

ORIGINAL

Decision No. 82716

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,
(a) to increase its rates and charges
for electric service and
(b) to modify certain of its tariff
schedules.

Application No. 53945
(Filed April 10, 1973)

In the Matter of the Application of
SAN DIEGO GAS & ELECTRIC COMPANY for
authority, among other things,
(a) to increase its rates and charges
for gas service;
(b) to include in its tariffs a
Purchased Gas Adjustment Clause or an
expanded Advice Letter procedure for
reflecting in its rates effects of
changes in purchased gas costs; and
(c) to modify certain of its tariff
schedules.

Application No. 53946
(Filed April 10, 1973)

In the Matter of the Application of
SAN DIEGO GAS & ELECTRIC COMPANY for
authority, among other things, to
increase its rates and charges for
steam service.

Application No. 53970
(Filed April 17, 1973)

INTERIM OPINION

By the above applications, San Diego Gas & Electric Company (SDG&E) has requested authority to increase electric, gas, and steam service rates based on a 1974 test year. Interim rate relief has been granted SDG&E by Decision No. 82279 dated December 18, 1973 in these proceedings.

This interim decision involves the determination of the 1974 test year gas requirements of SDG&E. The parties were advised that the gas requirements of SDG&E would be determined by Commission decision at an early date. Evidence was received on the issue at public hearings held from December 5, 1973 to December 11, 1973. Additional staff evidence was presented at public hearings on January 22, 1974.

Southern California Gas Company (SoCal) is the major wholesale supplier of gas sold to SDG&E. The Commission has concluded public hearings on the revenue requirement phase of SoCal's Application No. 53797, a major rate increase proceeding. In order to determine SoCal's revenue requirement for test year 1974, the Commission must necessarily establish the test year gas sales of SoCal to SDG&E. Obviously, the SoCal gas deliveries to SDG&E for test year 1974 must also be determined in this proceeding. The SDG&E gas requirements and supply figures adopted by this interim decision will be applicable to both the SoCal and SDG&E proceedings.

This interim decision will establish the 1974 test year gas requirements of SDG&E. It will also set forth the 1974 gas deliveries to SDG&E. However, this interim decision does not involve the appropriate treatment, for test year purposes, of costs associated with SDG&E's gas purchases. It is not necessary to determine the reasonableness of gas supply costs to SDG&E's customers at this time.

The Staff Evidence

The Commission staff introduced Exhibit 27 setting forth the staff and SDG&E test year requirements as follows:

TABLE 1
Comparison of Gas Requirements
 (1974 Test Year)

Item	Staff	Utility	Utility Exceeds Staff:	
			Amount	Ratio
	(a)	(b)	(c)	(d)
<u>Requirements in M²cf</u>				
Firm	51,731.4	51,125.3	(606.1)	(1.2)%
<u>Retail Interruptible</u>				
B Block	717.2	717.2	-	-
C Block	3,471.3	3,471.3	-	-
D Block	3,334.8	3,334.8	-	-
E Block	1,651.5	1,651.5	-	-
Total Retail Interruptible	9,174.8	9,174.8	-	-
Interdepartmental	91,978.0	91,741.0	(237.0)	(.3)
Total Natural Gas Requirements	152,884.2	152,041.1	(843.1)	(.6)
Peaking Gas Requirements	1,086.7	985.0	(101.7)	(9.4)

(Inverse Item)

The staff witness testified that the estimated total requirements of the staff reflected an adjustment in the estimated number of customers (a minor adjustment) with the major difference resulting from the estimate of requirements per domestic customer.

The staff estimates utilized recorded data that became available after the filing of SDG&E's application. Counsel for SDG&E stipulated that column (b) of Exhibit 27 accurately reflected the applicant's requirements estimates as originally filed by the applicant. The applicant's estimates assume that an annual supply of California LNG will be received by SDG&E for the year 1974.

The staff witness testified that the staff requirements figures were based on the assumption that liquified natural gas (LNG) purchases from a source other than Southern California Gas Company would not be available in the test year.

SDG&E's Evidence

A witness for SDG&E testified regarding recent agreements to purchase California LNG. SDG&E has entered into agreements with Tioga Wells Corporation. The agreements provide that SDG&E will be supplied with 9,125,000 gallons of LNG annually from an LNG plant to be constructed by March 1, 1974. The contract term is 15 years. LNG deliveries are to commence the first week of April 1974.

The gas available is not of pipeline quality. The LNG plant is to be constructed by the Tioga Wells Corporation, and the LNG plant will separate nitrogen and methane to produce pipeline quality gas. SDG&E will transport the LNG by road tanker into its Chula Vista storage facility.

California LNG as Expected in 1974

The assumption that deliveries of California LNG will commence on April 1, 1974 changes the estimated gas requirements. The staff estimated requirement for firm gas decreases $43 \text{ M}^2\text{cf}$ as a result of the savings in gas used as plant fuel. The staff estimated requirement for peaking gas from SoCal is reduced by $21.4 \text{ M}^2\text{cf}$ as a result of the availability of California LNG.

The foregoing estimates were presented by staff witness King and appear (in part) in his Exhibits 34B and 43 and (in part) in his testimony.

Discussion

The applicant's estimates include California LNG on an annualized basis. The staff recommends that requirements and deliveries be estimated without inclusion of the California source LNG.

The SoCal and SDG&E rate proceedings both utilize a 1974 test year. The use of California LNG deliveries, as expected, will most accurately reflect anticipated requirements and deliveries for 1974. Accordingly, the estimates of requirements and deliveries are adopted by this interim decision as follows:

TABLE 2
Comparison of Gas Requirements
(1974 Test Year)

Item	Staff ^{1/} (a)	Change ^{2/} for LNG ^{2/} (b)	Estimated : Change : for LNG ^{2/} (b)	Adopted Annual : Requirements ^{3/} : Including LNG ^{3/} : (c)
	<u>Requirements in M²cf</u>			
Firm	51,763.0	(43)		51,720
<u>Retail Interruptible</u>				
B Block	717.2)	No Change		
C Block	3,471.3)			
D Block	3,334.8)			
E Block	1,651.5)			
Total Retail Interruptible	9,174.8)	No Change		
Interdepartmental	91,978.0)			
Total Natural Gas Requirements	152,915.8	(43)		152,872.8
Peaking Gas Requirements	1,086.7	(21.4)		1,065.3

Inverse Item

- ^{1/} From Exhibit 27, Sheet 1 of 2, Column (a) and Exhibit 34B.
^{2/} Changes resulting from 567 M²cf of California LNG per staff witness King.
^{3/} Exhibit 34B.

The foregoing requirements estimates result in estimated gas deliveries from SoCal as set forth in the staff's Exhibit 34B (as expected). Total SoCal deliveries to SDG&E are estimated as 80,665 M²cf: 270 M²cf will be utilized in LNG storage; 50,890 M²cf (which includes 1,065.3 M²cf of peaking gas) will be used directly to meet firm requirements; 8,608 M²cf will be used to meet retail interruptible sales; 20,897 M²cf will be used to meet interdepartmental requirements.

Findings

1. The temperature adjusted requirements estimates for SDG&E for test year 1974 of the Commission staff utilize more recent data than the earlier estimates of SDG&E. The staff estimates are more apt to reflect actual temperature adjusted 1974 requirements.
2. The 1974 requirements estimates should reflect anticipated deliveries of California LNG to SDG&E because such deliveries appear reasonably probable.
3. The estimated gas requirements for SDG&E by the staff, adjusted to include the expected 1974 deliveries of California source LNG, are the best estimates available of test year gas requirements.
4. The 1974 test year annual requirements for SDG&E are the estimates set forth in Table 2 in this interim opinion.
5. The staff estimates of SDG&E requirements and SoCal deliveries based on assumed deliveries of California LNG on an as expected basis will be used.
6. The staff estimates of gas deliveries by SoCal to SDG&E for the 1974 test year are adopted as the Commission's estimates for rate-making purposes in Application No. 53797. The adopted estimate of gas deliveries by SoCal to SDG&E is 80,665 M²cf: 270 M²cf will be utilized in LNG storage; 50,890 M²cf (which includes 1,065.3 M²cf of peaking gas) will be used directly to meet firm requirements; 8,608 M²cf will be used to meet retail interruptible sales; 20,897 M²cf will be used to meet interdepartmental requirements.

INTERIM ORDER

IT IS ORDERED that the estimates of San Diego Gas & Electric Company gas requirements for the 1974 test year set forth in Table 2 herein are adopted for rate-making purposes. The 1974 estimated deliveries of gas from Southern California Gas Company to San Diego Gas & Electric Company adopted for rate-making purposes are 80,665 M²cf as set forth in Finding 6.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 9th day
of APRIL †, 1974.

Vernon L. Sturgeon
President
William J. Symons, Jr.
[Signature]
[Signature]
Commissioners

I abstain
[Signature], Commissioner