ORIGINAL

Decision No. 91235 JAN 15 1980

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 Gas Rates and Charges Pursuant to its Purchased Gas Adjustment Clause, for Approval of a Supply Adjustment Mechanism Rate Adjustment, and for Approval of Certain Tariff Revisions.

Application No. 58732
(Filed March 9, 1979;
amended October 4, 1979)

(For appearances see Decision No. 90440 dated June 19, 1979.)

Additional Appearance

Philip Scott Weismehl, Attorney at Law, for the Commission staff.

FINAL OPINION AND ORDER

By this application San Diego Gas & Electric Company (SDG&E) requests authority to increase its natural gas rates as provided for in its Purchased Gas Adjustment Clause (PGA), to adjust its rates as provided for in its Supply Adjustment Mechanism (SAM) procedure, and to make several changes in its PGA and SAM procedures which are on file with the Commission as required by previous Commission decisions.

An original hearing on this application was held on May 23, 1979. That hearing was concerned with only SDG&E's petition for interim rate relief. An interim increase was granted by Decision No. 90440 dated June 19, 1979 which authorized increased annual revenue of $18.1 million. Further hearings were then held September 11 through 14, 1979. On the last day of these further hearings it was learned that the Commission had issued Decision No. 90822 dated September 12, 1979 granting Southern California Gas Company (SoCal), SDG&E's major supplier, an increase in rates for sales of gas to SDG&E. That increase did not reflect any of the SoCal rate proposals upon which the parties to this proceeding were basing their rate proposals for SDG&E. With the rate proposals sponsored by SDG&E, and the Commission staff (staff) no longer valid, the presiding Administrative Law Judge (ALJ) continued the hearings to a date to be set to allow time for study of the SoCal decision and recalculation of SDG&E's revenue requirements and resulting proposed rate design. Since it was then the middle of September and SDG&E had not yet filed for its October 1979 PGA/SAM adjustment (up to that time this application had involved only SDG&E's filing for its April 1979 adjustment), SDG&E requested and received permission from the presiding Commissioner and ALJ to amend this application to include its planned September 1979 filing for the October adjustment. Accordingly, the amendment was filed October 4, 1979 and this proceeding now involves SDG&E's April and October 1979 PGA/SAM adjustments. Further hearings were held in San Diego November 28 and 29, 1979 when the application was submitted; it is now ready for final decision.

At the hearings on November 28 and 29, SDG&E and staff presented exhibits and testimony on the estimated revenue requirements and proposed rate designs based on the proposals before the Commission in SoCal's Application No. 59146 for an increase in gas rates. Those proposals included an increase in SoCal's G-61 schedule under which SDG&E purchases its gas from SoCal. Subsequent to the submission of this application on November 29, the Commission issued Decision No. 91077 on November 30 in SoCal's Application No. 59146, which granted an increase in the SoCal G-61 schedule rates but not the increase expected by either SDG&E or staff and reflected in their proposals in this proceeding. However, the difference is one which can be dealt with in an appropriate manner without taking further evidence in this proceeding.

Decision Summary

By this decision the customers of San Diego Gas & Electric Company will pay $21,824,900 per year more for natural gas beginning in mid-January. The higher charges are authorized by the Commission to offset the increased costs to SDG&E of gas purchased from Southern California Gas Company. SDG&E had requested an increase of over $43,000,000 based on gas rate increases that SoCal had requested. But because the Commission did not grant SoCal the entire increase requested, the impact on SDG&E was reduced considerably.

The Commission also orders SDG&E to adjust its balancing account by over $3,000,000 for accounting errors made in 1978 which will have the effect of reducing the revenue burden of SDG&E's ratepayers. The $3,000,000 adjustment will reduce SDG&E's profits for 1980 by that amount.

The newly authorized rates will increase the commodity charge for a residential customer who stays within the lifeline quantity by about 4.9 percent, and the overall residential customer's commodity charge by about 6.0 percent. An average residential user of 66 therms per month will face an increase of $1.06 per month over the present charge of $19.30, or about 5.5 percent.

Proposed Tariff Changes

SDG&E proposes certain changes to Sections 9 and 10 of its present Preliminary Statement. These can be summarized as follows:

1. Remove purchased gas costs from base rates and include such costs in PGA rates thereby installing "zero-based" gas rates. This means that the rates to gas customers would be broken into two parts to include a PGA rate and a SAM rate.

2. Eliminate the subsection dealing with the treatment of certain rate reductions related to changes prior to the establishment of the PGA procedure.

3. Revise the procedure to calculate the new purchased gas adjustment rate and establish a new procedure for calculating a purchased gas adjustment balancing rate. The new procedure would recognize those customers benefiting from gas for which SDG&E pays demand charges and customers for whom peaking gas is made available.

4. Revise the Base Cost Amount to exclude franchise fees and uncollectibles revenue associated with the Base Weighted Average Cost of Gas (BWACG) revenue. This revenue would be collected as a component of the PGA rate.

5. Change the revision and filing dates for SAM to coincide with those of the PGA.

6. Revise the SAM balancing account procedures to remove the extraneous calculations from the SAM procedure to recognize that those revenues not reported to the Gas Cost Balancing Account (GCBA), prior to the exclusion of franchise fees and uncollectibles, should be reported to the SAM balancing account.

None of the parties to the proceeding took exception to the proposals. We will authorize Proposals 2 and 5 because they do not involve the consolidation of SAM and PGA which is discussed in the following paragraph.

Consolidating SAM and PGA

In Decision No. 88835 dated May 16, 1978 in Case No. 10261, the Commission ordered SDG&E and other gas utilities to include a proposal in their first SAM filing for consolidating SAM and PGA procedures. Both SDG&E and staff made a proposal for such a consolidation at the September series of hearings. However, in Decision No. 90822 dated September 12, 1979 the Commission directed SoCal to initiate the formation of a statewide committee to devise a uniform adjustment mechanism for all utilities. This group met on November 8, 1979 and is in the process of developing a recommendation for a uniform PGA/SAM procedure. Pending receipt of the committee's recommendation, all the parties to this proceeding concur that it would be inappropriate to consider the issue at this time. We agree.

Adjustments to PGA and SAM Accounts

In Attachment E to the original application, SDG&E showed proposed adjustments to the recorded balancing account data which amounted to a net credit (reduction) of $3,010,000. This amount was made up of a reduction of $3,482,000 to the GCBA and an increase of $472,000 to the SAM balance account. Both figures include interest to January 31, 1979. The adjustments shown in Attachment E are footnoted "Subject to CPUC Staff audit". A staff accountant testified that he reviewed the purpose for and amount of the adjustments and found them to be appropriate. However, SDG&E now contends that the adjustments are not appropriate, should not be made, but if they are, they should be amortized over a three-year period.

In Exhibit No. 10 SDG&E's witness Douglas P. Hansen explains the factors which lead to the possible adjustment and detailed the derivation of the amount of the adjustment. Beginning at Page 4, Line 9, he testified as follows:

> "...On April 11, 1978, the CPUC issued Decision 88697 wherein they granted SDG&E, among other things, a $3.5 million increase in gas revenues. On May 26, 1978, SDG&E contacted the Commission's Staff to obtain information on approved expenses in Decision 88697 which were necessary to determine the authorized margin as directed in Decision 88835 (SAM Decision). Based on this information, it appeared that the Base Weighted Average Unit Cost of Gas (BWAUCG) for SAM should be 14.9405¢/therm. SDG&E filed Advice Letter 414-G on June 15, 1978 showing a BWAUCG for both PGA and SAM of 14.9405¢/therm. It was later concluded that to use a BWAUCG of 14.9405¢/therm in calculating the PGA balancing account revenues was not consistent with the overall import of Decision 88697 since the effect would be to eliminate any general gas rate increase granted therein. . . .
>
> "Accordingly, on July 3, 1978, SDG&E filed a Supplement to Advice Letter 414-G revising the BWAUCG for the PGA to 14.2941¢/therm. If 14.9405¢/therm was to be used for the BWAUCG in both the PGA and SAM calculations there should not be any deferred PGA expenses shown in the 1978 Test Year Results of Operations (other than for any PGA balancing rates). Yet, Decision 88697 reflected deferred PGA expenses. During the ensuing months, Staff and the Company determined that further analysis of the appropriate procedure for implementing changes to the SAM and PGA accounts would have to be conducted. During that further analysis we concluded that a consistent manner of treating and implementing Decision 88697 would call for the use of the same BWAUCG for both PGA and SAM and an authorized SAM margin of $51,505,000, together with simultaneously eliminating the negative .68¢/therm balancing rate from the PGA calculation with the implementation of SAM. These above changes

were incorporated into the calculations as of the first of January 1979 for the PGA and SAM balancing accounts. Since SDG&E used two different BWAUCG's from April 17 through December 31, 1978, SDG&E has booked approximately $3 million as Gas Department general rate relief in 1978 as a result of Decision 88697. . . ."

* * *

"...That figure results in a $3,482,000 adjustment to the PGA balancing account and a $472,000 adjustment to the SAM balancing account based on two different methods of calculating the PGA and SAM balancing accounts.

"The balances recorded by the Company, shown at line 6 of page E-2 and line 8 of page E-3,1/ for the PGA and SAM balancing accounts respectively, reflect the use of a PGA BWAUCG of 14.2941¢/therm and a negative .68¢/therm balancing rate to retail sales from April 17 through December 31, 1978 and a SAM BWAUCG of 14.9405¢/therm and a margin of $49,312,000 from October 15 through December 31, 1978.

"The balances reflected at line 8 of page E-2 and line 10 of page E-3 for the PGA and SAM balancing accounts respectively, reflect the use of a PGA BWAUCG of 14.9405¢/therm from April 17 through December 31, 1978 and assumes that the negative .68¢/therm balancing rate to retail sales became zero on October 15, 1978. The SAM BWAUCG used is 14.9405¢/therm and the assumed margin is $51,505,000.

"Effective January 1, 1979, the PGA balancing account reflected a BWAUCG of 14.9405¢/therm and a zero balancing rate to retail sales and the SAM balancing account reflected a BWAUCG of 14.9405¢/therm and a margin of $51,505,000."

1/ The witness's reference here is to Attachment E to the original application.

Another witness for SDG&E on this matter, Paul A. Williams, Manager, Financial Planning, testified that the revenue increases authorized by Decision No. 88697 were designed to grant SDG&E base rate relief predicated upon interest coverage considerations, that the actual results of operations for SDG&E for the year ended December 31, 1978 did not exceed those envisioned by the Commission in Decision No. 88697, and that if the Commission were to order the \$3.1 million adjustment all at one time, 1979 earnings would be reduced by about 10¢ per share and interest coverage under the Debenture Indentures would be reduced by .05 points. Mr. Williams testified that as of June 30, 1979 earnings per share were \$1.50 and interest coverage was 2.0 times earnings, the minimum at which the company can sell securities. Also, Mr. Williams recommends, as Mr. Hansen does, that the adjustment not be made, but if it is, then it should be amortized over a three-year period.

The staff's position is that the adjustment should be made and that it should be made at one time. The staff accountant, Mr. T. R. Pulsifer, testified that the rates authorized by Decision No. 88697 included a provision of 14.9405¢ per therm for recovery of the base weighted average cost of gas and yet, SDG&E continued to use the BWACG of 14.2941¢ per therm established in the previous PGA, Decision No. 87586 dated July 12, 1977, and the negative balancing rate of -0.68¢ per therm, thereby understating revenues reported to the GCBA. Staff views this as an error on the part of SDG&E. In the accountant's opinion, the GCBA should be reduced by \$3,391,071 plus interest to the date of the correction. In addition, an adjustment of \$465,769 plus interest should be made to the SAM balance account to reflect the increased charges that should have been credited for the period October 15, 1978, the date when SDG&E's SAM was established, through December 31, 1978. The account would then reflect properly the Base Cost Amount used to determine the under- or overcollection in SDG&E's test year gross margin of $51,505,000 based on the 1978 test year figures adopted in Decision No. 88697. The latter adjustment is necessary in order to be consistent with the GCBA correction discussed previously. It is the staff's position on a three-year amortization that the one-time adjustment will not have a significant effect on SDG&E's earnings or interest coverage.

The record shows that as of January 1, 1979 SDG&E, without any further decisions from the Commission, began accounting for its GCBA revenues using the BWACG rate of 14.9405¢ per therm with a zero balancing rate and, also, a BWACG rate of 14.9405¢ and a margin of $51,505,000 for the SAM account, all of which the staff claims should have been done also during the appropriate periods in 1978.

SDG&E claims that since staff "accepted" the supplement to Advice Letter 414-G, which changed the BWACG from 14.9405¢ to 14.2941¢, then the accounting employed by the company was appropriate.

The staff entered into evidence as Exhibit No. 16 the following letter dated December 8, 1978 to the Commission from A. G. Strachan, Director-Rates & Valuation for SDG&E:

> "SDG&E acknowledges that a revision of the base weighted cost of gas is appropriate, relating to Decision 88697, dated April 11, 1978.
>
> "San Diego agrees to change the base weighted cost of gas used for calculating the GCBA account no later than January 1, 1979. The effect of rolling this change back to the effective date of Decision 88697 will be calculated subsequent to January 1, 1979.
>
> "San Diego recommends that the disposition of the amount calculated as stated above be made, subject to the Commission's discretion, in conjunction with the final determination of Application 58067. San Diego also recommends that a ROSA type adjustment would be appropriate to minimize the negative effect on earnings."

It would appear that SDG&E's interpretation of the provisions of Decision No. 88697 was erroneous in not reflecting the proper BWACG in its balancing account calculations. This error was apparently acknowledged by SDG&E when on January 1, 1979, the company commenced the 14.9405¢ BWACG. The filing of the advice letter, although received and accepted by the staff, cannot serve to modify the rates authorized by the Commission. We will, therefore, adopt staff recommendations for the adjustments to the PGA and SAM balancing accounts.

With respect for the need to amortize the $3 million credit as proposed by SDG&E, the staff points out that the financial impact evidence presented by SDG&E was based only on recorded data for 1979, and was not based on a pro forma 1980 year which would include the full annualized revenue effect of the last general rate increase in May 1979. We believe SDG&E has not demonstrated why, in 1980, we should adopt the extraordinary ratemaking treatment of amortizing a credit that, compared to previously amortized credits, is relatively small.

Gas Storage Inventory

SDG&E presently accounts for all purchases of natural gas as current charges to the GCBA. A small portion of these purchases are not immediately consumed but are delivered to liquefied natural gas (LNG) storage inventory. The GCBA does not reflect injections or withdrawals from inventory. The staff accountant testified that under generally accepted accounting principles, the cost of gas injected into inventory should not be treated as a current gas expense but should be expensed at the time it is withdrawn from storage. In recognition of this principle, the costs of gas recoverable through the PGA procedure should be reduced by gas injections into storage and increased by gas withdrawals from storage. The staff accountant recommends that the effect of storage injections and withdrawals be reflected in determining rates and corresponding balancing account entries in future PGA/SAM proceedings. No retroactive adjustment to the balancing account is recommended since the amounts involved would not be material.

We will adopt staff's recommendation because it will result in more appropriate compliance with generally accepted accounting principles and would reflect more accurate matching of gas cost recovery with the actual amount of gas consumed.

Required Revenue Increase

In the staff accountant's opinion, except as noted above, the data used to determine the GCBA and SAM account balances are presented fairly by SDG&E and are in conformance with Commission PGA and SAM procedures. There is virtually no controversy over the amount of revenue increase required for the year beginning October 1, 1979 based on staff recommended rates in Application No. 59146 of SoCal. SDG&E estimates an increase of $20,690,000 and staff $20,655,100. Because the Commission did not authorize exactly what the staff recommended for SoCal (see Decision No. 91077 dated November 30, 1979), the ALJ requested that staff recalculate Tables 3-A and 3-C in Exhibit No. 28 of Sudheer K. Gokhale, the engineer witness for staff. The revised tables are shown in Appendix A. The recalculation adds $1,169,800 to the previous staff estimate of $20,655,100 for a total of $21,824,900. The additional amount of $1,169,800, when divided by total sales of 804,604,000 therms, results in a system average increase of $0.0015 per therm. The two rate spread proposals which will be discussed following, one by SDG&E and one by staff, are grounded on the additional revenue required if the Commission had adopted the staff proposal in the SoCal application. So as not to require extensive recalculation of the two proposals, we will discuss them as presented and after adoption of a general rate spread, recover the additional $1,169,800 in an appropriate manner.

Rate Design

In preparing SDG&E's rate proposal, witness Hansen employed different rate design principles in developing the PGA and SAM rates and then tested the resulting rates against other data to determine the reasonableness of the principles used. The first principle he applied was that the PGA revenue requirement (recorded and anticipated undercollection) should be spread on a uniform cents per therm basis because that is the manner in which SDG&E experiences those expenses. Next, the SAM revenue requirement (recorded and anticipated overcollection) was spread based on the philosophy that each customer should ultimately contribute to the margin in the same amount or relationship the Commission found just and reasonable in SDG&E's most recent general rate case, in this instance Decision No. 90405 dated June 5, 1979. Thus, the rate reduction developed by the SAM was spread among the customer classes in a manner that would achieve the appropriate contribution for each class. Mr. Hansen then reviewed the final rates to determine if they would create the possibility of a loss of load due to being priced too near the cost of alternate fuels for each customer. Finally, SDG&E's GN-5 rate[2/] was reviewed to make sure it would not be excessively high nor deviate substantially from the rate applicable to SoCal's power plant gas sales since the final use in both circumstances is the same, electric generation. The witness concluded that the GN-5 rate has been too high through August 1979 because GN-5 sales contributed approximately $22 million to the overcollection of SAM. He clarified that point another way by testifying that were it not for interdepartmental sales, the SAM balance would have been more than $3 million undercollected as of August 1979, rather than approximately $18.5 million overcollected. SDG&E's rate design proposal based on the above concepts, and bottomed on the staff's proposal in the SoCal case as discussed previously, is shown on Table 1.

Witness Gokhale, in designing the staff proposal for the rate spread under proposed revenue levels, used the base rates set by the Commission in SDG&E's last general rate case, Decision No. 90405, supra., as a starting point. In setting the lifeline rate, he applied his understanding of Commission policy with respect to SDG&E which he believes is intended to keep the lifeline

---

2/ See Appendix E for a description of SDG&E's tariff classifications.

TABLE 1

SAN DIEGO GAS & ELECTRIC COMPANY
(Dollars Per Therm)

YEAR BEGINNING OCTOBER 1, 1979

Class of Service and Schedule	Present Rates 6/24/79	For SoCal Gas: PGA Increase Based On D.90822	For SoCal Gas: PGA Increase Based On A.59146ø	SAM Increase	Proposed Rates	Percent Increase
Residential						
Schedules GR, GM, GS, and GT						
Customer Charge, per month	$1.70	-	-	-	$1.70	-
Tier I (Lifeline)*	.2443	.0411	.0370	(.0215)	.3009	23.2
Tier II	.2942	.0411	.0370	(.0481)	.3242	10.1
Tier III	.3391	.0411	.0370	(.0502)	.3670	8.2
Tier IV	.3760	.0411	.0370	(.0632)	.3909	4.0
Other Retail						
Schedule GN-1						
Customer Charge, per month	$1.70	-	-	-	$1.70	-
All usage	.2815	.0411	.0370	(.0108)	.3488	23.9
Schedule GN-2	.2815	.0411	.0370	(.0264)	.3332	18.4
Schedule GN-3	.2768	.0411	.0370	(.0549)	.3000	8.4
Schedule GN-4	.2768	.0411	.0370	(.0978)	.2571	-7.1
Interdepartmental						
Schedule GN-5	.2815	.0411	.0370	(.1062)	.2534	-10.0

() Negative.

ø Commission staff proposed rates.

* Schedule GS to receive a 10 percent discount.
Schedule GT to receive a 15 percent discount.

rate at about 80 percent of the system average rate. For residential nonlifeline rates he proposes setting Tier IV rates, the highest of the four primary residential rates, at SDG&E's marginal cost of gas. Tier IV usage is over 162 therms per month, whereas, the maximum average consumption in any month for single-family residential customers is only 105-125 therms. Staff proposes that Tier IV be set near the cost SDG&E pays for LNG which is stored and used in the winter to serve residential customers during periods of peak demand. Staff believes this would present a clear price signal to customers with very high consumption levels who should pay a fair market price for excessive use. The Tier II and III rates are feathered in between lifeline and Tier IV to provide a progression designed to promote conservation. Turning to nonresidential rates, staff considered a variety of pricing mechanisms in developing its proposal. SoCal, SDG&E's main supplier of natural gas, purchases its gas from several suppliers at various prices not regulated by this Commission. Appendix B shows the current prices charged by SoCal's different suppliers. However, SDG&E pays SoCal a single commodity price for its regular purchases which reflects the average cost of gas to SoCal. The staff quoted from Decision No. 90822 dated September 12, 1979 in SoCal's Application No. 58724, where the Commission said:

> "...The highest priced gas SoCal purchased is required to serve the lowest priority customers. Accordingly, the application of the strict average system cost of service as the sole criterion for pricing gas to SoCal's low priority customers is without merit. Further, it is necessary for low priority customers both to bear the cost of the incrementally higher priced gas SoCal purchases to serve them and to receive a realistic price signal as to the current cost of energy."

Staff claims that the same logic should apply to SDG&E's low priority customers since SoCal's supply policy and gas balance calculations must take into account SDG&E's low priority customer requirements. Therefore, staff asserts that the highest priced gas, in this case Canadian at $3.61/Mcf (33.3¢/therm), should be considered as the floor price for setting SDG&E's low priority rates. Staff stated that another important consideration in setting low priority rates is "value of service," which we equate to the cost of alternate fuel which is applicable to GN-3, 4, and 5 customers since they are capable of substituting alternative fuels for natural gas. These principles dictate that the cost of a utility service cannot be greater than the cost to the customer of a satisfactory alternative service. Staff assumes that substitute service for GN-3 and 4 customers is #2, #5, and #6 (low sulfur) fuel oils, and for GN-5 it assumes #6 (low sulfur) fuel oil under SDG&E's long-term contracts. The cost of these alternatives can be used to set a ceiling for GN-3, 4, and 5 rates. In order to satisfy the revenue requirement in this proceeding staff proposes to set the GN-3, 4, and 5 rates close to the ceiling prices determined by the value of service concept. For nonresidential rates then, staff proposes rates of 40¢/therm for GN-3 and 4, which is less than the cost of #6 fuel oil at the low end of the range of #6 fuel prices (see Appendix C), 30¢/therm for GN-5 (steam electric power plants), which is less than SDG&E's recorded cost of fuel oil for the months of September and October 1979 (see Appendix D), and for GN-1 and 2 rates an increase equal to the system average increase which is about the same as the average increase for residential Tiers II and III. The staff proposal is shown on Table 2.

In SDG&E's next gas rate proceeding we wish to extend the two-tier alternative fuel pricing to its service area. We view this policy as consistent with the National Energy Act and plan to extend it on a statewide basis. Because adequate data was not developed on the record in this proceeding, we will not at this time authorize differential rates for SDG&E. However, SDG&E will be required to complete further studies of its customers' fuel burning capabilities and practices as well as to make quarterly filings of alternative fuel prices in its service area. This information shall include, but not be limited to, the delivered price per barrel, lot size, Btu content, and sulfur content. Separate rate schedules for No. 2 and No. 6 low sulfur fuel oil alternatives will be established by tariff filing as soon as feasible pursuant to decisions in subsequent rate increase applications.

Table 3 summarizes Tables 1 and 2 so one can see at a glance the relationships of the SDG&E and staff proposals, together with their impact over present rates.

TABLE 2

STAFF PROPOSED RATES

(Based on Staff Proposed Rates in SoCal Application No. 59146)

Line No.	Item	Sales Therms (A)	Base Rates 1/ Rate (B)	Base Rates 1/ Revenue (C)	FOA Offset Rate $/Therm (D)	FOA Balance Rate $/Therm (E)	FOA Revenue M$ (F)	SAM Rate $/Therm (G)	SAM Revenue M$ (H)	Proposed Rates 2/ $/Therm (I)	Proposed Rates 2/ Revenue M$ (J)	Present Rates 3/ $/Therm (K)	Present Rates 3/ Revenue M$ (L)	Increase Percent (M)
1	Residential													
2	Customer Months	5,581,753	$1.70	$ 9,488,980	$ -	$ -	$ -	$ -	$ -	$1.70	$ 9,489.0	$1.70	$ 9,489.0	-%
3	Commodity													
4	Tier IR (L.L.)													
5	Sch. GS	-	.1778	-	0.0063	0.0164	-	(0.0524)	-	.2281	-	.2199	-	3.7
6	Sch. GT	11,966,238	.1680	2,010,328	.0834	.0164	1,194.2	(.0524)	(627.0)	.2154	2,577.5	.2011	2,405.4	3.7
7	Sch. GR, GM	253,999,096	.1976	50,190,221	.0918	.0164	27,482.7	(.0524)	(13,309.6)	.2534	64,363.4	.2443	62,052.0	3.7
8	Tier IIR	42,300,150	.2475	10,469,287	.0771	.0164	3,955.1	(.0524)	(2,216.5)	.2886	12,207.8	.2942	12,444.7	(1.9)
9	Tier IIIR	47,504,078	.2924	13,913,504	.1050	.0164	5,776.7	(.0524)	(2,493.4)	.3614	17,196.9	.3391	16,135.8	6.6
10	Tier IVR	13,573,438	.3293	4,470,062	.1950	.0164	2,869.6	(.0524)	(711.3)	.4883	6,628.4	.3760	5,104.0	29.2
11	Subtotal	369,424,000	-	81,053,402	-	-	41,278.3	-	(19,357.8)	.2787	102,974.0	.2659	98,221.9	4.8
12	Nonresidential													
13	Customer Months													
14	GN-1	340,622	1.70	579,057	-	-	-	-	-	1.70	579.1	1.70	579.1	-
15	Commodity													
16	GN-1	120,914,000	.2500	30,228,500	.0911	.0164	12,998.3	(.0524)	(6,335.9)	.3051	36,890.9	.2815	34,037.3	8.4
17	GN-2	14,462,000	.2500	3,615,500	.0911	.0164	1,554.7	(.0524)	(757.8)	.3051	4,412.4	.2815	4,071.1	8.4
18	GN-3	42,073,000	.2453	10,320,507	.1907	.0164	8,713.3	(.0524)	(2,204.6)	.4000	16,829.2	.2768	11,645.8	44.5
19	GN-4	25,522,000	.2453	6,260,547	.1907	.0164	5,285.6	(.0524)	(1,337.4)	.4000	10,208.8	.2768	7,064.5	44.5
20	Subtotal	202,971,000	-	50,425,054	-	-	28,551.9	-	(10,635.7)	.3367	68,341.3	.2799	56,818.7	20.3
21	Interdepartmental													
22	GN-5	232,173,000	.2500	58,043,250	.0860	.0164	23,774.5	(.0524)	(12,165.9)	.3000	69,651.9	.2815	65,356.7	6.6
23	Total Sales	804,568,000	.2481	199,589,823		-	93,604.7	-	(42,159.4)	.3120	251,035.3	.2864	230,465.4	8.9
24	Other Revenue													
25	Service Est. Ch.	179,646	7.50	1,347,300										
26	Misc.			181,300										
27	Borrego-Alpine - Resid.	36,000		57,800										
28	Borrego-Alpine - Other			23,500										
29	City of San Diego Purch.			744,086										
30	Employee Discount			(158,363)										
31	Subtotal			2,195,523										
32	Total Revenue			201,785,346										

(Red Figure)

1/ Base rates are the gas rates effective June 10, 1979 authorized by Decision No. 90405 under Advice Letter No. 431-G.

2/ Schedules GL-1, GL-2 and special contracts are to be increased commensurately.

3/ Present rates are the gas rates effective August 12, 1979 filed under Advice Letter No. 435-G.

TABLE 3

COMPARISON OF SDG&E AND STAFF RATE PROPOSALS
BASED ON STAFF RECOMMENDED RATES IN SOCAL APPLICATION NO. 59146
AND ADOPTED RATES BASED ON DECISION NO. 91077

	Present Rates 6/24/79	SDG&E Proposed Rates	SDG&E Percent Increase	STAFF Proposed Rates	STAFF Percent Increase	ADOPTED See Table 4	ADOPTED Percent Increase
Residential(1)							
Tier I (Lifeline)	0.2443	0.3009	23.2	0.2534	3.7	0.2563	4.9
Tier II	0.2942	0.3242	10.1	0.2886	-1.9	0.2942	-
Tier III	0.3391	0.3670	8.2	0.3614	6.6	0.3643	7.4
Tier IV	0.3760	0.3909	4.0	0.4883	29.9	0.4912	30.6
Total Residential	0.2659	0.3149	18.4	0.2787	4.8	0.2819	6.0
Nonresidential(1)							
GN-1	0.2815	0.3488	23.9	0.3051	8.4	0.3051	8.4
GN-2	0.2815	0.3332	18.4	0.3051	8.4	0.3051	8.4
GN-3	0.2768	0.3000	8.4	0.4000	44.5	0.4000	44.5
GN-4	0.2768	0.2571	-7.1	0.4000	44.5	0.4000	44.5
GN-5	0.2815	0.2534	-10.0	0.3000	6.6	0.3000	6.6
System Total(2)	0.2864	0.3122	9.0	0.3120	8.9	0.3134	9.4
Percent over Lifeline:							
Tier II	20.4	7.7		13.9		14.8	
Tier III	38.8	22.0		42.6		42.2	
Tier IV	53.9	29.9		92.7		91.7	
Total Residential	8.8	4.7		10.0		10.0	
System	17.2	3.8		23.1		22.3	
Percent System over Total Residential	7.7	-0.9		11.9		11.2(3)	

NOTE: All rates in $/therm.

(1) Does not include customer fixed charge of $1.70 per month.
(2) Includes customer fixed charge of $1.70 per month but excludes miscellaneous net revenue such as City of San Diego surcharge and employee discounts.
(3) See Table 4 for comparison with customer fixed charge included in Total Residential.

We are impressed with the staff rate design proposal in this proceeding because it appears to reflect careful consideration of what the Commission has been attempting to establish over the past year or so as ratemaking policy.[3] In the matter of residential rates, the proposal is for a modest increase in the lifeline rate with increases in the higher usage blocks that severely penalize excessive usage while at the same time establishing about a 150 percent relationship between lifeline and nonlifeline rates. Although the increase in the GN-3 and 4 nonresidential rates is high, it properly considers the ability of such customers to use alternative fuels, thereby setting natural gas rates close to the cost of such alternative energy to provide a greater incentive to implement efficient energy use. The same can be said for the GN-5 proposed rates although the increase is not nearly as severe. We will adopt the staff proposal but with some modifications to bring it further into line with our current rate design policy. Those modifications can best be accomplished by using the previously mentioned $1,169,800 in additional revenue requirement resulting from Decision No. 91077, supra. We will assign that entire amount to the residential class which will allow us to adjust the staff

---

3/ For example, see:

Decision No. 90405 dated June 5, 1979 in Application No. 58067, SDG&E,
Decision No. 90424 dated June 10, 1979 in Applications Nos. 58469 and 58470, Pacific Gas and Electric Company (PG&E),
Decision No. 90822 dated September 12, 1979 in Application No. 58724, SoCal,
Decision No. 90935 dated October 23, 1979 in Applications Nos. 58892 and 59045, PG&E,
Decision No. 90967 dated October 23, 1979 in Application No. 58764, Southern California Edison Company,
Decision No. 91077 dated November 30, 1979 in Application No. 59146, SoCal, and
Decision No. 91107 dated December 19, 1979 in Applications Nos. 58545 and 58546, PG&E.

proposal to accomplish two things. First, bring the average residential rate nearer to the system average rate and, second, eliminate the slight reduction for Tier II customers. Even though staff testified that the Tier II rate would not actually result in a residential customer's bill being reduced because the rate increase in Tier I would offset any incremental reduction due to the action of Tier II rates, we believe the possibility of a rate reduction signal of any kind during these critical times of stressing conservation, for example, a media report, would not be appropriate. The mechanics of adding in the $1,169,800 based on the above two criteria are shown on Table 4 which uses, as a starting point, the staff rate proposal shown on Table 2. Enough of the $1,169,800 is allocated first to Tier II residential sales to bring that class to present rates, and the remainder allocated to all other residential classes. For historical backup of what is done here those amounts are assumed to be added to the staff PGA balance rate for each class of residential customer with the Schedule GS and GT rates based on a 10 and 15 percent discount, respectively, from the Schedule GR, GM rate. The results of these calculations, shown in the last column of Table 4, are the adopted rates for this decision. It will be noted that the comparisons in Table 3 are based on the exclusion of the customer charge for the total residential average, and the inclusion of such charges in the total system average. Those comparisons, therefore, contain a slight distortion. At the bottom of Table 4 is a calculation of the residential average with the $1,169,800 and the customer charge assignable to the residential total included. That result, $0.3076, is only 2 percent below the system average.

Table 5 compares single-family residence bills for various usage levels under present and adopted rates.

TABLE 4
Page 1 of 2

ADOPTED RATE DESIGN

	Present Rates 3	Staff Proposal From Column I Table 2	Add to Staff Residential PGA Adjustment(1)	Adopted Rate Design(3)
Residential				
Customer Charge	$1.70	$1.70		$1.70
Tier I				
GS	0.2199	0.2281	0.0026	0.2307
GT	0.2077	0.2154	0.0025	0.2179
GR, GM	0.2443	0.2534	0.0029	0.2563
Tier II	0.2942	0.2886	0.0056	0.2942
Tier III	0.3391	0.3614	0.0029	0.3643
Tier IV	0.3760	0.4883	0.0029	0.4912
Total	0.2659	0.2787	0.0032	0.2819
Nonresidential				
GN-1 Customer Charge	$1.70	$1.70		$1.70
GN-1	0.2815	0.3051	-	0.3051
GN-2	0.2815	0.3051	-	0.3051
GN-3	0.2768	0.4000	-	0.4000
GN-4	0.2768	0.4000	-	0.4000
GN-5	0.2815	0.3000	-	0.3000
System Total	$0.2864	$0.3120	-	$0.3134(2)

Customer Charge Revenue from Table 2, Line 2, Col. I:	$ 9,489,000
Commodity Charge Revenue from Table 2, Line 11, Col. I:	102,974,000
Additional revenue per SoCal D. 91077:	1,169,800
Total Residential Revenue:	$113,632,800
Total Residential Usage (Therms):	369,424,000
Residential Revenue Per Therm:	$0.3076

NOTE: All rates in $/therm except Customer Charge.

(1) See Page 2 of 2.
(2) = 0.3120 + ($1,169,800 + 804,568,000 Therms).
(3) Rates for special contracts to be increased commensurately.

A.58732 km/ec

TABLE 4
Page 2 of 2

AVERAGE RESIDENTIAL INCREASE OVER STAFF PROPOSAL EQUALS ADDITIONAL REVENUE UNDER D.91077, SOCAL, DIVIDED BY TOTAL RESIDENTIAL SALES IN THERMS OR $\frac{\$\ 1,169,800}{369,424,000} = \$0.0032/\text{THERM}$

Present Tier II Rates	$0.2942/Therm
Staff Proposed Tier II Rates	0.2886
Difference	$0.0056
Tier II Sales	42,300,150 Therms

$0.0056 x 42,300,150 = $236,900

Additional Revenue Per SoCal D. 91077	$1,169,800
Less Tier II Above	236,900
	$ 932,900

Residential Sales Less Tier II and 15% of GT = 325,328,914 Therms

$\frac{\$\ 932,900}{325,328,914} = \$0.0029/\text{Therm}$

Schedule GR, GM Staff Proposed Rates = 0.2534

0.2534 + 0.0029 = 0.2563

Set Schedule GT at 85 percent of GR, GM and GS at 90 percent of GR, GM
GT = 0.85 x 0.2563 = 0.2179
GS = 0.90 x 0.2563 = 0.2307

TABLE 5

San Diego Gas & Electric Company
Gas Department

COMPARISON OF BILLS AT PRESENT AND ADOPTED RATES

Schedule GR
(Single-Family Residence)

Therms Billed	Present Rates(1)	Adopted Rates(2)	Increase Amount	Increase Percent
		Summer (May 1 to October 31)		
0	$ 1.70	$ 1.70	$ -	-
26	8.05	8.36	.31	3.9
81	24.23	24.54	.31	1.3
162	51.70	54.05	2.35	4.5
300	103.59	121.84	18.25	17.6
		Winter (November 1 to April 30)		
0	1.70	1.70	-	-
26	8.05	8.36	.31	3.9
81	21.49	22.46	.97	4.5
162	48.96	51.97	3.01	6.1
300	100.84	119.75	18.91	18.8

(1) Present rates are the gas rates effective August 12, 1979, filed under Advice Letter No. 435-G.

(2) See Table 4.

Findings of Fact

1. By this application SDG&E requests increases in its PGA and SAM rates to offset increased charges from its main gas supplier, SoCal, and changes to the Preliminary Statement in its tariff.

2. As authorized by the Commission in Decision No. 91077 dated November 30, 1979, SoCal has increased its charges to SDG&E by 3.745c/therm.

3. Duly noticed hearings in this application were held at which all interested parties had an opportunity to be heard.

4. SDG&E's rates should be increased to recover the increase from SoCal plus any franchise fees and uncollectibles applicable thereto.

5. The rate design, as proposed by the staff, adjusted as indicated herein and shown on Table 4, is reasonable and should be adopted.

6. The revised gas rate design adopted herein will provide SDG&E's customers with an economic signal that the cost of energy continues to increase.

7. Lifeline commodity rates maintained at a level of 25 percent or more below the systemwide average rate in cents per therm are reasonable and further the purposes of the Miller-Warren Lifeline Act, Section 739 of the Public Utilities Code.

8. An increase in the natural gas lifeline rate in excess of the relationship described in the prior finding could lessen the effectiveness of the conservation potential available from having nonlifeline rates substantially higher than lifeline rates.

9. Increasing rates for lifeline quantities in an amount less than the average increase in rates, along with increasing by greater amounts the residential rates for the nonlifeline quantity, will preserve the intended conservation-oriented benefits of lifeline rates.

10. An inverted rate design for residential rates is reasonable because the highest residential usage is largely for luxury or nonessential purposes, and is not for basic human needs. Such usage should be considered low priority usage and should be subject to a rate comparable to the rates for other low priority usage.

11. Service under Schedules GN-1 and GN-2 (nonresidential) is primarily to small businesses. It is reasonable to maintain those rates at or near the average residential rate in cents per therm. The customers served under those schedules are high priority customers who do not have the capability to use alternate fuel and who are not accorded lifeline rates and allowances.

12. On September 28, 1979, the FERC adopted Order No. 51 in Docket No. RM 79-21 (18 CFR Part 282, Federal Register of October 5, 1979 at 57778). That rule became effective on December 1, 1979 and establishes the price of No. 6 high sulfur oil as the alternative fuel price ceiling from January 1, 1980 through October 31, 1980. Incremental pricing at that level for industrial boiler fuel is now mandated by federal rules.

13. FERC's Order No. 50 adopted concurrently with Order No. 51 (supra) provides for a permanent three-tier system for incremental pricing of industrial boiler fuel gas at the level of No. 2 fuel oil, No. 6 low sulfur fuel, and No. 6 high sulfur fuel oil.

14. The preponderance of SDG&E's customers having the ability to burn both natural gas and fuel oil is precluded from burning high sulfur fuel oil because of air pollution restrictions. Moreover, the reasons advanced by FERC for the interim use of No. 6 high sulfur fuel oil for incremental pricing are not applicable to California.

15. The use of a two-tier alternative fuel pricing method for all low priority customers is not likely to induce substantial investment in No. 6 fuel oil capability.

16. Alternate fuel cost pricing retains benefits to California high priority customers that otherwise may be lost because of federal incremental pricing policies to be implemented under the Natural Gas Policies Act (NGPA).

17. Gas rates established close to the cost of alternate energy will provide an incentive for commercial and industrial customers to maximize efficiency and conservation in their use of energy.

18. In view of Findings 12 through 17, in future proceedings the rates for Schedules GN-3 and GN-4 should be based on two-tier alternative fuel prices. New Schedules GN-32 and GN-42 should be established and referenced to the estimated current price of No. 2 fuel oil; new Schedules GN-36 and GN-46 rates should be referenced to the estimated current price of No. 6 low sulfur fuel oil; and the Schedule GN-5 rate should be referenced to the current price of No. 6 low sulfur fuel oil purchased by SDG&E.

19. The incremental pricing policies of NGPA are reflected in the alternative fuel oil pricing methods described in the prior finding.

20. In view of the foregoing findings it would not be reasonable and consistent with statutory provisions to use average cost-of-service or an equal cents per therm increase as the sole or controlling method in setting natural gas rates.

21. The estimated additional annual revenue, as a result of the increases authorized herein, is approximately $21,824,900.

22. The tariff changes to Sections 9 and 10 of SDG&E's Preliminary Statement which do not involve consolidation of SAM and PGA are reasonable and should be authorized.

23. Possible consolidation of SDG&E's PGA and SAM procedures should be deferred pending receipt of recommendations from the committee formed to consider standardized, statewide procedures.

24. The Commission staff recommended adjustments to SDG&E's PGA balance account of a credit of $3,391,071, and the SAM balance account of a debit of $465,769, plus interest to the date of the adjustments are reasonable and should be ordered.

25. With the exception noted in Finding 24 the data used to determine the GCBA and SAM account balances are presented fairly by SDG&E and are in conformance with Commission PGA and SAM procedures.

26. The staff's recommendation on accounting for gas storage inventory is reasonable and should be adopted.

27. The increase in rates and charges authorized by this decision is justified and is reasonable; the present rates and charges, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable.

28. There is an immediate need for the rate relief authorized herein because SDG&E is already incurring the costs which will be offset by the rate increase authorized.

Conclusions of Law

1. SDG&E should be authorized to place into effect the increased rates found to be reasonable in the findings set forth above.

2. Modifications to Sections 9 and 10 of SDG&E's Preliminary Statement should be authorized.

3. Consolidation of SDG&E's PGA and SAM adjustment procedures should be deferred.

4. The adjustments to the PGA and SAM balance accounts set forth in Finding 24 above should be ordered.

5. SDG&E should be ordered to account for gas storage inventory as recommended by the staff.

6. SDG&E should furnish data as indicated in Ordering Paragraph 7 in connection with its next gas offset application.

7. The effective date of this order should be the date hereof because there is an immediate need for rate relief.

IT IS ORDERED that:

1. After the effective date of this order, San Diego Gas & Electric Company (SDG&E) is authorized to file revised rate schedules reflecting the adopted rate design shown on Table 4 of this decision and concurrently withdraw and cancel its presently effective schedules. Such filing shall comply with General Order No. 96-A.

2. The effective date of the revised schedules authorized by Ordering Paragraph 1 shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

3. Concurrently with the tariff revisions filed in accordance with Ordering Paragraph 1, SDG&E shall file the tariff revisions to accomplish the following modifications to Sections 9 and 10 of its Preliminary Statement:

a. Eliminate the subsection dealing with the treatment of certain rate reductions related to changes prior to the establishment of the PGA procedure.

b. Change the revision and filing dates for SAM to coincide with those of the PGA.

4. In its next PGA/SAM application SDG&E shall report to the Commission the status of a possible consolidation of its PGA/SAM procedures.

5. Within thirty days after the effective date of this order and subject to staff audit, SDG&E shall credit its PGA balance account by $3,391,071 plus interest applicable from the period in 1978 when the undercollections were accrued to the date of entry.

6. Within thirty days after the effective date of this order and subject to staff audit, SDG&E shall debit its SAM balance account by $465,769 plus interest applicable from the period in 1978 when the overcollections were accrued to the date of entry.

7. In future PGA/SAM proceedings, beginning with the effective date of January 1, 1980, SDG&E shall reflect the effect of injections and withdrawals of gas from storage inventory in determining the appropriate gas cost recovery.

8. SDG&E shall:

   a. Undertake and complete a study of the alternate fuel burning capabilities and practices of its industrial customers within sixty days from the effective date of this order.

   b. File with the Commission's Gas Branch on a quarterly basis a current report on alternative fuel prices in its service territory, including but not limited to the delivered price per barrel, lot size, Btu, and sulfur content, the first filing to be made by April 1, 1980.

   c. In the next purchased gas expense offset proceeding, present a proposal for separate rate schedules for service to customers with No. 2 and No. 6 alternative fuel capability.

The effective date of this order is the date hereof.

Dated JAN 15 1980, at San Francisco, California.

President

Commissioners

San Diego Gas & Electric Company

DETERMINATION OF PURCHASED GAS ADJUSTMENT

Line No.	Item	Estimated Purchases (a)	Estimated Rate 1/ (c)	Total A x B (d)
1	Current Average Cost of System Gas Supply			
	a. Demand Charge	2,652,000 Mcf/d	$ 2.1309 Mcf/d	$ 5,651,147
	b Commodity Charge	79,462,497 M^2Btu	2.3845 M^2Btu	$189,478,324
	c. Peaking Demand Charge	6 Months	-	$ 347,000
	d. Peaking Commodity Charge	1,872,255 M^2Btu	2.5850 M^2Btu	$ 4,839,779
	e. Liquefied Natural Gas	273,750 M^2Btu	4.2832 M^2Btu	$ 1,336,776
	f. Total			$201,653,026
	g. Sales in Therms			804,604,000
	h. Weighted Average Unit Cost of Gas (f) + (g)			25.0624¢/Therm
2	Current Base Weighted Average Cost of Gas			15.0918¢/Therm
3	Change in Average Unit Cost of Gas (1.h) - (2)			9.9706¢/Therm
4	Offset Amount (3) x (1.g)			$ 80,223,846
5	Bal. Amt. (as of August 31, 1979)			$ 13,166,056
6	Provision for Franchise Fees and Uncollectibles Applicable Amount x 2.03% 2/			$ 1,413,192
7	Total PGA Amount (4) + (5) + (6)			$ 94,803,094

1/ Rates authorized by Decision No. 91077 in Southern California Gas Company's Application 59146

2/ Applicable Amount = PGA
= (4)+(5)-GN-5 PGA Rate Revenue Increase
= 80,223,846 + 13,166,056 - 23,774,515 = 69,615,387

San Diego Gas & Electric Company
Gas Department

SUPPLY ADJUSTMENT MECHANISM
DERIVATION OF SUPPLY ADJUSTMENT AMOUNT

Revision Date: October 1, 1979
Current Period: 12 Months Beginning October 1, 1979

Line No.	Item	Amount
1	Base Cost Amount 1/	$ 56,624,900
2	Current Period Revenue	201,785,347
3	Base Weighted Average Cost of Gas times Current Period Sales 2/	121,429,226
4	Current Supply Recovery Amount (L2 - L3)	80,356,121
5	Balance as of August 31, 1979	(18,465,115)
6	Supply Adjustment Amount (L1 - L4 + L5)	(42,196,336)

Revenue Increase Over Base Revenues

Item	PGA Offset	PGA Balance	SAM Offset	SAM Balance	Total
Decision No. 91077	$81,637,038 3/	$13,166,056	$(23,731,221)	$(18,465,115)	$52,606,758

( ) Overcollection

1/ Derived from D.90405

2/ 15.0918¢/therm x 804,604,000 therms

3/ L4 + L6, page 1

A.58732 /km

APPENDIX B

(Source: Exhibit 28, Page 5 - 5)

Southern California Gas Company

WEIGHTED AVERAGE UNIT COST
OF SYSTEM GAS SUPPLY

New weighted average unit cost of system gas supply:

Line No.	Source	A Estimated Volume MMcf(a)	B Estimated Cost M$	C Average Price ¢/Mcf	Line No.
1	El Paso	546,310	1,073,827	196.56	1
2	Transwestern	181,115	408,408	225.49	2
3	PITCO - NW (Canadian)	34,613	125,129	361.50	3
4	PITCO - SW	1,800	4,508	250.44	4
5	Federal Offshore	3,065	2,109	68.80	5
6	California (Monthly Border Price)	6,876	13,677	198.90	6
7	California (Annual Border Price)	2,159	2,942	136.26	7
8	California (Other Regular)	4,447	8,899	200.11	8
9	California (Peaking)	15,000	29,106	194.06	9
10	PG&E	27,450	87,665	319.36	10
11	Net Storage		(7,211)		11
12	Company Use	(7,301)	(9,503)	130.17	12
13	Unaccounted For Gas	(13,807)			13
14	Total	801,727	1,739,556	216.98	14

APPENDIX C

(Source: Exhibit 28, Page 4 - 3)

COST OF ALTERNATE FUELS

Year 1979	#6 Fuel Oil $/barrel Low	High	#2 Fuel Oil ¢/gallon Low	High
	Reported Prices			
January 3	9.90	10.10	34.20	36.30
February 2	9.90	10.10	37.35	38.25
March 2	9.90	10.10	38.50	41.00
April 3	14.00	14.25	42.10	46.00
May 2	14.50	15.00	43.85	46.50
June 4	16.50	17.00	49.85	59.50
July 3	16.75	17.50	60.00	62.75
August 1	18.00	18.50	62.75	70.00
September 4	18.40	18.80	64.00	75.00
October 1	18.50	19.60	69.10	75.00
November 1	19.20	20.00	71.25	74.00
Last Two Months				
Average	18.85	19.80	70.18	74.50
Sulfur Adjustment (Table F)	5.00	5.00	-	-
0.5% Sulfur Oil Price	23.85	24.80	-	-
Transportation Cost	.70	.70	1.41	1.41
Sales Tax	1.47	1.53	4.30	4.55
Total	26.02	27.03	75.83	80.46
¢/Therm	42.24	43.88	55.44	57.77

(1) Source: Platt's Oilgram, reported for first trading day of each month, U.S. Tank Car Truck Transport Lots, L.A./S.F.
(2) No.6 Fuel prices reported for maximum 3% sulfur content fuel oil.
(3) $5/bbl sulfur adjustment based on Table 4-B.
(4) Sales tax assumed: 6%
(5) Heating Value #6 Fuel Oil = 61.6 therms/Bbl
#2 Fuel Oil = 58.5 therms/Bbl
(6) Estimated transportation cost for 20 mile delivery at CPUC truck transport rates:

#6 Fuel Oil = $0.70/Bbl
#2 Fuel Oil = 1.41¢/gallon

A.58732 /km

APPENDIX D

(Source: Exhibit 28, Page 4 - 5)

STEAM ELECTRIC PLANT #6 FUEL OIL COST
(Weighted Average Monthly Delivered Cost Including Sales Tax)1/

Item	No.6 Fuel Oil (Low Sulfur) SDG&E	PG&E	SCE
April			
$/Bbl	18.11	17.70	19.92
Therms/Bbl	61.60	61.80	61.09
¢/Therm	29.40	28.64	32.60
May			
$/Bbl	18.40	17.54	20.04
Therms/Bbl	61.60	61.75	61.12
¢/Therm	29.87	28.40	32.79
June			
$/Bbl	18.74	17.53	20.14
Therms/Bbl	61.60	61.72	61.14
¢/Therm	30.42	28.40	32.94
July			
$/Bbl	21.81	19.39	22.72
Therms/Bbl	61.60	61.63	61.24
¢/Therm	35.40	31.46	37.10
August			
$/Bbl	21.97	19.86	23.21
Therms/Bbl	61.60	61.63	60.91
¢/Therm	35.67	32.22	38.10
September			
$/Bbl	23.99	20.51	23.84
Therms/Bbl	61.60	61.76	61.13
¢/Therm	38.94	33.21	39.00
October			
$/Bbl	24.05		24.18
Therms/Bbl	61.60		61.05
¢/Therm	39.04		39.61

1/ Prices exclude deferral and deletion charges.

APPENDIX E

SDG&E TARIFF CUSTOMER CLASSES

NATURAL GAS SERVICE

Residential

GS - Multi-family, submetered.

GT - Multi-family, submetered, mobile home parks.

GR - Single family.

GM - Multi-family, master metered.

Tier	Therms	
	Summer	Winter
I (Lifeline)	0-26	0-81
II	26-81	-
III	82-162	82-162
IV	Over 162	Over 162

Commercial and Industrial

GN-1 - Priority 1.

GN-2 - Priority 2 (excluding electric utility startup and igniter fuel).

GN-3 - Priority 3.

GN-4 - Priority 4.

GN-5 - Priority 5 (intra company sales).