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Decision 98-05-059 May 21, 1998

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for
Recovery of 1996 Non-Nuclear Generation Capital
Additions Costs.

(U 39 E)

Application 97-10-014
(Filed October 3, 1997)

Application of San Diego Gas & Electric Company
(U 902 E) for Competition Transition Charge ("CTC")
Recovery of 1996 Capital Additions.

Application 97-10-015
(Filed October 3, 1997)

O P I N I O N

Summary

This decision adopts revenue requirements for capital additions added to rate base in 1996 by Pacific Gas and Electric Company (PG&E) and San Diego Gas & Electric Company (SDG&E). We herein adopt the joint recommendations of PG&E, Office of Ratepayer Advocates (ORA), James Weil (Weil) and The Utility Reform Network (TURN), and the joint recommendations of SDG&E and ORA. The amounts adopted in this decision for capital additions will be included in each utility's Transition Cost Balancing Account for recovery pursuant to Public Utilities (PU) Code Section 367.

Procedural Background

In Decision (D.) 97-09-048, in the Electric Industry Restructuring rulemaking (R.) 94-04-031, the Commission ordered Southern California Edison Company (Edison), PG&E, and SDG&E to file applications no later than October 3, 1997 to seek recovery of 1996 capital additions to non-nuclear generating plant (hereinafter referred to as "capital additions") based on an ex post facto review of recorded expenditures. The Commission required the applications in order to satisfy the requirements of PU Code Section 367 and set forth certain criteria for evaluating capital additions.

PG&E, Edison, and SDG&E filed these applications on October 3, 1997, consistent with D.97-09-048. ORA, TURN, and Weil filed protests to the applications and subsequently submitted testimony in response to utility testimony.

Subsequently on December 1, 1997, PG&E, Edison, and SDG&E filed a joint petition asking for authority to establish memorandum accounts to track the revenue requirements associated with the anticipated earnings on the capital additions that are the subjects of these applications and those which were completed in 1997. No party protested the request and the Commission granted it in D.98-01-051.

On March 13, 1998, SDG&E and ORA submitted a joint recommendation resolving all outstanding disputes between them. During the subsequent hearing, no active party stated an intent to oppose or otherwise comment on the joint recommendation. The joint recommendation was entered into the record by stipulation of all active parties.

On March 25, 1998, PG&E, ORA, TURN, and Weil submitted a joint recommendation resolving outstanding disputes between them. During the pending hearing, no active party stated an intent to oppose or otherwise comment on the joint recommendation. The joint recommendation was entered into the record by stipulation of all active parties. The Administrative Law Judge ruled that parties objecting to the joint recommendations submitted for SDG&E or PG&E could do so concurrent with the filing of opening briefs.

The Commission held four days of hearings regarding Edison's application. The parties filed briefs on April 30, 1998, which addressed Edison's application. A decision for Edison will be issued at a later date.

PG&E's 1996 Capital Additions Budget

PG&E's application in this proceeding seeks \$57.4 million in capital additions for 1996. ORA, TURN, and Weil submitted testimony recommending reductions in PG&E's request of about \$12.6 million generally on the basis that the investments were not cost-effective or not necessary to maintain PG&E's plant.

On March 25, 1998, during the course of hearings, PG&E, ORA, TURN, and Weil submitted a joint recommendation which resolved all outstanding disputes between them in this proceeding. The joint recommendation proposes that all of PG&E's 1996 capital additions be considered reasonable with the exception of \$3.955 million in costs. Of this, \$1.928 million is associated with hydroelectric plant, \$105,345 is associated with geothermal plant, and \$1.922 million is associated with fossil plant. The parties state that these allocations among different types of plant is the result of a negotiated compromise that neither endorses nor rejects the litigation positions of the individual parties. The joint recommendation also provides that PG&E will not need to submit detailed information for projects under \$100,000 for PG&E's 1997-1998 non-nuclear capital additions application. The parties agree that PG&E may transfer about \$431,000 in costs for PG&E's Spaulding runner project to materials and supply inventory.

No party protested the joint recommendation for PG&E. We comment on one aspect of the joint recommendation, which is included in the record as Exhibit 27. Item 6 states, "The Parties agree that detailed information for projects under \$100,000 is not required in order for PG&E to meet its burden of proof regarding the reasonableness of (1997 capital additions) costs." We interpret this to mean that the parties wish to create a standard of regulatory review which is commensurate with the relative magnitude of the costs at issue, and we agree that this is a reasonable regulatory objective. We presume this provision does not ask the Commission to make implicit findings in this proceeding on the reasonableness of costs subject to review in a future proceeding. It would not be within our authority to resolve issues that are not subjects of this proceeding and upon which other parties have had no opportunity to be heard. We also note that the standard and burden of proof are set by the law and by this Commission in fulfillment of its legal obligations, and the standard and burden of proof is not affected by the agreement of the parties. With these caveats, we herein adopt the joint recommendation as a reasonable compromise of interests.

SDG&E's 1996 Capital Additions Budget

SDG&E seeks about \$14.5 million in 1996 capital additions. ORA submitted testimony recommending disallowance of about \$1.6 million of the amount.

On March 13, 1998, SDG&E and ORA filed a joint recommendation resolving all outstanding disputes between them in this proceeding. The parties recommend that \$13.642 million of SDG&E's request be found reasonable. The joint recommendation, which is included in the record as Exhibit 2, states that the associated disallowance of \$808,120 does not apply to specific projects.

No party opposed the joint recommendation presented by ORA and SDG&E. It is a reasonable compromise of the controversies in this proceeding on behalf of ratepayers and we adopt it.

Findings of Fact

1. No party protests the joint recommendation submitted by PG&E, Weil, ORA, and TURN resolving PG&E's 1996 capital additions budget and all issues relating to PG&E.
2. No party protests the joint recommendation submitted by SDG&E and ORA resolving SDG&E's 1996 capital additions budget and all issues relating to SDG&E.

Conclusions of Law

1. The joint recommendation submitted by PG&E, Weil, ORA, and TURN in Application (A.) 97-10-014 is reasonable in light of the whole record, consistent with law, and in the public interest.
2. The Commission should adopt the joint recommendation submitted by PG&E, Weil, ORA, and TURN in A. 97-10-014.
3. The joint recommendation submitted by SDG&E and ORA in A.97-10-015 is reasonable in light of the whole record, consistent with law, and in the public interest.
4. The Commission should adopt the joint recommends submitted by SDG&E and ORA in A.97-10-015.

O R D E R

IT IS ORDERED that:

1. The joint recommendation of Pacific Gas and Electric Company, The Utility Reform Network, Office of Ratepayer Advocates (ORA) and James Weil is adopted as set forth in this decision.
2. The joint recommendation of San Diego Gas and Electric Company and ORA is adopted as set forth in this decision.
3. Application 97-10-014 is closed.
4. Application 97-10-015 is closed.

This order is effective today.

Dated May 21, 1998, at San Francisco, California.

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