

Decision 06-09-031 September 21, 2006

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SAN DIEGO GAS & ELECTRIC COMPANY for authority to update its gas and electric revenue requirement and base rates. (U 902-M)

Application 02-12-028
(Filed December 20, 2002)

In the Matter of the Application of SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) for Authority to Make Various Electric Rate Design Changes, Close Certain Rates, and Revise Cost Allocation Among Customer Classes Effective, January 1, 2006.

Application 05-02-019
(Filed February 18, 2005)
(Not consolidated.)

**OPINION MODIFYING RATE CASE PLAN FOR
SAN DIEGO GAS & ELECTRIC COMPANY TO SERVE TESTIMONY ON
COST ALLOCATION AND RATE DESIGN APPLICABLE TO ITS TEST YEAR
2008 GENERAL RATE CASE**

Summary

This decision denies a request by the San Diego Gas & Electric Company (SDG&E) to defer filing of its revenue allocation and rate design testimony associated with its test year 2008 general rate case from mid-March 2007 to June 1, 2007, the date authorized for rate related filings pursuant to its last rate design window settlement proceeding. (See attachment.) It determines that rather than a delay, the public interest compels an earlier filing date of January 31, 2007, to ensure necessary rate changes, including those supportive of

critical peak pricing (CPP) and other dynamic pricing programs are able to be implemented prior to the summer of 2008. SDG&E is directed to make its revenue allocation and rate design filing in compliance with this decision.

Background

By letter dated July 10, 2006, SDG&E requests a delay to serve cost allocation and rate design testimony until “no later than June 1, 2007.” It states this later date is consistent with its last rate design window proceeding settlement, rather than mid-March 2007, consistent with a general rate case. The letter cites a unilateral agreement with the Division of Ratepayer Advocates (DRA) to “consolidate” the rate design filing for a rate design window application with the second phase of a general rate case.

Earlier, Decision (D.) 04-12-015 dated December 2, 2004, adopted a settlement in the revenue requirement phase of Application (A.) 02-12-028, a cost of service proceeding under SDG&E’s then-applicable performance-based ratemaking. This decision also ordered SDG&E to file a general rate case in compliance with the Commission’s current rate case plan, D.89-01-040, as modified. (D. 04-12-015, mimeo., p. 8 and Ordering Paragraph 9.)

Separately and later, D.05-12-003, dated December 1, 2005, adopted the all-party settlement for the 2006 SDG&E Rate Design Window, A.05-02-019, filed subsequent to the cost of service proceeding. This decision adopted the settling parties’ rate design. (Mimeo., p. 2.)

SDG&E believes that it must file two essentially identical proceedings applicable to 2008: a rate design window under its previous cost-of-service proceeding mechanism and the rate design second phase of a rate case pursuant to the Commission’s rate case plan. Its letter refers to two proceedings that “cover identical (or near identical) issues.” (Letter, p. 1.)

This request needs to be analyzed in the context of the Energy Action Plan II which calls for expeditiously issuing decisions to implement system-wide advanced metering infrastructure for all small commercial and residential investor-owned utility (IOU) customers, as well as adopting tariffs for any approved meter deployment and expediting decisions on dynamic pricing tariffs.

In addition, just a few weeks ago this state experienced a record-breaking heat wave that saw utility peak loads reach levels not anticipated to occur for some time. SDG&E itself experienced a record peak load on Saturday, July 22, 2006 of 4,502 megawatts (MW). This compares with its prior years' system peak of 4,063 MW, an increase of nearly 11%.

Discussion

In terms of the proper interpretation of our various decisions, we believe that D.04-12-015 clearly superseded the scheduling provisions of the cost of service process previously applicable to SDG&E when it ordered: "... SDG&E shall comply with the Commission's rate case processing plan, as modified herein, when they next file for any change in authorized base electric and gas revenue requirements." (Ordering Paragraph 9.)

No comparable order within D.05-12-003 explicitly supersedes Ordering Paragraph 9 in D.04-12-015. Continuation of rate design windows was only consistent with completing the last cycle of the cost of service ratesetting regime for test year 2004 through the related attrition years, but not following the resumption of the rate case plan for test year 2008 and beyond. Therefore, SDG&E is obliged to comply with the rate case plan and, absent any other changes, file and serve, in a second phase of the rate case application, its revenue allocation and rate design request in mid-March 2007, unless granted an extension to June 1, 2007.

SDG&E states that under the rate case plan a decision might not be rendered for ten and one-half months after serving testimony whereas only five months is “anticipated” for its rate design window proposal. (Letter, p. 2.) But SDG&E’s last rate design window proceeding was filed on February 18, 2005 and a final decision was rendered December 1, 2005, nearly nine and one-half months later, not five months. Thus, we are very concerned that a filing in June 2007 will not be completed in five months.

Therefore, we believe that SDG&E should comply with the rate case plan, and further, the filing for cost allocation and rate design, including the service of related testimony, should be accelerated to January 31, 2007. In addition to the time needed for due process, we believe that SDG&E will also require significant time to implement any new rate design to ensure it is in place, with all necessary educational and public information processes completed prior to the start of the summer season.

Simply stated, the requested delay is not in the public interest: the Commission has noted its interest in, and potential public benefit of, introducing a CPP tariff at the earliest possible juncture. This interest includes the furtherance of the Commission’s current Energy Action Plan. In the Energy Action Plan, dated October 2005, the first four Key Actions for Demand Response concern dynamic pricing and CPP:

1. Issue decisions on the proposals for statewide installation of advanced metering infrastructure for all small commercial and residential IOU customers by mid-2006 and expedite adoption of concomitant tariffs for any approved meter deployment.
2. Expedite decisions on dynamic pricing tariffs to allow increased participation for summer 2006 for customers with installed advanced metering systems and encourage load shifting that does not result in increases in overall consumption.

3. Identify and adopt new programs and revise current programs as necessary to achieve the goal to meet five percent demand response by 2007 and to make dynamic pricing tariffs available for all customers.
4. Educate Californians about the time sensitivity of energy use and the ways to take advantage of dynamic pricing tariffs and other demand response programs. (Mimeo., pp. 4-5.)

A delay in filing SDG&E's cost allocation and rate design until June 1, 2007 will likely preclude the Commission authorizing, and SDG&E implementing, additional dynamic rate structures such as CPP before the summer season in 2008. Given reasonable assumptions about the time to process an application of this nature, including the analysis of SDG&E's and intervenor proposals, it is questionable whether even a mid-March 2007 application will allow sufficient time to ensure implementation by summer 2008. This is a risk we can not afford to take.

For this reason, we will modify the rate case plan schedule for SDG&E to require that its application to establish its revenue allocation and rate design for 2008 be filed and served no later than January 31, 2007. While we are appreciative of the effort that may be required by SDG&E to advance this filing by approximately two and one-half months from what is otherwise required, we are confident that the company is also appreciative of the importance of ensuring we are as well prepared as possible to address the needs of its customers and its system operations.

SDG&E should therefore include in its rate design proposals detailed CPP pricing and other suitable dynamic pricing options for those customers equipped with appropriate metering for summer 2008.

Comments on Draft Decision

The draft decision of Commissioners Brown and Grueneich was mailed to the parties in accordance with Pub. Util. Code § 311(g)(1) and Rule 77.7 of the Rules of Practice and Procedure. Comments were filed on August 31, 2006 and no reply comments were filed.

SDG&E proposed in its comments to file the revenue allocation and rate design phase 2 of the general rate case on January 31, 2007, rather than January 2, 2007. This would mitigate schedule conflicts with phase 1. We agree and therefore this decision reflects that change.

Assignment of Proceeding

Geoffrey F. Brown is the Assigned Commissioner in A.02-12-028 and Dian M. Grueneich is the Assigned Commissioner in A.05-02-019. Douglas M. Long is the assigned Administrative Law Judge in both proceedings.

Findings of Fact

1. The settlement adopted in D.05-12-003, SDG&E's last rate design window, did not explicitly supersede adherence to the rate case plan for test year 2008 and beyond. Therefore D.04-12-015 controls the schedule for SDG&E to file a general rate case and related matters.

2. The Energy Action Plan II adopts policies and implementation goals for the Commission to expeditiously issue decisions to implement system-wide advanced metering infrastructure for all small commercial and residential IOU customers, as well as adopting tariffs for any approved meter deployment and expediting decisions on dynamic pricing tariffs.

3. SDG&E has recently recorded a record peak day that exceeded its 2005 peak by more than 11%.

Conclusions of Law

1. Good cause has not be shown to grant the request of SDG&E to delay the filing of its proposed 2008 revenue allocation and rate design from the date currently required.
2. SDG&E should include in its rate design proposals detailed CPP and other suitable dynamic pricing options for those customers equipped with appropriate metering for summer 2008.
3. It is reasonable and in the public interest to require SDG&E to file an application to consider its proposed 2008 revenue allocation and rate design no later than January 31, 2007 to ensure that critical dynamic pricing options will be available by the beginning of summer 2008, allowing for the time necessary to educate and inform customers.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company's (SDG&E) request to delay the rate design portion of its test year 2008 general rate case is denied.
2. The schedule directed by Decision 04-12-015 is modified and SDG&E shall file the cost allocation and rate design portion of its test year 2008 general rate case no later than January 31, 2007.

3. SDG&E shall include in its rate design proposals detailed critical peak pricing, and other suitable dynamic pricing options, for those customers equipped with appropriate metering.

This order is effective today.

Dated September 21, 2006, at San Francisco, California.

MICHAEL R. PEEVEY

President

GEOFFREY F. BROWN

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

Commissioners