

ORIGINAL

Decision No. 76598

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)

O P I N I O N

In the Phase II portion of the above entitled application Pacific Lighting Service Company, formerly the Pacific Lighting Service and Supply Company, seeks authority to change the tariff under which it sells gas to its affiliates, Southern California Gas Company (SoCal) and Southern Counties Gas Company of California (SoCounties), to a cost of service basis.

This application and Applications Nos. 50713 and 50714 filed concurrently by SoCal and SoCounties, have been consolidated for purposes of hearing and companion decisions in each of the two phases under which authorizations are sought. After public hearing held earlier this year in Phase I, the Commission issued Decisions Nos. 75428, 75429, 75489, 75802 and 75803 in these applications.

Public hearing in Phase II of these applications was held in Los Angeles before Examiner Main on October 8, 28, 30 and 31, 1969. In Phase II of Application No. 50715 applicant presented its evidence through one witness who sponsored five exhibits; the Commission staff and the City of Los Angeles recommended that the cost of service tariff as proposed be authorized; none of the parties to the proceeding opposed the proposed tariff.

With respect to Phase II of Application No. 50715 the evidence establishes and the Commission finds as follows:

1. Applicant is engaged principally in the business of selling natural gas, for resale, to its distributing affiliates, SoCal and SoCounties.

2.a. All gas sales are made pursuant to applicant's Schedule No. G-62 except for sales made under special arrangements. The exception relates principally to supplemental gas supplies obtained by applicant from Pacific Gas & Electric Company, which are sold to SoCal and SoCounties for resale to Southern California Edison Company and Department of Water and Power of the City of Los Angeles.

b. Present Schedule No. G-62, Resale Natural Gas Service, reflects a two-part type rate design. It contains a monthly aggregate demand charge and several commodity charges corresponding to various gas sources. It also contains rates for gas purchased for emergency and peaking purposes. The monthly aggregate demand charge is apportioned between SoCal and SoCounties upon the basis of the three factors listed in Finding 3 e. below.

c. Proposed Schedule No. G-62, Cost Of Service Tariff For Resale Natural Gas Service, provides for recovery by applicant, after the exclusions specified in multi-part Finding 3 below, of its cost of service as experienced, comprising operation and maintenance expenses, depreciation and amortization, taxes and return.

3.a. Under proposed Schedule No. G-62, the monthly total cost of service charge equals the sum of the following amounts, excluding amounts separately billed for certain service functions and gas sales consonant with Findings 3 c. and 3 d. below:

Operation and maintenance expenses for the billing month charged under Accounts 700 to 932 (Uniform System of Accounts Prescribed for Natural Gas Companies), inclusive.

Depreciation expense for the billing month charged to Account 403, including adjustments to reflect the difference between previously charged - depreciation expenses and corrected amounts conclusively determined and settled during the billing month.

Accruals for amortization for the billing month recorded under Accounts 404.1, 404.2, 404.3, 405, 407.1 and 407.2.

Accruals for taxes for the billing month recorded under Accounts 408, 409, 410 and 411.

Return at an annual rate in percent equal to the weighted average experienced by SoCal and SoCounties for the 12 months ended the prior month, computed for each billing month by the application of 1/12 of such annual rate to applicant's net investment rate base, such rate base being determined as prescribed in proposed Schedule No. G-62.

Credit for operating revenues of applicant recorded for the billing month under Accounts 412 to 414, inclusive, and 487 to 495, inclusive.

b. To make billings under proposed Schedule No. G-62 conform to the cost of service as ultimately recorded, the billing procedure provides for a tentative total cost of service charge for the billing month and for charge adjustments for each prior billing

month. This procedure is necessary in order to substitute recorded data as it becomes available for those items which are necessarily estimated and to reflect any corrections made subsequent to earlier billings in recorded costs.

c. The total cost of service charge for the billing month excludes SoCal and SoCounties' share of the cost of certain services in areas common to the businesses of applicant, SoCal and SoCounties. These services are performed by applicant for the three companies and are in the functional areas of regulation, rates, economics, gas supplies, public relations and taxes. SoCal and SoCounties' shares of such costs are determined by a four factor formula^{1/} and recovered by applicant through billings separate from those provided for under Schedule No. G-62.

d. The monthly total cost of service charge is a net charge after credit for revenue for sales of gas made outside Schedule No. G-62 which are under special contracts and billed separately from purchases under Schedule No. G-62 to SoCal and SoCounties.

^{1/} The arithmetical average of the percentages derived from the use of the following factors are applied to make the allocation among the three Pacific Lighting utilities: gross plant; number of employees; operating expenses other than the cost of gas; and number of customers.

e. The monthly total cost of service charge is segregated and apportioned between SoCal and SoCounties in the following manner:

For that portion of the total charge for the billing month represented by commodity charges in cost of gas purchased for sale, use and loss (and/or unaccounted for) plus associated local franchise fees, the apportionment between SoCal and SoCounties shall be upon the basis of the relative volumes of gas (Mcf) purchased by each from applicant during the billing month, excluding volumes separately billed by applicant under special contract provisions.

For the remaining portion of the total charge including demand charges for purchased gas, all operation and maintenance expenses other than commodity charges for gas purchased for sale, use and loss (and/or unaccounted for), depreciation, amortization, taxes, and return, less other operating revenue credits, plus associated local franchise fees, the apportionment between SoCal and SoCounties shall be upon the basis of an equal weighing of the following three factors, based on each distributing affiliate's aggregate volume from all gas sources, excluding volumes separately billed by applicant under special contract provisions:

Winter season firm peak day requirements based on 36°F average temperature.

Winter season (calendar year months of January, February, March, April and December) purchases.

Calendar year total purchases.

4. Conversion of Schedule No. G-62 to a cost of service form of tariff is feasible and appropriate in light of:

The fundamental prerequisite that applicant's operational results be made an integral part of the showing and review undertaken in any future rate proceedings involving SoCal and SoCounties, and its corollary of eliminating separate rate proceedings for the applicant.^{2/}

^{2/} Per Tr 1375: "In any future rate proceeding involving either or both Southern California Gas Company and Southern Counties Gas Company of California (the distribution companies), Pacific Lighting Service Company shall present such evidence of the rate base and results of operations of the Service Company as shall permit determination as to whether the cost of service charge borne by the distribution company or companies is just and reasonable in light of the services rendered to those companies by the Service Company".

The earnings position of the "Pacific Lighting Utility System", i.e., applicant, SoCal and SoCounties as a group, is controlled by the rates of applicant's distributing affiliates, SoCal and SoCounties, in so far as rates for gas service are concerned.

Applicant's realized rate of return will be made much less sensitive to changes in its cost of purchased gas which accounted for over 90 percent of its total operation and maintenance expense for test year 1969.

5.a. Applying the composite rate of return experienced by SoCal and SoCounties as the rate of return for applicant under the proposed cost of service tariff is compatible with the present source of equity capital (Pacific Lighting Corporation) for these three affiliated utilities. It is directed toward applicant's achieving the rate of return experienced by the "Pacific Lighting Utility System".

b. Determination and application of the composite rate of return as proposed under Schedule G-62 is appropriate and reasonable.

6.a. Applicant's proposed cost of service tariff will produce, subject to the regulatory control prescribed in Finding 4 above, a reasonable charge for its resale natural gas service and is not adverse to the public interest.

b. To the extent the cost of service tariff has the effect of increasing or decreasing charges to applicant's distributing affiliates, SoCal and SoCounties, such increases or decreases over present rates are just and reasonable.

c. Copies of applicant's billing, in form comparable to Phase II Exhibit No. PL-2, to SoCal and SoCounties under the cost of service tariff should be filed monthly with the Commission.

7. Applicant's proposed revision to Gas Service Agreement dated April 23, 1968, which would extend the due date for payment of its gas service from the 20th to the 23rd day of the month next succeeding the month for which billing is rendered, is appropriate. The extension will better distribute and balance cash requirements between the three Pacific Lighting utilities.

Based on the foregoing findings the Commission concludes that the Phase II portion of the application should be granted.

O R D E R

IT IS ORDERED that:

1. Pacific Lighting Service Company is authorized to file with this Commission on or after the effective date of this order revised tariff Schedule No. G-62, as its cost of service tariff for resale natural gas service, substantially as set forth in Phase II Exhibits Nos. PL-1, PL-4 and PL-5. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be the first day of the month immediately following the month in which the filing is made. The revised schedule shall apply only to service rendered on and after the effective date thereof and four copies of the monthly billing for service rendered pursuant thereto shall be filed each month with the Commission.

2. Pacific Lighting Service Company and its affiliates, Southern California Gas Company and Southern Counties Gas Company of California, are authorized to execute the First Amendment to the Gas Service Agreement, the contents of which shall be

substantially the same as those in Phase II Exhibit No. PL-3. Within thirty days after exercising this authority, applicant shall file said first amendment with the Commission in accordance with General Order No. 96-A.

The authority herein granted shall expire unless exercised within ninety days after the effective date of this order, which is the date hereof.

Dated at San Francisco, California, this 23rd day of DECEMBER, 1969.

William J. Quinn
President

Augusta

W. J. Quinn

J. H. Quinn

Yvonne L. Stinson
Commissioners

APPENDIX A

LIST OF APPEARANCES IN PHASE II

FOR APPLICANT

K. R. Edsall and P. Dennis Keenan.

FOR INTERESTED PARTIES

R. E. Woodbury, Harry W. Sturges, Jr. and William E. May, for Southern California Edison Company; Roger Arnebergh, City Attorney, by Charles E. Mattson, Deputy City Attorney; Chickering & Gregory by Sherman Chickering, C. Hayden Ames and Donald J. Richardson, Jr., for San Diego Gas & Electric Company; Stanley Jewell, for San Diego Gas & Electric Company; Brobeck, Phleger & Harrison by Gordon E. Davis and Robert N. Lowry, for California Manufacturers Association; John O. Russell, for Los Angeles Department of Water & Power; William L. Knecht, for California Farm Bureau Federation; Roy A. Wehe and Edward C. Wright, for City of Long Beach; Captain James R. Pleyte, for Department of Defense; Robert W. Russell and Manuel Kroman, for Department of Public Utilities and Transportation, City of Los Angeles; Harold A. Lingle and Leslie E. Still, Jr., Deputy City Attorneys, for City of Long Beach; Louis Possner, Bureau of Franchises and Public Utilities, for City of Long Beach.

FOR THE COMMISSION STAFF

Sergius M. Bojkan, Counsel, and Harold T. Sipe.