Decision 05-04-016 April 7, 2005

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southern California Water Company (U 133 E) for an Order authorizing it to increase rates for electric service in its Bear Valley Electric Service division to recover the costs of the new 8.4 MW generator facility.	Application 04-10-003 (Filed October 1, 2004)

OPINION AUTHORIZING AN INCREASE IN RATES, AND ESTABLISHING MEMORANDUM ACCOUNTS TO RECOVER COSTS OF A GENERATING FACILITY IN BEAR VALLEY ELECTRIC SERVICE DISTRICT

I. Summary

Our decision today authorizes Southern California Water Company (SCWC) to increase rates by approximately $2.7 million or about 10% in current revenues, in order to recover capital-related and operational and maintenance (O&M) costs of a new 8.4 megawatt (MW) electric generating facility for its Bear Valley Electric Service Division (BVES). Adopted rates are subject to refund after a reasonableness review in SCWC's next general rate proceeding.

Our decision also authorizes SCWC to establish two "one-way" memorandum accounts to record the capital-related revenue requirement and O&M costs incurred to construct and operate the generation facility. Each of these memorandum accounts are "capped," so that if actual costs exceed the authorized capped amount, the additional costs above the caps are borne by SCWC and not by ratepayers. The capital-related memorandum account is

capped at a revenue requirement of $2,255,500, and the O&M memorandum account is capped at an annual amount of $444,000. These caps protect BVES ratepayers from any cost increases above the cap amounts adopted herein. In addition, BVES customers benefit if actual capital-related or O&M costs are less than estimated costs, as the difference will be returned to BVES customers. Our decision provides that a reasonableness review of all generation facility costs will be conducted in SCWC's next general rate case for its Bear Valley Electric Service division.

This decision also authorizes SCWC to record fuel costs for the electric generating facility in the existing BVES Purchase Power Adjustment Clause (PPAC) Balancing Account. This method recognizes that power from the facility will replace power that would otherwise be purchased and transported into the BVES territory and recorded in the PPAC.

Our adopted rate design to implement the rate increase for BVES customers is based on the relationship between costs and customer energy demand and usage. The capital-related revenue requirement is allocated to customer classes in proportion to the electric demand of each customer class during peak times when the generation facility must operate. O&M costs are allocated according to electric usage on a per kilowatt-hour (kWh) basis.

This proceeding is closed.

II. Background

SCWC provides electric service to approximately 22,000 customers in and around the Big Bear Lake resort area located in the San Bernardino Mountains of San Bernardino County. In Decision (D.) 03-07-005, the Commission granted SCWC a Certificate of Public Convenience and Necessity (CPCN) to construct an 8.4 MW gas-fueled facility on property in the City of Big Bear Lake to meet peak load demands. SCWC states that the generating facility became operational in October 2004. Prior to the operation of the generating facility, all of the energy provided to BVES customers was generated outside of the BVES service territory by third-parties and transported into the BVES system through three Southern California Edison Company transmission lines.

III. SCWC's Application[1]

On October 1, 2004, SCWC filed Application (A) 04-10-003 requesting an increase in rates to recover the capital-related[2] revenue requirement and O&M expenses for the generating facility.[3] SCWC proposes that fuel costs for the generating facility be included in the PPAC Balancing Account, which also records BVES purchase power costs. SCWC estimates that the total-capital related cost is approximately $13.0 million, equating to a $2.255 million revenue requirement. In addition, SCWC requests an annual O&M revenue requirement of approximately $444,000.[4] SCWC proposes that two one-way memorandum accounts be established to track capital-related costs, and O&M costs. Each one-way memorandum account will have a "cap," so that the one-way memorandum

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[1] For purposes of this opinion, documents submitted with SCWC's Application are identified as the following exhibits: Exhibit 1, Testimony of Keith Switzer in Support of Cost Recovery for Bear Valley Electric Generator Facility; Exhibit 2, Exhibits to the Testimony of Keith Switzer; Exhibit 3, SCWC Workpapers Supporting Application for Recovery of Costs Related to Bear Valley Electric Generator Facility (Volumes 1 and 2).

[2] Capital related costs include depreciation, taxes and return.

[3] Operational costs exclude fuel costs.

[4] Calculation of the capital-related and annual O&M revenue requirements are shown on Attachment A.

accounts will only track costs up to the limit of the cap. If actual recorded costs in either memorandum account are less than the costs authorized by the Commission, then the difference is refunded to ratepayers. If the actual recorded costs in either memorandum account exceed the amount authorized by the Commission, then SCWC absorbs the difference and there is no additional cost to ratepayers. SCWC also proposes that the amounts in the two one-way memorandum accounts will be reviewed for reasonableness in SCWC's next general rate case. At that time, any differences between the cap and recorded amounts found reasonable in the memorandum accounts will be returned to ratepayers.

SCWC states that as a partial result of the energy crisis, the recorded rate of return for BVES has significantly declined in the past two years.[5] SCWC attributes the decline to increased costs for outside services associated with the energy crisis, and changes in rate design that resulted in a larger proportion of revenues being credited to the PPAC Balancing Account and less revenues credited to the recovery of base margin. SCWC notes that the PPAC was substantially under-collected by an approximately $28.6 million in mid-2002. As adopted in D.02-07-041, the PPAC under-collection will be amortized over a 10-year period.[6] SCWC estimates that the revenue requirement associated with the generating plant would reduce the 2005 rate of return from 3.90% to 1.47%,

[5] SCWC states that its BVES recorded rate of return was 10.50% in 1999; 12.69% in 2000: 6.04% in 2001; -5.09% in 2002; and 1.97% in 2003. SCWC's current Commission authorized rate of return is 8.75%. (D.04-08-053.) An estimated increase in 2005 electric sales would increase the rate of return to 3.90%, assuming no changes in current expenses.

[6] In mid-2004, the PPAC was under-collected by approximately $21.7 million.

without any offsetting revenue increase. However, SCWC estimates that if the Commission authorizes the rate increase requested in this Application, the 2005 rate of return will increase from 3.90% to 5.46%.

IV. SCWC's Allocation of Generation Facility Costs to Customer Classes

SCWC proposes to allocate the $2,699,500 revenue increase to all customer classes based on the cost function categories of energy (or commodity) and demand (or peak supply). Customer related costs, the third component of cost function, are not a factor in SCWC's cost allocation proposal. Under SCWC's proposal, annual O&M costs of $444,000 would be allocated on an equal-cents-per kWh basis, while capital-related costs of $2,255,500 would be allocated based on a December 2003 study of hourly load data. SCWC explains that the load data was compiled from 242 real-time load research meters attached to existing meters representing all customer classes. The system peak in the study occurred on December 28, 2003, at approximately 7:00 pm, when peak loads increased from a system load average of 20-27 MW to about 39 MW. Using the hourly load data, SCWC allocated capital-related costs based on the contribution of each customer class to the load swing that occurred between the peak hours and other hours. Large Power customers were excluded in the calculation, as these are all interruptible customers.[7] However, SCWC explains that the Large Power customer class benefits from the new generation facility, and will experience fewer interruptions as a result of the new generation facility. Therefore, SCWC proposes that a rate increase equal to the overall system average increase be

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[7] SCWC notes that the Large Power customers (ski areas and the local water treatment facility) operate their own generation.

allocated to the Large Power class. SCWC's proposed capital-related cost revenue requirement allocations to various customer classes are shown below:

Allocation of Capital Related Cost
(Source: Exhibit 1, p. 28)

Customer Class	*Demand Allocation Factors*	*Allocation of Capital-Related Costs*
Commercial		
Small Commercial	5.98%	$ 122,210
Medium Commercial	7.00%	$ 143,147
Large Commercial	5.93%	$ 121,173
Residential		
Single Family Res	20.78%	$ 424,668
Low Income Res	3.84%	$ 78,444
Multi-Family Res	0.88%	$ 17,925
Seasonal Residential	55.49%	$1,134,140
Street Lighting	0.10%	$ 1,999
Large Power*		$ 211,793
TOTAL BVES CUSTOMERS		$2,255,500

* Allocation to Large Power customers is directly assigned based on system percentage increase.

The total cost allocation of the entire revenue requirement is shown below:

Total Cost Allocation
(Source: Exhibit 1, p.30)

Customer Class	*O&M Costs*[8]	*Capital Related*	*Total Costs*	*Percent*
Commercial				
Small Commercial	$ 52,006	$ 122,210	$ 174,216	6.45%
Medium Commercial	$ 38,038	$ 143,147	$ 181,185	6.71%
Large Commercial	$ 63,120	$ 121,173	$ 184,293	6.83%
Residential				
Perm Residential				
Single Family Res	$115,790	$ 424,668	$ 540,458	20.02%
Low Income Res	$ 21,924	$ 78,444	$ 100,368	3.72%
Multi-Family Res	$ 4,945	$ 17,925	$ 22,870	0.85%
Seasonal Residential	$ 84,660	$1,134,140	$ 1,218,800	45.15%
Street Lighting	$ 686	$ 1,999	$ 2,685	0.10%
Large Power	$ 62,832	$ 211,793	$ 274,625	10.17%
TOTAL	**$444,000**	**$2,255,500**	**$2,699,500**	**100.00%**

SCWC states that it also considered an alternative method for allocating the capital cost using a "levelized revenue requirement." This methodology would result in a constant revenue requirement during the life of the plant. The initial rate increase would be smaller with the levelized approach compared to the traditional method; however, in later years the levelized revenue requirement would exceed the traditional revenue requirement. SCWC explains that it rejected a levelized revenue requirement method as SCWC auditors informed the

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[8] Based on kWh usage.

company that it would be required to write-off any difference between revenues calculated with the levelized approach and revenues calculated using the traditional revenue requirement model.

V. SCWC's Proposed Rate Design

SCWC states that it is not proposing to make any changes to the existing structure of any BVES rates, and is only proposing a rate increase to recover the revenue requirement for the generating facility.

SCWC has five customer classes or tariffs within the residential group and three tariff schedules within the commercial group. The residential tariffs include full-time customers residing in Bear Valley, low-income customers, multi-family customers that are sub-metered and multi-family customers that are not sub-metered, and residential customers that are part-time and seasonal. Residential customers who are part-time or seasonal, and constitute approximately 65% of all residential customers, do not receive a baseline allowance.[9] Full-time residential customers pay a monthly service charge, and an increasing energy block rate. The energy block rate has three tiers, with the first energy block equal to the baseline allowance. Part-time or seasonal customers pay a monthly service charge, and a single energy charge that applies to all customer usage. These customers are subject to a minimum monthly bill of $23 per month regardless of usage.[10]

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[9] Pub. Util. Code § 739 provides for a baseline quantity of electricity for residential usage. However, as reaffirmed in D.04-02-057, a baseline allowance does not include second homes.

[10] Under current tariffs, the minimum bill equates to a usage of 86 kWh.

SCWC has three tariffs for its BVES commercial customers (A-1, A-2, and A-3). Commercial customers qualify for a specific tariff based on maximum monthly kWh customer consumption. Each tariff has two tier energy rates, such that the second tier rate is greater than the first tier rate.

The interruptible tariff for the four Large Power customers includes a monthly fixed charge comprised of a meter charge and an availability charge, time of use demand charges, and time of use energy charges.

The street lighting class is the final customer group. Monthly charges are calculated on a per lamp basis and vary by type of lamp. Energy charges are based on a single rate.

VI. Applying the Rate Increase to Rate Design

SCWC states that it followed four general principles in applying the requested revenue requirement of $2.7 million to rate design. The four principles are:

1. Use the process described above to allocate the total revenue requirement to customer classes.
2. Mitigate the rate increase effects on low-income residential customers.
3. Design rates to encourage conservation.
4. Apply the rates in a straightforward fashion and simplify rates where possible.

SCWC explains that the first principle was the fundamental basis for determining the amount of revenue requirement borne by each customer class. In order to mitigate the rate increase on low-income customers, SCWC assigned a greater portion of the revenue requirement to the second and third residential rate tiers, and less to the first tier. Thus, low-income customers, who also tend to use less energy, will see less than the overall residential increase. Similarly, multi-family customers also benefit. SCWC also proposes placing the largest portion of the residential rate increase in the third tier, and thus encouraging conservation. Simplification of rate design was accomplished by not changing existing customer service charges, or demand charges, to interruptible customers, and maintaining the existing rate tier structure.

SCWC anticipated that the requested revenue requirement would be applied to 2005 kWh sales, and therefore, SCWC developed different models for each customer class other than street lighting.[11] The modeling procedures included normalizing sales for weather adjustments, and applying these calculations on a tier-by-tier basis to each customer class. An adjustment was made to residential sales to include the effects of residential customers qualifying for the California Alternative Rates for Energy program. SCWC explains that it increased second tier rates for permanent residential customers at the same percentage increase as the overall increase for this customer class. The remaining revenue requirement allocated to this class was included in the third tier, and the third tier rate also maintained parity with the energy rate for part-time or seasonal customers. Under SCWC's rate design proposal, part-time or seasonal customers will see an increase in their minimum bills from $23 (current) to $26 per month. This increase reflects slightly less than the overall 17% increase to this class, and minimizes the amount of increase allocated to the energy charge. Commercial and street lighting customers' rates were increased by an equal-cents-per kWh for all usage, while Large Power customers rates were also

[11] SCWC notes that street lighting sales have remained relatively stable during the past years, and thus the forecast reflects 2003 actual sales.

increased by an equal-cents-per-kWh for all usage including off-peak, mid-peak and on-peak. The effects of SCWC's proposed rate design on existing and proposed rates are shown below:

Monthly Bill Impact by Tariff
(Source: Exhibit 1, pp 47-48)

Customer Class/Tariff	Typical Use (Kwh)	Present	Proposed	$ Increase	% Increase
Residential Customers					
D	449	$ 62.31	$ 67.98	$ 5.67	9.10%
D-LI	343	$ 33.50	$ 34.84	$ 1.34	4.00%
DM	1,099	$ 108.71	$ 119.69	$ 10.98	10.10%
DMS	9,261	$ 945.74	$ 996.81	$ 51.07	5.40%
DO	148	$ 35.00	$ 40.88	$ 5.88	16.80%
Commercial Customers					
A-1	909	$ 173.28	$ 183.33	$ 10.05	5.80%
A-2	6,805	$ 1,293.13	$ 1,368.39	$ 75.26	5.82%
A-3	42,961	$ 9,522.04	$ 9,997.19	$ 475.15	4.99%
Average Large Power/ Interruptible Customer	315,594	$ 39,254.00	$ 43,574.36	$ 4,320.47	11.00%

VII. The Office of Ratepayer Advocates Comments

On November 5, 2004, the Office of Ratepayer Advocates (ORA) submitted comments on SCWC's Application. ORA states it has been reviewing SCWC's progress in developing the Application, and agrees that a rate increase, at the level requested, is necessary to recover the costs of the BVES generating facility. ORA also supports SCWC's request for the two one-way memorandum accounts, the use of caps on costs, and a future review to determine the reasonableness of all generator facility costs.

ORA states that it participated in discussions with BVES during the formulation of the cost allocation process, and had input to SCWC's proposed rate design. ORA agrees with the three principles used by SCWC in rate design, and with the priority SCWC used in applying these principles to its proposed rate design. ORA states it finds SCWC's proposed allocation of costs and rate design rational, and that the resulting rates are fair, just and reasonable for all customer classes.

In ORA's opinion there are no unresolved factual disputes associated with the Application, and therefore no need for a hearing.

VIII. Discussion

In D.03-07-005,[12] we granted SCWC a CPCN to construct the generating facility, and directed SCWC to file an application prior to including any generation facility costs in rates. We could begin a reasonableness review of generating facility costs at this time. However, capital-related and O&M costs have yet to be finalized, and any ensuing rate increase would be delayed. Such a delay would have a negative effect on SCWC. Delay is likely to result in an under-collection of generation facility costs and SCWC will experience further erosion of net income as demonstrated by the substantial difference between the revenue requirement for the generating facility ($2.26 million) and 2003 BVES net income ($0.5 million).[13] We also note that conducting a reasonableness review at this time involves the use of Commission staff, and that staff will also be involved in a future general rate proceeding involving similar issues. Dedicating staff at this time, and then later again on the same matters is inefficient. We

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[12] *See* p. 2.

[13] *See* Exhibit 1, p. 4.

conclude that delaying a rate increase to a later date is not in the interest of either ratepayers or SCWC, and is not an efficient use of Commission staff resources.

We next turn to SCWC's Application for addressing the three generating facility cost components, capital-related, O&M and fuel costs. As noted by SCWC, we have previously provided a ratemaking mechanism by which the capital-related costs for a major utility addition may be recovered. SCWC estimates that capital-related costs are approximately $13 million, equivalent to a revenue requirement of approximately $2.26 million. The estimated $13 million in capital-related costs is the same estimate included in SCWC's A.02-04-001 requesting the CPCN for the generation facility. ORA states that it has been reviewing the progress of SCWC on the Application and does not disagree with the amounts estimated by SCWC. We note that the capital-related revenue requirement is based on our last adopted rate of return,[14] and depreciation amounts reflect the expected 23-year life of the facility.[15] No party disputes these estimated amounts, and therefore we will adopt the estimates as reasonable for the purposes of this interim rate increase.

We also agree with SCWC and ORA that recording the fuel costs associated with the generating facility in the BVES PPAC is a reasonable approach for fuel cost recovery. As explained by SCWC, electricity generated by the facility will replace an equal amount of electricity that would otherwise be recorded in the BVES PPAC. Therefore, fuel costs should be recorded in the

[14] *See* D. 04-08-053.

[15] See Attachment A, and Exhibit 3 (pp. 3-4) for detailed estimates.

same account that records energy costs, or purchased power costs, which is the BVES PPAC.

As recommended by both SCWC and ORA we will authorize SCWC to establish the two one-way memorandum accounts to track capital-related costs, and O&M costs. These two accounts provide SCWC time to finalize capital-related and O&M costs for the generating facility, and allow SCWC to begin collecting needed revenue to offset generation facility costs. The two one-way memorandum accounts also protect ratepayers' interests by providing a mechanism for reasonableness review, and restrict the final memorandum account amounts by SCWC's proposed caps on the accounts.

Our authorization for a rate increase of approximately $2.7 million, or about 10% above annual BVES revenues, requires that we also adopt an appropriate cost allocation and rate design for BVES customers. SCWC has provided a study and analysis of the customer classes that contribute to the peak load demands, and thus the need for the capital-related, generation facility costs. The study, included in Exhibit 3 (Workpapers), indicates the contributions of different customer classes to the winter peak load, and forms the basis for allocation of capital-related costs. ORA states that it not only reviewed the cost allocation study, but participated in discussions with BVES during the formulation of the cost allocation process.[16] ORA also agrees with SCWC's four rate design principles stated above. After reviewing SCWC's cost allocation process, the proposed rate design, and the application of the rate design

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[16] ORA Comments, p. 7.

principles, we concur with SCWC's proposed rate design, and will adopt it for purposes of this interim rate increase.

IX. Conclusion

For all of the foregoing reasons, we grant the application of SCWC to increase rates pursuant to Section 454 of the Public Utilities Code.

X. Procedural Matters

Although ORA submitted comments on SCWC's application, there is no opposition to this application, and there are no factual issues in dispute. No parties have requested the need for a hearing. We agree with the parties that the supporting testimony and workpapers provide an adequate public record upon which to base our decision.

XI. Final Categorization and Waiver of Review Period

Based on our review of this application, we conclude that there is no need to alter the preliminary determinations as to categorization made in Resolution ALJ- 3140 (October 7, 2004), and as there are no factual issues in dispute there is no need for a hearing. Moreover, since this proceeding is uncontested and we grant the relief requested, pursuant to Section 311(g)(2), the otherwise applicable 30-day period for public review and comment is waived.

XII. Assignment of Proceeding

Geoffrey F. Brown is the Assigned Commissioner and Bruce DeBerry is the assigned ALJ in this proceeding.

Findings of Fact

1. D.03-07-005 granted SCWC a CPCN to construct an 8.4 MW generating facility to meet peak load demands.

2. The estimated generating facility capital-related costs are $13 million, or a $2,255,500 revenue requirement.

3. The estimated generating facility annual O&M revenue requirement is $444,000.

4. The BVES recorded rate of return has declined significantly during the past few years.

5. The revenue requirement associated with the generating facility is estimated to reduce the 2005 BVES rate of return from 3.90% to 1.47%, without any offsetting revenue increase.

6. It is reasonable to record generating facility fuel costs in the PPAC Balancing Account.

7. Authorization of the rate increase requested by SCWC, is estimated to increase the BVES rate of return from 3.90% to 5.46%.

8. Ratepayers will receive a refund of capital-related costs for the generation facility, if the recorded generation facility amounts are less than the revenue requirement cap of $2,255,500.

9. Ratepayers will receive a refund of O&M costs for the generation facility, if the annual recorded generation facility O&M costs are less than the annual O&M generation facility cap of $444,000.

10. SCWC's last authorized rate of return is 8.75%.

11. Commencing a reasonableness review of the generating facility at this time is an inefficient use of staff resources.

12. Establishing one-way memorandum accounts to record capital-related and annual O&M costs, including caps on these accounts, protects ratepayers against unreasonable future increases in capital or annual O&M costs.

13. Ratepayers will be protected against unreasonable recorded costs through a reasonableness review in SCWC's next general rate case for its Bear Valley Electric Service division.

14. SCWC installed 242 real-time meters representing all customer classes to measure customer demand during the peak periods in December 2003.

15. The BVES system peak occurred on December 28, 2003, at 7:00 pm when the demand increased from a system load average of 20-27 MW to 39 MW.

16. All Large Power BVES customers are interruptible customers.

17. Large Power customers benefit from operation of the generating facility as these customers will have fewer service interruptions.

18. SCWC's allocation and rate design applies four principles including allocation of the revenue requirement based on customer demand during peak hours and energy use, mitigation of the rate increase to low-income customers, design of rates to encourage conservation and application of rates in a straight-forward manner.

19. SCWC assigned a greater portion of the residential customer revenue requirement to the second and third rate tiers.

20. ORA reviewed SCWC's rate request, and supports SCWC's level of revenue requirement.

21. ORA supports establishing the two one-way memorandum accounts proposed by SCWC for generating facility costs, and the amounts proposed by SCWC for these accounts.

22. Allocating capital-related costs for the generating facility to customer classes based on customer demand during peak hours is reasonable.

23. Allocating O&M costs on an energy use basis is reasonable.

Conclusions of Law

1. Based on the record before us, we conclude that SCWC has met the requirements of Pub. Util. Code § 454, and that a rate increase is justified.

2. SCWC should be authorized to reflect in rates the revenue requirement changes found reasonable in this order.

3. It is reasonable to include fuel costs for SCWC's generating facility in the PPAC Balancing Account.

4. The adopted rate design results in rates that are just and reasonable.

5. It is reasonable to review capital-related and O&M costs in SCWC's next general rate proceeding.

6. There are no factual issues in dispute, and therefore no need for a hearing.

O R D E R

IT IS ORDERED that:

1. Southern California Water Company (SCWC) is authorized to file tariff schedules for electric rates for its Bear Valley Electric Service division (BVES) as discussed in this order.

2. SCWC is authorized to establish a one-way memorandum account to record the capital-related revenue requirement of its BVES 8.4 Megawatt generating facility (generating facility) adopted in Decision 03-07-005. The capital-related revenue requirement shall be a maximum amount of $2,255,500. Amounts exceeding this maximum shall not be charged to ratepayers. Recorded amounts in this account less than the adopted maximum of $2,255,500, shall be refunded to ratepayers.

3. SCWC is authorized to establish a one-way memorandum account to record the annual Operational and Maintenance (O&M) costs of its BVES generating facility. The annual O&M costs shall be a maximum of $444,000. Amounts exceeding this maximum shall not be charged to ratepayers. Recorded

amounts in this account less than the adopted annual maximum, of $444,000, shall be refunded to ratepayers.

4. A reasonableness review of all generating facility capital-related and annual O&M costs shall be conducted in SCWC's next general rate for its Bear Valley Electric Service division. Amounts not found reasonable as a result of this review shall be returned to ratepayers.

5. SCWC is authorized to record the fuel costs for its generating facility in the Purchased Power Adjustment Clause (PPAC) Balancing Account.

6. Within 14 days of today's date, SCWC shall file an advice letter with revised tariffs to comply with this Order. The revised tariffs shall establish two one-way memorandum accounts to record the capital-related revenue requirement, and the operation and maintenance costs incurred to construct and operate the generation facility. The tariffs shall specify that the amounts to be recorded in the capital-related memorandum account will be capped at a maximum of $2,255,500; and the amounts to be recorded in the O&M memorandum account shall be an annual maximum of $444,000. SCWC shall also revise its tariffs to specify that the PPAC will record fuel costs associated with the generating facility. The revised tariffs shall be effective on filing subject to Energy Division determining that they are in compliance with this Order.

7. This proceeding is closed.

This order is effective today

Dated April 7, 2005, at San Francisco, California.

MICHAEL R. PEEVEY
President
GEOFFREY F. BROWN
SUSAN P. KENNEDY

DIAN M. GRUENEICH
Commissioners

ATTACHMENT A
Estimated Capital-Related Annual Revenue Requirement[1]

Depreciation (weighted average plant at 4.30% per year)	$ 559,349
Return on Ratebase (8.75% adopted in D.04-08-053)	$1,113,022
Franchise Fees (1.49%) and Uncollectible Expense (0,288%)	$ 30,223
Ad Valorem Taxes (1.00%)	$ 127,203
State Income Taxes (8.84%)	$ 92,358
Federal Income Taxes (35%)	$ 333,345
Total	**$2,255,500**

Estimated Operational and Maintenance (O&M) Costs[2]

O&M Component	Purpose	Annual Expense	One-Time Expense[3]
Contracted Work			
Corner Stone	Operation	$219,000	$12,000
CEMTEK	Testing	$ 68,000	$ 5,500
Praxair	Air Quality Testing	$ 15,572	
Complete Energy	Dispatching	$ 30,000	
Consultants	Engineering	$ 20,000	$20,000
So Coast Air Quality Management District	Fees and Permits	$ 16,750	
Material			
Testing			$10,000
Spare parts		$ 10,000	
Gas Storage		$ 35,000	
	Subtotal =	$414,322	$47,550
	Amortize One-Time Expense =	$ 23,775	
Franchise Fees (1.049%) and Uncollectible Expense (0.288%)	=	$ 5,903	
	Total O&M Expense =	**$444,000**	

(END OF ATTACHMENT A)

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[1] *See* Exhibit 1, pp. 9-10.

[2] *See* Exhibit 1, pp. 11-12.

[3] One- Time expenses are amortized over two years.