

Decision No. 81322

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND
ELECTRIC COMPANY 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
the El Paso Natural Gas Company.
(Gas)

Application No. 52335
Petition for Further
Modification of Order
Contained in
Decision No. 78468
(Filed December 18, 1972)

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Electric Company, petitioner.
Sylvia M. Siegel, for San Francisco Consumer
Action, Consumers United Alameda County
Law Action, Diablo Valley Consumer Action, and
Consumer Federation of California, protestants.
Peter G. Stone, City Attorney, by Robert K.
Booth, Jr., Senior Assistant City Attorney,
for the City of Palo Alto; Edward A. Boehler,
for California Ammonia Company; E. R. Island,
Attorney at Law, for Southern California Gas
Company; interested parties.
Edmund J. Texeira, for the Commission staff.

O P I N I O N

By this petition Pacific Gas and Electric Company (PG&E) requests that its existing authorization to offset certain tracking increases in its cost of natural gas purchased from El Paso Natural Gas Company (El Paso) be extended through December 31, 1973 and be extended to include gas cost increases resulting from any purchased gas cost adjustment (PGA) filed by El Paso pursuant to Federal Power Commission (FPC) Orders Nos. 452 and 452A, issued April 14, 1972 and June 13, 1972, respectively, in FPC Docket No. R-406 and FPC order issued July 31, 1972, in FPC Docket No. RP72-150 and 155.

Public hearing was held before Examiner Johnson on March 12, 1973, in San Francisco, and the matter was submitted.

In Decision No. 78468 dated March 23, 1971 (Applications Nos. 52335 and 51686) the Commission authorized PG&E to track El Paso's tracking increase through December 31, 1971 to parallel authority granted to El Paso by the FPC in Docket No. RP71-13. In Decision No. 79383 dated November 23, 1971 the Commission modified Decision No. 78468 to extend tracking authorization to December 31, 1972 to parallel authorization granted El Paso by the FPC in Docket No. 71-13. These decisions provide that PG&E could file limited rate increases subject to refund on short notice and that such increases would be distributed to the rate schedules serving the various customer classes on a uniform cents per therm basis. No changes in these procedures are requested by this petition.

Purchased Gas Cost Adjustment

FPC Orders Nos. 452 issued April 14, 1972 and 452A issued June 13, 1972, cancelled outstanding gas cost tracking authority beyond August 12, 1972^{1/} and provided for establishing purchased gas cost adjustment provisions in the FPC tariffs of interstate pipeline companies. Pursuant to these FPC orders, El Paso filed a proposal to incorporate a PGA clause in its tariffs. The FPC order issued July 31, 1972 in Dockets Nos. RP72-150 and 155 approved this clause to become effective August 13, 1972. This PGA clause provides that El Paso may semi-annually flow through previously incurred increased charges in its cost of purchased gas by filing a notice of change 45 days in advance of the effective date thereof. FPC Order No. 452A also provides for triennial

^{1/} "(H) The purchased gas cost tracking authority of Mid-Louisiana Gas Company, South Georgia Natural Gas Company and others with tracking authority shall terminate not later than 60 days from the date this order is issued...."

restatement of the base tariff rate, review of the appropriateness ✓
of the tariff over the previous three-year period, and refunding
of any excess charges.

Testimony on behalf of PG&E was presented by its vice-president, Rates and Valuation, and by one of its rate engineers. Other parties to the proceeding did not present any testimony but did cross-examine PG&E's witnesses.

PG&E's vice-president testified that the currently effective purchased gas cost adjustment procedure is an FPC ordered modification of El Paso's former tracking procedure aimed at minimizing the frequency of rate changes caused by El Paso's supplier increases; that under this new procedure El Paso has already filed for an increase of \$11,186 a day to PG&E with a requested effective date of April 1, 1973; and that because of the early effective date of this first filing, PG&E further requests short notice authority to make effective on as timely a basis as possible the advice letter filing through which PG&E would offset this April 1st increase.

This witness further testified that the results of operations adopted in Decision No. 80878 dated December 19, 1972 on PG&E's Application No. 53118 for a general gas department rate increase, modified to reflect updated sales estimates and reduced deliveries from El Paso under the currently effective FPC ordered curtailment plan, indicate an estimated rate of return of 7.85 percent as compared to the 8.0 percent authorized by Decision No. 80878.

In addition, this witness testified that the effect of granting the requested modification of Decision No. 78468 would be the maintenance of the same rate of return that PG&E's gas department would have had absent the increase in the cost of El Paso gas; in no event will the rate of return authorized by Decision No. 80878 be exceeded as a result of granting this petition.

PG&E's rate engineer testified about the evolution of the tracking procedures implemented by various regulatory agencies and the basis of the FPC's replacement of previously utilized purchased gas cost tracking procedures with currently authorized purchased gas adjustment clauses.

This witness further testified that while El Paso is currently limited to filing producer rate increases on a semi-annual basis, it could have filed pipeline supplier increases as incurred but chose to combine these increases with the producer increases for semi-annual filing, and that FPC Orders Nos. 452 and 452-A provide for flow-through of any FPC ordered refunds.

Sylvia Siegel, appearing for several consumer action groups, asserted her opposition to any kind of rate increases effected by advice letter showing and stated that the public has the right to public hearings, public scrutiny, and public inspection of the record on all rate increase matters.

The city of Palo Alto objected to the application of a uniform cents per therm offset on the grounds that (1) it results in a higher percentage increase to the resale class than to other classes of service on the PG&E system, (2) the rate of return provided by the city of Palo Alto is already far in excess of that produced by other customer groups, and (3) the city of Palo Alto serves general service customers who will experience a lesser percentage increase than the city. It recommends a uniform percentage increase to all classes of customers.

The Commission staff stated it has made a complete review of the work papers underlying the material presented in support of the petition; that it does not at this time accept the petitioner's rate-making adjustments reflecting current conditions but is of the opinion that the company will not earn a rate of return greater than the 8.0 percent found reasonable in Decision No. 80878 dated December 19, 1972 in Application No. 53118, and that the offset proposal will not provide any increase in earnings.

Discussion

The record of this proceeding shows that this Commission has permitted PG&E to file limited rate increases subject to refund in order to offset the effect of tracking increases filed with the FPC by El Paso through December 31, 1972. Had El Paso's existing tracking authority under Docket No. RP71-13 not been changed to a PCA procedure El Paso could have filed for these gas cost increases on a timely basis during the calendar year 1972 and PG&E could have tracked them in accordance with Decision No. 79383 dated November 3, 1971. The record also shows that Finding No. 6 in Decision No. 78468 states that PG&E and the Commission staff agree that any tracking increases filed by PG&E pursuant to that decision should spread the increased costs on a uniform cents per therm basis. Such a procedure results in greater percentage increases to the large user, such as resale customers, but is justified on the basis that the increased cost of El Paso gas reflects increased costs on a cents per unit volume basis. This method of apportioning the changes in cost of gas resulting from the application of the PGA clause will be adopted.

Because of the relationship of the effective date of this order and the effective date of April 1, 1973 of El Paso's first PGA clause filing, PG&E's request for short notice authority is reasonable and will be granted.

Findings of Fact

1. By Decision No. 78468 dated March 23, 1971 (Applications Nos. 52335 and 51686) the Commission authorized PG&E to track El Paso's tracking increases through December 31, 1971 to parallel authority granted to El Paso by the FPC in Docket No. RP 71-13.

2. By Decision No. 79383 dated November 23, 1971 the Commission modified Decision No. 78468 to extend tracking authorization to December 31, 1972 to parallel FPC authorization granted El Paso in Docket No. 71-13.

3. As permitted by FPC Orders Nos. 452 issued April 14, 1972, and 452A issued June 13, 1972 El Paso filed a purchased gas adjustment clause which the FPC authorized to become effective August 13, 1972.

4. Under the terms of its approved PGA clause El Paso is authorized to flow through previously incurred charges in its cost of purchased gas on a semi-annual basis by filing a notice of such change 45 days in advance of such change.

5. On February 14, 1973 El Paso filed for an increase of 1.19¢/mcf in its southern division tariff applicable to PG&E to be effective April 1, 1973. Upon receipt of an FPC notification of deficiency dated March 29, 1973, El Paso submitted a corrected filing for an increase of 1.11¢/mcf which will increase PG&E's purchased gas cost approximately \$10,434 a day.

6. Had El Paso's existing tracking authority under Docket No. RP71-13 not been changed to a PGA procedure, by FPC order effective August 13, 1972 El Paso could have filed for these gas cost increases on a timely basis during calendar year 1972, and PG&E could have tracked these increases under CPUC authority granted PG&E by Decision No. 79383 dated November 3, 1971.

7. The effect of permitting PG&E to increase its rates to offset increased El Paso purchased gas costs is to maintain the same rate of return the PG&E Gas Department would have experienced absent the increase in cost of El Paso gas and will not increase such return above the 8.0 percent authorized by Decision No. 80878 dated December 19, 1972.

8. PG&E's proposal to apply the rate increases to the rate schedules serving the various customer classes on a uniform cents per therm basis is consistent with the findings in Decision No. 78468.

9. Any rate reduction and/or refund paid by El Paso to PG&E will be flowed through to its customers.

10. The evidence of this record justifies extending PG&E's authorization to offset tracking increases and/or increases resulting from purchased gas cost adjustment costs for natural gas purchased from El Paso Natural Gas Company through December 31, 1973.

11. The request for short notice authority included in testimony of PG&E's vice-president, Rates and Valuation, is reasonable and should be granted.

12. The exemption provided for in Rule 23.1 (E)(1)(c) of this Commission's Rules of Practice and Procedure applies to this petition.

Conclusions of Law

1. The authority sought by PG&E should be granted to the extent set forth in the order which follows.

2. Rule 23.1 (E)(1)(c) of this Commission's Rules of Practice and Procedure applies to this petition.

O R D E R

IT IS ORDERED that:

1. Paragraph 3c(a) of Decision No. 78468, as modified by Decision No. 79383, pertaining to adjustments in Pacific Gas and Electric Company's rates occasioned by rate changes filed by El Paso Natural Gas Company is modified to provide that the time for such adjustments is extended through December 31, 1973, and extended to include gas cost revisions resulting from El Paso's purchased gas cost adjustment procedure filed in accordance with FPC Dockets Nos. 72-150 and 155 to provide offset charges only to the extent necessary to compensate for the changes in charges from El Paso Natural Gas Company.

2. In all other respects, Decision No. 78468 remains in full force and effect.

3. The effective date of PG&E's advice letter filing to reflect El Paso's first PGA revision effective April 1, 1973 shall be one day after the date of filing.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 14
day of MAY, 1973.

Vernon L. Stenger
President
William J. Symon
William J. Symon
William J. Symon
Commissioners