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ORIGINAL

Decision No. 89630 NOV 9 1978

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 electric rates and charges in accordance with the energy cost adjustment clause ("ECAC") in its electric tariff schedules and for authority to revise the ECAC tariff to provide for inclusion of certain wheeling charges.

Application No. 57780
(Filed December 30, 1977)

In the matter of the application of SAN DIEGO GAS & ELECTRIC COMPANY for authority to decrease its electric rates and charges in accordance with the energy cost adjustment clause in its electric tariff schedules and for authority to revise the ECAC tariff (a) to provide for inclusion of certain wheeling charges; (b) to reflect franchise fees and uncollectibles accounts related to all ECAC revenues; (c) to allow for recovery of all costs associated with energy sales to and purchases from the California Department of Water Resources; and (d) to provide for the recovery of the cost of fuel oil additives used by applicant for environmental purposes pursuant to directions from appropriate governmental authorities.

Application No. 58263
(Filed August 1, 1978)

Jeffery Lee Guttero and Stephen A. Edwards, Attorneys at Law, for applicant.

John W. Witt, City Attorney by William S. Shaffran, Deputy City Attorney, for City of San Diego; and Richard L. Jensen, for Southern California Edison Company; interested parties.

Patrick J. Power, Attorney at Law, for the Commission staff.

INTERIM OPINION

As a result of Decision No. 85731, San Diego Gas & Electric Company (SDG&E) and other electric utilities regulated by the Commission are allowed to request energy cost adjustments every six months based on their actual cost of producing electricity for a recent past period. SDG&E has filed several such requests.

In that regard SDG&E filed Application No. 57780 on December 30, 1977 requesting authority to increase, effective March 1, 1978, its electric rates and charges under the Energy Cost Adjustment Clause (ECAC) and authority to revise the ECAC tariff. This request involved a uniform increase to nonlifeline sales of 0.512 cents per kWh, thereby increasing the ECAC rate to 3.428 cents per kWh for nonlifeline sales. The Commission staff took exception to certain elements of the requested increase. Those elements comprised up to .060 cents of the 0.512 cents increase in the nonlifeline ECAC billing factor. By Interim Decision No. 88698 dated April 11, 1978, the Commission granted SDG&E partial ECAC rate relief by increasing the nonlifeline ECAC billing factor to 3.368 cents per kWh. This interim increase was shown by the record not to be subject to dispute, was reasonable, and was made effective without delay. The contested issues in Application No. 57780 still requiring resolution are:

- (1) Should the Salt River wheeling charges paid to Edison by SDG&E be recovered in ECAC?
- (2) Should the November 1977 fuel oil sale loss of \$914,023 be included in the ECAC?
- (3) What income tax treatment should be accorded the 1976 and 1977 fuel oil sale losses when compared with the tax treatment of earlier fuel oil sale gains?

By Application No. 58263 filed August 1, 1978, SDG&E requests authority to decrease, effective September 1, 1978, its electric rates and charges. SDG&E also requests authority to revise the ECAC procedure which appears in Section 9 of the preliminary statement to its electric department tariffs in four separate respects. First, SDG&E renews its request, previously made in the context of Application No. 57780, for authority to provide for the inclusion of certain wheeling charges in the calculation of the ECAC adjustment rate. Second, SDG&E requests authority to alter the ECAC to more accurately reflect the franchise fees and uncollectibles associated with all ECAC revenues. Third, SDG&E requests authority to revise the ECAC to allow for the recovery of all costs associated with energy sales to and purchases from the California Department of Water Resources (DWR). Fourth, SDG&E requests authority to alter the ECAC to provide for recovery of the cost of fuel oil additives used for environmental purposes pursuant to directions from appropriate governmental authorities.

In Application No. 58263^{1/} SDG&E proposes to allocate the requested revenue decrease amounting to an estimated \$2.05 million for the six-month period beginning September 1, 1978, only to nonlifeline service and states that so doing would result in a uniform 0.056 cents per kWh nonlifeline decrease. Such a decrease would produce an ECAC adjustment rate of 3.312 cents per kWh for nonlifeline service.

The Commission staff takes exception to certain items SDG&E has included for recovery through its proposed ECAC adjustment rate of 3.312 cents per kWh for nonlifeline service. Mostly as a result of those exceptions, the staff proposes about a three-fold increase in the \$2.05 million revenue decrease

^{1/} As revised by Exhibit 1.

requested by SDG&E. Among other things, the staff recommends:

- (1) Disallowance of losses on fuel oil sales made after October 1977.
- (2) Recapture of the tax component on the gross profit on a 1974 fuel oil sale.
- (3) No recovery under ECAC of either wheeling charges associated with the purchasing of power from the Salt River Project or expenses associated with sales exceeding the purchases of energy from DWR.
- (4) The inclusion of ECAC time-of-day rates for tariff Schedule A-6 customers.

During the course of the public hearings in these consolidated applications held before Administrative Law Judge Main in San Diego on October 2, 3, 4, 5, and 6, 1978, SDG&E put on its direct case, its witnesses were cross-examined, a principal consulting engineer with Gilbert Associates, Inc. presented that firm's study and appraisal of the fuel procurement policies and practices of SDG&E and was cross-examined, and cross-examination was started on one of the two staff witnesses. At those hearings it was shown that a revenue decrease of up to an estimated \$2,111,500 for this six-month period beginning September 1, 1978 is not subject to dispute. A decrease of \$2,111,500 would result in a 0.058 cents per kWh nonlifeline decrease and would produce an ECAC adjustment rate of 3.310 cents per kWh for nonlifeline service.

We are of the view that an ECAC rate adjustment should not be held up in its entirety pending further hearing, briefs, and resolution of the several complex issues, which are the subject of the staff recommendations. The estimated effect of

a decrease to a 3.310 cents per kWh ECAC billing factor for non-lifeline sales on the various classes of customers is as follows:

<u>Class of Service</u>	<u>Revenue Decrease for Six Months Beginning September 1, 1978</u> (Dollars in Thousands)	<u>Percent Decrease</u>
Domestic Service	\$ 486.3	.48
General Service - Regular	844.0	.98
General Service - Large	661.8	1.18
General Power	52.6	.98
Agricultural Power	41.6	1.03
Street Lighting	<u>25.2</u>	<u>.80</u>
Total	\$2,111.5	.83

Findings

1. Partial adjustment of the ECAC rate by decreasing the nonlifeline ECAC billing factor from 3.368 cents per kWh to 3.310 cents per kWh is shown by the record not subject to dispute, is reasonable, and should be made effective without delay. A decrease in street lighting rates resulting from the ECAC nonlifeline rate of 3.310 cents per kWh is as shown in Appendix A to this decision.

2. An interim ECAC billing factor of not more than 3.310 cents per kWh for nonlifeline consumption, including street lighting, is reasonable for the period September 1, 1978 to March 1, 1979.

3. The authorized interim rates would decrease electric department revenues by an estimated 0.83 percent, or \$2.1 million for the six-month period.

4. It is reasonable to spread the total decrease to non-lifeline usage, which is the category that has borne all of the ECAC increases.

5. The changes in electric rates and charges authorized by this interim decision are justified and reasonable. The present rates and charges, insofar as they differ from those prescribed by this decision are, for the future, unjust and unreasonable.

6. The effective date of this order should be the date hereof in order to place the rate reduction in effect without further delay.

INTERIM ORDER

IT IS ORDERED that San Diego Gas & Electric Company shall file and place into effect, after the effective date of this order in conformity with the provisions of General Order No. 96-Series, revised tariff schedules to provide for an Energy Cost Adjustment Clause Billing Factor rate of 3.310 cents per kWh for nonlifeline electric usage and a corresponding decrease in street lighting rates as shown in Appendix A.

The effective date of this order is the date hereof.

Dated at San Francisco, California,
this 9th day of NOVEMBER, 1978.

Robert Baty
President
William J. ...
Vernon L. ...
Robert D. ...
Clare L. ...
Commissioners

Appendix ASan Diego Gas & Electric Company
Energy Cost Adjustment ClauseDecrease in Street Lighting Adjustment Amount Per Month
Related to ECAC Adjustment Rate of \$0.03310/kWh

<u>Type and Nominal Rating of Lamp</u>	<u>Decrease in Adjustment Amount Per Month Related to \$0.03310/kWh</u>		
	<u>All Night</u>	<u>Midnight</u>	<u>1:00 a.m.</u>
Incandescent			
1,000 lumens	\$0.01	\$0.01	\$0.01
2,500 lumens	0.04	0.02	0.02
4,000 lumens	0.06	0.03	0.03
6,000 lumens	0.08	0.04	0.05
10,000 lumens	0.12	0.06	0.03
Mercury Vapor			
100 watts	\$0.03		
175 watts	0.04		
250 watts	0.06		
400 watts	0.10		
700 watts	0.16		
1,000 watts	0.22		
Sodium Vapor, High Pressure			
100 watts	\$0.03		
150 watts	0.03		
250 watts	0.06		
400 watts	0.10		
1,000 watts	0.23		