

Decision No. 92559 DEC 30 1980

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SAN DIEGO GAS & ELECTRIC COMPANY for)
Authority to Increase its Gas Rates)
and Charges Pursuant to its Purchased)
Gas Adjustment Clause and for Approval)
of a Supply Adjustment Mechanism Rate)
Adjustment.)

Application No. 60013
(Filed October 22, 1980)

William L. Reed, Stephan A. Edwards, and
Jeffrey Lee Guttero, Attorneys at Law,
for applicant.
John W. Witt, City Attorney, by William S.
Shaffran, Deputy City Attorney, for the
City of San Diego, interested party.
Michael B. Day, Attorney at Law, and
Robert Weissman, for the Commission
staff.

O P I N I O N

San Diego Gas & Electric Company (SDG&E) seeks authorization to increase its rates pursuant to its purchased gas adjustment (PGA) clause to reflect the level of rates proposed to be charged by its supplier, the Southern California Gas Company (SoCal), under SoCal's rate Schedule No. G-61, and to reflect a rate adjustment under its filed supply adjustment mechanism (SAM) procedure.

This matter was combined for hearing with SDG&E's A.59945 for authority to adjust its electric rates in accordance with its Energy Cost Adjustment Clause (ECAC). After due notice, public hearings were held before Administrative Law Judge N. R. Johnson in San Diego on December 2, 3, 4, and 5, 1980 and in Los Angeles on December 10 and 11, 1980, and this matter was submitted on December 11, 1980 subject to the receipt of late-filed exhibits due not later than December 19, 1980. Testimony was presented on behalf of SDG&E by one of its supervising rate analysts, D. P. Hansen, and by one of its rate analysts, D. W. Stoneking. Testimony was presented on behalf of the Commission staff by its associate utilities engineer, J. R. Barrett.

At the time of SDG&E's filings SoCal had pending before this Commission A.59316 (filed December 11, 1979) for a general rate increase, A.59929 (filed September 8, 1980) for a rate reduction to reflect decreased gas costs under its PGA procedure and overcollections under its SAM procedure, and A.59869 (filed August 8, 1980) for an increase in rates to offset the first year of its proposed solar financing program. SDG&E alleges that its position in these three applications would produce lower rates for SDG&E than any other rate proposals in the proceedings, of which it is aware. This position is reflected in the computations of the increased revenue required to offset increased cost of gas. SDG&E also proposes a downward adjustment in its rates to amortize the balance in its gas cost balance account as of September 30, 1980 over a six-month period.

This application also reflects SDG&E's SAM balancing account as of September 30, 1980 and utilizes the margin resulting from D.90405 dated June 5, 1979 in its A.58067 for a general rate increase, together with a forecast sales period of October 1, 1980 through September 30, 1981 for the computations of revenue requirement of the SAM modifications. The overall revenue increase requested in this application is \$16,729,000 developed as follows:

	Amount (Dollars in <u>Millions)</u>
PGA increase in A.59316	\$ 5,245
PGA increase in A.59929	(9,544)
PGA balancing account increase	(9,393)
SAM increase (6 months amortization)	<u>30,421</u>
Total	<u>\$16,729</u>

(Red figure)

SDG&E requests that the above rate increases be made effective concurrently with any increase granted as a result of its pending A.59788 for a general rate increase.

According to the record, the proposed rates, which were designed to yield the above-required revenue increases, were based on gas rate design policy, as prescribed by this Commission in D.91970 dated July 2, 1980 in SDG&E's A.59391 for a rate increase pursuant to its PGA and SAM procedures, as follows:

(1) No increases were made to the customer charges. Increases were made only in the commodity rates;

(2) The lifeline rate was set at 80 percent of the average system rate (the average system rate is the total revenue requirement divided by the total sales);

(3) Schedules Nos. GN-36 and GN-46 rates were set close to the estimated current price of No. 6 low sulfur fuel oil;

(4) Schedules Nos. GN-3 and GN-4 rates were set to approximate the estimated current price of No. 2 fuel oil (or at a premium above the Schedules Nos. GN-36 and GN-46 rates). A premium of 3¢/therm was the controlling guideline utilized for Schedules Nos. GN-3 and GN-4;

(5) The Schedule No. GN-5 rate was not increased. Maintaining the current Schedule No. GN-5 rate will provide a reasonable price incentive for development of cogeneration should the Commission adopt SDG&E's proposal for a gas cogeneration incentive rate in A.59690;

(6) The residential blocks were inverted with the last block having the highest rate; and,

(7) Schedules Nos. GN-1 and GN-2 rates were set relatively near to the modified average system rate (less lifeline sales and revenues) and designed to recover the remaining revenue requirements.

The staff presentation focused on an appropriate rate design based on a revenue requirement increase of \$35,498,000 which includes an \$18,180,000 general rate increase for the test year 1981 requested by SDG&E in A.59788. The guidelines employed by the staff engineer in the design of rates were the rate design criteria set forth in D.91107 dated December 19, 1979 in Pacific Gas and Electric Company's A.58545 for a general rate increase and can be summarized as follows:

1. No increases in the monthly customer charges.
2. The residential Tier I (lifeline) rate shall be referenced to 80 percent of the system average rate.
3. The residential Tiers II and III rate shall be referenced to the system average rate excluding lifeline.
4. The residential Tier IV rate shall be the highest rate in the system. It is proposed herein to continue the consolidation of Tiers II and III, with present Tier IV becoming Tier III.
5. The Schedules Nos. GN-1 and GN-2 rates shall be referenced to the system average excluding lifeline.
6. The Schedules Nos. GN-36 and GN-46 rates are referenced to prevailing alternate fuel prices.
7. The Schedules Nos. GN-3 and GN-4 rates are established at three cents more than the corresponding Schedules Nos. GN-36 or GN-46 rate.
8. The Schedule No. GN-5 rate shall be referenced to the cost of No. 6 low sulfur oil purchases by electric utilities.

It will be noted that with the exception of the rates to be charged in Schedule No. GN-5 for steam electric generation, both the staff and SDG&E utilized the same basic rate design criteria. The staff recommends that the Schedule No. GN-5 rate be referenced to the cost of No. 6 low sulfur oil purchases by electric utilities; SDG&E recommends that the Schedule No. GN-5 rate not be increased to provide a reasonable price incentive for the development of cogeneration should we adopt SDG&E's proposed gas incentive cogeneration rates.

Present rates, SDG&E's proposed rates, the Commission staff's proposed rates, and the adopted overall increase per therm to be added to the base rates adopted in D.92557 dated today in SDG&E's A.59788, supra, are compared in the following tabulation:

Item	: Present : : Rates :	: Proposed Rates : : SDG&E : Staff ^{a/} :		: Adopted : : Per Therm : : Increase ^{b/} :
Residential (Excluding Customer Charge)				
Tier I	\$0.280	\$0.30	\$0.317	\$0.02
Tier II	0.360	0.42	0.439	0.04
Tier III	0.360	0.42	0.439	0.04
Tier IV	0.550	0.57	0.600	0.05
Nonresidential (Excluding Customer Charge)				
GN-1, -2	\$0.360	\$0.42	\$0.439	\$0.04
GN-3, -4	0.420	0.42	0.439	-
GN-36, -46	0.390	0.39	0.409	-
GN-5	0.350	0.35	0.3814	-

a/ Includes revenue requirement increase of \$18,180,000 requested by SDG&E in its A.59788, supra.

b/ To be added to rates set forth in today's D.92557 in A.59788, supra, as set forth in Appendix A of this decision.

In addition to the revenue requirement differential resulting from the inclusion by the staff of the general rate increase application revenues, the basic data used by the staff and SDG&E reflect different sales estimates not entirely attributable to the use of the calendar year 1981 by the staff and the period October 1, 1980 through September 30, 1981 by SDG&E as shown by the following tabulation:

Item	Sales	
	SDG&E 10/1/80 - 9/30/81	Staff Calendar Year 1981
	(Thousands of Therms)	
<u>Residential</u>		
Lifeline	259,769	264,816
Nonlifeline	<u>77,437</u>	<u>88,468</u>
Total	337,206	353,284
<u>Other Retail</u>		
GN-1, -2	120,735	136,540
GN-3, -36, -4, -46	<u>58,358</u>	<u>65,689</u>
Total	179,093	202,229
GN-5	<u>229,123</u>	<u>223,749</u>
Total Sales	<u>745,458</u>	<u>779,262</u>

Both the city of San Diego and the Commission staff argue that SDG&E's estimates of gas sales are understated. They note that SoCal's estimates submitted in connection with its A.59929, supra, for PGA and SAM rate adjustments reflect gas deliveries to SDG&E considerably in excess of the gas sales estimates reflected in its presentation, and that SDG&E has in the past consistently underestimated the availability of gas. SDG&E states that the past additional gas supplies were available because of several consecutive mild winters, and its gas supply estimates are of necessity based on normal or average year weather conditions. It also notes that its estimates are the only estimates in this proceeding's record that detail uses by customer groups and, therefore, should be used in the rate design computations. We agree and note that our adoption of such estimates will be adverse to neither SDG&E nor its ratepayers because of the control effected by the operation of SAM.

As previously stated, both the Commission staff's and SDG&E's showings reflect rate adjustment proceedings pending at the time of the preparation of their respective exhibits and testimony. Since that time, D.92497 dated December 5, 1980 was issued in SoCal's A.59316, supra, and D.92498 dated December 5, 1980 was issued in SoCal's A.59929, supra. In response to the presiding ALJ's request, both SDG&E and the staff filed late-filed Exhibits 8 and 9, respectively, showing PGA, SAM, and Conservation Program Adjustment Clause (CPAC) increases reflecting the rates authorized by those two decisions and balancing account balances as of October 31, 1980. Utilizing this

data and the previously discussed rate design criteria result in the following per therm increase as computed by SDG&E and the staff:

	SDG&E	Staff
Residential (Excluding Customer Charge)		
Tier I	\$0.02	\$0.02
Tier II	0.04	0.04
Tier III	0.04	0.04
Tier IV	0.05	-
Nonresidential (Excluding Customer Charge)		
GN-1, -2	\$0.04	\$0.04
GN-3, -4	-	-
GN-36, -46	-	-
GN-5	-	-

It will be noted that the only difference in the two proposals is in the highest tier in the residential rate and the rate charged steam electric generating plants. It appears inconsistent to increase the steam electric generating plant rates and not the rates for the GN-3 and GN-4 series rates. Consequently, we will adopt SDG&E's proposal. The increases associated with these adopted rate increments are as follows:

Item	Revenue				Increase	
	7/7/80	PG&E	SAM	CPAC	Amount	Percent
(Dollars in Thousands)						
<u>Residential</u>						
Customer Charge	\$ 9,867	\$ -	\$ -	-	\$ -	-
Lifeline	72,413	-9,069	13,812	0	4,743	6.5
Nonlifeline	29,835	-1,051	4,118	0	3,067	10.3
Total	112,115	-10,120	17,930	0	7,810	7.0
<u>Other Retail</u>						
Schedule GN-1						
Customer Charge	489	-	-	-	-	-
Commercial Charge	39,165	-1,610	5,766	0	4,156	10.6
Total	39,654	-1,610	5,766	0	4,156	10.6
Schedule GN-2	4,525	-186	666	0	480	10.6
Schedule GN-3/36	18,231	-2,379	2,301	0	-78	-1.7
Schedule GN-4/46	6,439	-841	813	0	-28	-0.4
Total	68,849	-5,016	9,546	0	374	0.5
<u>Interdepartmental</u>						
Schedule GN-5	80,193	-12,144	12,144	-	-	-
Other Revenue	11,582	-1	2	-	1	0.1
Total Sales	262,739	-27,281	39,622	0	12,341	4.7

Findings of Fact

1. As authorized by the Commission in D.92498 dated December 5, 1980 in SoCal's A.59929 for PGA and SAM rate adjustments, SoCal increased its gas rates to SDG&E.

2. In accordance with the procedures on file with and approved by the Commission, SDG&E requests rate adjustments to account for balances in its PGA and SAM accounts as of October 1, 1980, and an increase in rates to offset the SoCal increases authorized by D.92498, supra.

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

4. The data presented by SDG&E in its late-filed Exhibit 8 and the Commission staff in its late-filed Exhibit 9 properly reflect rate changes required in accordance with SDG&E's filed PGA, SAM, and CPAC procedures.

5. The rate design proposed by SDG&E reflects current Commission policy and should be adopted.

6. The estimated additional annual revenue as a result of the increases herein will be approximately \$12,341,000 a 4.7 percent increase over present revenues.

7. The PGA and SAM rate modifications authorized herein should be made effective concurrently with the rates authorized by D.92557 dated today in SDG&E's A.59788.

8. 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.

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. The effective date of this order should be the date hereof to coincide with the effective date of D. 92557 dated today in SDG&E's A.59788 for a general rate increase.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, San Diego Gas & Electric Company is authorized to file revised rate schedules reflecting the adopted rate increase increments shown on page 6 of this decision and concurrently withdraw and cancel its presently effective schedules. Such filings 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.

The effective date of this order is the date hereof.

Dated DEC 30 1980, at San Francisco, California.

John E. Bryan
President

Robert D. Swale

Charles J. DeLoach

Arnold W. Ginnish
Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.