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Decision 97-05-060 May 21, 1997

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking on the Commission's Proposed Policies Governing Restructuring California's Electric Services Industry and Reforming Regulation.

R.94-04-031  
(Filed April 20, 1994)

**ORIGINAL**

I.94-04-032  
(Filed April 20, 1994)

Order Instituting Investigation on the Commission's Proposed Policies Governing Restructuring California's Electric Services Industry and Reforming Regulation.

**INTERIM OPINION**

On December 20, 1995, we issued Decision (D.) 95-12-063, as modified by D.96-01-009, our Preferred Policy Decision in our Rulemaking (R.) and Investigation (I.) on electric industry restructuring (R.94-04-031/I.94-04-032). Pursuant to Rule 47 of our Rules of Practice and Procedure, on April 19, 1996, the Center for Energy Efficiency and Renewable Technologies (CEERT) filed a petition to modify the Preferred Policy Decision. CEERT requests that we modify the decision to find that long-term reform of short-run avoided costs (SRAC) be addressed during the transition to a competitive market, and recommends that SRAC be based on the Incremental Cost Incentive Pricing (ICIP) adopted for nuclear facilities in D.95-12-063 and D.96-01-011, or alternatively, that existing nuclear and renewable resource facilities compete directly by bidding against each other and into the Power Exchange, based on their ongoing and capital costs.

Responses to CEERT's petition were timely filed by Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and the Division of Ratepayer Advocates (now the Office of Ratepayer Advocates). CEERT received authorization to file a reply to these responses.

On September 23, 1996, Assembly Bill (AB) 1890 was signed into law by Governor Wilson. AB 1890 amends the Public Utilities Code to require that this Commission undertake various actions related to restructuring the electric services industry in California. Among other provisions, AB 1890 adds § 390 to the Public Utilities Code, which, in the long term, provides that SRAC payments will be based on the market clearing price paid by the Power Exchange, subject to various provisions. In D.96-12-028, we stated that we would issue a ruling in R.94-04-031/I.94-04-032 to establish implementation procedures for these requirements, as we moved closer to the beginning of the transition period (January 1, 1998). Therefore, long-term SRAC reform has been addressed by statute. CEERT's petition is denied as moot.

#### **Findings of Fact**

1. Pursuant to Rule 47 of our Rules of Practice and Procedure, on April 19, 1996, CEERT filed a petition to modify the Preferred Policy Decision, requesting that the Preferred Policy Decision be modified to address long-term SRAC issues, including setting SRAC prices at the ICIP level.
2. On September 23, 1996, AB 1890, which amends the Public Utilities Code, was signed into law.

#### **Conclusions of Law**

1. Public Utilities Code § 390 provides that long-term SRAC prices be based on the market clearing price of the Power Exchange, subject to various provisions.
2. CEERT's petition to modify the Preferred Policy Decision should be denied as moot.
3. This order should be effective today, so that the requirements of AB 1890 can be implemented in an expeditious manner.

#### **INTERIM ORDER**

**IT IS ORDERED** that the Center for Energy Efficiency and Renewable Resource's petition to modify Decision (D.) 95-12-063, as modified by D.96-01-009, is denied as moot, because the issues raised in the petition have been addressed by

R.94-04-031, I.94-04-032 ALJ/ANG/bwg \*

§ 390, added to the Public Utilities Code by Assembly Bill 1890 (Stats. 1996, Ch. 854), which was signed into law on September 23, 1996.

This order is effective today.

Dated May 21, 1997, at Sacramento, California.

P. GREGORY CONLON  
President

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

RICHARD A. BILAS

Commissioners