

ALJ/WRI/tcg

Mailed 4/22/99

Decision 99-04-058 April 22, 1999

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: (1) Authority to Recover ISO/PX Implementation Delay Memorandum Account Costs; and (2) A Finding of Reasonableness of Certain Utility Operations and Expenses for the Periods Identified Within this Application.

Application 98-06-048
(Filed June 19, 1998)

Steven C. Nelson, Attorney at Law, and Mark Ward, for San Diego Gas & Electric Company, applicant.
Robert C. Cagen, Attorney at Law, for the Office of Ratepayer Advocates; and Donald Lafrenz, for the Commission's Energy Division.

Summary

This decision approves the recovery of costs in San Diego Gas & Electric Company's (SDG&E or applicant) Independent System Operator (ISO)/Power Exchange(PX) Implementation Delay Memorandum Account in the amount of \$87,707,389, applicant having reduced its application request by \$2,006,080 as recommended by the Office of Ratepayer Advocates (ORA). SDG&E may transfer the \$87.7 million, plus accumulated interest through the date on which the transfer is made, to its Transition Cost Balancing Account.

The reasonableness of SDG&E's (a) nonprocurement gas system operations, (b) Qualifying Facilities (QF) contract administration and (c) nuclear fuel expenditures as set forth in the application are approved.

Procedure

SDG&E, pursuant to Pub. Util. Code §§ 701 and 702, requests authority to recover costs in its ISO/PX Implementation Delay Memorandum Account and a finding of reasonableness of applicant's utility operations as follows:

(1) nonprocurement gas system operations during the period from August 1, 1996 through March 31, 1998; (2) QF administration during the period from July 16, 1997 through March 31, 1998; and (3) certain categories of nuclear fuel costs for the period August 1, 1996 through March 31, 1998.

The application was noticed on the Commission's Daily Calendar for June 29, 1998, and on July 29, 1998 ORA filed a protest stating that SDG&E's application was deficient in that it lacked sufficient supporting documentation to demonstrate the reasonableness of its requests. ORA requested that it be given the opportunity to conduct discovery and prepare testimony, and then to assess the need for hearings on any issues raised in the testimony.

In Resolution ALJ 176-2996, dated July 2, 1998, this application was categorized as a ratesetting proceeding with hearings needed pursuant to Rule 6.1(a), Rules of Practice and Procedure.

A prehearing conference was held on September 21, 1998, at which time it was ruled that ORA and applicant would confer, exchange data, and attempt to resolve any areas of dispute that might arise. On November 19, 1998, the assigned Commissioner issued a scoping memo.

On December 8, 1998, the parties submitted to the principal hearing officer a Joint ORA and SDG&E Request for Commission Approval of SDG&E's ISO/PX Implementation Delay Memorandum Account Application, as Revised by ORA's Recommended Disallowances. ORA's recommended disallowances of \$2,006,080 are essentially arithmetic corrections of the application and were not the result of

negotiation and settlement. Rather, these corrections were made unilaterally by SDG&E to its application upon applicant's review of ORA's report.

The agreement between the only parties to the proceeding obviates the necessity for hearings, and the granting of this application constitutes Commission approval of the change in the determination that evidentiary hearings are needed in this matter.

Revisions to Application

On November 30, 1998, ORA issued its report on this application in which it accepted SDG&E's recorded amounts with the exceptions of two adjustments totaling \$2,006,080. The text of ORA's recommendations is set forth on pages 1-2 of its report as follows:

"In summary, ORA has found no instance of delay in the operations of the ISO and PX having been caused by SDG&E (Chapter 3). ORA recommends no disallowance in the areas of Administrative and General Expenses (Chapter 4), Fuel Costs (Chapter 4), Gas Operations (Chapter 5), QF Administration (Chapter 6), and Nuclear Fuel Costs (Chapter 7). However, ORA's audit (Chapter 2) has found that SDG&E's IPIDMA recorded amounts were over-booked by \$2 million and \$6,080 of CEP direct mailing costs were booked in June and July of 1998. ORA recommends a \$2 million adjustment to the IPIDMA and an additional disallowance of \$6,080 of CEP direct costs booked in June and July of 1998."

The letter agreement between applicant and ORA dated December 8, 1998 sets forth the parties' agreed revisions to the application as follows:

"ORA and SDG&E request that the Commission:

- "1. Approve the recovery of costs in SDG&E's ISO/PX Implementation Delay Account (\$89,713,469), less ORA's recommended disallowances (\$2,006,080), for a total of \$87,707,389, and authorize SDG&E to transfer the balance in this account, plus accumulated interest through the date on which the transfer is made, to its Transition Cost

- Balancing Account, as set forth in SDG&E's Application;
and
- "2. Approve the reasonableness of SDG&E's (a) nonprocurement gas sytem operations, (b) QF contract administration and (c) nuclear fuel expenditures as set forth in SDG&E's Application."

The Record

The following exhibits are admitted into evidence:

Exhibit 1. SDG&E's June 19, 1998 testimony as supplemented by SDG&E's September 8, 1998 response to ORA's protest.

Exhibit 2. ORA's November 30, 1998 report.

Exhibit 3. Letter agreement between applicant and ORA dated December 8, 1998

Waiver of Comment Period

Pub. Util. Code § 311(g)(1) provides that this decision must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

All parties in the proceeding have stipulated to waive the 30-day waiting period required by Pub. Util. § 311(g)(1) and the opportunity to file comments on the draft decision. Accordingly, this matter will be placed on the Commission's agenda directly for prompt action.

Finding of Fact

1. SDG&E requested approval of its ISO/PX Implementation Delay Memorandum account in the amount of \$89,713,469.
2. Upon audit of the account by ORA, applicant agreed to revise its application by reducing its requested amount by \$2,006,080 in acceptance of the recommended disallowance proposed by ORA.
3. The revised amount is \$87,707,389.

4. There is no protest to Commission approval of the application as revised.
5. The parties having waived comment, this decision should be effective today.

Conclusion of Law

The application, as revised, should be approved.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company (SDG&E) may recover Independent System Operator/Power Exchange Implementation Delay Memorandum Account costs in the amount of \$87,707,389. SDG&E may transfer this amount, plus accumulated interest through the date on which the transfer is made, to its Transition Cost Balancing Account.
2. Utility operations and expenses as set forth in the application for the identified periods are reasonable.
3. Application 98-06-048 is closed.

This order is effective today.

Dated April 22, 1999, at San Francisco, California.

RICHARD A. BILAS
President
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners