

Decision No. 85291

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 to Increase its Fuel Cost
Adjustments Billing Factor for
Electric Service to Offset Increased
Fuel Costs Resulting from Rapid
Increases in the Cost of Fuel and
Changes in Mix due to Decreased
Gas Availability and Changes in
System Load and Assumed Purchased
Power Energy Availability.

Application No. 56049
(Filed November 6, 1975)

O P I N I O N

By this application San Diego Gas & Electric Company (SDG&E) requested a total annual increase in rates and charges of \$20,501,600 annually. SDG&E requests authority to increase its fuel cost adjustment billing factor for electric service to reflect increased costs to applicant resulting from increases in the cost of fuel, changes in mix due to decreased gas availability, and changes in system load and purchased power energy availability. Applicant further requests waiver of the 30-day limitation contained in Section 9(g) of the Preliminary Statement to applicant's Electric Tariff Schedule and for ex parte treatment of this application. Subsequent to the filing of this application SDG&E was informed of two future changes in the cost of natural gas purchased from Southern California Gas Company. On November 28, 1975, applicant submitted additional information at staff's request to reflect these latest known gas prices.

Preliminary Statements

The requested increase in applicant's fuel cost adjustment billing factor (FCABF) will result in an estimated increase in annual revenues of \$20,501,600. Pursuant to the request of the Commission's staff, applicant has submitted with this application two advice letters. Advice Letter 399-E (as Exhibit C with this application)

proposes to spread the increased fuel cost on a uniform cents per kilowatt hour basis, or a FCABF of 0.692¢/kwhr. Advice Letter 400-E proposes a change to the present tariff rates by taking into consideration lifeline rates, or a factor of 0.772¢/kwhr. Estimated annual revenue increase of \$20,501,600 will be the same by adopting either one of the proposed changes.

The Commission's staff recommended an increase in the FCABF of 0.762 cents per kilowatt-hour, by taking into consideration lifeline rates, resulting in an estimated revenue increase of \$20,051,800.

The City of San Diego on November 12, 1975 filed a petition to deny ex parte treatment of this application and a motion to dismiss the application, or in the alternative, to consolidate the application with Application No. 55627.

Discussion

Appendix A sets forth a summary of the differences between SDG&E and the staff forecasts and the resulting fuel clause factors and increases. The major difference between the staff and the utility is the estimated net heat rate of the system. Applicant used a system average heat rate of 11,512 Btu/kwhr which was based on a computerized dispatch of the individual generation unit heat rates through the forecast period. The staff utilized a system average heat rate of 10,741 Btu/kwhr, which is the calculated average over the last two years recorded data. Applicant submitted a projection of heat rates for the system through 1975 and 1976 in Application No. 55775. Those projected system heat rates and the proposed heat rate of 11,512 Btu/kwhr for 1976 are consistent, but, the recorded 1975 system heat rate is substantially lower than applicant's projection. The staff's estimated system heat rate for 1976 test year of 10,741 Btu/kwhr is consistent with recorded data and is reasonable for this proceeding.

The additional differences between the staff and applicant are that the staff estimates for purchased power, nuclear generation, total system requirements and forecast period sales are higher than applicant's and the staff utilized data available after filing of the application for developing inventories, fuel prices, gas availability, and residual-diesel fuel mix.

Petition and Motion by City of San Diego

The City of San Diego made two filings on November 12, 1975. A petition was filed to deny ex parte treatment of this application and to request a public hearing. The motion filed was to dismiss the application or in the alternative to consolidate it with Application No. 55627.

Neither of these requests is in the public interest and must therefore be denied. The Commission has recently found, after extensive public hearing, in Decision No. 85018 that SDG&E is experiencing a financial emergency. The Commission also recognized in that decision that it would be necessary to grant further offsets pending modification of the fuel clause itself to preclude a recurrence of overcollections. Further, the Commission has required SDG&E to separately account for revenues collected pursuant to the FCA billing factor which are to be refunded to the extent they exceed the actual increased fossil fuel expense. The Commission remains committed to complete amortization of all fuel clause overcollections including the 1974 profit on the sale of oil. There has been more than adequate opportunity for the City of San Diego to be heard at public hearings on these matters in prior proceedings involving the fuel clause including the Commission's own order instituting investigation, Case No. 9886. There is further opportunity for hearing on all other matters effecting the SDG&E Electric Department in Application No. 55627.

The City's other contentions with respect to the fuel clause filing including increased fuel prices, the mix of fuels, the heat rates, and the availability of gas and purchased power have all been thoroughly investigated by our staff whose recommendations have been entirely reflected herein.

Findings

1. The SDG&E Electric Department will experience increasing fossil fuel cost for the generation of electricity for the period January 1, 1976 to December 31, 1976. The supply of natural gas will be minimized by June, 1976 resulting in an increase in use of residual and diesel fuel oil (which is approximately double the unit cost of natural gas). It is reasonable to adopt a revised fuel cost adjustment billing factor to reflect the increase fuel cost to SDG&E.

2. It is reasonable to use a three months' burn period price to determine average fuel prices in the calculation of the FCAF for SDG&E as we have used in the past and was used in the present application by the applicant.

3. The Commission's staff estimates of the average unit cost as set forth in Appendix A are reasonable.

4. Applicant will have ample opportunity to present evidence for the heat rate in Application No. 55627 and future fuel clause proceedings. Based on the evidence available in this proceeding, we decline to adopt a heat rate level substantially in excess of past actual experience and adopt the staff's estimate.

Conclusion

The City's Petition and Motion are denied. The application should be granted to the extent set forth in the following order, and in all other respects denied. A public hearing is not necessary.

O R D E R

IT IS ORDERED that San Diego Gas & Electric Company is authorized to file revised tariff schedules in conformity with the provisions of General Order No. 96-Series, with the fuel clause adjustment billing factor increased to 0.762 cents per kilowatt-hour applicable to all sales excluding lifeline quantities. The effective date of the revised rates shall be on the date filed.

IT IS FURTHER ORDERED that San Diego Gas & Electric Company shall include in the revised tariff a provision that rates collected pursuant to the fuel clause adjustment factor authorized herein will be separately accounted for on SDG&E's books of account and will be refunded to the extent they exceed the increased fossil fuel expense.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 30th
day of DECEMBER, 1975.

William J. Agnew President
Vernon L. Stangen
For
Commissioners

APPENDIX A

San Diego Gas & Electric Company

A-56049

SUMMARY OF DIFFERENCES BETWEEN UTILITY AND STAFF FORECASTS

Line: No.:	Item	Units	Utility	Staff	Difference
1	Purchase Energy	M ² kw/hr	872.08	940.12	(69.04)
2	Nuclear Energy	M ² kw/hr	570.000	593.200	(23.2)
3	Fossil Gener. Gas	M ³ Btu	4,516.1	3,773.9	742.2
4	Fossil Gener. Diesel	M ³ Btu	14,713.6	4,643.0	10,075.6
5	Fossil Gener. Residual	M ³ Btu	77,754.1	81,867.0	(4,112.9)
5A	Heat Rate Fossil Fuel	Btu/kw/hr	11,512	10,741	771
6	Total Fossil Gener.	M ² kw/hr	8,425.13	8,405.55	19.58
7	Total System Requ.	M ² kw/hr	9,866.21	9,938.87	(72.66)
8	Gas Price	¢/M ³ Btu	128.21	133.99	(5.78)
9	Diesel Price (3 month burn)	¢/M ³ Btu	260.49	263.90	(3.41)
10	Residual Price (3 month burn)	¢/M ³ Btu	232.01	233.91	(1.90)
11	Inventory Residual	MBBL	2,437.35	2,907.2	(419.85)
12	Inventory Diesel	MBBL	435.44	406.5	28.94
13	Inventory Price Residual	\$/bbl	14.24	14.31	(0.07)
14	Inventory Price Diesel	\$/bbl	14.65	14.77	(0.12)
15	Replacement Residual	MBBL	10,008.7	10,297.2	(288.5)
16	Replacement Diesel	MBBL	2,073.8	387.2	1,686.6
17	Price Replacement Residual	\$/bbl	14.40	14.62	(0.22)
18	Price Replacement Diesel	\$/bbl	15.32	15.63	(0.31)
19	Forecast Period Sales	M kw/hr	8,650.47	8,718.16	(67.69)
20	FCABF	¢/kw/hr	0.772	0.762	0.010
21	Residual Oil Sales Adjust. Pursuant to D.84618, A-55506	¢/kw/hr	0.078	0.025	0.053
22	Forecast Sales Subj. to FCABF (Lifeline rates)	M ² kw/hr	6,773.69	6,834.96	(61.27)
23	Estim. Revenue Increase	M\$	20,501.6	20,051.8	449.8
24	Estim. Revenue Increase	%	5.8	5.6	0.2

(Red Figure)