

Decision 82 03 114 MAR 16 1982

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 rates and charges for electric)
and gas service (NOI 21).)

Application 59788
(Filed July 2, 1980;
amended December 22, 1980
and February 23, 1981)

ORDER MODIFYING DECISION 93892
AND DENYING REHEARING

A petition for rehearing of Decision (D.) 93892 has been filed by the Secretary of Defense on behalf of all executive agencies of the United States. In addition, a petition for modification has been filed by the United Federation of Small Business.

We have carefully considered each and every allegation of error and the request for modification in the above-named petitions. We are of the opinion that good cause for granting rehearing has not been shown. However, we believe that D.93892 should be modified to provide additional discussion and findings of fact on our utilization of short run marginal costs in the revenue allocation calculation and to correct certain errors that have been brought to our attention. Moreover, we wish to clarify the fact that in D.93892 we adopted the Equal Percentage Difference (EPD) method proposed by the staff but not the staff's revenue allocation figures. Also, D.93892 should be modified so as to encourage San Diego Gas and Electric Company (SDG&E) to contract with outside groups to help implement energy conservation programs.

Therefore, IT IS HEREBY ORDERED that,
D.93892 is modified as follows:

(a) The following paragraph is added to the discussion on conservation at the bottom of page 46:

"We believe that SDG&E should utilize not only its own available talent but also outside talent to implement conservation programs. Experience indicates that start-up costs and problems tend to be severe in the highly labor-intensive conservation programs. Contracting with outside groups in both the public and private sector may offer the most practical alternative to these problems in many cases. There are capable energy efficiency analysts in the private sector who could help SDG&E accelerate programs in the mid- and large-user market."

(b) The final four sentences of the first paragraph on page 172 are deleted.

(c) The following sentence is added to the second paragraph on page 176:

"The use of marginal cost pricing, as we also note in D.93887, allows us to send a signal to consumers regarding the present cost of consumption, thereby fostering energy conservation."

(d) The last paragraph on page 176 is amended to read as follows:

"Using numbers from SDG&E's marginal cost study (Exhibit 83), the SRMC is shown to be 11.3¢/kWh. This is derived by using the test year energy cost of 8.409¢ x a loss factor of 1.08 (Id., page 58), plus a demand cost of 2.261¢ (Id., page 61). However, this SRMC, if fully reflected in rates, would produce revenues in excess of the revenue requirement. Accordingly, the tables set forth on pages 173 and 174 depict the effective and base rate revenue produced by utilizing the SRMC reduced to the revenue requirement by the use of the staff's EPD method. The results shown thereon are not dramatically different from what they would be if the SDG&E and Federal Agencies equal percent of marginal cost (EPMC) method were utilized. This is because SDG&E's adopted revenue requirement is very close to SRMC."

(e) The last paragraph on page 176a is amended to read as follows:

"Because the staff EPD method maintains the existing rate relationship between classes slightly better than the EPMC method, we will adopt the staff's EPD method."

(f) The following findings of fact are added:

"49a. Marginal cost pricing allows a signal to be sent to consumers regarding the present cost of consumption, thereby fostering conservation. As a minimum, rates should reflect the short-run marginal costs (SRMC) of providing a kWh of electricity.

"49b. SRMC consists of energy costs, that is, fuel costs plus variable O&M expenses, and the costs of incremental generation plus generation-related transmission."

(g) Finding of Fact 52 is modified to read as follows:

"52. The staff's EPD marginal cost electric revenue allocation method should be adopted."

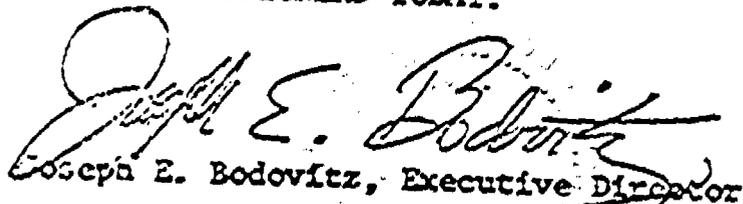
Rehearing D.93892, as modified herein, is denied.

This order is effective today.

Dated MAR 16 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. CREW
Commissioners

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


Joseph E. Bodovitz, Executive Director