

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**RESOLUTION E-3570
OCTOBER 22, 1998**

RESOLUTION

RESOLUTION E-3570. SAN DIEGO GAS & ELECTRIC COMPANY REQUESTS CONFIRMATION OF H. WESLEY PRATT TO SERVE ON THE NUCLEAR DECOMMISSIONING MASTER TRUST FUNDS COMMITTEES. REQUEST APPROVED.

BY ADVICE LETTER 1116-E, FILED ON AUGUST 19, 1998.

SUMMARY

1. This Resolution confirms the reappointment of H. Wesley Pratt to serve on the San Diego Gas & Electric Company's Nuclear Facilities Decommissioning Master Trust Committees for an additional five-year term.
2. No protests have been received.

BACKGROUND

1. In Order Instituting Investigation 86, the Commission conducted an extensive investigation into alternative methods of financing the ultimate cost of decommissioning the nuclear power plants owned by California's investor owned utilities. In Decision [D.] 87-05-062, the Commission adopted externally managed trusts as the vehicles for accruing decommissioning funds. In that Decision, the Commission also established guidelines for the trust agreements.
2. In response to D. 87-05-062, SDG&E established two trusts for its nuclear decommissioning funds. One trust was established as the vehicle to hold the decommissioning funds from contributions which qualify for an income tax deduction under Section 468A of the Internal Revenue Code [the Qualified Trust], and the other was designed to hold the remaining funds [the Nonqualified Trust].
3. By Resolution E-3060 dated November 25, 1987, the Commission approved SDG&E's Master Trust Agreements. The Trusts were initially funded in December of 1987. Under the Trust Agreements, the Committee, consisting of five members nominated by SDG&E's management and confirmed by its Board of Directors, is responsible for directing and managing the Trusts, including the appointment of trustees and investment managers and the execution of whatever contracts,

agreements, or other documents it deems necessary to manage and invest the Trusts' assets. The Trust Agreements further provide that the three members not affiliated with SDG&E be confirmed by the Commission and shall serve terms of five years.

NOTICE

1. SDG&E mailed copies of AL 1116-E to parties listed in the Advice Letter in accordance with General Order 96A. Notice of the Advice Letter appeared on the Commission's Daily Calendar.

PROTESTS

1. No protests were received.

DISCUSSION

1. Mr. Pratt was nominated by SDG&E and subsequently confirmed by the Commission in D.93-09-050 to serve a five-year term. By this Advice Letter, SDG&E is re-nominating Mr. Pratt to continue serving as a non-affiliated Committee member for SDG&E's Trusts for an additional term of five years [July 1, 1998 - July 1, 2003]. Pratt has indicated his willingness to serve on the Committee if confirmed by the Commission as shown in his Declaration dated August 18, 1998, attached to the Advice Letter. As required by the Trust Agreements, Mr. Pratt's nomination has been confirmed by SDG&E's Board of Directors.

2. The statement of Mr. Pratt's qualifications attached to the Advice Letter shows that he has a law degree and was a practicing attorney from 1992 until July of 1998. As an attorney, Mr. Pratt's practice emphasized corporate, business, and real estate law. His expertise also includes municipal and local government consulting, public law, and equal opportunity law. Early in his career, Mr. Pratt was a member of the San Diego City Council. Currently, Mr. Pratt is Chief Executive Officer of the Urban Corps of San Diego. The Urban Corps of San Diego is a non-residential employment training, education and community enhancement program for young adults. Mr. Pratt's duties include staff selection, fundraising, budget planning, public relations, and marketing of the organization.

3. The attachment to the Advice Letter notes that Mr. Pratt has no current or past relationships with SDG&E that could reasonably be perceived as dissuading him from acting independently in the Trusts' best interests.

4. The Energy Division believes that Mr. Pratt has demonstrated independence, competence, and integrity during his service on the Committee. As a non-affiliated Committee member, he will represent the taxpayers and public who are intended to be the ultimate beneficiaries of the Trusts. The Energy Division recommends approval of Mr. Pratt's reappointment for an additional five year term.

5. The Energy Division notes that the Trust Agreements in Article 3.06 state

Each committee member who is not an employee, officer, director, or otherwise an agent of the Company shall be entitled to reasonable fees and/or compensation for their services hereunder. At the time a nominee's name is furnished to the CPUC, the Company shall furnish to the CPUC a statement in writing setting forth all proposed fee and/or compensation arrangements with such nominee. The fee and/or compensation arrangements shall be subject to approval of the CPUC.

6. SDG&E's AL 1116-E does not set forth its proposed fee and compensation arrangements for Mr. Pratt. On August 19, 1998, SDG&E informed the Energy Division that for purposes of this advice letter, it proposes to continue the current fee arrangements for SDG&E's present outside Committee members approved in D.93-09-050. Having explicitly determined them reasonable previously, we see no reason to object to them at this time and will allow them to continue.

FINDINGS

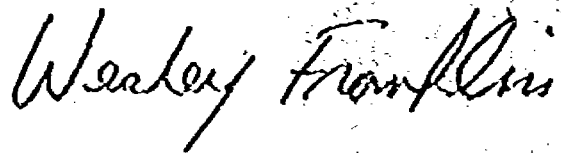
1. SDG&E filed AL 1116-E on August 19, 1998 requesting re-nomination of H. Wesley Pratt to its committees of nuclear decommissioning trust funds.
2. In D. 87-05-062, the Commission required externally managed trust funds to finance the decommissioning of nuclear power plants.
3. The Trust Agreements authorized in Resolution E-3060 provide that a Committee shall direct and manage the Trusts and perform all duties, including the appointment of trustees and investment manager and the execution of whatever contracts, agreements, or other documents it deems necessary to manage and invest such assets. The Committee shall consist of five members. No more than two of the members shall be employees, officers or directors of the company, or otherwise be agents of the company in any capacity except as members of the Committee.
4. The Trust Agreements require that the outside members of the Committee shall be nominated by SDG&E and their names submitted to the Commission for confirmation.
5. Mr. Pratt is well qualified and willing to continue to serve on the Committee.
6. The fee and compensation arrangements currently applicable to non-company Committee members were found reasonable in D. 93-09-050 and should continue to apply to the reappointment of Mr. Pratt.
7. There is no opposition to the advice letter.
8. Pratt's nomination should be confirmed.

October 22, 1998

THEREFORE, IT IS ORDERED that:

1. The nomination of H. Wesley Pratt to serve as a non-company member of San Diego Gas & Electric Company's [SDG&E] Nuclear Facilities Decommissioning Master Trust Committees for a term of five years ending July 1, 2003, is hereby approved.
2. The current fee and compensation arrangements for non-company members of SDG&E's Nuclear Facilities Decommissioning Master Trust Committee as approved in Decision 93-09-050 shall continue until revised through the process set forth in the Trust Agreements.
3. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on October 22, 1998, the following Commissioners voting favorably thereon.



WESLEY M. FRANKLIN
Executive Director

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