

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3434
December 20, 1995

R E S O L U T I O N

RESOLUTION E-3434. 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 1996.

BY ADVICE LETTER 960-E/990-G, FILED ON October 16, 1995.

SUMMARY

1. This Resolution approves an increase of \$18,600,036 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 1996. It also approves additional revenues of \$2,373,158 for a reward earned for 1994 Demand Side Management (DSM) achievements and a reduction of \$17,191,000 to reflect 1996 financial attrition.
2. There were no protests to Advice Letter (AL) 960-E/990-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Mechanism became effective on September 1, 1994 and will remain in effect for five years (1994 through 1999), or until superseded by the utility's next General Rate Case, subject to specified suspension provisions.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

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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 16, 1995, SDG&E filed Advice Letter 960-E/990-G requesting a net increase of \$2,085,392 in its Electric Revenue Adjustment Mechanism (ERAM) Authorized Base Rate Revenue and \$1,696,802 in its Gas Base Cost Amount to reflect the PBR Base Rate Mechanism Revenue Requirement for 1996.
2. Calculations for the 1996 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 1996 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 1996 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 1996 base rate revenue requirements may be changed. Any changes will be reflected in the compliance filing to this resolution.
4. SDG&E requests an additional \$2,189,930 in electric revenues and an additional \$183,228 in gas revenues resulting from its 1994 DSM Reward Application (A.95-04-046). This request complies with today's decision in A.95-04-046 approving SDG&E's DSM request and is granted.
5. For this filing, SDG&E assumed its requested 1996 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.95-05-022), which seeks a decrease in SDG&E's ROR for 1996.
6. Subsequently, on November 21, 1995, in D.95-11-062, the Commission adopted the 1996 ROR for SDG&E shown in Attachment A and is incorporated herein.
7. SDG&E's consolidated request amounts to a \$17,191,000 revenue decrease for 1996 financial attrition. Commission Advisory and Compliance Division (CACD) calculates SDG&E's 1996 financial attrition to be \$17,191,000. SDG&E's request is granted.
8. SDG&E requests that its margin changes become effective on January 1, 1996. However, it proposes to defer revisions to its

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electric rates until June 1, 1996 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, 1996 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, 1996. The request is granted.

FINDINGS

1. SDG&E has filed AL 960-E/990-G requesting an increase of \$2,085,392 to its electric base rate revenues and an increase \$1,696,802 to its gas base rate revenues.

2. It is reasonable to increase SDG&E's PBR electric and gas base rate revenues by \$18,600,036, to award SDG&E additional revenues of \$2,373,158 for 1994 DSM achievements and to reduce its 1996 financial attrition by \$17,191,000. The requested margin changes are in compliance with D.94-08-023, today's decision in A.95-04-046 and D.95-11-062, respectively.

3. It is reasonable for SDG&E to change its Gas Base Cost Amount, on January 1, 1996, concurrent with the implementation of updated BCAP cost allocations and gas rates, which will also be effective January 1, 1996.

4. It is reasonable for SDG&E to defer changing its electric rates until on June 1, 1996, 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 \$14,666,462, plus a \$2,189,930 reward for DSM achievements and a reduction of \$14,771,000 to reflect financial attrition, effective January 1, 1996, shown in Attachment B. Recovery will be deferred until June 1, 1996.

2. San Diego Gas & Electric Company is authorized to increase its Gas Department Authorized Base Cost Amount by \$3,933,574, plus a \$183,228 reward for DSM achievements and a reduction of \$2,420,000 to reflect financial attrition, effective January 1, 1996, shown in Attachment B.

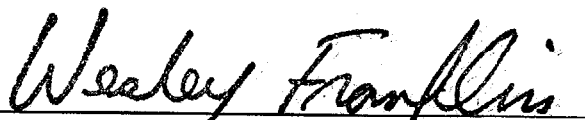
3. San Diego Gas & Electric Company shall file, on or before December 28, 1995, revised Preliminary Statement and tariff schedules reflecting the increases granted herein in the Advice Letter ordered in the Decision to A.93-09-048.

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4. San Diego Gas & Electric Company Advice Letter 960-E/990-G and its tariff sheets shall be marked to show that they are superseded 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 20, 1995. The following Commissioners approved it:


WESLEY M. FRANKLIN
Executive Director

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

ATTACHMENT A

SAN DIEGO GAS AND ELECTRIC COMPANY
1996 FINANCIAL ATTRITION

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> =====

1996 Authorized Rate of Return
D.95-11-062

<u>Component</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Long-Term Debt	44.50%	7.21%	3.20%
Preferred Stock	5.75	6.87	.40
Common Equity	<u>49.75</u>	11.60	<u>5.77</u>
Total	100.00%		<u>9.37%</u> =====

ATTACHMENT B

SAN DIEGO GAS AND ELECTRIC COMPANY
PERFORMANCE BASED RATEMAKING
BASE RATE REVENUE REQUIREMENTS FOR 1996

1996 ERAM Authorized Base Rate Revenues:

Authorized Base Rate Revenue in effect on December 31, 1995		\$1,028,230,860
PBR Adjustment	\$14,666,462	
DSM Adjustment	2,189,930	
Cost of Capital	<u>(14,771,000)</u>	
Total Increase		<u>2,085,392</u>
New Authorized Base Base Rate Revenue effective January 1, 1996		<u>\$1,030,316,252</u>
Percent Increase		.203%

1996 Gas Department Base Cost Amount:

Authorized Base Cost Amount in effect on December 31, 1995		\$196,128,316
PBR Adjustment	\$3,933,574	
DSM Adjustment	183,228	
Cost of Capital	<u>(2,420,000)</u>	
Total Increase		<u>1,696,802</u>
New Authorized Base Base Rate Revenue effective January 1, 1996		<u>\$197,825,118</u>
Percent Increase		.865%