

Decision 82 12 058 December 13, 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)

(See Decision 93892 for appearances)

Additional Appearance

Thomas J. Vargo, for Department of the  
Navy and All Executive Agencies of the  
Federal Government.

ORDER CORRECTING MECHANICAL COMPUTATIONAL ERRORS  
AND REVISING EXPENSES

Summary

Mechanical computational errors discovered by San Diego Gas & Electric Company (SDG&E) in Decision (D.) 93892 have been determined and corrected. SDG&E is authorized to file revised attrition allowances reflecting the corrected numbers. SDG&E is ordered to base attrition allowance on revised labor and nonlabor expenses proposed by Commission staff.

SDG&E's Petition for Modification

On December 30, 1981 the Commission issued D.93892 in SDG&E's Application (A.) 59788 for a general rate increase. D.93892 authorized SDG&E to increase its base rates to provide the following increments of revenue for the 1982 test year:

Electric	\$144,613,400
Gas	21,609,300
Steam	<u>79,600</u>
Total	\$166,302,300

The decision, in Ordering Paragraph 7, also authorized SDG&E to file, on November 1, 1982, an advice letter for revised gas, electric, and steam rates for 1983, based on an attrition calculation adopted in the decision.

In analyzing D.93892, SDG&E discovered what appeared to be inconsistencies between the Commission's language and numbers. These inconsistencies were identified in two areas, one in 1982 and 1983 rate base, and the other in "nonlabor expense (not subject to indexing)" in the 1983 attrition mechanism.

SDG&E discussed the inconsistencies with the Commission staff and confirmed that the adopted 1982 results were indeed erroneous. The utility requested and received copies of the workpapers that the staff used in determining nonlabor expense (not subject to indexing) for the adopted results in D.93892. SDG&E reviewed the workpapers and identified what it considered to be two errors in the calculation of income taxes, one on the interest expense deduction and one on the overall calculation.

After SDG&E had identified the three errors, it filed, on April 2, 1982, the petition for modification being considered in this decision, requesting that electric revenues collected in 1982 be adjusted downward, consistent with the balancing account adopted in D.93892, and that the adopted 1983 tax expense to be used in determining the attrition allowance for 1983 be modified.

Opposition of City

The City of San Diego (City), on April 6, 1982, filed a motion opposing SDG&E's petition for modification. The City requested that, should the Commission consider SDG&E's petition, the Commission should consider the labor and nonlabor escalation rate assumptions used in D.93892, as such assumptions might no longer be valid due to charged economic conditions.

Scope of Reopened Proceeding

The Commission, by D.82-10-051, dated October 20, 1982, reopened the proceeding, but specifically limited the reopened proceeding to the reception of evidence concerning the errors alleged by SDG&E. On October 26, 1982, City filed a petition for rehearing of D.82-10-051. In the petition, City contended that while the Commission, has authority to limit issues under the rehearing sections of the Public Utilities (PU) Code §§ 1731 through 1736, it does not have similar authority under PU Code § 1708, which authorizes reopening.

A public hearing on SDG&E's petition was held on November 1, 1982, and evidence was taken on the limited issue of the computational errors.

At the November 1 hearing, counsel for City argued that the assumptions made in estimating the 1982 test year have turned out to be incorrect and unless the Commission reexamined those assumptions, it would be compounding those errors by building a 1983 attrition allowance on incorrect 1982 figures. He argued that if the figures were corrected for 1982 and what is currently forecasted for 1983, they would very likely offset the alleged errors or even make a rate reduction appropriate.

On November 3, 1982, the Commission, by D.82-11-040, again reopened A.59788. The Commission declared:

"Having considered the merits of reopening the proceeding to examine the escalation factors which will be the basis for implementing the attrition allowance, we take note of the fact that inflation for both labor and non-labor expenses has not been as high as was predicted at the time of the issuance of D-93892.

"The Attrition Rate Adjustment (ARA) mechanism does not provide for any adjustment of SDG&E's 1982 adopted results of operations before the use of indexes to achieve the 1983 attrition allowance. However, we believe it is appropriate at this time to reopen Application (A.) 59788 for the limited purpose of taking evidence on the actual labor and non-labor expense index changes which have occurred in 1982 and the impact of such recorded index changes on the calculation of the 1983 attrition allowance for labor and non-labor expenses. We do not by this decision intend to revise SDG&E's 1982 rates, nor reopen the question of what indexes are to be used for calculating the attrition allowance, nor what the actual levels of expense activity were for 1982.

"Once this information has been received in the record, the Commission will proceed to grant an attrition allowance based upon the full record and SDG&E's advice letter filing.

"As this limited reopening will provide a forum for the issues raised by the City of San Diego with respect to labor and non-labor escalation for 1982, the City's petition for rehearing is now moot, and the Commission therefore will dismiss same."

A public hearing on the index changes was held on November 22, 1982 and the reopened proceeding again submitted to the Commission for decision.

Public Hearings

At the November 17 hearing Malyn K. Malquist, regulatory finance supervisor for SDG&E, presented Exhibit 210 which described the alleged errors. Malquist and Francis S. Ferraro, supervising utilities engineer of the Commission's Revenue Requirements Division jointly sponsored Exhibit 211 setting forth agreed amounts of the errors. Both witnesses were examined by counsel for City and the Executive Agencies of the United States (Federal Government). There were no closing statements or briefs.

At the second hearing, on November 22, Malquist presented Exhibit 212 which had been prepared in response to SDG&E's understanding of the Commission's intentions in D.82-11-040. Ferraro presented Exhibit 213 which conformed to his understanding of D.82-11-040. At the second hearing, counsel for SDG&E provided alternate attrition index calculations which he alleged were similar to a showing made by another utility in a parallel proceeding. The other parties, not having had an opportunity to examine the calculations, protested. In order to avoid the possibility of a delay in submission, the parties stipulated that the alternate calculations be merely identified as an item for reference.

Corrections of Errors  
Proposed by SDG&E

Subsequent to the filing of the petition for modification, SDG&E changed its proposed revisions slightly. The revised changes to D.93892, as proposed in the joint SDG&E/Commission staff-sponsored Exhibit 211, are as follows:

1982

Adjust Electric Department jurisdictional rate base on page 82 downward by \$6 million to \$1,199,220,000.

Adjust Electric Department jurisdictional revenue requirement on page 82 downward by \$1,622,000 to \$502,849,400.

1983

Adjust Electric Department Rate Base on page 36 downward by \$6 million to \$1,314,508,600.

Adjust Electric Department nonlabor expense (not subject to indexing) on page 36 upward by \$8,720,300 to \$239,896,900.

200,000.0

Expense Error

200,000.0

Expense Error

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200,000.0

Expense Error

Adjust Electric Department Rate Base on page 36 downward by \$6 million to \$1,314,508,600.

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Adjust Electric Department jurisdictional rate base on page 82 downward by \$6 million to \$1,199,220,000.

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Adjust Electric Department jurisdictional revenue requirement on page 82 downward by \$1,622,000 to \$502,849,400.

Adjust Gas Department nonlabor expense (not subject to indexing) on page 36 upward by \$4,606,000 to \$35,990,300.

Adjust Steam Department nonlabor expense (not subject to indexing) on page 36 upward by \$9,900 to \$136,200.

The 1983 Electric Department rate base adjustment would lower the Electric revenue requirement by \$795,000. The other 1983 adjustments would flow directly through to revenue requirement, for a total company increase in 1983 authorized revenue of \$12,541,200 determined as follows:

Electric Department	\$ (795,000)
Effect of Rate Base Error	\$ (795,000)
Expense Error	8,720,300
Subtotal	\$ 7,925,300
Gas Department Expense Error	4,606,000
Steam Department Expense Error	9,900
Total 1983 Revenue Effect	\$12,541,200

SDG&E proposes that the effect of the 1982 rate base error be returned to customers by adjusting the 1982 Electric Revenue Adjustment Mechanism (ERAM) balancing account downward by \$1,622,000. The authorized revenue change would be revised downward from the \$504,471,400 shown on page 82 of D.93892 to \$502,849,400.

To recover the net effect of the 1983 errors, SDG&E's witness Malquist proposed that the Commission permit the corrected figures to be included in the revenue adjustment which would result from 1983 rates that SDG&E was authorized by Ordering Paragraph 7 of D.93892 to file to offset financial and operational attrition.

Counsel for SDG&E said that, simultaneously with the hearing, the utility was filing a \$50,225,300 attrition advice letter rate request based on the results adopted on page 36 of D.93892. This advice letter filing did not provide for a correction of mechanical computational errors since the utility could not anticipate what the Commission might do about its petition for modification. (The advice letter filing was subsequently rejected for the convenience of the Commission in considering the attrition issues of the reopened proceeding.)

Nature of Errors

Rate Base Errors

The \$6,000,000 rate base error was in the category of plant held for future use. In determining a rate base for the results adopted by the Commission, the staff overstated 1982 rate base by \$6,000,000 and this error was carried over into the 1983 rate base. SDG&E computed the revenue requirement change by taking the \$6,000,000 rate base error, multiplying it by the 1982 authorized rate of return, and then multiplying the resulting figure by the net-to-gross multiplier used by the staff for the Electric Department.

Income Tax Error - Interest Expense Deduction

The first income tax error resulted from the method currently being used by the Commission in determining income tax allowances for rate base purposes. Since 1970, the adopted results in Commission decisions have included income taxes computed using interest deductions attributable to securities associated with utility plant included in rate base. Interest associated with plant not in rate base, such as that carried in Account 107, Construction





Revenue Effect of Errors

The revenue effect of the 1982 Electric Department rate base error was determined by SDG&E as follows:--  
 Rate Base Error: \$6,000,000  
 Authorized Rate of Return: 12.92%  
 Operating Income Effect: \$775,200  
 Net-to-Gross Multiplier: 2.0924  
 Revenue Requirement Effect: \$1,622,000

The amounts of the 1983 income tax errors are:

Electric	\$4,451,000	
Gas	3,607,000	
Steam	10,000	
Total	\$8,068,000	
Depreciation Errors:		
	Federal	State
Electric	\$4,985,600	\$3,988,500
Gas	794,100	635,300
Steam	800	600
Total	\$5,780,500	\$4,624,400

The tax effect of these errors was obtained by use of a computer so the intermediate steps are not available in the record. The reduction in revenue requirement associated with the \$6,000,000 Electric Department rate base error will result in reduced income taxes. The total tax and expense effect are:

	Income Tax Effect of Interest and Depreciation Errors	Net-to-Gross Effect of Rate Base Error	Total Tax and Expense Effect of Errors
Electric	\$ 9,588,758	\$(868,458)	\$ 8,720,300
Gas	4,606,000		4,606,000
Steam	9,900		9,900
Total	\$14,204,658	\$(868,458)	\$13,336,200



Discussion of Errors

Although both witnesses were examined by counsel for City and Federal Government, neither of the interested parties elicited any indication that the errors did not occur in the amounts and ways described in the direct testimony. Staff witness Ferraro, who had assisted the Commission by performing the calculations required for the results adopted by the Commission in D.93892, forthrightly admitted the mistakes. The Commission will find that D.93892 contains mechanical computational errors as discovered by SDG&E in its analysis of D.93892 and will conclude that the mistakes should be corrected.

Corrected Errors

Upon being revised by striking and correcting the computational errors determined by this decision, page 36 of D.93892 should read as follows:

"SDG&E will use the numbers set forth below in preparing its advice letter for the 1983 attrition allowance:

	<u>Gas</u>	<u>Electric</u>	<u>Steam</u>
	(\$000)		
Labor Expenses x CPI	27,973.9	60,195.4	97.8
NonLabor Expenses x PPI	10,805.5	64,498.6	104.4
F&U	2,144.9	10,608.9	8.3
NonLabor Expenses (not subject to indexing)	35,990.3	239,896.9	136.2
	<del>21,384.3</del>	<del>231,176.6</del>	<del>126.3</del>
Rate Base	191,114.4	1,314,508.6	459.0
		<del>1,320,500.6</del>	
F&U Factor	.0256	.0214	.0256
Rate of Return	13.25%	13.25%	13.25%

The appropriate figures of Table 1, Column E, on page 82 (as stricken and corrected) should read:

	Authorized
	(E)
	\$502,849.4
Revenues	\$504,471.4
	1,199,220.0
Rate Base	1,205,220.0

Positions of Parties Regarding Reexamination of Attrition Factors

SDG&E strongly opposed the further reopening of the proceeding to consider attrition, both by a statement of position filed November 16, 1982, and by statement of counsel at the hearing.

SDG&E argued that in the course of its original consideration of A.59788 the Commission considered and flatly rejected a proposal by City for an attrition adjustment as contemplated by D.82-11-040. Furthermore, in three other major energy utility rate cases the Commission repeatedly emphasized its refusal to take a second look at attrition adjustments. In a discussion on one of these cases, the Commission acknowledged the usefulness of indices, even in light of the volatile economic activities characteristic of the recent past and the likelihood that the indices would, to some extent, be in error. (Southern California Gas Company D.92497, dated December 5, 1980). With this degree of specificity in rejecting such adjustments, SDG&E believed that it was justified in relying on the finality of that aspect of D.93892. That reliance took several forms:

1. The Commission's decision in D.93892, which was affirmed by the court.	2. The Commission's decision in D.93892, which was affirmed by the court.	3. The Commission's decision in D.93892, which was affirmed by the court.	4. The Commission's decision in D.93892, which was affirmed by the court.
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9. The Commission's decision in D.93892, which was affirmed by the court.	10. The Commission's decision in D.93892, which was affirmed by the court.	11. The Commission's decision in D.93892, which was affirmed by the court.	12. The Commission's decision in D.93892, which was affirmed by the court.

- a. SDG&E went forward with financial and operational reporting to the financial community. Its estimates of 1983 attrition allowance as determined by the Commission in D.93892 were made as to the level over the 1982 base. In turn, the financial community made representations to prospective investors and these investors in turn relied also on the finality of the decision. A change in course by the Commission could cause irreparable injury to SDG&E and its shareholders. In the future, great uncertainty would exist as to their base level of revenues through the test year and investors will shy away from SDG&E.
- b. SDG&E relied on the finality of D.93892 with respect to its annual budgeting process. SDG&E recognized that it must and it does budget annual expenses in accordance with prospective authorized revenues, and these, in turn, give rise to exceedingly tight constraints on operations. Now, 11 months into the test year 1982, SDG&E's budget and planning process is well in place and there are new added uncertainties arising due to the contemplated action by the Commission. SDG&E submits that the doctrine of equitable estoppel does apply to the government's action.

For the reasons given, SDG&E contends that a change in the attrition allowance would amount to an abuse of the Commission's administrative discretion, especially in view of the Commission's extensive previous statements to the effect that no such change would be made.

SDG&E commenting on its understanding of the intent of D.82-11-040 asks:

"If inflation for both labor and non-labor expenses had been higher than predicted at the time of the issuance of Decision 93892, would the Commission have considered an opposite adjustment to the 1983 attrition adjustment?"

SDG&E answers that, in fact, the recent past is replete with instances where a utility was not compensated for the risks inherent in prospective test and attrition year ratemaking when economic circumstances would have justified such compensation. SDG&E contends that a one-way attrition mechanism is unjust and unreasonable.

If any adjustment is to be made at all, SDG&E asserts the Commission should establish an attrition mechanism which provides the opportunity to adjust escalation rates for indices available late in the test year. This kind of adjustment for recorded escalation rates should not be one-sided. It should allow attrition year base revenues to fluctuate, either down or up, dependent only upon the variance between adopted test year escalation rates and an estimate of test year escalation rates available late in the test year. The attrition year increase would, of course, incorporate the forecasted inflation rates.

To ensure such treatment, SDG&E recommends that in the future the Commission adopt the following measures in establishing attrition mechanisms:

1. Expenses to be escalated in the attrition mechanism should be in pre-test year dollars (not test year or attrition year dollars). For example, SDG&E's 1983 attrition mechanism would include expense estimates in 1981 dollars. This

would eliminate the need to estimate test year and attrition year escalation rates until late in the test year, making expense estimates potentially much more accurate, and the record more clear.

2. All O&M expenses, except those which are in no way subject to the impacts of inflation, should be escalated. Specific known expense variances in the attrition year should be reflected in the pre-test year dollars and escalated as part of the attrition mechanism.
3. Expenses would be escalated twice. Late in the test year, the estimated test year and attrition year escalation rates would both be applied to the expenses which have been stated in pre-test year dollars. This would be done through an advice letter filing and would not require additional hearings, as was the intent of D.93892.

SDG&E maintains that any Commission order adjusting SDG&E's 1983 attrition allowance should include these three elements.

Counsel for City made a brief statement in which he said that City appreciated the Commission's taking additional evidence on labor and nonlabor expense index changes. City was, however, still opposed to the entire concept of an operational attritional allowance and believes that a financial attrition allowance should only be used during periods of increasing inflation and rising interest rates. He pointed out that interest rates had dropped substantially and that the forecasted increase in the Consumer Price Index (CPI) and Producer Price Index (PPI) are so small that increases in productivity should more than overcome the increases in cost due to inflation.



Staff counsel noted that the utility's opening statement dealt with the appropriateness of the reopening of the proceeding. The fact is that the Commission has reopened, and staff counsel deemed SDG&E's arguments to be moot.

Expense Effect of Experienced  
Expense Index Changes

Although the SDG&E position is that no recognition of the effect of index changes is appropriate, the utility responded to the Commission's request for evidence on the changes.

SDG&E and the staff used generally the same methods to respond to the Commission's charge in D.82-11-040. First the expenses that were subject to indexing, as shown on page 36 of D.93892, were deflated by the adopted escalation rate, for both labor and nonlabor, of 10%. The deescalated labor estimates were then reescalated by the actual labor increase of 8.5% for 1982. The deescalated nonlabor estimates were reescalated by Data Resources Inc.'s (DRI) projected increase in the PPI of 3.9% for 1982. SDG&E then proceeded to calculate adjusted 1983 expenses to be used in its 1983 attrition advice letter filing, whereas the staff confined itself to revising figures in D.93892.

There was one important difference between the SDG&E and staff responses, however. Witness Ferraro testified that the classification "nonlabor expenses (not subject to indexing)" was mislabeled. Ferraro had supervised the derivation of this classification at the Commission's direction in the formulation of D.93892. He stated that the classification actually included some items in the administrative and general expenses and in the operating and maintenance expense categories for the Electric Department that contained labor and nonlabor components that were escalated to achieve the 1983 estimate for this line item. Ferraro

OVERVIEW OF PROCEEDING BETWEEN 1981 TO 1983  
 SENATE INVESTIGATION OF THE  
 (1983)

therefore responded by revising this line item. In response to a question by the administrative law judge (ALJ), Ferraro said that "fixed expenses" would be a more appropriate designation for this line item.

Witness Malquist did not make a similar adjustment and explained why in his testimony. He said that only a portion of the nonlabor expenses (not subject to indexing) are related to O&M expenses. Certain O&M expenses were placed in this category purposefully. The Commission adopted the staff's recommendation to exclude specifically these O&M dollars from indexing because they could be accurately estimated at the time of the decision. These expenses relate to specific programs addressed in Section IX of D.93892. According to Malquist, any adjustment to the levels of expenses authorized would require a reexamination of each of those programs, which is beyond the scope of this proceeding.

Malquist concluded that the Commission obviously felt no need to subject these expenses to variations in inflation estimates, as indicated by their inclusion in this nonindexed category. Transmission expense is a prime example. On page 109 of D.93892, the Commission adopted an estimate of fixed wheeling expense for 1983 of \$9,518,200 which was to be included in the expenses not subject to indexing. This amount represented contracts which Malquist said are entirely independent of fluctuations in the 1982 inflation rate. Thus, he argued that any attempt to deflate and reescalate this amount would be entirely inappropriate.

The deviation, as calculated by both the utility and the staff, of the labor and nonlabor expenses subject to indexing shown on page 36 of D.93892, is shown in the table which follows. These revisions were made to the page 36 figures without the mechanical computational errors being corrected.

CALCULATION OF 1983 EXPENSES SUBJECT TO INDEXING  
 USING EXPERIENCED 1982 ESCALATION RATES

(\$000)

Item	Electric Department		Gas Department		Steam Department	
	Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor
1. Fuel						
2. Oil						
3. Gas						
4. Water						
5. Electricity						
6. Repairs						
7. Maintenance						
8. Miscellaneous						
9. Total						

## Expenses Subject

to: Indexing: \$60,195.40 \$64,498.60 \$27,973.90 \$10,805.50 \$ 97.80 \$104.10

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Adopted 1982: *cyanea* and *caerulea* were synonymized with *cyanea*.

Escalation

Rates	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
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1947 - 1948 - 1949 - 1950 - 1951 - 1952 - 1953 - 1954 - 1955 - 1956 - 1957 - 1958 - 1959 - 1960 - 1961 - 1962 - 1963 - 1964 - 1965 - 1966 - 1967 - 1968 - 1969 - 1970 - 1971 - 1972 - 1973 - 1974 - 1975 - 1976 - 1977 - 1978 - 1979 - 1980 - 1981 - 1982 - 1983 - 1984 - 1985 - 1986 - 1987 - 1988 - 1989 - 1990 - 1991 - 1992 - 1993 - 1994 - 1995 - 1996 - 1997 - 1998 - 1999 - 2000 - 2001 - 2002 - 2003 - 2004 - 2005 - 2006 - 2007 - 2008 - 2009 - 2010 - 2011 - 2012 - 2013 - 2014 - 2015 - 2016 - 2017 - 2018 - 2019 - 2020 - 2021 - 2022 - 2023 - 2024 - 2025 - 2026 - 2027 - 2028 - 2029 - 2030 - 2031 - 2032 - 2033 - 2034 - 2035 - 2036 - 2037 - 2038 - 2039 - 2040 - 2041 - 2042 - 2043 - 2044 - 2045 - 2046 - 2047 - 2048 - 2049 - 2050 - 2051 - 2052 - 2053 - 2054 - 2055 - 2056 - 2057 - 2058 - 2059 - 2060 - 2061 - 2062 - 2063 - 2064 - 2065 - 2066 - 2067 - 2068 - 2069 - 2070 - 2071 - 2072 - 2073 - 2074 - 2075 - 2076 - 2077 - 2078 - 2079 - 2080 - 2081 - 2082 - 2083 - 2084 - 2085 - 2086 - 2087 - 2088 - 2089 - 2090 - 2091 - 2092 - 2093 - 2094 - 2095 - 2096 - 2097 - 2098 - 2099 - 2100 - 2101 - 2102 - 2103 - 2104 - 2105 - 2106 - 2107 - 2108 - 2109 - 2110 - 2111 - 2112 - 2113 - 2114 - 2115 - 2116 - 2117 - 2118 - 2119 - 2120 - 2121 - 2122 - 2123 - 2124 - 2125 - 2126 - 2127 - 2128 - 2129 - 2130 - 2131 - 2132 - 2133 - 2134 - 2135 - 2136 - 2137 - 2138 - 2139 - 2140 - 2141 - 2142 - 2143 - 2144 - 2145 - 2146 - 2147 - 2148 - 2149 - 2150 - 2151 - 2152 - 2153 - 2154 - 2155 - 2156 - 2157 - 2158 - 2159 - 2160 - 2161 - 2162 - 2163 - 2164 - 2165 - 2166 - 2167 - 2168 - 2169 - 2170 - 2171 - 2172 - 2173 - 2174 - 2175 - 2176 - 2177 - 2178 - 2179 - 2180 - 2181 - 2182 - 2183 - 2184 - 2185 - 2186 - 2187 - 2188 - 2189 - 2190 - 2191 - 2192 - 2193 - 2194 - 2195 - 2196 - 2197 - 2198 - 2199 - 2200 - 2201 - 2202 - 2203 - 2204 - 2205 - 2206 - 2207 - 2208 - 2209 - 2210 - 2211 - 2212 - 2213 - 2214 - 2215 - 2216 - 2217 - 2218 - 2219 - 2220 - 2221 - 2222 - 2223 - 2224 - 2225 - 2226 - 2227 - 2228 - 2229 - 2230 - 2231 - 2232 - 2233 - 2234 - 2235 - 2236 - 2237 - 2238 - 2239 - 2240 - 2241 - 2242 - 2243 - 2244 - 2245 - 2246 - 2247 - 2248 - 2249 - 2250 - 2251 - 2252 - 2253 - 2254 - 2255 - 2256 - 2257 - 2258 - 2259 - 2260 - 2261 - 2262 - 2263 - 2264 - 2265 - 2266 - 2267 - 2268 - 2269 - 2270 - 2271 - 2272 - 2273 - 2274 - 2275 - 2276 - 2277 - 2278 - 2279 - 2280 - 2281 - 2282 - 2283 - 2284 - 2285 - 2286 - 2287 - 2288 - 2289 - 2290 - 2291 - 2292 - 2293 - 2294 - 2295 - 2296 - 2297 - 2298 - 2299 - 2300 - 2301 - 2302 - 2303 - 2304 - 2305 - 2306 - 2307 - 2308 - 2309 - 2310 - 2311 - 2312 - 2313 - 2314 - 2315 - 2316 - 2317 - 2318 - 2319 - 2320 - 2321 - 2322 - 2323 - 2324 - 2325 - 2326 - 2327 - 2328 - 2329 - 2330 - 2331 - 2332 - 2333 - 2334 - 2335 - 2336 - 2337 - 2338 - 2339 - 2340 - 2341 - 2342 - 2343 - 2344 - 2345 - 2346 - 2347 - 2348 - 2349 - 2350 - 2351 - 2352 - 2353 - 2354 - 2355 - 2356 - 2357 - 2358 - 2359 - 2360 - 2361 - 2362 - 2363 - 2364 - 2365 - 2366 - 2367 - 2368 - 2369 - 2370 - 2371 - 2372 - 2373 - 2374 - 2375 - 2376 - 2377 - 2378 - 2379 - 2380 - 2381 - 2382 - 2383 - 2384 - 2385 - 2386 - 2387 - 2388 - 2389 - 2390 - 2391 - 2392 - 2393 - 2394 - 2395 - 2396 - 2397 - 2398 - 2399 - 2400 - 2401 - 2402 - 2403 - 2404 - 2405 - 2406 - 2407 - 2408 - 2409 - 2410 - 2411 - 2412 - 2413 - 2414 - 2415 - 2416 - 2417 - 2418 - 2419 - 2420 - 2421 - 2422 - 2423 - 2424 - 2425 - 2426 - 2427 - 2428 - 2429 - 2430 - 2431 - 2432 - 2433 - 2434 - 2435 - 2436 - 2437 - 2438 - 2439 - 2440 - 2441 - 2442 - 2443 - 2444 - 2445 - 2446 - 2447 - 2448 - 2449 - 2450 - 2451 - 2452 - 2453 - 2454 - 2455 - 2456 - 2457 - 2458 - 2459 - 2460 - 2461 - 2462 - 2463 - 2464 - 2465 - 2466 - 2467 - 2468 - 2469 - 2470 - 2471 - 2472 - 2473 - 2474 - 2475 - 2476 - 2477 - 2478 - 2479 - 2480 - 2481 - 2482 - 2483 - 2484 - 2485 - 2486 - 2487 - 2488 - 2489 - 2490 - 2491 - 2492 - 2493 - 2494 - 2495 - 2496 - 2497 - 2498 - 2499 - 2500 - 2501 - 2502 - 2503 - 2504 - 2505 - 2506 - 2507 - 2508 - 2509 - 2510 - 2511 - 2512 - 2513 - 2514 - 2515 - 2516 - 2517 - 2518 - 2519 - 2520 - 2521 - 2522 - 2523 - 2524 - 2525 - 2526 - 2527 - 2528 - 2529 - 2530 - 2531 - 2532 - 2533 - 2534 - 2535 - 2536 - 2537 - 2538 - 2539 - 2540 - 2541 - 2542 - 2543 - 2544 - 2545 - 2546 - 2547 - 2548 - 2549 - 2550 - 2551 - 2552 - 2553 - 2554 - 2555 - 2556 - 2557 - 2558 - 2559 - 2560 - 2561 - 2562 - 2563 - 2564 - 2565 - 2566 - 2567 - 2568 - 2569 - 2570 - 2571 - 2572 - 2573 - 2574 - 2575 - 2576 - 2577 - 2578 - 2579 - 2580 - 2581 - 2582 - 2583 - 2584 - 2585 - 2586 - 2587 - 2588 - 2589 - 2590 - 2591 - 2592 - 2593 - 2594 - 2595 - 2596 - 2597 - 2598 - 2599 - 2600 - 2601 - 2602 - 2603 - 2604 - 2605 - 2606 - 2607 - 2608 - 2609 - 2610 - 2611 - 2612 - 2613 - 2614 - 2615 - 2616 - 2617 - 2618 - 2619 - 2620 - 2621 - 2622 - 2623 - 2624 - 2625 - 2626 - 2627 - 2628 - 26

... ..

Ferraro calculated his revision to Electric Department "nonlabor expenses (not subject to indexing)" (which he proposed be redesignated "fixed expenses") as follows:

<u>Line No.</u>	<u>Item</u>	<u>Labor</u>	<u>Nonlabor</u>	<u>Total</u>
	<u>Electric Department</u>			
	(\$000)			
1	"Nonlabor Expenses (not subject to indexing)" Per D.93892, p.36)		231,176.6	
2	Fixed A&G and O&M Expenses	11,095.4	11,888.5	22,983.9
3	Deflated @ 1982 - 10% labor - 10% nonlabor 1983 - 10% labor - 9% nonlabor	9,169.8	9,915.3	19,085.1
4	Inflated @ 1982 - 8.5% labor - 3.9% nonlabor 1983 - 5.3% labor - 4.3% nonlabor	10,476.5	10,745.0	21,221.5
5	Difference (Line 2 - Line 4)	618.9	1,143.5	1,762.4
6	"Fixed Expenses" (Line 1 - Line 5)			229,414.2

The nature of the fixed expenses impacted by escalation factors was:

\$ 56,349.5

(9,518.2)

(155.3)

(6,631.0)

(3,659.5)

(13,401.6)

\$ 22,983.9

Total Fixed A&G and O&M Expenses

Wheeling\*

Rent

Heber

Health Plan

Pension Plan\*

Fixed A&G and O&M Expenses Impacted by  
escalation factors

(Red Figure)

\*Indirectly impacted by escalation factors:

total \$01 - \$891

total \$02 - \$891

total \$03 - \$891

total \$04 - \$891

total \$05 - \$891

total \$06 - \$891

total \$07 - \$891

total \$08 - \$891

total \$09 - \$891

total \$10 - \$891

Should the Commission adopt the staff recommendations proposed by Ferraro, page 36 of D.93892, before correction for mechanical/computational errors, would become, by striking and

revising the affected values:

"SDG&E will use the numbers set forth below in preparing its advice letter for the 1983 attrition allowance."

	Gas	Electric	Steam
	(\$0000)	(\$0000)	(\$0000)
"Labor Expenses x CPI	27,592.4	59,374.6	96.5
	27,973.9	60,195.4	97.8
NonLabor Expenses x PPI	10,206.3	60,921.9	98.3
	10,805.5	64,498.6	104.1
F&U	2,144.9	10,608.9	8.3
NonLabor Expenses (not subject to indexing)	31,384.3	229,414.2	126.3
		231,176.6	
Rate Base	191,114.4	1,320,508.6	8459.0
F&U Factor	.0256	.0214	.0256
Rate of Return	13.25%	13.25%	13.25%
Revenue Effect of Expense Index Changes			

SDG&E witness Malquist related the revenue effect of the experienced index changes to what they would have been had D.93892 been applied without modification or correction. The impact of experienced index changes on the 1983 attrition allowance is shown on the following table:

**IMPACT OF EXPERIENCED 1982 INDEX CHANGES  
ON 1983 ATTRITION ALLOWANCE**

(\$000)

Line No.	Item	Electric Department		Gas Department		Steam Department	
		Labor	Nonlabor	Labor	Nonlabor	Labor	Nonlabor
1	Expenses Subject to Indexing from D.93892, P. 36	\$60,195.4	\$64,498.6	\$27,973.9	\$10,805.5	\$297.8	\$104.1
2	1983 Escalation Factors (DRI- November 1982 Forecast)	5.3%	4.3%	5.3%	4.3%	5.3%	4.3%
3	Indexed Expenses per D.93892	\$63,385.8	\$67,272.0	\$29,456.5	\$11,270.1	\$103.0	\$108.6
4	Revised Expenses Subject to Indexing	62,521.4	63,541.5	29,054.8	10,645.2	101.6	102.6
5	Expense Impact of Experienced Index Changes (L4 - L5)	(864.4)	(3,730.5)	(401.7)	(624.9)	(1.4)	(6.0)
6	F&U Factors	.02145	.02145	.02564	.02564	.02564	.02564
7	Decrease In F&U	(18.5)	(80.0)	(10.3)	(16.0)	-0-	(0.2)
8	Revenue Effect of Applying Experienced Index Changes to Expenses Subject to Indexing	(882.9)	(3,810.5)	(412.0)	(640.9)	(1.4)	(6.2)
9	Decrease in "Fixed Expenses"	(618.9)	(1,143.5)	-	-	-	-
10	Decrease in F&U Associated with "Fixed Expenses"	(13.3)	(24.5)	-	-	-	-
11	Revenue Effect of Applying Experienced Index Changes to "Fixed Expenses" (L9 + L10)	(632.2)	(1,168.0)	-	-	-	-
12	Total Revenue Effect of Expense Index changes (L8 + L11)	(1,515.1)	(4,978.5)	(412.0)	(640.9)	(1.4)	(6.2)

(Red Figure)

The total revenue effects, by departments and for the utility as an entity, would be:

	Electric	Gas	Steam	Total
Revenue Effect of Applying Experienced Index Changes to Expenses Subject to Indexing:				
Labor	(882.9)	(412.0)	(1-4)	(1,296.3)
Nonlabor	(3,810.5)	(640.9)	(6-2)	(4,457.6)
Subtotal	(4,693.4)	(1,052.9)	(7-6)	(5,753.9)

Revenue Effect of Applying Experienced Index Changes to Expenses Subject to Indexing:

	Electric	Gas	Steam	Total
Labor	(882.9)	(412.0)	(1-4)	(1,296.3)
Nonlabor	(3,810.5)	(640.9)	(6-2)	(4,457.6)
Subtotal	(4,693.4)	(1,052.9)	(7-6)	(5,753.9)

Revenue Effect of Applying Experienced Index Changes to "Fixed Expenses":

	Electric	Gas	Steam	Total
Labor	(632.8)			(632.8)
Nonlabor	(1,168.0)			(1,168.0)
Subtotal	(1,800.8)			(1,800.8)

Total Revenue Effect of Expense Index Changes: (6,494.2) (1,052.9) (7-6) (7,554.7)

(Red Figure)

Appropriateness of Revising 1983 Attrition Factors for Experienced Expense Index Changes -

As stated in D-82-11-040, the Commission is, here, considering only the actual expense index changes that occurred in 1982, and the impact of such experienced index changes on the calculation of the 1983 attrition allowance. The Commission emphasized that the experienced index changes would in no way affect 1982 rates.



SDG&E, in its statements, declares that it has relied on the allowance mechanism specified in D.93892 and has planned its actions accordingly, including drafting of budgets and forecasting operational and financial results. Because of such reliance, SDG&E strongly implies that the doctrine of equitable estoppel precludes the Commission from reconsidering the attrition allowance, and SDG&E's counsel stated at the hearing that the action contemplated by the Commission in D.82-11-040 amounts to an abuse of the Commission's administrative discretion.

SDG&E having raised the question of equity, the Commission will consider its contemplated action in light of the principles and standards of that system of jurisprudence.

"He who seeks equity must do equity" is the most fundamental maxim of equity. Under this maxim, one seeking relief must provide for the equitable claims of the adverse parties involved in the same controversy. (Dool v First Nat. Bank (1929) 207 C 347, 351; Richman v Bank of Perris (1929) 102 CA 71, 83; O'Brien v O'Brien (1925) 197 C 577, 584; District Bond Co. v Pollack (1942) 19 C 2d 304, 307; Colleston v Oftedahl (1941) 48 CA 2d 756, 760; Olivero v Rosano (1941) 42 CA 2d 740; Viotti v Giomi (1964) 230 CA 2d 730, 737.) Ratepayers in California rely on the regulatory process to produce utility rates that are just and reasonable (PU Code § 451). The Commission could not, in good conscience, allow rates to go into effect that it knows provide for an allowance for expenses in excess of the level that can reasonably be expected to prevail. This is particularly the case when the utility is asking that mechanical computational mistakes in the determination of the same rates be corrected.

A.59788 ALJ/rr

...SDG&E's contention that it relied upon the mere literal mechanical operation of the D.93892 formula, when SDG&E knew that the index levels assumed in the establishment of that formula were proving to be higher than actually were being experienced, lacks merit. For it to conform to the statutory criterion of just and reasonable rates, SDG&E should have avoided budgeting for real and deflated levels of goods and services in excess of those contemplated by the adopted results of D.93892. SDG&E also did not need to assume, in projecting operational and financial results into 1983, that attrition allowances in excess of the attrition the utility expected would actually occur, and would be permitted to flow off the automatically to the bottom line. In an ideal world the principles of equity would have SDG&E's courier waiting at the Commission's door at 0815, 11 November 1982, with four copies of an advice letter based on experienced index values in hand.

The Commission will conclude that the doctrine of equitable estoppel does not apply in this instance. The Commission can never be estopped from acting fairly and reasonably, balancing the interests of utility customers, investors, and employees, all of whom are entitled to rely on the Commission's acting fairly and not being irrational, using the best information available.

With hindsight, it would have been well to have included in D.93892 a method for establishing a base for the application of indices that would be precisely known in light of experienced conditions before subjecting the base to adjustment for anticipated future conditions. The December 30, 1981 date of D.93892, and familiarity of all parties in this proceeding with the strictures and exigencies of this Commission's rate case processing plan, indicate the conditions under which the complex indexing scheme was formulated.

The Commission has, in recent years, experimented with many mechanisms designed to cope with the current turbulent times. A spectrum of acronyms, ECAC, SAM, CAM, ERAM, etc., for mechanisms designed to respond promptly to rapidly changing economic conditions are evidence of the Commission's attempts to discharge its constitutional and statutory responsibilities. The indexing and attrition mechanisms adopted recently in general rate cases are the latest of the Commission responses to the challenge of the times. D.93892 was a first cut at a fair indexing process.

The Commission welcomes proposals for improvements of the indexing mechanism. SDG&E's proposals are interesting and deserve serious consideration. This phase of A.59788 did not provide the adequate sufficient exposure for these proposals to be formalized into the Commission's expressed policy. SDG&E and other parties are invited to raise these or other indexing proposals, or opposition to the general concept of indexing, based on the experienced operation of D.93892 and similar decisions, in SDG&E's next general rate case.

Based on its consideration and analysis of this phase of A.59788, the Commission will find that without any adjustment the continued operation of the D.93892 attrition allowance mechanism will produce unreasonable rates. The Commission will conclude that it is not estopped from revising the attrition factors and that such revisions are not retroactive ratemaking.

Appropriateness of a new method of determining rates

Revising Electric Department

"Nonlabor Expenses (not subject to indexing)"

As discussed above, SDG&E witness Malquist argues that adjustment of the levels of expenses authorized in the line item "nonlabor expenses (not subject to indexing)" on page 36 of D.93892 would require reexamination of each of the programs comprising this

category and that each reexamination is beyond the scope of this proceeding. A reading of D.82-11-040 and of staff witness Ferraro's testimony clearly shows that Malquist's conclusion is erroneous. In D.82-11-040 the Commission stated its intention of taking evidence on the actual labor and nonlabor expense index changes which have occurred in 1982 and the impact of such recorded index changes on the calculation of the 1983 attrition allowance for labor and nonlabor expenses.

The Commission, acting through its Executive Director, employs experts to carry out the Commission's responsibilities under the PU Code and to perform the duties and exercise the powers confirmed upon the Commission by law (PU Code § 309). By calculating, at the express direction of the presiding officer Southern Pacific Transportation Company (1978) 83 CPUC 680, 684 f.n.), the subject line item, Ferraro was acting as the Commission's agent. Ferraro knew how this item was originally constructed because he did the work. It is clear that despite its label, some of the expenses going into the category had been determined by the use of indices. Ferraro correctly grasped the intention of the Commission, as specifically stated in D.82-11-040, and revised the indexed figures to conform to experienced changes.

The Commission will conclude that this item should be revised and will find the staff's revised value reasonable. Ferraro's recommendation that it be redesignated "fixed expenses" will be accepted, and the item revised downward as follows:

		(\$000)	
Fixed Labor Expense Change		618.9	
Fixed Nonlabor Expense Change		1,143.5	
		1,762.4	

Combined Effect of Correction of Errors and Revision of Attrition Factors for Experienced Index Changes

On page 36 of D.93892, the only line items affected by both the correction of errors and revision for experienced index changes - 88.3 is Electric Department "nonlabor expenses (not subject to indexation and indexing)". The new values, redesignated as "fixed expenses", are hereby determined as follows:

	(\$000)
<u>Electric Department</u>	
Nonlabor Expenses (not subject to indexing)	231,176.6
Correction of Errors	8,720.3
Revision for Index Changes	(1,762.4)
<u>Fixed Expenses</u>	<u>238,134.5</u>

Page 36 of D.93892, as finally revised by striking original values for both correction of errors and experienced index changes, becomes:

"SDG&E will use the numbers set forth below in preparing its advice letter for the 1983 attrition allowance:

	Gas	Electric	Steam
	(\$000)	(\$000)	(\$000)
Labor Expenses x CPI	27,592.4	59,374.6	96.5
Nonlabor Expenses x PPI	10,206.3	60,921.9	98.3
F&U	2,144.9	10,608.9	8.3
<del>Nonlabor Expenses</del>			
<del>(not subject to indexing)</del>	35,990.3	238,134.5	136.2
<del>Fixed Expenses</del>	<del>31,384.3</del>	<del>231,176.6</del>	<del>126.3</del>
Rate Base	191,114.4	1,314,508.6	459.0
F&U Factor	.0256	.0214	.0256
Rate of Return	13.25%	13.25%	13.25%

The combined revenue effect of correcting errors and revising for experienced index changes will be:

	Electric	Gas	Steam	All Depts.
Errors	7,925.3	4,606.0	9.9	12,541.2
Index Changes	(6,493.6)	(1,052.9)	(7.6)	(7,554.1)
Total	1,431.7	3,553.1	2.3	4,987.1

(Red Figure)

SDG&E's Advice Letters 572-E, 504-G, and 121-H should be revised to reflect net attrition increases of \$44,689,900 for electric, \$10,783,200 for gas, and \$27,600 for steam.

SDG&E's Alternate Index Calculations

Inasmuch as the alternate index calculations distributed by SDG&E's counsel were not supported by testimony or subjected to examination by the other parties, they will not be considered in this decision.

Effective Date

This order should become effective today so that SDG&E's advice letters may be implemented effective January 1, 1983 as originally intended by D.93892.

In D.82-12-047 we determined a revenue requirement for SDG&E resulting from the combined effects of the Southern California Gas Company (SoCal) general rate case and the SDG&E CAM. We deferred the rate spread to this decision so that the total effective rates for SDG&E, including the ECAC increase, the attrition allowance and the combined effects of the SoCal general rate case and the SDG&E CAM could be shown in one place. They are set forth in the attached appendix.

Findings of Fact

1. D.93892 contains mechanical computational errors as described in the foregoing opinion.

2. The correct 1982 Electric Department jurisdictional revenue requirement is \$502,849,400.

3. The numbers shown on page 36 of D.93892 were based on escalation factors which were higher than those actually experienced in the year 1982.

4. The literal operation of the D.93892 attrition allowance mechanism would produce unreasonable 1983 rescaled rates based on inflated 1982 results.

5. It is reasonable to revise the numbers on page 36 to correct errors and to conform to experienced index changes.

6. It is reasonable for the line item "nonlabor expenses (not subject to indexing)" to be revised to reflect the experienced values of the indices used in its computation and to be redesignated "Fixed Costs Expenses".

7. The staff-recommended revised labor and nonlabor expenses for calculating the attrition allowance authorized by D.93892, as presented in Exhibit 212, are reasonable.

8. To the extent the presently authorized rates are based on the mechanical computational errors determined by this decision and on 1982 expense index changes other than those actually experienced they are not just and reasonable.

9. Rates based on the corrected data and actual experienced expense index changes determined by this decision are just and reasonable.

10. The staff-recommended rates are just and reasonable.

ORDER CONCERNING THE

Conclusions of Law

1. The mechanical computational errors described in D.93892, which should be corrected.
2. The excess revenue generated by the 1982 Electric Department rate base error should be returned to customers by adjusting the 1982 ERAM balancing account downward by \$1,622,000.
3. Actual experienced 1982 expense index changes should be used to determine SDG&E's 1983 attrition advice letter filings.
4. The line item now designated "fixed expenses" should be revised to conform to the experienced changes in the indices originally used to determine this item.
5. SDG&E should be authorized to revise the attrition filings made November 1, 1982, as authorized by Ordering Paragraph 7 of D.93892, to reflect the corrected and revised results as determined by this decision.
6. The Commission is not prevented by the doctrine of equitable estoppel from revising SDG&E's 1983 attrition factors.
7. The revision of attrition factors to conform to experienced index changes is prospective in effect and does not constitute retroactive ratemaking.

ORDER CONCERNING THE  
NOV 1 1982  
NOV 1 1982



## IT IS ORDERED that:

1. San Diego Gas & Electric Company (SDG&E) shall ~~revise its~~ 1983 attrition allowance advice letter tariff filings, filed November 1, 1982 in accordance with Ordering Paragraph 7 of D.93892, to correct the mechanical computational errors determined by this decision and to reflect experienced index changes.

2. SDG&E is authorized and directed to base its 1983 advice letter attrition allowance tariff filings on the amount and procedures described in the above findings and conclusions and consistent with the rates shown in Appendixes A, B, and C attached to this decision.

This order is effective today.

Dated December 13, 1982, at San Francisco, California.

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

I will file a concurring opinion.

/s/ JOHN E. BRYSON  
 Commissioner

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

*Joseph E. Bodovitz*  
 Joseph E. Bodovitz, Executive Director

TABLE 1

San Diego Gas & Electric Company

Revenue Requirement for Gas Department  
(Revenue Dollars in Thousands)

## I. PGA Revenue Requirement

#### A. Cost of Purchased Gas

1. Capacity Charge  
2. Commodity Charge 954,672.0 Mth x \$0.421  
3. LNG Net  
4. Total

B. Twice 8/31/82 PGA Bal. Acct. Amount

**C. Net PGA Revenue Requirement (A + B)**

## D. Fran. Fees and Uncoll. on Retail Sales

**E. PGA Revenue Requirement (C + D)**

## II. SAM Revenue Requirement

## A. SAM Margin

B. Twice 8/31/82 SAM Bal. Acct. Amount

C. Subtotal (A + B)

D. Lora S.D.F.F.D.

**E. San Revenue Requirement (C**

### III. CPAC Revenue Requirement

IV. Total Revenue Requirement (IE + IIE + III) <sup>1/</sup>

### V. Revenue at Present Rates

## VI. <sup>net</sup> Increase

1/ Excludes revenues of \$1,368,600 for San Diego franchise fee differential and includes 1983 attrition allowance of \$10,783,000.

2/ PGA rates: Retail Sales @ 47.123¢/th.  
GN-5 Sales @ 46.168¢/th.

TABLE 2

San Diego Gas & Electric Company  
 Adopted Rate Design - Gas Department  
 12 Months Beginning October 1, 1982

Line No.	Classification	Sales (Mth)	Present Rates (\$/unit)	Revenue at Present Rates (M\$)	Guidelines Rates (\$/unit)	Revenue at Guidelines Rates (M\$)	Adjustments (\$/unit)	Adopted Rates (\$/unit)	Revenue (M\$)	Increase Amount (M\$)	%
<b>Residential<sup>1/</sup></b>											
1	Customer Months (6,020.0 M bills)	-	\$1.70	\$ 10,234.0	\$ -	\$ 10,234.0	\$ -	\$ -	\$ 10,234.0	\$ 0	-
2	Tier I	223,063.5	.44800	99,932.4	0.46497	103,717.8	0.04517	0.50793	113,300.6	13,368.2	13.4%
3	Tier II	25,851.1	.67511	17,452.3	.61721	15,955.6	.05790	.67511	17,452.3	0	0
4	Tier III	13,387.6	.86411	11,568.4	.80621	10,793.2	.05790	.86411	11,568.4	0	0
5	Total Residential	262,302.2	.53064	139,187.1	-	140,700.6	-	-	152,555.3	13,368.2	9.6
<b>Nonresidential</b>											
6	Customer Months (289.7 M bills)	-	1.70	492.5	-	492.5	-	-	492.5	-	-
7	GN-1, -2	101,337	.67511	68,413.6	.61721	62,546.2	.05790	.67511	68,413.6	0	-
8	GN-3, -4	50,586	.67011	33,898.2	.61721	31,222.2	.05790	.67511	34,151.1	252.9	0.7
9	GN-5	529,211	.53800	284,715.5	.550	291,066.1	-	.55000	291,066.1	6,350.6	2.2
10	Spec. Cont. 176	36	-	30.0	-	31.0	-	-	31.0	1.0	3.3
11	Total Nonresidential	681,170	-	387,549.8	-	385,327.0	-	-	394,154.3	6,604.5	1.7
<b>Other Revenue</b>											
12	GL Revenue	0	-	33.1	-	37.0 <sup>2/</sup>	-	-	37.0	3.9	11.8
13	Schedule G-91	0	-	1,442.0	-	1,615.1 <sup>2/</sup>	-	-	1,615.1	173.1	12.0
14	Total Other Revenue	0	-	1,475.1	-	1,652.1	-	-	1,652.1	177.0	12.0
15	Total Sales	943,472.2	.55986	528,212.0	-	527,679.7	-	.58122	548,361.7	20,149.7	3.8
16	Over (Under) Revenue Requirement					(20,683.1)			(1.1)		

1/ Residential sales adjusted by 2,101.8 Mth to compensate for discounts on Schedules GS, GT, and G-90.

2/ "Other Revenue" increase is proportionate to the margin attrition increase.

TABLE 3

San Diego Gas & Electric Company  
Gas Department

STATEMENT OF ADOPTED RATES

Effective 1/1/83

Classification	SAM Rate (\$)	PGA Rate (\$)	CPAC Rate (\$)	Tariff Rate (\$)
<u>Residential</u>				
Monthly Customer Charge	\$1.70	\$ -	\$ -	\$ 1.70
Tier I (GR, GM)	.03170	0.47123	0.0050	.50793
Tier I (GS)	(.01909)	.47123	.0050	.45714
Tier I (GT)	(.04449)	.47123	.0050	.43174
Tier II	.19888	.47123	.0050	.67511
Tier III	.38788	.47123	.0050	.86411
<u>Nonresidential</u>				
<u>GN-1</u>				
Monthly Customer Charge	1.70	-	-	1.70
Commodity	.19888	.47123	.0050	.67511
GN-2	.19888	.47123	.0050	.67511
GN-3	.20388	.47123	-	.67511
GN-4	.20388	.47123	-	.67511
GN-5	.08832	.46168	-	.55000
<u>Other</u>				
Special Contract 176	6.71	8.21	.0900	15.01
Special Contract 186	.19888	.47123	.0050	.67511
Schedule G-91	8.40	-	-	8.40

(Red Figure)

(END OF APPENDIX A)

## APPENDIX B

San Diego Gas & Electric Company  
Electric Department  
RESIDENTIAL RATES EFFECTIVE 1-1-83

	Present Rates		Authorized Rates		%	%
	: Non		: Non-		Increase	Increase
	:Lifeline	:Lifeline	:Lifeline	:Lifeline	:Lifeline	:Non-Lifeline
	¢/kWh	¢/kWh	¢/kWh	¢/kWh	%	%
Base Rate	4.687	4.687	4.687	4.687	0	0
ECAC Rate	3.864	7.519	4.716	8.371	22%	11%
ERAM Rate	-	-	.134	.134	100	100
AER Rate	.439	.439	.267	.267	(66)	(66)
Attrition Rate	-	-	.454	.454	100	100
Total	8.990	12.645	10.258	13.913	14%	10%

System average increase 12%

(Red Figure)

(END OF APPENDIX B)

APPENDIX C

San Diego Gas & Electric Company  
Steam Heating Service

RATES EFFECTIVE 1-1-83

Schedule 1

	<u>Per Meter</u> <u>Per Month</u>
Customer Charge .....	\$ 7.89
Commodity Charge:	
All usage per 1,000 lb .....	\$13.209
Minimum Charge:	
The minimum monthly charge shall be equal to the customer charge.	

Schedule 2

	<u>Per Meter</u> <u>Per Month</u>
Customer Charge .....	\$ 7.97
Commodity Charge:	
All usage per 1,000 lb .....	\$13.341
Minimum Charge:	
The minimum monthly charge shall be equal to the customer charge.	

(END OF APPENDIX C)

D. 82-12-058  
A. 59788

COMMISSIONER JOHN E. BRYSON, Concurring:

I concur in the decision to adjust the 1982 base for the 1983 attrition adjustment to reflect levels of inflation actually experienced in 1982.

An indexed approach to dealing with the effects of inflation is a vital -- perhaps essential -- means of maintaining the viability of test-year rate-making in a volatile, difficult-to-predict economy. SDG&E is correct in asserting that the Commission should not employ a double standard in adjusting previously adopted rate orders. Consistent application of principles is essential to fair rate-making, and I find it a close question as to whether the adjustment adopted here would be made if it went in the other direction. On balance, however, I conclude the adjustment should be made.

I reach this conclusion for reasons: First, as the decision finds, the earlier estimates of 1982 inflation have proven to be so much in error that we should not compound that error in 1983. Second, the indexed adjustment process is so important to fair results for both ratepayers and utilities in the post-1970 economy that in this early implementation stage we should be more ready to make modifications for the inevitable initial design problems than will be necessary in the future. To do otherwise would risk loss of the mechanism altogether.

DATE: December 13, 1982  
San Francisco, Calif.

  
JOHN E. BRYSON, PRESIDENT

ALJ/tr

Advance copy

Decision 82 12 958

*Dec. 13, 1982*

*20*  
*12/13*

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)

(See Decision 93892 for appearances)

Additional Appearance

Thomas J. Vargo, for Department of the  
Navy and All Executive Agencies of the  
Federal Government.

ORDER CORRECTING MECHANICAL COMPUTATIONAL ERRORS  
AND REVISING EXPENSES

Summary

Mechanical computational errors discovered by San Diego Gas & Electric Company (SDG&E) in Decision (D.) 93892 have been determined and corrected. SDG&E is authorized to file revised attrition allowances reflecting the corrected numbers. SDG&E is ordered to base attrition allowance on revised labor and nonlabor expenses proposed by Commission staff.

SDG&E's Petition for Modification

On December 30, 1981 the Commission issued D-93892 in SDG&E's Application 59788 for a general rate increase. D-93892 authorized SDG&E to increase its base rates to provide the following increments of revenue for the 1982 test year:

Electric	\$144,613,400
Gas	21,609,300
Steam	<u>79,600</u>
Total	\$166,302,300



IT IS ORDERED that:

1. San Diego Gas & Electric Company (SDG&E) ~~shall revise its 1983 attrition allowance advice letter tariff filing, filed November 1, 1982 in accordance with Ordering Paragraph 7 of D.93892, to correct the mechanical computational errors determined by this decision and to reflect experienced index changes.~~

2. ~~SDG&E is authorized and directed to base its 1983 advice letter attrition allowance tariff filing on the amount and procedures described in the above findings and conclusions.~~

This order is effective today.

Dated December 13, 1982, at San Francisco, California.

*is authorized to file ~~the~~ tariff schedules based on the rates ~~described~~ set forth in Appendices A B & C <sup>of this decision</sup> for its gas, electric and steam departments. The ~~rates~~ <sup>tariff schedules</sup> shall be effective no earlier than January 1, 1983 and after 5 days' notice to the public and the Commission. The rates shall apply to service rendered on and after the effective date of the tariff schedules*

I will file a concurring opinion.

/s/ JOHN E. BRYSON  
Commissioner

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