

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2936
DECEMBER 19, 1990

R E S O L U T I O N

RESOLUTION G-2936. SAN DIEGO GAS AND ELECTRIC COMPANY.
REQUEST FOR REVISION OF THE PRELIMINARY STATEMENT TO
REFLECT AN INCREASE IN GAS DEPARTMENT BASE COST AMOUNT
WHICH WILL RESULT FROM OPERATIONAL AND CAPITAL-RELATED
ATTRITION FOR 1991.

BY ADVICE LETTER 730-G, FILED ON OCTOBER 1, 1990.

SUMMARY

1. This Resolution approves an increase of \$8,038,000 to San Diego Gas and Electric Company's (SDG&E) Gas Department Authorized Base Cost Amount to offset operational and capital-related attrition, and also approves an increase of \$1,582,000 for a reward earned for Demand Side Management (DSM) achievements in 1989.

BACKGROUND

1. In D.88-12-086 (SDG&E's test year 1989 general rate case), the Commission authorized SDG&E to revise its gas 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 730-G requesting a 1991 gas Base Cost Amount increase of \$9,824,000 for operational attrition, capital-related attrition, and its 1989 DSM reward. 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 \$2,426,000 Base Cost Amount increase to compensate for financial attrition. SDG&E's consolidated request amounts to \$12,250,000.

2. SDG&E has requested \$1,382,000 for labor inflation and \$583,000 for non-labor inflation. These requests comply with D.85-12-085 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 \$5,834,000.

4. SDG&E requests an increase of \$58,000 for air emission fees charged by local air pollution control districts. D.85-12-076 clearly provides that compensation request for government-mandated programs should be included in general rate case proceedings. Only under "extreme circumstances" would this kind of request be considered outside general rate cases. This request is denied.

5. SDG&E requests a \$231,000 revenue requirement increase related to anticipated postal rates increase at the beginning of February, 1991. D.85-12-076 authorized postage changes in an attrition filing when government-legislated rate changes are "final as a matter of law." This request is denied.

6. SDG&E requests a total increase of \$239,000 for payroll taxes. D.85-12-076 authorizes payroll tax changes. SDG&E's request is granted.
7. SDG&E requests a recording for \$1,582,000 (including Franchise Fees and Uncollectibles) associated with a 1989 DSM award. This request complies with D.88-09-063 and is granted.
8. SDG&E's total increase for both core and non-core customers amounts to \$9,620,000 effective January 1, 1991.
9. Attrition rate changes are conventionally computed on an "equal cents per therm" basis. SDG&E shall use the throughputs adopted in its last Annual Cost Allocation Proceeding (A.90-03-049, D.90-11-023) to determine the allocation of the total increase to core and non-core customers.
10. The increase allocated to the core customers shall be recorded as a debit entry to its Core Fixed Cost Account (CFCA). Core rate schedules shall be revised in SDG&E's next ACAP. Non-core rate schedules, on the other hand, shall be revised effective January 1, 1991.

THEREFORE, IT IS ORDERED that:

1. San Diego Gas and Electric Company is authorized to increase its Gas Department Authorized Base Cost Amount by \$8,038,000, effective January 1, 1991.
2. San Diego Gas and Electric Company is also authorized to reflect an increase of \$1,582,000 for a 1989 Demand Side Management reward, effective January 1, 1991.
3. San Diego Gas and Electric Company shall allocate the total increase granted herein to core and non-core customers on an "equal cents per therm" basis, and based on throughputs adopted in D.90-11-023.
4. San Diego Gas and Electric Company shall debit its Core Fixed Cost Account by the amount allocated to core customers. Core rates shall be revised in San Diego Gas and Electric Company's next Annual Cost Allocation Proceeding. Non-core rates shall be revised, effective January 1, 1991.
5. San Diego Gas and Electric Company shall file a supplement to Advice Letter 730-G with revised Preliminary Statement and tariff schedules reflecting the increases granted herein.
6. San Diego Gas and Electric Company Advice Letter 730-G and its tariff sheets shall be marked to show that they are superseded and supplemented as ordered by Ordering Paragraph 5.
7. 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. GUNDA
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

December 19, 1990

Attachment B

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

Description	Requested	Consolidated Request 1/	Adopted
Operational Attrition:			
Labor Inflation	\$ 1,382	\$ 1,382	\$ 1,382
Non-Labor Inflation	583	583	583
Capital-Related Attrition	5,749	8,174	5,834
ARA Mechanism for 1991	\$ 7,714	\$10,140	\$ 7,799
Other Items:			
Air Emission Fees	58	58	0
Postage	231	231	0
Payroll Taxes	239	239	239
Total 1991 ARA Base Cost Amount Change	\$ 8,242	\$10,668	\$ 8,038
1989 DSM Reward (CFCA Adjustment) 2/	1,582	1,582	1,582
Total Increase for Rate Design Purposes	\$ 9,824	\$12,250	\$ 9,620
===== Previously Authorized Base Cost Amount			\$138,323
Add: Attrition Increase for 1991			8,038
Adopted Base Cost Amount for 1991			\$146,361

1/ Reflects SDG&E's requested cost of capital and subsequent changes to its Advice Letter 730-G. See A.90-05-014, et al. and D.90-11-057.

2/ Debit Entry to CFCA Account.

CORRECTION

THIS DOCUMENT HAS
BEEN REPHOTOGRAPHED

TO ASSURE

LEGIBILITY

Attachment B

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

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2/ Debit Entry to CFCA Account.