

Decision 00-09-013 September 7, 2000

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company to Identify and Separate Components of Electric Rates, Effective January 1, 1998 (U 39 E).

Application 96-12-009
(Filed December 6, 1996)

Application of San Diego Gas and Electric Company (U 902 M) for Authority to Unbundle Rates and Products.

Application 96-12-011
(Filed December 6, 1996)

In the Matter of the Application of Southern California Edison Company (U 388 E) Proposing the Functional Separation of Cost Components for Energy, Transmission and Ancillary Services, Distribution, Public Benefit Programs and Nuclear Decommissioning, to be Effective January 1, 1998 in Conformance With D.95-12-036 as Modified by D.96-01-009, the June 21, 1996 Ruling of Assigned Commissioner Duque, D.96-10-074, and Assembly Bill 1890.

Application 96-12-019
(Filed December 6, 1996)

(See Decision 97-08-056 for appearances.)

O P I N I O N

Summary

On the record established, we conclude we lack support to penalize Pacific Gas and Electric Company (PG&E) for delay in implementing weekly calculation of the Power Exchange (PX) price attributable to computer information system

(CIS) upgrade problems. Ratemaking adjustments ordered in PG&E's 1999 general rate case (GRC) appropriately protect ratepayers from unreasonable CIS costs.

Background

Decision (D.) 99-06-056 [the Second Modification Decision] granted PG&E's petition for an extension of time, until January 1, 2000, to implement the previously adopted weekly averaging methodology in calculating the Power Exchange (PX) price for direct access customers.¹ D. 99-06-056 also ordered:

“This proceeding will remain open so that the Commission may consider whether and the extent to which PG&E should be penalized for its failure to implement the requirements of D.97-08-065 and its failure to comply with the implementation deadline of January 1, 1999 in D.98-03-050.” (D.99-06-056, Ordering Paragraph 2; rehearing denied D.99-10-026.)

D.97-08-056 [the Cost Separation Decision], adopted the weekly methodology and required PG&E, Southern California Edison Company (Edison), and San Diego Gas and Electric Company (SDG&E) to incorporate it in their billing systems by January 1, 1998. PG&E thereafter petitioned for an open-ended extension because of CIS upgrade problems. D.98-03-050 [the First Modification Decision] granted PG&E a limited extension, until January 1, 1999.

By ruling dated April 13, 1999, Administrative Law Judge (ALJ) Malcolm directed the parties to file briefs proposing penalties or arguing why penalties should not be levied. PG&E and the Office of Ratepayer Advocates filed opening

¹ By letter to the assigned commissioner dated September 3, 1999 (with copies to all other commissioners), PG&E reported successful implementation of this methodology.

briefs on June 25, 1999; PG&E filed a reply brief on July 12, 1999. The proceeding was subsequently reassigned to ALJ Wetzell and then ALJ Vieth.

Discussion

The Second Modification Decision found that PG&E had not justified its failure to implement the weekly averaging PX price calculation methodology on the timeline imposed by the Cost Separation Decision and extended by the First Modification Decision. (D.99-06-056, Finding of Fact 4.) The Second Modification Decision also found that the delay “may affect the evolution of competitive energy markets and the ability of customers to understand their energy alternatives.” (*Id.*, Finding of Fact 5.) In defense of its actions, PG&E had introduced evidence about ongoing problems in upgrading its CIS, which runs the PG&E billing system.

Meanwhile, the Commission continued its review of PG&E’s 1999 general rate case (GRC) and in February 2000, issued a decision resolving most Phase 1 issues, D.00-02-046 [the GRC Decision]. Among the Phase 1 issues were the CIS components of PG&E’s revenue requirement. The Commission considered an extensive evidentiary record developed by PG&E, and by ORA and Enron Corp. (Enron), the two parties which contested PG&E’s CIS-related capital additions and expense request.

The GRC Decision noted that PG&E’s initial CIS-related request included estimates of \$146.7 million in capital additions and \$20.5 million in test year expenses. PG&E later reduced its request by removing incremental costs related to electric restructuring, i.e., approximately \$62 million in capital additions and approximately \$3.7 million in expenses. The parties did not dispute the reduced CIS operations expense estimate, approximately \$16.8 million, and the GRC Decision adopted it. However, the reduced capital additions estimate remained

contentious. The GRC Decision exhaustively reviewed the parties' evidence regarding this remaining capital additions request, including a number of substantial disallowances proposed by ORA and Enron for PG&E's alleged mismanagement of CIS, involving several plans to upgrade it or substitute another operating system for it. The GRC Decision resolved this portion of the revenue requirement by further reducing PG&E's CIS-related capital additions request by \$10.8 million and adopting the difference, \$73.8 million.

As this recitation of events indicates, resolution of Phase 1 of PG&E's 1999 GRC has provided a more detailed history of PG&E's management of CIS, including certain ineffectual upgrade strategies. We made ratemaking adjustments in the GRC Decision to protect ratepayers appropriately, both reflecting savings which resulted in benefits for ratepayers and expenditures, such as the IBM Integrity project, which did not.

After reviewing the briefs filed in this proceeding and considering the general penalty criteria established in D.98-12-075 (issued in the Affiliate Rule Enforcement Proceeding), we do not find the support necessary for imposition of a penalty in addition to the GRC Decision ratemaking adjustments we have ordered already. One of the primary factors we must consider under D.98-12-075 is the severity of the offense, including economic or competitive harm. The record developed in this proceeding is inconclusive and merely suggests that PG&E's delay in implementing weekly PX price calculations may have a negative effect on development of the direct access market. Since we cannot conclude that it has resulted in economic or competitive harm, we need not consider the other factors. Accordingly, we decline to issue a penalty and we close this aspect of these proceedings.

Comments on Draft Decision

The draft decision was mailed to the parties in accordance with Pub. Util. Code § 311(g)(1) and Rule 77.7 of the Rules of Practice and Procedure. No comments were filed.

Findings of Fact

1. Among the issues reviewed in Phase 1 of PG&E's 1999 GRC, and resolved in D.00-02-046, were the CIS components of PG&E's revenue requirement.

2. In the GRC, the Commission considered an extensive evidentiary record developed by PG&E as well as by ORA and Enron, the two parties which contested PG&E's CIS-related capital additions and expense request.

3. The GRC Decision exhaustively reviewed the parties' evidence regarding CIS-related capital additions and expenses, including a number of substantial disallowances ORA and Enron proposed for PG&E's alleged mismanagement.

4. D.00-02-046 reduced PG&E's CIS-related capital additions request by \$10.8 million and adopted the difference, \$73.8 million.

5. D.00-02-046 adopted the undisputed expense estimate for PG&E's test year CIS operations, approximately \$16.8 million.

6. The record developed in this proceeding is inconclusive and merely suggests that PG&E's delay in implementing weekly PX price calculations may have a negative effect on development of the direct access market.

Conclusions of Law

1. Since we cannot conclude that PG&E's delay in implementing weekly PX price calculations has resulted in economic or competitive harm, one of the primary factors established by D.98-12-075, we need not consider the other four penalty factors.

2. The record lacks the support necessary for imposition of a penalty.

3. In order to provide a timely and final resolution in this matter, this decision should be effective immediately.

O R D E R

IT IS ORDERED that no further proceedings are required on issues left open by Decision 99-06-056.

This order is effective today.

Dated September 7, 2000, at San Francisco, California.

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