

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

Pacific Gas and Electric Company

**Docket Nos. ER00-565-000
ER00-565-003
ER00-565-007**

ORDER PHASING PROCEEDING

(Issued August 11, 2003)

1. A prehearing conference was held on July 15, 2003 to discuss Pacific Gas & Electric's ("PG&E") Scheduling Coordinator Services ("SCS") Tariff cost allocation program. At the conclusion of that prehearing conference, I instructed the parties to submit briefs on the question of whether the existing procedural schedule should be suspended or adjusted in order to compel PG&E to re-run its cost allocation analysis to correct eight acknowledged errors that exist in data input and computation currently totaling nearly 20% (\$16 million) of PG&E's \$83.1 million in total costs requested in this case.
2. The parties submitted briefs to the undersigned on July 25, 2003. PG&E argues on brief that the cost of suspending the schedule now to require a re-run outweighs any benefit the intervenors may receive. PG&E takes the position that the parties should litigate based on the cost allocation numbers in PG&E's March 28, 2003 supplemental filing with the understanding that PG&E will re-run its cost allocation in a compliance filing after hearing and issuance of the initial decision.
3. At the July 15, 2003 prehearing conference and on brief, the Designated Intervenors¹ expressed concern that without a re-run now, PG&E's case lacks both the accuracy and completeness needed to afford the Designated Intervenors a full and fair opportunity to respond to PG&E's case. The Designated Intervenors emphasize that PG&E has acknowledged that these admitted errors do not affect each intervenor to the same magnitude. Given these known errors, the Designated Intervenors assert that it is virtually impossible for them to fully and fairly analyze PG&E's proposed allocations.

¹ The Designated Intervenors are: The City of Santa Clara, California, Silicon Valley Power, the Modesto Irrigation District, the Transmission Agency of Northern California, the Sacramento Municipal Utility District, the Turlock Irrigation District, the City and County of San Francisco, the Northern California Power Agency, and the San Francisco Bay Area Rapid Transit District.

4. At the July 15 prehearing conference as well as on brief, the Sacramento Municipal Utility District (“SMUD”) requested that the existing procedural schedule be phased in order to ensure a fair and impartial hearing. SMUD argues that this approach is a reasonable compromise that allows the proceeding to move forward.

5. On brief, Commission Trial Staff agrees with PG&E that requiring a re-run at this juncture would be an inefficient use of limited time and resources. Staff asserts that this case primarily involves issues of law and policy and that the errors PG&E has identified in its filing can and should be corrected during the compliance phase of this proceeding. According to Staff, despite the known errors in the underlying calculations, the decision to proceed forward without correcting those errors should not prejudice any of the rights of the parties in this proceeding.

6. Having read and considered the parties’ arguments on brief, on balance I find that bifurcating the proceeding into two different phases under the authority of Rule 504(b)(13) would address both PG&E’s concerns with the need to proceed with litigating the policy issues of this case as well as the Designated Intervenors’ concerns regarding the need to re-run the allocation model before litigating the cost allocation-related issues. Phase I of the proceeding will focus on liability issues followed by a Phase II that will focus on cost allocation issues. Phase I of the proceeding will be conducted under Docket No. ER00-565-007, and Phase II will be conducted under Docket Nos. ER00-565-000 and ER00-565-003.

7. While Phase I of this proceeding concerning all non-allocation matters will proceed on the existing procedural schedule, the procedural schedule for Phase II will be established after the Chief Judge establishes a track schedule for that portion of this proceeding.

SO ORDERED

Karen V. Johnson
Presiding Administrative Law Judge