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Mailed 10/23/98

Decision 98-10-055 October 22, 1998

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of San Diego Gas & Electric Company (U 902 -E) for Authority to Sell Electrical Generation Facilities and Power Contracts.	Application 97-12-039 (Filed December 19, 1997)

INTERIM OPINION

Summary

San Diego Gas & Electric Company (SDG&E) requests authority to auction and sell two fossil-fuel electric generation plants and 17 combustion turbines (collectively the fossil plant assets) by the end of 1998.[1]

The interim decision SDG&E seeks is that the Commission (a) find that SDG&E's proposed divestiture will not impair the reliability of electric supply; (b) find that SDG&E's proposed auction procedures are reasonable and will determine the market price of the fossil plant assets to be divested; (c) find that SDG&E's divestiture as proposed is reasonable; (d) find that SDG&E's proposed operations and maintenance agreement is reasonable under Public Utilities (PU) Code Section 363; and (e) approve SDG&E's proposed accounting and ratemaking treatment for the sales.

[1] SDG&E has also requested authority to auction and sell its 20 percent interest in the San Onofre Nuclear Generating Station (SONGS) and to assign its portfolio of long-term power contracts. These requests have been bifurcated from the fossil plant issues and are being dealt with a separate portion of this proceeding.

The final decision SDG&E seeks is that the Commission approve the sales if it determines that the auction was conducted in accordance with the approved auction procedure. SDG&E recognizes that the Commission has not yet finished its environmental review of SDG&E's proposed sales, and consistent with the fossil generation auctions already conducted by Southern California Edison Company (Edison) and Pacific Gas and Electric Company (PG&E), SDG&E will not accept final bids until such review is complete.

Procedural Background

SDG&E filed its application on December 19, 1997. President Bilas and Commissioner Conlon, as the Assigned Commissioners, issued a Scoping Memo to establish a procedural schedule. The Scoping Memo originally called for evidentiary hearings in August of 1998 on two fossil plant asset issues raised by the City of Chula Vista (Chula Vista), but SDG&E and Chula Vista subsequently resolved their differences regarding these issues. On July 17, 1998, the Assigned Commissioners issued a Ruling revising the briefing schedule and modifying the Scoping Memo so the Commission would be in a position to act in early September on SDG&E's interim decision request.

Description of the Application

SDG&E wishes to offer for sale two fossil-fuel power plants -- the South Bay Power Plant[2] and the Encina Power Plant -- as well as 17 combustion

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[2] On September 17, 1998, in a letter sent to all parties on the service list of this proceeding, SDG&E stated that it was suspending at this time the auction of its South Bay power plant because it had entered into a memorandum of understanding (MOU) with the San Diego Unified Port District (Port of San Diego) under which the Port of San Diego may purchase the South Bay power plant. In the letter SDG&E stated that under the terms of the MOU the Port of San Diego will have approximatelly eight

Footnote continued on next page

turbines located throughout SDG&E's service territory.[3] The proposed sale and transfer of SDG&E's fossil plant assets is consistent with the Commission's call for voluntary divestiture and the policy underlying electric industry restructuring, as expressed in Decision (D.) 95-12-063, as modified by D.96-01-009, and in Assembly Bill (AB) 1890. The fossil plant assets have a combined generating capacity of 1,897 megawatts (MW), which is 100% of SDG&E's fossil generation capacity. SDG&E proposes to retain ownership of, and reserve easements for, the transmission facilities and lines from each of the fossil plant assets. SDG&E leases rather than owns one of the five individual generating units at the Encina Power Plant (Unit 5), and SDG&E will assign its leasehold interest in Unit 5 to the buyer of the plant.

SDG&E proposes to transfer the personal property presently used for the operation of the fossil plant assets, and the real property used for the operation of the South Bay Power Plant and the Encina Power Plant. Because the combustion turbines are either located on land that SDG&E uses for other non-generation purposes or located on land owned by others, SDG&E will not be transferring

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weeks to conduct due diligence and finalize a sales agreement with SDG&E. If the Port of San Diego does not proceed with the purchase of the South Bay power plant, SDG&E will resume the auction of the South Bay power plant. In its letter, SDG&E stated that it is continuing the sale of the Encina power plant and its remaining 17 combustion turbines. Since SDG&E's decision to sell its power plants is discretionary, we will allow SDG&E to suspend the sale of the South Bay power plant at this time. Should SDG&E and the Port of San Diego enter into a definitive sales agreement for the South Bay power plant we shall expect SDG&E to amend its application accordingly. Any and all issues raised as a result of the sale of the South Bay power plant by SDG&E to the Port of San Diego will be addressed in a subsequent phase of this proceeding.

[3] Each of the power plants also contains a combustion turbine, bringing the total number of combustion turbines being sold by SDG&E to 19. The combustion turbines located at the power plants will be sold as part of the plants.

any land with the combustion turbines. Instead, SDG&E proposes to provide the buyer of the combustion turbines with the access rights necessary to continue to operate the combustion turbines at their current locations.

SDG&E plans to sell the fossil plant assets in a competitive open auction process in two stages, a process very similar to the recent fossil generation auctions successfully conducted by PG&E and Edison.

In the first stage, SDG&E would widely advertise the sale of the fossil plant assets, provide a detailed information package to each interested potential bidder, and solicit statements of interest and qualification from potential bidders. Qualified auction participants would be required to enter into a confidentiality agreement to prevent unauthorized disclosure of competitively-sensitive SDG&E information. Bidders would be allowed to bid on the fossil plant assets in any combination, with the exception that the 17 combustion turbines would be sold as one 253 MW package rather than individually. Based upon SDG&E's assessment of each bidder's financial and operational qualifications and indicated non-binding bid amount, SDG&E would identify five to ten bidders for each fossil plant asset for a final, binding bid process.

During the second stage of the auction, bidders would have an opportunity for further due diligence and could propose changes to the relevant transactional documents. SDG&E would consider the proposed changes, and issue a final set of transactional documents before final bids are due. Subject to SDG&E's reservation of the right to reject all bids in the event of irregularities in the auction process and the Commission's final review and approval to determine whether the auction had been conducted in accordance with the approved procedure, SDG&E would enter into definitive agreements with the winning bidder or bidders.

Applicable Legal Standards

A. Section 851

PU Code Section 851 provides that no public utility may transfer its property that is necessary or useful in the performance of its duties to the public without first having secured the Commission's authorization. All of SDG&E's fossil plant assets are currently required for system reliability. Therefore, the fossil plant assets are presently useful in the performance of SDG&E's duties as a public utility, and PU Code Section 851 applies.

B. Section 362

In proceedings pursuant to PU Code Section 851, the Commission must ensure that "facilities needed to maintain the reliability of the electric supply remain available and operational, consistent with maintaining open competition and avoiding an overconcentration of market power." (PU Code § 362.) Further, "[i]n order to determine whether a facility needs to remain available and operational, the [C]ommission shall utilize standards that are no less stringent that [sic] the Western Systems Coordinating Council and North American Electric Reliability Counsel standards for planning reserve criteria." (Id.) Such facilities are generally referred to as "must-run."

C. Section 363

PU Code Section 363 provides that the Commission shall require any public utility selling electric generating facilities to enter into an operations and maintenance (O&M) agreement with the purchaser that provides for the selling utility or an affiliate or successor to operate and maintain the facilities for at least two years. The Commission is to require such contracts to be reasonable for both the seller and the buyer.

D. Section 377

PU Code Section 377 provides that the Commission "shall continue to regulate the nonnuclear generation assets owned by any public utility prior to January 1, 1997, that are subject to [C]ommission regulation until those assets have been subject to market valuation in accordance with procedures established by the [C]ommission." SDG&E believes that its divestiture proposal is consistent with this requirement.

E. CEQA

The California Environmental Quality Act (CEQA) applies to discretionary approvals of activities that may cause a direct change in the environment or a reasonably foreseeable indirect physical change in the environment and that are undertaken by a person who received contracts, grants, subsidies, loans, or other forms of assistance from one or more public agencies or the issuance of a lease, permit, or other entitlement for use. (Public Resources Code § 21065.) Such activities are termed "projects." Because a public utility's transfer of property that is useful or necessary to the performance of its duties to the public requires the Commission's prior approval pursuant to PU Code Section 851, our approval is an "entitlement for use."

The Commission's Energy Division is reviewing the CEQA aspects of SDG&E's auction proposal, but has not yet issued a draft determination relating to this review. Once this draft determination is published and we have received comments regarding the draft, it will be possible for us to know if the proposed transfer of the fossil plant assets will create any potential adverse environmental effects, and whether such effects can be avoided or reduced to a non-significant level by imposing appropriate conditions on the transfer. Consistent with the recent PG&E and Edison auctions, SDG&E recognizes that it

would be inappropriate for SDG&E to accept final bids for the fossil plant assets until any environmental mitigation measures that may be required are known and approved by a decision of this Commission, because the resulting uncertainty would have a natural tendency to depress bid prices.

F. Effect on Reliability of the Electric Supply

Pursuant to PU Code Section 362, the Commission must ensure that facilities needed to maintain the reliability of the electric supply remain available and operational. All of SDG&E's fossil plant assets have been designated as must-run facilities by the Independent System Operator (ISO), and all are subject to master must-run agreement (MMRA) with the ISO. SDG&E will require purchasers of the fossil plant assets to enter into MMRAs as a condition of sale.

The MMRA is a bilateral contract between the owner of a must-run electric generating facility and the ISO that permits the ISO to call upon the facility to deliver electricity into the transmission grid, at the times and in the quantities specified by the ISO. In D.97-11-030, we determined that must-run plants being sold by a utility will remain available and operational consistent with PU Code Section 362 if buyers are required to enter into MMRAs with the ISO, or obtain certificates from the ISO to the effect that the relevant plant is not required for the ISO's purposes.

The same conclusion applies to the fossil plant assets that SDG&E proposes to sell. SDG&E's requirement that the buyer or buyers of the fossil plant assets enter into a MMRA with the ISO satisfies the requirements of PU Code Section 362 to ensure that facilities needed to maintain the reliability of the electric supply remain available and operational, assuming the ISO determines that such an agreement is required.

G. Avoiding an Overconcentration of Market Power

PU Code Section 362 provides that the Commission must ensure that facilities needed to maintain the reliability of the electric supply remain available and operational, consistent with maintaining open competition and avoiding an overconcentration of market power. In reviewing proposed plant sales by Edison and PG&E, we have voiced concern about market power, noting that we will not approve any sale that merely changes the identity of the possessor of market power from the utility to another entity. (See D.97-09-046, mimeo., at 6 (PG&E); D.97-09-049, mimeo., at 8 (Edison)). We did not establish any limit on the number of plants PG&E could sell to one buyer, but we noted that there was a "likelihood" that we would not approve any sale by Edison "to related entities that results in 40% or more of the capacity offered in this sale being transferred." (D.97-09-049, mimeo., at 10, footnote 8.)

We approved PG&E's sale of the three fossil generation plants offered in its first auction (a combined total of 3,632 MW of generating capacity) to one buyer, Duke Energy Power Services, Inc. (D.97-12-107.) We also approved all of Edison's sales even though one buyer, AES Corporation, purchased slightly more than 40% of the capacity offered by Edison during the auction (three plants with a combined total generating capacity of 3,956 MW). (D.97-12-106.)

SDG&E asserts that its proposed sale should not create market power concerns. It says, unlike PG&E and Edison, SDG&E was not ordered to divest any of its fossil generation plants. Moreover, SDG&E is selling fossil plant assets with a combined generating capacity of 1,924 megawatts, much less than both PG&E and Edison have sold to individual buyers, and no party has raised any market power concerns about SDG&E's proposed sale. SDG&E requests that it be allowed to permit bids on any combination of its fossil plant assets, and to

sell all of the assets to a single bidder if such a sale would maximize auction proceeds.

Whether the Proposed Sale Process Should be Approved

SDG&E believes that its proposed sales process is essentially the same as the approach the Commission found reasonable for PG&E in D.97-09-046 and for Edison in D.97-09-049. The proposed sales process, except for the sales-related issues noted immediately below, is not opposed by any party. We will approve it with the caveat that had the process been opposed we would have considered whether other methods were more appropriate. (See, Pacific Enterprises- Enova Merger D.98-03-073, p. 146.)

A. Parcelization of the South Bay Site

Chula Vista originally argued that SDG&E could realize greater net proceeds for the sale of the South Bay Power Plant by selling a 55-acre portion of the plant site separately from the rest of the plant. Chula Vista subsequently entered into an agreement with SDG&E that satisfied Chula Vista's concerns regarding the South Bay Power Plant site, and on June 15, 1998 Chula Vista and SDG&E submitted a joint motion to withdraw Chula Vista's response and to eliminate fossil plant hearings.

No party other than Chula Vista has raised (or supported) the contention that SDG&E should split up the South Bay Power Plant site prior to sale, and Chula Vista has asked to withdraw this contention. SDG&E requests that we grant the June 15, 1998 Chula Vista and SDG&E joint motion to withdraw Chula Vista's response and to eliminate fossil plant hearings. We shall do so.

B. Real Property Covenant

SDG&E originally proposed a restrictive covenant limiting future land uses at the South Bay Power. Chula Vista and the City of Carlsbad (Carlsbad) objected to the covenant, and the Commission's Scoping Order established evidentiary hearings to consider assertions relating to the covenant and Chula Vista's proposal to split up the South Bay Power Plant site. As a result of its agreement with Chula Vista, SDG&E has withdrawn the proposed restrictive covenant for both power plant sites, and the covenant no longer presents an issue for the Commission to decide.

C. Carlsbad Land Use Issues

Carlsbad has asserted that prior to auctioning the Encina Power Plant, SDG&E should take all actions necessary to bring the property, in the hands of a non-utility, into conformance with applicable land use requirements. SDG&E believes that this requirement is unnecessary, and could potentially significantly delay the auction. SDG&E believes that the Encina Power Plant already complies with all relevant land use requirements, whether the plant is owned by SDG&E or a non-utility. SDG&E does not want to be forced into a position of having to remedy what it considers to be nonexistent land use problems.

SDG&E is working with Carlsbad in an attempt to resolve Carlsbad's land use concerns, but SDG&E believes these efforts should be voluntary rather than mandatory. SDG&E has been working with Carlsbad on a lot line adjustment application relating to the proposed sale of Encina. SDG&E hopes that this application will be processed in a timely manner. If it is not, however, SDG&E does not want to be put in the position of having to delay the auction until the application is ultimately processed by Carlsbad. For all of these

reasons SDG&E believes it is reasonable for it to auction the Encina Power Plant without taking any further action with respect to land use issues raised by the City of Carlsbad.

We will not require SDG&E to bring the Encina plant into compliance with Carlsbad's land use regulations. Encina is a must-run plant today. Whether it will remain so in the hands of a purchaser is not a question we need decide. Whether or not a purchaser will be subject to Carlsbad's regulations also need not be decided. It is clear that SDG&E is not subject to those regulations. (SDG&E v. Carlsbad (1998) 64 CA 4th 785.) It will be time enough for this Commission to become involved should SDG&E fail to find a buyer to pay a reasonable price for Encina.

D. Navy Combustion Turbine Issue

The Department of Defense (Navy) owns the land where four of SDG&E's combustion turbines are located. The Navy does not oppose SDG&E's proposed auction process, but it wishes to inform all parties that it believes SDG&E's right to locate these four units at their present sites expires on September 29, 1998. SDG&E agrees with this contention for two of the units, and disputes it for the other two. The Navy and SDG&E are negotiating to extend these rights, but if these negotiations are not successful, the Navy intends to require SDG&E to move the units. This is not a disagreement the Commission needs to decide. The Navy is providing interested parties with relevant information regarding four of the combustion turbines, and SDG&E agrees that bidders for the combustion turbines should be informed of the Navy's position.

Whether the Proposed Sale Process will Determine the Fair Market Value of the Plants

If a utility sells generation assets through an open, well-publicized, arms-length process, the Commission will accept the resulting sales price as a reasonable reflection of market value. (D.95-12-063 as modified by D.96-01-009, mimeo. at 136.) No party disputes that, absent some significant irregularity, SDG&E's proposed sale process will determine the fair market value of SDG&E's fossil plant assets.

Proposed Operations and Maintenance Agreement

There are no disputed issues concerning the O&M agreement proposed by SDG&E. The agreement is consistent with PU Code Section 363 and with agreements already approved for Edison and PG&E. The proposed agreement is reasonable to both SDG&E and the buyers of the fossil plant assets.

Whether the Proposed Accounting and Ratemaking Treatment Should be Approved

No party disputes SDG&E's proposed accounting and ratemaking treatment of the sales. As described in the application, the costs of the auction would be deducted from the auction proceeds to obtain the net auction proceeds, and net auction proceeds would be adjusted to account for all tax consequences of the sales. Net auction proceeds would also be adjusted to take into account SDG&E's forecasted environmental cleanup costs for the relevant fossil plant assets. Although SDG&E originally requested permission to file and obtain recovery of its future generation-related environmental cleanup costs in a subsequent application (based upon the Commission's treatment of PG&E in D.97-09-046), SDG&E no longer seeks such authorization. The netting of

forecasted environmental cleanup costs proposed by SDG&E will provide SDG&E with all of the relief it needs with respect to such costs.

If net auction proceeds, adjusted for taxes and cleanup costs, are less than SDG&E's sunk costs for the relevant assets, the difference would be a recoverable transition cost which is added to SDG&E's transition cost balancing account within 30 days after the sales are concluded. If net auction proceeds, adjusted for taxes and cleanup costs, are greater than SDG&E's sunk costs for the relevant assets, SDG&E would credit the difference to SDG&E's transition cost balancing account within 30 days after the sales are concluded, thereby reducing SDG&E's remaining transition costs. In addition, SDG&E would retain revenues from the O&M Agreements it enters into with the buyers of fossil plant assets up to SDG&E's actual costs. With respect to revenues from the O&M Agreements, SDG&E would absorb any deficiency and credit any excess over its actual costs to the transition cost balancing account.

SDG&E argues that, consistent with D.95-12-063 (Conclusion of Law No.66), as modified by D.96-01-009,[4] SDG&E should receive an increase of 10 basis points in its allowed rate of return on the equity component of its transition cost balancing account for each 10 percent of its fossil generating capacity that it successfully divests. We cannot accept this argument in an ex parte interim decision. SDG&E's Cost of Capital proceeding, A.98-05-019, is the proper proceeding to determine rate of return and return on equity. However, SDG&E's proposed accounting for its fossil plant asset sales is reasonable, and consistent with Commission precedent. It should be adopted.

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[4] See D.95-12-063, as modified by D.96-01-009, mimeo., at 101

> "To provide an incentive for the utilities to voluntarily divest these assets, we will tie the utility's allowed rate of return on the equity component of the non-nuclear and non-hydroelectric equity component of its transition cost CTC balancing accounts. We will grant an increase in the rate of return for the equity component of up to 10 basis points for each 10% of fossil generating capacity divested." (D.95-12-063, p. 101.)

and 212 (Conclusion of Law #66)

> "It is reasonable to adopt 90% of the embedded cost of debt as a reasonable rate of return on the equity portion of the net book value of fossil fueled generation units to reflect the reduced risk. It is reasonable to provide an incentive to the utilities to voluntarily divest their fossil fueled generation assets by granting an increase in the rate of return for the equity component of up to 10 basis points for each 10% of fossil generating capacity divested, provided we have resolved any locational market power concerns associated with the unit and authorize the transfer pursuant to § 851."

Proposed Procedural Schedule Changes

On July 1, 1998, SDG&E requested by motion that the deadlines established in the Scoping Memo relating to SDG&E's post-auction compliance filing be eliminated, and that new deadlines be established for SDG&E's compliance filing and related actions. The new deadlines proposed by SDG&E are as follows:

Date	Action
14th calendar day after SDG&E accepts final bids.	Deadline for SDG&E's accepts compliance filing.
14th calendar day after SDG&E files compliance filing.	Deadline for comments on compliance filing.
21st calendar day after SDG&E files compliance filing.	Deadline for SDG&E reply comments on compliance filing.

SDG&E's schedule modification request is unopposed. The parties are reminded that the schedule for resolving the issues regarding SDG&E's interest in SONGS and SDG&E's power contracts remains unchanged.

Findings of Fact

1. The proposed sale and transfer of SDG&E's fossil plant assets is consistent with the Commission's call for voluntary divestiture and the policy underlying electric industry restructuring, as expressed in D.95-12-063 as modified by D.96-01-009, and in AB 1890.

2. The question of whether SDG&E could realize greater net proceeds for the sale of the South Bay Power Plant by selling a 55-acre portion separately has been

withdrawn by the City of Chula Vista, the only party to raise the question, and is therefore no longer an issue in this proceeding.

3. SDG&E's proposed restrictive covenant limiting future land uses at the South Bay Power Plant and the Encina Power Plant no longer presents an issue for the Commission to decide because SDG&E has withdrawn the proposed covenant.

4. It is reasonable for SDG&E to auction the Encina Power Plant without taking any further action with respect to land use issues raised by the City of Carlsbad.

5. SDG&E should disclose to bidders for the 17 combustion turbines that its existing right to locate four of the units on Navy property may terminate on September 29, 1998.

6. The proposed sale process is reasonable.

7. In the absence of significant irregularity in the auction process, the fair market value for the fossil plant assets will be determined by the auction process.

8. The proposed O&M Agreement is reasonable to both SDG&E and buyer and should be approved.

9. The requirement that the buyer enter into a master must-run agreement with the ISO satisfies the requirements of PU Code Section 362 to ensure that facilities needed to maintain the reliability of the electric supply remain available and operational, assuming the ISO determines that such an agreement is required.

10. Making the sale and transfer of the fossil plant assets subject to the agreement with the ISO is consistent with maintaining open competition.

11. SDG&E's sale of its fossil plant assets does not create market power concerns.

12. SDG&E should permit bids on any combination of its fossil plant assets, and may sell all of the assets to a single bidder if such a sale would maximize auction proceeds.

13. The costs of the auction should be deducted from the auction proceeds to obtain the net auction proceeds.

14. Net auction proceeds should be adjusted to account for all tax consequences of the sales.

15. Net auction proceeds should be adjusted to take into account SDG&E's forecasted environmental cleanup costs for the relevant fossil plant assets.

16. If net auction proceeds, adjusted for taxes and cleanup costs, are less than SDG&E's sunk costs for the relevant assets, the difference should be a recoverable transition cost which is added to SDG&E's transition cost balancing account within 30 days after the sales are concluded.

17. If net auction proceeds, adjusted for taxes and cleanup costs, are greater than SDG&E's sunk costs for the relevant assets, SDG&E should credit the difference to SDG&E's transition cost balancing account within 30 days after the sales are concluded, thereby reducing SDG&E's remaining transition costs.

18. SDG&E should retain revenues from the O&M agreements it enters into with the buyers of fossil plant assets up to SDG&E's actual costs.

19. With respect to revenues from the O&M agreements, SDG&E should absorb any deficiency and credit any excess over its actual costs to the transition cost balancing account.

20. SDG&E's schedule modification request is reasonable and should be adopted.

Conclusions of Law

1. SDG&E's divestiture of fossil plant assets complies with Public Utilities Code Sections 851, 362, 363, and 377, and should be authorized.

2. The conclusion that the sale of the fossil plant assets to a particular buyer or buyers is in the public interest should be deferred until the Commission's CEQA review has been completed.

3. The June 15, 1998 Motion of Chula Vista and SDG&E for Withdrawal of Chula Vista's Response and Request for Hearings, and for Elimination of Evidentiary Hearings on Fossil Plant Issues should be granted.

4. SDG&E's July 1, 1998 Motion for Modification of Fossil Generation Plant Divestiture Schedule should be granted to the extent set forth herein.

INTERIM ORDER

IT IS ORDERED that:

1. San Diego Gas & Electric Company (SDG&E) may conduct an auction of the South Bay Power Plant, the Encina Power Plant, and its 17 combustion turbines. SDG&E shall permit bids on any combination of these fossil plant assets, and SDG&E may sell all of the assets to a single bidder if such a sale would maximize auction proceeds. SDG&E shall not accept final bids until further order of the Commission.

2. The sale of the fossil plant assets shall be subject to conditions that the Commission may require to avoid or reduce to non-significant levels any adverse environmental impacts that the Commission may determine will arise from

physical changes reasonably foreseeable in connection with the transfer of the fossil plant assets.

3. SDG&E shall disclose to bidders for the 17 combustion turbines that its existing right to locate four of the units on Navy property may terminate on September 29, 1998.

4. The sale of the fossil plant assets shall be subject to the Operations and Maintenance agreement substantially in the form attached to SDG&E's application.

5. The sale of each fossil plant asset shall be subject to an agreement with the Independent System Operator (ISO) substantially in the form filed by the ISO with the Federal Energy Regulatory Commission on March 31, 1997, unless the buyer provides a certificate of the ISO to the effect that it has determined that the fossil plant asset is not required for the ISO's purposes.

6. If the fossil plant assets are sold, SDG&E may apply the accounting treatment described in its application.

7. The June 15, 1998 Motion of Chula Vista and SDG&E for Withdrawal of Chula Vista's Response and Request for Hearings, and for Elimination of Evidentiary Hearings on Fossil Plant Issues is granted.

8. The deadlines established in the Scoping Memo relating to SDG&E's post-auction compliance filing are replaced with the following new deadlines:

Date	Action
14th calendar day after SDG&E accepts final bids.	Deadline for SDG&E's compliance filing.
14th calendar day after SDG&E files compliance filing.	Deadline for comments on compliance filing.

21st calendar day after SDG&E files compliance filing.	Deadline for SDG&E reply comments on compliance filing.

9. This order is effective today.

Dated October 22, 1998, at San Francisco, California.

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