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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch**

**RESOLUTION E-3209
DECEMBER 19, 1990**

R E S O L U T I O N

**RESOLUTION E-3209. SAN DIEGO GAS AND ELECTRIC COMPANY.
REQUEST FOR REVISIONS OF THE PRELIMINARY STATEMENT TO
REFLECT AN INCREASE IN ELECTRIC DEPARTMENT REVENUE WHICH
WILL RESULT FROM OPERATIONAL AND CAPITAL-RELATED
ATTRITION FOR 1991.**

BY ADVICE LETTER 799-E, FILED ON OCTOBER 1, 1990.

SUMMARY

1. This Resolution approves an increase of \$22,922,000 to San Diego Gas and Electric Company's (SDG&E) Electric Department Authorized Base Rate Revenue to offset operational and capital-related attrition, and the recording of a \$4,057,000 debit to its Electrical Revenue Adjustment Mechanism (ERAM) Account for a reward earned for Demand Side Management (DSM) achievements in 1989.
2. It also consolidates an increase of \$29,500,000 granted in Resolution E-3208 which deals with changes to the Major Additions Adjustment Clause (MAAC) Account: SDG&E's MAAC Pre-Commercial Operating Date (Pre-COD) balancing rate of (0.204) cents per kilowatt-hour will terminate at the end of its three-year amortization period on December 31, 1990.

BACKGROUND

1. In D.88-12-086 (SDG&E's test year 1989 general rate case), the Commission authorized SDG&E to revise its electric 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 799-E requesting a 1991 electric Base Rate Revenue increase of \$26,883,000 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 \$17,301,000 Base Rate Revenue increase to compensate for financial attrition. SDG&E's consolidated request amounts to \$44,184,000.

2. SDG&E has requested \$5,374,000 for labor inflation and \$2,856,000 for non-labor inflation. These requests comply with D.88-12-085 and are granted.

3. As authorized by D.88-12-085, SDG&E requests a \$2,617,000 decrease related to Nuclear Refueling expenses. This request is granted.

4. 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 \$15,088,000.

5. SDG&E requests a \$150,000 revenue requirement increase associated with Research, Development, and Demonstration (RD&D) funding for the California Institute for Energy Efficiency, and recovery of fees paid to intervenors. SDG&E's request includes an increase of \$128,000 RD&D funding explicitly adopted by the Commission in D.88-12-085, and a \$22,000 increase to recover fees paid to intervenors pursuant to D.89-10-032, D.90-07-018, D.90-07-066, and Public Utilities Code Article 5, Section 1807. SDG&E's request is granted.

6. SDG&E requests a \$414,000 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.

7. SDG&E also requests the following revenue requirement increases under the category of government-mandated programs authorized by D.85-12-076:

- a. \$820,000 - due to increases in air emission fees charged by local air pollution control districts;
- b. \$409,000 - due to an increase for two environmental risk assessments.

D.85-12-076 clearly provides that requests for compensation for government-mandated programs should be included in general rate case proceedings. Only under "extreme circumstances" would these kinds of requests be considered outside general rate cases. These requests are denied.

Resolution E-3211 grants SDG&E an increase of \$1,530,000 for 1991 Nuclear Regulatory Commission (NRC) fees.

8. SDG&E requests a total increase of \$541,000 for payroll taxes. D.85-12-076 authorizes payroll tax changes. SDG&E's request is granted.

9. SDG&E requests a recording of \$4,057,000 (including Franchise Fees and Uncollectibles) as a debit entry to its ERAM account (an increase in revenues) associated with a 1989 DSM award. This request complies with D.85-09-063 and is granted.

10. Resolution E-3208 effectively grants an increase of \$29,500,000 due to the termination of the refund in SDG&E's MAAC account.

11. SDG&E's total increase for rate design purposes amounts to \$56,479,000.

12. Attrition rate changes are conventionally computed on an "equal cents per kilowatt-hour" basis. However, given the magnitude of this total increase, SDG&E's request, in Advice Letter 803-E, to use the equal percentage of marginal cost (EPMC) method to develop the change in rates is granted.

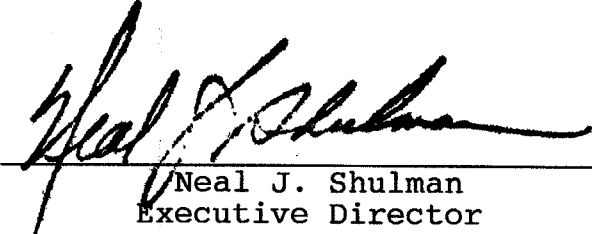
13. SDG&E should use the marginal customer and capacity costs adopted in SDG&E's general rate case, D.88-12-085. The marginal energy costs should be those adopted in SDG&E's 1990 Energy Cost Adjustment Clause (ECAC), D.90-05-090. SDG&E should increase all rate components to reflect the class percentage increase under EPMC allocation.

THEREFORE, IT IS ORDERED that:

1. San Diego Gas and Electric Company is authorized to increase its Electric Department Authorized Base Rate Revenue by \$22,922,000, debit its Electrical Revenue Adjustment Mechanism balancing account by \$4,057,000, and increase its rates to reflect a revenue increase of \$56,479,000, effective January 1, 1991.
2. San Diego Gas and Electric Company is authorized to increase all rate components to reflect the class percentage increase under equal percentage marginal cost allocation, effective January 1, 1991.
3. San Diego Gas and Electric Company shall file a supplement to Advice Letter 799-E with revised Preliminary Statement and tariff schedules reflecting the increases granted herein.
4. San Diego Advice Letter 799-E and its tariff sheets shall be marked to show that they are superseded and supplemented as ordered by Ordering Paragraph 3.
5. 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 WALK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. CHAMIAN
PATRICIA M. FOKERT
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 Authorized 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
Electric Department
1991 Attrition Allowance
Revenue Requirements
(\$000)

Description	Requested	Consolidated Request 1/	Adopted
Operational Attrition:			
Labor Inflation	\$ 5,374	\$ 5,374	\$ 5,374
Non-Labor Inflation	2,856	2,856	2,856
Nuclear Refueling	(2,617)	(2,617)	(2,617)
Capital-Related Attrition	14,468	32,032	15,088
ARA Mechanism for 1991	\$20,081	\$37,645	\$20,701
Other Items:			
RD&D Expense (CIEE Funding) and Intervenor Fees Paid	150	150	150
Air Emission Fees	820	820	0
Postage	414	414	0
Payroll Taxes	541	541	541
NRC Fees 2/	411	1,530	1,530
Environmental Studies	409	409	0
Total 1991 ARA Base Rate Revenue Change	\$22,826	\$41,509	\$22,922
1989 DSM Reward (ERAM Adjustment) 3/	4,057	4,057	4,057
Subtotal	\$26,883	\$45,566	\$26,979
Termination of MAAC Refund (Res. E-3208)	29,500	29,500	29,500
Total Increase for Rate Design Purposes	\$56,383	\$75,066	\$56,479
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Previously Authorized Base Rate Revenue			\$803,268
Add: Attrition Increase for 1991			22,922
Adopted Base Rate Revenue for 1991			\$826,190
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1/ Reflects SDG&E's requested cost of capital and subsequent changes to its Advice Letter 799-E. See A.90-05-014, et al. and D.90-11-057.

2/ Consolidated NRC Fees requested in Advice Letter 799-E and 805-E.

3/ Debit entry to the ERAM Account.