

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

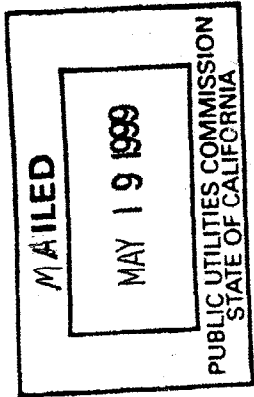
**ENERGY DIVISION**

**RESOLUTION E-3607  
MAY 13, 1999**

**RESOLUTION**

**RESOLUTION E-3607. SAN DIEGO GAS & ELECTRIC COMPANY (SDG&E) REQUESTS APPROVAL OF TARIFF REVISIONS TO THE POWER EXCHANGE ENERGY COST (PX) RATE SCHEDULE. THE REVISION WOULD PERMIT SDG&E TO INCREASE THE PX RATE TO OFFSET THE ACCUMULATED PX "BILLING LAG" PRIOR TO THE LIFTING OF THE RATE FREEZE, AND TO MAKE FORMER DIRECT ACCESS CUSTOMERS ELIGIBLE FOR AN INCREASED PX CREDIT. APPROVED.**

**BY SDG&E ADVICE LETTER 1161-E, FILED ON APRIL 23, 1999 AND SUPPLEMENTED WITH ADVICE LETTER 1161-E-A ON MAY 12, 1999.**



**SUMMARY**

1. By Advice Letter 1161-E, SDG&E proposes to revise its Power Exchange Energy Cost (PX) rate schedule. SDG&E seeks authorization to make an adjustment to one week's PX rate to offset the accumulated PX undercollection caused by "billing lag."
2. Because the above "correction" will increase the PX rate, current direct access customers will automatically receive a larger PX credit.
3. The Advice Letter provides that former direct access customers who have resumed bundled service will be eligible to apply for billing credits from SDG&E.
4. SDG&E requests that the PX adjustment be made for the week beginning May 16, 1999. SDG&E says this tariff revision will enable the adjustment to be applied to all customer billing cycles and collected prior to the end of SDG&E's rate freeze.

**BACKGROUND**

1. On January 15, 1999, SDG&E, Pacific Gas and Electric Company and Southern California Edison Company filed applications which proposed ratemaking mechanisms to become effective after the end of the rate freeze. These three applications were

consolidated into one proceeding (A.99-01-019 et al.) to address post-transition ratemaking.

2. Since the filing of that application, SDG&E announced that it anticipated completing the recovery of its generation-related transition costs soon, possibly as early as June 30, 1999.

3. On February 19, 1999, SDG&E filed in A.99-02-029 an application which contains its proposals for interim post-freeze ratemaking mechanisms, pending the statewide resolution of these issues in the Post-Transition Ratesetting proceeding (A.99-01-019 et al.).<sup>1</sup>

4. However, SDG&E says that its Power Exchange Energy Cost (PX) rate schedule is expected to underrecover the actual PX energy costs SDG&E incurred over the period since the power market began operating.

5. SDG&E says the "PX lag" is caused by timing differences between the incurrence of energy costs and their allocation to customers, and by the changes in load between the time the energy costs are incurred and when they are billed to customers.

6. The lag effect has caused undercollections of actual energy costs in some months, and overcollections in other months. However, the overall outcome -- for the whole period since the power market began operation on April 1, 1998 -- has been a net undercollection, due primarily to very large undercollections in July and August of 1998.

7. At a presentation to Energy Division staff on April 30, SDG&E stated that the accumulated PX lag amount was a \$41 million undercollection for the period from April 1, 1998 through March 31, 1999, and that SDG&E anticipates that this amount will not change significantly when April 1999 data is factored in.

8. SDG&E proposes to calculate the correction by dividing the total dollar undercollection by estimated sales volumes for May and June, and adding the resulting unit amount to customers' PX rates (or, for direct access customers, PX credits) for the week beginning May 16, 1999. SDG&E says that this will allow the adjustment to be reflected in all billing cycles before June 30, 1999.

9. On April 15, 1999, the thirteen active parties in A.99-02-029 filed a settlement agreement resolving certain issues in that case. As part of that settlement, the parties agreed that SDG&E should amortize the accumulated PX lag by increasing the PX rate over the remaining time of the rate freeze, as is proposed in this Advice Letter.

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<sup>1</sup> A.99-02-029 was later consolidated with A.99-01-016 et al. per ALJs' March 1, 1999 ruling.

10. On May 12, 1999, SDG&E filed a supplemental advice letter which removed proposed tariff language that referenced the settlement.

### **NOTICE**

1. Public notice of AL 1161-E was made by publication in the Commission Calendar, and by SDG&E mailing copies of the filing to interested parties.

### **PROTESTS**

1. A shortened protest period was authorized by the Assigned Commissioner and the ALJ in A.99-02-029. The ten-day protest period ended May 3, 1999.

2. No protests of this Advice Letter were received.

### **DISCUSSION**

1. To ensure accurate CTC collection, cost recovery for the rate freeze period should match cost incurrence for the period. However, this has not been achieved for SDG&E's power purchase costs due to the "PX lag." Instead, to date the PX rate has significantly underrecovered SDG&E's actual energy costs. A one-time adjustment to the PX charge, as SDG&E proposes, will correct for the undercollection and match revenues more closely to actual energy costs.

2. To ensure that cost recovery is correct, both the accumulated "PX lag amount" which SDG&E seeks to recover, and the actual revenue recovered by the special adjustment, should be tracked in an account which is subject to verification and audit by the Commission in the post-rate freeze proceeding or other appropriate proceeding.

3. No customer's bill will be increased by this adjustment to the PX rate component, because overall rates will still be frozen while the PX adjustment is in effect. Current direct access customers will see reductions in their bills, because the PX credit for those customers will be increased by the adjustment. Former direct access customers who have reestablished bundled service will be able to apply for billing credits applicable to the period when they were direct access customers.

4. Approval of this Advice Letter does not in any way limit the Commission's authority or discretion in any current or future proceeding, including A.99-02-029.

## **FINDINGS**

1. By Advice Letter 1161-E, filed on April 23, 1999 and Advice Letter 1161-E-A filed on May 12, 1999, SDG&E requested permission to add a special one-time adjustment to its PX rate to correct for the undercollection.
2. SDG&E anticipates that recovery of its authorized generation-related transition costs will be completed soon, possibly as early as June 30, 1998.
3. SDG&E requests that Advice Letter 1161-E-A be made effective on May 13, 1999, so that the rate adjustment may be reflected on customers' bills prior to the end of SDG&E's rate freeze.
4. To match cost recovery to cost incurrence, it is appropriate for SDG&E to collect an additional increment to its PX charge, to offset the accumulated undercollection before the end of the rate freeze.
5. To ensure that cost recovery is correct, both the accumulated "PX lag amount" which SDG&E seeks to recover, and the actual revenue recovered by the special adjustment, should be tracked in an account which is subject to verification and audit by the Commission in the post-rate freeze proceeding or other appropriate proceeding.
6. Direct access customers should receive credits from SDG&E to reflect the "corrected" PX charges. Current direct access customers of SDG&E will receive such a credit automatically via the increased PX credit. The tariff language in AL 1161-E-A provides that former direct access customers who have resumed bundled service will be eligible to apply for credits from SDG&E.

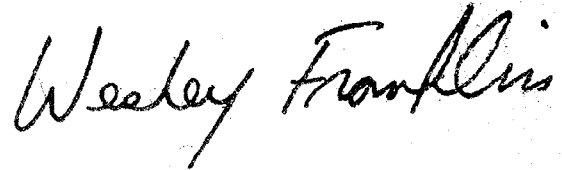
## **Comments**

1. This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code Section 311 (g) (2), the otherwise applicable 30-day period for public review and comment is being waived.

**THEREFORE, IT IS ORDERED THAT:**

1. San Diego Gas & Electric Company's Advice Letter 1161-E-A is approved.
2. This Resolution is effective today.

I hereby certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on May 13, 1999. The following Commissioners approved it:



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WESLEY M. FRANKLIN  
Executive Director

RICHARD A. BILAS  
President

HENRY M. DUQUE  
JOSIAH L. NEEPER  
Commissioners