

ORIGINAL

Decision No. 81997

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application
of SAN DIEGO GAS & ELECTRIC COMPANY
for authority, among other things,
to increase its natural gas rates
and charges for gas service to
offset higher gas costs occasioned
by gas rate increases by its supplier
pending before this Commission.

Application No. 54076
(Filed June 1, 1973)

C. Hayden Ames and Gordon Pearce, Attorneys at Law,
for San Diego Gas & Electric Company, applicant.
Abe Kalatsky, for Sorrento Delmar Mesa Civic Associ-
ation, and North City Civic Association, protestants.
Robert Logan, Deputy City Attorney, and Manley W.
Edwards, for City of San Diego, interested party.
Elinore C. Morgan, Attorney at Law, and Robert C.
Moeck, for the Commission staff.

O P I N I O N

San Diego Gas & Electric Company requests authority to increase its rates and charges for natural gas service by an amount sufficient to offset the effect of higher gas costs occasioned by an increase pending before this Commission in Application No. 54065 for its Wholesale Service Schedule No. G-61 of Southern California Gas Company.

Public hearing was held before Examiner Daly on August 15, 1973 at San Diego and was submitted upon receipt of late-filed Exhibit 5.

The record indicates that on May 2, 1973 El Paso Natural Gas Company filed increase rates with the Federal Power Commission (FPC) amounting to 4.40 cents per Mc/f for gas purchased by Southern California Gas Company at the California border. The FPC

has suspended the effective date of the filing until November 2, 1973 at which time the increase will become effective.

On May 29, 1973 Southern California Gas Company filed Application No. 54065 requesting authority to offset the higher cost of gas as of November 2, 1973. If authorized, the rates under Southern California Gas Company's Wholesale Schedule No. G-61 would increase applicant's cost for purchased gas by approximately \$1,931,600 during the 1974 test year.

By the instant application, applicant seeks to increase its gas rates to offset the effect of higher gas costs occasioned by the offset increase by Southern California Gas Company.

The proposed rates are designed to produce \$1,963,600 of additional gas revenues from the various classes of service based upon the 1974 test year. Of this amount, applicant requests that \$1,438,000 be derived from its retail customers and that the remaining \$525,600 be passed on to its Electric and Steam Departments.

The estimated annual increase for each of the classes of service for the test year 1974 is as follows:

<u>Class of Service</u>	<u>Amount</u>	<u>Percent of Increase</u>
General Service Including Special Contracts 176,186 and 202	\$1,197,600	1.98%
Firm Industrial	26,700	3.19
Regular Interruptible	<u>213,700</u>	4.58
Total from Retail Gas Customers	\$1,438,000	2.18
Interdepartmental	<u>525,600</u>	5.24
Total	\$1,963,600	2.59%

According to applicant's Vice President.- Rates and Valuations, the proposed offset relief is necessary because the gas cost increase was not included in the Commission's deliberations leading to Decision No. 80432 effective September 22, 1972 in Applications Nos. 52800, 52801, and 52802, wherein an 8 percent rate of return was authorized on the 1972 test year rate base. He further testified that if applicant does not receive the requested relief, its rate of return will drop to 4.33 percent for the Gas Department and 6.36 percent for the combined departments.

The following are applicant's estimated results of operations for the Gas Department and the combined departments for the test year 1974 in thousands of dollars.

GAS DEPARTMENT

Present Rates

<u>Item</u>	<u>From 1/ A. 53946</u>	<u>With A. 54065</u>	<u>Proposed Rates</u>
Total Operating Revenue	75,248.7	75,248.7	77,212.3
Total Operating Expenses	69,064.9	69,978.9	71,027.4
Net Operating Revenue	6,183.8	5,269.8	6,184.9
Depreciated Rate Base	121,688.3	121,688.3	121,688.3
Rate of Return	5.08%	4.33%	5.08%

1/ Applicant has on file with the Commission Applications Nos. 53945, 53946, and 53970 requesting general increases in gas, electric, and steam rates. These matters have been consolidated and are pending public hearing.

COMBINED DEPARTMENTSPresent Rates

<u>Item</u>	<u>From A. 53970</u>	<u>With A. 54065</u>	<u>Proposed Rates</u>
Total Revenues	266,913.0	266,913.0	269,317.7
Total Operating Expenses	221,563.7	222,477.2	224,009.9
Net Operating Revenue	45,349.3	44,435.8	45,307.8
Depreciated Rate Base	698,673.5	698,673.5	698,673.5
Rate of Return	6.49%	6.36%	6.48%

The only protest was a statement of opposition made on behalf of the Sorrento Delmar Mesa Civic Association.

Because the staff is presently conducting a detailed study of applicant's operations in preparation for the public hearings to be held on applicant's general gas, electric, and steam rate increases as proposed in Applications Nos. 53945, 53946, and 53970, it made no separate investigation in the instant proceeding. The staff recommended that the proposed increase be authorized subject to the following conditions:

1. That applicant refund its customers any amounts refunded to it from its suppliers, Southern California Gas Company, in the event of subsequent reductions in its costs.

2. That applicant refund to its customers any amount in excess of an 8 percent rate of return (the rate of return last found reasonable in Decision No. 80432) that may be indicated as a result of the staff's investigation for 1974 at present rates in conjunction with Application No. 53946.

Although applicant did not support the conditions suggested by the staff, it took the position that any refund in excess of the established 8 percent rate of return should be based upon the Commission's determination of the 1974 test year rather than upon the staff's estimates for said period.

The city of San Diego contends that if the proposed offset increase is authorized, the order should provide for a refund of any amount in excess of an 8 percent rate of return based upon the actual annual operations of applicant's gas department. The results of applicant's recorded operations for its gas department are filed with the Commission on a monthly basis. These records indicate that applicant realized a recorded rate of return of 7.77 percent from its gas department for the year ending January 31, 1973; 7.81 percent for the year ending February 28, 1973; 7.78 percent for the year ending March 31, 1973; 7.92 percent for the year ending April 30, 1973; and 8.00 percent for the year ending May 31, 1973.

According to late-filed Exhibit 5, the recorded rate of return of the gas department was 8.14 percent for the year ending June 30, 1973; 8.18 percent for the year ending July 31, 1973; and 8.01 percent for the year ending August 31, 1973.

Since applicant is not seeking interim emergency relief pending final determination of its general rate increase applications, but is merely requesting an offset increase to compensate for additional gas costs that were not considered in the 1972 rate proceeding, it would appear that the more accurate basis for determining the need, if any, for an offset increase would be the actual and adjusted operations of applicant's gas department, rather than relying upon an estimate of said operations for the test year 1974. ✓

Finding

The proposed increase in rates are just and reasonable to the extent that they do not exceed the 8 percent rate of return established by Decision No. 80432 based upon applicant's actual adjusted operations as reported to the Commission for the year 1973, and for that portion of 1974 ending with the effective date of the Commission's decision to be rendered in Applications Nos. 53945, 53946, and 53970.

Conclusion

The Commission concludes that the application should be granted subject to the following conditions:

1. Applicant shall refund any amounts refunded to it from its supplier, Southern California Gas Company, as a result of subsequent reductions in its costs.

2. Applicant shall refund to its customers any amount in excess of an 8 percent rate of return based upon the adjusted operations of applicant's gas department as reported to this Commission for the year 1973, and for that portion of 1974 ending with the effective date of the Commission's decisions to be issued in Applications Nos. 53945, 53946, and 53970.

O R D E R

IT IS ORDERED that on not less than five days' notice to the Commission and to the public, and subject to the conditions heretofore set forth in the opinion, San Diego Gas & Electric Company is authorized to file with the Commission revised tariff schedules with changes in rates, charges, and conditions so as to

offset any change in rates filed by its supplier, Southern California Gas Company, pursuant to authority granted in Application No. 54065, in accordance with the format shown in Exhibit C attached to the application. The effective date of the revised schedules shall be November 2, 1973.

The effective date of this order shall be twenty days after the date hereof.

Dated at Los Angeles, California, this 16th day of OCTOBER, 1973.

Vernon L. Stinson
President
William J. Spence, Jr.
[Signature]
Commissioners

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

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.