

ORIGINAL

Decision No. 81900

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of SOUTHERN CALIFORNIA GAS COMPANY  
for (A) a General Increase in Its  
Gas Rates, (B) for Authority Either  
to Include a Purchased Gas Adjust-  
ment Provision in Its Tariffs or to  
Implement an Enlarged Advice Letter  
Procedure for Reflecting in Its Rates  
Changes in Purchased Gas Cost, (C)  
for Authority to Modify the Service  
Agreements Under Schedules G-58,  
G-58A and G-61, and (D) for Authority  
to Consolidate and Otherwise Modify  
Certain of Its Tariff Schedules.

Application No. 52696  
(Filed June 18, 1971)

Petition for Modification  
of Order Contained in  
Decision No. 80430  
(Filed August 8, 1973)

O P I N I O N

Applicant's petition for modification seeks authorization to substitute the Commission staff's estimated gas purchase and sales volumes for test year 1974, included in the staff's results of operations report (dated July 25, 1973 in Application No. 53797), in lieu of the test year 1972 gas purchase and sales volumes adopted by the Commission in Decision No. 80430 in Application No. 52696. The summary of revenue changes required to track such increases based on these volumes is contained in Appendix C of Decision No. 80430.

The authorization sought is for the limited purpose of tracking expected purchased gas adjustment clause increases by applicant's two out-of-the-state suppliers, El Paso Natural Gas Company (El Paso) and Transwestern Pipeline Company (Transwestern), to become effective on October 1, 1973. El Paso indicated to applicant that they will increase rates in FPC Docket No. RP 72-155 in an amount presently estimated to be 2.40¢/Mcf. Transwestern indicated to applicant that they will increase rates in FPC Docket No. RP 72-128 in an amount presently estimated to be 2.79¢/Mcf.

Decision No. 80430 authorized applicant to track supplier purchased gas adjustment clause increases through the year 1973 following the advice letter procedure, spreading the increases to customer classes on a uniform cents per therm or thermal of unit basis except for Schedule No. G-30, determined consistent with test year 1972 gas purchases and sales volumes adopted therein. Applicant alleges that the volumes adopted for the tracking procedure in Decision No. 80430 is not representative of the conditions as they now exist and will exist in the near future because of a significant deterioration in the gas supplies available to it. The impact of this deterioration in the gas supply would be to reduce revenues collected under tracking authorization based on test year 1972 so that the cost increases resulting from increases in supplier's rates would not be fully recovered. We noted this impact in Decision No. 81050 relating to the offset increase of El Paso in FPC Docket No. RP 72-150 where we stated:

"... The average cost of El Paso gas determined from the El Paso filing is 40.13¢/Mcf without curtailment. At a delivery level of 93 percent of the contracted supply the average cost increases to 40.51¢/Mcf. It would have been 41.01¢/Mcf at this level of curtailment based upon the June 30, 1972 filing."

In that instance the revenue loss was decreased by approximately \$3,000,000 per year because of the radical modification of the demand and commodity components in El Paso's rates as a result of modification of cost allocation procedures. In this proceeding a substitution of the staff's 1974 test year volumes in Application No. 53797 is alleged to be more nearly representative of the changed situation which will prevail in the near future. Applicant shows an estimated annual revenue undercollection of \$1,763,000 using the staff's test year 1974 data, compared to test year 1972 data. Applicant believes that if its 1974

test year estimate in Application No. 53797 were used the proposed uniform cents per Mcf increase would be identical to that based on the staff's 1974 test year data.

If the staff's estimate of deliveries and sales for test year 1974 actually materialize the proposed revision of Appendix C to reflect estimated volumes would fully recover these increases. However, changes in actual levels of curtailment from applicant's suppliers could result in either undercollection or overcollection of the abovementioned increases if the authorization sought in the application were granted.

Applicant is in need of the relief sought but the order herein will contain a provision that will provide for refunds in the event that the authorization granted herein results in a net increase in revenue rather than simply offsetting the increase in expenses resulting from increases in cost of the gas.

Applicant requested an ex parte order authorizing the adoption of the revised Appendix C based on the staff's 1974 test year gas purchase and sales volumes estimates and requested that the authority be granted to be effective in time for applicant to file its tracking advice letter to become effective on October 1, 1973, or such later date as its supplier increases become effective.

At the August 13, 1973 hearing in Applications Nos. 53797 and 54065 Examiner Levander asked the parties whether they would wish to address themselves to this petition with the possibility that the petition could be consolidated with the hearing in the abovementioned matters. None of the parties requested such consolidation and no protests have been received.

At the hearings in Application No. 53797 none of the parties other than applicant and the Commission staff indicated that they would submit evidence as to test year 1974 gas supply or sales volumes.

Both the applicant and the staff estimates<sup>1/</sup> for test year 1974 indicate an earnings level below that last authorized as being reasonable for applicant. It would be appropriate to require refunds and reductions in rates if the rate of return exceeded the authorized rate of return by reason of the authority granted herein on a uniform cents per therm or thermal unit basis.

Findings

1. Appendix C attached to Decision No. 80430 is based upon test year 1972 conditions as to gas supply and gas sales. Appendix C sets forth the basis for applicant to make advice letter filings for tracking increases.

2. Appendix C attached to Decision No. 80430 is not representative of current conditions by reason of gas curtailments caused by declines in the gas available to applicant's suppliers. Utilization of existing tracking authority to offset prospective purchased gas adjustment clause increases in FPC Docket Nos. RP 72-155 and RP 72-128 will result in undercollections at a rate of \$1,763,000 per year.

3. The proposed revision of Appendix C in Decision No. 80430 contained in Exhibit B attached to applicant's exhibit is representative of current estimates as to applicant's gas supply and gas sales.

4. Modifications in actual gas deliveries can result in applicant's recovering more or less revenue than the increase in its expenses caused by the purchased gas adjustment clause increases in FPC Dockets Nos. RP 72-155 and RP 72-128. In the event that the charges based upon the revisions to Exhibit C in Decision No. 80430 authorized herein exceed costs incurred it would be appropriate to refund the net overcharges. The order herein will contain reporting requirements and provision for making such refunds, if necessary.

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1/ Revised staff estimate.

5. The results of operation reports prepared by applicant and the Commission staff in Application No. 53797 show that the rate of return at present rates is below that authorized in Decision No. 80430. To the extent that the rate of return on a temperature adjusted basis exceeds that last found reasonable the purchased gas adjustment clause increases authorized herein should be reduced, to adjust rate of return to the authorized level, up to the amount of the tracking authorizations.

6. No hearing is necessary.

Conclusions of Law

Based on the foregoing findings the Commission concludes that:

1. Applicant should be granted authority sought in its petition for modification of Decision No. 80430, to the extent and under the conditions set forth in the order which follows, providing that the offsets will not result in a rate of return in excess of that previously authorized and that the offsets will not result in an increase in applicant's net revenues.

2. Applicant should file recorded and temperature adjusted results of operation reports to enable this Commission to ascertain that any purchased gas adjustment clause increases authorized herein will not result in an excessive rate of return nor in an increase in net revenues.

3. No hearing is necessary.

O R D E R

IT IS ORDERED that:

1. Decision No. 80430 is modified to incorporate the proposed revision of Appendix C contained in Exhibit B attached to applicant's petition for modification of Decision No. 80430 in Application No. 52696.

2. Southern California Gas Company is authorized to file with this Commission revised tariff schedules increasing the regular commodity rate in all rate schedules, except G-30, by a uniform cents per therm or thermal unit, through and including December 31, 1973, so as to offset the purchased gas adjustment clause increases filed for by its suppliers, El Paso Natural Gas Company in Federal Power Commission Docket No. RP 72-155, and Transwestern Pipeline Company in Federal Power Commission Docket No. RP 72-128. Such filing(s) should include in Section E.4.c. of the Preliminary Statement the amounts of increase in cents per therm or thermal unit as contingent offset charges in Federal Power Commission Dockets Nos. RP 72-155 and RP 72-128. Such filings shall comply with General Order No. 96-A. The effective date of the revised schedules shall be fifteen days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

3. Southern California Gas Company shall pass on to its customers by the Advice Letter procedure any reduced rates, and refund to its customers any refunds from El Paso Natural Gas Company or Transwestern Pipeline Company pursuant to order of the Federal Power Commission in Dockets Nos. RP 72-155 and/or RP 72-128.

4. Southern California Gas Company shall supply its calculations of increased revenues and increased expenses arising out of the rate increases authorized herein with its year ending File No. 074 report. Any excess of charges over increases in expenses arising out of these offset increases in Federal Power Commission Dockets Nos. RP 72-155 and RP 72-128 shall be accumulated and refunded on an annual basis. To the extent that the rate of return for the temperature adjusted results of operation report for the year 1973 exceeds the authorized rate(s) of return, refunds of gross revenues in excess of amounts required to realize the

authorized rate(s) of return shall be made. The upper limit of such potential refunds shall not exceed the increases authorized herein.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this  
25<sup>th</sup> day of SEPTEMBER, 1973.

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