

ORIGINAL

Decision No. 89857 JAN 16 1979

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,
Gas and Steam Service.

Application No. 58067
(Filed May 15, 1978)

Application No. 55627
(Filed April 16, 1975)

And Related Matters.

Application No. 55628
(Filed April 16, 1975)

Application No. 55629
(Filed April 16, 1975)

(See Decision No. 89449 for appearances.)

INTERIM ORDER ON MOTION
FOR PARTIAL GENERAL RATE INCREASE

San Diego Gas & Electric Company (SDG&E) filed a motion on October 31, 1978 requesting partial general rate relief in the amount of \$59.9 million for the combined electric, gas, and steam departments effective January 1, 1979 based upon 1979 test year results of operations. SDG&E alleges that the granting of such relief in a timely manner will provide SDG&E with the amount necessary to enable it to maintain a minimum degree of financial integrity in 1979. SDG&E further alleges that it is clear from the record in this proceeding that it will not achieve its last authorized rates of return of 9.67 percent for electric and gas operations (Decision No. 88697) and 9.50 percent for steam operations (Decision No. 87639) in 1979 without substantial rate relief commencing January 1, 1979.

SDG&E's application was tendered under the Commission's Regulatory Lag Plan adopted by Resolution No. A-4693 dated July 6,

1977. SDG&E filed its Notice of Intent (NOI 3) on January 23, 1978 which was supplemented by a filing on February 14, 1978 containing some revisions to the materials tendered in the initial filing. NOI 3 was accepted on March 8, 1978 with the application being subsequently filed on May 15, 1978.

Pursuant to the Regulatory Lag Plan a prehearing conference was held in San Diego on May 26, 1978, with hearings for public witness testimony being held on June 13 and 14, 1978 in San Diego before Administrative Law Judge Tomita. SDG&E's presentation began on August 1, 1978 with 45 days of hearings on the evidentiary phase of this proceeding. The matter was submitted on November 21, 1978 subject to the filing of late-filed exhibits and the filing of concurrent opening briefs on December 26, 1978 and concurrent closing briefs on January 11, 1979.

Complete showings on all issues were presented by SDG&E and the Commission staff. In addition, rate design testimony and exhibits were submitted by California Retailers Association (CRA) and the Federal Executive Agencies (Federal Agencies) and rate of return testimony and exhibits by the California Association of Utility Shareholders (CAUS). These parties, as well as the city of San Diego (City), San Diego Energy Coalition, and California Farm Bureau participated through extensive cross-examination of the various witnesses.

Position of the Parties
On Motion for Partial General Rate Relief

General

Arguments on SDG&E's motion for partial general rate relief were heard on November 21, 1978. Statements of position were presented by SDG&E, the Commission staff, City, Federal Agencies, and CRA.

SDG&E's Position

In filing its motion for partial general rate relief, SDG&E relies on the following language contained on page 41 of Decision No. 88697 dated April 11, 1978 relating to the reopened proceedings in Applications Nos. 55627, 55628, and 55629:

"In the event that the final rate adjustments resulting from the proceeding in NOI 3 are not

effective on or before January 1, 1979, partial relief will be considered in that proceeding."

SDG&E alleges that in determining the appropriate level of rate relief for 1978, the Commission specifically contemplated that additional rate relief would be forthcoming on or before January 1, 1979 in NOI 3 (Application No. 58067).

SDG&E contends that under the Regulatory Lag Plan, a final decision is not contemplated until May 1979; therefore, it was necessary for SDG&E to file its motion for partial general rate relief since it was evident from the record in this proceeding that SDG&E would not be able to earn the last authorized rates of return for its several departments in 1979 without substantial rate relief beginning January 1, 1979. (The staff estimates a 7.57 percent return for the combined departments and the company a 3.05 percent return for test year 1979 at present rates.)

Of the \$95.5 million total increase in rates requested in this application, SDG&E, in its motion, seeks partial general rate relief of \$59.9 million based on the following:

	<u>Million Dollars</u>
Revenue increase based on staff recommended 10.14 percent rate of return and PUC staff basis of revenues, expenses, and rate base revised for known charges	\$40.7*
In addition to the \$40.7* million, SDG&E requests that the revenue effects of the following additional items be recognized and authorized in the decision for partial general rate relief:	
a. Inclusion of Sundesert site related costs and the unamortized balance of non-site related costs in rate base	\$10.5
b. Fuel expenses for sales to the Department of Water Resources (DWR) in excess of purchases	\$ 4.4

c. Reversal of staff wage and productivity adjustments	<u>\$ 4.3</u>
Additional Revenues Requested	<u>\$19.2</u>
Total Partial General Rate Relief	<u>\$59.9</u>

*The \$40.7 million figure in the motion was revised downward to \$36.9 million by SDG&E based on further staff adjustment to rate base disallowing Sundesert site costs included in plant held for future use. ✓

SDG&E, in requesting \$59.9 million in partial general rate relief, states in its motion that both staff and company cost of capital witnesses have supported the concept of beginning rate relief as soon as possible and in sufficient amounts. SDG&E further alleges that failure to grant sufficient partial rate relief would result in fluctuations in its earnings and would adversely affect its ability to finance in 1979 and 1980 both as to cost and ability to issue securities.

SDG&E argues that the Commission must not be deceived by the good earnings experienced by the company through September 1978 as these results were due to \$21 million of G-54 profits (Sales to Electric Department) representing nearly 50 percent of total earnings, being flowed through to earnings which no longer will be available effective October 15, 1978 with the implementation of a Supply Adjustment Mechanism (SAM) balancing account as of that date.

SDG&E argues that it is proper in this proceeding to grant partial rate relief using the 10.14 percent rate of return recommended by the staff in this proceeding, as no other party had put in affirmative evidence supporting any lower rate of return rather than using the last authorized rate of return or return on common equity used in other situations where the staff's rate of return recommendation was not the lowest. Using the 10.14 percent rate of return together with the staff estimated revenues, expenses, and rate base figures for test year 1979, SDG&E argues a revenue increase of \$36.9 million would be required. ✓

SDG&E further argues that its rate of return witness has testified that a \$34-37 million increase for 1979 would not be sufficient to enable it to meet its coverage requirements for its second issue of debt offering late in 1979 and make a common stock issue

scheduled for mid-1979 difficult. It would, however, be able to sell the first bond issue scheduled in 1979 because the company could reach back and use historical earnings to support such issue.

Considering the inadequacy of rate relief under the minimum standards using last authorized return on equity or by adoption of staff recommended rate of return in this proceeding, SDG&E requests additional revenues in the amount of \$19.2 million. SDG&E argues that the \$4.4 million requested to offset DWR sales in excess of purchases is justified by the Commission's allowance for similar expenses to Pacific Gas and Electric Company in Decision No. 89316 dated September 6, 1978. On disallowance of staff wage and productivity adjustments amounting to some \$4.3 million, SDG&E takes the position that the Commission has often allowed recovery of the full annual effects of a wage increase in the test year and that the productivity adjustment proposed by the staff results in a double penalty to the company.

SDG&E argued strongly for inclusion of the Sundesert site related costs and the unamortized balance of the non-site related costs in rate base. SDG&E argues that this issue, as well as the previous two issues, was thoroughly developed in this proceeding with all parties having an adequate opportunity to cross-examine witnesses and to offer affirmative evidence and that the Commission could address these issues in the decision for partial general rate relief.

SDG&E, in its motion for expeditious determination of the proper ratemaking treatment to be accorded the Sundesert expenditures filed on October 10, 1978, has alleged that until the ratemaking treatment for these expenditures are resolved it will not be able to obtain a qualified opinion from its independent auditors because of the significant number of dollars which are being deferred on its books. SDG&E argues that inclusion of the revenue effects of the Sundesert expenditures in this proceeding, together with the other previously mentioned items, will enable SDG&E to obtain sufficient revenues beginning January 1, 1979 to meet the minimum financial criterion for 1979.

SDG&E states that it has fully demonstrated that its actions in regard to the Sundesert Nuclear Project were prudent and certainly not contested by staff witnesses as being imprudent.

Position of the Commission Staff

The Commission staff takes a dual position on SDG&E's motion for partial general rate relief. The Legal Division opposes the motion, whereas the Operations and Finance Divisions indicate that they have no objection to granting a partial general rate relief under certain conditions.

Legal Division opposes the granting of the motion on the ground that: (a) Under the Regulatory Lag Plan such motion is premature; (b) there is no necessity for such relief at this time; and (c) SDG&E is requesting rate treatment of four items in its motion which are contested issues.

The Operations Division and the Finance Division do not oppose SDG&E's request for partial rate relief based on Conclusion No. 2 in Decision No. 88697. The two divisions recommend that if the Commission authorizes a partial rate increase, it should be based on an updated 9.95 percent rate of return which produces the 13 percent return on common equity authorized in Decision No. 88697 and by use of staff's test year 1979 estimates of revenues, expenses, and rate base.

City of San Diego's Position

City opposes the motion for partial general rate relief based on SDG&E's current level of earnings which exceed the return authorized in Decision No. 88697. City further argues that although the profits of the G-54 sales will no longer be flowed through to earnings after October 15, 1978, conversely, the full effects of the \$15.2 million increase granted in April 1978 will not be fully reflected in 12 months' ended earning figures until March 1979. City also argues similar to the Commission's Legal Division that partial general rate relief under the Regulatory Lag Plan should be considered only if the decision draft appears not to be available prior to 10 months from the date of filing of the application.

City further argues that SDG&E has a history of coming before the Commission under the guise of financial emergency and obtaining rate relief. City requests that if any rate increase is forthcoming that no increase be made in G-54 gas rates.

Position of Federal Agencies

Federal Agencies oppose the motion on the ground that SDG&E has not shown financial emergency and that the final decision in this application will meet the time limits set forth in the Regulatory Lag Plan. It also argues that SDG&E seeks inclusion of contested issues in its motion for partial general rate relief, which is a deviation from past Commission policies for interim rate relief. Federal Agencies recommend that the motion be denied; however, if the request for interim partial rate relief is to be considered, it recommends that such increase be limited to an amount which would enable SDG&E to only earn its last authorized rate of return.

On the issue of rate design, Federal Agencies recommend that such increase be made on a uniform percentage basis in order not to distort the existing differential in rates between classes established in the last general rate case.

Position of CRA

CRA argues against granting of partial general rate relief in this proceeding because:

- a. It is not in accord with the Regulatory Lag Plan;
- b. It does not meet the exceptions by which partial rate relief was granted in other proceedings;
- c. The magnitude of the increase requested is unprecedented;
- d. Decision No. 88697 hardly provides any support for granting interim partial relief at this time;
- e. The argument that SDG&E will not earn its authorized rate of return during test year 1979 is not a valid reason; and
- f. The uniform cents per energy unit increase proposed by SDG&E would prejudice the interest of those parties such as CRA whose primary interest is in rate design.

Discussion

The Regulatory Lag Plan schedule specifies that at Day 225

"The Executive Director, after consultation with the appropriate division

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directors, shall give a status report of the proceeding to the assigned commissioner together with a joint opinion as to when a draft decision is expected. If the draft decision appears not to be available prior to ten months from the date of filing the application, the Executive Director and the appropriate division directors shall recommend to the assigned commissioner whether to consider granting a partial general rate increase or decrease." The hearings on this application were completed on schedule with concurrent opening briefs and closing briefs to be filed on December 26, 1978 and January 11, 1979, respectively. It is further anticipated that the draft of the final decision based on test year 1979 will be ready on February 26, 1979 (Day 285) in accordance with the Regulatory Lag Plan.

While parties opposing SDG&E's request for partial relief are correct in stating that the Regulatory Lag Plan schedules are being met in this proceeding, it is, however, also true that the Commission in Decision No. 88697 did indicate that it would entertain a motion by SDG&E for partial rate relief should a Decision on NOI 3, subsequently received as Application No. 58067, should not be forthcoming by December 31, 1978. In including such language in the decision, the Commission was aware of SDG&E's continuing need to resort to substantial equity and debt financing in 1979 and 1980, and also aware of the problems the company has been and is encountering in meeting its coverage requirements even after resorting to such non-conventional financing as sale leaseback transactions to defer the issuance of securities.

We are also aware that SDG&E's earnings for 1977 and the 12 months ended September 1978 have been above the last authorized rates of return. This, however, has been due to large profits from G-54 sales which no longer will flow through to earnings on and after October 15, 1978 with the implementation of the SAM balancing account.

Although various parties have argued that no increase should be granted because SDG&E has not made a showing of financial emergency, it should be noted that in granting partial general rate relief financial emergency is not a prerequisite for granting such relief. In general, we grant partial general rate increases on those revenue

requirement items in which substantially all major parties have been in agreement and, therefore, do not address contested issues that ~~should be resolved after full deliberation and detailed discussion.~~

Since it is apparent that a final decision cannot be anticipated to be forthcoming until some time after February 1979 and before May 15, 1979 (in accordance with Regulatory Lag Plan schedule) and also considering that test year 1979 will be partially gone before a final decision will be forthcoming, granting of partial general rate relief is reasonable. We will authorize the granting of partial general rate relief in the amount of \$33.7 million for the combined departments. This increase will enable SDG&E to earn a 9.95 percent rate of return on rate base and a 13 percent return on common equity, the last authorized return on common equity. We will, at this time, also reject SDG&E's request for additional revenues relating to DWR sales, Sundesert expenditures, wage and productivity adjustments, and the higher return on common equity as such matters are substantial issues in this proceeding and on which the Commission should have the benefit of the views expressed by the various parties in their opening and closing briefs. ✓

In rejecting SDG&E's request for consideration of these other items, we are not unmindful of SDG&E's problems relating to financing and the value of obtaining unqualified opinions from its independent auditors; however, we are of the opinion that important issues like the Sundesert issue which are precedent setting must be thoroughly considered before the Commission arrives at its decision.

Rate Design Considerations

We are aware of CRA's concern that granting of partial general rate increase may prejudice any restructuring of rates. We have also considered the Federal Agencies' request that the increase be spread on a uniform percentage basis to all classes in order not to distort the existing differential in rates until full consideration can be given in the final decision as to the appropriate rate structure to be adopted based on the record in this proceeding.

Both SDG&E and the staff have recommended that the electric increase granted be spread on a uniform cents per kWh basis.

This will require spreading the increase to all sales exclusive of lifeline sales and DWR sales. Public Utilities Code Section 739 precludes any increase in lifeline rates until the average system rate increases 25 percent or more over the January 1, 1976 level and such level has not been exceeded nor will be exceeded by the \$23.7 million^{1/} increase in jurisdictional sales that we will authorize in this decision as partial rate relief for the electric department. This will result in an increase of 0.326¢ per kWh for all electric sales, exclusive of lifeline and DWR sales as set forth in Appendix A.

Both the staff and SDG&E have recommended a gas rate design based on priorities of use. We will implement that design in this decision as a continuation of our policy as expressed in the recent Decision No. 89710 issued December 12, 1978, in Application No. 57639 of Southern California Gas Company. For the gas department we will authorize a differential increase to residential users varying from 2.2 percent to 30.6 percent and to nonresidential users in priority classes 1 and 2 a 4.2 percent increase. Users in priority classes 3, 4, and 5 will receive no increase. The increases are as shown in Appendix A of this decision. The increases in gas rates will result in a revenue increase of \$9.8 million.

For the steam department we will establish a commodity rate of \$6.047 per 1,000 pounds for Schedule 1 and \$6.107 per 1,000 pounds for Schedule 2. The rates will result in a revenue increase of \$189,000.

Tables illustrating the authorized rate design for the gas and steam departments are set forth below.

^{1/} Fuel oil additives of \$1,061,400 eliminated from electric production expenses since Decision No. 89630 allowed such costs under ECAC.

TABLE 1

San Diego Gas & Electric Company
Gas DepartmentAUTHORIZED RATE SPREAD
Test Year 1979

Category	Present 1/				Authorized			
	Volume M Therms	Rate \$/Therm	Revenue M\$	Rate \$/Therm	Revenue M\$	Increase M\$	Increase %	
RESIDENTIAL								
Cust. Months								
Sch. GS	2,451	\$1.2600	\$ 3.1	\$1.400	\$ 3.4	\$ 0.3	9.7%	
Sch. GR, GM	5,440,057	1.4000	7,616.1	1.400	7,616.1	-	-	
Subtotal	-	-	7,619.2	-	7,619.5	.3	-	
Borrego-Alpine Commodity	-	-	52.6	-	55.8	3.2	6.1	
Tier IR (L.L.)								
Sch. GS	10,746	.1674	1,798.9	.1710	1,837.6	38.7	2.2	
Sch. GR, GM	259,724	.1860	48,308.7	.1900	49,347.6	1,038.9	2.2	
Tier III R	35,413	.2146	7,599.6	.2450	8,676.2	1,076.6	14.2	
Tier IIII R	45,538	.2302	10,482.8	.2900	13,206.0	2,723.2	26.0	
Tier IV R	12,712	.2500	3,178.0	.3266	4,151.7	973.7	30.6	
Subtotal	364,133	.1960	71,368.0	.2121	77,219.1	5,851.1	8.2	
NONRESIDENTIAL								
Cust. Months								
GN-1	344,591	1.4000	482.4	1.4000	482.4	-	-	
GN-2	192	-	-	-	-	-	-	
GN-3	600	-	-	-	-	-	-	
GN-4	60	-	-	-	-	-	-	
Subtotal	-	-	482.4	-	482.4	-	-	
Commodity								
GN-1	133,144	.2353	31,328.8	.2453	32,660.2	1,331.4	4.2	
GN-2	13,343	.2353	3,139.6	.2453	3,273.0	133.4	4.2	
GN-3	23,837	.2453	5,847.2	.2453	5,847.2	-	-	
GN-4	1,344	.2453	329.7	.2453	329.7	-	-	
Subtotal	171,668	.2368	40,645.3	.2453	42,110.1	1,464.8	3.6	
Borrego-Alpine Total Retail	-	-	21.4	-	22.7	1.3	6.1	
	535,801	.2243	120,188.9	.2380	127,509.6	7,320.7	6.1	
INTERDEPARTMENTAL								
GN-5	1,944	.2500	486.0	.2500	486.0	-	-	
Total Sales	537,745	.2244	120,674.9	.2380	127,995.6	7,320.7	6.1	
OTHER REVENUE								
Service Est. Ch.	179,646	6.5000	1,167.7	6.5000	1,167.7	-	-	
Misc.	-	-	172.9	-	178.1	5.2	3.0	
Total Revenue 2/	-	-	122,015.5	-	129,341.4	7,325.9	6.0	

1/ The 4-17-78 rate does not include the effect of the tax cost adjustment clause (TCAC). The revenue effect including TCAC results in an increase of \$9.8 million.

2/ Total revenue does not include 1% surcharge to the city of San Diego (\$553,700).

TABLE 2

San Diego Gas & Electric Company
Steam Department

AUTHORIZED RATE SPREAD EXCLUDING ECAC

Test Year 1979

Tier (Mlb/mo)	Volume (Mlb/yr)	Present		Authorized		Increase	
		Rate ^{1/2} (\$/Mlb)	Revenue (M\$)	Rate (\$/Mlb)	Revenue (M\$)	Revenue (M\$)	Increase (M\$)

Schedule 1

Customer Months	756	\$6.71	\$ 5.1	\$7.89	\$ 6.0	\$ 0.9	17.6%
First 100 Mlb/mo.	45,881	1.1096	50.9	1.643	75.4	24.5	48.1
Next 100 Mlb/mo.	24,367	.9754	23.8	1.643	40.0	16.2	68.1
Next 100 Mlb/mo.	17,913	.8413	15.1	1.643	29.4	14.3	94.7
Over 300 Mlb/mo.	119,639	.6658	79.7	1.643	196.6	116.9	146.7
Subtotal	207,800	.8402	174.6	1.672	347.4	172.8	99.0

Schedule 2

Customer Months	12	6.78	.1	7.97	.1	-	-
First 100 Mlb/mo.	1,150	1.1207	1.3	1.659	1.9	.6	46.2
Next 100 Mlb/mo.	820	.9852	.8	1.659	1.4	.6	75.0
Next 100 Mlb/mo.	650	.8497	.6	1.659	1.1	.5	83.3
Over 300 Mlb/mo.	380	.6725	.3	1.659	.6	.3	100.0
Subtotal	3,000	1.0333	3.1	1.700	5.1	2.0	64.5
Total	210,800		177.7		352.5	174.8	98.4

^{1/2} Based on tariffs effective January 1, 1978, which does not include the effect of the tax cost adjustment clause (TCAC). The revenue effect, including the TCAC amounts, results in an increase of \$189,000.

TABLE 3

San Diego Gas & Electric Company
Steam Department

DERIVATION OF COMMODITY RATE

Item	1-1-78 Rate			Authorized Rate		
	Base	ECAC	Commodity	Base	ECAC	Commodity
Schedule 1	\$0.8154	\$4.404	\$5.2194	\$1.643	\$4.404	\$6.047
Schedule 2	.8236	4.448	5.2716	1.659	4.448	6.107

Income Taxes and Ad Valorem Taxes

By Decision No. 89048 dated June 27, 1978, the Commission granted limited rehearing as to the issue of proper treatment of income taxes in Decision No. 88697 in Applications Nos. 55627, 55628, and 55629 to be consolidated with the hearings in Application No. 58067. Both the staff and SDG&E offered testimony and exhibits as to the appropriate method for calculating investment tax credits to be used for ratemaking purposes. SDG&E's tax witness Miller testified that flow-through of Investment Tax Credit (ITC) earned under the 1971 Revenue Act at a rate greater than 50 percent violates IRS Code Sections 46f(2) and (2) and Temporary Regulation Section 9.1 thereby jeopardizing the additional investment tax credits available under the Tax Reduction Act of 1975.

The staff witness examined the IRS code provisions upon which SDG&E relied to support its position and did not agree that the language therein clearly and convincingly demonstrated the interpretation of law that SDG&E set forth. Accordingly, for the purposes of this decision, ITC will be limited to 50 percent of the tax liability plus the rateable flow-through of the excess ITC generated by the 1975 Tax Reduction Act. Income tax expense computed with this limitation will be made subject to refund pending final resolution of this issue.

The revenue requirement increase authorized herein reflects the recently enacted 46 percent federal income tax rate for corporations effective January 1, 1979 (HR 13511), and the reduction in ad valorem taxes resulting from the adoption of Article XIII-A of the California Constitution.

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Findings

1. SDG&E's general rate increase application was filed in accordance with the provisions of this Commission's Regulatory Lag Plan for major utility general rate cases adopted by Resolution No. A-4693 dated July 6, 1977.

2. The final day of the hearing was held on November 21, 1978, at which time arguments on SDG&E's motion for partial general rate relief was heard. The matter was submitted subject to receipt of concurrent opening briefs on December 26, 1978, and concurrent reply briefs on January 11, 1979, all in accordance with the scheduling of the Regulatory Lag Plan.

3. The Commission in Decision No. 88697, relating to the reopened proceedings in Applications Nos. 55627, 55628, and 55629, did state that it would entertain a request for partial relief if a final decision on Application No. 58067 (NOI 3) was not forthcoming by December 31, 1978.

4. It is obvious from Finding 2 that although Application No. 58067 is proceeding on schedule with the Regulatory Lag Plan that a final decision on this matter will not be forthcoming until some time between March 1979 and May 14, 1979, which would be well beyond the beginning of the test year. ✓

5. SDG&E has enjoyed the benefits of substantial profits from G-54 sales in 1977 and for the nine months ended September 30, 1978 in the amount of \$17 million and \$21 million, respectively, but which will not be available to be flowed through to earnings in the future because of the adoption of the SAM balancing account effective October 15, 1978.

6. SDG&E has demonstrated that it needs partial general rate relief in the amount of \$33.7 million in jurisdictional sales, which, based on staff revenue, expense, and rate base figures, will enable SDG&E to earn a 9.95 percent rate of return on rate base for test year 1979 with a related 13 percent return on common equity authorized by Decision No. 88697. This will require a \$23,685,000 increase in electric rates, a \$9,834,000 increase in gas rates, and a \$189,000 increase in steam rates, or an 11.4 percent, 8.2 percent, and 115 percent increase, respectively.

7. In computing income taxes for partial general rate relief we will limit ITC to 50 percent of the tax liability plus the rateable flow-through of the excess ITC generated by the 1975 Tax Reduction Act. Income taxes so computed should be subject to refund.

8. The increases in rates and charges authorized herein are reasonable as an initial phase of this proceeding, and the present rates and charges, insofar as they differ from those prescribed herein, are for the immediate future unjust and unreasonable.

9. It is reasonable to authorize SDG&E to increase electric rates on a uniform cents per kWh basis for all sales excluding life-line and DWR sales, gas rates in accordance with Table 1 above, and steam rates in accordance with Table 3 above for the purposes of this interim partial general increase.

10. All other unanswered motions and issues will be addressed in the final decision including the additional issues relating to Sun-desert expenditures, DWR sales, and staff wage and productivity adjustments which SDG&E sought to have resolved in this decision on its motion for partial rate relief.

11. Because there is an immediate need for the rate relief beginning in early 1979, the following order should be made effective the date hereof.

Conclusions

1. SDG&E's motion for partial general rate increase should be granted subject to refund in the amount of \$33.7 million on jurisdictional sales based on staff's test year 1979 estimates of revenues, expenses, and rate base and a cost of capital using the last authorized return on common equity of 13 percent and an updated rate of return of 9.95 percent. ✓

2. The increase should be granted subject to refund to the extent that income tax expenses are computed limiting Investment Tax Credit to 50 percent of the tax liability.

IT IS ORDERED that:

1. After the effective date of this order, San Diego Gas & Electric Company is authorized to file the revised rate schedules attached to this order as Appendix A, and concurrently to withdraw and cancel its presently effective schedules. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be four days after the date of filing. The revised schedule shall apply only to service rendered on and after the effective date thereof.

2. The increase authorized herein shall be subject to refund at 7 percent interest to the extent that income tax expenses are computed limiting Investment Tax Credit to 50 percent of the tax liability.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 16th
day of JANUARY, 1979.

Robert Batwinich
President

Robert D. Hardy

Clare J. Desich

Commissioners

APPENDIX A
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Electric Department

Applicant's electric tariffs exclusive of lifeline and DWR sales shall be revised to provide for an increase of 0.326[¢] per kWh for all ~~W~~ electric sales. ✓

The adopted 1979 test year summary of earnings reflects estimated reductions in ad valorem taxes resulting from the passage of Article XIII-A of the California Constitution. Accordingly, the current TCAC rate can be eliminated upon the effective date of the applicant's tariffs authorized herein. Any over- or undercollection resulting from rate decreases or estimated tax savings adopted herein as compared to actual tax savings, when known, will be reflected in the balancing account established pursuant to OII No. 19, and corresponding rate changes can be made as appropriate.

APPENDIX A
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Gas Department

Applicant's tariffs, rates and charges are changed to the level or extent set forth in this appendix.

1. Tariff Rates

<u>Schedule GR, GM, GS</u>	<u>Per Meter Per Month</u>	
	<u>Lifeline Rates</u>	<u>Non-lifeline Rates</u>
Customer Charge	\$1.40	\$1.40
<u>Commodity Charge</u>		
First 81 therms, per therm	\$0.1900 ^{1/}	\$0.2450
Next 81 therms, per therm	-	.2900
Over 162 therms, per therm	-	.3266

^{1/} 10% commodity rate discount for Schedule GS lifeline sales.

Schedule GN-1

Customer Charge	-	\$1.40
Commodity Charge, per therm	-	\$0.2453

Schedules GN-2, GN-3, GN-4

Commodity Charge, per therm	-	\$0.2453
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Schedule GN-5

Commodity Charge, per therm	-	\$0.2500
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Schedules GL-1 and GL-2 and special contracts to be increased commensurately.

Schedules GC, G-40 and G-54 are cancelled.

2. Revised tariff sheet language shall conform to Table 2, sheets 1 through 11 of Exhibit No. 7 (Proposed Rate Design and Tariffs, SDG&E-7).
3. The adopted 1979 test year summary of earnings reflects estimated reductions in ad valorem taxes resulting from the passage of Article XIII-A of the California Constitution. Accordingly, the current TCAC rate can be eliminated upon the effective date of the applicant's tariffs authorized herein. Any over- or undercollection resulting from rate decreases or estimated tax savings adopted herein as compared to actual tax savings, when known, will be reflected in the balancing account established pursuant to OII 19, and corresponding rate changes can be made as appropriate.

APPENDIX A
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Steam Department

Applicant's tariffs, rates and charges are changed to the level or extent set forth in this appendix.

1. Schedules 1 and 2

a. Tariff Rates

	<u>Per Meter Per Month</u>	
	<u>Sch. 1</u>	<u>Sch. 2</u>
Customer Charge	\$7.89	\$7.97
Commodity Charge, per 1,000 lb.	\$6.047	\$6.107

b. Special Conditions

4. Energy Cost Adjustment. An Energy Cost Adjustment, as specified in Section 7 of the Preliminary Statement is included in the above commodity charge. The current Energy Cost Adjustment is \$ * per thousand pounds of steam.

* \$4.404 for Sch. 1 and \$4.448 for Sch. 2 (as of January 1, 1978); adjust to reflect rate effective on the date of this order.

2. Preliminary Statement

7. Energy Cost Adjustment Clause (ECAC). Revise in accordance with Appendix A, Exhibit 31 (staff report on rate design and tariff revisions) as corrected.

3. The adopted 1979 test year summary of earnings reflects estimated reductions in ad valorem taxes resulting from the passage of Article XIII-A of the California Constitution. Accordingly, the current TCAC rate can be eliminated upon the effective date of the applicant's tariffs authorized herein. Any over- or undercollection resulting from rate decreases or estimated tax savings adopted herein as compared to actual tax savings, when known, will be reflected in the balancing account established pursuant to OII 19, and corresponding rate changes can be made as appropriate.