

Decision No. 75802

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
PACIFIC LIGHTING SERVICE AND SUPPLY)
COMPANY for an increase in gas rates)
to offset higher costs occasioned by)
an increase in the rates of El Paso)
Natural Gas Company, to utilize)
certain gas cost reductions, and to)
change its tariff to a cost-of-)
service basis.)

Application No. 50715
(Filed November 29, 1968)

(Appearances are listed in Appendix A)

OPINION ON REQUEST FOR RATE INCREASE

Consolidation

By Application No. 50715 and Applications Nos. 50713 and 50714, filed concurrently, Pacific Lighting Service and Supply Company^{1/} and its affiliates, Southern California Gas Company (SoCal) and Southern Counties Gas Company of California (SoCounties), seek among other things authority to increase their rates for gas service. The increases are sought to offset the effects of an increase in the cost of gas supplies from El Paso Natural Gas Company (El Paso) and of an increase in taxes attributable to the 10 percent federal income tax surcharge (Surtax), after utilization of certain gas cost reductions. These applications, which have been consolidated for purposes of hearing and companion decisions, contemplate dividing authorizations sought into two phases. Ten days of public hearing relating to Phase I were held in Los Angeles

^{1/} Name changed to Pacific Lighting Service Company as of March 1, 1969.

before Commissioner Morrissey and/or Examiner Main during the period from January 2, 1969, through February 7, 1969. At the conclusion of oral argument held on February 13, 1969, before Commissioners Morrissey and Symons, and Examiner Main, the Phase I portions of these applications were taken under submission.

The increase in rates for gas service sought by SoCounties and SoCal have been dealt with earlier and resulted in Decisions Nos. 75428 and 75429 in Applications Nos. 50714 and 50713 respectively.

Applicant's Request

By the above-entitled application Pacific Lighting Service and Supply Company requests in Phase I:

(1) Authority to revise its rates for gas service to its affiliates so as to yield net additional gross revenues of \$3,000 in the test year ending December 31, 1969 to offset the effects of Surtax and the increased cost of California-source gas caused by the El Paso increase (FPC Docket No. RP69-6), after applying a portion of certain gas cost reductions and flowing through the remainder of such reductions to its affiliates. To so revise its rates applicant proposes to increase its commodity charge for "All other regular commodity gas", which is California-source gas, from 30.94 cents per Mcf to 31.74 cents per Mcf and to decrease its commodity charge for gas purchased from Transwestern Pipeline Company from 21.76 cents per Mcf to 21.24 cents per Mcf.

(2) Authority to increase its monthly aggregate demand charge from \$3,398,699 to \$3,699,064 to reflect a proposed change in Transwestern's demand charges. The change consists of a reduction in Transwestern's unit demand charge from 10.75 cents per Mcf at the 640 M²cfd delivery rate to an estimated 10.49 cents per Mcf at the proposed 750 M²cfd delivery rate.

(3) Permission to utilize in conjunction with its affiliates, SoCal and SoCounties \$1,100,000 of gas cost reductions as compensation for Surtax for the three-month period October through December 1968, and to utilize such reductions as compensation for Surtax at a monthly rate of about \$360,000 for the period January 1, 1969 to March 7, 1969.

(4) Approval of its methods of calculating and distributing refunds.

In Phase II, applicant requests authority to revise the form of tariff under which it sells gas to its affiliates to a cost-of-service basis.

Phase I Rate Revisions

This decision relates to Phase I only and will deal with the increase in rates for gas service sought by applicant. As indicated by the \$3,000 increase in gross revenues, applicant's proposed rate revisions other than for its monthly aggregate demand charge would have only a slight effect on the net level of charges to its affiliates on the basis of test year 1969. This is the case because certain gas cost reductions nearly match the effects of Surtax and El Paso rate increase^{2/}. It also means that for the test year the changes which applicant proposes in its commodity charges nearly offset one another and that for practical purposes its present rates without adjustment yield sufficient revenues to offset Surtax and the increased cost of California-source gas caused by the El Paso rate increase.

The increase applicant proposes for its monthly aggregate demand charge corresponds to the proposed increase in deliveries by Transwestern. The Transwestern supply increment, which is sought under FPC Docket No. CP68-131, is not now expected before November 1, 1969. In view of the delay, the dependence of the

^{2/} Table 19-A of Exhibit No. PL-4.

proposed change in demand charges on this supply increment and the proposal in Phase II to change over to a cost-of-service tariff, applicant no longer considers rate changes in Phase I necessary.^{3/}

The proposed rate changes are accompanied, however, by tariff provisions relating to Surtax, to FPC Docket No. RP69-6, and to EPC Docket Nos. CP68-181 and CP67-339. They provide for elimination of the charge included in applicant's proposed rates for Surtax upon its expiration and for possible reductions in applicant's rates in connection with said FPC dockets. While applicant's existing rates are preferable at present to its proposed rates because of the delay in deliveries of additional Transwestern gas, tariff provisions are needed which are similar to those proposed by applicant for Surtax and possible rate reductions.

Findings

1. Delay of the Transwestern 110M²cfd supply increment sought under FPC Docket No. CP68-181 renders applicant's proposed changes in demand charges under its schedule No. G-62 premature.

2. Applicant's present rates do not require change at this time but appropriate provisions in its tariff schedules covering inclusion of Surtax and contingent offset charges related to FPC Docket No. RP69-6 (El Paso Rate Increase) in its present rates are needed.

3. The following tariff provision for Surtax, which is set forth in Chapter 20, page 12, of Exhibit No. PL-4, is satisfactory:

"Until the 10 percent surcharge to Federal income tax is removed, the rates for Regularly Available Gas Supplies and for Transwestern LK Gas include a charge of 0.35% for such surcharge. At such time as this surtax is effectively suspended or terminated, in whole or in part, and not replaced by a substitute tax based on income, the above percentage shall be eliminated or reduced to the extent of the net reduction of the tax."

^{3/} Tr. 440

4. The following tariff provision for contingent offset charges related to FPC Docket No. KP69-6, which is set forth in Chapter 20, page 11, of Exhibit No. PL-4, is satisfactory:

"The rate for 'all other regular commodity gas' under Regularly Available Gas supplies includes an offset charge of 1.33c per Mcf related to increased cost of gas from El Paso Natural Gas Company to Southern California Gas Company and Southern Counties Gas Company of California. To the extent that the FPC orders reduction in the rates for El Paso gas with resulting effect on cost of gas applicable to the above rate category, the offset will be revised related to the amount of such change in cost of gas from these sources."

5. Gas cost reductions to applicant pursuant to FPC action in Docket Nos. KP67-8 and AR61-1 plus California-source gas cost reductions related to the latter docket virtually offset the effects upon applicant of Surtax and El Paso rate increase (KP69-6). Thus, applicant's present rates can readily accommodate the tariff provisions set forth in findings 3 and 4 above.

6. Consistent with Decisions Nos. 75428 and 75429 a tariff provision, as set forth below, for contingent rate reduction relating to supplies from Transwestern Pipeline Company is required in applicant's tariff schedules.

A contract for the purchase of increased volumes of gas from Transwestern Pipeline Company in FPC Docket No. CP68-181 provides for a reduction in rates for gas purchased from Transwestern and includes possible additional reduction in the event of a certification of a sale by Transwestern to Cities Service Gas Company in Docket No. CP67-339. The Company will reduce its rates by an aggregate amount equal to such rate reductions resulting from the above noted Transwestern Pipeline Company dockets, except that possible offsetting increases in cost of gas and increases in taxes based on income will be subject to review by the Company and the Commission and disposition by the Commission.

Conclusion

Based on the foregoing findings, the Commission concludes that applicant's Phase I requested changes in levels of rates and charges should not be granted and that its present rates with appropriate additional tariff provisions should continue in effect.

Hearings will be scheduled for Phase II to consider applicant's proposal to revise the form of tariff under which it sells gas to its affiliates to a cost-of-service basis.

ORDER

IT IS ORDERED that Pacific Lighting Service and Supply Company is authorized and directed to file with this Commission revised tariff sheets incorporating the tariff provisions specified in findings Nos. 3, 4 and 6 of this decision. Such filing shall comply with General Order No. 96-A and shall be made within 15 days after the effective date of this order.

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

Dated at San Francisco, California, this 17th day of JUNE, 1969.

William Symons, Jr.
President
August
John P. Monahan
Commissioners

APPENDIX A

LIST OF APPEARANCES

FOR APPLICANT

K. R. Edsall and Harvey L. Goth.

FOR PROTESTANT

Roy M. Rick, appearing on his own behalf.

FOR INTERESTED PARTIES

Rollin E. Woodbury, Harry W. Sturges, Jr., William E. Marx, by Rollin E. Woodbury, for Southern California Edison Company; Stanley Jewell, and Chickering & Gregory, by Sherman Chickering, C. Hayden Ames and Donald J. Richardson, Jr., for San Diego Gas & Electric Company; C. H. McCrea, for Southwest Gas Corporation; Brobeck, Phleger & Harrison by Robert N. Lowry and Gordon E. Davis, for California Manufacturers Association; Robert E. Burt, for California Manufacturers Association; Roger Arnebergh by Charles E. Mattson, Deputy City Attorney, for City of Los Angeles; Robert W. Russell, for Department of Public Utilities and Transportation, City of Los Angeles; Louis Possner, for Bureau of Franchises and Public Utilities, City of Long Beach; Leonard L. Bendinger, Roy A. Webe and Edward C. Wright, for Municipal Gas Department, City of Long Beach; Alfred H. Driscoll, John O. Russell and Lloyd B. Adams, for Los Angeles Department of Water and Power; W. L. Knecht and Ralph Hubbard, for California Farm Bureau Federation; Lt. Col. Jack C. Dixon, U.S. Air Force HQ AF Contract Management Division, for Department of Defense and all other agencies of Federal Government; Henry F. Lippitt, II, for California Gas Producers Association; Edward T. Butler, City Attorney, and John W. Witt, Chief Deputy City Attorney, for City of San Diego; Leonard Putnam, City Attorney, Harold A. Lingle, Deputy City Attorney, and Robert W. Parkin, Deputy City Attorney, for City of Long Beach; John A. Van Ryn, City Attorney, for City of Santa Maria.

FOR THE COMMISSION STAFF

Sergius M. Boikan, Counsel, and Park Boneysteele.