

Decision No. 79354

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHWEST GAS
CORPORATION For Authority To
Revise Its Tariff For Natural
Gas Service To Offset Increases
In Expense Caused By Increases
In The Price Of Natural Gas
From Pacific Gas and Electric
Company.

(Gas)

ORIGINAL

Application No. 52653
(Filed June 1, 1971)

Lawrence V. Robertson, Jr., for
applicant.

Donald C. Meaney, Attorney at Law,
for the Commission staff.

O P I N I O N

Southwest Gas Corporation (Southwest) seeks authority to increase in two steps its rates for natural gas service in its Southern California Districts - Barstow, Big Bear Lake and Victorville in San Bernardino County - to offset the full effect of increases in the cost of gas purchased from Pacific Gas and Electric Company (PG&E). At the second level of such offset rates Southwest's gas sales revenue for year 1970 adjusted of \$4,615,943 would be increased by \$167,284 or 3.6 percent on a pro forma basis.

Public hearing was held before Examiner Main in Los Angeles on August 2, 1971 and the matter was submitted on that date. No protests were entered.

On August 15, 1971, President Nixon issued Executive Order No. 11615 providing for stabilization of prices, rents, wages and salaries. By virtue of this order, rates were to be held to levels no greater than those charged during the 30-day period ending August 14, 1971.

All of the natural gas distributed and utilized by Southwest in its San Bernardino County service area is purchased from PG&E under Schedule G-62, Resale Natural Gas Service. By Decision No. 78973, dated July 27, 1971, in Application No. 52565, PG&E was

authorized to increase its rate applicable to the commodity charge of that Schedule by .375 cents per therm in two steps. The first step, an increase of .202 cents per therm, became effective July 28, 1971, and the second step, an increase of .173 cents per therm, was to become effective on October 1, 1971. By Decision No. 79039, dated August 17, 1971, in Application No. 52565, the October 1, 1971 PG&E rate increase authorized by Decision No. 78973 was suspended to conform to the Executive Order described above.

Based on year 1970 adjusted, Southwest calculated its full year additional revenue requirement to offset each of the two PG&E increases and developed its required increases per therm sold as follows:

	<u>Step 1*</u>	<u>Step 2*</u>	<u>Total</u>
Additional Gas Purchase Cost of 43,945,670 Therms			
at .202¢/therm	\$88,770		
at .173¢/therm		\$76,026	
			\$164,796
Additional Uncollectibles at .45% of			
\$88,770	399		
\$76,026		342	
			741
Additional Franchise Taxes at 1.06% of			
\$88,770	941		
\$76,026		806	
			<u>1,747</u>
Additional Revenue Requirement	\$90,110	\$77,174	\$167,284
Therms Sold	41,410,014	41,410,014	41,410,014
Increase per Therm Sold	0.218¢	0.186¢	0.404¢

* Steps 1 and 2 - To offset the respective PG&E Schedule G-62 increases authorized by Decision No. 78973, the first of which became effective 7-28-71 and the second of which was to become effective on 10-1-71.

In Decision No. 77448 dated June 30, 1970 in Application No. 51529, the most recent general rate proceeding on Southwest's San Bernardino County service area, the Commission found an 8% rate of return reasonable. Based on year 1970 adjusted, Southwest has shown in this proceeding that its earnings, calculated on a basis substantially consistent with the Decision No. 77448 basis, are at a 7.8% rate of return level and that this earnings level would drop to 7.4% if Southwest were not authorized to offset the Step 1 PG&E Schedule G-62 increase and would further deteriorate without authority to offset the Step 2 increase.

Southwest seeks only to offset the economic effects of its increased cost of gas and not in any manner to increase its present earnings position. The Commission staff confirms that the amounts of increase requested have been correctly computed to offset the full effect of increases in the cost of gas and also that, in determining operational results for year 1970 on a Decision No. 77448 basis including five-year amortization of regulatory expenses, Southwest's earnings level does not exceed an 8% rate of return.

Southwest proposes to spread the additional revenue requirements to classes of service on a uniform cents per therm basis. The staff supports this basis.

It appears that Southwest is the only major gas utility under our jurisdiction not using a long-term average of temperature data. The staff recommends that Southwest include a gas sales estimate reflective of a 30-year average of temperature data, or as close thereto as possible, in its presentation in future rate proceedings. Southwest has indicated its willingness to do so.

Based upon a consideration of the record herein, the Commission finds as follows:

1. In Decision No. 77448, dated June 30, 1970, in Application No. 51529, the most recent general rate proceeding on Southwest's San Bernardino County service area, the Commission found an 8 percent rate of return reasonable.
2. All of the natural gas distributed and utilized by Southwest in its San Bernardino County service area is purchased from PG&E under Schedule G-62.
3. By Decision No. 78973, dated July 27, 1971, in Application No. 52565, PG&E was authorized to increase its rate applicable to the commodity charge of that schedule by .375 cents per therm in two steps. The first step, an increase of .202 cents per therm, became effective July 28, 1971, and the second step, an increase of .173 cents per therm, was to become effective on October 1, 1971. By Decision No. 79039, dated August 17, 1971, in Application No. 52565, the October 1, 1971 rate increase was suspended to conform to Executive Order No. 11615 of the President of the United States.
4. Southwest's additional annual gross revenue requirements to offset fully the July 28, 1971 increase and the increase originally scheduled for October 1, 1971, in its gas costs are \$90,110, or 0.218¢/therm sold, and \$77,174, or 0.186¢/therm sold, respectively, for a total increase of \$167,284 or 0.404¢/therm sold.
5. The rates authorized herein will permit Southwest to approximate, but not exceed, the rate of return found reasonable in Decision No. 77448, supra.
6. The authorized increases in rates specified in Appendix A and Appendix B to this decision represent fair and reasonable spreads of the required increases in gross revenues of \$90,110 and \$77,174, respectively, to the various classes of service.

7. The additions to applicant's present tariff provisions covering offset charges and possible refunds related thereto, which are prescribed in Appendix A and Appendix B to this decision, are proper, fair and reasonable.

8. 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 herein prescribed are for the future unjust and unreasonable.

9. Applicant should provide gas sales estimates reflective of a 30-year average of temperature data, or as close thereto as possible, in future rate proceedings.

Based on the foregoing findings, the Commission concludes that the authority sought by applicant should be granted to the extent, and under the conditions, set forth in the order which follows.

The increases in rates herein authorized will not increase applicant's level of earnings but will merely offset increases in cost of purchased gas. Such increases are, in our opinion, consistent with the purposes of the Economic Stabilization Act of 1970, as amended. Applicant is expected to comply with the requirements of the Price Commission's regulations relating to the stabilization of prices and rents after November 13, 1971.

O R D E R

IT IS ORDERED that:

1. Applicant, Southwest Gas Corporation, is authorized to file with this Commission on or after the effective date of this order revised tariff schedules with changes in rates, charges and conditions as set forth in Appendix A and Appendix B attached hereto. Such filings shall comply with General Order No. 96-A. The effective date of the revised schedules set forth in Appendix A shall be one day after the date of filing. The effective date of the revised schedules set forth in Appendix B shall be the date Pacific Gas and Electric Company's rates, pursuant to Decision No. 78973 as set forth

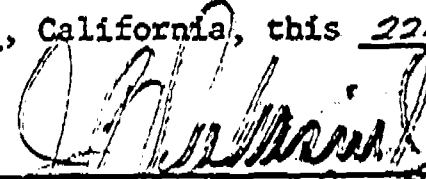
in Appendix B thereof and as suspended by Decision No. 79039, actually go into effect, or one day after filing, whichever is later. The revised schedules shall apply only to service rendered on and after the effective date thereof. Should the effective date of the rates specified in Appendix A and Appendix B be coincident, the Appendix B preliminary statement will supersede the Appendix A preliminary statement and the increase in rates will be the sum of the Appendix A and Appendix B increases.

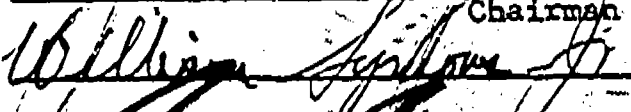
2. In the event applicant places such revised tariff schedules in effect:


- a. If rates of Pacific Gas and Electric Company are ordered reduced as a result of reductions under Federal Power Commission Docket No. RP71-98, applicant shall file its proposed plan, for rate reductions consistent with its pertinent tariff provision, for final determination and authorization by this Commission.
- b. Applicant's plan for determining any refunds to its customers shall be consistent with its pertinent tariff provision, shall be submitted to this Commission prior to making refunds, and specific Commission approval of the plan shall be obtained at that time.

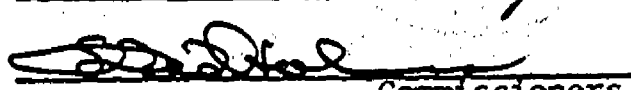
The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 22nd
day of NOVEMBER, 1971.



Chairman






Commissioners

APPENDIX A

Increased Rates

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

<u>Schedule Numbers</u>	<u>Amount of Increase</u>
G-1 and G-2, first block	0.4¢
G-1 and G-2, remaining blocks	0.218¢ per therm
G-15, first block	2¢ per lamp per month
G-15, second block	4¢ per lamp per month
G-15, third block	5¢ per lamp per month
G-15, fourth block	6¢ per lamp per month
G-15, fifth block	8¢ per lamp per month
G-15, sixth block	11¢ per lamp per month
G-45, G-46, G-50 and G-51, each block	0.218¢ per therm

Delete the text of the present portion of the Preliminary Statement under "7. Offset Charge and Related Refunds and Reductions in San Bernardino County", and insert thereunder the following:

7. OFFSET CHARGE AND RELATED REFUNDS
AND REDUCTIONS IN SAN BERNARDINO COUNTY

The first block of Schedules Nos. G-1 and G-2 includes an offset charge of 1.4¢. The remaining blocks of Schedules Nos. G-1 and G-2 include an offset charge of 0.745¢ per therm.

The six blocks of Schedule No. G-15 include offset charges, respectively, of 7¢, 13¢, 16¢, 20¢, 24¢ and 35¢.

All blocks of Schedules Nos. G-45 and G-46 include an offset charge of 0.745¢ per therm.

All blocks of Schedules Nos. G-50 and G-51 include an offset charge of 0.640¢ per therm.

The foregoing charges were authorized by D-75785, D-76964, D-77448, D-78498 and D-79354

The company will refund to its customers any refund received from Pacific pursuant to an order of the Commission.

If the cost of gas from Pacific is reduced, the company will reduce its offset charges by an amount equal to any such rate reduction.

APPENDIX B

Increased Rates

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

<u>Schedules Numbers</u>	<u>Amount of Increase</u>
G-1 and G-2, first block	0.4¢
G-1 and G-2, remaining blocks	0.186¢ per therm
G-15, first block	1¢ per lamp per month
G-15, second block	3¢ per lamp per month
G-15, third block	4¢ per lamp per month
G-15, fourth block	5¢ per lamp per month
G-15, fifth block	7¢ per lamp per month
G-15, sixth block	9¢ per lamp per month
G-45, G-46, G-50 and G-51, each block	0.186¢ per therm

Preliminary Statement

Delete the text of the present portion of the Preliminary Statement under "7. Offset Charge and Related Refunds and Reductions in San Bernardino County", and insert thereunder the following:

7. OFFSET CHARGE AND RELATED REFUNDS
AND REDUCTIONS IN SAN BERNARDINO COUNTY

The first block of Schedules Nos. G-1 and G-2 includes an offset charge of 1.8¢. The remaining blocks of Schedules Nos. G-1 and G-2 include an offset charge of 0.931¢ per therm.

The six blocks of Schedule No. G-15 include offset charges, respectively, of 8¢, 16¢, 20¢, 25¢, 31¢ and 44¢.

All blocks of Schedules Nos. G-45 and G-46 include an offset charge of 0.931¢ per therm.

All blocks of Schedules Nos. G-50 and G-51 include an offset charge of 0.826¢ per therm.

The foregoing charges were authorized by D-75785, D-76964, D-77448, D-78498, and D-~~79354~~

The company will refund to its customers any refund received from Pacific pursuant to an order of the Commission.

If the cost of gas from Pacific is reduced, the company will reduce its offset charges by an amount equal to any such rate reduction.