

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Energy Branch

RESOLUTION G-2935  
December 19, 1990

R E S O L U T I O N

RESOLUTION G-2935. SAN DIEGO GAS AND ELECTRIC COMPANY.  
ORDER REVISING THE PRELIMINARY STATEMENT TO REFLECT AN  
INCREASE IN STEAM DEPARTMENT REVENUE WHICH WILL RESULT  
FROM OPERATIONAL AND CAPITAL-RELATED ATTRITION IN 1991.

BY ADVICE LETTER 167-H, FILED ON OCTOBER 1, 1990.

SUMMARY

1. This Resolution approves an increase of \$54,000 to San Diego Gas and Electric Company's (SDG&E) Steam Department Authorized Base Rate Revenue to offset operational and capital-related attrition.
2. It also consolidates a decrease of \$6,973 granted in Resolution G-2939 relating to Steam Energy Cost Adjustment Clause (ECAC) and Steam Revenue Adjustment Mechanism (SRAM): SDG&E's steam ECAC rates are decreased by \$269,747, and its SRAM are increased by \$262,774.

BACKGROUND

1. In D.88-12-086 (SDG&E's test year 1989 general rate case), the Commission authorized SDG&E to revise its steam base rates to offset 1991 operational and financial attrition.
2. Operational attrition is a decrease in a utility's net operating income because of increase in operation and maintenance expenses related to inflation between general rate case test years.
3. Capital-related attrition is a change in a utility's net operating income because of rate base and cost of capital changes between general rate case test years.
4. In D.90-11-057 (the cost of capital proceeding), the Commission adopted the 1991 capital structure and cost of capital for SDG&E as shown in Attachment A.

NOTICE

1. Public notice of this advice letter was made by publication in the Commission calendar, and by SDG&E's mailing copies to other utilities, governmental agencies, and all interested parties who requested notification.

PROTESTS

1. No protests were received on this advice letter.

DISCUSSION

1. On October 1, 1990, SDG&E filed Advice Letter 167-H requesting a 1991 steam base rate revenue increase of \$54,000 to offset operational attrition. In calculating this request, SDG&E assumed its 1990 authorized cost of capital. The advice letter also notes that SDG&E's showing in the cost of capital proceeding (A.90-05-014) includes a \$2,000 base rate increase to compensate for financial attrition. SDG&E's consolidated request amounts to \$56,000.

2. SDG&E has requested \$34,000 for labor inflation and \$15,000 for non-labor inflation. These requests comply with D.88-12-085 and are granted.

3. Using the rates of return adopted for SDG&E in D.90-11-057, Commission Advisory and Compliance Division has recalculated SDG&E's capital-related attrition to be \$1,000.

4. SDG&E requests an increase of \$4,000 for payroll taxes as a result of a payroll tax "rate" change. This request complies with D.85-12-076 and is granted.

5. SDG&E's total increase amounts to \$54,000.

6. SDG&E shall compute attrition rate changes on an "equal dollars per pound" basis, as is conventional.

THEREFORE, IT IS ORDERED that:

1. San Diego Gas and Electric Company is authorized to increase its Steam Department Authorized Base Rate Revenue by \$54,000, effective January 1, 1991.
2. San Diego Gas and Electric Company shall increase its steam rates on an "equal dollars per pound" basis, effective January 1, 1991.
3. San Diego Gas and Electric Company Advice Letter 167-H and its tariff sheets shall be marked to show that they were approved by Resolution G-2935.
4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 19, 1990. The following Commissioners approved it:

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
Commissioners

  
Neal J. Shulman  
Executive Director

Attachment A

San Diego Gas and Electric Company  
1991 Attrition Allowance

1990 Authorized Capital Structure  
(D.89-11-068)

<u>Component</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Long-Term Debt	44.25%	9.08%	4.02%
Preferred Stock	6.25	7.18	0.45
Common Equity	<u>49.50</u>	12.90	<u>6.39</u>
TOTAL	100.00%		10.86%

Requested Capital Structure\*  
(Attrition Year 1991)

<u>Component</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Long-Term Debt	44.60%	9.20%	4.10%
Preferred Stock	5.90	7.17	0.42
Common Equity	<u>49.50</u>	13.75	<u>6.81</u>
TOTAL	100.00%		11.33%

1991 Adopted Capital Structure  
(D.90-11-057)

<u>Component</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Long-Term Debt	44.60%	9.20%	4.10%
Preferred Stock	5.90	7.17	0.42
Common Equity	<u>49.50</u>	12.90	<u>6.39</u>
TOTAL	100.00%		10.91%

\*Updated October 5, 1990

Attachment B

San Diego Gas & Electric Company  
Steam Department  
1991 Attrition Allowance  
Revenue Requirements  
(\$000)

Description	Requested	Consolidated Request 1/	Adopted
<b>Operational Attrition:</b>			
Labor Inflation	\$ 34	\$ 34	\$ 34
Non-Labor Inflation	15	15	15
<b>Capital-Related Attrition</b>	1	3	1
ARA Mechanism for 1991	\$ 50	\$ 52	\$ 50
<b>Other Item:</b>			
Payroll Tax Increase	4	4	4
<b>Total 1991 ARA Base Rate Revenue Change</b>	\$ 54	\$ 56	\$ 54

Previously Authorized Base Rate Revenue	\$1,514
Add: Attrition Increase for 1991	54
<b>Adopted Base Rate Revenue for 1991</b>	<b>\$1,568</b>

1/ Reflects SDG&E's requested cost of capital and subsequent changes to its Advice Letter 167-H. See A.90-05-014, et al. and D.90-11-057.