

Decision 93540 SEP 15 1981**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 Supply
 Adjustment Mechanism and for Approval
 of a Consolidated Adjustment Mechanism.

Application 60364
 (Filed March 17, 1981)

William L. Reed, Steven A. Edwards, and
 Jeffrey Lee Guttero, Attorneys at Law,
 for San Diego Gas & Electric Company,
 applicant.
William S. Shaffran, Deputy City Attorney,
Dennis H. Kahlie, for the City of
 San Diego, interested party.
James S. Rood, Attorney at Law, and
Robert Weissman, for the Commission staff.

O P I N I O NBackground

As originally filed, this application requested authority to increase its natural gas rates under its purchased gas adjustment clause (PGA) and its supply adjustment mechanism (SAM) by a total of 20.1 million annually for the 12 months beginning April 1, 1981 to reflect the level of rates proposed in Application (A.) 60339 by its supplier, Southern California Gas Company (SoCal), under SoCal's rate Schedule G-61 and to amortize the balances in its PGA and SAM balancing accounts. San Diego Gas & Electric Company (SDG&E) also requests authority to establish a consolidated adjustment mechanism (CAM) for future offset proceedings in lieu of PGA and SAM.

Hearing Process

After due notice, public hearing was held before Administrative Law Judge (ALJ) O'Leary at San Diego on May 26, 1981, at which time

A.60339 was pending before the Commission. The revenue requirement and recommended proposed rates set forth in the exhibits presented by SDG&E and the staff were based upon the Schedule G-61 rate recommended by SoCal and the staff, respectively, in A.60339. On June 16, 1981 we issued Decision (D.) 93190 in A.60339 wherein SoCal's Schedule G-61 rate was reduced from 25.914 to 25.89 cents per therm (¢/therm). As a result of the rate reduction SDG&E's requested increase was reduced from the \$20.1 million set forth in the application to approximately \$3 million.

Late-filed Exhibits 13 and 14 sponsored by SDG&E and the staff, respectively, set forth SDG&E's revenue requirement and a recommended rate design based upon SoCal's G-61 rate authorized in D.93190 were filed, as ordered by the ALJ on June 22, 1981.

On June 29, 1981 further hearing was held to resolve certain discrepancies between Exhibits 13 and 14. Upon conclusion of the June 29 hearing the matter was submitted.

Revenue Requirement

Although the rate charged SDG&E by SoCal was reduced by D.93190, SDG&E's PGA and SAM balancing accounts as of April 30, 1981 showed an overcollection of \$4.2 million and an undercollection of \$10.3 million, respectively, resulting in a combined undercollection of \$6.1 million. In order to amortize the amounts in the balancing accounts, a rate increase is required.

SDG&E estimates it needs an increase of approximately \$3 million while the staff estimates the needed increase to be approximately \$3.5 million. The calculations are as follows:

| | <u>SDG&E</u> | <u>Staff</u> |
|--------------------------|--------------------|--------------------|
| Revenue Requirement | \$305,024,000 | \$304,456,000 |
| Revenue at Present Rates | <u>301,944,000</u> | <u>300,892,000</u> |
| Increase Required | 3,080,000 | 3,564,000 |

The purpose of the hearing on June 29, 1981 was to attempt to resolve the differences between the computations of SDG&E and the staff.

At that hearing it was determined that SDG&E's figures include the City of San Diego franchise tax, while the staff figures do not. It was further determined that under the revenue at present rates, the amount of the franchise tax included was the difference between SDG&E's figure and the staff figure (\$1,052,000). With respect to the revenue requirement figure, SDG&E contends that its figure includes \$557,000 in franchise fee revenue on PGA revenue only. SDG&E also contends that the staff revenue requirement figure includes a double counting of franchise revenue fees on SAM revenues. From the record we cannot determine whether the increase required is that computed by SDG&E (\$3,080,000) or by the staff (\$3,564,000). The order which follows will provide for the increase as calculated by SDG&E. The staff should insure that this issue is analyzed and resolved in the next CAM proceeding.

Rate Design Recommendations

SDG&E proposes to increase its lifeline rate by 1.1¢/therm and its interdepartmental GN-5 rate by 0.1¢/therm, which will generate approximately \$3 million annually. This proposal, if adopted, would set the lifeline rate at 85% of the system average rate. Although the Commission has not authorized a lifeline rate equal to 85% of the system average for any other utility, SDG&E believes in this instance it is appropriate to allocate PGA rates on a uniform cents-per-therm basis and SAM rates should not be negative for any rate schedule. Failure to increase lifeline rates will result in a negative GT SAM rate. SDG&E also points out that the differential between the present Schedule GR lifeline rate and the Tier 2 rate is approximately 12 cents. An increase in lifeline rates would reduce that differential to approximately 11 cents which would coincide with the Commission's thinking in the most recent SoCal general rate case.

The Commission staff recommends that only the GN-5 rate be increased from 35.6¢/therm to 36.87¢/therm, an increase of 1.27 cents.

All other rates are to remain at their present level. Such an increase will provide additional revenue of approximately \$3.5 million annually.

Consolidated Adjustment Mechanism

SDG&E proposes certain tariff modifications establishing a CAM for future PGA/SAM revisions as a result of Resolution G-2406 issued on January 6, 1981. The staff has reviewed SDG&E's proposal and finds it to be acceptable for use in future PGA/SAM proceedings.

Discussion

Although we cannot determine with certainty in this proceeding whether the required increase is \$3.08 million as computed by SDG&E or \$3.56 million as computed by the staff, it is apparent that the difference may result from the fact that SDG&E includes the City of San Diego franchise fees while the staff excludes them. In future proceedings when these fees are included they should be separately identified to facilitate the handling of the proceeding. The rate relief sought was dependent upon our action in A.60339; after we issued D.93190 in that application, the requested relief was drastically reduced. This reaffirms our position set forth in D.93190 that in the future gas offset proceedings of SoCal and SDG&E should be heard on a consolidated basis and decided concurrently.

SDG&E's proposal to increase the lifeline rate to 85% of the system average rate is not appropriate, especially since its inter-departmental GN-5 rate is approximately 10% less than for customers who have the same alternate fuel capability of SDG&E's electric department and the fact that other utilities lifeline rates are 80% of the system average rate. We will therefore adopt the staff recommendation to raise the GN-5 rate only. However, we will authorize an increase of only 1.1¢/therm which, based on SDG&E's estimated sales, will produce annual revenues of \$3,078,000.

Findings of Fact

1. As originally filed, this application requested an increase of approximately \$20.1 million annually.
2. SoCal is SDG&E's sole supplier of gas.

3. Upon the issuance of D.93190 dated June 16, 1981 in A.60339, the requested increase was reduced from \$20.1 million annually to \$3.08 million annually.

4. GN-5 rates of SDG&E are approximately 10% lower than its GN-36 and -46 rates.

5. GN-36, -46 and GN-5 rates are reasonably set by reference to alternate fuel prices.

6. The increased GN-5 rate authorized is still lower than the GN-36 and -46 rates.

7. SDG&E's proposal to establish a CAM is reasonable and should be used in future FGA/SAM proceedings.

8. In order to provide for timely implementation of the rate change, the order should be effective today.

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

Conclusion of Law

1. SDG&E should be authorized to increase its rates as set forth in the following order.

2. SDG&E should be authorized to revise its tariff to implement the CAM procedure set forth in Exhibit 2.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company (SDG&E) is authorized to file revised tariff schedules reflecting a 1.1 cent per therm increase in its Schedule GN-5 rate to be effective not less than five days after filing. The revised rate shall apply only to service rendered on or after the effective date.

2. SDG&E is authorized to revise its tariff schedule to implement the Consolidated Adjustment Mechanism set forth in Exhibit 2. This order is effective today.

Dated SEP 15 1981, at San Francisco, California.

John E. Bryan
President
Harold W. Powell
Edward W. ...
...
Presidents & Commissioners
Commissioners