

SW/jmd

Decision No. 80799

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

Second Petition for Modification
of Decision No. 78498

(Filed March 29, 1972)

ORDER GRANTING SECOND 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 Application No. 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(d) of Decision No. 78498 to provide that the time for adjustments in applicant's rates occasioned by PG&E rate changes was extended through December 31, 1972, and the restriction on the amount of the adjustment was eliminated.

By the second petition for modification of Decision No. 78498 herein considered, 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 has proposed a rate increase for sales to petitioner under its rate Schedule G-62 as follows:

	<u>Old Rate</u>	<u>Proposed Rate</u>
Demand:		
Firm	7.903¢/T	8.750¢/T
Interruptible	2.407¢/T	2.600¢/T
Commodity	3.907¢/T	4.390¢/T

Applicant further alleges that the increases proposed by PG&E on its rate Schedule G-62 would produce a substantial increase in the cost of gas purchased by petitioner for distribution and sale in its San Bernardino County service area; that based upon actual purchases for the twelve months ended December 31, 1971, petitioner estimates that the annual increase in its cost of gas so effected would be approximately \$294,282 if PG&E's application should be granted in full; that in the absence of authority to offset the impact of such an increase in its cost of gas through the filing of "tracking" increases under an advice letter procedure designed to offset the economic cost to petitioner thereof, petitioner believes that the rate of return realized on its San Bernardino County service area operations would be seriously eroded to the substantial detriment of petitioner; 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 effected by 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. 53118.

The petitioner further alleges that unless petitioner is able to adjust its rates expeditiously under such a procedure to reflect increases in its cost of service resulting from cost of gas increases reflected in PG&E's rate Schedule G-62, it will be necessary for petitioner to institute a general rate increase proceeding of its own in order to avoid a serious deterioration in petitioner's rate of return for its Southern California Division.

Applicant has furnished an earnings study for the year 1971. This study indicates a rate of return approximately equal to the return last found reasonable in Decision No. 77448. 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 in Decision No. 78498.

The Commission finds that the request is reasonable and concludes that it should be granted. 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. 53118 now pending before this Commission.

2. 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 shall be twenty days after the date hereof.

Dated at San Francisco, California,
this 12th day of DECEMBER, 1972.

I dissent:

[Signature]

Vernon L. Sturgeon
President

William J. ...

[Signature]

Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.