

Decision No. 81517

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of San Diego Gas & Electric Company for authority, among other things,
(a) to offset increased fuel oil costs;
(b) to increase its rates and charges for electric service; (c) to include in its tariffs a Fuel Adjustment Clause; and (d) to add, modify or withdraw certain tariff schedules.

Application No. 52800

(Filed August 10, 1971)

In the matter of the application of San Diego Gas & Electric Company for authority, among other things,
(a) to increase its rates and charges for gas service; (b) to include in its tariffs a Purchased Gas Adjustment Clause or an expanded Advice Letter procedure for reflecting in its rates effects of changes in purchased gas costs; and (c) to modify certain of its tariff schedules.

Application No. 52801

(Filed August 10, 1971)

In the matter of the application of San Diego Gas & Electric Company for authority, among other things,
(a) to increase its rates and charges for steam service; (b) to include in its tariffs a Fuel Adjustment Clause; and (c) to modify certain of its tariff schedules.

Application No. 52802

(Filed August 10, 1971)

Sherman Chickering, C. Hayden Ames,
Donald J. Richardson, Jr.,
Chickering & Gregory, and Gordon
Pearce, by C. Hayden Ames, Attorney
at Law, for applicant.
Ronald L. Johnson, Attorney at Law,
for the City of San Diego; T. R.
Harwood, for the County of San Diego;
Robert Ohlbach, Attorney at Law, for
Pacific Gas and Electric Company;
Dave Johnson, for the Sierra Club,
San Diego Chapter; and Charles J.
Mackres, Attorney at Law, for West.
Div. Nav. Fac., Department of Defense,
interested parties.
Cyril M. Saroyan, Attorney at Law, and
E. R. Davidson, for the Commission
staff.

O P I N I O N

The above applications are requests for rate increases in applicant's three departments. These increases were granted by Decision No. 80432 dated August 29, 1972. Included in the electric and steam applications were requests for authority to add fuel adjustment clauses to applicant's tariffs. These requests were held in abeyance. After notice to all appearances, a hearing on the fuel adjustment clauses, together with initial adjustments in accordance with the terms thereof, was held before Examiner Rogers in the city of San Diego (city) on April 5 and 6, 1973, the parties presented arguments, and those who so desired were granted ten days in which to file proposed findings.

The City

Decision No. 80432 was labeled "Interim Order", the specific reason being that the request to add fuel adjustment clauses to applicant's tariffs was continued for future hearings. Prior to April 5, 1973, the city mailed its prepared testimony to all parties of record, including the Commission. Upon the receipt thereof, the Commission advised the city that at the hearing the only matter to be considered was the propriety of the proposed fuel adjustment clauses. The city disputed this and, at the commencement of the hearing, moved that the hearing be recessed to permit it to appeal this ruling to the Commission. This motion was denied by the examiner. We affirm.

During the course of the hearing the city attempted to place in evidence material at variance with the evidence on which the increases authorized by Decision No. 80432 were based (proposed Exhibits 102, 103, and 104). The examiner refused to accept the exhibits except for minor portions thereof. The city thereupon made an offer of proof,^{1/} joined by the Department of Defense, of results of operation antedating Decision No. 80432. We affirm the examiner's ruling and disregard the material submitted by the city.

After the hearing, the city filed a document entitled "Appeal by the City of San Diego to the Commission of Examiner's Rulings at April 5 and 6, 1973 Hearings and Motion to Receive in Evidence Exhibits Nos. 102, 103, and 104." In this motion, the city would attempt to reopen and relitigate the issues which it presented to the Commission during the 23 days of hearings on the consolidated rate applications. The city's proposed evidence,

^{1/} Staff counsel objected on the ground that the statement by the city was not an offer of proof. The examiner construed the statement as an offer of proof and we will treat it in accordance with his ruling.

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stricken by the examiner from the proposed exhibits, is not material in that it would delve into matters which we have considered and on which we based Decision No. 80432, now final. We deny the appeal by the city and affirm the examiner's rulings relative to the admission of evidence.

Application No. 52800 (electric) and Application No. 52802 (steam) included requests for fuel adjustment clauses. At the request of the applicant during the hearings which resulted in Decision No. 80432, supra, these requests were continued to a later date. The applicant, in the interim, revised its proposed fuel adjustment clauses to be similar to those authorized by Decision No. 79838, dated March 21, 1972, in Applications Nos. 52987 and 52988 (Southern California Edison Company) and Decision No. 81077, dated February 21, 1973, in Application No. 53185 (Pacific Gas and Electric Company).

The wording of the fuel adjustment clauses, as authorized herein, is set forth in Appendix A (electric) and Appendix B (steam) and are not repeated hereat. The wording adopted is that recommended by the staff and accepted by the applicant. None of the appearances objected with the exception of the Department of Defense which requested that the applicant should be required to file quarterly estimated results of operation on an annual basis, adjusted for known changes. Consistent with prior Commission decisions this request is denied (Re Pacific Gas & Electric Co., Decision No. 81077 dated February 21, 1973 in Application No. 53185, at page 12).

Decision No. 80432, dated August 29, 1972, authorized applicant an 8 percent rate of return in each department based on the fossil fuel costs then in effect. Applicant's forecast for the period of July 1, 1973 to June 30, 1974, using the base cost of fossil fuel, would give it an electric department return of 7.47 percent, a steam department return of 6 percent, and a combined operations return of 7.30 percent. The applicant estimated the increased cost of fuel will add \$4,477,000 to the

electric department expenses, \$68,200 to the steam department expenses and \$4,545,200 to the combined departments expenses. Applicant estimated that if the fuel clauses are made operative as it requested, its electric revenues will be increased by \$4,289,800, and its rate of return will drop to 7.45 percent, its steam revenues will increase by \$68,000, and its rate of return will drop to 5.79 percent, and its over-all rate of return will drop to 7.28 percent (Exhibit 96).

Applicant's vice president stated that the reasons for the fuel clauses are that fuel costs are approximately 40 percent of its electric department total costs and 54 percent of its steam department total costs; that, as a result, changes in fuel costs can have quite an impact on the applicant; that there is every indication that the applicant is and will be faced with frequent changes in fuel costs because of changes in the prices paid for fuel and the change in the mix of the fuels; that with these expected changes in the cost of fuel, a fuel adjustment clause would allow it periodically to reflect these changes in its electric and steam rates either upward or downward by the use of advice letter filings; that otherwise applicant will be confronted with the alternative of constantly filing offset applications to recoup increases in the cost of fuel; that a procedure whereby the applicant can change its rates to be responsive to changes in the cost of fuel would help postpone the likelihood of frequent general rate increase applications because its rate of return would not deteriorate as rapidly; that applicant has been advised that a fuel adjustment clause is looked upon with favor by financial analysts because of the effect it has on reducing fluctuations in the rate of return and retarding deterioration of interest coverage; that applicant has received a number of adverse

comments from financial analysts about its lack of a fuel adjustment clause which they consider necessary; and a fuel adjustment clause would be a positive point in maintaining its position in the eyes of the investment community.

The witness said the proposed clause includes provisions referring to the use of coal, and that at present applicant does not have any facilities that use coal as a fossil fuel but it may sometime in the future.

The witness said in the long run a fuel adjustment clause will be beneficial to the customers because the rate changes made by the advice letter procedure will not necessitate the substantial outlay of time and expense by the applicant, the Commission, and other parties which would be required by frequent offset applications, and since the Commission would retain full control over each request and no change would become effective without the opportunity for Commission staff review and Commission approval, neither increases or decreases would be automatic.

The witness added that if the fuel adjustment clause were authorized and the requested increase granted, the procedure would fall under Section (E)(1) (a) of Rule 23.1 of the Commission's Rules of Practice and Procedure.

Applicant's Director of Rates and Valuations testified that the proposed fuel clauses, Appendices A and B hereto, are basically the same as those in effect for Southern California Edison Company and Pacific Gas and Electric Company.

The witness said that the proposed electric department fuel cost adjustment clause provides that the bills for electric service will be increased or decreased in accordance with increases, or decreases, over the base fuel for electric generation; that these increases, or decreases, could result from changes

either in the cost of the types of fossil fuel used for generation, or in the mix of the type of fuels; that the base electric rates proposed to be used are those approved by the Commission in Decision No. 80432; that they reflect the base fuel cost of 62.56 cents per million Btu which is being used in the proposed adjustment clause; that the increases in rates which were authorized by Decision No. 81051 in Application No. 53631 will be incorporated into the proposed fuel cost adjustment because those increases were related to an increase in the cost of natural gas occurring after the setting of the base fuel cost to be used in this proceeding; that the adjustment amount will be added to, or subtracted from each bill for electric service calculated at the base electric rates; and that the adjustment amount for each customer will be the product of the kilowatt-hours used by that customer during the billing period times the effective adjustment rate per kilowatt-hour.

The witness said that the adjustment per kilowatt-hour will be calculated by (1) determining the base total fuel cost for the forecast period; (2) determining the forecast total fuel cost for the forecast period; and (3) dividing the difference in these two costs by the forecast total system sales during the forecast period; that the resulting unit adjustment per kilowatt-hour will be adjusted for franchise fees and uncollectibles and then rounded to the nearest one-thousandth of a cent per kilowatt-hour; that if this adjustment is greater or less than the then effective adjustment per kilowatt-hour, this new or revised adjustment will be filed with supporting data by advice letter with the Commission on or before the thirtieth day preceding the date on which the adjustment is to become effective; that the base total fuel cost will be determined by multiplying the total

fossil fuel requirements for the forecast period, stated in millions of Btu, by the base fuel cost; that the forecast total fuel cost will be determined by multiplying the forecast gas fuel supply by the unit cost of natural gas applicable to generating plants to be effective as of the first day of the forecast period; that the forecast coal fuel cost will be determined by multiplying the quantity of coal fuel expected to be used in the forecast period by the inventory price as of the first day of the forecast period; and that the quantities of diesel oil expected to be used in the forecast period will be multiplied by the inventory cost of diesel oil as of the first day of the forecast period and the residual oil use for the forecast period will be multiplied by the inventory cost in effect as of the first day of the forecast period; that if the forecast use of diesel or residual oil or coal will be greater than the amounts in inventory, the additional quantities required will be multiplied by the contract price including transportation charges and sales and use taxes in effect on the first day of the forecast period. He said the forecast period is the 12-month period starting on the first day of the effective date of any new or revised adjustment per kilowatt-hour. The witness said the fuel cost differential is divided by the total system sales but the resulting adjustment per kilowatt-hour applied only to the area system sales to reflect the fact that certain off-system sales, primarily sales for off-peak pumping to the California Department of Water Resources, are not subject to the fuel cost adjustment, and that, to ensure that any increased cost of generation incurred in supplying these sales is not charged to the customers in the service territory, the adjustment amount is calculated as described.

The witness stated that to implement the fuel cost adjustment clause an amount of 0.051 cents per kilowatt-hour would be added on July 1, 1973, if permitted by the Commission. The witness's calculations on which he based the increase are shown in Exhibit 95, Tab 1, Section C. A staff engineer pointed out an omission in the applicant's calculations and the witness accepted 0.049 cents as the proper adjustment with an estimated increase in electric revenues of \$4,121,600.^{2/}

The witness further testified that the proposed steam fuel cost adjustment clause is identical in concept to the proposed electric clause; it provides that the bills for steam service will be increased, or decreased, in accordance with increases or decreases over the base cost of fuel used for steam production; and that these increases or decreases could result from changes either in the cost of the types of fossil fuel used for steam production, or in the mix of the type of fuels. He said the base steam rates proposed to be used are those approved by the Commission in Decision No. 80432; that these rates reflect the base fuel cost of 63.45 cents per million Btu used in the proposed fuel adjustment clause; and that the adjustment amount will be added to, or subtracted from, each bill for steam service calculated on the base steam rate. The witness said the adjustment per thousand pounds will be calculated by (1) determining the base total fuel cost for the forecast period; (2) determining the forecast total fuel cost of the forecast period; and (3) dividing the difference in these two costs by the forecast total system sales during the forecast period.

^{2/} Exhibit 98.

The witness said the resulting unit adjustment per thousand pounds will be adjusted for franchise fees and then rounded to the nearest cent per thousand pounds; that if this adjustment is greater or less than the then effective adjustment per thousand pounds, this new or revised adjustment will be filed with supporting data by advice letter with the Commission on or before the thirtieth day preceding the date on which the adjustment is to become effective; that the base total fuel cost will be determined by multiplying the total fossil fuel requirements for the forecast period, stated in millions of Btu, by the base fuel cost; and that the forecast total fuel cost will be determined by multiplying the forecast gas fuel supply by the rates in Schedule G-54, effective as of the first day of the forecast period. The witness added that the quantities of diesel oil expected to be used in the forecast period will be multiplied by the inventory cost of diesel oil as of the first day of the forecast period and the residual oil use for the forecast period will be multiplied by the inventory cost in effect as of the first day of the forecast period; that if the forecast use of diesel or residual oil is greater than the amounts in inventory, the additional quantities required will be multiplied by the contract price, including transportation charges and sales and use taxes, in effect on the first day of the forecast period; that the forecast period is the same as for the electric clause; and that it is proposed that the implementation commence with the adjustment amount of \$0.18 per thousand pounds developed in Section C of Tab 2 of Exhibit 95, to go into effect on July 1, 1973.

The witness said the derivation of the fuel cost adjustment rate is shown on Exhibit 95, Tab 2, Section C.

The staff suggested some changes in the applicant's steam department clause. The applicant agreed.

Executive Order issued June 13, 1973 provided for the stabilization of the economy and the freezing of prices; therefore, the rate increases requested by the applicant are denied at this time.

Findings of Fact

1. In Decision No. 80432 issued August 29, 1972, in the general rate case portion of this proceeding, the Commission found reasonable a rate of return of 8 percent for applicant and, among other things, authorized it to increase its electric rates by \$20,346,000 (including \$6,475,700 authorized by Decision No. 79366 dated November 22, 1971) and its steam rates by \$113,000 so that it might realize a rate of return of 8 percent based on test year 1972.

2. The Commission in Finding 19 of Decision No. 80432 stated as follows: "The rates and charges authorized herein for electric, gas and steam service are just and reasonable and present rates and charges insofar as they differ therefrom are for the future unjust and unreasonable." The Commission reserved for future determination only the fuel adjustment clauses now under consideration. (Finding 23 of Decision No. 80432.)

3. The city of San Diego petitioned for rehearing of Decision No. 80432 presenting many of the same arguments now advanced by the city in Exhibits 102, 103, and 104 in these fuel clause proceedings. The Commission, in Decision No. 81072, issued February 21, 1973, denied the petition. The city did not petition the California Supreme Court for review within the 30-day period required by Section 1756 of the Public Utilities Code.

4. On July 11, 1972, the Commission issued Decision No. 80234 in Application No. 52250 authorizing applicant to surcharge gas and electric bills in the city of San Diego for a portion of the city of San Diego gas and electric franchise fees. The city of San Diego petitioned for rehearing of Decision No. 80234 presenting many of the same arguments concerning the franchise surcharges now advanced by the city in Exhibit 102. The Commission, in Decision No. 80636 issued October 17, 1972, denied the petition. The city petitioned the California Supreme Court for review of Decision No. 80234. On February 8, 1973, the California Supreme Court denied the petition.

5. Underlying the electric rates authorized in Decision No. 80432 is a test year 1972 fuel expense of 62.56 cents per million Btu.

6. Underlying the steam rates authorized in Decision No. 80432 is a test year 1972 fuel expense of 63.45 cents per million Btu.

7. Fuel costs are energy-related and should be recovered by applying a uniform energy charge to each kilowatt-hour sold in the case of electricity, and each thousand pounds sold, in the case of steam.

8. Applicant's amended proposed fuel cost adjustment provisions will be adopted because (1) in an inflationary period with rapid increases in the cost of fuel, an expedited method is required to permit a utility to recover these costs so that its ability to function is not impaired; (2) because fuel costs are approximately 40 percent of applicant's total costs for its electric department and 54 percent of its total costs for its steam department, an expedited proceeding to recover these increases will lessen the frequency of general rate cases; and (3) the provision enhances a utility's position in the financial community.

9. The adopted fuel clauses will not occasion an abdication of regulatory responsibility; nor will it decrease the incentive of applicant to keep costs down; nor will it be inflationary because any price increases brought about by use of the fuel clauses merely reflect the effect of past price inflation on the cost of fuel.

Conclusions of Law

1. Decision No. 80432 is final and not subject to collateral attack.
2. Decision No. 80234 is final and not subject to collateral attack.
3. The examiner properly excluded all or portions of Exhibits 102, 103, and 104, which sought to collaterally attack Decisions Nos. 80234 and 80432.
4. Applicant's amended fuel cost adjustment provisions for its electric and steam departments should be authorized as set forth in the order which follows.
5. Rate increases resulting from the implementation of the fuel cost adjustment provisions will not be considered until such time as the price freeze imposed by the President's Executive Order is terminated.
6. We have considered the various procedural recommendations of the executive agencies of the United States regarding the filing of quarterly results of operations, review of rate spread and standards for a public hearing requirement and have decided that at this time the adoption of such procedures is unnecessary.
7. Applicant should be required to submit reports covering the reasonableness of the prices it pays for fossil fuels and the recorded, adjusted, and estimated results of operations for its electric, steam, and combined departments.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company is authorized regarding its electric department to file with the Commission, on or after the effective date of this order, revised tariff schedules, with changes in conditions as set forth in Appendix A attached hereto. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be thirty days after the filing.

2. San Diego Gas & Electric Company is authorized regarding its steam department to file with the Commission, on or after the effective date of this order, revised tariff schedules, with changes in conditions as set forth in Appendix B attached hereto. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be thirty days after the filing. ✓

3. San Diego Gas & Electric Company shall file for its electric, steam, and combined departments a results of operation report on the ensuing year's operation by October 31 of each year and a report on the previous year's recorded and adjusted operations by March 31 of each year including in the latter report a showing on the reasonableness of the prices it pays for fossil fuels. ✓

The effective date of this order shall be twenty days after the date hereof.

Dated at Los Angeles, California, this 26th day of JUNE, 1973.

Norman L. Sturgeon
President

[Signature]
[Signature]
Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

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Applicant's electric conditions are changed to the extent set forth in this appendix.

Delete Section 7.1 of the Preliminary Statement and add the following:

PRELIMINARY STATEMENT
(Continued)

9. Fuel Cost Adjustment Billing Factor

- (a) Bills rendered under the rate schedules and special contracts contained herein shall be increased or decreased by an adjustment amount related to increases or decreases in the cost per million Btu of fuel used in the utility's generating plants as set forth below.
- (b) An adjustment amount per kilowatt-hour sold shall be determined and applied to service rendered on and after the effective date and continuing thereafter until the next such adjustment amount becomes effective in accordance herewith. A forecast period is the 12-month period commencing with the expected effective date of each adjustment amount per kilowatt-hour. Such adjustment amount shall not be revised more often than once every three months. If a change in the price of gas occurs which would change the adjustment per kilowatt-hour by at least 0.010 cents per kilowatt-hour based on the data other than the price of gas contained in the most recent regular filing hereunder, the utility shall file a revised interim adjustment per kilowatt-hour in accordance with the provisions of Section 9(g) below and such filing shall not be considered in determining the three-month period.

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9. Fuel Cost Adjustment Billing Factor

- (c) The amount of gas fuel shall be the quantity of gas in millions of Btu expected to be used in the utility's generating plants during the forecast period under average temperature conditions. The amount of coal fuel shall be the quantity of coal in millions of Btu expected to be utilized in available coal-fired generating facilities. The amount of oil fuel shall be the quantity of oil, in millions of Btu, equal to the difference between (1) the total fossil fuel requirements in the forecast period under normal conditions of temperature and precipitation, and (2) the fossil fuel requirements in the forecast period expected to be supplied by gas and coal fuels.
- (d) The base rates reflect a base cost of fossil fuel of 62.56 cents per million Btu. The adjustment amount per kilowatt-hour sold shall be determined as follows: The amount of the total fuel cost adjustment shall be determined by calculating the total estimated annual amount of fossil fuel expense (based on prices of fuels on or before the first day the proposed adjustment is to be effective and the fuel availability for the forecast period) and deducting therefrom the corresponding cost of the same quantity of heat energy using the base cost of fossil fuel. The total fuel cost adjustment for the system will then be allocated to customers by using a unit fuel cost adjustment billing factor (including a provision for franchise fees and uncollectibles and rounded to the nearest 0.001 cent per kilowatt-hour) and applying such factor to the quantities of energy billed.
- (e) The price of gas fuel shall be the average of each applicable rate or contract price, expressed in cents per million Btu, in effect on or before the expected effective date weighted by the quantity of gas expected to be used under such rate schedule or contracts during the forecast period. The price of oil fuel or coal fuel shall be the average cost of each type in inventory (determined in accordance with the Uniform System of Accounts) on the first day of the forecast period for

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the amount of such oil fuel or coal fuel in inventory and the price of any oil fuel or coal fuel required in excess of such inventory shall be at the price (including sales and use taxes) in effect at the first day of the forecast period.

- (f) The adjustment amount to be added to or subtracted from each bill shall be the product of the total kilowatt-hours for which the bill is rendered multiplied by the adjustment amount per kilowatt-hour.
- (g) Each adjustment amount per kilowatt-hour shall be filed by Advice Letter with the California Public Utilities Commission on or before the thirtieth day preceding the date on which such adjustment amount would become effective.
- (h) Effective for service rendered on and after _____, the adjustment amount per kilowatt-hour is _____ cents per kilowatt-hour. The adjustment amounts for Schedules LS-1, LS-2, LS-4, OL-1, OL-ME and DWL and Special Contract 175 are as follows:

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- (i) Any refund from a fuel supplier shall be refunded with 7 percent interest to the utility customers. A refund plan shall be filed with the California Public Utilities Commission when such refunds have accumulated to a total of \$1,000,000 or more.

Add the following statement to Schedules A-1, A-2, A-3, A-4, A-ME2, A-5, A-6, D-1, D-2, D-3, D-4, H, LS-3, P, P-ME, PA, and PDC:

"Fuel Cost Adjustment: The charges as determined above are subject to a fuel cost adjustment as provided for in Section 9 of the Preliminary Statement. The fuel cost adjustment billing factor set forth therein will be applied to all kilowatt-hours billed under this schedule."

Add the following statement to Schedules LS-1, LS-2, LS-4, OL-1, OL-ME and DWL:

"Fuel Cost Adjustment: The charges as determined above are subject to an adjustment amount as provided for in Section 9 of the Preliminary Statement."

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Applicant's steam conditions are changed to the extent set forth in this appendix.

Add the following to the applicant's Preliminary Statement:

PRELIMINARY STATEMENT
(Continued)

7. Fuel Cost Adjustment Billing Factor

- (a) As set forth below, bills rendered under the rate schedule contained herein shall be increased or decreased by an amount related to increases or decreases in the cost per million Btu of fuel used in the utility's generating plant serving the steam system.
- (b) A unit fuel clause adjustment billing factor stated in cents per 1000 lbs. of steam sold (adjustment factor) shall be determined and applied to service rendered on and after the effective date and continuing thereafter until the next such adjustment factor becomes effective in accordance herewith. A forecast period is the 12-month period commencing with the expected effective date of each adjustment factor. Such adjustment factor shall not be revised more often than once every three months. If a change in the price of gas occurs which would change the adjustment factor by at least 10 cents per 1000 lbs. of steam based on the data other than the price of gas contained in the most recent regular filing hereunder, the utility shall file a revised interim adjustment factor in accordance with paragraph (g) below and such filing shall not be considered in determining the three-month period.

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- (c) The amount of gas fuel shall be the quantity of gas in millions of Btu expected to be used during the forecast period under average temperature conditions. The amount of oil fuel shall be the quantity of oil, in millions of Btu, equal to the difference between (1) the total fossil fuel requirements in the forecast period under normal conditions of temperature and precipitation, and (2) the amount of gas fuel as determined above.
- (d) The base rates reflect a weighted average base cost of fossil fuel of 63.45 cents per million Btu. The adjustment factor shall be determined as follows: The amount of the total fuel cost adjustment shall be determined by calculating the total estimated annual amount of fossil fuel expense (based on the prices of fuels on or before the first day the proposed adjustment is to be effective and the fuel availability for the forecast period) and deducting therefrom the corresponding cost of the same quantity of heat energy using the weighted average base cost of fossil fuel. The total fuel cost adjustment for the system would then be allocated to customers by applying the adjustment factor (rounded to the nearest cent per 1000 lbs. of steam) to the quantities of steam billed. The total fuel cost adjustment, including a provision for franchise fees and uncollectibles, shall be divided by the forecast total sales to derive the adjustment factor.
- (e) The price of gas fuel shall be the average of each applicable rate or contract price, expressed in cents per million Btu, in effect on or before the expected effective date weighted by the quantity of gas expected to be used under such rate schedule or contract during the forecast period. The price of oil fuel shall be the average cost of each type in inventory (determined in accordance with the Uniform System of Accounts) on the first day of the forecast period for the amount of such oil fuel in inventory and the price of any oil fuel required in excess of such inventory shall be at the price (including sales and use taxes) in effect on the first day of the forecast period.

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- (f) The adjustment amount to be added to or subtracted from each bill shall be the product of the number of 1000 lbs. of steam for which the bill is rendered multiplied by the adjustment factor.
- (g) Each adjustment factor shall be filed by advice letter with the California Public Utilities Commission on or before the thirtieth day preceding the date on which such adjustment amount would become effective.
- (h) The adjustment factor shall be set forth in the rate schedule along with a reference to the Fuel Cost Adjustment Clause in the Preliminary Statement.
- (i) Any refund from a fuel supplier shall be refunded with 7 percent interest to the utility's customers. A refund plan shall be filed with the California Public Utilities Commission when such refunds have accumulated to a total of \$10,000 or more.

Add the following special condition to rate Schedule 1:

- "4. Fuel Cost Adjustment: The charges as determined above are subject to an additional adjustment factor as provided for in Section 7 of the Preliminary Statement. The adjustment factor to be applied to all steam service billed under this schedule is _____ cents per 1000 lbs."