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Decision 97-11-073 November 19, 1997

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company to Identify and Separate Components of Electric Rates, Effective January 1, 1998.	Application 96-12-009 (Filed December 6 , 1996)
And Related Matters.	Application 96-12-011 (Filed December 6, 1996) Application 96-12-019 (Filed December 6, 1996)

O P I N I O N

Summary

This decision resolves three petitions to modify Decision (D.) 97-08-056 filed by Pacific Gas and Electric Company (PG&E), Southern California Edison Company (Edison), and Enron and New Energy Ventures (Enron/NEV), respectively. We adopt several modifications to D.97-08-056, all of which clarify the intent of the order. We reject all proposals that would reverse substantive determinations of the decision that have already been thoroughly considered and all proposals that are not fully supported by the existing record.

I. Background

PG&E, Edison, and San Diego Gas & Electric Company (SDG&E) filed these consolidated applications to unbundle their revenue requirements consistent with Assembly Bill (AB) 1890. The purpose of unbundling is to identify costs associated with each major utility function – transmission, distribution, generation, and other costs. Beginning January 1, 1998, the Commission will no longer set generation rates. The Federal Energy Regulatory Commission (FERC) has authority to set transmission rates. Our main objective here, therefore, is to establish costs that are appropriately assigned

to distribution. In these applications, we have also considered related rate design and revenue allocation issues.

On August 1, 1997, we issued D.97-08-056, which resolved most issues relating to unbundling. The issuance of the decision followed hearings and briefing by numerous active parties.

On August 21, 1997, Edison filed a petition to modify D.97-08-056. The Office of Ratepayer Advocates (ORA) and The Utility Reform Network (TURN) responded to Edison's petition. Enron, Environmental Defense Fund (EDF), Mock Energy Services, Inc. (Mock), Power Resource Managers LLC (Power Resources), and NEV jointly filed a response to Edison's petition.

On September 8, 1997, PG&E filed a petition to modify D.97-08-056. TURN filed a response to PG&E's petition.

On September 24, 1997, Enron/NEV filed a petition to modify D.97-08-056. PG&E, ORA, the California Manufacturers' Association (CMA), and the Energy Producers and Users Coalition and the Cogeneration Association of California Users (jointly, EPUC/CAC) filed responses to Enron/NEV's petition.

Edison and PG&E also filed timely applications for rehearing on issues that are materially different from those raised in their petitions to modify. Edison's and PG&E's applications for rehearing were addressed in D.97-09-125.

II. PG&E's Petition to Modify

A. PG&E's Request

PG&E requests the Commission to change D.97-08-056 in several respects. It proposes that the modified order should:

- Defer ruling on the appropriateness of including in the Castastrophic Events Memorandum Account (CEMA) the costs of generation for geothermal and hydroelectric plants because the matter is being considered in another proceeding;

- Defer ruling on the appropriateness of including generation costs in balancing accounts for hazardous waste clean-up and address the matter in another proceeding;

- Permit PG&E to enter into CEMA and hazardous waste accounts those generation costs incurred after January 1, 1998 which are attributable to events occurring or conditions existing prior to January 1, 1998;

- Specify that "fixed administrativeand general (A&G) costs" include capital costs as well as expenses;

- Clarify that PG&E's authorized revenue requirement does not include marketing costs because marketing costs were not allowed in PG&E's general rate case;

- Clarify that PG&E did not propose a balancing account for Diablo Canyon Incremental Cost Incentive Pricing (ICIP) prices that exceed market prices and that AB 1890 permits related costs to be considered in the competition transition charge (CTC);

- Specify that PG&E's distribution revenue requirements may be adjusted to reflect the outcomes of other proceedings; and

- Specify that the proceedings remain open partly for the purpose of considering unbundled revenue cycle services cost studies.

B. Responses to PG&E's Petition to Modify

TURN objects to PG&E's request for an "additional bite at the apple" regarding hazardous waste costs. TURN notes that the record developed in the transition cost proceeding does not even address the competitive impacts of PG&E's proposal, because the proceeding focused instead on the calculation of the costs.

TURN also objects to PG&E's request for changes to the language regarding the Diablo Canyon ICIP costs. It opposes the change to the conclusion of law on the ability of the company to recover associated costs by way of the CTC because the matter is one that is in dispute in a related proceeding.

C. Discussion

Generation Costs in CEMA – D.97-08-056 prohibited PG&E from entering any generation costs into CEMA, effective January 1, 1998. PG&E's petition to modify asks us to reverse this decision so that it may relitigate the matter in another proceeding where the Commission is considering PG&E's request for a generation performance-

based ratemaking (PBR). Since the filing of this petition to modify, PG&E, Edison, and SDG&E on September 25, 1997 jointly filed another petition to modify D.97-08-056. The petition to modify elaborates on their views regarding the lawfulness of the Commission's order prohibiting certain generation costs in the CEMA. Because we have not had adequate time to review the responses to the second petition to modify, we defer resolution of this issue to a later decision.

Hazardous Waste Costs for Generation – D.97-08-056 found that PG&E may not enter into hazardous waste balancing accounts costs associated with generation. PG&E now requests that we reverse our decision in order to reconsider the matter in PG&E's generation PBR proceeding. We deny PG&E's request to reconsider this matter in another forum and affirm the resolution of this matter set forth in D.97-08-056.

Termination Dates for Generation Costs in CEMA and Hazardous Waste Accounts -- D.97-08-056 prohibited the utilities from entering generation costs into CEMA or hazardous waste accounts, effective January 1, 1998. PG&E requests modification of the order to permit it to enter generation costs incurred after December 31, 1997 if those costs are related to events that occurred prior to January 1, 1998. PG&E argues that it cannot divest itself of such costs. The intent of D.97-08-056 to protect future competitive markets is not compromised by PG&E's proposal. We remind PG&E, however, that it may not carry over costs incurred during the rate freeze period for recovery after the rate freeze, except as permitted by statute. Consistent with AB 1890, costs incurred during the rate freeze period must be recovered during that period by changing the "headroom" available for recovery of uneconomic costs. With that condition, we will modify D.97-08-056 as PG&E requests.

Definition of "Fixed A&G Costs" – PG&E asks that we clarify the term "fixed A&G costs" to include capital costs as well as expenses. The allocations of fixed A&G costs in D.97-08-056 included both capital costs and expenses. We therefore modify the order as PG&E suggests.

Marketing Costs – PG&E asks that we modify D.97-08-056 to reflect our decision in PG&E's last general rate case to disallow non-Demand-Side Management

(DSM) marketing costs. We remove the reference to marketing costs, as PG&E suggests.

Diablo Canyon ICIP -- D.97-08-056 denied PG&E's proposal to impose a separate charge for Diablo Canyon. PG&E states that the decision erred by stating that PG&E also proposed a balancing account and by stating that AB 1890 does not permit related costs to be included in the CTC. We modify the order to reflect PG&E's position in the case. We defer to Phase II of the transition cost proceeding the decision whether and how related costs may be recovered and make no judgment here about the applicability of the provisions of AB 1890.

PG&E's Revenue Requirement – PG&E asks that the decision reflect the fact that adopted revenue requirements may be modified by subsequent decisions. All Commission decisions are subject to revision by subsequent decisions as set forth in Public Utilities Code Section 1708. The modification PG&E proposes is therefore unnecessary.

Revenue Cycle Services Unbundling -- PG&E proposes that we modify D.97-08-056 to reflect the intent of D.97-05-039 to review revenue cycle services unbundling in these consolidated proceedings. PG&E is correct that it has been our intent to review revenue cycle services issues in these proceedings. However, the passage of Senate Bill (SB) 960 requires us to reconsider extending proceedings such as these beyond 18 months, the goal provided by SB 960 for resolving in ratesetting proceedings. We therefore direct the utilities to file separate applications for the purpose of reviewing revenue cycle services issues, consistent with D.97-05-039.

III. Edison's Petition to Modify

A. Edison's Request

Edison argues that D.97-08-056 should be modified in several aspects. Specifically, Edison argues the modified order should:

- Allocate all franchise fee costs to distribution rather than allocating a portion to generation, because Edison's liability for franchise fees will not change with the introduction of competition;

- Allocate to distribution all of the costs of load dispatching except those which the FERC finds are transmission-related on the basis that Edison will continue to incur those costs after competition is initiated;

- Clarify that Edison is entitled to recover hazardous clean-up and litigation costs associated with all generation-related contamination that occurred prior to January 1, 1998, as PG&E requests;

- Permit Edison to recover costs associated with service to Santa Catalina through distribution rates or the CTC, because Santa Catalina will not be subject to competition for generation;

- Defer discussion of unbundling the cost of capital;

- Clarify which economic development costs are to be included in the economic development balancing account;

- Permit Edison to accelerate its recovery of costs authorized in the settlement on the Devers to Palo Verde Transmission Line, because the Commission has found that the costs are reasonable; and

- Extend the deadline for billing changes because Edison believes it cannot provide the unbundling information to direct access customers until the end of 1998 with its existing resources.

B. Responses to Edison's Petition to Modify

Enron, Mock, EDF, Power Resources, and NEV jointly filed a response to Edison's petition. Joint respondents argue that the Public Utilities (PU) Code requires Edison to pay franchise fees which are calculated based upon gross annual receipts. They state that electricity transporters, and not distribution utilities, pay the generation portion of the fee, pursuant to Sections 6265 and 6231(c). They also observe that the California Legislature recently passed SB 703 to assure that companies like Edison would be indifferent to the franchise fees by directing distribution companies to unbundle the fees on their bills to electric transporters and charge them for the fees. (The bill has not been chaptered.) Joint respondents also argue that load dispatching costs are transmission costs notwithstanding who performs the activities. Therefore,

the costs should not be allocated to distribution. They support the conclusions in D.97-08-056 with regard to reviewing cost of capital and the timing of bill unbundling.

TURN also filed a response to Edison's petition. Like joint respondents, TURN observes that load dispatching costs are transmission costs and should be treated accordingly. TURN objects to Edison's attempt to relitigate the Commission's statement of intent to review the utilities' costs of capital. Finally, TURN proposes that Edison's attempt to further delay the provision of information on customers' bills is simply an attempt to forestall competition. TURN suggests that for every day bill unbundling is stalled after June 1, 1998, the utilities should be denied recovery of any funds through the CTC as a way of providing an incentive for utility compliance with the Commission's order.

ORA filed a response to Edison's petition. ORA makes comments similar to those of joint respondents with regard to franchise fees. With respect to load dispatching costs, ORA believes the Commission should reaffirm its finding that Edison had not made an affirmative showing to support allocating more costs to distribution. ORA objects to Edison's proposal to modify the requirement that no generation costs should be included in the hazardous waste balancing account after December 31, 1997. ORA believes the existing record does not support Edison's claim that D.97-08-056 will delay the auction for its generation plants and reduce the bid prices. ORA also objects to allocating the costs of serving Santa Catalina to distribution or the CTC. ORA argues that AB 1890 does not support such an outcome and observes that Kirkwood Gas and Electric must file a transition plan even though, like Santa Catalina, it is located in an isolated area. ORA recommends that the Commission require Edison to bear the burden of proposing an appropriate ratemaking treatment for Santa Catalina generation costs. ORA opposes Edison's requests to modify the Commission's plan to review costs of capital and to defer provision of bill information to the end of 1998.

C. Discussion

Edison requests numerous substantive changes to D.97-08-056. It explains that its petition to modify D.97-08-056 is necessary to overcome the decision's

shortfalls, which it describes as attributable to "the time pressures faced by the Commission." In fact, most of the modifications Edison proposes here are not errors attributable to time pressures imposed on the Commission. They are matters that were litigated and considered thoroughly by the Commission and that were resolved in ways not to Edison's liking. Edison had many opportunities to point out errors in the proposed decision in written and oral presentations. Where it identified errors, we recognized them in the final decision. We herein revisit those portions of D.97-08-056 that Edison seeks to change.

Franchise Fees -- D.97-08-056 allocated one-third of franchise fees costs to generation for all utilities. Edison argues that D.97-08-056 erred in allocating a portion of those fees to generation because the PU Code provides that its liability for franchise fees will not change after it divests itself of generation. We disagree.

Section 6265 establishes that utilities are liable for franchise fees in relation to their gross annual revenues. Edison is correct that franchise fees are identified with distribution and transmission facilities. However, Edison does not address how related statutes provide for the calculation and imposition of franchise fees. Section 6231 provides that the calculation of franchise fees will be based on the utility's total revenues, consistent with the finding in D.97-08-056. Moreover, in an "unbundled" market, Section 6350 et seq. provide that the loss of franchise fees which occur with the reduction in utility revenues are to be recovered from transportation customers (like Enron), not transportation providers (like Edison). Section 6352 provides that "a transportation customer...shall be subject to a surcharge" imposed by the energy transporter. To the extent Edison's generation activities decrease, its franchise fees will fall pursuant to Section 6265. We have already implemented these statutory provisions in the gas industry consistent with the discussion here which, as a major gas shipper, Edison knows. Neither PG&E nor SDG&E objects to the allocation of franchise fees adopted in D.97-08-056. We deny Edison's request to modify the decision with regard to franchise fees.

Load Dispatching Costs – D.97-08-056 allocated to transmission $10.8 million of the $17 million originally identified for Edison's load dispatching costs. We

did so on the basis that the Independent System Operator would be performing the load dispatching activities previously undertaken by the utilities. Rather than allocating the entire amount to transmission, we allocated a portion to distribution, giving Edison the benefit of the doubt with regard to its assertion that it would retain some load dispatching functions after January 1, 1998. In its petition to modify, Edison claims that it will continue to incur all load dispatching costs except $1.55 million, plus administrative and general costs. It asks the Commission to modify the decision accordingly.

D.97-08-056 reflects the information we have about the utilities' load dispatching activities and gives the utilities ample opportunity to revisit this issue if the FERC determines that the costs we allocate to transmission are appropriately considered distribution costs . Edison presents no new information here that convinces us to reconsider the matter. Edison does not provide evidence to support its assertion that the cost of operating its subtransmission system requires more of Edison's load dispatching budget to be allocated to distribution. Edison is within its discretion to present new or better information with regard to these costs. Before we would include these costs in distribution rates, Edison must demonstrate that the costs previously authorized for load dispatching are those which first, cannot be recovered in transmission rates and second, those which Edison must actually incur.

Hazardous Waste Clean-up and Litigation Costs – D.97-08-056 found that the utilities may not enter into their Hazardous Substance Clean-up and Litigation Cost Accounts the costs for generation-related clean-up beginning January 1, 1998. Edison seeks a modification that would permit it to include costs in the account at any time as long as the contamination occurred prior to January 1, 1998. We resolve this matter as we did for PG&E, permitting Edison to include in the account costs for clean-up and litigation related to events that occurred prior to January 1, 1998. Costs incurred during the rate freeze period may not be collected in rates following the rate freeze period, but must be used to offset headroom during the rate freeze period.

Generation Costs Associated with Serving Santa Catalina Island – D.97-08-056 allocated to generation the generation costs associated with serving Santa

Catalina. Edison proposes here that the Commission permit it to recover these costs in its distribution rates or the CTC. Edison explains that Santa Catalina is unlikely to experience any competition in generation markets. We concede Edison's point that, because of its isolation, Santa Catalina is unlikely to be an attractive market for competitors. Nevertheless, AB 1890 does not permit the Commission to allocate to distribution the costs associated with generation, on the basis that a specified generation market will not be subject to competition. Whether the costs of serving Santa Catalina are appropriately included in the CTC is a matter for the Commission's consideration in proceedings related to the treatment of transition costs. We deny Edison's request to modify D.97-08-056 with regard to the generation costs associated with serving Santa Catalina Island. Edison may, however, propose a separate generation rate for Santa Catalina, as ORA proposes.

Cost of Capital – D.97-08-056 states the Commission's intent to consider cost of capital for various utility functions in relevant cost of capital proceedings. In its petition to modify, Edison argues that the Commission should defer consideration of cost of capital to a later date in recognition that the Commission has recently adopted a "cost of capital trigger mechanism" in Edison's PBR. We see no reason to modify the order now, and we invite Edison to make its point in its cost of capital filing, due May 8, 1998.

Economic Development Costs – D.97-08-056 allocated a portion of non-DSM customer service and information costs to generation using a multifactor allocation method. Some of those costs are attributable to "economic development" programs. Edison proposes that the Commission's order should clarify whether it intended to retain all of the $3.2 million as part of the distribution revenue requirement or some portion of it, consistent with the multifactor allocation formula. The appropriate amount would then be assigned to the relevant one-way balancing account. Consistent with other portions of the decision, we intended that economic development costs would be allocated to distribution based on the multifactor allocation formula. The amount would then be included in the one-way balancing account. We will clarify our order accordingly.

Costs of Devers to Palo Verde Transmission Line – Edison's application proposed to include the costs of the Devers to Palo Verde transmission line in a balancing account it referred to as a "MAM." D.97-08-056 rejected the proposal to create the balancing account, allocating costs associated with it to the various utility functions. It allocated transmission line costs to transmission, consistent with AB 1890. In its petition to modify, Edison requests that it be permitted to accelerate recovery of related costs from the three-year period originally adopted by the Commission in D.97-05-081 to a single year, 1997. Edison argues that it will otherwise be denied a mechanism through which to recover these approved costs.

The costs of the transmission system are appropriately included in transmission rates. Nevertheless, it is not our intention to deny Edison an opportunity to recover legitimate costs associated with plant which was ultimately not constructed and included in rate base. We will permit Edison to include all of the authorized costs in the ERAM account in 1997 but will permit their recovery only under certain conditions. Edison must file with the FERC to include these costs in transmission rates no later than December 31, 1997. If the FERC permits the costs to be included in transmission rates, we will direct Edison to reduce the ERAM balance accordingly. If the FERC does not permit them to be included in transmission rates, we will permit their recovery in Commission jurisdictional rates on the basis that they are associated with abandoned plant. The FERC has stated its intent to approve the transmission rates proposed by the utilities in anticipation of direct access, subject to refund. Therefore in order to assure that these costs are not recovered twice, we will not permit them to be recovered in Commission jurisdictional rates until and unless the FERC has issued an order stating that it will not permit these costs to be included in transmission rates.

Billing Detail – D.97-08-056 directed the utilities to provide customers with certain information on their bills no later than June 1, 1998. Edison states it will be unable to make the required changes by this date for all but direct access customers. It seeks a modification permitting it to implement the bill information to other customers by the end of 1998. As joint respondents observe, the utilities have been aware since August 1996 that Section 392(c) required bill unbundling. As the statute implicitly

recognizes, the success of competition relies in large part on the customer's ability to compare services and costs. Edison's argument that it does not have the resources to comply with the statute by June 1, 1998 is an admission of poor planning for which its customers and competitors should not have to assume responsibility. We will not change the date by which the utilities must modify their bills to customers. We do not adopt TURN's recommendation to suspend CTC collection for the period during which the utilities fail to comply with the deadline adopted in D.97-08-056. We will, however, direct the Executive Director to reject any request made by the utilities pursuant to Rule 48(b) seeking a delay in the implementation of bill unbundling. Delays will be considered evidence of failure to comply with a Commission order and utilities that fail to comply will be subject to appropriate penalties.

IV. Enron/NEV's Petition to Modify

A. Enron/NEV's Request

Enron/NEV propose several changes to D.97-08-056 which would:

- Require implementation of customer bill unbundling by January 1, 1998;

- Clarify the costs which must be included in the utilities' calculation of the "Power Exchange (PX) price" and "PX credit." Specifically, the PX credit would include all costs which must be removed from direct access customers' rates in order to avoid double recovery of utility costs. The petition to modify also seeks to clarify the implementation of the PX credit by establishing principles that will permit parties to classify costs as appropriately included in or excluded from the PX credit; and

- Prohibit the utility's affiliates from selling energy services in its territory until the utility has complied with D.97-08-056.

B. Responses to Enron/NEV's Petition to Modify

PG&E, CMA, Edison, ORA, and EPUC/CAC filed responses to Enron/NEV's petition.

CMA generally supports all elements of Enron/NEV's petition to modify and reiterates the policy reasons for providing detailed billing information to customers

and the damaging effects of billing direct access customers for PX-related services which they do not want or receive.

PG&E objects to Enron/NEV's proposal to require billing changes by January 1, 1998, observing that customers will have information about energy prices at that time in any event. It objects to Enron/NEV's proposal to condition the marketing activities of affiliates, because the Commission has already found that it lacks jurisdiction to regulate affiliates' activities. PG&E also argues that Enron/NEV's proposal to refine the definitions of PX price and PX credit are untimely because they were not included as part of the record of the proceeding, having been raised by Enron for the first time in its comments on the proposed decision.

ORA comments on the development of PX prices and credits. ORA observes that the Commission's Energy Division has refined these definitions as part of the advice letter process. It believes the definitions should nevertheless be included in a Commission order. ORA also comments that several of the issues relating to PX prices and credits may be reviewed in the proceeding addressing revenue cycle unbundling.

EPUC/CAC support Enron/NEV's petition to modify generally to keep utility generation costs out of distribution rates. They comment that the Commission should determine under what circumstances the costs could be recovered in the CTC as "uneconomic." They argue that refinements are required to assure that customers who do not purchase generation services from the utilities should not have to pay for utility generation costs, as well as those of their service providers. The result would be artificially high prices to direct access customers and the dampening of competition.

Edison opposes Enron/NEV's proposals. It argues that the petition to modify fails to recognize the technical constraints Edison has presented in this proceeding with regard to changing its billing system. Edison also opposes the proposal by Enron/NEV to "gain a competitive advantage by shifting a broad array of costs" into the PX price. Edison elaborates on its position with regard to each of the costs Enron/NEV would include in the PX credit, arguing that many of them are presented for the first time in the petition to modify.

C. Discussion

Customer Billing. We appreciate Enron/NEV's concerns with regard to the timing of bill unbundling. We have already addressed this issue fully, however, and find no compelling reason to change the implementation date at this time.

PX Prices and Credits. Enron/NEV propose numerous refinements to the method for setting PX prices and credits. Enron/NEV are correct that precision in setting these prices and credits will avoid double recovery of certain costs and protect against anticompetitive pricing. Unfortunately, we do not have a record that would permit us to modify D.97-08-056 in ways which Enron/NEV propose. In this regard, Enron/NEV's petition to modify necessarily reads like testimony, asserting various facts which may be subject to dispute or interpretation. In cases such as these, and as ORA has noted, we rely on our Energy Division to refine our developed criteria in the process of reviewing tariff filings. We decline to modify D.97-08-056 to refine our definitions of PX price and PX credit. As ORA observes, parties may raise this matter in relevant proceedings in the future.

Marketing by Affiliates. Enron/NEV propose that we suspend the marketing and sales activities of utility affiliates in the utility's service territory until and unless the utilities comply with the Commission's decisions on direct access implementation. We do not, however, have authority to regulate the activities of utility affiliates. Moreover, this is not the forum in which to consider, for the first time, a system of incentives for utility compliance with this and other Commission orders. The Commission has ample authority to penalize a utility directly for its failure to comply with a Commission order. As we stated above, we will use that authority if needed.

Findings of Fact

1. D.97-08-056 directed the utilities to allocate their costs among various functions in specified ways.

2. The electric utilities may incur costs after December 31, 1997 which reflect events which occurred or conditions which existed prior to January 1, 1998.

3. AB 1890 does not permit the utilities to defer recovery of costs incurred during the rate freeze period, with some exceptions.

4. D.97-08-056 prohibited the inclusion of generation costs in CEMA after December 31, 1997.

5. D.97-08-056, on the basis of a complete record, resolved issues related to the appropriateness of including generation costs in hazardous waste accounts after December 31, 1997.

6. D.97-08-056 implicitly included capital costs in its references to "fixed A&G costs."

7. D.97-08-056 erroneously stated that PG&E sought $15.1 million in marketing costs.

8. D.97-08-056 erroneously stated that PG&E proposed to create a balancing account for Diablo ICIP costs and that AB 1890 would not permit recovery of such costs in the CTC.

9. D.97-05-039 stated the Commission's intent to consider revenue cycle services unbundling in these consolidated applications.

10. The Commission did not err in its interpretation or application of the record in this proceeding as a result of time pressures.

11. D.97-08-056 allocates to distribution a reasonable portion of costs associated with franchise fees.

12. D.97-08-056 allocates to distribution a portion of transmission costs associated with load dispatching.

13. The record in this proceeding does not permit a determination of whether the generation costs associated with serving Santa Catalina Island should be recovered through the CTC.

14. D.97-08-056 intended to allocate economic development costs to distribution based on the multifactor allocation formula.

15. That the Commission approved as reasonable the costs associated with the Devers to Palo Verde transmission line does not distinguish them from other costs allocated in D.97-08-056.

16. D.97-08-056 states the Commission's intent to allocate to distribution only those costs associated with distribution, consistent with AB 1890.

17. Edison's proposal to include in the 1997 ERAM balance the costs associated with the Devers to Palo Verde transmission line is reasonable and those costs may be included in Commission jurisdictional rates if Edison files with FERC no later than December 31, 1997 for inclusion of these costs in transmission rates and the FERC denies Edison's request for their inclusion in transmission rates .

18. Edison has not made a reasonable case to delay the implementation of bill unbundling provisions of D.97-08-056.

19. Enron/NEV have not made a reasonable case to move forward the date by which the electric utilities are required to unbundle customer bills.

20. The record in this proceeding does not support modifying D.97-08-056 with regard to the definitions of "PX price" and "PX credit" proposed by Enron/NEV.

21. D.97-05-040 found that the Commission lacks jurisdiction to regulate the activities of utility affiliates.

Conclusions of Law

1. Section 6265 requires the state's utilities to pay franchise fees that are calculated on the basis of gross annual revenues. Sections 6350-6354 provide that energy customers shall pay franchise fees according to the energy they transport on the utility's distribution system.

2. AB 1890 does not permit the Commission to make exceptions for utility service areas that may not be subject to competition.

3. The Commission should deny the petition to modify D.97-08-056 filed by PG&E except as set forth herein.

4. The Commission should deny the petition to modify D.97-08-056 filed by Edison except as set forth herein.

5. The Commission should deny the petition to modify D.97-08-056 filed by Enron/NEV.

O R D E R

IT IS ORDERED that:

1. The petition to modify Decision (D.) 97-08-056 filed by Pacific Gas and Electric Company (PG&E) is denied except as set forth herein.

2. The petition to modify D.97-08-056 filed by Southern California Edison Company (Edison) is denied except as set forth herein.

3. Conclusion of Law 10 of D.97-08-056 is modified to read as follows:

> "10. The utilities should be prohibited from entering into their HSCLS accounts any generation-related costs caused by events occurring after December 31, 1997."

4. Ordering Paragraph 10 of D.97-08-056 is modified to read as follows:

> "10. PG&E, Edison and SDG&E shall not enter into their respective hazardous Substance Clean-up and Litigation cost Accounts any generation-related costs caused by events occurring after December 31, 1997."

5. The text on page 24 of D.97-08-056 is amended to insert the following between the first and second sentences of the first full paragraph:

> "(The term 'fixed A&G costs' is used here to refer not only to A&G expenses but also to related common and general plant.)"

6. The text on page 25 of D.97-08-056 which reads "PG&E seeks $15.1 million for marketing costs" is deleted.

7. Finding of Fact 24 of D.97-08-056 is modified to read as follows:

> "24. PG&E proposes to create a nonbypassable charge for Diablo Canyon ICIP prices that exceed market prices."

8. Finding of Fact 31 of D.97-08-056 is modified to read as follows:

> "31. The uneconomic generation costs included in the MAM accounts are not among the exceptions listed in AB 1890 of uneconomic generation costs which are recoverable by way of the CTC."

9. Finding of Fact 28 of D.97-08-056 is modified to read as follows:

> "28. The MAM would reduce utility risk from that anticipated by AB 1890 and previous Commission decisions."

10. Conclusion of Law 12 of D.97-08-056 is modified to read as follows:

> "12. SDG&E's and Edison's revenue requirements for distribution should be reduced to recognize a fair allocation of customer service and marketing costs between distribution, transmission and generation, as set forth in this decision. The Economic Development One-way Balancing Account should be modified so that only those economic development costs allocated to the distribution revenue requirement through application of the multifactor allocation method are subject to the balancing account."

11. The Executive Director shall reject any request made by San Diego Gas & Electric Company (SDG&E), PG&E, or Edison, pursuant to Rule 48(b), to delay the implementation of the bill information and unbundling provisions of D.97-08-056.

12. PG&E, Edison, and SDG&E shall file separate applications to consider revenue cycle unbundling issues, consistent with D.97-05-039.

13. Edison is authorized to include in its 1997 ERAM balance the authorized costs associated with the abandoned Devers to Palo Verde transmission line and may recover them only pursuant to the conditions set forth in this decision requiring Edison to seek recovery of the costs in transmission rates by filing with FERC no later than December 31, 1997 and after having received an order from the FERC denying the request.

14. The petition to modify D.97-08-056 filed by Enron and New Energy Ventures Inc. is denied.

This order is effective today.

Dated November 19, 1997, at San Francisco, California.

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