

January 10, 1986

REPORT TO THE HONORABLE
MAYOR AND CITY COUNCIL

Re: San Diego Gas and Electric Company's
(SDG&E) General Rate Case for 1986-1988

Increases in rates San Diegans pay for electricity and natural gas were substantially rejected last month by the California Public Utilities Commission. The favorable outcome was primarily due to participation of The City of San Diego, represented by the City Attorney's office, in the rate base.

SDG&E filed Application 84-12-015 on December 24, 1984 requesting rate increases totaling \$339,962,000 for the electric department (including all nuclear related expenses), \$27,447,000 for the gas department, and \$1,530,000 for the steam department. Nuclear related expenses were shifted to a different proceeding and SDG&E's final request was \$55,418,000 for the electric department, \$21,720,000 for the gas department, and \$1,487,000 for the steam department.

A prehearing conference and 51 days of hearings were held from March 18, 1985 to June 27, 1985 before Administrative Law Judge Kenneth Henderson.

By Commission Decision 85-12-108 dated December 20, 1985 SDG&E was granted permission to recover through its rates a \$9,597,000 increase in its electric department revenue requirement, a \$3,272,000 increase in its gas department revenue requirement, and a \$1,445,000 increase in its steam department revenue requirement. This is \$64,311,000 less than SDG&E had requested.

The City of San Diego participated in all aspects of the case and presented an expert witness on the subject of what a just and reasonable allowed return on equity should be. SDG&E is currently authorized a 16% return on equity and was seeking an increase to 16.5%. The Commission's staff recommended a 15.5% return on equity and the City's expert witness recommended 15%. The Commission adopted a 15% return on equity and an overall rate

of return of 12.37%. The difference between the rate of return requested by SDG&E and that authorized by the Commission is a revenue requirement reduction of almost \$13,000.00.

In Decision 85-12-108 the Commission also implemented the effects of several fuel offset cases. The application of the rates resulting from the implementation of the revenue

requirement increase in the general rate case in combination with the revenue requirement effects of the fuel offset cases will produce revenues which are \$120,000,000 less than the revenues which would result from the application of present rates to forecasted sales. A typical residential customer's electric bill for 400 kwh will decrease from \$48.66 to \$45.05 (-7.3%).

Additionally we were able to convince the Commission that SDG&E street lighting rates were higher than could be justified by marginal cost relationships. Consequently, the Commission ordered that the streetlighting class would not receive an increase until its rates were more in line with its marginal costs and that system average decreases would be applied to its revenue requirement.

The City of San Diego was represented in the general rate case by Deputy City Attorneys William Shaffran and Leslie Girard.

Respectfully submitted,
JOHN W. WITT
City Attorney

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RC-86-1