

ORIGINAL

Decision No. 78469

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHERN CALIFORNIA GAS COMPANY for)
authority: (a) to increase its gas)
rates to offset higher costs occa-)
sioned by an increase in the rates)
of the suppliers of out-of-state)
gas to the PACIFIC LIGHTING UTILITY)
SYSTEM, (b) to continue the Advise)
Letter procedure for tracking in-)
creases in purchased gas cost based)
on Federal Power Commission Dockets)
Nos. RP70-11 and RP70-19, and (c))
for a general increase in its gas)
rates.)

Application No. 51567
(Filed December 19, 1969)

In the Matter of the Application of)
SOUTHERN COUNTIES GAS COMPANY OF)
CALIFORNIA for authority: (a) to)
increase its gas rates to offset)
higher costs occasioned by an in-)
crease in the rates of suppliers of)
out-of-state gas to the PACIFIC)
LIGHTING UTILITY SYSTEM, (b) to)
continue the Advice Letter proce-)
dure for tracking increases in pur-)
chased gas cost based on Federal)
Power Commission Dockets Nos.)
RP70-11 and RP70-19, and (c) for a)
general increase in its gas rates.)

Application No. 51568
(Filed December 19, 1969)

(Appearances are listed in Appendix A)

OPINION CONCERNING
PETITION FOR MODIFICATION OF
DECISIONS NOS. 77100 AND 77101

By its petition filed November 30, 1970, Southern
California Gas Company (SoCal), as the surviving corporate party

to its merger with Southern Counties Gas Company of California (SoCounties), seeks to have the orders in Decisions Nos. 77100 and 77101 issued April 14, 1970, the Phase I decisions in the above entitled applications, modified to provide authority for SoCal to offset tracking rate increases filed during 1971 by El Paso Natural Gas Company (El Paso) in FPC Dockets Nos. RP70-11 and RP71-13 and by Transwestern Pipeline Company (Transwestern) in FPC Docket No. RP70-19. Such potential offsets of tracking rate increases could reach \$12,251,000 in terms of SoCal additional annual revenue requirements on a test year 1970 basis.

By Decision No. 78204 dated January 19, 1971, the petition, as it relates to tracking rate increases by El Paso and Transwestern which become effective after March 31, 1971, was consolidated for hearing with Application No. 52358. In said application SoCal seeks authority to increase its rates for gas service as of March 31, 1971, to yield \$13,036,000 of additional annual revenues based on test year 1970. The El Paso basic increase in FPC Docket No. RP71-13 is expected to become effective on that date.

Public hearing was held before Examiner Main in Los Angeles on February 1, 2 and 3, 1971. Evidence was presented by SoCal, the City of Long Beach and the Commission staff, and their witnesses were cross-examined. Oral argument was held February 10, 1971, and these matters were submitted on that date for decision. In this decision we are acting upon the petition. Our decision concerning Application No. 52358 is being issued concurrently.

The evidence establishes and the Commission finds as follows:

1. In Decisions Nos. 77100 and 77101, SoCal and SoCounties were authorized to use an Advice Letter Procedure established therein to increase their rates from time to time to offset the effect of tracking rate increases filed by El Paso in Federal Power Commission (FPC) Docket No. RP70-11 and by Transwestern in FPC Docket No. RP70-19. The authority given in Decisions Nos. 77100 and 77101 to track El Paso and Transwestern purchased gas cost rate increases in these dockets extended through December 31, 1970 and was limited to 1.26 cents per Mcf in the case of El Paso and 4.08 cents per Mcf in the case of Transwestern.

2.a. As of October 30, 1970, El Paso had utilized 0.79 cents of the 1.26 cents for which it had tracking authority to the end of 1970.

b. By order issued on October 30, 1970, in Docket No. RP70-11 the FPC extended the tracking authority in that docket through March 30, 1971, which is the end of the suspension period for El Paso's basic rate increase in Docket No. RP71-13. In a separate order issued in Docket No. RP71-13 on October 30, 1970, the FPC authorized El Paso to increase its rates from time to time to reflect increases in the cost of purchased gas which it may incur on or before December 31, 1971, but limited in amount to 0.67 cents per Mcf.

c. Thus, considering both orders of October 30, 1970 in Dockets Nos. RP70-11 and RP71-13, the amount of additional tracking authority beyond the 1.26 cents per Mcf which had previously been approved in Docket No. RP70-11 is 0.20 cents per Mcf.

d. As to El Paso, petitioner requests an extension of the time period until December 31, 1971, for utilizing the Advice Letter Procedure, and an increase of 0.20 cents per Mcf above the cents per Mcf limitation imposed in Decisions Nos. 77100 and 77101.

3.a. As of November 24, 1970, Transwestern had utilized 1.42 cents of the 4.08 cents per Mcf for which it had tracking authority to the end of 1970.

b. By order issued on that date in Dockets Nos. RP69-27 and RP70-19, among others, the FPC approved a certain Stipulation and Agreement which included provisions for extending the tracking authority given Transwestern by FPC order issued January 13, 1970, in Docket No. RP70-19 beyond December 31, 1970, until January 1, 1972; the tracking authorization granted Transwestern by the FPC order of November 24, 1970, does not impose a cents-per-Mcf limitation on the tracking increases Transwestern may file through December 31, 1971.

c. Petitioner's present estimate of the potential exposure of Transwestern to supplier increases during this period indicates that the remaining portion of the tracking authorization already granted petitioner in Decisions Nos. 77100 and 77101 of up to 4.08 cents per Mcf related to Transwestern is adequate to cover its exposure to Transwestern tracking increases through 1971.

d. As to Transwestern, petitioner requests only an extension of the time period until December 31, 1971, for utilizing the Advice Letter Procedure.

4.a. The exposure, in terms of additional annual revenue requirements of SoCal on a test year 1970 basis, to remaining

potential El Paso and Transwestern tracking is \$4,244,000 and \$8,007,000, respectively, through 1971.

b. Calculations showing the cents-per-Mcf increases in revenue that would be required by petitioner to offset gas cost increases resulting from extension of El Paso's and Transwestern's tracking authority are set forth in Appendix B to this decision. Appendix B is based on the Rate Increases to Offset Gas Tracking Increases for Test Year 1970, as developed in Appendix D of Decisions Nos. 77100 and 77101.

5.a. By Supplemental Order under Decision No. 78204, dated January 19, 1971, in Applications Nos. 51567 and 51568, SoCal was given authority to offset tracking rate increases filed by El Paso and Transwestern until March 31, 1971 or until further order by this Commission.

b. To the extent that tracking takes place prior to March 31, 1971 and is accounted for under the authority granted in Decision No. 78204, it must be deducted from the amounts set forth in Finding 4 above and in Appendix B to this decision.

6. Based on this consolidated record and consistent with our companion decision being issued concurrently in Application No. 52358,

a. Petitioner's earnings position (a 7.75 percent rate of return was applied in the setting of rates on a test year 1970 basis in Decisions Nos. 77975 and 77976, dated November 24, 1970 in Phase II of Applications Nos. 51567 and 51568) should remain at the same level petitioner would experience without further tracking increases by El Paso and Transwestern.

b. The prospective additional annual revenue increases, as set forth in Appendix B to this decision but subject to adjustment pursuant to Finding 5 above, are justified to the extent such incremental revenues no more than offset the increase in expenses occasioned by the El Paso and Transwestern tracking increases. Any excess of tracking offset revenues over the related increase in expenses is not justified and should properly be made subject to refund to petitioner's customers.

c. For limited rate increases subject to refund to be filed and made effective under the Advice Letter Procedure, which will be modified hereinafter to be responsive to El Paso and Transwestern tracking increases which may occur during the last three quarters of 1971, the authorized rate spread is as follows both for increments of SoCal's annual revenue requirements and for determining applicable contingent offset charges:

Two-thirds of the average cents per Mcf (test year 1970 sales volume basis) increase to the steam-electric and cement plant; the average cents per Mcf increase to the regular interruptible, gas engine and wholesale services; the remainder of the required offset tracking increase to firm natural gas, firm general and firm industrial service on a uniform cents per Mcf basis.

7. The requirements to be met in SoCal's employing the Advice Letter Procedure established in Decisions Nos. 77100 and 77101 should be modified to permit adjustments, consistent with Findings 4, 5.b., and 6.c. above, to SoCal's rates occasioned by tracking rate changes filed by El Paso and Transwestern on or

before December 31, 1971, and which become effective after March 30, 1971, or the effective date of the order herein, whichever is later.

The Commission concludes that SoCal should be granted further authority to offset tracking rate increases by El Paso and Transwestern to the extent provided by the order which follows:

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company is authorized to continue use of the Advice Letter Procedure, which is hereby modified to conform to Finding 7 of this decision, in order to file revised tariff schedules with such changes in rates, charges and conditions as become necessary to reflect increases in the cost of purchased gas attributable to tracking rate increase filings made by El Paso Natural Gas Company in Federal Power Commission Docket No. RP71-13 and by Transwestern Pipeline Company in FPC Docket No. RP70-19.

2. In the event petitioner places such revised tariff schedules in effect:

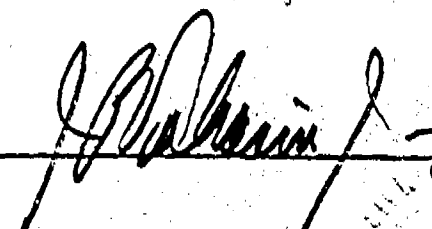
- a. Petitioner's plan for determining refunds related to contingent offset charges corresponding to FPC Dockets Nos. RP70-19 and RP71-13 shall be consistent with its pertinent tariff provisions and shall be submitted to this Commission prior to making refunds, and specific Commission approval of the plan shall be obtained at that time;
- b. If rates are ordered reduced under FPC Dockets Nos. RP70-19 and RP71-13, petitioner shall file for final determination and

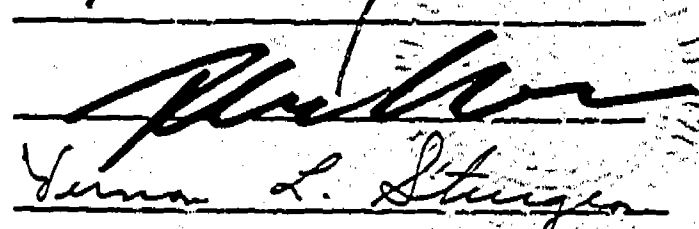
authorization by this Commission its proposed plan for rate reduction consistent with its pertinent tariff provisions;


- c. Consistent with Finding 6.b. of this decision, any excess of offset revenues over the increase in related expenses shall be subject to refund to customers.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 23rd day of MARCH, 1971.



Chairman


Verma L. Stinger


Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

List of Appearances

FOR PETITIONER

Rufus W. McKinney and K. R. Edsall, Attorneys at Law, for Southern California Gas Company.

FOR INTERESTED PARTIES

Rollin E. Woodbury, Harry W. Sturges, Jr., William E. Marx, Attorneys at Law, and C. W. Wiley, for Southern California Edison Company; Sherman Chickering, C. Hayden Ames and Donald J. Richardson, Jr., Attorneys at Law, for San Diego Gas & Electric Company, Roger Arnebergh, City Attorney, by Arthur T. Devine, Deputy City Attorney, for Department of Water & Power, City of Los Angeles; Roger Arnebergh, City Attorney, by Charles E. Mattson, Deputy City Attorney, for City of Los Angeles; Brobeck, Phleger & Harrison, by Gordon E. Davis, Attorney at Law, for California Manufacturers Association; Harold A. Lingle, Attorney at Law, Roy A. Wehe, Consulting Engineer, and Leonard L. Bendinger, General Manager, Long Beach Gas Department, for the City of Long Beach; John O. Russell, for the City of Los Angeles, Department of Water and Power; Robert W. Russell, Chief Engineer and General Manager and Manual Kroman, for Department of Public Utilities and Transportation, City of Los Angeles; Henry F. Lippitt, 2nd, Attorney at Law, for California Gas Producers Association; William L. Knecht, Attorney at Law, and Ralph O. Hubbard, for California Farm Bureau Federation; Lorenzo Foster, for Watts Law Office.

FOR THE COMMISSION STAFF

Elinore C. Morgan, Attorney at Law, and H. T. Sipe.

APPENDIX B

Development of Rate Increases to Offset
Remaining Gas Cost Tracking Increases

El Paso Natural Gas Company

For each 0.10¢/Mcf increase in El Paso rates for tracking the following revenue increases are authorized:

<u>El Paso</u>	<u>Total</u>
For 0.10¢/Mcf	\$ 633,490
For 0.67¢/Mcf ⁽¹⁾	\$ 4,244,383
Total Sales	1,022,992 M ² cf
Increase	0.415¢/Mcf

Transwestern Pipeline Company

For each 0.10¢/Mcf increase in Transwestern rates for tracking, the following revenue increases are authorized:

For 0.10¢/Mcf	\$ 301,010
For 2.66¢/Mcf ⁽²⁾	\$ 8,006,866
Total Sales	1,022,992 M ² cf
Increase	0.783¢/Mcf

- (1) Tracking increases authorized El Paso
in Docket No. RP70-11 1.26¢/Mcf
Tracking increases in effect as of 11-25-70 0.79
Remaining authorized tracking increases
in RP70-11 and RP71-13 0.47¢/Mcf
Additional authorization in RP71-13 0.20
Total remaining authorized tracking increases 0.67¢/Mcf
- (2) Tracking increases authorized Transwestern
in Dockets Nos. RP69-27 and RP70-19 4.08¢/Mcf
Tracking increase in effect as of 11-25-70 1.42
Remaining authorized tracking increases 2.66¢/Mcf