

Mailed

Decision 91-10-046 October 23, 1991

OCT 24 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SAN DIEGO GAS & ELECTRIC COMPANY)
(U-902M) for Authority to Increase)
Its Authorized Level of Base Rate)
Revenue Under the Electric Revenue)
Adjustment Mechanism (ERAM) and Steam)
Revenue Adjustment Mechanism (SRAM),)
to Adjust Its Authorized Base Cost)
Amount in Its Annual Cost Allocation)
Proceeding (ACAP), and to Reflect)
These Increases in Rates Effective)
January 1, 1992.)

ORIGINAL

Application 91-03-001
(Filed March 1, 1991)

INTERIM OPINION

I. Summary

This interim opinion approves the Settlement Agreement signed by San Diego Gas & Electric Company (SDG&E), the Commission's Division of Ratepayer Advocates (DRA), and other interested parties on July 31, 1991. The parties reached agreement on all issues in SDG&E's application for a modified attrition adjustment for 1992, except for a cap on shareholder earnings on SDG&E's 1992 demand side management (DSM) program. The Settlement Agreement is found to be reasonable.

Subject to the final decision in this proceeding, SDG&E is granted the following increases to its base rate revenues effective January 1, 1992: electric department - \$48.5 million, gas department - \$12.7 million, and steam department - \$0.2 million.

The matters addressed by this interim opinion are the subject of stipulation and were not heard in evidentiary hearing. Evidentiary hearing was held on the issue of a cap on shareholder reward for 1992 DSM activities. A separate decision will be issued resolving this matter and incorporating SDG&E's share of expenses authorized in other pending proceedings.

II. Procedural History

A. Modified Attrition Proceeding

In Decision (D.) 89-12-052, SDG&E was ordered to file an application seeking a modified 1992 operational attrition allowance in lieu of its regularly scheduled Test Year 1992 General Rate Case (GRC). Consistent with that decision, SDG&E filed its application and supplemented its testimony on normal operational attrition with testimony on the following matters: rate base modifications to the fixed component of the attrition formula, a new productivity factor, and modifications to the variable component consisting of growth in specific operation and maintenance (O&M) areas, growth in medical and pension costs, and growth in DSM programs.

D.89-12-052 also provided a schedule for consideration of SDG&E's modified attrition adjustment. Accordingly, SDG&E filed its application with supporting exhibits, testimony, and work papers on March 1, 1991. DRA then undertook its audit of the application. On July 1, DRA filed its report on the attrition application. On August 1, intervenor California Energy Commission (CEC) filed its testimony. Although Utility Consumers Action Network (UCAN), the City of San Diego (City), and the Federal Executive Agencies (FEA) actively intervened, they did not submit any testimony.

B. Review of 1990 DSM Activities

On May 28, 1991, the ALJ hearing SDG&E's Biennial Cost Allocation Proceeding (Application (A.) 91-03-039) transferred the review of SDG&E's 1990 DSM activities to this proceeding. The reasonableness of that program is decided herein.

C. Development of Settlement Agreement

A prehearing conference was held in San Diego on July 12, 1991. At that time, SDG&E distributed a notice of settlement conference in compliance with Rule 51.1(b) of the Commission's Rules of Practice and Procedure. On July 31, 1991, SDG&E, DRA, UCAN, City, and FEA filed their "Joint Motion for Adoption of Settlement Agreement" pursuant to Rule 51.1(c). All of the moving parties have signed the Settlement Agreement, which governs all issues in the case, including SDG&E's proposed DSM programs and the existence of a shareholder incentive mechanism for 1992. Intervenor CEC and Natural Resources Defense Council expressly joined the settling parties on the DSM issue. However, the settling parties were unable to agree at that time on the question of what percentage of savings due to DSM realized in 1992 should be awarded to SDG&E shareholders (DSM reward) and whether the dollar amount of DSM reward should be subject to a cap.

On August 15, 1991, a second prehearing conference was held in San Francisco and "SDG&E's Motion for Waiver of Settlement Rules and for Issuance of an Interim Decision" was filed. SDG&E sought waiver of the comment process provided by Rule 51.4 et seq. on the basis that all of the parties who attended the prehearing conferences have joined in the settlement. In support of its request for an interim decision, SDG&E cited as precedent D.88-09-063, an interim decision adopting a stipulation on many, but not all, of the issues in SDG&E's 1989 Test Year GRC (A.87-12-003); the remaining issues were resolved in a subsequent decision (D.88-12-085).

At the prehearing conference, the ALJ shortened the time for response to SDG&E's motion from 15 days as provided under Rule 42(b) to 10 days. The deadline for response coincided with the commencement of evidentiary hearing on August 26, 1991 concerning the 1992 DSM reward and cap.¹ No response to SDG&E's motion has been received. The motion for waiver of settlement rules and for issuance of interim decision is granted.

III. Application of SDG&E

SDG&E requested an increase to its Electric Revenue Adjustment Mechanism (ERAM) Base Rate Revenue of \$87.3 million, an increase to its Annual Cost Allocation Proceeding (ACAP) Base Cost Amount of \$19.9 million, and an increase to its Steam Rate Adjustment Mechanism (SRAM) Base Rate Revenue of \$0.07 million. If those requests were granted, SDG&E's electric rates would increase by an average 6.4%, its gas rates would increase by an average 4.1%, and its steam rates would increase by an average 4.6%.

SDG&E requested these increases to its authorized base rate revenues because at current levels, SDG&E's base rate revenues would be insufficient beginning January 1, 1992 to cover increased operating expenses due to customer growth and new legally mandated programs, capital improvements needed to accommodate customer growth, and inflation that will occur during 1992, without impairing SDG&E's opportunity to earn its authorized rate of return.

¹ SDG&E, UCAN, and DRA signed a stipulation on these two issues, attempting to resolve this entire proceeding by settlement on August 26, 1991. However, because the CEC opposed any cap on shareholder earnings, evidentiary hearing was held to accept CEC's testimony on this issue. This decision addresses the Settlement Agreement of July 31, 1991. The terms of the August 26 stipulation will be considered, along with CEC's testimony, in a subsequent decision in this proceeding.

return. SDG&E's application to adjust rates due to these expenses was authorized as a modification to the routine attrition application.

IV. The Settlement Agreement

A. Standard of Review for Settlements

"The Commission will not approve stipulations or settlements, whether contested or uncontested, unless the stipulation or settlement is reasonable in light of the whole record, consistent with law, and in the public interest." (Rule 51.1(e).)

The Commission has also reviewed settlements on the same grounds as those employed by federal courts in their review of class action settlements. We have evaluated the fairness of a settlement on the basis of the relationship of the amount agreed upon to the risk of obtaining the desired result.

"In a proceeding under the Rate Case Plan... (such as this one), the settlement must be supported by a comparison exhibit indicating the impact of the settlement in relation to the utility's application. If the participating staff supports the settlement, it must prepare a similar exhibit indicating the impact of the proposal in relation to the issues it contested, or would have contested, in a hearing." (Rule 51.1(c).)

B. Basis of the Settlement Agreement

The first settlement conference was held on July 22, 1991, seven days after SDG&E had invited the parties to consider the potential for settlement. At least one additional settlement conference and informal meetings between the parties were held. This occurred four and a half months after SDG&E had submitted its testimony and workpapers for review, approximately four months after DRA undertook its mandatory audit of SDG&E's operations, and three weeks after DRA submitted its testimony on the application.

The independently prepared testimonies of SDG&E and DRA have been received in the record. In these testimonies, both parties fully advocated the merits of their positions on all of the issues identified by the Commission for resolution in this modified attrition proceeding. No settlement was proposed until after the parties had undertaken a thorough review of the issues and had sufficient time and resources to present their positions. SDG&E, DRA, City, and UCAN were represented by experienced and able attorneys.

Appendix A of the Settlement Agreement compares the attrition adjustments proposed by SDG&E, DRA, and the Settlement Agreement for the following items: O&M, rate base, and summary of earnings for each operating department (electric, gas, and steam). The staff did not prepare an exhibit specifically indicating the impact of the settlement in relation to the issues it would have contested in a hearing. However, the staff had distributed the testimony of its witnesses in preparation for evidentiary hearings. That testimony has been received in evidence. It is clear from reading the staff's testimony and comparing it against the utility's position that the amounts agreed to represent a fair compromise of the parties' positions.

In addition, the assigned ALJ propounded written questions of the settling parties to determine the scope of the stipulations concerning specific plant items and expenses. The response of the parties revealed no ambiguity in the terms or effect of the Settlement Agreement.

It appears that the Settlement Agreement was reached through a process whereby all of the settling parties had a fair opportunity to develop their positions and to advocate their interests. This tends to ensure that the result is fair to the parties and their constituents.

SDG&E sought a total revenue requirement increase of \$107.3 million. The DRA recommended an increase of \$69.8 million.

The parties' positions differed by \$37.5 million, roughly 35% of SDG&E's requested increase. The settlement provides SDG&E a total revenue requirement increase of \$74.8. This amount is adjusted for sales volumes and the Low Income Ratepayer Assistance (LIRA) balance to produce a net increase in base rates of \$61.4 million. The difference between the settlement figure and the parties' initial positions represents a fair compromise of the risk that either party would prevail in litigation, particularly given the complexity of the issues involved.

C. Terms of the Settlement Agreement

The increase in revenue requirement that would result from the Commission's adoption of the parties' positions may be summarized as follows:

Item	(Millions \$)		
	Application	DRA	Settlement
Normal Attrition	\$ 44.7	\$36.3	\$40.6
Modifications	62.6	33.5	34.2
Total Rev. Reqmt. Chg.	107.3	69.8	74.8
Sales/LIRA Adjustment ²	(29.0)	(24.6)	(13.4)
Base Rate Increase	78.3	45.2	61.4

Note: Some components of the settlement figures are subject to change due to the outcome of other pending proceedings; see section V., below.

The Settlement Agreement's proposed increase in base rate revenues would result in an average increase of 3.5% in electric rates, 2.6% in gas rates, and 13.6% in steam rates. The electric department revenue requirement, consisting of currently authorized revenue and the proposed attrition amount, would be allocated

² The sales adjustment recognizes that SDG&E will experience sales growth in 1992. The LIRA adjustment adds the balance in the Low Income Ratepayer Assistance program to reduce SDG&E's 1992 revenue requirement.

between customer classes on a pure Equal Percentage of Marginal Cost (EPMC) basis.³ The resultant gas department revenue requirement will be allocated among customers in accordance with the revenue allocation and rate design approved in SDG&E's pending BCAP. There was no proposal to change the rate design or revenue allocation for steam rates, so the revenue requirement increase will be spread on an equal cents per thousand pound basis.

The Settlement Agreement adopts the DRA's rate base figure of a total \$2,615.87 million and provides SDG&E with a total \$1,079.39 million in base rate revenues for electric, gas, and steam departments. SDG&E's 1992 authorized cost of capital will be determined in SDG&E's financial attrition proceeding. The base rate revenues are premised on tentative cost of capital numbers. Attached as Appendix A to this decision is the adopted summary of earnings for each department.

1. Normal Attrition

The settling parties concurred on the operation of the attrition mechanism. The initial difference between DRA and SDG&E estimates on normal attrition was due to different labor and non-labor escalation rates used in the attrition calculation. They agreed that the normal attrition mechanism produces an increase of

3. EPMC methodology allocates revenue requirement between customer classes on the basis of the utility's marginal cost to serve each class. First, the marginal cost to serve each class is determined, then those costs are summed. The percentage of the total marginal cost represented by the cost to serve the class is calculated for each class. The class percentage is then applied to the total revenue requirement to allocate revenue responsibility to each class.

\$33.23 million, \$18.43 million, and \$0.05 million to SDG&E's 1992 long weighted average rate base for the electric, gas, and steam departments, respectively.

The settling parties agreed to increase SDG&E's O&M expenses by \$10.884 million. This increase will cover the utility's electric, gas, and steam departments, divided into labor and non-labor categories. It is based on the cost escalation and forecast used by DRA in its report.

SDG&E has a 20% ownership interest in the San Onofre Nuclear Generating Station (SONGS). The remaining interest is owned primarily by Southern California Edison Company (Edison), which bills SDG&E for its proportional share of SONGS expenses. In prior years, the normal attrition mechanism has reflected adjustments due to changes in SONGS O&M expenses, SONGS refueling expenses, and Nuclear Regulatory Commission fees. The parties have included amounts consistent with DRA's position on SONGS issues in Edison's 1992 general rate case; however, they recommend that these expenses be adjusted in the final attrition order to reflect the Commission's decision in Edison's 1992 general rate case.

2. Modifications to Normal Attrition

Pursuant to D.89-12-052, SDG&E requested increases in several areas that are not normally addressed in an attrition proceeding. The parties agree to the following increases:

- a. \$15.087 Million for Real Growth in O&M Expenses Due to Increase in Customers

SDG&E had proposed a growth proxy, that is, an increase in O&M expenses equal to the percentage increase of estimated 1992 customers over the 1989 test year number. The DRA had rejected the growth proxy and proposed to evaluate each

proposed expenditure on its merits. DRA would have the Commission consider gains in productivity, which might offset any increase in O&M costs, as well as these "functional categories" identified by SDG&E: additional health care costs, research and development, customer service, and gas operations. Instead of adopting SDG&E's request for \$32.62 million or litigating the issue, the parties settled on \$15.087 million for real growth. This amount includes \$5.327 million for nuclear O&M growth.⁴

b. Additional Adjustments

The above O&M adjustment does not include the cost of restarting SDG&E's Silver Gate Plant. If SDG&E begins to overhaul the plant in 1992, SDG&E should be authorized to file an advice of letter requesting an increase in its authorized 1992 electric revenues of up to \$0.736 million. Any portion of this increase that is not expended in 1992 on the Silver Gate Plant will be refunded to customers through an ERAM adjustment. Authorized electric revenues would be collected in rates during the twelve-month period beginning May 1, 1993.

The Settlement Agreement authorizes a Research, Development, and Demonstration (RD&D) program expense of \$7.0 million. This figure is net of franchise fees and uncollectibles expense. SDG&E has agreed to conduct its RD&D activities in accordance with DRA's proposed guidelines, which were attached as Appendix C of the Settlement Agreement.

⁴ This amount is derived from DRA's filing in Edison's 1992 general rate case, and the Settlement Agreement specifies that this figure should be adjusted when a decision is issued in that proceeding if an amount other than DRA's proposal is adopted.

The total 1992 revenues provided by the Settlement Agreement do not include any amounts for WMBE expenses. The parties agree that the Commission's decision in the pending Edison GRC should govern the funding source for SDG&E's 1992 WMBE expenses. Additional revenues of \$0.547 million should be authorized for SDG&E for 1992 if the Commission requires continued base rate funding of WMBE expenses.

SDG&E may incur additional expenses in 1992 as a result of regulation by the San Diego Air Pollution Control District (Rule 69) and the enactment of one or more of the pending bills in the Legislature to increase SDG&E's environmental fees. The settling parties agreed that SDG&E should be authorized to file an advice letter to establish a memorandum account to record these expenses, and that the expenses shall be reviewed for reasonableness in a future SDG&E Energy Cost Adjustment Clause (ECAC) or other Commission-designated proceeding. Expenses found to be reasonable would be included in SDG&E's rates.

c. Productivity Adjustment That Exceeds Parties' Initial Recommendation

Both SDG&E and DRA filed testimony analyzing the level of productivity reflected in SDG&E's application. SDG&E's analysis showed productivity increases of 2.2% per year for its electric department, and an increase of 0.8% for its gas department. DRA had proposed productivity increases of 2.5% per year and 1.2% per year for the electric and gas departments, respectively. These parties agree that the Settlement Agreement will result in a level of authorized revenues for SDG&E that reflects a higher level of productivity than shown in either of the

studies. No productivity increase for the steam department was proposed by either party.

d. Rate Base for 1992 Increased by \$29.96 Million

The parties agree to this increase and specify that this figure does not include any of the \$8.824 million requested by SDG&E related to SONGS Design Basis Documentation, even though the agreed-upon results of operations tables include a \$0.561 million increase in depreciation expense reflecting the amortization of that \$8.824 million. The exact amount will be incorporated into the 1992 depreciation expense after the Commission decides this issue in the Edison Test Year 1992 GRC.

e. Recovery of DSM Expenditures in 1992

1992 Expenditures

SDG&E had been authorized in its last GRC and previous attrition proceeding to spend \$14.6 million on DSM in 1992. The settlement approved in D.90-08-068 granted SDG&E another \$21.5 million for the same purpose. The parties agreed that SDG&E's request for an additional \$8.92 million for 1992 DSM programs should be granted, subject to SDG&E's compliance with agreed-upon program and measurement standards.

1990 Reward

SDG&E had requested \$10.72 million in additional revenues as a reward for the results achieved through its 1990 DSM program. The parties agreed that only \$2.39 million in addition to amounts currently included in rates should be SDG&E's reward for 1990 DSM achievements. This stipulation modifies the portion of SDG&E's reward earned under the 1989 GRC penalty/reward mechanism (D.88-09-063). It does not affect the \$2.1 million earned by SDG&E in 1990 under the reward/penalty mechanism associated with programs covered by the stipulation approved in D.90-08-068. The latter award will be collected in equal parts over the 3-year period of 1992-1994.

The parties agreed to cap at \$7.15 million SDG&E's potential reward under the penalty/reward mechanism adopted in the 1989 GRC. As a result, SDG&E will reduce its reward claim of \$14.2 million to \$7.15 million for 1990 programs. For 1991, the \$7.15 million may be earned under the following tiered system: A maximum of \$4.5 million may be earned under the 1989 GRC penalty/reward mechanism. The remainder may be earned at a rate of 50% of the reward otherwise provided under the 1989 GRC penalty/reward mechanism.

Unspent funds for 1991 programs will be returned to ratepayers, with interest, in the form of an offset against the 1992 DSM revenue requirement.

1992 Incentive Mechanism

Although the parties agreed that an incentive mechanism for SDG&E's 1992 DSM program activities should be adopted, the CEC disagreed with the other parties on whether a cap should be placed on shareholder reward for DSM activities. That issue was litigated and will be resolved in a separate decision.

V. Coordination with Other Proceedings

As specified in the Settlement Agreement, this order is subject to revision to reflect Commission decisions on issues affecting SDG&E's revenue requirement. These issues are being litigated in SDG&E's financial attrition application (A.91-05-023), SDG&E's BCAP (A.91-03-039), and Edison's Test Year 1992 GRC (A.90-12-018), which will establish reasonable SONGS rate base, O&M, and other expenses, identify reasonable NRC expenses, and

determine whether WMBE expenses should be recovered in base rates or some other rate mechanism. A final order in this proceeding will be issued upon the resolution of these matters. That order will also determine the appropriate shareholder reward mechanism for SDG&E's 1992 DSM programs.

Findings of Fact

1. As directed by D.89-12-052, SDG&E has filed its application and supplemented its testimony on normal operational attrition with testimony on the following matters: rate base modifications to the fixed attrition component; a new productivity factor, and modifications to the variable attrition component consisting of growth in specific O&M areas, growth in medical and pension costs, and growth in DSM programs.
2. SDG&E filed its application with supporting exhibits, testimony, and work papers on March 1, 1991.
3. On May 28, 1991, the ALJ assigned to SDG&E's BCAP (A.91-03-039) transferred review of SDG&E's 1990 DSM activities to this proceeding. The testimony of SDG&E on this issue was made a part of this record.
4. The DRA undertook an audit of SDG&E's application. On July 1, DRA filed its report on the attrition application.
5. On August 1, intervenor CEC filed its testimony. Although UCAN, City, and the FEA actively intervened, they did not submit any testimony.
6. A prehearing conference was held in San Diego on July 12, 1991. At that time, SDG&E distributed a notice of settlement conference in compliance with Rule 51.1(b) of the Commission's Rules of Practice and Procedure.

7. A Settlement Agreement was signed by SDG&E, DRA, UCAN, City, and FEA on July 31, 1991. It governs all issues in the case, including SDG&E's proposed DSM programs and the existence of a shareowner incentive mechanism for 1992.

8. The settling parties were unable to agree on the question of what percentage of savings due to DSM realized in 1992 should be awarded to SDG&E shareholders (DSM reward) and whether the dollar amount of DSM reward should be subject to a cap.

9. On July 31, 1991, SDG&E, DRA, UCAN, City, and FEA filed their "Joint Motion for Adoption of Settlement Agreement" (Settlement Agreement) pursuant to Rule 51.1(c).

10. On August 15, 1991, a second prehearing conference was held in San Francisco and "SDG&E's Motion for Waiver of Settlement Rules and for Issuance of an Interim Decision" was filed.

11. All of the parties that attended the prehearing conferences joined in the settlement. No party opposed the settlement.

12. No response to SDG&E's motion for waiver and issuance of an interim decision has been received.

13. SDG&E's application sought an increase in ERAM Base Rate Revenue of \$87.3 million, an increase in ACAP Base Cost Amount of \$19.9 million, and an increase in SRAM Base Rate Revenue of \$0.07 million.

14. If the application were granted, SDG&E's electric rates would increase by an average 6.4%, its gas rates would increase by an average 4.6%, and its steam rates would increase by an average 4.1%.

15. The Settlement Agreement would provide SDG&E an increase to its ERAM Base Rate Revenue of \$48.5 million, an increase to its ACAP Base Cost Amount of \$12.7 million, and an increase to its SRAM Base Rate Revenue of \$0.2 million.

16. Under the terms of the Settlement Agreement, SDG&E's electric rates would increase by an average 3.5%, its gas rates would increase by an average 2.6%, and its steam rates would increase by an average 13.6%.

17. The settlement was proposed after the parties had undertaken a thorough review of the issues and had sufficient time and resources to present their positions.

18. It is clear from reading the staff's testimony and comparing it against the agreed-upon numbers in the Settlement Agreement that the amounts agreed to represent a fair compromise of the parties' positions.

19. The parties have included tentative numbers for SDG&E's cost of capital, its share of operating and capital expenses for the SONGS, the inclusion of Women/Minority Business Enterprise expenses in base rates, and gas revenue allocation framework in the Settlement Agreement.

20. A final attrition order is required to adjust SDG&E's modified attrition base revenue requirement and rates to reflect Commission decisions in SDG&E's annual cost of capital proceeding, Edison GRC, and SDG&E's BCAP.

21. The Settlement Agreement should be adopted on an expedited basis to enable SDG&E to plan its 1992 operations efficiently.

Conclusion of Law

The stipulation of SDG&E, DRA, UCAN, City, and FEA dated July 31, 1991 is reasonable in light of the whole record, consistent with law, and in the public interest.

INTERIM ORDER

IT IS ORDERED that:

1. The motion of San Diego Gas & Electric Company (SDG&E) for waiver of settlement rules and for issuance of interim decision is granted.

2. The Settlement Agreement dated July 31, 1991 and signed by SDG&E, Utility Consumers Action Network, the City of San Diego, Federal Executive Agencies, and the Commission's Division of Ratepayer Advocates, with the express concurrence of the Natural Resources Defense Council and the California Energy Commission on the issue of demand side management programs and the existence of a shareholder incentive mechanism for 1992, is approved, consistent with the foregoing discussion.

This order is effective today.

Dated October 23, 1991, at San Francisco, California.

PATRICIA M. ECKERT
President
JOHN B. OHANIAN
DANIEL Wm. FESSLER
NORMAN D. SHUMWAY
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY


NEAL J. SCHULMAN, Executive Director
PB

**SUMMARY OF EARNINGS AT PROPOSED RATES:
1992 REVENUES
(Thousands of Dollars)**

Combined Departments	SDG&E Application	DRA Report	Settlement Agreement
Base Rate Revenues			
- Retail Revenues	1,068,031	1,030,506	1,043,832
- Miscellaneous Revenues	20,157	20,157	20,157
- Non-Jurisdictional Revenues	1,445	1,445	1,445
- Subtotal Base Rate Revenues	1,089,633	1,052,108	1,065,434
Operating Expenses			
- Operating & Maintenance (Other than DSM)	359,277	327,140	339,455
- Demand-side Management	23,282	23,282	23,282
- Subtotal	382,559	350,422	362,737
- Franchise Fees & Uncollectibles	23,231	22,408	22,698
- Total O&M	405,790	372,830	385,435
- Depreciation	201,909	201,192	201,741
- Taxes (Other than Income)	50,508	50,129	50,353
- Income Taxes	143,270	142,544	142,527
- Total Taxes	193,778	192,673	192,880
- Total Operating Expenses	801,477	766,695	780,056
- Net Operating Income	288,156	285,413	285,378
- Rate Base	2,641,332	2,615,867	2,615,867
- Rate of Return	10.91%	10.91%	10.91%
- Other Base Rate Revenues	(1,892) ²	22,480 ²	13,955 ²
- Total Base Rate	1,087,740	1,074,588	1,079,389

¹Includes DSM programs in base rates. Excludes DSM programs in balancing account.
²Excludes DSM programs in balancing account.
³Includes DSM Reward, DSM balancing account, SONGS-2 & 3 post-COD Amortization, ERAM balancing account rate, and LIRA.

**SUMMARY OF EARNINGS AT PROPOSED RATES:
1992 REVENUES
(Thousands of Dollars)**

	Electric	SDG&E Application	DRA Report	Settlement Agreement
Base Rate Revenues				
1. Retail Revenues	220,800.0	904,976	873,064	883,910
2. Miscellaneous Revenues	17,005	17,005	17,005	17,005
3. Non-Jurisdictional Revenues	1,445	1,445	1,445	1,445
4. Subtotal Base Rate Revenues	239,250.0	923,426	891,514	902,360
Operating Expenses				
1. Operating & Maintenance (Other than DSM)	296,798	296,798	269,690	279,617
2. Demand-side Management ¹	18,406	18,406	18,406	18,406
3. Subtotal	315,204	315,204	288,096	298,023
4. Franchise Fees & Uncollectibles ²	19,619	19,619	18,932	19,163
5. Total O&M	334,823	334,823	307,028	317,186
6. Depreciation	172,803	172,803	172,173	172,722
7. Taxes (Other than Income)	43,557	43,557	43,244	43,435
8. Income Taxes	121,671	121,671	121,023	121,006
9. Total Taxes	165,228	165,228	164,267	164,441
10. Total Operating Expenses	672,854	672,854	643,468	654,349
11. Net Operating Income	251,800	250,572	248,046	248,011
12. Rate Base	2,296,830	2,296,830	2,273,353	2,273,353
13. Rate of Return	10.91%	10.91%	10.91%	10.91%
14. Other Base Rate Revenues	16,564 ³	16,564 ³	40,938 ³	33,733 ³
15. Total Base Rate	939,990	939,990	932,452	936,093

¹Includes DSM programs in base rates. Excludes DSM programs in balancing account.
²Excludes DSM programs in balancing account.
³Includes DSM Reward, DSM balancing account, SONGS 2 & 3 post-COD Amortization, ERAM balancing account rate, and LIRA.

SUMMARY OF EARNINGS AT PROPOSED RATES
1992 REVENUES
(Thousands of Dollars)

	SDG&E Application	DRA Report	Settlement Agreement
Base Rate Revenues			
Retail Revenues	1,637	1,613	1,627
Miscellaneous Revenues	0	0	0
Non-Jurisdictional Revenues	0	0	0
Subtotal Base Rate Revenues	1,637	1,613	1,627
Operating Expenses			
Operating & Maintenance (Other than DSM)	1,493	1,472	1,484
Demand-side Management			
Subtotal	1,493	1,472	1,484
Franchise Fees & Uncollectibles	31	30	31
Total O&M	1,524	1,502	1,515
Depreciation	41	41	41
Taxes (Other than Income)	51	50	51
Income Taxes	(9)	(9)	(9)
Total Taxes	42	41	42
Total Operating Expenses	1,607	1,584	1,598
Net Operating Income	30	29	29
Rate Base	272	268	268
Rate of Return	10.91%	10.91%	10.91%
Other Base Rate Revenues ¹	(351)	(351)	(351)
Total Base Rate Revenues	1,286	1,262	1,276

¹SRAM balancing account rate

SUMMARY OF EARNINGS AT PROPOSED RATES
1992 REVENUES
 (Thousands of Dollars)

	SDG&E Application	DRA Report	Settlement Agreement
Base Rate Revenues:			
Retail Revenues ¹	161,418	155,829	158,295
Miscellaneous Revenues	3,152	3,152	3,152
Non-Jurisdictional Revenues	0	0	0
Subtotal Base Rate Revenues	164,570	158,981	161,447
Operating Expenses:			
Operating & Maintenance (Other than DSM)	60,986	55,978	58,354
Demand-side Management ²	4,876	4,876	4,876
Subtotal	65,862	60,854	63,230
Franchise Fees & Uncollectibles	3,581	3,446	3,504
Total O&M	69,443	64,300	66,734
Depreciation	29,065	28,978	28,978
Taxes (Other than Income)	6,900	6,835	6,867
Income Taxes	21,608	21,530	21,530
Total Taxes	28,508	28,365	28,397
Total Operating Expenses	127,016	121,643	124,109
Net Operating Income	37,554	37,338	37,338
Rate Base	344,230	342,246	342,246
Rate of Return	10.91%	10.91%	10.91%
Other Base Rate Revenues³	(18,106)	(18,107)	(19,427)
Total Base Rate Revenues	146,464	140,874	142,020

¹Includes \$14,051 of Interdepartmental

²Includes DSM programs in base rates.

³Includes DSM Reward, LIRA, base rate balancing accounts and transmission

(END OF APPENDIX A)