

Decision No. 78523

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 SAN DIEGO GAS & ELECTRIC COMPANY for
 authority: (a) to increase its natural
 gas rates to offset higher gas costs
 occasioned by gas rate increases or
 proposed increases by its supplier
 authorized by or pending before this
 Commission; and (b) to include in
 its gas tariff schedules a limited
 rate adjustment provision to offset
 future changes in purchased gas costs
 by instituting an Advice Letter Proceed-
 ure for tracking such changes in
 Southern Counties Gas Company's Whole-
 sale Service Schedule No. G-60 as are
 approved by this Commission.

Application No. 51674
 Petition for Modification
 of D77581
 (Filed September 2, 1970)
 (Second Petition filed
 December 9, 1970)

Sherman Chickering, C. Hayden Ames and
 Donald J. Richardson, Jr., by C. Hayden
 Ames and Donald J. Richardson, Jr.,
 Attorneys at Law, for applicant.
 Brobeck, Phleger & Harrison by Gordon E. Davis,
 Attorney at Law, for California Manufac-
 turers Association; C. M. Fitzpatrick,
 Deputy City Attorney, for the City of San
 Diego; and C. P. Burman, interested parties.
G. R. Dougherty, Attorney at Law, and Donald B.
 Steger, for the Commission staff.

O P I N I O N

A hearing on the above petitions was held before Examiner
 Rogers in San Diego on March 8, 1971. The matters were argued and
 submitted.

By petition filed on September 2, 1970, applicant requests
 the Commission to modify its order in Decision No. 77581 herein to
 authorize it to file such revised tariff schedules with changes in

rates, charges and conditions necessary to offset or track any increase in its cost of purchased gas resulting from any opinion and order on Petition for Modification rendered by this Commission in Decision No. 77100 reflecting Transwestern Pipe Line Company's (Transwestern) rate increases in FPC Docket No. RP 71-1 for such future period of time that Southern California Gas Company's (Southern California)^{1/} Wholesale Schedule No. G-61 may be increased to applicant to track or offset increased cost of gas from FPC Docket No. RP 71-1.

By the Second Petition for Modification filed on December 9, 1970, applicant requests that the Commission modify Decision No. 77581 to authorize it to file such revised tariff schedules with changes in rates, charges and conditions necessary to either (1) track and/or offset any increases in its cost of purchased gas (and associated franchise and uncollectible costs) during the calendar year 1971 resulting from any rate increases authorized by this Commission in Southern California's Wholesale Schedule No. G-61, or to (2) track and/or offset any increases in its cost of purchased gas resulting from any opinion and order on petition for modification rendered by this Commission in Decision No. 77100, or by opinion and order rendered by this Commission on application of Southern California to track and/or offset, reflecting El Paso Natural Gas Company's (El Paso) rate increases in FPC Docket

^{1/} The survivor of a merger of Southern California and Southern Counties Gas Company.

Nos. RP 70-11 and RP 71-13 and Transwestern Pipe Line Company's (Transwestern) settlement in RP 70-19, for such future period of time that Southern California's Wholesale Schedule No. G-61 may be increased to San Diego to track and/or offset increased cost of gas from FPC Docket Nos. RP 70-11, RP 70-19 and RP 71-13.

The staff investigated the requests and a staff engineer testified in support of the applicant's total dollar offset increase requests. The only controversy was relative to the rate spread. Accordingly we find that the estimated revenue increases needed to offset the contemplated increased costs of gas to applicant are reasonable.

The applicant, (backed by the California Manufacturers Association (CMA)) requests that the authorized offset rate increases be allocated to customer classes on a uniform percentage of revenue basis, the same as established by Decision No. 77581 among classes of service.

The staff recommends spreading the offset rate increases to customer classes on a uniform cents per Mcf basis, i.e., the average 1.30 cents per Mcf increase should be assigned to each class of service. It is the staff's contention that its rate spread recommendation is proper for a cost of gas type increase occurring after the comprehensive review of rate levels by classes of service reflected in the rates established by Decision No. 77581.

The applicant's reasons for desiring increases on a uniform percentage of revenue basis are that this was the basis of the increases authorized by Decision No. 77581; the staff used such rate spread therein; and such rate spread maintains the relative positions of customer classes.

The staff engineer testified that applicant's present rates were made effective on August 28, 1970 (Decision No. 77581); he prepared Exhibit No. 34 herein showing the staff's recommended rate spread; he spread the offset increase to classes by applying an equal unit increase to each class; this increase amounts to 1.30 cents per Mcf of test year sales; the applicant had a general rate increase recently as stated above; in that matter the rates were set at the proper relationship for all classes of service; and the requested rate increase here considered is related to the cost of gas only, and for that reason he recommended a uniform cents per Mcf distribution.

The witness further recommended that any authorized tracking increase be consistent with the offset increase, i.e., a uniform cents per Mcf, and when final disposition is made of the El Paso increases effective March 31, 1971, under Docket No. RP 71-13, rate reductions and refunds may be ordered, refunds made by applicant to its customers as a result of such refund order should provide for flow through of the full amount received from Southern California and, in addition, the refunds should include any excess of offset revenues as compared with increased costs during the period in order to assure that applicant does no more than offset the expenses directly affected by the Southern California increase.

The applicant objected to the staff's excess refund recommendation, claiming that the recommendation is vague and will lead to controversy.

An early decision is requested by applicant to obviate the reduced rate of return which will result to applicant between the time the Commission authorizes offset increases to Southern California and grants applicant's requests herein (Exhibit No. 29).

Findings and Conclusion

1. By Decision No. 77581, dated August 4, 1970, in Application No. 51674, applicant was authorized to file rates which would give it a return of 7.5 percent on its rate base. The decision also authorized applicant to track increased costs of gas furnished it by Southern California, its sole supplier.

2. By Decision No. 78470, dated March 23, 1971, in Application No. 52358, Southern California was granted authority to increase its rates to applicant. The end result of this increase, plus applicant's taxes and uncollectibles, is an increase in revenue requirement of \$1,118,500. Applicant's increased rates will not produce a rate of return exceeding that found reasonable by Decision No. 77581, supra.

3. Decision No. 78469, dated March 23, 1971, in Application No. 51567, authorizes Southern California to track additional cost of gas increases. Applicant should be authorized to track such costs by advice letter filings for the period ending December 31, 1971. The authority to make advice letter filings should not extend beyond December 31, 1971.

4. The increases placed in effect pursuant to the authority granted by this decision should be spread on a uniform cents per thousand cubic feet basis.

5. Any refunds to applicant and any rate reductions should be flowed through to customers.

6. The increases in rates and charges authorized herein are justified. The rates and charges authorized herein are reasonable and the present rates and charges insofar as they differ from those prescribed herein are, for the future, unjust and unreasonable.

Based on the foregoing findings, the Commission concludes that the application should be granted to the extent set forth in the order herein.

O R D E R

IT IS ORDERED that:

1. Applicant is authorized to file with this Commission, on and after the effective date of this order, revised tariff schedules with changes in rates, charges and conditions as set out in Appendix A attached hereto. Such filing shall comply with General Order No. 96-A. The effective date of the applicant's revised schedules shall be the date Southern California Gas Company's rates, pursuant to Decision No. 78470, dated March 23, 1971, in Application No. 52358, go into effect, or one day after the date of filing of its rates by applicant, whichever is later. The revised schedules shall apply only to service rendered on or after the effective date thereof.

2.a. Applicant is authorized to continue use of the advice letter procedure in order to file revised tariff schedules with such changes in rates, charges and conditions as may become necessary to reflect increases in the cost of purchased gas attributable to

tracking rate increase filings made by Southern California Gas Company, provided that such authority to track shall not extend beyond December 31, 1971.

b. The advice letter procedure to be made available to applicant for this purpose must conform to the following requirements:

- (1) Compliance with General Order No. 96-A, except Section VI, Procedure in Filing Increased Rates.
- (2) Advice letter filings not to be made more frequently than at 15-day intervals.
- (3) Notice period for each advice letter filing not to be less than 15 days. (If any filing is technically defective, a new filing should be made and be subject to a new notice period of not less than 15 days.)
- (4) Advice letter filings to be served on all appearances in this proceeding except applicant and the Commission staff.

c. Revised rates made effective under this advice letter procedure must conform to the following requirements:

- (1) Adjustments are to be consistent with Appendix A hereof.
 - (2) Revised rates are to become effective for service on and after the date the change in Southern California Gas Company's rate becomes effective or 15 days after filing, whichever is later.
3. In the event applicant places such rate increases in effect,
- a. Applicant's plan for determining refunds shall be consistent with the pertinent tariff provision authorized herein, shall be submitted to this Commission prior to making any refunds, and specific Commission approval shall be obtained of the plan at that time.

A. 51674 - bjh *

- b. If rates are reduced under applicable Federal Power Commission Dockets, applicant shall file its proposed plan for rate reduction consistent with its pertinent tariff provision for final determination and authorization by this Commission.

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

Dated at San Francisco, California, this 2nd day of APRIL, 1971.

J. P. Robinson
Chairman
William J. Lyons, Jr.
Yvonne L. Sturgeon

Commissioners

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.

Appendix A

The presently effective base rates may be increased for the schedules shown below in the amounts indicated:

<u>Schedule Nos.</u>	<u>Amount of Increase</u>
G-1 through G-4 and G-11	\$0.00132 per 100 cu. ft.
G-40, G-50, G-51 and G-54	\$0.0132 per Mcf
Special Contract 176	\$0.02/light/month
Special Contract 186	\$0.0132 per Mcf

Minimum charges may be increased to reflect the above increases in quantity rates.

The contingent offset charges and refund provisions are to be changed as indicated below for Docket Nos. RP 70-11, RP 70-19, RP 71-1 and RP 71-13.

PRELIMINARY STATEMENT

Modify the text of the present Preliminary Statement under "7. Contingent Refunds and Rate Reductions", to the following:

Contingent Offset Charges Related to FPC Dockets
RP 69-6, RP 69-20, RP 69-27, RP 70-11, RP 71-1, RP 71-13

The commodity rates include charges, as shown below, related to increases and decreases in cost of gas from Southern California Gas Company whose rates include offset charges as a result of FPC Dockets Nos. RP 69-6, RP 69-20, RP 69-27, RP 70-11, RP 71-1 and RP 71-13. To the extent that Southern California Gas Company's rates are reduced as the result of the FPC, in these dockets, ordering reductions in rates for El Paso or Transwestern gas, the charges will be reduced in relation to the reduction in cost of gas.

The offset charges and related FPC dockets are as follows:

<u>FPC Docket</u>	G-1, G-2 G-3, G-4		G-50			Special Contracts	
	<u>G-11</u>	<u>G-40</u>	<u>G-51</u>	<u>G-54</u>	<u>176</u>	<u>186</u>	
	<u>¢/Mcf</u>	<u>¢/Mcf</u>	<u>¢/Mcf</u>	<u>¢/Mcf</u>	<u>\$/Light/Mo.</u>	<u>¢/Mcf</u>	
RP 69-6	3.209	1.877	1.213	1.068	.06	3.209	
RP 69-20	1.563	.911	.590	.520	.03	1.563	
RP 69-27	1.400	.822	.529	.466	.02	1.400	
RP 70-11	1.747	1.022	.659	.581	.03	1.747	
RP 71-1	.530	.311	.200	.176	.01	.530	
RP 71-13 (Part II)	1.619	.944	.612	.539	.03	1.619	
RP 71-13 (Part I)	1.32	1.32	1.32	1.32	.02	1.32	

Refunds of Charges Related to Contingent Offset
Charges of Southern California Gas Company Related to FPC Dockets
Nos. RP 69-6, RP 69-20, RP 69-27, RP 70-11, RP 71-1 and RP 71-13.

Refunds received from Southern California Gas Company as related to FPC Dockets Nos. RP 69-6, RP 69-20, RP 69-27, RP 70-11, RP 71-1 and RP 71-13 will be made to various customer classes in proportion to the contingent offset charges applicable during the periods to which the refunds apply.