

Decision No. 80793

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the
Application of
SOUTHWEST GAS CORPORATION
For Authority to Increase
Natural Gas Rates in
San Bernardino County,
California.

Application No. 52428

Third Petition for Modification
of Decision No. 78498

(Filed September 5, 1972)

ORDER GRANTING THIRD PETITION FOR
MODIFICATION OF DECISION NO. 78498

By Decision No. 78498, dated March 30, 1971, in Application No. 52428, the Commission, among other things, authorized applicant, hereinafter petitioner, to continue the use of 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 Pacific Gas and Electric Company, provided that such authority to track should not extend beyond December 31, 1971, and should terminate at any time prior thereto if the tracking increases totaled more than .009 cents per therm.

Pursuant thereto and in accordance with the advice letter procedure prescribed in Decision No. 78498, petitioner filed Advice Letter No. 85 with the Commission reflecting the effect of a tracking filing made by PG&E pursuant to the authority granted by Decision No. 78468, dated March 23, 1971, in Applications Nos. 51686 and 52335.

On November 23, 1971, the Commission issued Decision No. 79383 wherein it modified the terms of the tracking authorization established for PG&E in Decision No. 78468 by, among other things, extending the tracking authorization through December 31, 1972, and deleted the then existing limitations on PG&E's authority to track El Paso Natural Gas Company's rate changes.

By Decision No. 79856, dated March 28, 1972, the Commission modified paragraph 2.a. of Decision No. 78498 to provide that the time for adjustments in applicant's rates occasioned by PG&E tracking rate changes was extended through December 31, 1972, and the .009 cents per therm limitation on tracking increase authority was eliminated.

In a second petition for modification of Decision No. 78498 filed March 29, 1972, applicant alleges that on February 1, 1972, PG&E filed Application No. 53118 with the Commission wherein PG&E requested general rate relief for the operations of its Gas Department; and that incident thereto, PG&E proposed a rate increase for sales to petitioner under PG&E's rate Schedule G-62. Therefore, petitioner requested that the Commission further modify Decision No. 78498, without hearing, to authorize it to file, under advice letter procedure, rate increases designed to offset the economic cost to petitioner of any increase which it may experience in its cost of gas by reason of increased cost of purchases of gas from PG&E under PG&E's rate Schedule G-62, or any superseding PG&E rate schedule, as a result of Application No. 53118.

In a third petition for modification of Decision No. 78498 filed September 5, 1972, applicant alleges that on August 28, 1972, PG&E filed Application No. 53552 with the Commission wherein PG&E requested rate increases to offset cost of gas increases it will pay to Pacific Gas Transmission and El Paso Natural Gas Company and that these proposed increases if granted by the Commission will have an immediate effect on petitioner and will have a continuing effect through future tracking increases to petitioner.

Applicant further alleges that the annual cost to petitioner resulting from PG&E's proposed .107 cents per therm rate increase for the PGT offset requested to go into effect on October 1, 1972 is \$49,559 based on the volumes purchased in the year ended July 31, 1972; that the annual cost to petitioner of the proposed January 1, 1973 increase of .018 cents per therm rate increase for the El Paso offset is \$8,337, calculated on the same basis; and that by reason of the foregoing, petitioner petitions the Commission to further modify its order in Decision No. 78498 to provide that petitioner may track through filings made under an advice letter procedure, any cost of gas increases in PG&E's rate Schedule G-62 resulting from Commission action granting to PG&E all or part of the rate relief sought by PG&E in its Application No. 53552.

The petitioner also alleges that the need for such relief is immediate and should be granted contemporaneously with any increase granted to PG&E. Petitioner further requests that existing tracking authority granted in Decision No. 78498 and modified in Decision No. 79856, the relief requested in the instant petition and Southwest's Petition of March 29, 1972, be extended beyond December 31, 1972 to December 31, 1973. The petitioner also alleges in the application that if the Commission authorizes this request, the resulting tracking rate increases will not increase petitioner's level of earnings, but will merely offset the effect of increases in cost of purchased gas authorized by the Commission. In the event the Commission authorizes this request, petitioner proposes that the increased revenue would be recovered from customer classes on a cents per therm basis as was the basis authorized in Decision No. 78498 and Decision No. 79856. The rate increase made under the authority sought herein would be subject to future reduction and refund in accordance with the terms and conditions set forth in the Commission's order in Decision No. 78498.

Therefore, petitioner requests that the Commission issue an order, without hearing, to further modify Decision No. 78498 by authorizing petitioner to (1) file, under advice letter procedure, rate increases designed to offset the economic cost to petitioner of any increase which it may experience in its cost of gas by reason of increased cost of purchases of gas from PG&E under PG&E's rate Schedule G-62, or any superseding PG&E rate schedule, as a result of Application No. 53552; and (2) extend petitioner's tracking authority to December 31, 1973.

The Commission finds that the request is reasonable and concludes that it should be granted. This is in view of the fact that the applicant has furnished an earnings study for the recorded 12 months ended July 31, 1971 adjusted for normal temperature conditions, current gas prices, wage levels and other lesser items, and an earnings study for the estimated 12-month period ending July 31, 1973. The results of these studies at present rates and gas cost levels indicate rates of return of 7.28% and 6.36%, respectively, which are less than the 8% rate of return last found reasonable by this Commission in Decision No. 77448 for this utility in this area. The staff takes no exception to this earnings study except for the wage adjustment which is minimal in this instance. The increases placed in effect pursuant to the authorization granted by this decision should be spread on a uniform cents per therm basis consistent with the tracking authority authorized by Decision No. 78489. A public hearing is not necessary.

The increases in rates herein authorized will not increase petitioner'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, and come within purview of (E)(1)(a) of Rule 23.1 of this Commission's Rules of Practice and Procedure.

IT IS ORDERED that:

1. Southwest Gas Corporation may file, under advice letter procedure, rate increases designed to offset the economic cost to it of any increased cost of gas purchased by it from Pacific Gas and Electric Company under PG&E's rate Schedule G-62, which cost to Southwest Gas Corporation arises directly out of any decision of this Commission issued pursuant to Application No. 53552 now pending before this Commission.

2. Paragraph 2.a. of Decision No. 78498, pertaining to adjustments in Southwest Gas Corporation's rates occasioned by tracking rate changes filed by Pacific Gas and Electric Company on or before December 31, 1971, and by Decision No. 79856 this termination date was extended to December 31, 1972, is hereby further modified to provide that the time for such adjustments be extended through December 31, 1973.

3. In all other respects, Decision No. 78498, as modified by Decision No. 79856, remains in full force and effect.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 5th day of DECEMBER, 1972.

Vernon L. Sturgeon
President
William J. Lyons Jr.
J. William
Commissioners

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