

Memorandum

Date: March 5, 1999

To: The Commission

From: Commissioner Henry M. Duque, Electricity Coordinating Commissioner
Paul Clanon, Director, Energy Division

Subject: Electricity Top Ten

At the February 18, 1999, Commission meeting, Commissioner Neeper requested a list of the top ten electric proceedings. This memo provides such a list and highlights a few major issues for each proceeding. Schedules for these proceedings are provided in Attachment 1.

In addition to selecting the current top ten proceedings, we have identified several other major proceedings that will likely move into the top ten as their activity level increases. These proceedings are categorized as "Coming Attractions". We plan to update and re-circulate this memo periodically. For more information on these proceedings and the rest of the Commission's 1999 electricity agenda, please see the Business Plan.

ELECTRICITY TOP TEN

1. PG&E Test Year 1999 General Rate Case, Phase 1¹

A. 97-12-020

- ALJ Wetzell, Commissioner Bilas
- Determination of PG&E's request for a \$445 million increase in electric revenues vs. ORA's recommendation of an \$80 million decrease
- The extent to which an increase in electric revenues will improve reliability or customer service

2. Post Transition Period Ratemaking

PG&E A.99-01-016, Edison A.99-01-034, SDG&E A.99-01-019

- ALJs Malcolm and Minkin, Commissioner Duque
- How to recognize the end of the transition period
- When the transition period ends for different rate groups
- Methods to ensure rates reflect removal of transition costs
- Methods for setting and designing rates and cost accounting after the rate freeze ends

End of Rate Freeze, SDG&E A.99-02-029

- Requests authority for termination of the rate freeze through an interim decision

3. Revenue Adjustment Proceedings

PG&E A.98-07-003, Edison A.98-07-026, SDG&E A. 98-07-006

- ALJ Malcolm, Commissioner Bilas
- The allocation of section 376 restructuring implementation costs among customer classes (using an EPMC vs equal cents per kilowatt hour methodology)

¹ The interim rate relief decision, D.98-12-078, authorized PG&E to track its entire electric revenue request in a balancing account. The interim revenue requirement debits to this account are subject to refund or downward adjustment after the Commission issues a final decision in Phase 1.

- The allocation of transition costs (using an EPMC vs. Equal Percentage of Generation Marginal Cost (EPGMC) methodology)
- What costs should be included in the calculation of the PX credit
- Streamlining the elimination of balancing and memorandum accounts

4. Restructuring Implementation Costs (PU Code Section 376)

PG&E A.98-05-004, Edison A.98-05-015, SDG&E A.98-05-006

- ALJ Minkin, Commissioner Bilas
- Determine program eligibility for ISO, PX, Direct Access and their associated costs
- Reasonableness review of program costs in the above and adoption of a recovery mechanisms

5. Reliability Must Run (RMR) Rate Cases at FERC, PG&E, Edison, and SDG&E

- Parties have agreed to file an Offer of Settlement by March 15, 1999.
- Settlement negotiations continue in order to resolve the terms and conditions in the RMR contract. Several issues related to terms and conditions remain outstanding, but will likely be resolved in the next round of discussions. Issues that are unresolved will be reserved for litigation.
- The amount or percentage of the fixed option payment for each of the RMR units (fossil, hydro, and geothermal) is an outstanding issue that is yet to be resolved or litigated. The fixed option payment is to be based on a unit's fixed revenue requirement (as agreed to in settlement) and start-up costs.

6. Cost of Capital

PG&E A.98-05-021, SDG&E A.98-05-019, Edison A.98-05-024

- ALJ Barnett, Commissioner Duque
- The appropriate return on equity for an unbundled or stand-alone electric distribution utility
- The risk associated with an unbundled electric distribution utility vs. the risk of integrated electric utility

7. Market Valuation

PG&E A.98-12-022, Edison A.98-12-014

- ALJ Patrick, Commissioner Duque
- Principles necessary to market value utilities' retained generation assets for purposes of calculating uneconomic costs
- Alternatives to appraisal as a means for establishing fair market value for retained generation assets
- Need for a date certain by which utilities must identify the assets they plan to retain, sell, transfer or dispose of, in order to meet the statutory requirement that market valuation be completed by 12/31/01
- How to market value materials and supplies, fuel inventories, and land (to be addressed through briefs without hearings)

8. Distribution OIR

R.98-12-015

- ALJ Wong, Commissioner Duque
- Status of competition in electricity distribution services in California (e.g., current status of DG technologies and market penetration of DG and other transmission and distribution (T&D) substitutes in California
- Need for reforms in structure and regulatory framework for electricity distribution service
- The role of the UDC in the future vision of the electric industry
- Operational, jurisdictional, environmental, ratemaking, economic and social impacts of increased competition in distribution and DG

9. Annual Transition Cost Proceeding (ATCP)

PG&E A.98-09-003, Edison A.98-09-008, SDG&E A.98-09-009

- ALJ Minkin, Commissioner Duque
- Review entries recorded in the TCBA
- Resolve audit findings in both the Headroom and TCBA audit reports
- Clarify existing regulatory principles that drive TCBA entries and re-examine current accounting method for rate reduction bond proceeds for ratemaking purposes

10. PG&E Outage OII

I.98-12-013

- ALJ O'Donnell, Commissioner Bilas
- Whether system characteristics may have contributed to the outage, its extent, and its duration
- The process and priority of reinstating power to affected customers
- The responsiveness of PG&E's call center to customer inquiries
- The extent to which PG&E complied with maintenance and inspection standards and the emergency response requirements
- Mitigation measures against future outages
- Processing of damage claims

COMING ATTRACTIONS

1. Direct Access

R.94-04-031/I.94-04-032

- ALJ Wong, Commissioner Neeper
- Rule 22 Working Group working toward a uniform statewide tariff to standardize the business relationships between ESPs and UDCs across all service territories
- Data Quality and Integrity Working Group to identify any gaps or flaws in the rules and procedures for information exchange between all market participants
- Permanent Metering Standards Working Group to finalize metering standards
- Comments on provision of metering services and the state of competition in the provision of metering services

2. CBEE/LIGB

R.98-07-037

- ALJ Gottstein, Commissioner Neeper
- Promote the development of cost-effective energy efficiency programs which are supported by the competitive market with decreasing need for public funding
- Establish statewide consistency in utility administration of low-income energy assistance programs
- Develop needs assessment and pilot programs for low-income energy assistance
- Explore alternatives to utility administration of energy efficiency and low-income programs to develop potential legislative proposals for the post-2001 period

3. Revenue Cycle Services, PG&E, Edison, SDG&E, Applications due March 5, 1999

- Geographic deaveraging of unbundled metering and billing credits and other distribution services in the post-rate freeze period

4. Nuclear Decommissioning , Edison, SDG&E

A.98-12-025

- ALJ O'Donnell, Commissioner Duque
- Commencement of SONGS 1 decommissioning
- Decommissioning cost estimates for other nuclear facilities

5. PG&E Distribution PBR

A.98-11-023

- ALJ Barnett, Commissioner Duque
- Type and design of the PBR Indexing Mechanism, including applicability to various customer groups, revenue sharing mechanism, cost of capital adjustment, and term
- Choice of quality of service performance indicators and design of reward/penalty structure
- Measures necessary to implement, monitor and evaluate the PBR programs