

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-3891  
September 23, 2004

R E S O L U T I O N

Resolution E-3891. San Diego Gas & Electric Company (SDG&E) submits revisions to its electric tariffs to increase electric transmission rates pursuant to FERC approval of these rates in Docket ER04-1126-000.

By SDG&E Advice Letters 1615-E and 1615-E-A filed on August 16, 2004 and August 23, 2004, respectively.

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SUMMARY

**SDG&E filed Advice Letter (AL) 1615-E on August 16, 2004 revising electric transmission rates, pursuant to the Federal Energy Regulatory Commission (FERC) approval of these rates in Docket ER04-1126-000. On August 23, 2004, SDG&E filed AL 1615-E-A requesting a shortened protest period. This Resolution approves SDG&E's filings with modifications.**

The California Public Utilities Commission (CPUC or Commission) finds that the Advice Letter filings are in accordance with SDG&E's FERC filing for increases to its electric transmission rates. The Commission finds that these revenue requirements and associated rates are just and reasonable, and fully recoverable from SDG&E's applicable customers.

SDG&E Advice Letters 1615-E and -E-A were not protested.

This resolution approves the advice letter and supplement with modifications.

BACKGROUND

**SDG&E's transmission rate formula was accepted by the Federal Energy Regulatory Commission (FERC) in December 2003, and supported by the CPUC.**

This Advice Letter filing revises SDG&E's electric transmission rates, pursuant to SDG&E's transmission rate formula that was accepted by FERC on December 18, 2003 in its "Order Approving the Uncontested Offer of Settlement re San Diego Gas & Electric Company." The Offer of Settlement authorizes SDG&E to charge its customers a formulaic transmission rate, to be revised annually on the basis of certain recorded and estimated costs.

The CPUC was an active party in this proceeding and supported the Offer of Settlement that was accepted by FERC as being just and reasonable and in the public interest.

On April 13, 2004, SDG&E filed an amendment in Docket ER04-731-000 with revisions to its transmission formula by modifying the timing of the updated revenue review requirements, including the beginning and ending dates of the rate effective period, the forecast period, and the process for third-party review of the revised requirements. This amendment has the effect of moving the effective date of the new rates from July 1, 2004, to September 1, 2004. By means of a delegation letter, FERC accepted this amendment.

**SDG&E filed with FERC on June 13, 2004 in Docket ER04-1126-000 the annual adjustment to its transmission revenue requirements and associated rates for end use and wholesale customers.**

SDG&E conducted extensive discussions with the CPUC staff, including responding to data requests. SDG&E also retained an independent engineering firm that was acceptable to the CPUC and SDG&E. This firm reviewed certain forecast transmission plant additions that are reflected in the revised transmission rates and prepared a report acceptable to SDG&E and the CPUC.

As filed with FERC, SDG&E stipulated these rate changes are to be effective September 1, 2004 through August 31, 2005.

## **NOTICE**

Notice of SDG&E AL 1615-E and -E-A was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letters was mailed and distributed in accordance with Section III-G of General Order 96-A.

## **PROTESTS**

SDG&E Advice Letters 1615-E and -E-A were not protested.

## **DISCUSSION**

Energy Division has reviewed SDG&E AL 1615-E and 1615-E-A. Discussion of the relevant facts that lead to the approval of the advice letter and supplement with modifications is below.

**SDG&E's annual retail end use base transmission revenue requirement has increased by \$8 million to a total of \$150.04 million.**

This filing allows SDG&E to collect only what it spends as well as its cost of capital, based on the transmission revenue requirements as set forth in Volume 1 Statement BK1 of the FERC filing.

Consistent with Commission Decision 04-02-057, SDG&E has made a change to its commodity rates shown on Schedule EECC, "Electric Energy Commodity Cost," so that total residential rates for usage up to 130% of baseline remain unchanged.

The impact to class average customer rates is as follows:

Class	Current Total Rate ¢/KwHr	Proposed Total Rate ¢/KwHr	Total Rate Change ¢/KwHr	Total Rate Change %
Residential*	14.355	14.355	0.000	0.00%
Small Commercial	17.208	17.221	0.013	0.08%
Med & Lrg Commercial	11.611	11.609	(0.002)	(0.02%)
Agriculture	15.373	15.386	0.013	0.08%
Lighting	17.768	18.036	0.268	1.51%
System TOTAL	13.472	13.474	0.002	0.01%

\*Residential rates include the commodity credit ordered in Commission Resolution E-3869 and filed in SDG&E Advice Letter 1605-E.

**Filed rate doctrine provides for a pass through of FERC approved rates.**

Under the filed rate doctrine applicable to these federally approved rates, the CPUC is obligated to pass through this FERC-authorized revenue requirement to SDG&E's applicable customers. The passing through of this revenue requirement to SDG&E's applicable customers does not involve the promulgation of "general rates," or the establishment of a new general rate structure. Rather, the rates involved here pass through an adjustment to an existing category of costs. Accordingly, we conclude that we should authorize SDG&E to recover this revenue requirement, which is permitted by both state and federal law. We note that FERC authorized these rates to be in effect on September 1, 2004.

On August 25, 2004, the CPUC filed with FERC a "Notice of Intervention of the Public Utilities Commission of the State of California" for the proceeding in Docket ER04-1126-000. As stated in the CPUC's filing, *"This Notice of Intervention serves to make the CPUC a party to this proceeding, with all the rights thereto, including the right to make further and/or additional submissions to the (FERC) as warranted by the proceedings in this docket."*

**SDG&E submitted Advice Letter 1615-E-A on August 23, 2004 as a partial supplemental filing to shorten the protest period for Advice Letter 1615-E filed on August 16, 2004.**

SDG&E requested that the protest period be reduced from 20 days to 5 days, in order to ensure that any protests are received prior to putting the revised rates into effect. A letter from the CPUC Executive Director to SDG&E on August 24, 2004 granted SDG&E's request for a shortened protest period.

Shortly after SDG&E filed AL 1615-E, the Director of the Energy Division informed SDG&E that the proposed revised rates cannot go into effect without express approval by the Commission consistent with Public Utilities Code Section 454.

In a letter from the Director of the CPUC Energy Division to SDG&E on August 25, 2004, SDG&E was informed that because implementation of the rates filed in Advice Letter 1615-E would result in a rate increase, *"... pursuant to Public Utilities Code Section 454, these rates cannot be put into effect without further action by the Commission. Furthermore, Energy Division staff is suspending AL 1615-E."* SDG&E was advised it should not make the revised rates effective until it receives Commission approval.

Energy Division staff recommends that SDG&E be made whole for the entire revenue requirement authorized by FERC in Docket ER03-601-000 and reflected in AL 1615-E, even though the new rates will not become effective on September 1, 2004.

**SDG&E shall submit a proposal to recover the revenues authorized by FERC that it did not collect from September 1, 2004 until the date the rates we authorize in this resolution take effect.**

The FERC authorized revenue requirement addressed by AL 1615-E and 1615-E-A is just and reasonable. To ensure that SDG&E recovers its FERC-authorized revenue requirements for FERC jurisdictional activities SDG&E shall submit an advice letter within 30 days of today's date to propose a method to recover the revenues it was not able to collect beginning September 1, 2004. This advice letter shall show the total amount of revenue in dollars that SDG&E was not able to collect from customers from September 1, 2004 until the date the rates we authorize in this resolution take effect.

## **COMMENTS**

Public Utilities Code section 311(g)(1) generally requires resolutions to be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(3) provides that this 30-day period may be reduced or waived pursuant to Commission adopted rule.

The 30-day comment period for this Resolution has been reduced in accordance with the provisions of Rule 77.7(f)(9). Rule 77.7(f)(9) provides that the Commission may waive or reduce the comment period for a decision when the Commission determines that public necessity requires reduction or waiver of the 30-day period for public review and comment. For purposes of Rule 77.7(f)(9), “public necessity” refers to circumstances in which the public interest in the Commission’s adopting a decision before expiration of the 30-day review and comment period clearly outweighs the public interest in having the full 30-day period for review and comment, and includes circumstances where failure to adopt a decision before expiration of the 30-day review and comment period would cause significant harm to public health or welfare. The public necessity in transmission rates effective September 1, 2004.

The Commission must address SDG&E AL 1615-E and 1615-E-A as quickly as possible.

Thus, pursuant to Rule 77.7(f)(9), we provide for a shortened comment period.

Comments on draft Resolution E-3891 were timely submitted by SDG&E on September 17, 2004.

The following is a more detailed summary of the major comments submitted by SDG&E.

### **SDG&E estimates that the revenue shortfall from September 1, 2004 to October 1, 2004 is approximately \$33,000.**

In its comments, SDG&E recommended, “... *that rather than requiring SDG&E to immediately amortize the revenue shortfall in rates, the (draft Resolution) be revised to allow SDG&E to propose a method of disposition of the revenue shortfall via the advice letter to be filed within 30 days of the effective date of the DR.*” According to SDG&E,

*“ this will allow SDG&E the flexibility to determine the best method to recover the shortfall. The amortization of the shortfall in current rates would require additional billing resources, may create unnecessary complexity, and possible customer confusion.”*

Staff agrees with SDG&E that requiring SDG&E to amortize the under-collection in rates over a specific amortization period may be too prescriptive, and possibly too costly or not efficient to implement. Therefore, SDG&E should be afforded the flexibility to determine the best method for recovering the shortfall, especially given the relatively small amount.

**SDG&E requests 30 days to file an advice letter to determine the best method for recovering the shortfall.**

We agree that SDG&E shall file an advice letter no later than 30 days from the effective date of the Resolution, to propose a method for recovery of the FERC authorized revenue requirement that SDG&E did not collect from September 1, 2004 until October 1, 2004.

**FINDINGS**

1. SDG&E's transmission rate formula was accepted by FERC in December 2003 in its "Order Approving the Uncontested Offer of Settlement re San Diego Gas & Electric Company."
2. The Offer of Settlement authorizes SDG&E to charge its customers a formulaic rate, to be revised annually on the basis of certain recorded and estimated costs.
3. As an active party to this proceeding, the CPUC supported the Offer of Settlement that was accepted by FERC as being just and reasonable and in the public interest.
4. On April 13, 2004, SDG&E filed an amendment in Docket ER04-731-000 to move the first rate effective period during 2004 from July 1<sup>st</sup> to September 1<sup>st</sup>.
5. SDG&E filed with FERC on June 13, 2004 in Docket ER04-1126-000 the annual adjustment to its transmission revenue requirements and attendant rates for end use and wholesale customers.
6. SDG&E's annual retail end use base transmission revenue requirement increased by \$8 million to a total of \$150.04 million.

7. Consistent with Commission Decision 04-02-057, SDG&E has made a change to its commodity rates so that the total residential rates for usage up to 130% of baseline remain unchanged.
8. As filed with FERC, SDG&E stipulated these rate changes are to be effective September 1, 2004 through August 31, 2005.
9. The letter from the CPUC Director of Energy Division dated August 25, 2004, informed SDG&E that the proposed revised transmission rates should not be effective until SDG&E receives Commission approval.
10. Within 30 days of today's date, SDG&E shall file an advice letter proposing a method to recover the FERC authorized revenue not collected from September 1, 2004 until the date the rates we authorize in this resolution take effect.
11. The CPUC is obligated to pass through FERC-authorized revenue requirements to SDG&E's applicable customers.
12. SDG&E's Advice Letter 1615-E is in accordance with SDG&E's FERC filing for increases to its electric transmission rates.
13. The Commission finds the revenue requirements and the attendant rates filed by SDG&E in AL 1615-E and 1615-E-A are just and reasonable, and fully recoverable from SDG&E's applicable customers.
14. On August 25, 2004, the CPUC filed with FERC a Notice of Intervention in Docket ER04-1126-000.
15. SDG&E Advice Letter 1615-E and 1615-E-A were not protested.
16. In this case, public necessity warrants providing for a comment period of less than 30 days.

**THEREFORE IT IS ORDERED THAT:**

1. The request of SDG&E, in its Advice Letter 1615-E and 1615-E-A, to increase electric transmission rates pursuant to FERC approval of these rates in Docket ER04-1126-000 is approved with modifications.
2. The effective date for the revised electric transmission rates authorized herein is October 1, 2004.
3. No later than 30 days from today, SDG&E shall file an advice letter to propose a method to recover the FERC authorized revenue requirement that SDG&E has not collected from September 1, 2004 until October 1, 2004. The advice

letter shall show the total FERC authorized revenue in dollars that SDG&E did not collect from September 1, 2004 until October 1, 2004. This revenue is deemed just and reasonable. The advice letter shall become effective on the date filed subject to Energy Division's determining it is in compliance with this Order.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on September 23, 2004; the following Commissioners voting favorably thereon:

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STEVE LARSON  
Executive Director

MICHAEL R. PEEVEY  
PRESIDENT  
CARL W. WOOD  
LORETTA M. LYNCH  
GEOFFREY F. BROWN  
SUSAN P. KENNEDY  
Commissioners