

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Environmental and Energy
Advisory Branch

Resolution E-3279
June 3, 1992

R E S O L U T I O N

RESOLUTION E-3279. ORDER AUTHORIZING SAN DIEGO GAS AND ELECTRIC COMPANY TO ESTABLISH A MEMORANDUM ACCOUNT TO RECORD EXPENSES IT MAY INCUR AS A RESULT OF INCREASES IN REGULATORY ENVIRONMENTAL FEES.

BY ADVICE LETTER NO. 840-E, FILED FEBRUARY 18, 1992.

SUMMARY

1. San Diego Gas and Electric Company (SDG&E) filed Advice Letter 840-E on February 18, 1992 requesting authority to establish a memorandum account that will record additional expenses SDG&E may incur in 1992 if the San Diego Air Pollution Control District (SDAPCD) Rule 69 and certain pending state legislation are enacted.
2. This Resolution approves the request as limited to the specific bills discussed in this Resolution.

BACKGROUND

1. SDG&E's power plant operations are subject to the jurisdiction of the SDAPCD and the Department of Toxic Substances Control. The SDAPCD is currently considering passing a new rule (Rule 69), that would require SDG&E to reduce its nitrogen oxide (NOX) emissions. In order to accomplish the NOX reductions SDG&E believes it would have to retrofit its power plants with pollution reduction equipment. There are also ten bills pending in the State Legislature, Assembly Bills 968, 2160, 2769, 3188, 3418, 3516, and 3693 and Senate Bills 1469, 84, and 1378, that if passed, would increase existing fees that Potentially Responsible Parties (PRP's) must pay to the state for activities associated with remediation of hazardous waste sites.

2. In SDG&E's 1991 Annual Cost Allocation Proceeding (ACAP) Application 91-03-001, the parties reached an agreement on several issues including treatment of additional expenses SDG&E may incur in 1992 if SDAPCD Rule 69 and pending state legislation are enacted. The treatment agreed upon by the parties is contained in Decision (D.) 91-10-046.

3. D. 91-10-046 states that SDG&E should file an advice letter to establish a memorandum account to record expenses SDG&E may incur in 1992 as a result of regulation by the SDAPCD (Rule 69) and the enactment of one or more of the pending bills in the State Legislature to increase SDG&E's environmental fees. To date, SDAPCD Rule 69 and the proposed state legislation fees are still pending.

COMMENTS OR PROTESTS

1. On April 13, 1992, the Division of Ratepayer Advocates (DRA) filed comments on Advice Letter 840-E. In its comments, DRA states the following:

a. D. 91-10-046 authorized an environmental memorandum account for the attrition year 1992 only. DRA believes that treatment of potential expenses associated with Rule 69 and other pending legislation should be continued for these expenses that may be incurred in 1993. In its testimony in the SDG&E 1993 Test Year General Rate Case, DRA submitted testimony recommending an "expanded" advice letter filing process for these expenses that would require SDG&E to file six months in advance of incurring expenses and give DRA three months to review the filing.

b. Advice Letter 840-E is unclear whether the company intends to file separate advice letters on a project-by-project basis or record expenses in the account without submitting additional advice letters for each individual project.

c. The Preliminary Statement appears to include a broader range of expenditures than allowed by D. 91-10-046. SDG&E appears to attempt to include all new expenses that result from the enactment of pending legislation as opposed to solely increases in environmental fees and expenses that may arise from Rule 69.

d. SDG&E's request that Advice Letter 840-E become effective on the date filed on the basis that it is not controversial is invalid. DRA believes the language in the advice letter is controversial.

NOTICE

Public notice of this Advice Letter has been made by publication in the Commission's Calendar and by mailing copies of the Advice Letter to other utilities and government agencies.

DISCUSSION

1. In its comments, DRA states that it is unclear from the Annual Cost Allocation Proceeding decision whether SDG&E is required to file additional advice letters before recording expenses in the memorandum account once the account has been established. DRA believes SDG&E should be required to file additional advice letters after the memorandum account has been established.
2. In its comments, DRA also addressed the longevity of SDG&E authority to record expenses in the PCEMA. According to D. 91-10-046, SDG&E is authorized to establish the account and record expenses incurred in 1992. DRA recommends that expenses incurred in 1993 be treated the same as expenses incurred in 1992.
3. The Commission Advisory and Compliance (CACD) has reviewed D. 91-10-046, SDG&E's advice letters and DRA's comments. CACD believes SDG&E is correct and it need not file a series of advice letters to seek authorization for each subsequent aspect of Rule 69 or for any of the specific environmental fees which may be enacted by the specific bills contemplated in D. 91-10-046.
4. CACD has reviewed the proposed Preliminary Statement and finds it to be reasonably clear. DRA will have its opportunity to review the reasonableness of SDG&E's actions in a subsequent ECAC.
5. CACD finds nothing in the advice letter which would be considered controversial, nor would being controversial preclude its approval by advice letter and resolution.

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FINDINGS

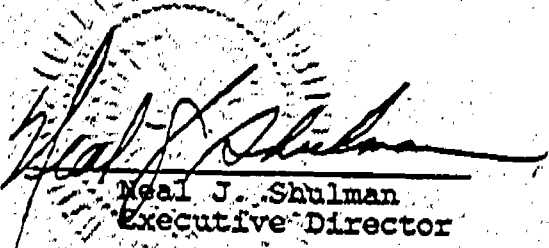
1. SDG&E's power plant operations are subject to the jurisdiction of the SDAPCD and the Department of Toxic Substance Control. SDAPCD Rule 69 and pending state legislation, if enacted, will increase SDG&E's regulatory environmental fees.
2. Advice Letter 840-E was filed by SDG&E in compliance with D. 91-10-046 which stated that SDG&E should file an advice letter to establish a memorandum account to record expenses SDG&E may incur in 1992 as a result of regulation by the SDAPCD (Rule 69) and the enactment of one or more of the pending bills in the State Legislature that will increase SDG&E's environmental fees.
3. SDG&E is authorized to establish an interest bearing memorandum account to record additional expenses SDG&E may incur in 1992 if San Diego Air Pollution Control District Rule 69 and the pending state legislation contemplated in D. 91-10-046 are enacted.
4. The expenses SDG&E records in the memorandum account are subject to reasonableness.

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IT IS ORDERED that:

1. San Diego Gas and Electric Company is authorized to establish a memorandum account to record additional expenses SDG&E may incur in 1992 if San Diego Air Pollution Control District Rule 69 and certain pending state legislation is enacted.
2. Expenses recorded in the account shall be consistent with documents submitted in Advice Letter 840-E filed by San Diego Gas and Electric Company on February 18, 1992 and supporting documents.
3. These costs shall be subject to a reasonableness review pursuant to Decision 91-10-046, and shall not be placed into rates until ordered by the Commission after the review.
4. San Diego Gas and Electric Company shall be authorized to accrue interest at the three-month commercial paper rate on amounts booked into the account.
5. This resolution is effective today.

I certify that this Resolution E-3279 was adopted by the Public Utilities Commission at its regular meeting on June 3, 1992. The following Commissioners approved it.



Neal J. Shulman
Executive Director

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners