 method for the property in question is established."

In addition, under law prior to the Act, a taxpayer was permitted to use an accelerated method of depreciation with the flow-through method of accounting with respect to post-1969 public utility property if with respect to its pre-1970 public utility property of the same (or similar) kind most recently placed in service, the taxpayer used a flow-through method of accounting for its July 1969 accounting period.

Under the Act, public utility property will not be recovery property (and therefore not eligible for ACRS) unless the taxpayer uses a normalization method of accounting. Unlike the law prior to the Act, there is no provision with respect to ACRS property permitting the use of a flow-through method of accounting based on prior practice.

Failure to normalize causes public utility property to be treated as not qualifying for ACRS. In that event, depreciation for federal income tax purposes must be calculated by using the book method and a life no shorter than book life. ADR is not available as an alternative for companies that do not qualify for ACRS because of a failure to normalize.

As stated above, there are transitional rules that are intended to allow flow-through companies a period of time to comply with the normalization requirements of the Act. With respect to depreciation, Section 209(d)(1) of the Act provides:

> "TRANSITIONAL RULE FOR NORMALIZATION REQUIREMENTS. If, by the terms of the applicable rate order last entered before the date of the enactment [August 13, 1981] of this Act, by a regulatory commission having appropriate jurisdiction, a regulated public utility would (but for this provision) fail to meet the requirements of section 168(e)(3) of the Internal Revenue Code of 1954 with respect to property because, for an accounting period ending after December 31, 1980, such public utility used a method of accounting other than a normalization method of accounting, such regulated public utility shall not fail to meet such requirements if, by the terms of its first rate order determining cost of service with respect to such property which becomes effective after the date of the enactment of this Act and on or before January 1, 1983, such regulated public utility uses a normalization method of accounting. This provision shall not apply to any rate order which, under the rules in effect before the date of the enactment of this Act, required a regulated public utility to use a method of accounting with respect to the deduction allowable by section 167 which, under section 167(l), it was not permitted to use."

The effect of the transition rule is to permit a regulated public utility that was using a proper method of accounting under prior law to use the new ACRS method if by terms of its first rate order determining cost of service with respect to post-1980 property which is put into effect after August 13, 1981, a normalization method of accounting is used. Such a rate order must be put into effect on or before January 1, 1983, where rates in effect on August 13, 1981, were established under a test year that included post-1980 property.

C. ITC

The Act has liberalized the amount of ITC that may be claimed. The applicable percentages for recovery property placed in service after 1980 are 100% (in effect, a 10% credit) for otherwise qualifying 5-year, 10-year, or 15-year public utility property and 60% (in effect, a 6% credit) for 3-year property. Previously, eligible property with a 3- to 4-year life was entitled to claim the 10% ITC on one-third of the cost; property with a 5- to 6-year life was entitled to claim the 10% ITC on two-thirds of the cost and property with a useful life of 7 years or more could claim 10% ITC on the total cost. The rules applicable to qualified progress expenditures are modified in that the 7-year estimated useful life requirement is eliminated, but the 2-year construction period requirement is continued.

Except for certain storage facilities used in the distribution of petroleum, the Act does not change the types of property eligible for ITC. Nor does it extend the ITC limitation based on the amount of tax. This remains at $25,000 plus 80% in 1981 and 90% in 1982 and thereafter. The $100,000 ceiling on used property qualifying for ITC is raised to $125,000 in 1981 and $150,000 in 1985 and thereafter.

ITC is subject to recapture on early dispositions under the Act. However, the amount subject to recapture has been reduced to reflect actual life on an annual basis.

Recapture of ITC of qualified progress expenditure property that would be recovery property is required if the property ceases to be progress expenditure property or becomes recovery property of a character other than expected when the credit was calculated. The recapture is to be calculated based upon regulations to be prescribed by the Secretary of the Treasury.

Under law prior to the Act, the benefits of the 4% ITC could have been flowed through immediately to cost of service if the taxpayer was on a flow-through method of accounting for depreciation purposes and if the flow-through option for the credit had been elected. This election was provided under the Revenue Act of 1971 when rate and accounting limitations with respect to ITC for public utility property were first introduced within the Code. A similar election was provided for the additional 6% credit under the Tax Reduction Act of 1975 to a taxpayer who had elected the immediate flow-through option under the 1969 Act. With regard to the 1975 Act, those who had elected immediate flow-through relative to the 4% credit also could have elected cost of service normalization for the additional 6% credit or opted for rate base normalization by making no election.

However, similar treatment was not provided under the Act for post-1980 property. The Act includes a transition rule for utilities which had elected the immediate flow-through treatment afforded under Section 46(f)(3) of the Code. It is similar to the transition rule for ACRS discussed earlier. In general, it provides that a utility must meet the new rules in its first rate order determining cost of service involving post-1980 property which becomes effective after August 13, 1981, and on or before January 1, 1983.

D. Repair Allowance

Under the ADR system, taxpayers had the option to elect the percentage repair allowance (PRA) rule under Regulations Section 1.167(a)-11(d)(2). Under this rule all expenditures for repair, maintenance, rehabilitation, or improvement of the property which were not clearly capital expenditures were treated as currently deductible to the extent they did not exceed the PRA. This avoided the repair-capital expenditure controversy which would often occur on audit by the Internal Revenue Service. If PRA was not used, a taxpayer used the generally applicable rules to determine whether to capitalize or deduct an expenditure. Under these rules an expenditure has to be capitalized if it appreciably prolongs the life of an asset, materially increases its value, or adapts it to a different use. It has been the experience of most utilities that the election of PRA provides greater amounts of current deductions.

Section 201(c) of the Act provides for repeal of Code Section 263(3), the section that authorizes the Secretary of the Treasury to prescribe repair allowance regulations. Section 209(a) of the Act generally provides that the effective date of the repeal shall apply to property placed in service after December 31, 1980. The repeal of Section 263(e) has the effect of revoking the repair allowance deduction provided for in Regulations Section 1.167(a)-11(d)(2) for tax years after 1980. As a result, utilities as well as other taxpayers will be reverting to the general rules with respect to repair expense which usually produce a lesser amount of current deductions.

There is a possibility that the Secretary of the Treasury will adopt a rule which would allow a phase-out of the repair allowance deduction over a short period of time, commencing with the 1981 tax year. This would probably be a modified version of the repair allowance deduction for post-1980 expenditures that repair pre-1981 property.

E. Impacts

The impact of the Act, of course, varies from company to company and from industry to industry. Each of the respondents provided information regarding the effects of the Act on its own situation. Because of different circumstances and underlying assumptions, the data are not directly comparable. However, the information provides a useful indicator of the impact of the Act on the major respondents.

PG&E indicates that if it had incorporated requirements of the Act at the time it filed its pending general rate case, it would have requested an additional $105.6 million over and above its filed amounts. This includes $24.7 million in lost repair allowance. The general rate case application already includes about $100 million of normalized ITC. In addition, if PG&E succeeds with its intended ratemaking treatment of its Diablo Canyon, Helms, and Kerckhoff projects, the additional revenue requirement attributable to normalization is about $360 million more than otherwise. For 1981 the lost repair allowance exceeds the additional benefits from ACRS and ITC by about $6.7 million.

Edison's last general rate case was based on a 1981 test year (Decision (D.) 92549). For 1981 the lost repair allowance exceeds the additional benefits from ACRS and ITC by about $7 million. If San Onofre Nuclear Generating Station Unit 2 (SONGS 2) is included in 1982 calculations, the additional revenue requirement from normalizing ACRS and ITC is $61 million, and the decrease in federal tax liability is estimated at about $8 million.

SoCal's last general rate case was also based on a 1981 test year (D.92497). For 1981 the net benefit of the Act is estimated at only $157,000. For 1982 the net benefit is estimated at $4 million.

SDG&E has a general rate case pending based on a 1982 test year. It states that the impact of the Act on revenue requirements is an increase of $14.8 million for 1981, $21.5 million for 1982, and $24.8 million for 1983. However, SDG&E states that the Act will have a small impact on taxes paid in 1981, 1982, and 1983 because of large ITC carryovers which SDG&E has available for those years.

The situation is significantly different for PT&T and General because their rates are already set on a normalization basis. The revenue requirement of each utility is reduced, the amount depending primarily on whether central office equipment is placed in the 5-year or 10-year category for ACRS. If the 5-year category is applied, the change for PT&T is $23.8 million in 1982 and $57 million for 1983. For General the change (intrastate) is $22.7 million for 1982 and $53.1 million for 1983. If the 10-year category is applied, the change for PT&T is $9.4 million for 1982 and $22.5 million for 1983. For General the change (intrastate) is $7.8 million for 1982 and $17.4 million for 1983. PT&T's last general rate case decision was based on a 1981 test year (D.93367). General has a general rate case pending based on a 1982 test year.

III. Issues

There are a number of issues related to the Act that will only be resolved over time. During the course of the proceeding certain major issues emerged that are necessarily addressed at this time. These include the following:

1. Should the ratemaking treatment of federal income taxes be changed at this time?
2. What is the appropriate normalization method of accounting for ACRS and ITC?
3. How should normalization be reflected in rate of return?
4. Should a balancing account be adopted to recognize changes in depreciation, ITC, and loss of the repair allowance?
5. What procedural measures should be adopted for particular utilities?

IV. Discussion

A. Ratemaking Treatment

City and County of San Francisco (San Francisco) argues that federal income taxes should no longer be treated as an operating expense for ratemaking purposes. It states that the historical recognition of taxes as an operating expense was reasonable in an era when taxes were established for the purpose of collecting revenue. However, it contends that this particular Act is not a revenue measure. Instead, the Federal Government is using the taxing system to promote social and economic policies. In these circumstances San Francisco argues that standard ratemaking practices are not effective because the impact of changes in tax rates is passed on to ratepayers. This is described as inimical to the goals of Congress and the Federal Government underlying the Act.

San Francisco proposes that ratemaking be on a "pre-tax basis" and that federal income taxes not be treated "in any way, shape or form in the rate-making setup." Such a change would also require a change in the way rate of return is set. No evidence was offered to illustrate the impacts of this proposal. No other party supports San Francisco.

This matter requires only brief discussion at this stage of this proceeding. We are not inclined to consider such a monumental change in fundamental ratemaking practices based on such a limited record. The second phase of this proceeding is a suitable procedural vehicle for San Francisco to more fully develop its position and we defer any judgment accordingly.

B. Normalization Methods

As stated above, the Act requires a normalization method of accounting in order to qualify for ACRS and ITC. The question of what is the appropriate method of normalization was extensively addressed during the proceeding.

The debate over normalization methods has been going on for years. By D.87838 dated September 13, 1977, this Commission adopted the "Average Annual Adjustment" method (AAA) for treating accelerated depreciation and the "Annual Adjustment" method (AA) for treating ITC and applied these methods to PT&T and General. Whether these methods of normalization are lawful methods of normalization for Internal Revenue Service purposes is an unsettled legal issue. The unsettled legal issue is alleged to cast a cloud over the financial conditions of PT&T and General.

Respondents and Andersen vigorously urge that this Commission adopt conventional methods of normalization for purposes of the Act, rather than the AAA and AA methods. Their major concern is with the financial uncertainty that would extend to all California utilities if the AAA and AA methods are applied, with the prospect of actual loss of eligibility for ACRS and ITC if the AAA and AA methods are ultimately found to be unlawful.

Staff witness Pretti also recommends that conventional normalization be adopted. He characterizes the AAA and AA methods as forms of annual ratemaking, based on the premise that the interval between general rate cases would be as long as four years. Presently rates are set based on a Regulatory Lag Plan that provides a two-year cycle of general rate case filings for major utilities, with attrition allowances in the form of step rate increases for the year following the test year. Pretti states that conventional normalization applied in the context of the Regulatory Lag Plan, together with step rate attrition allowances, incorporates the features and accomplishes the goals of the AAA and AA methods, as test year estimates of the deferred tax accounts and tax expense can be reflected in test year rates, while the attrition allowance can be adjusted for the estimated growth in deferred taxes and resulting tax expense in the year following the test year.

Staff counsel Treacy states that the Act itself makes no change in the law regarding normalization methods. Therefore, the lawfulness of the AAA and AA methods is not affected by the Act. Thus, the Commission's reasoning with respect to its decision to adopt AAA and AA remains equally as valid as before. However, he agrees with Pretti's theory that AAA and AA are no longer necessary, but expresses some reservation because the differences have not been quantified. He recommends that we require that evidence be developed regarding the actual differences from which the Commission can determine the actual impacts of the AAA and AA methods and decide whether to adopt such methods on a case-by-case basis.

We recognize that the AAA and AA methods are controversial. We adopted these methods of normalization with the knowledge that the matter would be resolved over time and with confidence that it would be resolved favorably. We agree with Treacy that the Act does not detract from the policy considerations that led to the adoption of AAA and AA and does not affect the unresolved legal issue.

However, we respect the point made by Pretti regarding the material change in circumstances. The AAA and AA methods were devised to respond to particular circumstances that no longer prevail. We agree that existing ratemaking procedures allow for adequate recognition of the nuances of normalization so that these more specialized methods are not presently required. Therefore, we adopt conventional normalization for purposes of calculating ACRS and ITC benefits under the Act. However, respondents should also provide calculations of AAA and AA effects until further order so that the appropriateness of the conventional methods may be monitored.

C. Rate of Return

Normalization yields improved internal cash generation for utilities that were previously on flow-through. Normalization improves various financial indicators such as debt-equity ratio, times interest coverage, and embedded cost of debt, and is, therefore, properly taken into account in setting rate of return. The question that was addressed in this proceeding was whether the impact is properly taken into account by way of a rate of return adjustment outside of the context of a general rate case.

The evidence and argument strongly support the position that rate of return should be examined only on a case-by-case basis and then, only in light of each utility's overall financial condition. Thus, we conclude that the relationship of normalization to rate of return should be reviewed in each utility's general rate case and that no isolated adjustment should be made.

D. Balancing Account

As stated above, the benefits of ACRS and ITC apply to post-1980 property. Utilities whose rates were based on flow-through will realize the benefits of a lower tax expense in 1981 because ACRS tax depreciation is higher than ADR tax depreciation and because of higher ITC. Such companies whose next test year is 1983 will similarly benefit in 1982.

Pretti recommends that this Commission direct the utilities to establish a balancing account to be credited with the differences between tax expense under ACRS and ADR and new and old ITC for 1981 and 1982, if applicable, and to be debited with the increase in tax expense resulting from loss of the repair allowance for 1981 and 1982, if applicable. Pretti proposes that the net credit or debit should be treated as either a revenue reduction or revenue increase and amortized over a two-year period in the utility's next general rate case. The procedure is offered to obviate the need to open special proceedings to treat these matters and to protect the ratepayers from any windfall to the utilities and the utilities from any loss on account of the Act.

Many respondents and Andersen oppose the balancing account proposal. Treacy suggests that the balancing account should operate prospectively only because of the prohibition against retroactive ratemaking. San Francisco opposes the balancing account for 1981 and does not support it for 1982.

The major opposition to the balancing account is that it violates the transition rule and, therefore, exposes utilities to the risk that eligibility for ACRS and ITC would be lost. As stated by Mr. Conlon testifying on behalf of Andersen:

> "There are two reasons why we believe the balancing account could affect eligibility:
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> > "First, the Commission order ordering the balancing account would probably be considered a 'first rate order' under the transitional rules, and full normalization requirements would need to be included in such order. If Mr. Pretti's approach does not assume the balancing account being charged for the full normalization amounts, then, in our opinion, this would jeopardize eligibility.
> >
> > "Second, assuming Mr. Pretti's approach does allow full normalization revenues to be included in the balancing account, we believe there is another risk of eligibility if the proper normalized amounts are deferred and amortized over the two succeeding years."

Many respondents expressed the same concern.

Staff responds by asserting that the balancing account does not constitute a "rate order", it simply provides flexibility to serve the best interests of ratepayers and utilities.

We are convinced that the balancing account would seriously jeopardize eligibility, whether or not the order establishing the balancing account is a rate order for purposes of the Act because the order amortizing the balancing account would certainly be such a rate order requiring normalization. The Act apparently precludes flow-through of ACRS and ITC, and the practical effect of staff's proposal is to flow-through 1981 and 1982 ACRS and ITC in 1983 and 1984. We find that Conlon's reservations are well-founded.

There is already some fairness in the tradeoff between the benefits of ITC and ACRS and the lost repair allowance. We are satisfied that the differences are not so substantial as to require further regulatory action, particularly in light of the threat to eligibility.

The eligibility issue pertains to ACRS and ITC, not to the repair allowance. If the repair allowance is restored, we will consider the appropriate ratemaking treatment at that time.

V. Procedural Matters

Some of the procedural matters have been resolved by reopening pending general rate case proceedings for the purpose of receiving additional evidence. Several questions remain.

Staff and San Francisco recommend reopening PT&T's last general rate case (D.93367) for the purpose of considering the impacts of the Act. Eligibility is not an issue because PT&T's rates are already based on normalization. Staff filed a petition to reopen in that other proceeding.

PT&T opposes staff on the basis that its petition is unnecessary. PT&T offers to implement a reduction of about $2 million without further proceedings. Staff and San Francisco assert that such a reduction is insufficient.

We have previously stated our conviction that these matters are most reasonably examined in the context of a general rate case. A reopened PT&T proceeding would be the most efficient vehicle for applying the Act to PT&T. Therefore, we will reopen the proceeding, by separate order.

Another matter that has generated some interest is the appropriate recognition of attrition allowances, or step rates. There is some concern over whether these subsequent rate changes are "rate orders" under the Act. Several parties have suggested that such rate changes be based on normalization in order to avoid any eligibility questions.

We are satisfied that the Act does not apply to previously authorized rate changes, even though post-1980 property may be included, if the rate order that determined the cost of service of such property occurred prior to the Act. We do recognize that any adjustment to previously authorized step rates might change the situation.

As a final matter, several respondents raise the question of district rates. This matter is particularly important to water utilities. Several have appeared and requested normalization on a companywide basis, citing administrative burdens of maintaining accounts and apportioning costs. Staff contends that the transition period was intended to allow the Commission to continue with orderly ratemaking procedures and that no need has been shown for extraordinary relief.

We agree with staff. If Congress had intended immediate normalization, the Act would so provide. We are not willing to impose an additional burden on ratepayers merely on account of the convenience of the utility. The Act is adopted as a matter of federal policy. Normalization has not been a favored tax accounting method in California, and we are not inclined to extend its use beyond federal requirements.

<u>Findings of Fact</u>

1. The Act makes a number of changes in the tax law that impact all ratepayers.

2. The ADR system of depreciation is replaced by the ACRS method.

3. Under ACRS the cost of an asset is recovered over a predetermined period generally shorter than the useful life of the asset or the period the asset is placed in service.

4. The Act has liberalized the amount of ITC that may be claimed.

5. Subject to a transition rule, a normalization method of accounting must be used to maintain eligibility for ACRS and ITC.

6. The percentage repair allowance is apparently lost for 1981 and thereafter.

7. A debate over normalization methods has been going on for years.

8. The Act makes no change in the law regarding normalization methods.

9. The AAA and AA methods were devised to respond to circumstances that no longer prevail.

10. Existing ratemaking procedures allow for adequate recognition of the nuances of normalization so that these more specialized methods are not presently required.

11. Normalization improves various financial indicators such as debt-equity ratio, times interest coverage, and embedded cost of debt, and is, therefore, properly taken into account in setting rate of return.

12. Rate of return should be examined only on a case-by-case basis and then, only in light of each utility's overall financial condition.

13. The proposed balancing account would seriously jeopardize eligibility.

14. There is already some fairness in the tradeoff between the benefits of ITC and ACRS and the lost repair allowance.

15. A reopened PT&T proceeding would be the most efficient vehicle for applying the Act to PT&T.

16. The Act does not apply to previously authorized rate changes.

17. The transition period was intended to allow the Commission to continue with orderly ratemaking procedures.

18. An additional burden is not reasonably imposed on the ratepayers merely on account of the convenience of the utility.

19. In order to provide for timely implementation of the policies adopted in this decision, the effective date of this order should be the date of signing.

Conclusions of Law

1. Conventional normalization should be applied.

2. No isolated rate of return adjustment should be adopted.

3. The proposed balancing account should not be adopted.

4. The Act does not apply to step rates authorized prior to the Act.

5. The Act should not be implemented on a companywide basis when district rates are set.

## INTERIM ORDER

IT IS ORDERED that:

1. Conventional normalization methods shall be used for purposes of the Economic Recovery Tax Act of 1981.

2. No balancing account should be applied.

This order is effective today.

Dated DEC 15 1981, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

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

Joseph E. Bodovitz, Executive Director

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## LIST OF APPEARANCES

Respondents: John Barker, O. L. Banz, and Bob Bruce, for California-American Water Company; Robert L. O'Brien and William R. Johnson, for Citizens Utilities Company of California; Robert W. Winchester and Orrick, Herrington & Sutcliffe, by Robert J. Gloistein, Attorney at Law, for Continental Telephone Company of California; Susan E. Amerson, Attorney at Law, for General Telephone Company of California; Malcolm H. Furbush, Robert Ohlbach, and Shirley Woo, Attorneys at Law, for Pacific Gas and Electric Company; Walter J. Sleeth and Marion Stanton, Attorneys at Law, for The Pacific Telephone and Telegraph Company; Randall W. Childress, Jeffrey L. Guttero, and William Reed, Attorneys at Law, for San Diego Gas & Electric Company; Richard K. Durant, Attorney at Law, for Southern California Edison Company; Thomas D. Clarke, David B. Follett, and David J. Gilmore, by David B. Follett, Attorney at Law, for Southern California Gas Company; M. Clifford Phillips and Graham & James, by Boris H. Lakusta, David H. Renton, David Colker, and Ann Pongranez, Attorneys at Law, for Sierra Pacific Power Company; Rochelle Levine Berkley, Attorney at Law (Nevada), for Southwest Gas Corporation; Leonard A. Girard and Nancy M. Ganong, Attorneys at Law (Oregon), for Pacific Power & Light Company; and Harold C. Ulrich and McCutchen, Doyle, Brown & Enersen, by A. Crawford Greene, Attorney at Law, for California Water Service Company.

Interested Parties: Rogers, Joseph, O'Donnell & Quinn, by Allen Joseph, Attorney at Law, for Arthur Andersen & Company; Carmine Guerro, for Robert Egner, Coopers & Lybrand; Richard D. Silvester and Arnold I. Weber, Attorneys at Law, for Southern Pacific Transportation Company; John W. Witt, City Attorney, by William S. Shaffran, Deputy City Attorney, for Burt Pines, City Attorney, City of Los Angeles; John Blethen, Attorney at Law, for Toward Utility Rate Normalization; Glen J. Sullivan and Allen R. Crown, Attorneys at Law, for the California Farm Bureau Federation; Leonard Snaider, Deputy City Attorney, and Robert Laughead, Professional Engineer, for George P. Agnost, City Attorney, City and County of San Francisco; Michael F. Willoughby, Attorney at Law (Georgia), for Industrial Communications Systems, Inc.,

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Cal-Autofone, Repco, and James Walley, dba Auto-Phone: Dian Grueneich and Catherine Johnson, Attorneys at Law, for the California Energy Commission; William L. Knecht, Attorney at Law, for the California Association of Utility Shareholders; Carol M. Sheveland, for CP National Corporation; R. F. Gruszka, for California Water Association and Southern California Water Company; George W. Tyce, Director, by James M. Nelson, III, for Los Angeles County Department of Communications; Pelavin, Norberg, Harlick & Beck, by Alvin H. Pelavin and William R. Haerle, Attorneys at Law, for Calaveras Telephone Company, Capay Valley Telephone System, Inc., Dorris Telephone Company; Ducor Telephone Company, Evans Telephone Company, Livingston Telephone Company, Foresthill Telephone Company, Happy Valley Telephone Company, Hornitos Telephone Company, Kerman Telephone Company, Mariposa Telephone Company, Sierra Telephone Company, Pinnacles Telephone Company, Ponderosa Telephone Company, Siskiyou Telephone Company, and Volcano Telephone Company; Gibson, Dunn & Crutcher, by Raymond L. Curran, Attorney at Law, for Gibson, Dunn & Crutcher; and Raymond E. Heytens, for San Gabriel Valley Water Company.

Commission Staff: Timothy E. Treacy and James S. Rood, Attorneys at Law, James G. Shields, Bruce DeBerry, James Pretti, and Dean Evans.

(END OF APPENDIX A)