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Decision 97-07-062 July 16, 1997

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY for Approval of a Long Term Gas Transmission Service Contract with Distribuidora de Gas Natural de Mexicali, S. de R.L. de C.V. (U 904 G)	Application 97-03-015 (Filed March 10, 1997)

INTERIM OPINION

Summary

Southern California Gas Company (SoCalGas) requests approval of a long-term service agreement to provide transmission service to the U.S. - Mexico border for Distribuidora de Gas Natural de Mexicali, S. de R.L. de C.V. (DGN). DGN is constructing a gas distribution system in Mexicali pursuant to a license granted by the Mexican government. Further, SoCalGas requests that if the Commission decides that evidentiary hearings are necessary, then the Commission should allow the service agreement with DGN to go into effect on an interim basis, pending a final decision after hearings.

The Commission concludes that evidentiary hearings are necessary and grants SoCalGas' request for interim authority to serve DGN pending a final decision after evidentiary hearings.

Procedural Summary

Notice of the application was published in the Commission's Daily Calendar on March 17, 1997.

The Commission received four protests: the Office of Ratepayer Advocates (ORA), The Utility Reform Network (TURN), the Southern California Utility Power Pool and the Imperial Irrigation District (SCUPP/IID), and the City of Vernon (Vernon).

On April 23, 1997, SoCalGas filed its reply to the protests.

On May 2, 1997, the assigned Administrative Law Judge (ALJ) issued a ruling asking for comments on SoCalGas' request that the service agreement with DGN go into effect on an interim basis pending a final decision after hearings.

Comments were received from ORA, TURN, SCUPP/IID, Vernon, and Southern California Edison Company (Edison).

Background

The northern area of Mexico bordering on California does not currently have any natural gas service provided through gas pipelines. In November 1995, the government of Mexico issued regulations that allow for licenses to be granted to private companies to construct and operate natural gas transmission and distribution pipelines in Mexico. On August 12, 1996, after a competitive process, an agency of the Mexican government awarded a license for natural gas distribution in the Mexicali area, the first license of its kind to be awarded in Mexico. The license was awarded to DGN.

DGN is a Mexican corporation owned as follows: (1) 30% by subsidiaries of Pacific Enterprises (other than SoCalGas or its subsidiaries); (2) 30% by subsidiaries of Enova Corporation (Enova); and (3) 40% by Proxima, a Mexican corporation not otherwise affiliated with Pacific Enterprises or Enova.

The Application

SoCalGas requests approval of a long-term gas transmission service contract with DGN. The agreement provides that SoCalGas will transport gas for DGN from receipt points on SoCalGas' system to an international border crossing point on the U.S. -Mexico border near Mexicali, Baja California, Mexico. A copy of the Service Contract is provided with the application.

SoCalGas states that pursuant to the terms of the "Global Settlement" approved in Decision (D.) 94-04-088 and D.94-07-064, SoCalGas is to retain all revenue from incremental noncore throughput, subject to the Global Settlement's sharing mechanism for noncore revenues exceeding specified amounts, for the term of the Global Settlement concluding July 31, 1999. SoCalGas requests that the Commission determine that in the period after the expiration of the Global Settlement the Commission will not allocate to the DGN Service Contract any costs that the Commission authorizes to be recovered in rates as an "exclusion" as defined in SoCalGas' proposal for Performance-Based Regulation (PBR) in Application (A.) 95-06-002. According to SoCalGas, in general, these are costs recovered through mechanisms such as the Interstate Transition Cost Surcharge (ITCS) account, PITCO/POPCO transition cost account, and the Minimum Purchase Obligation mechanism.

SoCalGas also requests approval of an agreement between itself and San Diego Gas & Electric Company (SDG&E) that involves an agreement for allocation between the companies of revenues from any gas transmission service they may provide to serve specified areas of Mexico. A copy of this agreement, entitled "Agreement for Treatment of Revenues and Responsibilities in Connection with Natural Gas Transmission Service to Mexico" referred to as the "Revenue Sharing Agreement" (RSA) is provided with the application.

The Service Agreement

The Service Agreement between SoCalGas and DGN provides for firm service as defined in SoCalGas' tariffs. Its terms are summarized as follows: firm service is for 15,150 decatherms per day, subject to increase up to 25,200 decatherms per day on 18 months' notice. Service above the firm volume may be provided on an interruptible basis. The term of the contract is for 12 years, subject to a rate readjustment clause that may be triggered by either party after five years. SoCalGas is required to file with the Commission by the end of the eleventh year of the service agreement a tariff for default service to be applicable after the twelfth year of the contract. The initial volumetric rate is 3.5 cents per therm, with annual escalation equal to an inflation index less one percentage point, which is the same formula that SoCalGas has proposed for its base rates for all customers in SoCalGas' pending PBR proceeding, A.95-06-002. The service contract provides for a minimum monthly charge of 75% of the daily maximum quantity times the number of days in the month times the volumetric rate. The service contract also provides for a minimum annual charge of $600,000 plus interest for the first five years of the contract, payable at the end of the fifth year. There is also an exit fee in the case that DGN selects another transmission service provider during the 12-year term. There are Operational Flow Order provisions, fees for imbalances beyond allowed quantities, and a provision for dispute resolution that includes binding arbitration.

SoCalGas has previously applied for and received approval of the Federal Energy Regulatory Commission (FERC) for construction of border crossing facilities and other necessary approvals to deliver gas to Mexicali pursuant to Section 3 of the federal Natural Gas Act. SoCalGas presently has pending before the FERC a request to amend those previous approvals to reflect certain recent developments. SoCalGas expects to receive all necessary U.S. federal approvals to provide service to DGN well before the date that DGN has said it expects to be ready to commence service to customers in Mexicali, which is July 15, 1997. The FERC has also issued a declaratory order disclaiming jurisdiction to approve or regulate the rates or facilities of SoCalGas (other than the border crossing facility) that would be used to transport gas to Mexicali pursuant to the Service Agreement.

Position of SoCalGas

SoCalGas contends that service to DGN as provided in the Service Agreement will further the policies of the United States to reduce foreign trade barriers with Mexico and to stimulate the flow of goods and services between the two countries. The service will result in revenues to the U.S. for the use of SoCalGas' upstream pipeline facilities and for the purchase of gas supplies transported to Mexico. The substitution of clean-burning natural gas for other fuels in Mexico along the international border will reduce air pollution in both countries. Further, according to SoCalGas, employment and tax receipts in the State of California will be enhanced through approval of the Service Agreement, as opposed to service to Mexicali through pipelines that would otherwise be constructed in Arizona and Mexico.

SoCalGas states that the rates to be paid by DGN to SoCalGas under the Service Agreement exceed the long-run marginal cost (LRMC) of providing transmission service to DGN, including the cost of a 14.4-mile, 12-inch diameter pipeline extension that SoCalGas is constructing within Imperial County from existing SoCalGas pipeline facilities to the international border crossing.

Further, SoCalGas states that the Service Agreement with DGN was arrived at in a competitive environment in which DGN considered gas transmission service from other potential providers. According to SoCalGas, if the Service Agreement is not approved by the Commission, DGN has viable options to obtain transmission service from providers other than SoCalGas at rates, terms, and conditions competitive with those in the Service Agreement. SoCalGas contends that service at rates higher than provided in the Service Agreement may result in loss of load and the associated revenues that would otherwise occur under the Service Agreement because of the options to use alternate fuels, including high sulfur fuel oil, possessed by customers in Mexicali who would otherwise choose to be served by DGN.

SoCalGas requests that the Commission grant the Service Contract an exemption from the provision of Section 10 of General Order (GO) 96-A that otherwise makes the contract subject to modification by the Commission during its term.

SoCalGas states that during the term of the Global Settlement, which expires on July 31, 1999, it is at risk and reward for revenues from noncore throughput, including service to Mexico, and it retains all transmission revenue from incremental noncore throughput, subject to sharing with its customers in a specified percentage if total noncore revenues exceed specified caps in particular 12-month periods. Therefore, SoCalGas requests that the Commission determine in this application that after expiration of the Global Settlement it will not attribute to SoCalGas' service to DGN recovery of any revenues to cover those costs that SoCalGas has defined as "exclusions" in its PBR proposal in A.95-06-002.

SoCalGas submits that the rates provided for in the Service Agreement with DGN are sufficient to recover the LRMC of service to DGN. However, the competitive alternatives, including alternate gas transmission providers and alternate fuels that DGN and potential gas consumers in Mexicali have, do not allow SoCalGas to demand a contract rate sufficient to cover LRMC plus exclusions. SoCalGas points out that the exclusions recover costs that relate to periods before service to DGN will commence. SoCalGas believes that those costs should not be allocated to service to DGN.

Also, SoCalGas requests that the RSA between SoCalGas and SDG&E be approved by the Commission. According to SoCalGas, the two companies have cooperatively pursued substantial efforts to develop opportunities in Mexico that would utilize transportation over their gas facilities in California. SoCalGas contends that service to DGN in Mexicali is just the first opportunity to serve throughput to Mexico through their California facilities that the two companies will continue to jointly pursue. SoCalGas submits that although service to Mexicali under the DGN Service Agreement will not use SDG&E facilities, other markets in Mexico that may be served through California facilities would involve the use of both SoCalGas and SDG&E facilities.

Request for Interim Decision

SoCalGas states that if the Commission decides to hold evidentiary hearings in this proceeding, the Commission should allow the Service Agreement with DGN to go into effect on an interim basis by July 15, 1997, pending a final decision after hearings.

SoCalGas' justification for an interim authorization to provide service to DGN is:

First, DGN has informed SoCalGas that it will be prepared to start service to customers in Mexicali on that date and that there are customers in Mexicali ready to take service from DGN at that time.

Second, SoCalGas has no tariff schedule that applies to service to DGN, so SoCalGas has no alternate way of providing service absent some sort of interim authorization to proceed under the Service Contract.

Third, SoCalGas is at risk for a specified level of noncore throughput under the Global Settlement through July 31, 1999. Whether SoCalGas serves DGN at 3.5 cents a therm or 10 cents a therm makes no difference in other customers' rates for this period, with one possible exception discussed below. During the Global Settlement, this observation applies as much to the ITCS and other exclusion elements of noncore rates as to the base margin element. Under the Global Settlement, SoCalGas credits these accounts with Global Settlement volumes, not actual volumes, times the rate elements.

Fourth, the only way in which noncore throughput before August 1999 can affect other customers' rates is if SoCalGas has overcollected noncore costs by so much as to enter into the noncore sharing mechanism under the Global Settlement. According to SoCalGas, this development is unlikely because it is well into the third year under the Global Settlement ending on July 31, 1997, and it has virtually no chance of reaching the sharing band for that period. Further, SoCalGas points out that if the Commission does not authorize interim service to DGN, there surely will be no revenues to contribute to reaching that sharing zone. By contrast, failure to grant interim approval will certainly affect SoCalGas by depriving it of revenues that it is fairly entitled to retain under the terms of the Global Settlement.

Fifth, SoCalGas argues that a demonstration of the Commission's ability to act reasonably to allow service to this first Mexican gas distribution service is critical to establishing the commercial credibility of this Commission and the utilities it regulates to serve the future needs of Mexico for transportation of gas.

Position of ORA

ORA opposes SoCalGas' request for interim authorization to serve DGN.

ORA contends that the application raises issues regarding the potential for self-dealing and conflicts of interest. According to ORA, the application is deficient in two respects. First, it fails to provide adequate information about the interests of Pacific Enterprises and Enova in DGN. ORA believes that at a minimum the application should state the amount of control, individually and combined, that Pacific Enterprises and Enova have over DGN. ORA contends that such information is necessary to determine the potential for self-dealing and whether conflicts of interest exist.

Second, according to ORA, the application is deficient in that it fails to describe what safeguards, if any, exist to protect against self-dealing or to avoid conflicts of interest. ORA believes that at a minimum, SoCalGas should supplement its application with any and all agreements between and among Pacific Enterprises, Enova, and

Proxima. Additionally, ORA believes that SoCalGas should describe the financial and other interests of Pacific Enterprises, Enova, and Proxima in the proposed long-term gas transmission service contract.

Further, ORA contends that SoCalGas fails to justify an exemption from Section 10 of GO 96-A. ORA argues that under an expedited review, the Commission has little time to review the impacts of such an exemption. ORA believes that the fact that SoCalGas is negotiating to sell services to an affiliated company requires vigilant review and safeguards.

ORA points out that the length of the service agreement is 12 years and it provides for rate adjustments at the end of the fifth year of the contract. No provision is made for mechanically adjusting rates; instead parties are expected to "negotiate in good faith." ORA submits that the potential for SoCalGas to renegotiate the price component of the contract and essentially to create new price terms favors retention of GO 96-A.

ORA argues that the request of SoCalGas for a Commission "Declaration" on exclusion items is unreasonable. ORA believes that SoCalGas is seeking preferential treatment for DGN over other tariffed ratepayers. ORA contends that SoCalGas' proposal would be a major departure from approved Expedited Application Docket (EAD) contracts where customers remain responsible for transition costs such as ITCS. Also, ORA believes that this proposal is at odds with SoCalGas' PBR application of accounting treatment of exclusions surcharge in the event of discounting.[1]

Further, ORA argues that the revenue sharing agreement between SoCalGas and SDG&E should be denied since the service is entirely within SoCalGas' territory and SDG&E plays no role in the provision of service.

Also, ORA points out that the revenue sharing agreement between SoCalGas and SDG&E refers to revenues being assigned to first cover the incremental cost of the

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[1] Exhibit 11 in A.95-06-002, pages 53-54.

service, then a reserve fund. According to ORA, the agreement appears to be silent on the issue of what the consequences are if insufficient revenues are recovered to pay for the incremental cost of service.

ORA argues that the application fails to adequately support its cost estimate and hearings may be required to examine the validity of SoCalGas' cost estimate.

Further, ORA argues that the contract lacks reciprocal protection for SoCalGas. ORA points out that the contract at Section 7.5 provides that DGN can audit SoCalGas, but not vice versa (p. 7). ORA argues that the lack of reciprocity precludes the Commission from reviewing transactions between DGN and SoCalGas from the perspective of DGN. ORA contends that based on further analysis, it may want to explore at hearing the reasonableness of this disparate and unequal provision.

Lastly, ORA argues that SoCalGas' LRMC results in understated rates. According to ORA, SoCalGas uses the same methodology it proposed in the 1996 Biannual Cost Allocation Proceeding (BCAP) to calculate the LRMC for the DGN contract. ORA opposed SoCalGas' methodology in that proceeding.

For the reasons set forth above, ORA recommends that SoCalGas' request for permission to serve DGN on an interim basis be denied.

Position of TURN

TURN does not oppose SoCalGas' request for interim authorization to serve DGN.

TURN argues that the application requests approval of a contract for transmission service to a SoCalGas affiliate at a deeply discounted rate. The application further requests that SoCalGas' affiliate be excused from paying any portion of the substantial transition costs which currently burden all other customers on SoCalGas' system. And, SoCalGas asks for this approval on an expedited, ex parte basis. TURN contends that this matter should be set for hearings so that "the unprecedented factual circumstances of this application" can be addressed through testimony by interested parties and cross-examination.

Further, according to TURN, hearings are necessary as SoCalGas' application fails to demonstrate any ratepayer benefits from this contract, though shareholders stand to benefit significantly from providing cheap transmission service to an affiliate using facilities paid for by SoCalGas' customers. TURN submits that SoCalGas' application is contrary to Commission policy on both allocation of transition costs and the scrutiny required of utility contracts with affiliates.

Position of SCUPP/IID

SCUPP/IID does not oppose SoCalGas' request for interim authorization to serve DGN.

In its protest to the application, SCUPP/IID argues that the rate proposed for service to Mexicali has not been shown to be reasonable. SCUPP/IID points that the Service Agreement between SoCalGas and DGN requires that DGN pay 3.5 cents per therm for transmission service. By comparison, SoCalGas' Utility Electric Generation (UEG) customers currently pay a total rate of 5 cents per therm. According to SCUPP/IID, SoCalGas has not borne its burden of showing that the preferential rate offered to Mexicali is justified and that its proposed rate will recover the incremental cost of serving Mexicali.

SCUPP/IID disputes SoCalGas' claim that the only incremental costs are the costs of two facilities - 14.4 miles of 12-inch diameter pipeline and a border crossing consisting of 500 feet of 16-inch diameter pipeline - totaling $5 million to $7 million. SCUPP/IID contends that SoCalGas has not included the costs of expanding Line 6902. According to SCUPP/IID, the need to extend Line 6902 can only be caused by service to Mexicali. Therefore, SCUPP/IID argues that if SoCalGas does not recover the costs of the extension of Line 6902 through the rate charged to DGN, SoCalGas ratepayers will have to absorb the costs of the expansion caused by the increased demand to Mexico.

SCUPP/IID states that rather than including the expansion of Line 6902 in the rate for service to Mexicali, SoCalGas has proposed in its BCAP to include the future cost of the extension of its Line 6902 in the resource plan used to allocate costs to customers currently. According to SCUPP/IID, the effect of including Line 6902 in the

SoCalGas resource plan is to increase the costs allocated to large customers such as electric generators to benefit DGN and SDG&E.

SCUPP/IID argues that SoCalGas should provide the analysis that supports its volumetric rate. According to SCUPP/IID, SoCalGas is withholding its analysis, and disclosure of such information is necessary for ratepayers to determine whether 3.5 cents per therm is reasonable, and neither discriminatory nor prejudicial to SoCalGas' customers. SCUPP/IID points out that its members, as large noncore customers of SoCalGas, have both a right and an obligation to their own ratepayers to question, analyze, and evaluate the basis of SoCalGas' decision to provide gas transmission service at 3.5 cents per therm.

Further, SCUPP/IID argues that sharing revenues with SDG&E rather than SoCalGas' own customers is unreasonable. SCUPP/IID urges the Commission to not approve this agreement or to permit any allocation of revenues to SDG&E since service to Mexicali under the DGN Service Agreement will not use SDG&E facilities, and ratepayers bear the costs of the SoCalGas' system. Thus, ratepayers should benefit from any revenues derived.

Also, SCUPP/IID believes SoCalGas is attempting to obtain tacit approval of Project Vecinos - a partnership formed in 1992 by SoCalGas and SDG&E that would "cooperatively use the assets and efforts of both utilities to provide transportation service over their respective systems to the U.S.-Mexico border for service to off-system markets located in Baja California and Sonora." Regarding SoCalGas' assertion that other markets in Mexico may be served through California facilities involving the use of both SoCalGas and SDG&E gas facilities, SCUPP/IID argues that when that occurs, a separate agreement should be proposed to the Commission for approval. SCUPP/IID believes that these future projects should be handled on a case-by-case basis, and not swept under the umbrella of Project Vecinos or the RSA.

SCUPP/IID contends that the RSA will cut into potential revenues that would go to ratepayers. SCUPP/IID disputes SoCalGas' claims that the agreement will "not reduce the chance of ratepayers gaining a share of noncore revenues when the target noncore revenue amounts specified in the Global Settlement are exceeded." According to SCUPP/IID, under the RSA, it seems that any excess revenues will be allocated between SoCalGas and SDG&E, with nothing flowing to the ratepayers. SCUPP/IID submits that at best, the amount that will flow to ratepayers, including large electric generators, will be reduced by the revenues that go to SDG&E.

Further, SCUPP/IID argues that SDG&E will not have forgone an opportunity to bypass if the merger between Pacific Enterprises and Enova is approved. According to SCUPP/IID, SoCalGas attempts to justify the RSA in another way: "should natural gas transmission service commence through SDG&E's system then SDG&E will have effectively foregone an ability to bypass SoCalGas' system. Therefore, the agreement calls for SDG&E to receive revenues ahead of the 50/50 split if SoCalGas' total rate to SDG&E is above a negotiated market rate. If SDG&E were to bypass SoCalGas then these revenues would be returned." SCUPP/IID points out, however, that if the proposed merger in A.96-10-038 is approved, then there will be no threat of bypass by SDG&E because SDG&E and SoCalGas will be affiliates.

SCUPP/IID contends that SoCalGas has not provided valid justification to exempt DGN from the obligation of paying PITCO/POPCO costs and ITCS. SCUPP/IID disputes SoCalGas attempts to link potential benefits derived from the service, such as reducing air pollution and providing an economical source of energy to customers in Mexicali, as a basis for exempting DGN. Also, SCUPP/IID disputes SoCalGas' argument that service to an international market was not contemplated when commitments later determined to be uneconomic and subject to recovery through transition cost mechanisms were made. SCUPP/IID believes these arguments are irrelevant since arguments such as these could apply to any new customer added after the Global Settlement Agreement and such an exemption would set a bad precedent.

Regarding SoCalGas' assertion that competitive alternatives in Mexicali do not allow SoCalGas to demand a contract rate sufficient to cover LRMC plus exclusions, SCUPP/IID points out that evidentiary hearings would allow the parties to explore other alternatives that would not prejudice SoCalGas ratepayers.

Further, SCUPP/IID argues that the Service Agreement provides preferential treatment to DGN and was not negotiated at arm's length. SCUPP/IID points out that to the extent to which DGN is financially benefited by a lower rate, both Enova and Pacific Enterprises are likely to be benefited, and since the proposed volumetric rate appears to be artificially low, DGN will be benefited at the expense of SoCalGas' ratepayers.

Lastly, SCUPP/IID argues that since the negotiations between SoCalGas and DGN were conducted between affiliates, the DGN contract is inherently suspect. According to SCUPP/IID, the lack of a truly arm's length relationship between the negotiating parties makes it especially important that ratepayers, such as the members of SCUPP/IID, be provided sufficient information to fully evaluate the rate to be charged for transmission service.

Position of Vernon

Vernon does not oppose SoCalGas' request for interim authorization to serve DGN.

However, Vernon argues that SoCalGas has failed to justify interim adoption of its highly discounted contract rate proposal. Vernon points out that SoCalGas' proposed wholesale transportation rate of 3.5 cents per therm for service to its affiliate DGN would be the lowest published wholesale rate available on the SoCalGas system. Vernon submits that SoCalGas' other customers should not be called upon to subsidize SoCalGas' expansion of its California transmission lines to provide new service to an affiliate in Mexico. Vernon believes that the Commission's policy on the expansion of gas transmission lines for new markets is very clear - the new market must be willing to bear the full incremental costs of the service.[2] According to Vernon, SoCalGas' proposal rolls in the costs of expanding its system through the Imperial Valley, and asks its existing customers throughout its service area to finance its competitive entry into the international gas trade.

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[2] See, for example, D.92-10-056, mimeo. at 8-14.

Second, DGN has informed SoCalGas that it will be prepared to start service to customers in Mexicali by July 15, 1997.

Findings of Fact

1. SoCalGas requests approval of a long-term service agreement for SoCalGas to provide transmission service to the U.S.-Mexico border for DGN.

2. DGN is constructing a gas distribution system in Mexicali pursuant to a license granted by the Mexican government.

3. DGN has informed SoCalGas that it will be prepared to start service to customers in Mexicali on July 15, 1997, and that there are customers in Mexicali ready to take service from DGN at that time.

4. Several parties filed protests to SoCalGas' application and requested evidentiary hearings.

5. SoCalGas requests that if the Commission decides that it wishes to hold evidentiary hearings, the Commission should allow the service agreement with DGN to go into effect on an interim basis by July 15, 1997, pending a final decision after hearings.

Conclusions of Law

1. While many of the issues raised involve implementation of existing Commission policy and ratemaking, there are factual matters in dispute that require an evidentiary hearing.

2. While there is good cause for an evidentiary hearing, there is no compelling reason to deny SoCalGas' request for authority to serve DGN on an interim basis, pending a final decision after hearings.

3. SoCalGas' request for interim authority to serve DGN should be granted. Such interim authority does not constitute tacit approval by the Commission of the DGN Service Agreement.

4. Since the Commission has yet to determine the appropriate ratemaking treatment for this contract, if SoCalGas decides to provide service to DGN on an interim basis prior to receiving a final decision after hearings, SoCalGas should be at risk for

any ratemaking disallowances that the Commission decides will be necessary following such evidentiary hearings. Such ratemaking disallowances should be retroactive to the date service is commenced.

INTERIM ORDER

IT IS ORDERED that:

1. Southern California Gas Company's (SoCalGas) request for authority to provide gas transportation service to Distribuidora de Gas Natural de Mexicali, S. de R.L. de C.V. (DGN) on an interim basis pending a final decision after hearings is granted.

2. SoCalGas shall separately account for all costs associated with service to DGN pending a final decision in this proceeding.

3. SoCalGas shall be at risk for any ratemaking disallowances the Commission deems appropriate. Such disallowances shall be retroactive to the date service to DGN is commenced.

4. The City of Vernon's motion to consolidate this proceeding with the application for approval of the Pacific Enterprises-Enova Corporation merger is denied.

5. This proceeding shall remain open for the assigned administrative law judge to conduct evidentiary hearings.

This order is effective today.

Dated July 16, 1997, at San Francisco, California.

P. GREGORY CONLON
President
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
Commissioners