

RESOLUTION NUMBER R- 299584

ADOPTED ON AUG 10 2004

A RESOLUTION OF THE CITY OF SAN DIEGO OPPOSING PROPOSED DECISIONS OF THE CALIFORNIA PUBLIC UTILITIES COMMISSION REGARDING PERCENTAGE ALLOCATION OF DEPARTMENT OF WATER RESOURCES ELECTRICITY CONTRACT COSTS AND SUPPORTING SAN DIEGO GAS & ELECTRIC COMPANY'S REQUEST FOR EQUITABLE ALLOCATION OF ENERGY COSTS.

WHEREAS, the energy crisis of 2000 and 2001 destabilized the California economy; and

WHEREAS, in order to relieve investor owned utilities from having to meet their net short obligations through spot market purchases, the State Legislature passed extraordinary legislation (AB 1X) in January 2001 authorizing the Department of Water Resources [DWR] to enter into long-term power purchase contracts with electric generators [DWR Contracts]; and

WHEREAS, from 2001 until now the California Public Utilities Commission [CPUC] has allocated the costs of the DWR Contracts among the customers of San Diego Gas and Electric [SDG&E], Southern California Edison [SCE], and Pacific Gas & Electric Company [PG&E] based on their actual use of the electric energy supplied under those contracts, divided according each utility's net short position; and

WHEREAS, the DWR Contract allocation phase of the CPUC's Rate Stabilization Proceeding (A.00-11-038) will permanently allocate the cost of the State DWR's long-term power purchase contracts for years 2004 through the remaining life of the contracts; and

WHEREAS, the CPUC has issued a Proposed Decision [PD] and Alternate Decision [AD] in the DWR Contract allocation phase of the Rate Stabilization proceeding that would increase the allocation of fixed cost of the DWR contracts for San Diego and South Orange Counties by two and one-half percent over the remaining life of the contracts; and

WHEREAS, the allocation methodology proposed in the PD and AD is not based on actual use of DWR Contract energy by each utility but instead is based on imputed percentage allocations to each utility; and

WHEREAS, both the PD and AD may shift almost \$1 billion in additional energy costs to the region for energy not necessarily used in the region; and


WHEREAS, this issue has the potential to impact electricity rates and shift undue costs to San Diego electricity customers; and

WHEREAS, SDG&E has requested that the CPUC adopt an equitable permanent allocation that avoids shifting any additional costs or placing unjustified burdens on San Diego electricity consumers, NOW THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego, that this City opposes proposed decisions by the CPUC that are based on percentage allocations of the DWR Contract costs among the utilities based on percentages, contract assignment, or "cost follows contract" methodologies.

BE IT FURTHER RESOLVED, that the City supports SDG&E's request to the CPUC that DWR Contract costs should be equitably allocated among the utilities on the basis of use, as they have been in interim allocations to date.

APPROVED: CASEY GWINN, City Attorney

By 
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