

Decision 00-02-025

February 3, 2000

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS AND ELECTRIC COMPANY (U 902 M) for Authority (i) to Increase Its Authorized Return on Common Equity, (ii) to Adjust Its Existing Ratemaking Capital Structure, (iii) to Adjust Its Authorized Embedded Costs of Debt and Preferred Stock, (iv) to Decrease Its Overall Rate of Return, and (v) to Revise Its Electric Distribution and Gas Rates Accordingly, and for Related Substantive and Procedural Relief.

Application 98-05-019
(Filed May 8, 1998)

And Related Matters.

Application 98-05-021
Application 98-05-024
(Filed May 8, 1998)

ORDER DENYING REHEARING OF DECISION 99-06-057

I. INTRODUCTION

In Decision (D.) 99-06-057 (the "Decision"), we established the authorized 1999 return on equity ("ROE") for San Diego Gas & Electric Company's ("SDG&E") and Pacific Gas and Electric Company's ("PG&E") electric and gas distribution operations at 10.6 percent. (D.99-06-057, discussion at mimeo, p. 57, Finding of Fact 21 at mimeo, pp. 69-70, Ordering Paragraph 1 at mimeo, p. 71.)

Separate applications for rehearing of D.99-06-057 were timely filed by PG&E and SDG&E ("applicants") on July 12, 1999. Together, the applicants allege that D.99-06-057 is based on a factual error regarding SDG&E's recommended ROE. In addition, PG&E argues that the Commission should ensure that its decision setting PG&E's ROE in the future under the Performance

Based Ratemaking ("PBR") mechanism for PG&E's distribution service starts at the point where this decision ends, with the October 1998 interest rate.

The Utility Reform Network ("TURN"), the Utility Consumers Action Network ("UCAN"), James Weil, the Office of Ratepayer Advocates ("ORA"), the Federal Executive Agencies ("FEA"), Ron Knecht and Ray Czahar (together, "Opposing Parties") jointly filed a timely response to the applicants' separate applications for rehearing on July 27, 1999. The Opposing Parties include every non-utility party that presented testimony or filed briefs in this proceeding. The joint respondents oppose the two applications for rehearing of D.99-06-057.

We have reviewed all of SDG&E's and PG&E's allegations raised in their applications for rehearing and are of the opinion that good cause does not exist for granting of their rehearing applications.

II. DISCUSSION

In arriving at the adopted test year 1999 ROE of 10.6 percent for both SDG&E's and PG&E's electric and gas operations, we considered the various ROEs recommended by the various parties to the proceeding, as reflected in Table 7 of the Decision, in light of the whole record. (D.99-06-057, Table 7, mimeo, at p. 55.) SDG&E and PG&E allege in their applications for rehearing that the Decision used the wrong numbers to characterize SDG&E's recommended ROE. They argue that SDG&E's ROE recommendation was intended to be 11.8 percent, not the 11.0 percent reflected in Table 7 of the Decision. They claim that the use of 11.0 percent was clear error and not supported by any evidence presented in this proceeding.

SDG&E and PG&E have failed to present in their application for rehearing any new basis for finding that the Commission legally or factually erred in authorizing an ROE of 10.6 percent. Their arguments are based on selected portions of the record and are identical to arguments previously made in comments

to the proposed decision ("PD") and considered by this Commission prior to the issuance of the Decision.

As noted in footnote 8 to Table 7, we found that SDG&E's testimony was confusing on whether its actual ROE recommendation of 12.0 percent contained a risk adjustment of 20 or 100 basis points. (D.99-06-057, Table 7 and footnote 8 at, mimeo, p. 55.) We therefore did not adjust SDG&E's recommended ROE figure of 11.0 percent in Table 7 after our review of SDG&E's and PG&E's comments to the PD because SDG&E failed to clearly state its position in the record.

Recognizing the wide disparity in the various parties' recommended ROEs, as shown in Table 7, we conclude that the adopted test year 1999 ROE of 10.6 percent was reasonable in light of the entire record and based on our best judgment. Accordingly, the applicants' claims of factual error are without merit.

PG&E has also requested that the Commission now ensure that the October 1998 interest rate forecast used in the Decision be the starting point for a cost of capital trigger mechanism in PG&E's distribution PBR mechanism. (PG&E application for rehearing, p. 5.) We believe that any finding about interest rates and PG&E's proposed PBR mechanism is beyond the scope of this proceeding. Therefore, it would be inappropriate for this Commission to authorize at this time a distribution PBR mechanism, to adopt a mechanism which will include a cost of capital trigger provision, or to determine what specific interest rate forecast that trigger will be based on.

III. CONCLUSION

For the reasons discussed above, we conclude that sufficient grounds for rehearing have not been shown.

THEREFORE, IT IS ORDERED that rehearing of D.99-06-057 is hereby denied.

This order is effective today.

Dated February 3, 2000, at San Francisco, California.

RICHARD A. BILAS
President
HENRY M. DUQUE
JOSIAH L. NEEPER
CARL W. WOOD
LORETTA M. LYNCH
Commissioners