

Decision No. 7994S**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of California-Pacific
Utilities Company for authority to
increase rates for natural gas
service to customers in the South
Tahoe Division to offset increases
in the cost of gas purchased from
Southwest Gas Corporation.

Application No. 53149
(Filed February 15, 1972;
Amended March 28, 1972)

O P I N I O N

California-Pacific Utilities Company (California-Pacific) seeks authority to increase rates in its South Tahoe Division service area from time to time in order to offset possible future increases in the cost of natural gas which it purchases from Southwest Gas Corporation (Southwest).

Nature of Applicant's Filings

On February 15, 1972, applicant filed its original application requesting partial offset rate relief and tracking authority. In the application and Exhibit C thereof, applicant alleges that three rate increases effective December 20, 1971, February 1, 1972 and March 1, 1972, respectively, authorized Southwest by the Federal Power Commission (FPC) in FPC Dockets Nos. RP72-71 and RP72-100 have increased the cost of gas purchased by applicant from Southwest by \$43,375 annually. In its original application, applicant sought authority to increase its rates by \$7,900 per year partially to offset these increased costs and so as to permit it to earn a rate of return of 7.6% which this Commission had found fair and reasonable for applicant in Decision No. 78180 in Application No. 51804 dated January 13, 1971. Additionally applicant sought "authority to increase rates in its South Tahoe Division by the amount necessary to offset the additional cost to applicant as a result of increased costs of gas which the FPC may authorize Southwest Gas Corporation

to place in effect after March 1, 1972 for the period ending February 28, 1973", herein referred to as tracking authority. Applicant further requested that such relief be authorized on an ex parte basis.

Thereafter on March 28, 1972 applicant filed an amendment to its application withdrawing its original request to increase rates by \$7,900 per year.

Notice of Filing

Copies of each of applicant's filings were served by mail upon those governmental entities prescribed by Rule 24(1) and (2) of the Commission's Revised Rules of Practice and Procedure; and notice of applicant's original filing was published in a newspaper of general circulation within and proximate to applicant's South Tahoe Division service area, in a timely manner.

The Record

By an order issued December 17, 1971, in Docket No. RP72-71, hereby received as Exhibit No. 1, the FPC authorized Southwest to place into effect as of December 20, 1971 increased rates for natural gas which it sells to applicant. By another order issued February 17, 1972 in Dockets Nos. RP72-100 and 72-71, hereby received as Exhibit No. 2, the FPC authorized Southwest to place into effect as of February 1, 1972 increased rates for natural gas which it sells to applicant. Therein the FPC also authorized Southwest to increase rates from time to time thereafter through December 31, 1972 in order to "track" any increases in rate levels effected by Southwest's supplier, El Paso Natural Gas Company, under its tracking authority in Docket No. RP71-137 during that tracking period. In a letter dated February 25, 1972, hereby received as Exhibit No. 1, the FPC notified Southwest that revised tariff sheets increasing rates to applicant effective March 1, 1972 were accepted as being in compliance with its February 17, 1972 order. The three rate increases effective December 20, 1971, February 1, 1972 and March 1, 1972 respectively are the increases referred to in Exhibit C to the application herein.

On January 11, 1972 the Federal Price Commission, acting under the auspices of the Economic Stabilization Act of 1970 and various Executive Orders implementing it, issued a revision of Section 300.16 of Title 6 of the Code of Federal Regulations to become effective January 17, 1972. Paragraph (c) thereof reads as follows:

"(c) Price increases to which reporting and certification requirements do not apply. The reporting and certification requirements of this section do not apply to any price increase resulting from the pass-through of specific allowable costs, including taxes (except income taxes) and fuel costs, but not including labor costs, if the increase is not objected to by the appropriate regulatory agency and is authorized by statute, regulation, or order of the appropriate regulatory agency, or by an approved tariff provision."

Subsequent revisions of Section 300.16 have not changed paragraph (c) which is presently in effect as quoted above.

Findings and Conclusion

The Commission finds:

1. Increased prices for gas which applicant purchases from Southwest have occurred and may occur as the result of FPC action in Dockets Nos. RP72-71 and 72-100.
2. It is just and reasonable that applicant be authorized to offset future increased gas cost by increasing its charges to its own customers in its South Tahoe Division.
3. No immediate increases in rates and charges are authorized herein.
4. The increases in rates which may result from the tracking authority 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, as such Act is implemented in Section 300.16 (c) of Title 6 of the Code of Federal Regulations.

5. A public hearing is not necessary.

The Commission concludes that the application should be granted to the extent set forth in the following order.

O R D E R

IT IS ORDERED that:

1. California-Pacific Utilities Company is hereby authorized to file with this Commission, on or after the effective date of this order and in conformance with the provisions of General Order No. 96-A, revised tariffs with an Addition to Preliminary Statement as set out in Exhibit K attached to the amendment to the application, and to place said revised tariffs into effect one day after the date of such filing.

2.a. Applicant is authorized to use 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 Southwest Gas Corporation, provided that such authority to track shall not extend beyond December 31, 1972.

b. The advice letter procedure to be made available to applicant for this purpose shall 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 shall be made and shall be subject to a new notice period of not less than 15 days.)

c. Revised rates made effective under this advice letter procedure shall become effective for service on and after the date the change in Southwest Gas Corporation'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 shall prepare a plan for determining refunds consistent with the pertinent tariff provision authorized herein. Said plan shall be submitted to this Commission prior to making any refunds, and specific Commission approval shall be obtained of the plan at that time.
- b. If rates to Southwest Gas Corporation are ordered reduced as a result of reductions under Federal Power Commission Dockets Nos. RP72-71 and 72-100, applicant shall file a proposed plan for rate reductions consistent with the pertinent tariff provision authorized herein, for final determination and authorization by this Commission.

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

Dated at Los Angeles, California, this 18th
day of APRIL, 1972.

[Signature]
Chairman
[Signature]
[Signature]
Commissioners