

5.c.

APPLICATION NO. _____

EXHIBIT NO. _____ (SDG&E - 2)



San Diego Gas & Electric

1981 TEST YEAR

**COMPARATIVE FINANCIAL DATA
1978 VS. 1979**

AND

**SUMMARY OF EARNINGS
COMBINED DEPARTMENTS
1975, 1976, 1977, 1978, 1979,
1980 AND 1981**

INCLUDING PREPARED TESTIMONY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

JULY 1980

8108110754

COMPARATIVE FINANCIAL DATA
1978 vs. 1979
AND
SUMMARY OF EARNINGS
COMBINED DEPARTMENTS
1975, 1976, 1977, 1978, 1979, 1980 and 1981

INTRODUCTION

The following material consists of: 1) comparative financial data for the recorded years 1978 and 1979; 2) tables showing the development of factors used to allocate common expenses and common plant among the three operating departments for the recorded years 1978 and 1979 and estimated years 1980 and 1981; and 3) summaries of earnings for the combined departments for the recorded year 1975 through 1979, 1980 as expected and 1981 test year. The primary purpose of this exhibit is to provide information on the combined utility operations of the Company. The common allocations included herein provide the basis on which certain items not specifically related to the electric, the gas or the steam operations are assigned to those operations in order to distribute the total cost of service. The summary of earnings tables develop the combined results of operations of the gas and electric departments.

COMBINED DEPARTMENTS

<u>CHAPTER</u>	<u>TITLE</u>
1	Balance Sheet, Comparative Income and Retained Earnings, Clearing Accounts
2	Allocation of Customer Accounting and Collecting Expenses
3	Allocation of Administrative and General Expenses
4	Allocation of Depreciation Reserve and Expense for Common Utility Plant
5	Summary of Earnings

1 CHAPTER 1
2 COMBINED DEPARTMENTS
3 BALANCE SHEET, COMPARATIVE INCOME,
4 RETAINED EARNINGS AND CLEARING ACCOUNTS
5 PREPARED DIRECT TESTIMONY OF FRANK H. AULT

- 6 1. Q. Mr. Ault, what is the purpose of your testimony
7 before the Commission in this proceeding?
8 A. I am sponsoring Chapter 1 of this exhibit regard-
9 ing balance sheet, comparative income, retained
10 earnings, and clearing accounts for the Combined
11 Departments pertaining to the recorded years 1978
12 and 1979.
- 13 2. Q. Please explain the significance of Tables 1-A
14 through 1-D.
15 A. These tables report the financial position of the
16 Company. The figures for 1978 and 1979 are on a
17 recorded basis. Table 1-A is a comparative bal-
18 ance sheet of the Company at December 31, 1978,
19 and 1979. Table 1-B is a schedule of investment
20 in utility plant on December 31, 1978, and 1979.
21 Table 1-C is a comparative statement of income and
22 retained earnings for the years ended December 31,
23 1978, and 1979. Table 1-D is a schedule of all
24 Company clearing accounts and the uncleared bal-
25 ances as of December 31, 1978, and 1979.
- 26 3. Q. Company assets on sheet 1 of Table 1-A increased
27 significantly from December 31, 1978, to
28 December 31, 1979. Would you please explain this
increase?
A. The major item increasing assets from December 31,

1 1978, to December 31, 1979, was the addition to
2 utility plant on line 2 of \$222 million. Table 1-B
3 shows a complete breakdown of the amount of
4 Utility Plant, included on line 2, sheet 1 of
5 Table 1-A, by electric, gas and steam plant, and
6 shows whether the plant is in service, con-
7 struction work in progress, plant held for future
8 use, plant completed-not classified, or plant
9 acquisition adjustment. The figures in Table 1-B
10 include the allocation of common plant to each
11 department.

12 Utility Plant In Service, line 2 of Table 1-B
13 for the Electric Department, increased \$129 mil-
14 lion, primarily as the result of additional dis-
15 tribution and transmission facilities to serve new
16 customers. The additional distribution and trans-
17 mission facilities placed in Plant In Service in
18 1979 totaled \$87 million. In addition, \$18 mil-
19 lion applicable to Encina Unit 5 and the Combined
20 Chimney on Encina Unit 5 was placed in Plant In
21 Service in 1979, as well as \$12 million in waste
22 water treatment systems for four of the Company's
23 plants. Certain of these dollars placed in Plant
24 In Service in 1979 were transferred from Plant
25 Completed-not Classified at the end of 1978,
26 accounting for the reduction on line 5 of Table 1-B.

27 The other major item increasing Electric
28 Plant during the year 1979 was the addition of

1 \$123 million in Construction Work In Progress.
2 \$100 million of that increase was applicable to
3 San Onofre Units 2 and 3. Of the \$447 million of
4 Construction Work In Progress at December 31,
5 1979, \$379 million was applicable to San Onofre
6 Units 2 and 3.

7 4. Q. What caused Fuel Oil, line 16 on sheet 1 of Table
8 1-A, to increase \$28 million between December 31,
9 1978, and December 31, 1979?

10 A. This increase in fuel oil inventory was the result
11 of two primary factors. First, the moving average
12 cost of fuel oil in inventory increased from
13 \$17.08 per barrel at December 31, 1978, to \$24.35
14 per barrel at December 31, 1979. At the same
15 time, the number of barrels in inventory increased
16 by 452,000 barrels in 1979.

17 5. Q. Regulatory Balancing Accounts-Undercollected, line
18 18 on sheet 1 of Table 1-A, increased \$42 million
19 during 1979. Would you please explain this increase?

20 A. Yes. \$30 million of the 1979 undercollection was
21 applicable to the electric ECAC mechanism which
22 had an undercollected balance of \$46 million as of
23 December 31, 1979. In addition, the PGA balancing
24 account increased \$12 million during 1979, to a
25 total undercollection of \$12 million as of De-
26 cember 31, 1979.

27 6. Q. Is there any relationship between the increase in
28 Extraordinary Property Losses and the decrease in

1 Other Deferred Debits, lines 23 and 24 on sheet 1
2 of Table 1-A?

3 A. Extraordinary Property Losses, shown on line 23,
4 increased approximately \$31 million during 1979,
5 to a total of \$38 million on December 31, 1979.
6 This increase was caused by the transfer of
7 approximately \$38 million of costs applicable to
8 the abandoned Sundesert Project from Other De-
9 ferred Debits on line 24 during the year 1979,
10 resulting from the Company's General Rate Decision
11 90405, of June 5, 1979.

12 7. Q. What caused the increase in total Proprietary
13 Capital as shown on line 9 on sheet 2 of Table 1-A
14 between December 31, 1978, and December 31, 1979?

15 A. Common Stock Issued, line 3, increased \$18 million
16 during 1979, and the Premium on Capital Stock,
17 line 6, increased approximately \$36 million. The
18 increase in these two items was the result of the
19 Company's issuance of 3,595,000 shares of Common
20 Stock during 1979. 3,000,000 of these shares were
21 issued in a general sale to the public in July,
22 1979, while the remaining 595,000 shares were
23 issued throughout the year to the Company's Divi-
24 dend Reinvestment Plan and to the Company's Employee
25 Savings Plan.

26 8. Q. What Long-Term Debt did the Company issue in 1979?

27 A. Other Long-Term Debt, line 13 on sheet 2 of Table
28 1-A, increased approximately \$68 million during

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1979, primarily as the result of the Company's issuance of \$65 million in term loans to three foreign banks. These term loans are due during the time period of 1983 through 1986. The addition of this \$65 million in foreign term loans increased total Other Long-Term Debt to over \$125 million. The Company also issued \$5.7 million of pollution control bonds with the proceeds to be received as expenditures are made on certain pollution control facilities. \$4.7 million was received in 1979 via this financing mechanism.

9. Q. Short-term borrowings in the form of Commercial Paper and Bankers' Acceptances increased significantly in 1979. What caused these increases?

A. The Company's Commercial Paper outstanding at December 31, 1979, line 17 on sheet 2 of Table 1-A, totaled over \$95 million, compared to approximately \$21 million at December 31, 1978. This \$74 million increase was used primarily to finance the Company's construction program and ECAC undercollections. Bankers' Acceptances, shown on line 18, are used to finance the Company's fuel oil inventory. Total Bankers' Acceptances outstanding at December 31, 1979, were \$60 million, an increase of \$36 million over the \$24 million outstanding at December 31, 1978. This increase parallels the increase in fuel oil inventory discussed in Answer 4.

1 10. Q. Regulatory Balancing Accounts-Overcollected, line
2 24 on sheet 2 of Table 1-A, increased \$26 million
3 during 1979. What caused this increase?

4 A. The Company's Regulatory Balancing Accounts, which
5 were in an overcollected state as of December 31,
6 1979, totaled approximately \$27 million, an increase
7 of \$26 million over the balance at December 31,
8 1978. This \$26 million increase in 1979 was all
9 applicable to the gas Supply Adjustment Mechanism
10 (SAM) and partially offsets the \$42 million net
11 undercollections experienced in 1979 in the Company's
12 ECAC and PGA Balancing Accounts as shown on line
13 18 of sheet 1 of Table 1-A.

14 11. Q. What caused the \$50 million decrease in the Cur-
15 rent Portion of Long-Term Debt on line 25 on sheet
16 2 of Table 1-A in 1979?

17 A. The Current Port. on of Long-Term Debt decreased
18 \$50 million during 1979 as the result of the
19 Company's retirement, on December 15, 1979, of its
20 \$50 million Series N First Mortgage Bonds which
21 became due on that date.

22 12. Q. Table 1-C shows the comparative statements of
23 income and retained earnings of the Company for
24 the years ended December 31, 1978, and 1979.
25 Please explain what caused the \$132 million increase
26 in Operating Revenues between 1978 and 1979.

27 A. Total Operating Revenues increased \$132 million
28 between the two years, primarily as the result of

1 increases in the Company's ECAC and PGA rates to
2 offset increased costs of fuel oil and natural
3 gas, and the \$70.9 million of general rate relief
4 granted in the Company's Interim Rate Decision
5 89857 of January, 1979, and the General Rate
6 Decision 90405 of June, 1979.

7 13. Q. Was the \$113 million increase in Operating Expenses
8 on line 7 of Table 1-C the result of increased
9 cost of fuel oil and natural gas, along with the
10 effects of inflation on other operating expenses?

11 A. Yes.

12 14. Q. What caused the \$10 million increase in depre-
13 ciation and amortization expense in 1979 compared
14 to 1978?

15 A. Depreciation and amortization of the Company's
16 Plant, on line 9 of Table 1-C, increased approxi-
17 mately \$10 million. This increase included approxi-
18 mately \$5 million of additional amortization
19 attributable to abandoned plant, primarily the
20 Sundesert Plant, which is to be written off over a
21 five-year period in accordance with the Company's
22 General Rate Decision 90405 of June, 1979. The
23 remaining increase in depreciation and amorti-
24 zation is the result of the depreciation on the
25 Company's increased Plant In Service.

26 15. Q. Did the write-off of the Sundesert Allowance for
27 Funds Used During Construction (AFUDC), as ordered
28 in Decision 90405, impact the amount shown in

1 Table 1-C for 1979?

2 A Yes. The total AFUDC, line 18, for Other Funds
3 and line 29 for Borrowed Funds, increased in 1979,
4 as compared to 1978 by approximately \$3.5 million.
5 The increase was only \$3.5 million as a result of
6 the Company writing off in 1979 approximately \$3.1
7 million of AFUDC applicable to the Sundesert Plant
8 in accordance with the Company's June, 1979,
9 General Rate Decision 90405.

10 Excluding the \$3.1 million that was written
11 off, AFUDC actually increased approximately \$6.6
12 million. This increase was primarily due to the
13 expanded amount of Construction Work In Progress
14 represented by San Onofre Units 2 and 3.

15 16. Q. Please explain the increase in the amount of Long-
16 Term Debt interest in 1979 compared to 1978 as
17 shown on line 25 of Table 1-C.

18 A. Interest on Long-Term Debt increased \$7.3 million
19 in 1979 over 1978 as the result of \$5.4 million
20 applicable to the \$65 million term loan issued in
21 April, 1979, and \$1.9 million of a full year's
22 interest on the Series R First Mortgage Bonds
23 issued in May, 1978.

24 17. Q. Referring to Table 1-D, please explain the basic
25 purpose of clearing accounts as used by the Company.

26 A. The Company maintains clearing accounts to dis-
27 tribute charges of such a general nature that they
28 are not readily chargeable to a specific construc-

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tion or expense account.

18. Q. What do the debit or credit balances in these accounts represent?

A. The balances represent the difference between the expenses charged to these clearing accounts and amounts credited. For example, all expenses associated with transportation, tool and work equipment are charged to that clearing account. Credits are generated through the application of hourly rates for the use of each type of vehicle or piece of equipment.

19. Q. Have any of the figures in Chapter 1 been adjusted?

A. All figures shown in Chapter 1 are identical with those on the Company's published financial statements for 1979.

20. Q. Does that conclude your Prepared Direct Testimony on this Chapter?

A. Yes.

CHAPTER 1
BALANCE SHEET, COMPARATIVE INCOME
AND RETAINED EARNINGS, CLEARING ACCOUNTS

LISTING OF TABLES

<u>TABLE</u>	<u>TITLE</u>
Table 1-A	COMPARATIVE BALANCE SHEET
Table 1-B	UTILITY PLANT INVESTMENT
Table 1-C	COMPARATIVE INCOME AND RETAINED EARNINGS
Table 1-D	CLEARING ACCOUNTS

TABLE 1-A

COMPARATIVE BALANCE SHEET

Line No.	Item	Thousands of Dollars	
		December 31, 1978 (C)	December 31, 1979 (D)
1.	<u>Assets and Other Debits</u>		
2.	Utility Plant	\$1 568 472	\$1 790 040
3.	Nuclear Fuel	11 185	11 185
4.	Less Provision for Depreciation & Amortization	344 945	381 437
5.	Net Utility Plant	<u>1 234 712</u>	<u>1 419 788</u>
6.	Nonutility Property (Net)	5 529	5 196
7.	Investments in Associated Companies	7 896	9 150
8.	Other Investments	860	769
9.	Sinking Funds	1 397	1 000
10.	Total Other Property and Investments	<u>15 682</u>	<u>16 115</u>
11.	<u>Current and Accrued Assets</u>		
12.	Cash and Temporary Investments	4 268	15 819
13.	Notes and Accounts Receivable (Less Provision for Uncol- lectible Accounts: 1978, \$370,000; 1979, \$486,000)	82 411	65 260
14.	Notes and Accounts Receivable from Assoc. Companies	18 080	16 685
15.	Plant Materials and Operating Supplies	22 555	22 222
16.	Fuel Oil	44 638	72 577
17.	Prepayments	924	1 104
18.	Regulatory Balancing Accounts- Undercollected	25 898	67 909
19.	Other Current & Accrued Assets	81	81
20.	Total Current & Accrued Assets	<u>198 855</u>	<u>261 657</u>
21.	<u>Deferred Debits</u>		
22.	Unamortized Debt Expense	1 410	1 411
23.	Extraordinary Property Losses	7 431	38 195
24.	Other Deferred Debits	82 423	45 399
25.	Total Deferred Debits	<u>91 264</u>	<u>85 005</u>
26.	Total Assets	<u><u>\$1 540 513</u></u>	<u><u>\$1 782 565</u></u>

TABLE 1-A
COMPARATIVE BALANCE SHEET

Line No. (A)	Item (B)	Thousands of Dollars	
		December 31, 1978 (C)	December 31, 1979 (D)
1.	<u>Liabilities and Other Credits</u>		
2.	<u>Proprietary Capital</u>		
3.	Common Stock Issued	\$ 137 964	\$ 155 941
4.	Non-Redeemable Preferred Stock	128 500	128 500
5.	Redeemable Preferred Stock	85 000	85 000
6.	Premium on Capital Stock	200 014	235 765
7.	Less Capital Stock Expense	15 452	17 289
8.	Retained Earnings	157 928	166 808
9.	Total Proprietary Capital	<u>693 954</u>	<u>754 725</u>
10.	<u>Long-Term Debt</u>		
11.	Bonds	494 000	494 000
12.	Sinking Fund Debentures	24 600	23 825
13.	Other Long-Term Debt	57 873	125 539
14.	Discount Less Premium on Issues	(3 408)	(3 286)
15.	Total Long-Term Debt	<u>573 065</u>	<u>640 078</u>
16.	<u>Current & Accrued Liabilities</u>		
17.	Commercial Paper	21 295	95 420
18.	Bankers' Acceptances	23 600	60 000
19.	Accounts Payable	55 252	73 817
20.	Customer Deposits	5 361	6 287
21.	Taxes Accrued	12 311	19 472
22.	Interest Accrued	13 808	14 510
23.	Dividends Payable	14 344	16 261
24.	Regulatory Balancing Accounts- Overcollected	1 225	26 853
25.	Current Portion of Long-Term Debt	53 037	3 058
26.	Other Current & Accrued Liabilities	<u>16 538</u>	<u>15 754</u>
27.	Total Current & Accrued Liabilities	216 971	331 432
28.	<u>Deferred Credits</u>		
29.	Customer Advances for Construction	21 291	24 577
30.	Other Deferred Credits	31 468	30 202
31.	Total Deferred Credits	<u>52 759</u>	<u>54 779</u>
32.	Injuries & Damages Reserve	<u>1 553</u>	<u>1 332</u>
33.	Deferred Income Taxes	<u>2 211</u>	<u>219</u>
34.	Total Liabilities	<u>\$1 540 513</u>	<u>\$1 782 565</u>

TABLE 1-B

UTILITY PLANT INVESTMENT

Line No. (A)	Item (B)	Thousands of Dollars	
		December 31, 1978 (C)	December 31, 1979 (D)
1.	<u>Electric Plant</u>		
2.	Plant in Service	\$ 882 636	\$1 011 625
3.	Construction Work in Progress	324 077	446 759
4.	Plant Held for Future Use	63 528	65 556
5.	Plant Completed - Construction not Classified	77 125	29 212
6.	Plant Acquisition Adjustment	816	816
7.	Total Electric Plant	<u>1 348 182</u>	<u>1 553 968</u>
8.	<u>Gas Plant</u>		
9.	Plant in Service	212 827	228 506
10.	Construction Work in Progress	1 145	1 120
11.	Plant Completed - Construction not Classified	4 947	5 069
12.	Plant Held for Future Use	45	45
13.	Total Gas Plant	<u>218 964</u>	<u>234 740</u>
14.	<u>Steam Plant</u>		
15.	Plant in Service	1 300	1 326
16.	Construction Work in Progress	8	2
17.	Plant Completed - Construction not Classified	18	4
18.	Total Steam Plant	<u>1 326</u>	<u>1 332</u>
19.	Total Utility Plant	<u>\$1 568 472</u>	<u>\$1 790 040</u>

TABLE 1-C
COMPARATIVE INCOME AND RETAINED EARNINGS
(Thousands of Dollars)

TABLE 1-C
Sheet 1 of 1

Line No.	Item	For the 12 Months Ended	
		December 31, 1978	December 31, 1979
(A)	(B)	(C)	(D)
1.	<u>Operating Revenues</u>		
2.	Electric	\$ 468 400	\$ 592 549
3.	Gas	144 210	151 700
4.	Steam	1 013	983
5.	Total Operating Revenues	<u>613 623</u>	<u>745 232</u>
6.	<u>Operating Expenses</u>		
7.	Operating	428 186	540 842
8.	Maintenance	23 839	31 218
9.	Depreciation & Amortization	37 980	47 592
10.	Taxes	32 209	28 347
11.	Total Operating Expenses	<u>522 214</u>	<u>647 999</u>
12.	<u>Net Operating Income</u>		
13.	Electric	68 026	89 305
14.	Gas	23 412	7 912
15.	Steam	(29)	16
16.	Total Net Operating Income	<u>91 409</u>	<u>97 233</u>
17.	<u>Other Income & Deductions</u>		
18.	Allowance for Other Funds Used During Construction	13 900	18 033
19.	Other Income	3 024	5 278
20.	Other Income Deductions	982	1 550
21.	Taxes on Other Income & Deductions	(8 602)	(7 397)
22.	Total Other Income & Deductions	<u>24 544</u>	<u>29 158</u>
23.	<u>Income Before Interest Charges</u>	115 953	126 391
24.	<u>Interest Charges</u>		
25.	Long-Term Debt	47 390	54 657
26.	Short-Term Borrowing	8 956	7 083
27.	Amortization of Debt Discount & Expense, Less Premium	382	380
28.	Other	286	1 307
29.	Allowance for Borrowed Funds Used During Construction	(7 863)	(7 202)
30.	Total Interest Charges	<u>49 151</u>	<u>56 225</u>
31.	<u>Net Income</u>	66 802	70 166
32.	<u>Retained Earnings</u>		
33.	Retained Earnings at Begin- ning of Period	143 813	157 928
34.	Total	<u>210 615</u>	<u>228 094</u>
35.	Dividends		
36.	Preferred	17 230	17 643
37.	Common	35 457	43 643
38.	Total Dividends	<u>52 687</u>	<u>61 286</u>
39.	Retained Earnings at end of Period	<u>\$ 157 928</u>	<u>\$ 166 808</u>

TABLE 1-D
CLEARING ACCOUNTS
(Thousands of Dollars)

Line No. (A)	Description (B)	Uncleared Balances	
		December 31, 1978 (C)	December 31, 1979 (D)
1.	Transportation, Tool and Work Equipment Expense	\$1 391	\$3 053
2.	Sales of Merchandise to Employees	76	115
3.	Shop Expense	8	(5)
4.	Labor Distribution Adjustment	(27)	60
5.	Multilith and Ozalid Operation	23	20
6.	Engineering Overheads	(6)	172
7.	Data Systems	35	(64)
8.	Work Order Clearing	1 023	200
9.	Miscellaneous	<u>2</u>	<u>2</u>
10.	Totals	<u>\$2 525</u>	<u>\$3 553</u>

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CHAPTER 2
COMBINED DEPARTMENTS
ALLOCATION OF CUSTOMER ACCOUNTING AND COLLECTION EXPENSES
PREPARED DIRECT TESTIMONY OF FRANK H. AULT

1. Q. Mr. Ault, what is the purpose of your testimony before the Commission in this proceeding?

A. I am sponsoring Chapter 2 of this exhibit regarding allocation of customer accounting and collection expenses.

2. Q. Would you briefly explain the types of items which are included in customer accounting and collection expenses and to which accounts these expenses are charged?

A. The Company's customer accounting and collection expenses include such items as employee salaries and expenses for billing, collecting, meter reading, processing customer orders, charges for data systems, postage and uncollectible accounts. These expenses are recorded in Accounts 901 through 905.

3. Q. What is shown on Table 2-A?

A. Table 2-A shows the recorded customer accounting and collection expenses on a Combined Department basis for the years 1975 through 1979. The table also shows these expenses on a Combined Department basis for 1980 as expected, 1981 Test Year, and 1981 Test Year on a zero fuel basis.

4. Q. Are these expenses allocated to the various departments?

1 A. Yes, with the exception of uncollectible accounts,
2 Account 904. These expenses are allocated based
3 on the number of customers in each department,
4 with extra weight being given to customers re-
5 quiring special handling. A customer account
6 requiring special handling is one which is not a
7 joint gas and electric account or one requiring a
8 manual bill.

9 5. Q. Is the derivation of the allocation percentages
10 for customer accounting and collection expenses
11 shown in this Chapter?

12 A. Yes, the derivation of the actual allocation
13 percentages for the years 1978 and 1979 are shown
14 in Table 2-D. As shown on this table, 62.29
15 percent of customer accounting and collection
16 expenses were allocated to the Electric Department
17 in 1978. This percentage increased to 62.72
18 percent in 1979. The Gas Department allocation
19 for 1978 was 37.70 percent, which decreased to
20 37.27 percent in 1979.

21 The allocation percentages for 1980 and 1981
22 were estimated by trending the actual allocation
23 percentages pertaining to the Electric Depart-
24 ment for 1975 through 1979, using the least square
25 trending methodology to derive the 1980 estimate
26 of 63.16 percent and an estimated allocation
27 percentage for 1981 of 63.61 percent. Similarly,
28 for the Gas Department, the allocation percentages

1 for 1980 and 1981 were derived by computing a
2 least square trend of the recorded allocation
3 percentages for the years 1975 through 1979. This
4 trend resulted in an allocation percentage to the
5 Gas Department in 1980 of 36.83 percent and in
6 1981 of 36.38 percent.

7 6. Q. Is the method of deriving customer accounting and
8 collection expense allocation factors shown in
9 Table 2-D the same method used by the Commission
10 and Company in previous rate proceedings?

11 A. Yes, this method was first adopted by the Com-
12 mission in Decision 62446 on Application 42887
13 of August 22, 1961, the Company's 1961 gas rate
14 case and it has been used ever since.

15 7. Q. Were the allocation factors derived in Table 2-D
16 used to allocate customer accounting and col-
17 lection expenses for 1980 as expected and 1981
18 Test Year for the various departments in the
19 Results of Operations Exhibits _____ (SDG&E-3) and
20 _____ (SDG&E-4)?

21 A. Yes.

22 8. Q. You indicated in Answer 4 that Account 904 was
23 not allocated; please explain how Account 904 was
24 estimated.

25 A. The estimates of Account 904, Uncollectible Ac-
26 counts, were derived individually by department
27 based on the expected revenue to be derived from
28 the sale of electricity and natural gas.

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A. Tables 2-B and 2-C detail the recorded customer accounting and collection expenses charged to the Electric Department and Gas Department for the years 1975 through 1979 and estimated expenses for 1980 as expected, 1981 Test Year and 1981 Test Year on a zero fuel basis.

10. Q. Please explain what the adjustment to Account 904 is between 1981 Test Year and 1981 Test Year on a zero fuel basis as shown on Tables 2-A, 2-B, and 2-C.

A. 1981 Test Year on a zero fuel basis excludes uncollectible accounts resulting from fuel revenues which are not a part of base rates. Uncollectible accounts applicable to ECAC and PGA rates are recovered through those rate mechanisms.

11. Q. Does that conclude your Prepared Direct Testimony on this Chapter?

A. Yes.

CHAPTER 2
ALLOCATION OF CUSTOMER ACCOUNTING
AND COLLECTION EXPENSES

LISTING OF TABLES

<u>TABLE</u>	<u>TITLE</u>
Table 2-A	CUSTOMER ACCOUNTING AND COLLECTION EXPENSES COMBINED DEPARTMENTS
Table 2-B	CUSTOMER ACCOUNTING AND COLLECTION EXPENSES ELECTRIC DEPARTMENT
Table 2-C	CUSTOMER ACCOUNTING AND COLLECTION EXPENSES GAS DEPARTMENT
Table 2-D	CALCULATION OF PERCENTAGES USED OR TO BE USED TO ALLOCATE CUSTOMER ACCOUNTING AND COLLECTION EXPENSES FOR YEARS 1978, 1979, 1980 AND 1981

TABLE 2-A
 CUSTOMER ACCOUNTING AND COLLECTION EXPENSES
 COMBINED DEPARTMENTS
 (Thousands of dollars)

	ACCOUNT NUMBER (A)	TITLE (B)	RECORDED DATA				
			1975 (C)	1976 (D)	1977 (E)	1978 (F)	1979 (G)
1.	901	Supervision	\$ 218	\$ 193	\$ 206	\$ 222	\$ 238
2.	902	Meter Reading Expenses	1 600	1 796	1 983	2 304	2 589
3.	903.1	Customer Records & Collection Expenses- Customer Services	2 329	2 617	3 274	3 346	3 967
4.	903.2	Customer Records & Collection Expenses- Credit Management	128	147	159	159	182
5.	903.3	Customer Records & Collection Expenses- Collections	1 106	1 072	1 156	1 244	1 325
6.	903.4	Customer Records & Collection Expenses- Customer Payments	602	669	716	761	788
7.	903.5	Customer Records & Collection Expenses- Billing & Bookkeeping	815	934	947	971	1 093
8.	903.6	Customer Records & Collection Expenses- Data Processing	1 513	1 912	1 891	1 982	1 776
9.	903.7	Customer Records & Collection Expenses- Postage	856	1 132	1 127	1 244	1 423
10.	904	Uncollectible Accounts	883	840	565	672	1 099
11.	905	Miscellaneous Customer Accounts Expenses	36	41	41	42	35
12. TOTAL (Including Steam Department)			\$10 086	\$11 353	\$12 065	\$12 947	\$14 515

2-A-1

TABLE 2-A
 CUSTOMER ACCOUNTING AND COLLECTION EXPENSES
 COMBINED DEPARTMENTS

(Thousands of Dollars)

<u>ACCOUNT NUMBER</u>	<u>TITLE</u>	<u>1980 AS EXPECTED (H)</u>	<u>1981 TEST YEAR (I)</u>	<u>1981 TEST YEAR* (J)</u>
1.	901 Supervision			
2.	902 Meter Reading Expenses	\$ 267	\$ 308	\$ 308
3.	903.1 Customer Records & Collection Expenses- Customer Services	2 844	3 241	3 241
4.	903.2 Customer Records & Collection Expenses- Credit Management	4 298	4 831	4 831
5.	903.3 Customer Records & Collection Expenses- Collections	197	227	227
6.	903.4 Customer Records & Collection Expenses- Customer Payments	1 464	1 660	1 660
7.	903.5 Customer Records & Collection Expenses- Billing & Bookkeeping	877	987	987
8.	903.6 Customer Records & Collection Expenses- Data Processing	1 205	1 381	1 381
9.	903.7 Customer Records & Collection Expenses- Postage	1 932	2 092	2 092
10.	904 Uncollectible Accounts	1 444	2 068	2 068
11.	905 Miscellaneous Customer Accounts Expenses	1 472	1 819	629
		40	47	47
12. TOTAL (Including Steam Department)		\$16 040	\$18 661	\$17 471

*Zero Fuel Basis

2-A-2

TABLE 2-A
 Sheet 2 of 2

TABLE 2-B
 CUSTOMER ACCOUNTING AND COLLECTION EXPENSES
 ELECTRIC DEPARTMENT
 (Thousands of Dollars)

ACCOUNT NUMBER (A)	TITLE (B)	RECORDED DATA					
		1975 (C)	1976 (D)	1977 (E)	1978 (F)	1979 (G)	
1.	901	Supervision	\$ 133	\$ 118	\$ 127	\$ 138	\$ 149
2.	902	Meter Reading Expenses	976	1 101	1 225	1 435	1 624
3.	903.1	Customer Records & Collection Expenses- Customer Services	1 770	1 604	2 021	2 084	2 488
4.	903.2	Customer Records & Collection Expenses- Credit Management	78	90	98	99	114
5.	903.3	Customer Records & Collection Expenses- Collections	675	657	714	775	831
6.	903.4	Customer Records & Collection Expenses- Customer Payments	367	410	442	474	494
7.	903.5	Customer Records & Collection Expenses- Billing & Bookkeeping	497	573	585	605	686
8.	903.5	Customer Records & Collection Expenses- Data Processing	923	1 172	1 168	1 235	1 114
9.	903.7	Customer Records & Collection Expenses- Postage	522	694	696	775	892
10.	904	Uncollectible Accounts	700	660	495	632	982
11.	905	Miscellaneous Customer Accounts Expenses	22	25	25	26	22
12. TOTAL			\$6 313	\$7 104	\$7 596	\$8 288	\$9 396

2-B-1

TABLE 2-B
 CUSTOMER ACCOUNTING AND COLLECTION EXPENSES
 ELECTRIC DEPARTMENT

(Thousands of Dollars)

<u>ACCOUNT NUMBER</u>	<u>TITLE</u>	<u>1980 AS EXPECTED (H)</u>	<u>1981 TEST YEAR (I)</u>	<u>1981 TEST YEAR* (J)</u>
1.	901 Supervision	\$ 168	\$ 196	\$ 196
2.	902 Meter Reading Expenses	1 796	2 062	2 062
3.	903.1 Customer Records & Collection Expenses- Customer Services	2 715	3 073	3 073
4.	903.2 Customer Records & Collection Expenses- Credit Management	125	144	144
5.	903.3 Customer Records & Collection Expenses- Collections	924	1 056	1 056
6.	903.4 Customer Records & Collection Expenses- Customer Payments	554	628	628
7.	903.5 Customer Records & Collection Expenses- Billing & Bookkeeping	761	878	878
8.	903.6 Customer Records & Collection Expenses- Data Processing	1 220	1 330	1 330
9.	903.7 Customer Records & Collection Expenses- Postage	912	1 316	1 316
10.	904 Uncollectible Accounts	1 204	1 462	547
11.	905 Miscellaneous Customer Accounts Expenses	26	30	30
TOTAL		\$10 405	\$12 175	\$11 260

*Zero Fuel Basis

2-B-2

TABLE 2-B
 Sheet 2 of 2

TABLE 2-C
CUSTOMER ACCOUNTING AND COLLECTION EXPENSES
GAS DEPARTMENT

(Thousands of Dollars)

ACCOUNT NUMBER		TITLE	RECORDED DATA				
(A)	(B)		1975 (C)	1976 (D)	1977 (E)	1978 (F)	1979 (G)
1.	901	Supervision	\$ 85	\$ 75	\$ 79	\$ 84	\$ 89
2.	902	Meter Reading Expenses	624	695	758	869	965
3.	903.1	Customer Records & Collection Expenses- Customer Services	908	1 012	1 252	1 261	1 478
4.	903.2	Customer Records & Collection Expenses- Credit Management	50	57	61	60	68
5.	903.3	Customer Records & Collection Expenses- Collections	431	415	442	469	494
6.	903.4	Customer Records & Collection Expenses- Customer Payments	235	259	274	287	294
7.	903.5	Customer Records & Collection Expenses- Billing & Bookkeeping	318	361	362	366	407
8.	903.6	Customer Records & Collection Expenses- Data Processing	590	740	723	747	662
9.	903.7	Customer Records & Collection Expenses- Postage	334	438	431	469	530
10.	904	Uncollectible Accounts	183	180	70	40	117
11.	905	Miscellaneous Customer Accounts Expenses	14	16	16	16	13
12. TOTAL			\$3 772	\$4 248	\$4 468	\$4 668	\$5 117

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TABLE 2-C

CUSTOMER ACCOUNTING AND COLLECTION EXPENSES
GAS DEPARTMENT

(Thousands of Dollars)

<u>ACCOUNT NUMBER</u>	<u>TITLE</u>	<u>1980 AS EXPECTED (H)</u>	<u>1981 TEST YEAR (I)</u>	<u>1981 TEST YEAR* (J)</u>	
1.	901	Supervision	\$ 98	\$ 112	\$ 112
2.	902	Meter Reading Expenses	1 047	1 179	1 179
3.	903.1	Customer Records & Collection Expenses- Customer Services	1 583	1 758	1 758
4.	903.2	Customer Records & Collection Expenses- Credit Management	73	83	83
5.	903.3	Customer Records & Collection Expenses- Collections	539	604	604
6.	903.4	Customer Records & Collection Expenses- Customer Payments	323	359	359
7.	903.5	Customer Records & Collection Expenses- Billing & Bookkeeping	444	502	502
8.	903.6	Customer Records & Collection Expenses- Data Processing	711	761	761
9.	903.7	Customer Records & Collection Expenses- Postage	532	752	752
10.	904	Uncollectible Accounts	269	358	82
11.	905	Miscellaneous Customer Accounts Expenses	15	17	17
12.	TOTAL		<u>\$5 634</u>	<u>\$6 485</u>	<u>\$6 209</u>

*Zero Fuel Basis

2-C-2

TABLE 2-C
Sheet 2 of 2

TABLE 2-D

CALCULATION OF PERCENTAGES USED OR TO BE USED TO
 ALLOCATE CUSTOMER ACCOUNTING AND COLLECTION EXPENSES
 FOR YEARS 1978, 1979, 1980 AND 1981

Line No. (A)	<u>Year 1978</u> (B)	<u>Electric</u> (C)	<u>Gas</u> (D)	<u>Steam</u> (E)	<u>Total</u> (F)
1.	Total Customers (December 31, 1977)	682 946	461 956	63	1 144 965
2.	Add for special handling	<u>80 609</u>	<u>219</u>	<u>63</u>	<u>80 891</u>
3.	Total	763 555	462 175	126	1 225 856
4.	Percentage	62.29	37.70	0.01	100.00
<u>Year 1979</u>					
5.	Total Customers (December 31, 1978)	716 927	477 383	64	1 194 374
6.	Add for special handling	<u>86 796</u>	<u>220</u>	<u>64</u>	<u>87 080</u>
7.	Total	803 723	477 603	128	1 281 454
8.	Percentage	62.72	37.27	0.01	100.00
<u>Year 1980</u>					
9.	Percentage - Estimated	63.16	36.83	0.01	100.00
<u>Year 1981</u>					
10.	Percentage - Estimated	63.61	36.38	0.01	100.00

2-D-1

TABLE 2-D
Sheet 1 of 1

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CHAPTER 3
COMBINED DEPARTMENTS
ALLOCATION OF ADMINISTRATIVE AND GENERAL EXPENSES
PREPARED DIRECT TESTIMONY OF FRANK H. AULT

1. Q. Mr. Ault, what is the purpose of your testimony before the Commission in this proceeding?

A. I am sponsoring Chapter 3 of this exhibit regarding the allocation of administrative and general expenses.

2. Q. Would you briefly explain the type of expenses included in administrative and general expenses and to which accounts these expenses are charged?

A. The Company's administrative and general expenses include such items as salaries and expenses of general officers and general office employees, directors' fees, regulatory commission expenses, printing and stationery, other office supplies, legal and audit expenses, pension, life and health insurance and other employee benefits. It also includes franchise fees and the cost of insurance, injuries and damages. These expenses are recorded in Accounts 920 through 932.

3. Q. What is shown on Table 3-A?

A. Table 3-A shows recorded administrative and general expenses on a Combined Department basis for the years 1975 through 1979. The table also shows these expenses on a Combined Department basis for 1980 as expected, 1981 Test Year, and 1981 Test Year on a zero fuel basis.

- 1 4. Q. Are some of the administrative and general ex-
2 penses allocated to specific departments?
- 3 A. Yes. Portions of the administrative and general
4 expenses are related to specific operations.
5 Accordingly, such expenses are charged directly to
6 one or more of the Company's departments, as
7 appropriate. Many of the expenses, however, are
8 so general that they must be prorated to all
9 operating departments. Those which are allocated
10 are based on the average of the four factors shown
11 in Tables 3-D and 3-E for the recorded years 1978
12 and 1979.
- 13 5. Q. Is this four factor method the same method used by
14 the Commission and the Company for allocating
15 administrative and general expenses in previous
16 rate proceedings?
- 17 A. Yes. It is widely accepted.
- 18 6. Q. How were the administrative and general expense
19 allocation percentages for 1980 and 1981 derived?
- 20 A. Table 3-F shows the recorded allocation per-
21 centages by department for the years 1975 through
22 1979. The estimated percentages for 1980 and 1981
23 were derived by a least square trend of the re-
24 corded figures for 1975 through 1979.
- 25 7. Q. Were the allocation factors derived in Table 3-F
26 used to allocate administrative and general ex-
27 penses for 1980 as expected and the 1981 Test Year
28 to the various departments in the Results of

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Operations Exhibits _____ (SDG&E-3) and _____
(SDG&E-4)?

A. Yes.

8. Q. What is shown on Tables 3-B and 3-C?

A. Tables 3-B and 3-C show recorded administrative and general expenses charged to the Electric Department and Gas Department for the years 1975 through 1979 and estimated expenses for 1980 as expected, 1981 Test Year, and 1981 Test Year on a zero fuel basis.

9. Q. Please explain what the adjustment to Account 927 is between 1981 Test Year and 1981 Test Year on a zero fuel basis as shown on Tables 3-A, 3-B and 3-C.

A. 1981 Test Year on a zero fuel basis excludes franchise fees resulting from revenues which are not a part of base rates. Franchise fees applicable to ECAC and PGA rates are recovered through those rate mechanisms.

10. Q. Does that conclude your Prepared Direct Testimony on this Chapter?

A. Yes.

CHAPTER 3
ALLOCATION OF ADMINISTRATIVE
AND GENERAL EXPENSES

LISTING OF TABLES

<u>TABLE</u>	<u>TITLE</u>
Table 3-A	ADMINISTRATIVE AND GENERAL EXPENSES COMBINED DEPARTMENTS
Table 3-B	ADMINISTRATIVE AND GENERAL EXPENSES ELECTRIC DEPARTMENT
Table 3-C	ADMINISTRATIVE AND GENERAL EXPENSES GAS DEPARTMENT
Table 3-D	DERIVATION OF PRORATION PERCENTAGES FOR APPORTIONMENT OF ADMINISTRATIVE AND GENERAL EXPENSES FOR YEAR 1978
Table 3-E	DERIVATION OF PRORATION PERCENTAGES FOR APPORTIONMENT OF ADMINISTRATIVE AND GENERAL EXPENSES FOR YEAR 1979
Table 3-F	PERCENTAGES FOR APPORTIONMENT OF ADMINISTRATIVE AND GENERAL EXPENSES FOR YEARS 1975, 1976, 1977, 1978, 1979, 1980 AND 1981

TABLE 3-A
 ADMINISTRATIVE AND GENERAL EXPENSES
 COMBINED DEPARTMENTS
 (Thousands of Dollars)

	ACCOUNT NUMBER (A)	TITLE (B)	RECORDED DATA				
			1975 (C)	1976 (D)	1977 (E)	1978 (F)	1979 (G)
1.	920	Administrative and General Salaries	\$ 5 638	\$ 6 278	\$ 7 351	\$ 8 781	\$11 254
2.	921	Office Supplies & Expenses	2 369	2 976	4 065	5 572	6 588
3.	922	Administrative Expenses Transferred-Credit	4 363	4 727	5 629	7 430	9 494
4.	923	Outside Services Employed	649	707	746	1 084	1 114
5.	924	Property Insurance	556	1 026	1 169	1 392	1 895
6.	925	Injuries and Damages	870	982	994	1 149	1 170
7.	926	Employee Pensions and Benefits	7 399	8 792	10 701	12 129	14 039
8.	927	Franchise Requirements	7 639	9 104	10 049	11 936	13 953
9.	928	Regulatory Commission Expense	751	460	623	729	394
10.	929	Duplicate Charges-Credit	532	640	662	861	1 025
11.	930	Miscellaneous General Expenses	2 762	3 386	5 081	4 643	3 773
12.	931	Rents	516	1 092	1 044	985	1 100
13.	932	Maintenance of General Plant	1 034	1 013	1 008	1 018	1 426
14. TOTAL (Including Steam Department)			\$25 288	\$30 449	\$36 540	\$41 127	\$46 187

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TABLE 3-A
 ADMINISTRATIVE AND GENERAL EXPENSES
 COMBINED DEPARTMENTS

(Thousands of Dollars)

<u>ACCOUNT NUMBER</u>	<u>TITLE</u>	<u>1980 AS EXPECTED (H)</u>	<u>1981 TEST YEAR (I)</u>	<u>1981 TEST YEAR* (J)</u>
1. 920	Administrative and General Salaries	\$13 995	\$16 559	\$16 559
2. 921	Office Supplies & Expenses	8 298	9 617	9 617
3. 922	Administrative Expenses Transferred-Credit	9 592	11 206	11 206
4. 923	Outside Services Employed	1 451	1 384	1 384
5. 924	Property Insurance	2 031	2 437	2 437
6. 925	Injuries and Damages	1 450	1 599	1 599
7. 926	Employee Pensions and Benefits	16 314	18 832	18 832
8. 927	Franchise Requirements	19 955	24 733	6 758
9. 928	Regulatory Commission Expense	596	608	608
10. 929	Duplicate Charges-Credit	1 169	1 310	1 310
11. 930	Miscellaneous General Expenses	6 158	7 514	7 514
12. 931	Rents	1 145	1 148	1 148
13. 932	Maintenance of General Plant	1 548	1 718	1 718
		<hr/>	<hr/>	<hr/>
15. TOTAL (Including Steam Department)		\$62 180	\$73 633	\$55 658
*Zero Fuel Basis (Except Steam Department)				

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TABLE 3-B
 ADMINISTRATIVE AND GENERAL EXPENSES
 ELECTRIC DEPARTMENT
 (Thousands of Dollars)

ACCOUNT NUMBER		TITLE	RECORDED DATA				
(A)	(B)		1975 (C)	1976 (D)	1977 (E)	1978 (F)	1979 (G)
1.	920	Administrative and General Salaries	\$ 4 019	\$ 4 505	\$ 5 418	\$ 6 507	\$ 8 462
2.	921	Office Supplies & Expenses	1 713	2 178	3 015	4 183	5 012
3.	922	Administrative Expenses Transferred-Credit	2 982	3 272	3 929	5 279	6 970
4.	923	Outside Services Employed	436	477	524	846	869
5.	924	Property Insurance	502	964	1 095	1 323	1 519
6.	925	Injuries and Damages	629	728	760	883	919
7.	926	Employee Pensions and Benefits	4 967	5 967	7 290	8 432	10 107
8.	927	Franchise Requirements	5 513	7 054	7 570	9 286	10 782
9.	928	Regulatory Commission Expense	403	230	302	350	156
10.	929	Duplicate Charges-Credit	532	640	662	861	1 025
11.	930	Miscellaneous General Expenses	2 096	2 647	4 151	3 965	3 085
12.	931	Rents	368	800	757	732	834
13.	932	Maintenance of General Plant	624	620	654	685	997
14. TOTAL			\$17 756	\$22 258	\$26 945	\$31 052	\$35 047

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TABLE 3-B
ADMINISTRATIVE AND GENERAL EXPENSES
ELECTRIC DEPARTMENT

(Thousands of Dollars)

<u>ACCOUNT NUMBER</u>	<u>TITLE</u>	<u>1980</u> <u>AS EXPECTED</u> <u>(H)</u>	<u>1981</u> <u>TEST YEAR</u> <u>(I)</u>	<u>1981</u> <u>TEST YEAR*</u> <u>(J)</u>
1. 920	Administrative and General Salaries	\$10 613	\$12 733	\$12 733
2. 921	Office Supplies & Expenses	6 370	7 483	7 483
3. 922	Administrative Expenses Transferred-Credit	7 085	8 406	8 406
4. 923	Outside Services Employed	1 108	1 069	1 069
5. 924	Property Insurance	1 951	2 350	2 350
6. 925	Injuries and Damages	1 146	1 273	1 273
7. 926	Employee Pensions and Benefits	11 810	13 850	13 850
8. 927	Franchise Requirements	15 648	19 003	5 414
9. 928	Regulatory Commission Expense	315	324	324
10. 929	Duplicate Charges-Credit	1 169	1 310	1 310
11. 930	Miscellaneous General Expenses	5 502	6 853	6 853
12. 931	Rents	876	890	890
13. 932	Maintenance of General Plant	1 093	1 227	1 227
14. TOTAL		\$48 178	\$57 339	\$43 750

*Zero Fuel Basis

3-B-2

TABLE 3-C
 ADMINISTRATIVE AND GENERAL EXPENSES
 GAS DEPARTMENT
 (Thousands of Dollars)

ACCOUNT NUMBER		TITLE	RECORDED DATA				
(A)	(B)		1975 (C)	1976 (D)	1977 (E)	1978 (F)	1979 (G)
1.	920	Administrative and General Salaries	\$1 611	\$1 764	\$1 923	\$ 2 263	\$ 2 778
2.	921	Office Supplies & Expenses	653	794	1 044	1 382	1 568
3.	922	Administrative Expenses Transferred-Credit	1 373	1 446	1 690	2 138	2 511
4.	923	Outside Services Employed	212	229	221	237	244
5.	924	Property Insurance	54	62	73	67	73
6.	925	Injuries and Damages	238	251	232	263	249
7.	926	Employee Pensions and Benefits	2 416	2 805	3 390	3 673	3 910
8.	927	Franchise Requirements	2 112	2 034	2 464	2 626	3 150
9.	928	Regulatory Commission Expense	346	229	320	378	238
10.	929	Duplicate Charges-Credit	-	-	-	-	-
11.	930	Miscellaneous General Expenses	663	736	926	675	685
12.	931	Rents	147	290	285	252	265
13.	932	Maintenance of General Plant	409	392	353	332	427
14. TOTAL			\$7 488	\$8 140	\$9 541	\$10 010	\$11 076

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TABLE 3-D

DERIVATION OF PRORATION PERCENTAGES FOR APPORTIONMENT OF
ADMINISTRATIVE AND GENERAL EXPENSES
FOR YEAR 1978
(Thousands of Dollars)

Line No. (A)	Description (B)	Electric Department (C)	Gas Department (D)	Steam Department (E)	Total Departments (F)
1.	Operating and maintenance expenses less uncollectibles and adminis- trative and general expenses	\$251 891	\$ 60 317	\$ 712	\$ 312 920
2.	Per Cent	80.50	19.27	0.23	100.00
3.	Net plant less intangibles plus complete CWIP	\$842 927	\$199 884	\$1 256	\$1 044 067
4.	Per Cent	80.74	19.14	0.12	100.00
5.	Operating payroll less administra- tive and general expenses and plant construction weekly	\$ 24 917	\$ 10 821	\$ 71	\$ 35 809
6.	Per Cent	69.58	30.22	0.20	100.00
7.	Number of customers as of December 31, 1977	682 946	461 956	63	1 144 965
8.	Per Cent	59.55	40.34	0.01	100.00
9.	Sum of percentages	290.47	108.97	0.56	400.00
10.	Average of percentages	72.62	27.24	0.14	100.00

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TABLE 3-D
Sheet 1 of 1

TABLE 3-C
ADMINISTRATIVE AND GENERAL EXPENSES
GAS DEPARTMENT

(Thousands of Dollars)

<u>ACCOUNT NUMBER</u>	<u>TITLE</u>	1980 <u>AS EXPECTED</u> (H)	1981 <u>TEST YEAR</u> (I)	1981 <u>TEST YEAR*</u> (J)
1. 920	Administrative and General Salaries	\$ 3 367	\$ 3 811	\$ 3 811
2. 921	Office Supplies & Expenses	1 919	2 125	2 125
3. 922	Administrative Expenses Transferred-Credit	2 495	2 788	2 788
4. 923	Outside Services Employed	342	313	313
5. 924	Property Insurance	77	83	83
6. 925	Injuries and Damages	301	323	323
7. 926	Employee Pensions and Benefits	4 482	4 961	4 961
8. 927	Franchise Requirements	4 281	5 697	1 311
9. 928	Regulatory Commission Expense	280	283	283
10. 929	Duplicate Charges-Credit	-	-	-
11. 930	Miscellaneous General Expenses	653	659	659
12. 931	Rents	268	257	257
13. 932	Maintenance of General Plant	454	489	489
14. TOTAL		\$13 929	\$16 213	\$11 827

*Zero Fuel Basin

3-C-2

TABLE 3-C
Sheet 2 of 2

TABLE 3-E

DERIVATION OF PRORATION PERCENTAGES FOR APPORTIONMENT OF
 ADMINISTRATIVE AND GENERAL EXPENSES
 FOR YEAR 1979
 (Thousands of Dollars)

Line No. (A)	Description (B)	Electric Department (C)	Gas Department (D)	Steam Department (E)	Total Departments (F)
1.	Operating and maintenance expenses less uncollectibles and adminis- trative and general expenses	\$325 824	\$ 59 797	\$1 094	\$ 386 715
2.	Per Cent	84.26	15.46	0.28	100.00
3.	Net plant less intangibles plus complete CWIP	943 742	211 716	1 273	1 156 731
4.	Per Cent	81.59	18.30	0.11	100.00
5.	Operating payroll less administra- tive and general expenses and plant construction weekly	30 256	11 705	65	42 026
6.	Per Cent	71.99	27.85	0.16	100.00
7.	Number of customers as of December 31, 1978	716 927	477 383	64	1 194 374
8.	Per Cent	60.03	39.97	-	100.00
9.	Sum of percentages	297.87	101.58	0.55	400.00
10.	Average of percentages	74.47	25.40	0.13	100.00

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TABLE 3-F
 PERCENTAGES FOR APPORTIONMENT OF
 ADMINISTRATIVE AND GENERAL EXPENSES
 FOR YEARS 1975, 1976, 1977, 1978, 1979, 1980 AND 1981

LINE NO. (A)	Description (B)	Electric Department (C)	Gas Department (D)	Steam Department (E)	Total Departments (F)
1.	Average of proration percentages 1975	69.78	30.06	0.16	100.00
2.	Average of proration percentages 1976	70.80	29.04	0.16	100.00
3.	Average of proration percentages 1977	71.79	28.06	0.15	100.00
4.	Average of proration percentages 1978	72.62	27.24	0.14	100.00
5.	Average of proration percentages 1979	74.47	25.40	0.13	100.00
6.	1980 - Estimate	75.25	24.63	0.12	100.00
7.	1981 - Estimate	76.37	23.52	0.11	100.00

3-F-1

TABLE 3-F
 Sheet 1 of 1

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CHAPTER 4
COMBINED DEPARTMENTS
ALLOCATION OF DEPRECIATION RESERVES
AND EXPENSES FOR COMMON UTILITY PLANT
PREPARED DIRECT TESTIMONY OF ALAN G. STRACHAN

1. Q. Mr. Strachan, what is the purpose of your testimony before the Commission in this proceeding?

A. I am sponsoring Chapter 4 of this exhibit regarding the allocation of depreciation reserves and expenses for Common Utility Plant.

2. Q. What is Common Plant?

A. Common Plant consists of land, structures and equipment used jointly by several departments of the Company. Costs associated with this plant are then allocated to these departments. The allocation is accomplished by factors based on a detailed analysis of usage by each operating department of the facilities in each Common Plant Account.

3. Q. What are the allocation factors?

A. The Electric Department is assigned 72.47 percent, and the Gas Department is assigned 27.34 percent. The remaining 0.19 percent is allocated to the Steam Department which is not involved in this proceeding.

4. Q. How are the depreciation calculations made for Common Plant?

A. They are made on a straight-line remaining life basis.

5. Q. What do Tables 4-A and 4-B show?

A. Table 4-A shows the allocation of depreciation

1 expense for recorded years 1975 through 1979 and
2 the estimated allocation for 1980 and 1981.
3 The 1979, 1980 and 1981 accruals were developed
4 on depreciation rates approved in Decision 90405,
5 issued on June 5, 1979.

6 Table 4-B shows. for the same period as Table
7 4-A, the year-end depreciation reserve accrued on
8 Common Plant. These tables include the accrued
9 reserve for Transportation and Power Operated
10 Equipment. The associated depreciation expense on
11 this equipment does not appear in this Chapter.
12 It is calculated on each piece of equipment using
13 the straight-line method. This depreciation
14 expense is then charged through clearing accounts,
15 by hourly rates for use of the equipment.

16 6. Q. What does Table 4-C show?

17 A. Table 4-C shows the derivation of the factors used
18 for the years 1977 through 1981 to allocate
19 Common Utility Plant to the Electric, Gas and
20 Steam Departments. In order to develop the alloca-
21 tion factors shown at the bottom of the page, a
22 detailed analysis of the usage by each department
23 of the facilities in each Common Plant account was
24 made. The analysis shown in Table 4-C was made
25 in 1976.

26 7. Q. Does that conclude your Prepared Direct Testimony
27 on this Chapter?

28 A. Yes.

CHAPTER 4
ALLOCATION OF DEPRECIATION
RESERVE AND EXPENSE
FOR COMMON UTILITY PLANT

LISTING OF TABLES

<u>TABLE</u>	<u>TITLE</u>
Table 4-A	ALLOCATION TO DEPARTMENTS OF DEPRECIATION EXPENSE RELATING TO COMMON UTILITY PLANT
Table 4-B	ALLOCATION TO DEPARTMENTS OF DEPRECIATION RESERVE RELATING TO COMMON UTILITY PLANT
Table 4-C	DERIVATION OF COMMON ALLOCATION FACTORS

TABLE 4-A
 ALLOCATION TO DEPARTMENTS OF DEPRECIATION EXPENSE
 RELATING TO COMMON UTILITY PLANT
 (Thousands of Dollars)

LINE NO.	DESCRIPTION	RECORDED DATA				
		1975 (C)	1976 (D)	1977 (E)	1978 (F)	1979 (G)
1.	Electric					
	Proration Percentage	70.31	70.31	72.47	72.47	72.47
	Depreciation Expense	474	378	401	427	476
2.	Gas					
	Proration Percentage	29.48	29.48	27.34	27.34	27.34
	Depreciation Expense	199	159	152	161	179
3.	Steam					
	Proration Percentage	0.21	0.21	0.19	0.19	0.19
	Depreciation Expense	2	1	1	1	1
4.	Total Common Utility Plant Expense	675	538	554	589	656

I-V-7

TABLE 4-A
 ALLOCATION TO DEPARTMENTS OF DEPRECIATION EXPENSE
 RELATING TO COMMON UTILITY PLANT
 (Thousands of Dollars)

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>1980 AS EXPECTED (H)</u>	<u>1981 TEST YEAR (I)</u>	<u>1981 AT PROPOSED RATES (J)</u>
1.	Electric			
	Proration Percentage	72.47	72.47	72.47
	Depreciation Expense	586	699	699
2.	Gas			
	Proration Percentage	27.34	27.34	27.34
	Depreciation Expense	221	264	264
3.	Street			
	Proration Percentage	0.19	0.19	0.19
	Depreciation Expense	2	2	2
4.	Total Common Utility Plant Expense	809	965	965

4-A-2

TABLE 4-B
 ALLOCATION TO DEPARTMENTS OF DEPRECIATION RESERVE
 RELATING TO COMMON UTILITY PLANT
 (Thousands of Dollars)

LINE NO. (A)	DESCRIPTION (B)	RECORDED DATA				
		1975 (C)	1976 (D)	1977 (E)	1978 (F)	1979 (G)
1.	Electric					
	Proration Percentage	70.31	70.31	72.47	72.47	72.47
	Depreciation Reserve	7,154	7,434	5,374	5,426	5,688
2.	Gas					
	Proration Percentage	29.48	29.48	27.34	27.34	27.34
	Depreciation Reserve	3,000	3,117	2,027	2,067	2,146
3.	Steam					
	Proration Percentage	0.21	0.21	0.19	0.19	0.19
	Depreciation Reserve	21	22	14	14	15
4.	Total Common Utility Plant Reserve	10,175	10,573	7,415	7,487	7,849

4-B-1

TABLE 4-B
 ALLOCATION TO DEPARTMENTS OF DEPRECIATION RESERVE
 RELATING TO COMMON UTILITY PLANT
 (Thousands of Dollars)

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>1980 AS EXPECTED (H)</u>	<u>1981 TEST YEAR (I)</u>	<u>1981 AT PROPOSED RATES (J)</u>
1.	Electric			
	Proration Percentage	72.47	72.47	72.47
	Depreciation Reserve	6,399	7,065	7,065
2.	Gas			
	Proration Percentage	27.34	27.34	27.34
	Depreciation Reserve	2,414	2,665	2,665
3.	Steam			
	Proration Percentage	0.19	0.19	0.19
	Depreciation Reserve	17	19	19
4.	Total Common Utility Plant Reserve	8,830	9,749	9,749

*no
dispute*

4-B-2

TABLE 4-C
DERIVATION OF COMMON ALLOCATION FACTORS
(THOUSANDS OF DOLLARS)

Common Account	Derived Allocation			Total
	Electric	Gas	Steam	
389.1 Land	1,270.7	649.7	3.8	1,924.2
389.2 Land Rights	1.1	.1	-	1.2
390 Structures & Improvements	4,447.2	2,116.2	11.9	6,575.3
391 Office Furniture & Equip.	1,815.9	714.9	4.7	2,535.5
392.1 Transportation Eq.-Autos	2,350.0	1,228.7	15.0	3,599.7
392.2 Transportation Eq.-Trailers	413.0	131.8	.1	544.9
393 Stores & Equipment	228.0	45.1	.3	273.4
394.1 Portable Tools	433.3	106.0	.7	540.0
394.2 Shop Equipment	181.5	71.6	-	253.1
394.3 Garage Equipment	248.4	84.5	.9	333.8
395 Laboratory Equipment	42.4	7.8	.1	50.3
396 Power-Operated Equipment	2,719.7	473.4	.5	3,193.6
397 Communication Equipment	1,858.8	454.8	2.3	2,315.9
398 Miscellaneous Equipment	480.0	138.9	1.6	620.5
Total Allocated Common Accounts	16,496.0	6,223.5	41.9	22,761.4
Composite Allocation %	72.47	27.34	.19	

The totals in the table above are as of 12-31-75, adjusted to exclude facilities removed from utility use. Individual account totals were allocated to departments using various allocation methods.

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CHAPTER 5
COMBINED DEPARTMENTS
SUMMARY OF EARNINGS
PREPARED DIRECT TESTIMONY OF PAUL A. WILLIAMS II

1. Q. Mr. Williams, what is the purpose of your testimony in this proceeding?

A. I am sponsoring Chapter 5 of this exhibit regarding summary of earnings. The components of the figures in this Chapter will be discussed in greater detail by subsequent witnesses in their respective areas of expertise. In addition, I intend to discuss the major economic assumptions underlying the estimates.

2. Q. Please describe the tables included in the Chapter.

A. Historical data for the years 1975, 1976, 1977, 1978 and 1979 and projected data for 1980 and 1981 Combined Departments are depicted in Table 5-A. Combined Departments for this proceeding consist of the Electric and Gas Departments. In order to expedite the proceeding, no request for a Steam Department rate increase has been made and, therefore, the Steam Department results have been excluded from these tables. Table 5-B displays recorded and projected data for the Electric Department, while Table 5-C shows similar data for the Gas Department.

The three tables, 5-A, 5-B and 5-C are constructed using the same format. Recorded data is listed on sheet 1. Referring to sheet 2, columns

1 H and I, 1980 as expected and 1981 Test Year at
2 present rates, respectively, include fuel expenses.
3 Column J also represents 1981 Test Year at present
4 rates, but it has been adjusted to a zero fuel
5 basis. The Test Year at proposed rates, column K,
6 is also depicted on a zero fuel basis.

7 3. Q. Please discuss the adjustments made to exclude
8 fuel-related items.

9 A. Adjustments have been made to both the Electric
10 Department and the Gas Department to exclude all
11 fuel-related revenues and expenses which are
12 treated in separate filings before the Commission.
13 These adjustments would, of course, carry over
14 into Combined Department results. In the operating
15 revenue section of Table 5-A, sales to customers
16 (line 1), interdepartmental (line 2), PGA and SAM
17 adjustment (line 4), and ECAC adjustment (line 5)
18 are all affected by the zero base fuel adjustment.
19 Fuel expense, shown in line 7, has also been
20 adjusted. Customer accounting and collection
21 expenses (line 12), and administrative and general
22 expenses (line 14), are adjusted commensurately
23 because uncollectible and franchise fees are a
24 function of gross revenues.

25 4. Q. Do any of these adjustments affect the overall
26 rate of return shown on line 24 of Table 5-A?

27 A. No, they do not.
28

1 5. Q. What are the major economic assumptions underlying
2 the estimated data?
3 A. For 1980 and 1981, the Consumer Price Index (CPI)
4 is assumed to be 10.0 percent and 9.0 percent,
5 respectively. The Producer Price Index (PPI) is
6 estimated to be 10.0 percent in 1980 and 10.0
7 percent again in 1981. The Company subscribes to
8 a well-known econometric forecasting service
9 provided by Data Resources, Inc. (DRI). DRI
10 publishes a monthly review of the United States
11 economy which contains, among other things, fore-
12 casts of basic economic parameters such as the
13 CPI, PPI, etc. The DRI forecast published in
14 November, 1979, was utilized for the Company's
15 estimates.
16 6. Q. What are the wage increase assumptions in the
17 Company estimates, and when are they assumed to
18 become effective?
19 A. The internal labor increase for 1980 is 9.5 percent
20 which has been ratified by the Union and imple-
21 mented by the Company. The labor increase for
22 1981 is assumed to be 13.5 percent which repre-
23 sents the impact of an offer made by the Company,
24 but not yet accepted by the Union.
25 The wage increase for 1980 is assumed to be
26 effective on February 1, and for 1981 is assumed
27 to be effective March 1, since the Company will be
28 filing a 1982 Test Year also. These dates coin-

1 cide with the expiration date of our contract with
2 the Union.

3 7. Q. Please discuss the basis for the revenue forecast.

4 A. Revenues, excluding those revenues directly related
5 to fuel, are predicated upon rates in effect on
6 June 10, 1979, as provided for in the Commission's
7 Decision 90405 of June 5, 1979.

8 8. Q. Are the rate base figures included in Tables 5-A,
9 5-B and 5-C computed on a weighted average basis?

10 A. Yes.

11 9. Q. Please identify the rate increases requested by
12 the various departments.

13 A. The total increase in base rates requested in this
14 proceeding is \$144,810,000. \$126,630,000 of the
15 increase is attributed to the Electric Department,
16 while \$18,180,000 relates to the Gas Department.

17 10. Q. Please describe, in general, the methodology used
18 to derive these rate increase requests.

19 A. Based upon the projected data for the Test Year at
20 present rates, shown in Table 5-A, column J,
21 revenues were increased by the Consolidated
22 Finance Model to generate a 14.50 percent rate-
23 making return on equity for the 1981 Test Year.
24 The 14.50 percent return on common equity equates
25 to an 11.44 percent return on rate base (column K,
26 line 24), as discussed in the Cost of Capital
27 Exhibit _____ (SDG&E-1). The total rate increase
28 was allocated to the departments on the basis of a

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uniform rate of return. This process also reflects appropriate increases in expenses for uncollectibles, franchise fees and income taxes. Any decrease in these rate increase requests would cause the Company to fall short of the 11.44 percent rate of return, and its previously authorized 14.50 percent return on common equity.

11. Q. Mr. Williams, are there any methodological changes from Decision 90405 included in this Application?

A. No. Major changes in methodology were excluded from the filing in order to expedite authorization of rate relief by January 1, 1981. For the same reason, the cost of equity capital was left unchanged at its previous level of 14.50 percent.

12. Q. Does that conclude your Prepared Direct Testimony on this Chapter?

A. Yes.

CHAPTER 5
SUMMARY OF EARNINGS

LISTING OF TABLES

<u>TABLE</u>	<u>TITLE</u>
Table 5-A	SUMMARY OF EARNINGS - COMBINED DEPARTMENTS
Table 5-B	SUMMARY OF EARNINGS - ELECTRIC DEPARTMENT
Table 5-C	SUMMARY OF EARNINGS - GAS DEPARTMENT

TABLE 5-A
SUMMARY OF EARNINGS-COMBINED DEPARTMENTS (1)
(Thousands of Dollars)

LINE NO.	TITLE	RECORDED DATA				
		1975 (C)	1976 (D)	1977 (E)	1978 (F)	1979 (G)
	<u>Operating Revenues</u>					
1.	Sales to Customers	\$371,687.9	\$458,209.3	\$488,099.1	\$587,845.9	\$691,344.2
2.	Interdepartmental	14,615.3	19,756.2	38,548.2	55,687.8	85,516.1
3.	Miscellaneous	1,858.4	(1,150.2)	1,494.2	1,621.6	9,514.9
4.	PGA and SAM Adjustment	-	(3,130.1)	2,459.0	610.5	(3,254.6)
5.	ECAC Adjustment	-	(12,522.6)	-	-	27,561.9
6.	Property Tax Adjustment	-	-	-	(1,123.4)	154.9
7.	Total Operating Revenues	\$388,161.6	\$461,162.6	\$530,600.5	\$644,642.4	\$800,837.4
	<u>Operating Expenses</u>					
8.	Fuel(2)	221,959.7	249,516.4	326,479.7	362,023.8	486,933.6
9.	Gas Storage	625.7	617.3	734.1	930.6	1,775.6
10.	Other Production	12,381.4	11,295.9	(14,831.7)	35,436.1	40,564.1
11.	Transmission	5,458.8	5,071.0	5,801.3	5,877.6	7,615.2
12.	Distribution	17,518.0	17,987.3	19,028.2	22,192.9	26,041.5
13.	Customer Accounting & Collection	10,084.7	11,351.5	12,064.0	12,946.2	14,513.3
14.	Marketing	1,373.6	1,784.3	2,046.2	2,574.8	4,178.5
15.	Administrative & General	25,244.4	30,398.3	36,486.6	41,061.9	46,123.2
16.	Subtotal	\$294,646.3	\$328,022.0	\$387,808.4	\$483,043.9	\$627,745.0
17.	Depreciation & Amortization	28,844.1	30,233.8	33,703.2	37,946.0	47,557.7
	<u>Taxes</u>					
18.	Ad Valorem	14,999.4	18,001.0	19,469.6	16,529.0	13,143.3
19.	Income (3)	2,193.0	19,414.0	5,707.0	12,388.0	12,395.0
20.	Payroll and Miscellaneous	1,705.8	1,971.7	2,147.5	2,343.0	3,020.4
21.	Total Taxes	\$18,898.2	\$39,386.7	\$27,324.1	\$31,260.0	\$28,558.7
22.	Total Operating Expenses	\$342,388.6	\$397,642.5	\$448,835.7	\$552,249.9	\$703,861.4
23.	Net Operating Income	\$45,773.0	\$63,520.1	\$81,764.8	\$92,392.5	\$96,976.0
24.	Weighted Average Rate Base	\$747,377.0	\$793,983.0	\$833,135.8	\$944,364.9	\$1,081,435.1
25.	Rate of Return (%)	6.12%	8.00%	9.81%	9.78%	8.97%

(1) Excludes Steam Department. Adjustments made to both expenses and revenues for balancing account under/over collections in 1975-1978. Adjustments made to revenues for balancing account under/over collections in 1979.
(2) Includes cost of GN-5 gas. (3) Income taxes adjusted for ratemaking methodology.

S-A-1

TABLE 5-A
Sheet 1 of 2

TABLE 5-A
SUMMARY OF EARNINGS-COMBINED DEPARTMENTS ⁽¹⁾
(Thousands of Dollars)

LINE NO.	TITLE	1980 AS EXPECTED (H)	1981 TEST YEAR (I)	1981 TEST YEAR ⁽²⁾ (J)	1981 AT PROPOSED RATES ⁽²⁾ (K)
<u>Operating Revenues</u>					
1.	Sales to Customers ⁽³⁾	\$ 993,302	\$1,216,063	\$ 325,069	\$ 458,692
2.	Interdepartmental	139,432	102,259	5,676	16,863
3.	Miscellaneous	8,860	8,451	8,451	8,451
4.	PGA & SAM Adjustment	11,355	(5,518)	-	-
5.	ECAC Adjustment	(21,719)	(26,550)	-	-
6.	Total Operating Revenues	<u>\$1,131,230</u>	<u>\$1,294,705</u>	<u>\$ 339,196</u>	<u>\$ 484,006</u>
<u>Operating Expenses</u>					
7.	Fuel ⁽³⁾	783,629	947,029	13,141	13,141
8.	Gas Storage	1,896	2,088	2,088	2,088
9.	Other Production	43,996	52,226	49,770	49,770
10.	Transmission	8,834	10,470	10,470	10,470
11.	Distribution	30,304	36,586	36,586	36,586
12.	Customer Accounting & Collection	16,039	18,660	17,470	17,687
13.	Marketing	10,679	19,235	19,235	19,235
14.	Administrative & General	62,107	73,551	55,576	58,480
15.	Subtotal	<u>\$ 957,484</u>	<u>\$1,159,845</u>	<u>\$ 204,336</u>	<u>\$ 207,457</u>
16.	Depreciation & Amortization	53,721	58,617	58,617	58,617
<u>Taxes</u>					
17.	Ad Valorem	13,539	14,379	14,379	14,379
18.	Income	9,087	12,773	12,773	51,927
19.	Payroll & Miscellaneous	3,477	4,306	4,306	4,306
20.	Total Taxes	<u>\$ 26,103</u>	<u>\$ 31,458</u>	<u>\$ 31,458</u>	<u>\$ 70,612</u>
21.	Total Operating Expenses	<u>\$1,037,308</u>	<u>\$1,249,920</u>	<u>\$ 294,411</u>	<u>\$ 336,686</u>
22.	Net Operating Income	\$ 93,992	\$ 44,785	\$ 44,785	\$ 147,320
23.	Weighted Average Rate Base	\$1,170,382	\$1,287,410	\$1,287,410	\$1,287,410
24.	Rate of Return (%)	<u>8.02%</u>	<u>3.48%</u>	<u>3.48%</u>	<u>11.44%</u>

(1) Excludes Steam Department. (2) Zero fuel basis. (3) Includes cost of GN-5 gas.

5-A-2

TABLE 5-A
Sheet 2 of 2

TABLE 5-B
SUMMARY EARNINGS-ELECTRIC DEPARTMENT (1)
(Thousands of Dollars)

LINE NO. (A)	TITLE (B)	RECORDED DATA				
		1975 (C)	1976 (D)	1977 (E)	1978 (F)	1979 (G)
	<u>Operating Revenues</u>					
1	Sales to Customers	\$283,239.1	\$368,185.7	\$387,432.7	\$478,931.4	\$556,562.9
2	Miscellaneous	1,430.9	(1,484.5)	991.7	969.8	8,428.6
	ECAC Adjustment	-	(12,522.6)	-	-	27,561.9
	Property Tax Adjustment	-	-	-	(833.0)	(4.5)
3	Total Operating Revenues	\$284,670.0	\$354,178.6	\$388,424.4	\$479,068.2	\$592,548.9
	<u>Operating Expenses</u>					
4	Fuel	160,190.4	186,976.8	241,648.6	262,012.2	331,498.4
5	Other Production	12,381.4	11,295.9	(14,831.7)	35,436.1	40,564.1
6	Transmission	4,775.3	4,402.3	5,088.8	4,915.9	6,450.9
7	Distribution	10,635.5	10,489.0	11,656.2	14,337.0	17,186.1
8	Customer Accountin. & Collection	6,312.6	7,104.1	7,596.7	8,278.0	9,396.1
9	Marketing	834.0	1,003.8	1,228.0	1,477.5	2,488.7
10	Administrative & Gene. -l	17,756.5	22,258.1	25,945.4	31,051.9	35,046.7
11	Subtotal	\$212,885.7	\$243,530.0	\$279,331.4	\$357,508.6	\$442,631.0
12	Depreciation & Amortization	22,868.6	24,023.8	27,110.2	30,923.6	40,018.2
	<u>Taxes</u>					
13	Ad Valorem	12,195.9	14,493.8	15,552.5	13,261.1	10,758.3
14	Income (2)	-	16,359.0	2,126.0	3,764.0	11,254.0
15	Payroll & Miscellaneous	1,196.0	1,395.8	1,564.0	1,732.2	2,278.3
16	Total Taxes	\$ 13,391.9	\$ 32,248.6	\$ 19,242.5	\$ 18,757.3	\$ 24,290.6
17	Total Operating Expenses	\$249,146.2	\$299,802.4	\$325,684.1	\$407,189.5	\$506,939.8
18	Net Operating Income	\$ 35,523.8	\$ 54,376.2	\$ 62,740.3	\$ 71,878.7	\$ 85,609.1
19	Weighted Average Rate Base	\$623,960.4	\$668,878.8	\$704,775.9	\$811,538.9	\$878,657.6
20	Rate of Return (%)	<u>5.69%</u>	<u>8.13%</u>	<u>8.90%</u>	<u>8.86%</u>	<u>9.74%</u>

(1) Adjustments made to both expenses and revenues for balancing account under/over collections in 1975-1978. Adjustments made to revenues for balancing account under/over collections in 1979.

(2) Operating loss for ratemaking purposes in 1975. Income taxes adjusted for ratemaking methodology in subsequent years.

TABLE 5-B

SUMMARY OF EARNINGS-ELECTRIC DEPARTMENT
(Thousands of Dollars)

LINE NO.	TITLE	1980 AS EXPECTED (H)	1981 TEST YEAR (I)	1981 TEST YEAR ⁽¹⁾ (J)	1981 AT PROPOSED RATES ⁽¹⁾ (K)
	Operating Revenues				
1.	Sales to Customers	\$ 815,092	\$ 978,719	\$ 275,868	\$ 402,498
2.	Miscellaneous	7,506	7,075	7,075	7,075
3.	ECAC Adjustment	(21,719)	(26,550)	-	-
4.	Total Operating Revenues	\$ 800,879	\$ 959,244	\$ 282,943	\$ 409,573
	Operating Expenses				
5.	Fuel	513,926	673,336	13,995	13,995
6.	Other Production	43,996	52,226	49,770	49,770
7.	Transmission	7,135	8,649	8,649	8,649
8.	Distribution	20,341	25,101	25,101	25,101
9.	Customer Accounting & Collection	10,405	12,175	11,260	11,450
10.	Marketing	8,235	14,802	14,802	14,802
11.	Administrative & General	48,178	57,339	43,750	40,219
12.	Subtotal	\$ 652,216	\$ 843,628	\$ 167,327	\$ 169,936
13.	Depreciation & Amortization	45,686	50,076	50,076	50,076
	Taxes				
14.	Ad Valorem	11,013	11,709	11,709	11,709
15.	Income	7,943	11,235	11,235	45,326
16.	Payroll & Miscellaneous	2,623	3,248	3,248	3,248
17.	Total Taxes	\$ 21,579	\$ 26,192	\$ 26,192	\$ 60,283
18.	Total Operating Expenses	\$ 719,481	\$ 919,896	\$ 243,595	\$ 280,345
19.	Net Operating Income	\$ 81,398	\$ 39,348	\$ 39,348	\$ 129,228
20.	Weighted Average Rate Base	\$1,019,533	\$1,129,302	\$1,129,302	\$1,129,302
21.	Rate of Return (%)	<u>7.98%</u>	<u>3.48%</u>	<u>3.48%</u>	<u>11.44%</u>

(1) Zero fuel basis.

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TABLE 5-C
SUMMARY OF EARNINGS-GAS DEPARTMENT (1)
(Thousands of Dollars)

LINE NO.	TITLE	RECORDED DATA				
		1975 (C)	1976 (D)	1977 (E)	1978 (F)	1979 (G)
	<u>Operating Revenues</u>					
1.	Sales to Customers	\$ 88,448.8	\$ 90,023.6	\$100,666.4	\$108,914.5	\$134,781.3
2.	Interdepartmental (2)	14,615.3	19,756.2	38,548.2	55,687.8	85,516.1
3.	Miscellaneous	427.5	334.3	502.5	651.8	1,086.3
4.	Purchased Gas Adjustment	-	(3,130.1)	2,459.0	671.1	11,490.6
5.	SAF Adjustment	-	-	-	(60.6)	(24,745.2)
6.	Property Tax Adjustment	-	-	-	(290.4)	159.4
7.	Total Operating Revenues	\$103,491.6	\$106,984.0	\$142,176.1	\$165,574.2	\$208,288.5
	<u>Operating Expenses</u>					
8.	Gas Supply (2)	61,769.3	62,539.6	84,831.1	100,011.6	155,435.2
9.	Gas Storage	625.7	617.3	734.1	930.6	1,775.6
10.	Transmission	683.5	668.7	712.5	961.7	1,164.3
11.	Distribution	6,882.5	7,498.3	7,372.0	7,855.9	8,855.4
12.	Customer Accounting & Collection	3,772.1	4,247.4	4,467.9	4,668.2	5,117.2
13.	Marketing	539.6	780.5	818.2	1,097.3	1,689.8
14.	Administrative & General	7,487.9	8,140.2	9,541.2	10,010.0	11,076.5
15.	Subtotal	\$81,760.6	\$84,492.0	\$108,477.0	\$125,535.3	\$185,114.0
16.	Depreciation & Amortization	5,975.5	6,210.0	6,593.0	7,022.4	7,539.5
	<u>Taxes</u>					
17.	Ad Valorem	- 803.5	3,597.2	3,917.1	3,267.9	2,385.0
18.	Income (3)	2,193.0	3,055.0	3,581.0	8,624.0	1,141.0
19.	Payroll & Miscellaneous	509.8	575.9	583.5	610.8	742.1
20.	Total Taxes	\$5,506.3	\$7,138.1	\$8,081.6	\$12,502.7	\$4,268.1
21.	Total Operating Expenses	\$93,242.4	\$97,840.1	\$123,151.6	\$145,060.4	\$196,921.6
22.	Net Operating Income	\$10,249.2	\$9,143.9	\$19,024.5	\$20,513.8	\$11,366.9
23.	Weighted Average Rate Base	\$123,416.6	\$125,104.2	\$128,359.9	\$132,826.0	\$139,777.5
24.	Rate of Return (%)	<u>8.30%</u>	<u>7.31%</u>	<u>14.82%</u>	<u>15.44%</u>	<u>8.13%</u>

(1) Adjustments made to both expenses and revenues for balancing account under/over collections in 1975-1978. Adjustments made to revenues for balancing account under/over collections in 1979.

(2) Includes cost of GN-5 gas. (3) Income taxes adjusted for ratemaking methodology.

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TABLE 5-C
Sheet 1 of 2

TABLE 5-C

SUMMARY OF EARNINGS-GAS DEPARTMENT
(Thousands of Dollars)

LINE NO.	TITLE	1980 AS EXPECTED (H)	1981 TEST YEAR (I)	1981 TEST YEAR (1) (J)	1981 AT PROPOSED RATES (1) (K)
	<u>Operating Revenues</u>				
1.	Sales to Customers	\$178,210	\$237,344	\$ 49,201	\$ 56,194
2.	Interdepartmental (2)	139,432	102,259	5,676	16,863
3.	Miscellaneous	1,354	1,376	1,376	1,376
4.	PGA & SAM Adjustment	11,355	(5,518)	-	-
5.	Total Operating Revenues	\$330,351	\$335,461	\$ 56,253	\$ 74,433
	<u>Operating Expenses</u>				
6.	Gas Supply(2)	269,703	273,693	(854)	(854)
7.	Gas Storage	1,896	2,088	2,088	2,088
8.	Transmission	1,699	1,821	1,821	1,821
9.	Distribution	9,963	11,485	11,485	11,485
10.	Customer Accounting & Collection	5,634	6,485	6,210	6,237
11.	Marketing	2,444	4,433	4,433	4,433
12.	Administrative & General	13,929	16,212	11,826	12,261
13.	Subtotal	\$305,263	\$316,217	\$ 37,009	\$ 37,471
14.	Depreciation & Amortization	8,035	8,541	8,541	8,541
	<u>Taxes</u>				
15.	Ad Valorem	2,526	2,670	2,670	2,670
16.	Income	1,144	1,538	1,538	6,601
17.	Payroll & Miscellaneous	854	1,058	1,058	1,058
18.	Total Taxes	\$ 4,524	\$ 5,266	\$ 5,266	\$ 10,329
19.	Total Operating Expenses	\$317,827	\$330,024	\$ 50,816	\$ 56,351
20.	Net Operating Income	\$ 12,524	\$ 5,437	\$ 5,437	\$ 18,092
21.	Weighted Average Rate Base	\$150,849	\$158,108	\$158,108	\$158,108
22.	Rate of Return (%)	8.30%	3.44%	3.44%	11.44%

(1) Zero fuel basis.

(2) Includes cost of CV-5 gas.