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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Energy Branch

RESOLUTION E-3401  
December 21, 1994

R E S O L U T I O N

RESOLUTION E-3401. SAN DIEGO GAS & ELECTRIC COMPANY.  
REQUEST TO REVISE ITS ERAM AUTHORIZED BASE RATE REVENUE  
AND ITS GAS BASE COST AMOUNT TO REFLECT ITS ELECTRIC AND  
GAS PERFORMANCE BASED RATEMAKING (PBR) BASE RATE  
MECHANISM REVENUE REQUIREMENTS FOR 1995.

BY ADVICE LETTER 927-E/936-G, FILED ON October 17, 1994.

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SUMMARY

1. This Resolution approves an increase of \$48,493,000 to San Diego Gas & Electric Company's (SDG&E) Electric and Gas Authorized Base Rate Revenue to reflect Performance Based Ratemaking (PBR) Base Rate Mechanism Revenue Requirements for 1995. It also approves additional revenues of \$3,141,000 for a reward earned for 1993 Demand Side Management (DSM) achievements and \$35,743,000 to offset 1995 financial attrition.
2. There were no protests to Advice Letter (AL) 927-E/936-G.

BACKGROUND

1. In D.94-08-023 dated August 3, 1994, the Commission approved, with minor modifications, the PBR Base Rate Mechanism proposed by SDG&E, the Division of Ratepayer Advocates (DRA) and the Federal Executive Agencies (FEA). The Base Rate Mechanism will adjust SDG&E's base rate revenue requirement pursuant to calculations related to non-fuel operation and maintenance expenses, capital investment and certain performance incentives.
2. The PBR Base Rate Mechanism became effective on September 1, 1994 and will remain in effect for five years (1994 through 1999), or until superseded by the utility's next General Rate Case, subject to specified suspension provisions.

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.

December 21, 1994

PROTESTS

1. No protests were received on this Advice Letter.

DISCUSSION

1. On October 17, 1994, SDG&E filed Advice Letter 927-E/936-G requesting an increase of \$40,642,000 in its Electric Revenue Adjustment Mechanism (ERAM) Authorized Base Rate Revenue and \$7,851,000 in its Gas Base Cost Amount to reflect the PBR Base Rate Mechanism Revenue Requirement for 1995.
2. Calculations for the 1995 incremental electric and gas base rate revenues were developed using the PBR revenue requirement formula adopted by the Commission in D.94-08-023 and incorporated into SDG&E's Preliminary Statement by Advice Letter 922-E/931-G. SDG&E's requested 1995 PBR revenue requirement is granted.
3. Revisions in the escalation amounts used in the calculation of SONGS O&M Expenses, which affect SDG&E's 1995 PBR revenue requirements, are being contemplated in the pending Southern California Edison General Rate Case Proceeding. It is anticipated that when the figures are updated, SDG&E's 1995 base rate revenue requirements will be reduced by approximately \$1.3 million.
4. SDG&E requests an additional \$2,839,000 in electric revenues and an additional \$302,000 in gas revenues resulting from its 1993 DSM Reward Application (A.94-04-038). This request complies with D.94-12-021 and is granted.
5. For this filing, SDG&E initially assumed its 1994 authorized rate of return (ROR) noting, however, that the requested PBR base rate revenue requirement adjustments were separate and distinct from the financial attrition requested in its Cost of Capital Application (A.94-05-013), which seeks an increase in SDG&E's ROR for 1995.
6. Subsequently, on November 22, 1994, in D.94-11-076, the Commission adopted the 1995 ROR for SDG&E shown in Attachment A and on November 30, 1994, SDG&E filed supplemental filing AL-927-E-A/936-G-A to reflect its adopted 1995 ROR.
7. SDG&E requests a \$35,743,000 revenue increase for 1995 financial attrition, comprised of \$30,747,000 for the electric department and \$4,996,000 for the gas department. The request is granted.
8. SDG&E requests that its margin changes become effective on January 1, 1995. However, it proposes to defer revisions to its electric rates until May 1, 1995 when rate changes authorized in its pending annual Energy Cost Adjustment Clause (ECAC) Application will become effective. The request is granted.

9. For its Gas Department, SDG&E proposes to revise rates on January 1, 1995 and intends to incorporate the requested margin changes with allocation and rate changes authorized in its Biennial Cost Allocation Proceeding (BCAP) Application (A.93-09-048), also scheduled to be effective on January 1, 1995. The request is granted.

#### FINDINGS

1. SDG&E has filed AL 927-E/936-G, as supplemented by AL 927-E-A/936-G-A, requesting an increase of \$74,228,000 to its electric base rate revenues and an increase \$13,149,000 to its gas base rate revenues.

2. It is reasonable to increase SDG&E's PBR electric and gas base rate revenues by \$48,493,000, to award SDG&E additional revenues of \$3,141,000 for 1993 DSM achievements and to offset its 1995 financial attrition by \$35,743,000. The requested margin changes are in compliance with D.94-08-023, D.94-12-021 and D.94-11-076, respectively.

3. It is reasonable for SDG&E to change its Gas Base Cost Amount, on January 1, 1995, concurrent with the implementation of updated BCAP cost allocations and gas rates, which will also be effective January 1, 1995.

4. It is reasonable for SDG&E to defer changing its electric rates until on May 1, 1995, when a Decision in its pending ECAC application is scheduled to be effective.

#### **THEREFORE, IT IS ORDERED that:**

1. San Diego Gas & Electric Company is authorized to increase its ERAM Authorized Base Rate Revenue by \$40,642,000, plus a \$2,839,000 reward for DSM achievements and \$30,747,000 for financial attrition, effective January 1, 1995, shown in Attachment B. Recovery will be deferred until May 1, 1995.

2. San Diego Gas & Electric Company is authorized to increase its Gas Department Authorized Base Cost Amount by \$7,851,000, plus a \$302,000 reward for DSM achievements and \$4,996,000 for financial attrition, effective January 1, 1995, shown in Attachment B.

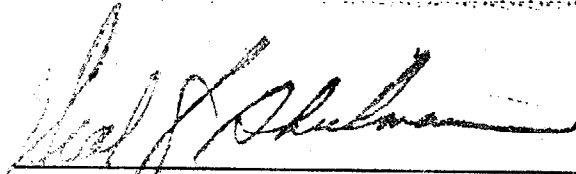
3. San Diego Gas & Electric Company shall file revised Preliminary Statement and tariff schedules reflecting the increases granted herein in the Advice Letter ordered in the Decision to A.93-09-048.

4. San Diego Gas & Electric Company Advice Letter 927-E-A/936-G-A 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.

December 21, 1994

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 21, 1994. The following Commissioners approved it:



NEAL J. SHULMAN  
Executive Director

DANIEL Wm. FESSLER  
President  
PATRICIA M. ECKERT  
NORMAN D. SHUMWAY  
P. GREGORY CONLON  
JESSIE J. KNIGHT, Jr.  
Commissioners

ATTACHMENT A

SAN DIEGO GAS AND ELECTRIC COMPANY  
1995 FINANCIAL ATTRITION

1994 Authorized Rate of Return  
D.93-12-022

<u>Capital Component</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Long-Term Debt	44.50%	7.29%	3.24%
Preferred Stock	6.00	6.95	.42
Common Equity	<u>49.50</u>	10.85	<u>5.37</u>
Total	100.00%		<u>9.03%</u> =====

1995 Authorized Rate of Return  
D.94-11-076

<u>Capital Component</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Long-Term Debt	44.50%	7.52%	3.35%
Preferred Stock	6.00	7.42	.45
Common Equity	<u>49.50</u>	12.05	<u>5.96</u>
Total	100.00%		<u>9.76%</u> =====

ATTACHMENT B

SAN DIEGO GAS AND ELECTRIC COMPANY  
PERFORMANCE BASED RATEMAKING  
BASE RATE REVENUE REQUIREMENTS FOR 1995

1995 ERAM Authorized Base Rate Revenues:

PBR Adjustment	\$40,642,000
DSM Adjustment	2,839,000
Cost of Capital	<u>30,747,000</u>
Total	<u>\$74,228,000</u> =====

1995 Gas Department Base Cost Amount:

PBR Adjustment	\$7,851,000
DSM Adjustment	302,000
Cost of Capital	<u>4,996,000</u>
Total	<u>\$13,149,000</u> =====

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-3401  
DECEMBER 20, 1996

R E S O L U T I O N

RESOLUTION E-3401. SAN DIEGO GAS & ELECTRIC COMPANY (SDG&E) REQUESTS TO REVISE ITS ERAM AUTHORIZED BASE RATE REVENUE AND ITS GAS BASE COST AMOUNT TO REFLECT ITS ELECTRIC AND GAS PERFORMANCE BASED RATEMAKING (PBR) BASE RATE REVENUE REQUIREMENT FOR 1997. THIS RESOLUTION APPROVES THE REQUESTED GAS AND ELECTRIC REVENUE CHANGES. ELECTRIC RATES WILL NOT CHANGE UNDER ASSEMBLY BILL (AB) 1890. GAS RATES WILL BECOME EFFECTIVE WITH BIENNIAL COST ALLOCATION PROCEEDING (BCAP).  
BY ADVICE LETTER 1002-E/1032-G, FILED ON OCT 15, 1996

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SUMMARY

1. This Resolution approves an increase \$37,225,531 to the ERAM authorized revenue requirement and \$7,115,535 to the authorized base cost amount to reflect the performance-based ratemaking (PBR) base rate revenue requirements for 1997 and to incorporate the changes due to SDG&E's 1997 Cost of Capital and 1995 Demand Side Management (DSM) rewards. Electric rates will not change under AB 1890. Gas rates will become effective with BACP.
2. No protests were received on this Advice Letter.

BACKGROUND

1. The Base Rate mechanism, which was adopted in D.94-08-023, adjusts SDG&E's base rate revenue requirement based on calculations related to non-fuel operation and maintenance expenses, capital investment and certain performance incentives.
2. The Base Rate PBR mechanism became effective on September 1, 1994 and will remain in effect for five years, or until suspended, subject to specified suspension provisions.

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 in Application (A.)92-10-017.

PROTESTS

1. No protests were received on this Advice Letter.

DISCUSSION

1. On October 15, 1996, SDG&E filed Advice Letter 1002-E/1032-G requesting an increase of \$29,876,796 to its ERAM authorized base rate revenue and an increase of \$6,404,344 to its Gas Base Cost Amount to reflect the PBR revenue requirement changes for 1997.
2. Calculations for the 1997 incremental electric and gas base rate revenue were developed using the PBR revenue requirement formula adopted by the Commission in D.94-08-023 and incorporated into SDG&E's preliminary statement. SDG&E's calculation is accurate and therefore, SDG&E's request is granted.
3. In this Advice Letter SDG&E also requests adjustment to its 1997 rate of return (ROR), based on the Joint Settlement in the Cost of Capital proceeding, A.96-05-043. This amounts to a reduction of \$298,000 in electric and a reduction of \$62,000 in gas revenue requirement.
4. By D.96-11-060, the Commission adopted the 1997 ROR for SDG&E as requested by SDG&E in this Advice Letter. SDG&E's request to incorporate the revenue changes associated with the 1997 Cost of Capital is granted and incorporated herein.
5. In this Advice Letter SDG&E also requests a net increase of \$7,646,735 in electric revenues and a net increase of \$773,191 in gas revenues resulting from its 1994 and 1995 DSM Rewards in the Annual Earnings Assessment Proceeding. This request is granted.
6. SDG&E's request for the Electric Department reflects a net increase of \$37,225,531 to the ERAM authorized Base Rate Revenue. SDG&E's request for the Gas Department reflects a net increase of \$7,115,535 to its Gas Base Cost Amount.
7. SDG&E requests that its gas and electric margin changes become effective on January 1, 1997. However, as a result of AB 1890, which mandates a rate freeze at the June 10, 1996, level, SDG&E is requesting no increase to its electric rates associated with the increase in the electric Base Rate Revenue requirement. This request is granted.
8. SDG&E is requesting to revise its gas rates on January 1, 1997 and intends to incorporate the revenue changes requested herein with its BCAP filing (A.96-04-030), for an effective date of January 1, 1997. However, SDG&E's BCAP will not be decided before January 1, 1997, but is expected to be decided in early 1997. We require SDG&E's rate changes from this Advice Letter to be effective with SDG&E's BCAP.



9. The Base Rate PBR mechanism is due for a midterm review in 1997. SDG&E's Cost Recovery Plan, as required by AB 1890, is under consideration by the Commission as well. The outcome of these reviews may require changes to ERAM and treatment of SDG&E's 1997 Base Rate Revenue Requirement.

**FINDINGS**

1. SDG&E has filed Advice Letter 1002-E/1032-G on October 15, 1996, requesting an increase of \$37,225,531 to its ERAM Authorized Base rate Revenue and an increase of \$7,115,535 to its gas base amount.

2. It is reasonable for SDG&E to change its ERAM Authorized Base Rate Revenue Requirement as of January 1, 1997. SDG&E's rates should not change under AB 1890.

3. It is reasonable for SDG&E to change its Gas Base Cost Amount to incorporate the changes herein. However, SDG&E's rates should become effective concurrent with implementation of its BCAP in 1997.

THEREFORE, IT IS ORDERED THAT:

1. San Diego Gas & Electric Company is authorized to increase its ERAM Authorized Base Rate Revenue Requirement by \$29,876,796, plus a \$7,646,735 reward for DSM achievements and a reduction of \$298,000 to reflect financial attrition, effective January 1, 1997. SDG&E's rates will not be changed to reflect this change, because of AB 1890.
2. San Diego Gas & Electric Company is authorized to increase its Gas Base Cost Amount by \$6,404,344, plus a reward of \$773,191 for DSM achievement and a \$62,000 reduction to reflect financial attrition. Authorized revenues will become effective as of January 1, 1997. However, SDG&E's rates will become effective with BCAP.
3. San Diego Gas and Electric shall file, on or before December 30, 1996, revised Preliminary Statement to reflect the changes granted herein in the Advice Letter 1002-E/1032-G.
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 20, 1996. The Following Commissioners approved it:



WESLEY FRANKLIN  
Executive Director

P. GREGORY CONLON  
President  
DANIEL Wm. FESSLER  
JESSIE J. KNIGHT Jr.  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
Commissioners