

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA GAS COMPANY for authority to update its gas revenue requirement and base rates. (U 904 G)	Application 02-12-027 (Filed December 20, 2002)
Application of SAN DIEGO GAS & ELECTRIC COMPANY for authority to update its gas and electric revenue requirement and base rates. (U 902-M)	Application 02-12-028 (Filed December 20, 2002)
Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Service and Facilities of Southern California Gas Company and San Diego Gas & Electric Company.	Investigation 03-03-016 (Filed March 13, 2003)

**ADMINISTRATIVE LAW JUDGE'S RULING
ON PHASE 3 FOR THE LIMITED REHEARING
GRANTED IN DECISION 05-05-018 THE CALCULATION
OF SDG&E'S SHARE OF SONGS COSTS**

Summary

The Commission granted limited rehearing on the calculation of San Diego Gas & Electric Company's (SDG&E) share of San Onofre Nuclear Generating Station (SONGS) costs in order to ensure that it is consistent with Decision (D.) 04-07-022 and that there is a sufficient record. The purpose of this ruling is to set a prehearing conference to establish the schedule and the procedures to resolve the issues.

Background

In D.04-12-015, the Commission adopted, with two modifications, a multi-party Settlement Agreement (Settlement)¹ resolving contested issues in Application for Test Year 2004 Cost of Service, A.02-12-028, filed by SDG&E.² (D.04-12-015, p. 3.) SDG&E challenged the Commission's determinations with regard to SDG&E's share of SONGS costs.

Consistent with long-standing practice, the Commission addressed SONGS-related expenses that Southern California Edison Company (Edison) bills to SDG&E in Edison's General Rate Case (A.02-05-004), filed May 3, 2002 (Edison GRC). (D.04-07-022, p. 60.) The Settlement in the instant proceeding included placeholder numbers and deferred to the Edison GRC for determination of actual SONGS costs. (Settlement, p. 6.) Regarding SDG&E's SONGS costs the Settlement states:

Most of SDG&E's 2004 revenue requirement with respect to its 20% ownership in the San Onofre Nuclear Generating Station ... is being litigated in Phase 1 of Southern California Edison Company's ... General Rate Case ... (A.02-05-004), which still is pending. The Joint Parties agree that SDG&E's level of electric production expense adopted in the final revenue requirement in this proceeding should reflect SDG&E's share of the actual SONGS costs the Commission authorizes in its decision in Phase 1 of the SCE GRC. (Settlement, p. 6, emphasis added.)

The Joint Parties also agreed to serve a late-filed exhibit after the conclusion of the Edison GRC "showing SDG&E's share of the SONGS costs the

¹ The Settlement can be found as Appendix H in D.04-12-015.

² This is a consolidated proceeding that included the Application for Test Year 2004 Cost of Service, A.02-12-027, filed by Southern California Gas Company (SoCalGas"). There was a separate all-party settlement resolving issues in the SoCalGas' application. (D.04-12-015, p. 2.)

Commission authorizes in A.02-05-004.” (Settlement, p. 6.) The Commission issued D.04-07-022 in Phase I of the Edison GRC on July 16, 2004. On September 3, 2004, SDG&E provided a “Follow-up Exhibit,” marked as late-filed Exhibit No. 169 in this proceeding. SDG&E requested that its late exhibit be received into evidence. The exhibit was noted in D.04-12-015, but not formally received.

In granting rehearing in D.05-05-018, the Commission recognized that the record may be insufficient to support the SONGS calculation in D.04-12-015 because it relied on the RO model (Exhibit 409 in the SCE GRC) which is not in the record of the instant proceeding. The Commission concluded:

We will, therefore, grant limited rehearing in order to revisit this issue. Limited rehearing will give the parties an opportunity to help clarify and develop an adequate evidentiary record on the calculation of the SONGS costs. (D. 05-05-018, p.5, emphasis added.)

In Ordering Paragraph 2, the Commission ruled:

Rehearing is limited to the calculation of SDG&E’s share of SONGS costs, consistent with D.04-07-022, and to the development and clarification of the evidentiary record for the issues related to this calculation.

Proposed Procedure and Schedule

In its rehearing order, the Commission did not admit Ex. 169 and adopt the revenue requirement as argued by SDG&E. Nor did it admit Ex. 409 from the Edison GRC and affirm the estimate adopted in D.04-12-015. Therefore, it is clear that SDG&E must still present a sufficient showing to meet its burden of proof to justify a test year 2004 estimate of the SONGS revenue requirement and the Commission must still make sufficient findings and conclusions to adopt a reasonable test year estimate. Any interested party, including the settling parties

to Phase 1 in D.04-12-015, are free to examine SDG&E's showing and offer testimony in support or opposition. Parties are reminded that they agreed to defer to the Edison GRC decision, not to SDG&E's representations about that decision.

Prehearing Conference

A prehearing conference is scheduled for July 19, 2005, in San Diego, to allow parties an opportunity to be heard on the proposed scope for this phase of the proceeding and the proposed exhibits and possible witnesses as preliminarily identified in this ruling. Parties are directed to serve prehearing conference statements on July 15, 2005, addressing the proposed scope, provide a proposed list of exhibits and witnesses, any other relevant information, and a proposed schedule to complete the rehearing. Parties should indicate whether evidentiary hearings are necessary.

Scope of the Rehearing

This phase of A. 02-12-028 must do what the Commission did not explicitly do in Edison's A.02-05-004: it must adopt a specific revenue requirement for the 2004 SONGS costs billed by Edison to SDG&E. The Commission has adopted the correct SDG&E revenue requirement for SONGS costs incurred directly by SDG&E that are not billed by Edison. Based on the Order Granting Limited Rehearing, the narrowly defined scope for this new phase of the proceeding is as follows:

1. Identify and receive in evidence all necessary exhibits and testimony to forecast SDG&E's reasonable test year 2004 revenue requirement for its share of the ownership and operation of SONGS, as billed by Edison (but not those costs incurred directly by SDG&E) regardless of whether these exhibits and this testimony were previously available to the Commission when issuing D.04-12-015.

2. Calculate and adopt a forecast for test year 2004 consistent with D.04-07-022. This may not necessarily be the amount that SDG&E asserts is reasonable in Ex. 169.

Additionally, because of the passage of time, this phase should

3. Adopt an appropriate rate recovery method if the SONGS revenue requirement changes as a result of this rehearing. Parties should comment on whether any potential adjustment to the revenue requirement should be accounted for in SDG&E's Energy Resource Recovery Account (ERRA), or in some other specific fashion.
4. Adopt an appropriate adjustment to attrition year 2005 rates.

Proposed Exhibits and Witnesses

SDG&E and other parties are directed to serve as a part of a prehearing conference statement a list to:

1. identify any new exhibits they would propose to serve as necessary to support a reasonable 2004 test year estimate, and the witness(es) competent to sponsor these exhibits;
2. identify all existing exhibits already admitted in the proceeding (with specific citations for portions of those exhibits that may address a broader array of issues), including the identified but not yet admitted Ex. 169;
3. identify all existing transcript citations in this proceeding that are applicable to the SONGS forecast;
4. identify all existing exhibits in Edison's A. 02-05-004 that are applicable to support a reasonable 2004 test year estimate, and the witness(es) competent to sponsor these exhibits;
5. identify all existing transcript citations in Edison's A. 02-05-004 that are applicable to the SONGS forecast; and
6. identify the appropriate ratemaking mechanism (ERRA or elsewhere) to implement any potential adjustments to 2004 and 2005 revenue requirements.

Although parties are directed to identify relevant portions of the existing record in A.02-05-004 and A.02-12-028, the record for the disposition of the

rehearing encompasses the entire record in both proceedings as well as any further evidence subsequently added in this phase.

Other Information

Other factual information, including the actual detailed billings from Edison to SDG&E for 2003 and 2004, may shed light of the reasonableness of SDG&E's forecast of its 2004 SONGS's revenue requirement. Central to the allegation of error was SDG&E's contention that D.04-12-015 failed to include all of the costs billed by Edison because the decision misapplied the Edison RO model, Ex. 409. The Commission did not find that Ex. 409 could never be the basis for SDG&E's estimate - only that it was not in the record of this proceeding. Therefore, we must look to see what other information may support SDG&E's contention that some costs were omitted from the calculation in D.04-12-015. The actual detailed billings may support SDG&E's contention in Ex. 169 that the D.04-12-015 estimate omitted real costs. This does not imply that this phase should adopt 2004 actual costs, only that the actual billings may tend to support or disprove the assertion that specific actual cost elements were omitted. Therefore, SDG&E should prepare an exhibit that identifies all cost elements in the actual 2004 costs billed to SDG&E by Edison and cross-reference these elements to the cost elements in Ex. 169.

Parties are directed to include in their prehearing conference statement a list of any other information that may assist the Commission in this phase of the proceeding.

Prehearing Conference

A prehearing conference is scheduled on July 19, 2005 to allow SDG&E and other interested parties to comment on the proposed scope and necessary

exhibits to resolve the issue on rehearing. Prehearing conference statements shall be served in electronic format on July 15, 2005.

The prehearing conference is scheduled for 9:00 a.m. on Tuesday, July 19, 2005 at the San Diego State Building, 1350 Front Street, Room B-107, San Diego, CA.

IT IS RULED that:

1. San Diego Gas & Electric Company (SDG&E) and any interested party shall serve a prehearing conference statement in electronic format on July 15, 2005 addressing the questions posed in this ruling.
2. SDG&E shall serve on July 15, 2005 a new exhibit, as described in this ruling, that identifies and compares the various San Onofre Nuclear Generating Station cost elements included in actual bills from Southern California Edison Company in 2003 and 2004 compared to the cost elements included in Ex. 169.
3. A prehearing conference is scheduled for 9:00 a.m., July 19, 2005, at the San Diego State Building, 1350 Front Street, Room B-107, San Diego, CA.

Dated July 5, 2005, at San Francisco, California.

/s/ DOUGLAS M. LONG

Douglas M. Long
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have this day served a true copy of the original attached Administrative Law Judge's Ruling on Phase 3 for the Limited Rehearing Granted in Decision 05-05-018 the Calculation of SDG&E's Share of SONGS Costs by using the following service:

E-Mail Service: sending the entire document as an attachment to all known parties of record who have provided electronic mail addresses.

U.S. Mail Service: mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Dated July 5, 2005, at San Francisco, California.

/s/ ERLINDA PULMANO

Erlinda Pulmano

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.