ORIGINAL

Decision No. 91971 JUL 2 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 Electric Rates and Charges in Accordance with the Energy Cost Adjustment Clause in its Electric Tariff Schedules, as modified by Decisions 91269 and 91277 in OII 56 dated January 29, 1980.	Application No. 59643 (Filed May 20, 1980)

Jeffrey Lee Guttero, William L. Reed, and Guenter S. Cohn, Attorneys at Law, for San Diego Gas & Electric Company, applicant.
Antone S. Bulich, Jr., Attorney at Law, for California Farm Bureau Federation; John W. Witt, City Attorney, by William S. Shaffran, Deputy City Attorney, for the City of San Diego; Ronald E. Anderson, for Southern California Edison Company; and Gerald H. Ollodart, for San Diego Newsline; interested parties.
Randolph L. Wu, Attorney at Law, for the Commission staff.

O P I N I O N

Summary

Application No. 59643 was the subject of a duly noticed public hearing held in San Diego on June 17 and 18, 1980. The decision authorizes San Diego Gas & Electric Company (SDG&E) to increase its Energy Cost Adjustment Clause (ECAC) billing factors to reflect increased energy-related costs incurred by SDG&E in serving its customers. The authorized rates will generate an annual revenue increase of $209.2 million which amounts to a 25.6 percent increase over SDG&E's current electric department revenues.

In order to alleviate the various cash flow and financing problems which SDG&E continues to experience, authorization to amortize the balancing account over a six-month rather than one-year period is granted. The authorized increase in electric rates will not increase SDG&E's rate of return; it is strictly a direct offset for fuel-related energy costs incurred by the utility.

The reasonableness of certain utility practices related to fuel purchase expense and the inclusion in ECAC of certain categories of expense related to fuel purchase are matters at issue in a generic ECAC investigation (OII No. 56). Issues relating to the reasonableness of recovering particular items of expense have been deferred from current ECAC proceedings until a final decision is reached in OII No. 56. This decision affirms the Commission's intent to defer review of the utility's fuel procurement policies until a decision is made in OII No. 56. Therefore, the authorization of rate increases by this decision does not constitute a final decision as to the reasonableness of SDG&E's fuel expense for the record period.

This order maintains a two-tier rate schedule for SDG&E with the second tier priced at a point which approximates SDG&E's marginal cost. A differential of 50 percent is established between the first tier (lifeline) and the second tier (nonlifeline).

The authorized increase in ECAC billing factors assigns an approximately equal cents-per-kWh increase, on the average, to each customer class, considering the residential class as a whole.

The issue of proper treatment for refunds made by SDG&E to electric customers whose lifeline allowances were incorrectly computed was reserved by Decision No. 91545 for resolution in this

proceeding. It is determined that SDG&E's lifeline refund plan is reasonable and that recovery of electric lifeline refund monies in ECAC is proper. Further, the interest which has accrued on that portion of balancing account attributable to the above-referenced refunds will be calculated as recommended by staff and credited to the customer's bill based on the ratio of an individual customer's refund to the total refunds made by SDG&E.

Description of the ECAC Mechanism

The ECAC billing factor recovers expense a utility reasonably incurs for electrical energy or the fuel necessary to produce such energy. As fuel and energy costs have escalated, the ECAC billing factor has come to constitute a very substantial portion of the customer's electric bill. The ECAC billing factor, and ECAC as a ratemaking mechanism, allows dollar-for-dollar recovery of energy-related expense for the utility. However, despite the offset nature of ECAC, the utility has the burden of demonstrating that the incurred energy-related expense to be recouped through ECAC is reasonable and prudent and justifies the Commission's authorization of higher rates to recover the expense from customers.

The total ECAC billing factor at any given time is comprised of two components: (1) the balancing rate component in this proceeding is designed to clear the accrued balance in the balancing account over a 6-month period - this balance can be positive or negative, depending on whether the existing billing factor recovered too little or too much with respect to incurred energy-related expense; and (2) the offset rate component recovers future fuel-related expense based on estimated costs. Obviously, if the offset rate component is based on estimates that vary from actual conditions while the revised offset rate is in effect, there will be a resulting overcollection or undercollection in the balancing account. In this proceeding, the record period with respect to the balancing account or balancing rate covers the period from January 1, 1980 through June 30, 1980; and the estimated period for energy-related expense extends over four months beginning July 1, 1980.

Statement of the Issues

The issues presented in Application No. 59643 are few, relatively straightforward, and as follows:

(1) The amount of revenue required by SDG&E on an annual basis to amortize the current balancing account undercollection and to offset fuel-related expenses incurred from July 1, 1980 through October 31, 1980;

(2) The propriety of a six-month amortization of the undercollections in the ECAC balancing account;

(3) The appropriate rate design or rate spread required to generate the necessary revenue for SDG&E; and

(4) The appropriate treatment of refunds made by SDG&E to customers whose lifeline allowances were incorrectly computed.

Discussion

A. Revenue Requirement

By its original application, SDG&E requested an increase through its ECAC rate of $240 million for the twelve-month period beginning July 1, 1980. At hearing, SDG&E amended its showing and revised its requested increase to total $209.2 million on an annualized basis. SDG&E presented testimony explaining the reasons for revising its original $249 million request downward to total $209.2 million.

SDG&E testified that its original filing was prepared using the new authorized procedure which allowed the utility to estimate the entries to the balancing account for April, May, and June. After filing of the application and before the case was submitted, recorded data for April and May became available. In response to the recorded data, SDG&E made the following adjustments to its request: (1) an approximate $6.5 million reduction due to a different undercollection actually experienced in April than estimated; (2) an approximate $5.5 million reduction because recorded fuel prices for April were lower than estimated; (3) an approximate $9.1 million reduction when SDG&E realized that due to a communication error between two departments it had inadvertently used an incorrect

fuel oil price in the calculation of the application; (4) an approximate $16.1 million reduction due to the availability in May of considerably more and cheaper hydroelectric power from the Pacific Northwest and natural gas for power plant use than had been anticipated; and (5) minor reductions due to availability of recorded fuel oil prices and purchased energy expenses for May. The net result of these changes produced a revised request of $209.2 million instead of the original request of $240 million.

Given the following assumptions: (1) Fuel oil prices do not escalate beyond the limits assumed, (2) resource mix does not deviate adversely from that estimated, and (3) further orders in OII No. 56 do not markedly change the current procedure, SDG&E estimated that its November 1, 1980 ECAC revision date filing would be for a small decrease of approximately $3 million.

The Commission staff reviewed the utility's work papers and concluded that annual revenues of $209.2 million were appropriate to compensate SDG&E for energy-related costs which are the subject of this proceeding.

No party to the proceeding seriously challenged SDG&E's need for revenues of $209.2 million. However, both counsel for the city of San Diego (San Diego) and the California Farm Bureau Federation expressed dissatisfaction with the Commission's interim authorization in OII No. 56 which allowed the utility to partially base its requested rate increase on estimated sales, future oil and natural gas prices, etc. Both representatives were disturbed by SDG&E's revision - or as counsel for San Diego characterized it, a $40 million mistake - and both requested that the staff conduct a rigorous and independent analysis if estimates are to be used in future ECAC filings.

We take note of the above-mentioned request as commendable as well as self-evident. We further take note that this is the first proceeding in which use of estimated figures is authorized. We fully expect that SDG&E will continue to improve and refine its estimating methodology. To the extent that forecasting and estimating inevitably involve as much art as science, the existence of a balancing account will protect the interests of SDG&E and the ratepayer alike.

With respect to the amount of revenue required by SDG&E on an annual basis to amortize the current balancing account undercollection and to offset future fuel-related costs, we find that $209.2 million is an appropriate and reasonable figure.

B. Six-Month Amortization

SDG&E has requested a six-month amortization of the undercollections in the ECAC balancing account. In support, SDG&E testified that the projected amount of undercollections as of June 30, 1980 would total approximately $68.9 million of which $8.4 million is interest accrued on the undercollections. The ECAC undercollection balance as of May 31, 1980, represented about 60 percent of the $104 million in short-term debt outstanding at that time. In order to deal with this cash deficiency, SDG&E testified that it has had to issue greater amounts of commercial paper than would otherwise be necessary. Issuance of greater amounts of commercial paper, in turn, allegedly has a negative impact upon such key financial indicators as internal generation of cash, Moody's interest coverage, and earnings per share; and it also tends to limit financial flexibility.

SDG&E further contended that large undercollections result in three basic negative consequences to the ratepayer. The first consequence is that undercollections cause interest to be accrued on the undercollected balance. The ratepayer ultimately bears this interest expense, and the current cost to the ratepayer at today's interest rates is approaching $1 million per month. Secondly, large ECAC undercollections severely restrict a utility's financing flexibility by using up its short-term lines of credit. If ECAC undercollections persist at an especially large level, a utility like SDG&E may be forced to permanently finance the undercollections which, in turn, causes the cost of capital to rise more quickly. The ratepayer then must pay for these increased capital costs in the next general rate case. Finally, large ECAC undercollections which result in unusually heavy borrowing jeopardize or restrict improvement in SDG&E credit ratings. Any downgrading, or delay in upgrading, results in higher financing costs which are then passed on to the ratepayer.

Against this backdrop, SDG&E maintains that its need for a six-month amortization period is prompted by several factors. First, the sheer magnitude of the undercollection balance is causing severe financial problems for SDG&E. The cash-flow deficiency caused by the ECAC undercollections has virtually eliminated any financial flexibility SDG&E has in financing its construction program. Secondly, the alarming upward trend in the monthly undercollections contributed to the request for a six-month amortization of the balancing account.

SDG&E cannot afford to be placed in the position of being forced to finance new purchases of fuel at the same time it is carrying the unacceptable burden of huge undercollection balances. A final reason proffered in support of SDG&E's request for a shorter amortization of the amount in the balancing account is a contention that the rating agencies are becoming increasingly concerned about the balances for all California utilities. Undercollections must be significantly decreased if the current Triple B bond rating is to be retained, let alone improved.

No party, including the Commission staff, challenged the propriety of a six-month amortization of undercollection balances. Based upon the aforementioned reasons, we find that a six-month amortization period is appropriate and reasonable.

C. Rate Design

In response to Decision No. 91721 in Pacific Gas and Electric Company's (PG&E) ECAC Application No. 59463 in which the Commission established a strongly inverted third tier, SDG&E proposed a similar rate design in this proceeding:

SDG&E's Proposed Three-Tier Rate Design

		Current Total Rate (Base + ECAC Rate) (¢/kWh)	Rates Reflecting Uniform Increase Of 1.953 ¢/kWh (¢/kWh)	Proposed Rates (¢/kWh)	Proposed Increase (¢/kWh)
1.	Domestic Lifeline - Tier 1 (LLDAR)	6.292	8.245	7.451	1.159
2.	Nonlifeline Tier 2 (300 kWh + 25% of lifeline allowance)	8.753	10.706	10.357	1.604
3.	Tier 3	8.753	10.706	14.396	5.643
4.	Total Nonlifeline (NLLDAR)	8.753	10.706	11.630	2.877
5.	Total Domestic (TDAR)	7.421	9.374	9.374	1.953
6.	Total Average System Rate (TASR)	7.690	9.643	9.643	1.953
7.	Percent NLLDAR Above LLDAR	39.11%	29.85%	56.09%	-

		Current ECAC Rate			
1.	Lifeline ECAC Rate - Tier 1	3.620	5.573	4.779	1.159
	Schedule DS			4.301	
	Schedule DT			3.584	
2.	Nonlifeline Domestic ECAC Rate - Tier 2 (300 kWh + 25% of lifeline allowance)	5.569	7.522	7.173	1.604
3.	Nonlifeline Domestic ECAC Rate - Tier 3	5.569	7.522	11.212	5.643
4.	Nonlifeline Nondomestic ECAC Rate	5.190	7.143	7.143	1.953

Based on 1979 sales, SDG&E estimates that under its proposed rate design 23 percent of the basic customers' bills would be exposed to the third-tier rates; 16 percent of the basic customers' usage would fall into the third tier.

In addition to its proposed rate design, SDG&E recommended a second tier equal to 300 kWh plus 25 percent of each customer's lifeline allowance in contrast to a second tier equal to each customer's existing allowance. The following three reasons were provided in support of SDG&E's recommendation.

First, making the number of kWh in the second tier equal to the number of kWh in a customer's lifeline allowance(s) in effect would encourage the installation of electric water heating and/or electric space heating because the customer would become entitled to additional lifeline allowances and, as a result, a larger Tier 2 allowance. A basic allowance customer would reach the so-called "luxury use" rate after 480 kWh. An all-electric customer, on the other hand, could use 2,080 kWh before reaching the "luxury use" tier. A customer with electric water heating could use 980 kWh before the highest rate applied. And yet, both the basic allowance customer and the all-electric customer would probably have many of the same nonlifeline appliances.

Second, to grant more lower cost kWh over the lifeline allowances to customers with electric water heating and/or space heating is to discriminate against the basic allowance customer when the end result is to have different percentages of usage subject to the third-tier rate. And yet, the basic allowance customer is making the most efficient use of energy and is contributing least to the need for additional generation and the resulting use of more oil. Based

on 1979 sales, application of the doubled lifeline allowance method to the SDG&E system results in applying the third-tier rate to 35 percent of the basic allowance customers and to only 19 percent of the all-electric customers. Under the rate design SDG&E proposes, 23 percent of the basic customers' bills would be exposed to the third-tier rates. Twenty-six percent of the all-electric customers' bills would be similarly affected. By doubling the lifeline allowance, 23 percent of the basic customers' usage would fall in the third tier versus 12 percent for the all-electric customers. Under SDG&E's proposed rate design, 16 percent of the sales in each group fall in the third tier.

Third, use of the twice lifeline allowance method implicitly assumes that the basic allowance customer has more discretionary and wasteful use than other residential customers. Data from SDG&E's system does not support this assumption. In 1979, 27 percent of the basic customers' bills were for consumption below the lifeline allowance. In summer, almost an equal percentage of the all-electric customers' bills, 31 percent, was for consumption below the lifeline. In winter, however, 54 percent of the all-electric customers' bills reflected usage below the lifeline. Even allowing for warmer than normal weather, this implies that in this service territory the space heating allowance may be covering more than just space heating. Doubling of the space heating allowance would just exacerbate this situation.

In concluding its rate design presentation, SDG&E noted that the results of the elasticity study ordered by Decision No. 91106 were only available immediately prior to the filing of its application. The results were not available when designing the rates proposed in this proceeding. SDG&E acknowledged that its third-tier rates are, therefore, basically experimental. However, it maintains that its proposed rate design is the most equitable to its customers and recommends that its rate design be accepted to give an opportunity to test its efficacy to produce conservation as compared to the rate design ordered for PG&E.

In contrast to SDG&E, the Commission staff takes strong exception to a three-tier rate schedule for SDG&E. Staff believes that conservation within the residential class could better be achieved with current two-tier ECAC rates rather than three-tier rates. argued. Staff felt that it is wasteful and inefficient for them to attempt radically innovative rate design during ECAC proceedings. They contend that these proceedings are invariably rushed; and given the huge sums involved, such proceedings have a tremendous impact on ratepayers. Because of the rush, the potential for errors in judgment and inadequate analysis is greatly increased, and the magnitude of ECAC rate increases causes the impact on customers of ill-conceived and hastily executed rate designs to be magnified. Further, it is argued that repeatedly changing ratemaking policy renders the results of any price elasticity studies useless. Any hope of educating customers to look beyond the total amount shown on their bills and to understand the finer points of inverted rates is lost if the rate design is going to change every four months. Staff concludes that the current two-tier rate design should be retained long enough for customers to respond to it. The response should then be thoroughly studied before a three-tier or any other new rate design is adopted. The staff urges that the results of the price elasticity study ordered by this Commission in Decision No. 91106 be analyzed before further changing the rate format with the risk of producing results opposite to those desired.

The staff recommends two-tier rates with the Nonlifeline Domestic Average Rate (NLLDAR) no greater than the estimated marginal cost. This approach yields a NLLDAR 50.0 percent above the Lifeline Domestic Average Rate (LLDAR). The rate relationship is still between the 35 to 50 percent range adopted by the Commission in Decision No. 91107 in PG&E's general rate case. The resulting NLLDAR is slightly below SDG&E's marginal cost which is said to be approximately 11.5¢/kWh.

Staff's Proposed Two-Tier Rate Design

Total Electric Rate (Base + ECAC)	Present Rates (¢/kWh)	Proposed Rates (¢/kWh)	Proposed Increase (¢/kWh)
1. Domestic Lifeline - Tier 1 (LLDAR)	6.292	7.622	1.330
2. Total Nonlifeline - Tier 2 (NLLDAR)	8.753	11.434	2.681
3. Total Domestic (TDAR)	7.421	9.374	1.953
4. Total Average System Rate (TASR)	7.690	9.643	1.953
5. Percent NLLDAR Above LLDAR	39.11%	50.00%	-
ECAC Rate			
1. Lifeline ECAC Rate - Tier 1	3.620	4.950	1.330
2. Nonlifeline Domestic ECAC Rate - Tier 2	5.569	8.250	2.681
3. Nonlifeline Nondomestic ECAC Rate	5.190	7.143	1.953

If the Commission were to adopt the three-tier ECAC rates in lieu of staff's two-tier design, the staff then recommends that the second tier be set at 300 kWh and the third tier apply to all consumption in excess of the first two tiers. Testimony indicated that a 300 kWh second block would include 27.8 percent and 39.9 percent of the domestic sales and customers, respectively. The third tier priced at marginal cost would include 18.2 percent and 26.3 percent of the domestic sales and customers, respectively.

Though we continue to endorse the view that a strongly inverted three-tier rate schedule can encourage conservation by providing a strong price signal to large-use domestic customers, we will adopt staff's proposed two-tier rate schedule for several reasons.

First, in light of the magnitude of the rate increase sought in this proceeding, we agree with staff that it is inappropriate to authorize a radically innovative rate design for SDG&E based upon two days of hearing.

Neither staff nor SDG&E provided testimony in support of the three-tier rate structure. On cross-examination, SDG&E indicated that its only rationale for proposing a three-tier rate was compliance with a policy enunciated by the Commission in Decision No. 91721 in PG&E's Application No. 59463. On further cross-examination, the witness for SDG&E indicated his preference for a two-tier rate structure until more information could be obtained about the results of a three-tier rate. Concern was expressed that this proceeding, in which such large sums are at issue, does not provide the appropriate vehicle for experimenting with a new rate design.

Both the staff and SDG&E agreed that it would be premature to adopt a three-tier rate design in view of the preliminary nature of SDG&E's elasticity study. We agree that it would be more useful to utilize this study for rate design purposes in the next ECAC proceeding after sufficient analysis has been completed by both the staff and SDG&E.

Secondly, and more importantly, we favor a two-tier rate for SDG&E at this time since a strongly inverted three-tier rate structure would produce a tail-block rate for the residential class far in excess of SDG&E's marginal cost of producing such energy. This runs directly counter to the economic theory of the efficient allocation of resources by pricing a product at marginal cost.

Under the SDG&E proposal, the domestic third-tier rate would be 14.885¢/kWh, while the marginal cost for the residential customer is 11.561¢/kWh based on SDG&E's estimate in 1980 dollars with a gas turbine as the marginal unit. The third-tier average rate would therefore be 28.8 percent higher than the marginal cost. Only if one excludes the balancing rate portion of the proposed rate does it even approach marginal cost. The total of base plus offset rates would then be 12.034¢/kWh or within 5 percent of the marginal cost. Since SDG&E's marginal cost is approximately 11.5¢/kWh, we are disinclined to adopt SDG&E's proposed rate design which prices third-tier electric sales above the marginal cost and thus gives an incorrect price signal. Such a price signal could prompt less use than should be used for ultimate economic efficiency.

For the above-mentioned reasons, we will adopt the following two-tiered rate schedule with the second tier priced at slightly below SDG&E's marginal cost.

Adopted Rate Design

	Present Rates (Base + ECAC) (¢/kWh)	Proposed Rates (¢/kWh)	Proposed Increase (¢/kWh)
1. Domestic Lifeline - Tier 1 (LLDAR)	6.292	7.622	1.330
2. Total Nonlifeline - Tier 2 (NLLDAR)	8.753	11.434	2.681
3. Total Domestic (TDAR)	7.421	9.374	1.953
4. Total Average System Rate (TASR)	7.690	9.643	1.953
5. Percent NLLDAR Above LLDAR	39.11%	50.00%	-

Current ECAC

1. Lifeline ECAC Rate - Tier 1	3.620	4.950	1.330
2. Nonlifeline Domestic ECAC Rate - Tier 2	5.569	8.250	2.681
3. Nonlifeline Nondomestic ECAC Rate	5.190	7.143	1.953

Under this rate design, 54 percent of all customer sales and 34 percent of all customer bills will fall within the lifeline tier. Correspondingly, 46 percent of all customer sales and 66 percent of all customer bills will fall within the second tier.

Finally, staff notes that under Rule 12 of SDG&E's filed tariff, the customer has an option to select the most favorable rate schedule based on his use, and SDG&E has an obligation to provide this information to all affected customers whenever a rate change makes one schedule more attractive than the other. Currently, there are a few large customers who receive service under the General Service Schedule A rather than the Domestic Schedule DR because of more attractive rates. Because of steeply inverted three-tier ECAC rates, it is evident that the common-use domestic customer receiving zero lifeline allowance and the large user receiving the basic lifeline allowance (240 kWh/month) and consuming over 850 kWh/month will be better served under Schedule A rather than Schedule DR.

This situation was also created in the recently adopted three-tier rates for PG&E. Resolution No. E-1884, by modifying the tariff language of PG&E's Schedules D-1 and A-1, prohibited large domestic customers from switching to the commercial schedule in order to take advantage of lower rates. Staff recommends that a similar prohibition be included in SDG&E's tariffs. We will adopt the staff recommendation.

D. Treatment of Lifeline Refunds

SDG&E overbilled certain electric and gas lifeline customers for the period July 25, 1977 until July 1979. The overbillings resulted from calculating electric and gas consumers' bills using incorrect lifeline allowances. SDG&E designed a computer program to search its customer files with the intended purpose of identifying all customers suspected of being billed incorrectly. In staff's opinion, SDG&E has taken reasonable measures in identifying all customers suspected to be billed incorrectly. In addition, the company used media coverage, through the use of the newspapers, radios, and television commercials in notifying its customers of the possibility of incorrect billing.

SDG&E now seeks recovery of the electric lifeline refunds in the amount of $1,026,497 plus related interest through the ECAC balancing account. SDG&E is proposing to recover the electric refund portion related to base rates through its pending general rate case. The gas refunds will be adjusted against the SAM margin. The electric lifeline refunds of $1,026,497 have been debited to the ECAC balancing account, having the effect of increasing the undercollected balance currently experienced in the balancing account. The staff takes no exceptions to this accounting treatment. By refunding the over-collections collected from customers, the company is correcting the amount of revenues received, in fact, reducing the revenues previously recorded. Staff concurs that SDG&E's lifeline refund plan is reasonable and that recovery of electric lifeline refund monies in ECAC is proper. We agree and will so find.

Staff does take exception to SDG&E's failure to calculate interest on the lifeline refund monies, totaling approximately $100,000 to $150,000. Staff recommends that the interest which has accrued on that portion of the balancing account attributable to the above-mentioned refunds, i.e., $1,026,497, be calculated using a weighted average interest rate and credited to the customer's bill based on the ratio of an individual customer's refund to the total refunds made by SDG&E. Staff also recommends that SDG&E not be allowed to recover the interest paid to customers. We will adopt the staff recommendations and so order.

Findings of Fact

1. SDG&E's ECAC billing factors were last adjusted in Decision No. 91545 to reflect increased energy-related costs incurred over a recorded period ending December 31, 1979.

2. As of May 31, 1980, undercollections in the balancing account plus accrued interest totaled $60.1 million.

3. SDG&E requires $209.2 million on an annual basis to amortize the current balancing account undercollection and to offset future fuel-related expenses.

4. Given the magnitude of existing undercollection amortization of the balancing account over a six-month period is appropriate and will ultimately benefit SDG&E's ratepayers.

5. Pending further refinement of SDG&E's price elasticity studies, a two-tier rate schedule is appropriate for SDG&E.

6. The increases in SDG&E's billing factors for the forecast period beginning with July 1, 1980 adopted herein were developed through the implementation of projected estimates shown to be justified and reasonable under the circumstance. To the extent that energy-related expense estimates may result in actual over- and/or undercollection, such balances will accrue in SDG&E's ECAC balancing account for resolution at the subsequent ECAC proceeding.

7. SDG&E's lifeline refund plan is reasonable and recovery of $1,026,497, representing electric lifeline refund monies in ECAC,is proper.

8. Interest which has accrued on that portion of the balancing account attributable to the lifeline refunds is properly credited to the customers who were improperly billed.

Conclusions of Law

1. SDG&E should be authorized to establish the revised ECAC billing factors set forth in the following order; such rates are fair, just, and reasonable; to the extent subsequent review of balancing account entries results in changes to the balancing rate, any overcollection will be credited to the balancing account.

2. The entries to the ECAC balancing account covered by the period under review herein should be subject to further review for reasonableness.

3. The following order should be effective on the date of signature because SDG&E is now incurring the increased energy-related expenses the revised rates are designed to cover.

O R D E R

IT IS ORDERED that:

1. The following Energy Cost Adjustment Clause (ECAC) billing factor rates may be assessed by San Diego Gas & Electric Company (SDG&E) upon filing revised tariffs with the Commission within five days after the effective date of this order. Such filing shall be in conformance with General Order No. 96-A, and the revised tariffs shall be effective four days after filing.

Tier 1 (Lifeline)	4.950¢/kWh
Tier 2 (Nonlifeline)	8.250¢/kWh
Nonlifeline Nondomestic	7.143¢/kWh

2. The ECAC balancing account balance in question in this proceeding is subject to further review with respect to the reasonableness of recorded expenditures.

3. General Services Schedule A is closed to residential customers who qualify for a lifeline allowance.

4. Interest which has accrued on that portion of the balancing account attributable to lifeline refund monies will be calculated as recommended by staff and credited to the

customer's bill based on the ratio of an individual customer's refund to the total refunds made by SDG&E.

The effective date of this order is the date hereof.

Dated JUL 2 1980, at San Francisco, California.

I concur:
see attached
Richard D. Gravelle

John E. Bryson
President

Vernon L. Sturgeon

Richard D. Gravelle

Claire T. Dedrick

Leonard M. Grimes, Jr.
Commissioners

A. 59643 #16

D.

RICHARD D. GRAVELLE, Commissioner, Concurring:

I concur in this order except for the rate structure. I believe that the three-tier rate structure adopted for PG&E, and recommended here by ALJ James Squeri, should be utilized even though the proposed third-tier rate level exceeds marginal cost to the utility. The adopted rate structure unduly penalizes people caught in the usage category beyond lifeline who are conserving their electric usage to the limit, and avoids penalizing those who far exceed a reasonable use of electricity.

RICHARD D. GRAVELLE, Commissioner

San Francisco, California
July 2, 1980