

Decision 99-04-067 April 22, 1999

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

San Diego Gas & Electric Company, to report assessments of materials and supplies inventories and to establish principles necessary to appraise retained assets.

Application 98-05-041  
(Filed May 1, 1998)

**ORIGINAL**

**OPINION ON TRANSITION COST RECOVERY  
FOR MATERIALS AND SUPPLIES INVENTORY**

**Summary**

The Commission agrees that for purposes of calculating the Competition Transition Charge (CTC), the San Diego Gas & Electric Company (SDG&E) December 31, 1997, book value of materials and supplies is equal to the market value of SDG&E's inventory.

**Procedural Summary**

Ordering Paragraph 17 of Decision (D.) 97-11-074 provides that Pacific Gas and Electric Company (PG&E), Southern California Edison Company (Edison), and SDG&E "shall file applications no later than March 2, 1998 to establish the principles necessary to appraise their retained assets and to report assessments of the materials and supplies inventories."

The Commission revised the filing date for these applications to May 1, 1998 in D.98-04-065 (Ordering Paragraph 2). In response to these orders, SDG&E filed its application on May 1, 1998.

A prehearing conference was held on October 1, 1998. A Scoping Memo and Ruling of Assigned Commissioner was issued on December 17, 1998.

Pursuant to Rule 6.1 of the Rules of Practice and Procedure, the Commission preliminarily determined in Resolution ALJ 176-2994 dated June 4, 1998, that this matter is a ratesetting proceeding that was expected to go to hearing. In a ruling, Assigned Commissioner P. Gregory Conlon found that the need for hearing determination should be changed. In D.98-12-061, the Commission made a final determination that a hearing was not needed in this proceeding.

SDG&E filed its opening brief on March 2, 1999. No reply briefs were filed by any party. Thereafter, this matter was submitted for decision.

### **Discussion**

There are two parts to this proceeding: (1) to assess the generation materials and supplies inventories to be used for market valuation purposes, and (2) to consider the reasonableness of the appraisal approaches proposed by the utility.

#### **Materials and Supplies Issues**

Ordering Paragraph 3 of D.97-11-074 (the CTC Phase 2 decision) provides that:

**"3. PG&E, Edison, and SDG&E shall market value their respective materials and supplies inventories as of December 31, 1997 or as close to that date as possible. Transition cost recovery for materials and supplies inventory shall be allowed once that market valuation is completed according to the guidelines established in this decision, or by deeming the December 31, 1997 book value equal to market value for these inventories. PG&E, Edison, and SDG&E shall include these assessments in their March 2, 1998 applications for appraisal of retained assets."**

In response to this, SDG&E deemed the December 31, 1997 book value of its materials and supplies inventory to be equal to the market value for its inventories. SDG&E reported in its application that the December 31, 1997 book

value of its materials and supplies inventory is \$9.3 million. SDG&E states that the accounting for this inventory was reflected in its compliance filings in SDG&E's divestiture proceeding, Application (A.) 97-12-039, addressing the divestiture of all its fossil-fueled electric generation.<sup>1</sup>

#### **Principles to Appraise Retained Generation Assets**

Pub. Util. Code § 367(b), as enacted by Assembly Bill 1890, states that:

"... For these assets subject to valuation, the valuations used for the calculation of the uneconomic portion of the net book value shall be determined not later than December 31, 2001, and shall be based on appraisal, sale, or other divestiture...."

SDG&E states that pursuant to its divestiture application, A.97-12-039, it is divesting 100% of its existing non-nuclear generation facilities. Because SDG&E will be valuing its non-nuclear generation facilities through "sale, or other divestiture," not "appraisal," SDG&E states that there is no need for it to address issues associated with principles to appraise retained generation assets, per Ordering Paragraph 17 of D.97-11-074. We agree.

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

#### **Findings of Fact**

1. As required by Ordering Paragraph 3 of D.97-11-074, SDG&E timely filed its application to report assessments of materials and supplies inventories and to establish principles necessary to appraise retained assets.

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<sup>1</sup> See D.99-02-073 approving the sale of Encina Power Plant and 17 combustion turbines, and D.99-03-015 approving the sale of South Bay Power Plant.

2. The Commission held a prehearing conference on SDG&E's application on October 1, 1998.

3. No party protested SDG&E's application.

4. No party objected to SDG&E's request for ex parte treatment of its application.

5. SDG&E is divesting 100% of its existing non-nuclear generation facilities.

6. No disputed issues of material fact exist with respect to SDG&E's application.

### **Conclusions of Law**

1. SDG&E has complied with Ordering Paragraph 3 of D.97-11-074 by submitting the materials and supplies inventory information contained in its application.

2. Because SDG&E is valuing its generation facilities through "sale, or other divestiture," not "appraisal," the "principles necessary to appraise ... retained assets," per Ordering Paragraph 17 of D.97-11-074, are not applicable to SDG&E.

## **O R D E R**

### **IT IS ORDERED that:**

1. San Diego Gas & Electric Company has timely complied with Ordering Paragraph 3 of Decision 97-11-074 by submitting the required information on its materials and supplies inventory for purposes of the Competition Transition Charge.

A.98-05-041 ALJ/BDP/sid

2. Application 98-05-041 is closed.

This order is effective today.

Dated April 22, 1999, at San Francisco, Californi

RICHARD A. BILAS

President

HENRY M. DUQUE

JOSIAH L. NEEPER

Commissioners