

SW/ms

Decision No. 79553

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 Procedure  
for tracking such changes in Southern  
Counties Gas Company's Wholesale Ser-  
vice Schedule No. G-60 as are approved  
by this Commission.

Application No. 51674  
(Filed February 3, 1970)  
(Third Petition for  
Modification  
Filed November 8, 1971)

OPINION AND ORDER

By the third petition above, filed on November 8, 1971, San Diego Gas & Electric Company (San Diego) has petitioned the Commission for modification of its orders in Decisions Nos. 77581 and 78523 pursuant to Application No. 51674 to authorize San Diego to track and/or offset the effect of any decision of this Commission granting Southern California Gas Company's (SoCal) petition filed October 29, 1971, in Applications Nos. 51567 and 51568 to the extent such decision increases the cost of gas received by San Diego under SoCal's Wholesale Schedule No. G-61. San Diego requests parallel treatment to that which may be granted SoCal extending tracking and offset relief into 1972.

A. 51674 - SW

On October 29, 1971, SoCal filed a petition for modification of orders contained in Decision No. 78469 pursuant to Applications Nos. 51567 and 51568 asking for authority to "use the Advice Letter Procedure to file such revised tariff schedules with changes in rates, charges and conditions as may be necessary to reflect increases in the cost of purchased gas attributable to tracking rate increase filings" by its out-of-state suppliers, El Paso Natural Gas Company and Transwestern Pipeline Company, through calendar year 1972, or until such time as this Commission issues and makes effective its decision in SoCal's Application No. 52696, whichever occurs first.

In Decision No. 77581 issued August 4, 1970, and Decision No. 78523 issued April 2, 1971, the Commission authorized applicant to use the Advice Letter Procedure to file revised tariff schedules with changes in rates as necessary to reflect increases in the cost of purchased gas attributable to offset and/or tracking rate increase filings made by its supplier, SoCal, in Wholesale Schedule No. G-61; this authorization only covers tracking rate increases through December 31, 1971; applicant has pending before this Commission its Application No. 52801 filed on August 10, 1971; in said application applicant has requested, among other things, to incorporate a purchased gas adjustment provision in its tariffs, or, in the alternative, to adopt an expanded Advice Letter Procedure for reflecting in its rates effects of changes in purchased gas costs; and applicant, by this petition, seeks to protect itself against substantial tracking rate increases that may occur in SoCal Wholesale Schedule No. G-61 through 1972.

Applicant estimates that in test year 1972 the rate of return of its gas department will drop to 1.61 percent without rate relief; if the Commission does not allow applicant to track Commission authorized changes to SoCal Schedule No. G-61, the rate of return will decline even further and remove any possibility of applicant achieving the level of earnings last found reasonable by the Commission or subsequently authorized in Application No. 52801; the earnings of applicant in its gas department for 1972 test year are estimated to result in a rate of return of 1.61 percent (Exhibit A on the Third Petition herein); these earnings are the same as shown in applicant's Application No. 52801 and associated exhibits and testimony associated therewith; and each 1.0 cents per Mcf of increase in SoCal Schedule No. G-61 which applicant does not have the authority to offset will decrease applicant's rate of return under present rates during 1972 test year by about 0.8 percent.

The applicant alleges that if the Commission authorizes the request contained in this petition, applicant proposes to apportion the additional revenue required to offset any increased cost of gas received from SoCal and associated franchise and uncollectible costs to each of its customer classes on a basis substantially as set forth in Appendix A to Decision No. 78523; applicant proposes that such increase to its customers shall become effective simultaneously with, or as soon thereafter as feasible, any increase by SoCal in its Wholesale Schedule No. G-61 rate to applicant; that authorization of this petition will not increase applicant's rate of return; that this petition is merely for authority to track and/or offset any increase in the cost of gas purchased from SoCal due to tracking rate increases that this Commission may authorize in SoCal's Wholesale Schedule No. G-61;

and the tracking or offset requested herein, if granted by the Commission, would be subject to appropriate rate reduction and refunds as provided for in ordering paragraph 2 of Decision No. 77581.

Applicant requests that the Commission modify its orders in Decisions Nos. 77581 and 78523 to authorize applicant to file such revised tariff schedules with changes in rates, charges and conditions as are necessary to 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. 78469, or by opinion and order rendered by this Commission on application of SoCal to track and/or offset, reflecting El Paso's rate increases in FPC Docket RP71-13 and Transwestern's rate increases in RP70-19, for such future period of time that SoCal'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. RP70-19 and RP71-13, until such time as this Commission issues and makes effective its final decision in San Diego's Application No. 52601 or December 31, 1972, whichever event occurs first.

#### 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 SoCal, its sole gas supplier.

2. By Decision No. 78470, dated March 23, 1971, in Application No. 52358, SoCal was granted authority to increase its rates to applicant.

3. Decision No. 78469, dated March 23, 1971, in Application No. 51567, authorized SoCal to track additional cost of gas increases. Applicant was authorized to use 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 SoCal until December 31, 1971.

4. By Decision No. 79515, dated December 21, 1971, in Applications Nos. 51567 and 51568, SoCal was authorized to track additional costs of purchased gas. Applicant should be authorized to track such costs by advice letter filings for the period ending December 31, 1972, or until such time as the Commission makes a final decision in pending Application No. 52801, whichever occurs first. The authority herein granted will not increase applicant's rate of return.

A public hearing is not necessary. On the foregoing findings, the Commission concludes that the application should be granted to the extent set forth in the order herein.

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.

IT IS ORDERED that 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, 1972, or the effective date of any final decision in Application No. 52801, whichever occurs first.

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.

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

Dated at San Francisco, California,  
this 4<sup>th</sup> day of JANUARY, 1972.

[Signature]  
Chairman  
[Signature]  
[Signature]  
Commissioners