

Decision 98-12-004 December 3, 1998

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric
Company in its annual Energy Cost Adjustment
Clause (ECAC) Proceeding. (U-902-E).

Application 96-10-022
(Filed October 15, 1996)

(See Attachment 2 for List of Appearances.)

O P I N I O N

ORIGINAL

Application

In this application San Diego Gas & Electric Company (SDG&E) presented its electric revenue requirement for the Energy Cost Adjustment Clause (ECAC) proceeding forecast period of May 1997 through April 1998. Although SDG&E projected a revenue shortfall of about \$71 million, it does not seek a rate increase because its rates have been frozen pursuant to Decision (D.) 96-12-077 and Assembly Bill (AB)1890.

SDG&E also seeks authority to revise:

1. The Incremental Energy Rate (IER) and the Operating and Maintenance (O&M) Adder used in determining payments to certain Qualifying Facilities (QFs)
2. The Energy Reliability Index (ERI)
3. The Avoided Capacity Cost
4. The Incremental Heat Rate (IHR)

Finally, SDG&E seeks a finding of reasonableness for past operations regarding:

1. Certain nuclear and gas operations and expenses
2. The Target Capacity Factor reward for the performance of San Onofre Nuclear Generating Station (SONGS) Unit 3

3. The Electric Generation and Dispatch (G&D) Performance-Based Ratemaking (PBR) reward for Years 2 and 3.

Introduction

The Commission has been engaged in an effort to restructure the electric utility industry in California for a number of years. In effect we are in a transition period from one industry structure to another. Consequently certain issues within proceedings and indeed entire proceedings no longer require regulatory resolution. Such is the case in this proceeding. This application, filed in October of 1996, is a traditional ECAC proceeding with a set of historical issues. Since the filing of this application, several decisions have been issued which have changed the regulatory landscape. The most pertinent decisions affecting this proceeding have been D.97-10-057 (the streamlining decision), D.97-08-056 (the unbundling decision), and D.97-12-041 (mid-term evaluation of the SDG&E PBR mechanism). One of the most important earlier decisions is D.96-12-077, which provided that SDG&E's rates would be frozen. As a result of this changing environment, the Administrative Law Judge (ALJ) in this proceeding attempted to have parties agree on the scope of the proceeding at a prehearing conference (PHC) as discussed below.

Procedural History

ALJ Ruling

The pertinent procedural history of this proceeding begins with an ALJ Ruling dated November 18, 1997. In that ruling the ALJ set forth his understanding of the issues originally presented by the application compared to those that needed to be decided by the Commission in this proceeding after the Commission had taken action on certain issues in other proceedings. Among the issues listed was the adoption of a sales forecast covering the period April 1997 through April 1998. The ALJ ruling tentatively indicated that this issue was no

longer material. The ruling set a prehearing conference for December 9, 1997, at which time an appropriate scope of issues would be established.

Prehearing Conference

At the PHC, SDG&E, Office of Ratepayer Advocates (ORA), and the Federal Executive Agencies entered appearances. During the PHC, a proposed set of issues was discussed and agreed upon. Both SDG&E and ORA read into the record their PHC statements. Both statements indicated that a sales forecast was probably not necessary for this proceeding. Following the statements by SDG&E and ORA, the parties conducted a detailed review of the ALJ ruling to make sure that there was a clear understanding of the scope of issues.

At the PHC, the parties which had entered appearances- SDG&E, ORA, and the Federal Executive Agencies- indicated that there was substantial agreement on all issues and that a settlement was likely.

Hearing

A hearing was scheduled for January 12, 1998. At the hearing, a settlement agreement as well as the pre-filed testimony of SDG&E was received as part of the record for this proceeding. A sales forecast is included as part of SDG&E's pre-filed testimony. The settlement was described as an "all party settlement" meeting the requirements for such settlements set forth in D.92-12-019 even though the Federal Executive Agencies was not a signatory to the agreement.

At the hearing Utility Consumers' Action Network (UCAN) tendered an appearance form. UCAN indicated that it wanted to become a party to the proceeding and that it would request that briefs be filed. UCAN indicated that in briefs it would likely oppose the settlement agreement to the limited extent that the settling parties agreed that no sales forecast should be made, although it was not prepared to take a position on the settlement at the time of the hearing.

UCAN indicated that it wanted a sales forecast in the record of this proceeding so

that it could be applied in another proceeding. UCAN did not offer any evidence of its own.

UCAN argued in its brief that it wanted the Commission to adopt the sales forecast in SDG&E's ECAC application so that it might be referred to in SDG&E's PBR proceeding. UCAN believed that the sales forecast would show substantially increased sales and that failure to recognize the increased sales in the PBR proceeding would result in windfall profits to SDG&E.

SDG&E responded that UCAN failed to draw a distinction between the type of sales forecast that would be produced in an ECAC proceeding versus that which would be provided in the PBR proceeding. In order to make a valid comparison of the proper sales forecast, substantial issues would need to be explored. Further, once a proper forecast was developed that would be suitable for the PBR proceeding, the result would not be a substantial increase. Finally, SDG&E noted that it had filed Application (A.) 98-01-014 which would be considered by the Commission and which contained an updated sales forecast.

SDG&E made a motion to deny party status to UCAN in this proceeding. The motion was not ruled upon at the hearing and argument regarding the motion was to be included in briefs. The proceeding was submitted upon the receipt of reply briefs on February 17, 1998.

Settlement Proposed

SDG&E and ORA presented a settlement agreement signed by ORA and SDG&E (attached) that resolves all issues in this proceeding. The signatories allege that the settlement meets the requirements of an all party settlement set forth in D.92-12-019 in that it has the unanimous support of all active parties, the parties fairly reflect all affected interests, the settlement does not contravene any statute or prior Commission decision, and the settlement presents sufficient information to permit the Commission to discharge future regulatory obligations

with respect to the parties and their interests (D.92-12-019). Both SDG&E and ORA provided the testimony of witnesses that supported the settlement (Tr. 12 & 21).

Settlement Described (attached as Appendix A)

ORA and SDG&E note that rates will not be changed as a result of this proceeding. They agree and recommend that:

- a) a sales forecast should not be adopted in this proceeding.
- b) the fuel and purchased power budget in this proceeding which is attached to the settlement as an appendix should be adopted.
- c) neither an Incremental Energy Rate nor an Operations and Maintenance (O&M) Adder should be adopted in this proceeding.
- d) the current shortage cost value (\$70.34/kW-yr.), the Incremental Heat Rate (10,600 Btu/kWh), and the Energy Reliability Index of 1.0 currently adopted should continue unchanged.
- e) \$13.0 million will resolve all issues surrounding both the G&D PBR and the Target Capacity Factor reward, instead of the \$14.1 million requested by SDG&E.

SDG&E and ORA agree that SDG&E will be precluded from seeking any rewards for years 4 and 5 pursuant to its G&D PBR.

ORA does not contest the California Alternate Rates for Energy (CARE) balancing account balance.

Concerning the reasonableness of past ECAC expenses, ORA and SDG&E agree that reasonableness reviews have been eliminated as of December 31, 1996. However, the parties also agreed that the elimination of ECAC reasonableness reviews does not preclude ORA from conducting reasonableness reviews of expenses ordered in Competitive Transition Charge (CTC) or other proceedings.

Finally, ORA and SDG&E agree that D.97-07-064 required the reasonableness review of QF contract administration costs until an incentive approach is adopted.

ORA did not contest any reasonableness of operations issues.

Discussion

UCAN's Status

The first issue to consider is whether or not UCAN will be allowed party status. We conclude that UCAN should not be given status as a party in this proceeding.

In an application proceeding such as this one, a person may generally be given party status upon the filing of a pleading early in proceeding, e.g., a protest or response, or by filing a motion or petition to intervene. Rule 54 of our Rules of Practice and Procedure provides that :

"an appearance may be entered at the hearing without filing a pleading, if no affirmative relief is sought, if there is full disclosure of the persons or entities in whose behalf the appearance is to be entered, if the interest of such persons or entities in the proceeding and the position intended to be taken are stated fairly, and if the contentions will be reasonably pertinent to the issues already presented and any right to broaden them unduly is disclaimed."

In this case UCAN did not file either a protest or a response early in the proceeding. Neither did it file a motion or petition to intervene. At the last minute, UCAN tendered an appearance but took no position on the settlement. In its briefs UCAN announced its opposition to the settlement only as to a single issue – the adoption of a sales forecast. Such a tender might have satisfied the requirements of Rule 54 if UCAN had not attempted to seek affirmative relief by requesting a specific finding by the Commission regarding a sales forecast. The specific relief requested also would have unduly broadened the issues which had previously been narrowed at the PHC.

We conclude that UCAN should be denied party status in this proceeding.

Evaluation of the Settlement

This agreement between SDG&E and ORA might be evaluated as an all party settlement as discussed in D.92-12-019 in that it is purported to command the sponsorship of all active parties, is reflective of affected interests, is consistent with statutes and prior Commission decisions, and conveys sufficient information to permit the Commission to discharge future regulatory obligations with respect to the parties and their interests.

The settlement is signed by ORA and SDG&E. It is not signed by the Federal Executive Agencies (FEA). Although the FEA did enter an appearance in this proceeding and thus has status as a party, it did not contest any portion of the settlement.

SDG&E and ORA are reflective of the affected interests. The settlement conveys sufficient information to permit the Commission to discharge future regulatory obligations with respect to the parties and their interests.

The settlement could also be evaluated as an uncontested settlement as provided in Rule 51.1(f) which provides that the settlement must be reasonable in light of the whole record, consistent with the law, and in the public interest.

The record in this proceeding consists of the application, the pre-filed testimony of SDG&E, the settlement agreement, and the testimony of one witness from SDG&E and one representing ORA supporting the settlement. The agreement is reasonable in light of the whole record. At the hearing in this matter, all parties including UCAN agreed that the evidentiary record was sufficient for the Commission to decide the case.

The agreement appears consistent with prior Commission decisions and governing statutes. The only allegation that the agreement is not in the public interest comes from UCAN. We agree with SDG&E and ORA that a sales forecast is not material to this proceeding. We also note that A.98-01-014 has

been filed by SDG&E which will provide UCAN an opportunity to contest a sales forecast in a much more relevant proceeding (PBR). There has been no other reason alleged that the current proposed agreement is not in the public interest.

We find that this agreement is reasonable in light of the whole record, consistent with the law, and in the public interest.

We adopt the agreement signed by SDG&E and ORA and not opposed by any active party. The agreement is attached as Appendix A to this decision.

If UCAN is viewed not only as a party to this proceeding but also as an active party with regards to the settlement, the agreement could be viewed at the very least as a stipulation between SDG&E and ORA. In such a situation the only issue that would have been raised would be the need for adopting a sales forecast.

As mentioned above, rates will not be changing as a result of this proceeding. Therefore, a sales forecast need not be adopted.

Findings of Fact

1. D.96-12-077 provided that SDG&E's rates would be frozen.
2. During the prehearing conference on December 9, 1997, a proposed set of issues was discussed and agreed upon.
3. At the hearing on January 13, 1998, UCAN tendered an appearance form.
4. At the hearing on January 13, 1998, UCAN indicated that it was not prepared to take a position on the settlement.
5. UCAN indicated at the hearing on January 13, 1998, and in its briefs that it wanted a sales forecast in the record of this proceeding so that the sales forecast could be applied in another proceeding.
6. UCAN's request was seeking affirmative relief by requesting a specific finding by the Commission regarding a sales forecast.

7. The specific relief UCAN requested would have unduly broadened the issues of the proceeding.

8. UCAN did not file either a protest or a response early in the proceeding.

9. The sales forecast that would be produced in an ECAC proceeding is different from a sales forecast needed for the PBR proceeding.

10. SDG&E and ORA presented a settlement agreement that resolves all issues in this proceeding.

11. The settlement meets the requirement of an all party settlement in that it has the unanimous support of all active parties, the parties fairly reflect the interest of all affected interests, the settlement does not contravene any statute or prior Commission decision, and the settlement presents sufficient information to permit the Commission to discharge future regulatory obligations with respect to the parties and their interests.

12. The settlement is signed by ORA and SDG&E.

13. SDG&E and ORA are reflective of the affected interests.

14. The settlement is supported by all active parties.

15. The settlement conveys sufficient information to permit the Commission to discharge future regulatory obligations with respect to the parties and their interests.

16. The agreement is reasonable in light of the whole record. At the hearing in this matter all parties including UCAN agreed that the evidentiary record was sufficient for the Commission to decide the case.

17. The agreement is consistent with prior Commission decisions and governing statutes.

18. A.98-01-014 has been filed by SDG&E which will provide UCAN an opportunity to contest a sales forecast in a much more relevant proceeding (PBR).

19. We find that this agreement is reasonable in light of the whole record, consistent with the law, and in the public interest.

20. A sales forecast is not material to this proceeding.

21. The fuel and purchased power budget which is attached to the settlement as an appendix is reasonable.

22. Neither an Incremental Energy Rate nor an Operations and Maintenance (O&M) Adder needs to be adopted in this proceeding.

23. The current shortage cost value (\$70.34/kW-yr.), the Incremental Heat Rate (10,600 Btu/kWh), and the Energy Reliability Index (ERI) of 1.0 currently adopted remain reasonable.

24. Reasonable compensation to SDG&E for the Target Capacity Factor and the Generation and Distribution Performance-Based Ratemaking mechanisms is \$13.0 millions.

25. No reasonableness issues were contested by ORA.

Conclusions of Law

1. UCAN is not a party in this proceeding.

2. The settlement offered by SDG&E and ORA should be adopted.

3. The fuel and purchased power budget which is attached to the settlement as an appendix should be adopted.

4. The current shortage cost value (\$70.34/kW-yr.), the Incremental Heat Rate (10,600 Btu/kWh), and the Energy Reliability Index (ERI) of 1.0 currently adopted should remain in effect.

5. SDG&E should be awarded \$13.0 million for the Target Capacity Factor and the Generation and Distribution Performance-Based Ratemaking mechanisms.

O R D E R

IT IS ORDERED that:

1. The settlement offered by San Diego Gas & Electric Company (SDG&E) and the Office of Ratepayer Advocates (attached) is adopted.
2. The fuel and purchased power budget which is attached to the settlement as an appendix is adopted.
3. The current shortage cost value (\$70.34/kW-yr.), the Incremental Heat Rate (10,600 Btu/kWh), and the Energy Reliability Index of 1.0 currently adopted will remain in effect.
4. SDG&E will be awarded \$13.0 million for the Target Capacity Factor and the Generation and Distribution Performance-Based Ratemaking mechanisms.
5. Application 96-10-022 is closed.

This order is effective today.

Dated December 3, 1998, at San Francisco, California.

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

A.96-10-022 ALJ/KKH/mrj

ATTACHMENT I

Exhibit	1
CPUC Proceeding	A 96-10-022
Case No.	SDG&E-5/1995 OIA-C-2
Settlement Agreement Date	1/13/98
ALJ	Henderson

Settlement Agreement

The Parties to this Settlement Agreement are San Diego Gas & Electric Company ("SDG&E") and the Office of Ratepayer Advocates ("ORA"), collectively referred to hereafter as "Parties".

Based upon (1) substantial discussion that occurred in December 1996 and culminated in a Memorandum Of Understanding¹ (MOU) dated December 18, 1996, between ORA and SDG&E that resolved issues in this Energy Cost Adjustment Clause ("ECAC") proceeding and (2) the prepared direct testimony distributed by SDG&E in this ECAC proceeding, the parties believed there was a potential to reach a compromise on the contested issues by restating the relevant portions of the MOU as a Settlement Agreement². Accordingly, and following the issuance of a ruling by Administrative Law Judge Henderson discussing the remaining issues in the case, the parties agreed to this Settlement Agreement³ for the Forecast and Reasonableness Phases of SDG&E's ECAC, A.96-10-022. By this Settlement Agreement, all Parties request that the Commission adopt the recommendations set forth in this document. Unless otherwise stated all recommendations apply to both revenue requirement and Generation and Dispatch (G&D) benchmark calculations. As noted below, the agreement and recommendation to eliminate SDG&E's 4th and 5th year G&D rewards and 5th year compliance report is made independent of any Commission action on this Settlement Agreement.

I. Revenue Requirement, Sales, and Fuel and Purchased Power Budget

The Parties agree with the ALJ's Ruling that there is no need to adopt an ECAC revenue requirement in this proceeding. The parties agree that a sales forecast is unnecessary for ECAC purposes and recommend that a sales forecast not be adopted in this proceeding. This ECAC proceeding will not produce rate changes. However, there is a need to adopt a fuel and purchase power budget for the abbreviated forecast period ending December 31, 1997 so as to set a benchmark for the G&D PBR

¹ The MOU was filed with the Commission as an attachment to SDG&E's motion for authority to withdraw its annual ECAC application.
² Pursuant to the terms of the MOU, the Parties agreed to support withdrawal of SDG&E's ECAC application. On January 29, 1997, SDG&E filed a motion to withdraw its ECAC application. The Commission has taken no action on the SDG&E's January 29, 1997 motion. Subsequently, ALJ Henderson issued a ruling on November 18, 1997, asking the parties to address issues raised in SDG&E's ECAC filing.
³ The Parties intend that this Settlement Agreement implement the relevant portions of the MOU and is not intended to supersede or invalidate other issues addressed in the MOU.

1 mechanism. For that purpose, the Parties jointly recommend the adoption of the fuel and purchase
2 power budget as set forth in Appendix A.

3 **II. Incremental Energy Rate**

4 The Parties agree and recommend that no Incremental Energy Rate ("IER") need be adopted in this
5 proceeding.

6 **III. Operations and Maintenance ("O&M") Adder**

7 The Parties agree and jointly recommend that the Commission need not adopt an Avoided Operations
8 and Maintenance Adder in this proceeding.

9 **IV. Shortage Cost Value and IHR**

10 The Parties agree and recommend that the shortage cost to be paid to eligible qualifying facilities not
11 be changed from the currently-adopted figure of \$70.34/kW-yr. for the ECAC forecast period.

12 Similarly, the Parties agree that the currently-adopted Incremental Heat Rate of 10,600 Btu/kWh need
13 not be changed.

14 **V. Energy Reliability Index**

15 The Parties jointly recommend that the currently adopted Energy Reliability Index ("ERI") of 1.0 need
16 not be changed.

17 **VI. Reasonableness Phase Issues**

18 **A. Findings of Reasonableness**

19 ORA has not reviewed and agreed not to contest the reasonableness of SDG&E's operations and
20 expenses during the Record Period. The parties agree and recommend that ECAC reasonableness
21 reviews, except as noted below, for SDG&E were eliminated as of December 31, 1996. However,
22 based on the mutual agreement in the MOU, the parties agree and recommend that elimination of
23 ECAC reasonableness reviews does not preclude future reviews of the reasonableness of expenses
24 ordered by the Commission in the CTC or other proceedings. The parties agree and recommend that
25 ORA shall have the right to perform an audit of all the entries in the ECAC as well as ERAM
26 balancing accounts for the period August 1995 through December 31, 1996. Further, that parties
27 agree and recommend that any adjustments resulting from the audits will be credited to the Transition
28 Cost Balancing Account or its successor. Moreover, as ordered by the Commission in D.97-07-064,

1 the parties agree that QF contract administration costs should be subject to reasonableness review until
2 an incentive approach to QF contract administration is developed.

3 **B. Requested Rewards Under the TCF and G&D PBR Mechanisms**

4 SDG&E requested rewards of \$3.5 million under the Target Capacity Factor mechanism, and \$0.8
5 million (Yr. 2) and \$9.8 million (Yr. 3) under the Generation & Dispatch Performance Based
6 Ratemaking mechanism. The Parties agree and recommend that the following resolution resolves these
7 issues: A total of \$13 million shall be adopted as the amount of reward pursuant to these three
8 requests. Pursuant to the MOU, SDG&E has already transferred this amount (\$13,000,000) to the
9 ECAC balancing account on December 31, 1996, and it was subsequently transferred into the Interim
10 Transition Cost Balancing Account.
11

12 **C. Elimination Of Rewards for G&D PBR Years 4 and 5**

13 The Parties have reviewed D.97-07-064 and note that the G&D mechanism ended on 12/31/97.
14 Notwithstanding section IX of this Settlement Agreement, or any action of the Commission (foreseen
15 or unforeseen) the Parties agree not to seek to modify this aspect of D.97-07-064 and to advocate in
16 any relevant proceeding the termination of the G&D mechanism on 12/31/97.

17 Notwithstanding section IX of this Settlement Agreement, or any action of the Commission
18 (foreseen or unforeseen), the parties agree and recommend the elimination of the G&D PBR 5th year
19 compliance report filing. Further, notwithstanding section IX of this Settlement Agreement, or any
20 action of the Commission (foreseen or unforeseen), SDG&E unconditionally waives all rights to
21 recovery of any rewards or penalties that might have accrued under the G&D PBR mechanism for
22 Years 4 (May 1, 1996 to April 30, 1997) and Year 5 (May 1, 1997 to December 31, 1997).

23 Further, notwithstanding section IX of this Settlement Agreement, or any action of the
24 Commission (foreseen or unforeseen), SDG&E and ORA agree and recommend that the Commission
25 explicitly find and issue an order in this proceeding that SDG&E is precluded from collecting any
26 rewards that have accrued under the G&D PBR mechanism for Years 4 (May 1, 1996 to April 30,
27 1997) and Year 5 (May 1, 1997 to December 31, 1997) or any subsequent year.
28

1 SDG&E shall provide a witness at hearing to testify in support of the elimination of the 4th and
2 5th year G&D rewards as well as recommending the elimination of the 5th year compliance report.

3 VII. CARE Balance Account

4 Balancing Account balances are normally audited as opposed to undergoing reasonableness review.

5 ORA has audited the CARE balancing account and does not recommend any adjustments.

6 VIII. The Settlement Agreement is Reasonable and In the Public Interest

7 The Parties request that the Commission adopt the Settlement Agreement as reasonable and in the
8 public interest. Overall, the Settlement Agreement expresses the assent of all the active Parties in this
9 proceeding, representing the full range of affected interests on the various issues presented in the
10 ECAC proceeding. This Settlement Agreement represents compromises of all the Parties, arrived at
11 during a series of meetings which involved extensive negotiation and discussion of positions. This
12 Settlement Agreement reflects considerable efforts on the part of all the Parties. In addition to
13 representing a reasonable and equitable outcome, adoption of the Settlement Agreement will serve the
14 public interest by enabling the Parties and the Commission to conserve the considerable time and
15 resources that would be necessary to litigate the case further.

16 In addition, the Settlement Agreement complies with all Commission guidelines and relevant
17 precedents. In particular, the Settlement Agreement complies with D. 92-12-019's criteria for all-party
18 settlements. In D.92-12-019, at p. 7, the Commission stated "As a precondition to our approval the
19 Commission must be satisfied that the proposed all party settlement:
20

- 21 a. commands the unanimous sponsorship of all active parties to the instant proceeding;
- 22 b. that the sponsoring Parties are fairly reflective of the affected interests;
- 23 c. that no term of the settlement contravenes statutory provisions or prior Commission decisions;
- 24 and,
- 25 d. that the settlement conveys to the Commission sufficient information to permit us to discharge
our future regulatory obligations with respect to the Parties and their interests."

26 Each of these criteria are further discussed below:

27 A. Unanimous Sponsorship Of All Active Parties

28

1 As noted above, all active Parties participated in or subsequently approved the Settlement Agreement
2 and support the Settlement Agreement . Furthermore, this Settlement Agreement follows the filing of
3 voluminous direct testimony.
4

5 **B. The Parties Reflect All Affected Interests**

6 The sponsoring Parties reflect the interests of SDG&E's customers as well as the utility itself. These
7 are "[p]arties ideally positioned to comment on the operation of the utility and ratepayer perception."
8 D.92-12-019, p. 16. The Parties therefore fairly reflect the affected interests.

9 **C. No Contravention of Statute or Prior CPUC Decision**

10 The terms of the Settlement Agreement comply with all statutes and decisions.

11 **D. Information Necessary for Commission Obligation**

12 The Settlement Agreement contains information regarding the initial and revised positions of the
13 Parties, including all relevant updates and correction of errors. Where the Settlement Agreement
14 provides recommendations as a result of modeling, adequate information has been provided to verify
15 that the modeling is correct, and that modeling conventions have been identified.

16 **IX. General Terms**

17 Parties to this Settlement Agreement shall fully and without exception support the adoption of this
18 Settlement Agreement in its entirety. No Party to this Settlement Agreement will contest any aspect
19 of this Settlement Agreement in this proceeding or any other forum, by contact or communication,
20 whether written or oral (including ex parte communications whether or not reportable under the
21 Commission's Rules) or in any manner before this Commission. The Parties further agree that they
22 will not enter into any ex parte discussions regarding the recommendations contained in this
23 Settlement Agreement, and any of the aspect of this proceeding (substantive or procedural) whether
24 reportable under the Commission's Rules or not, except in the presence of the other Parties hereto or
25 unless otherwise agreed to by all the Parties.

26 Endorsement of this Settlement Agreement shall not be construed to be an acceptance or
27 ratification of the principles, assumptions, methodologies, positions, or arguments underlying the
28 recommendations contained herein.

The Parties intend and agree that this Settlement Agreement is subject to each and every
condition set forth herein, including its acceptance by the Commission in its entirety and without

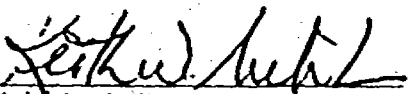
1 change or condition. Unless the Commission accepts the Parties' recommendations contained herein
2 in their entirety, without change or condition, this Settlement Agreement shall be null and void, unless
3 otherwise agreed upon by the Parties.⁴ If the Commission does not adopt the Parties'
4 recommendations without change or condition, the Parties shall convene a settlement conference
5 within 15 days after Commission action on this Settlement Agreement to discuss whether to resolve by
6 settlement the unchanged portions. The Parties agree to extend reasonable efforts to ensure the
7 adoption of this Settlement Agreement.


7 **X. Execution**

8 The undersigned, on behalf of the Parties they represent in this proceeding, hereby agree to abide by
9 the conditions and recommendations set forth herein. This Settlement Agreement may be signed in
10 counterparts.

11
12 Dated this 13th day of January 1997.

13
14 Respectfully submitted,

15
16 
17 Keith Melville
18 Attorney for
19 San Diego Gas & Electric Company

16 
17 Joseph DeUllba
18 Attorney for
19 Office of Ratepayer Advocates

20
21
22
23
24
25
26
27 ⁴ The Parties agree that the agreement and recommendation to eliminate the G&D rewards and
28 compliance report as outlined in Section VI.C of this Settlement Agreement is not made null and void
by any Commission action.

**Appendix A
to Settlement Agreement**

Appendix III-2
SDG&E ECAC97 POST-PROCESSOR

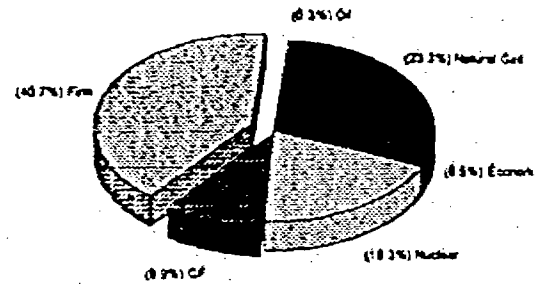
release/A

05/05/98
10 47 53

Table 1
RESOURCE MIX AND FUEL BUDGET (1)
May 1997 thru April 1998

SOURCE	GWh	\$/MWh	\$000	TABLE
Natural Gas	4,075	28.83	117,491	2
Oil	61	31.23	1,905	3
Firm Purchases	7,118	25.15	179,048	4 & 5
Economy Energy	1,140	13.83	15,770	6
Wheeling	N/A	N/A	9,992	Below
CF Purchases	1,741	53.49	93,130	7
Nuclear incl Non-ECAC	3,370	6.21	20,919	8
Total incl Non-ECAC	17,505	25.04	438,255	
Total ECAC Only	17,505	23.94	419,070	

Resource as a % of Energy

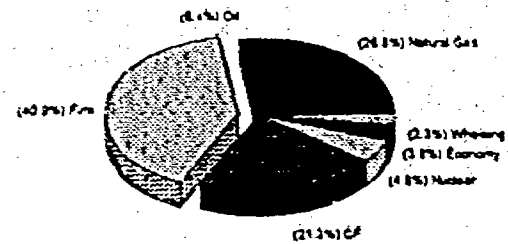


O & M Adder 0.10 mills/kWh

SUPPORTING TABLES

Annual IER Calculation	7,146	\$/kWh	9
Annual IERs By Time-of-Use			10
CF-In Monthly GWh Data			11
CF-Out Annual Data			12
Capacity Shortage Value			13

Resource as a % of Cost



(1) All analysis is less Fuel Oil Inventory Carrying Costs*

MONTHLY SUMMARY:

	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	TOTAL
GWh's													
Natural Gas	284	275	369	475	420	387	305	291	348	280	330	313	4,075
Oil	0	0	0	0	15	0	0	15	15	15	0	0	61
Firm Purchases	609	624	675	691	625	576	569	602	570	521	551	503	7,118
Economy Purchases	134	74	81	35	68	75	92	133	119	101	107	121	1,140
CF Purchases	158	149	152	153	149	149	136	149	147	125	134	139	1,741
Nuclear	199	286	294	294	286	294	285	294	294	266	294	285	3,370
Total GWh's ==>	1383	1408	1572	1649	1563	1480	1387	1454	1434	1309	1417	1361	17,505
\$000													
Natural Gas	8,379	8,156	10,100	12,447	11,410	10,650	9,263	9,140	10,535	8,944	9,543	8,873	117,491
Oil	0	16	17	26	453	9	9	452	448	448	9	9	1,905
Firm Purchases	12,978	13,748	16,479	17,607	17,133	14,995	15,046	16,187	15,361	13,708	13,475	12,331	179,048
Economy Purchases	1,681	842	1,057	547	1,054	1,051	1,238	1,614	1,771	1,527	1,596	1,792	15,770
Wheeling Costs (Law 8-13-96)	854	860	1,032	1,032	1,032	664	664	684	664	682	664	1,181	9,992
CF Purchases	10,380	10,120	10,218	10,246	10,116	6,287	5,897	6,266	6,235	5,550	5,811	5,977	93,130
Nuclear, ECAC	141	141	142	142	142	142	142	142	165	145	145	145	1,734
Nuclear, Non-ECAC	1,213	1,651	1,693	1,637	1,632	1,669	1,615	1,657	1,649	1,458	1,637	1,583	19,185
Total ECAC	34,421	33,863	39,043	42,046	41,340	33,798	32,259	34,456	35,230	31,005	31,242	30,307	419,071
Total w/ Non-ECAC	35,633	35,534	40,736	43,733	42,972	35,467	33,874	36,153	36,879	32,503	32,880	31,891	438,255

A.96-10-022 ALJ/KKH/mrj

ATTACHMENT 2

Attachment 2

***** SERVICE LIST *****

Last updated on 24-APR-1998 by: DYK
A9610022 LIST

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Attachment 2

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***** INFORMATION ONLY *****

(END OF ATTACHMENT 2)