

ORIGINAL

Decision No. 65176

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
SOUTHERN CALIFORNIA GAS COMPANY and )  
SOUTHERN COUNTIES GAS COMPANY OF )  
CALIFORNIA for authorization to )  
carry out the terms of an agreement )  
reallocating gas supply and trans- )  
mission costs. )

Application No. 45149

OPINION AND ORDER

Southern California Gas Company and Southern Counties Gas Company of California by the above-entitled application filed January 31, 1963, seek an order of the Commission authorizing them to carry out the terms and conditions of their gas supply and transmission and storage cost reallocation agreement dated January 29, 1963. A copy of the agreement is attached to the application as Section A of Exhibit 1.

A similar agreement covering reallocation of gas purchase costs and annual costs associated with jointly used and jointly owned transmission and storage facilities has been in effect since January 1, 1955, and was approved by Decision No. 50718 in Application No. 35690. This prior agreement, originally dated August 4, 1954, was renewed for a period of five years (ending December 31, 1962) pursuant to authority granted in Decision No. 55981.

Applicants allege that through the operation of the 1954 agreement and its extension it has been possible for both companies to make full and efficient use of their total gas supply and

interconnected transmission and storage facilities. Accordingly, applicants propose to continue the general cost reallocation arrangement for a period of three years until January 1, 1966, with certain modifications. The arrangement under the prior agreement, whereby the costs of natural gas purchased are allocated in proportion to the respective total volumetric purchases of each company, remains unchanged and functions to equalize the unit costs under the existing condition of each company buying gas from several sources. A change has been made in the method of reallocation of annual transmission and storage costs.

As shown by the following statistics, Southern Counties Gas Company's share of large interruptible type gas sales has been steadily increasing over the past several years:

	<u>Percentage of Total Large Interruptible Type Sales</u>		<u>Percentage of Large Interruptible Type Sales to Total Sales</u>	
	<u>So. Cal.</u>	<u>So. Cos.</u>	<u>So. Cal.</u>	<u>So. Cos.</u>
1958	73.60%	26.40%	32.07%	26.33%
1959	66.93	33.07	32.97	33.03
1960	69.45	30.55	31.80	28.21
1961	63.78	36.22	34.33	35.97
1962	53.64	46.36	29.19	39.66
1963 (Est.)	51.73	48.27	29.74	41.49

Applicants recognize that annual transmission and storage costs should not be applied uniformly to all classes of service unless the "load mix", particularly the ratio of large interruptible type sales to total sales, is nearly identical for each company. In view of the steadily increasing relative shares of large interruptible sales by Southern Counties Gas Company, the following formula has been devised to accomplish a more equitable sharing of these costs:

1. From the aggregate of the total transmission and storage costs, an average cost per Mcf based on the total annual volumetric gas purchases for both companies is to be determined.
2. All steam-electric and cement plant sales volumes, whether sold directly under an established rate schedule or indirectly under a wholesale rate schedule, are to be assigned a dollar cost derived by multiplying such volumes by 50 percent of the average cost per Mcf as derived in Item 1.
3. The large interruptible-type sales volumes used and the amounts derived in Item 2 are to be deducted from the total purchase volumes and the total transmission and storage costs, and the balance of such costs is to be allocated to the companies in proportion to the remaining volumes of gas, i.e., total purchase volumes reduced by the described interruptible-type of sales volumes.

According to applicants, this formula reduces Southern Counties Gas Company's share of transmission and storage facilities costs by \$517,000 for the year 1963 estimated. This is shown as follows:

	<u>New Agreement</u> (Thousands of Dollars)	<u>Prior Agreement</u> (Thousands of Dollars)
Southern California Gas Company	\$21,683	\$21,166
Southern Counties Gas Company of California	<u>13,338</u>	<u>13,855</u>
Total	\$35,021	\$35,021

The new agreement, if authorized by this Commission, is to become effective with the period beginning January 1, 1963, and shall be in effect for three years until January 1, 1966. The agreement provides that it shall at all times be subject to such changes or modifications as this Commission may, from time to time, direct in the exercise of its jurisdiction. The reallocation arrangements as set forth in this agreement are, of course, subject to any required review at the time of future rate proceedings.

Such arrangements bear a close relationship to the provisions of the 1954 agreement which was approved after public hearing.

The Commission has considered the request of the applicants and finds that the application should be granted and that a public hearing is not necessary.

IT IS ORDERED that:

1. Applicants are authorized to carry out the terms and conditions of the written agreement dated January 29, 1963, between Southern California Gas Company and Southern Counties Gas Company of California.

2. Applicants shall file with the Commission within thirty days after the effective date of this order four certified copies of the agreement as executed, together with a statement of the date on which the agreement is deemed to have become effective.

3. Applicants shall file with the Commission within ninety days following the close of each calendar year a statement of the facilities included under the reallocation agreement as of the end of the year and the book cost thereof, together with a statement of cost reallocations between the two companies for such calendar year.

4. Applicants shall notify this Commission of the date of termination of said contract within thirty days after said date of termination.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 9th day of APRIL, 1963.

George T. Grover  
President  
William W. [unclear]  
Frederick B. Holbrook  
Valleson W. [unclear]  
Commissioners