

ORIGINAL

Decision No. 83097

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
CALIFORNIA-PACIFIC UTILITIES COMPANY,
a California corporation, for
authority to increase its rates for
gas service in its South Tahoe
Division.

Application No. 54803
(Filed April 12, 1974)

Orrick, Herrington, Rowley & Sutcliffe, by
James F. Crafts, Jr., Attorney at Law, for
applicant.

Peter Arth, Jr., Attorney at Law, and Edmund Texeira,
for the Commission staff.

INTERIM OPINION

Applicant is a corporation duly organized and existing under the laws of the State of California. Applicant owns and operates public utility electric, gas, water, and telephone systems in various parts of California; electric, gas, and telephone systems in Oregon; electric, gas, water, and telephone systems in Nevada; and electric systems in Utah and Arizona. Applicant is also engaged in the nonutility sale of liquified petroleum gas in Oregon. Applicant's principal place of business is located at 550 California Street, San Francisco, California.

According to applicant, except for a tracking increase that became effective May 18, 1972 in the amount of .00065¢/therm, there have been no changes in gas rates for the South Tahoe Division since 1967. On December 1, 1967 a rate reduction was authorized by the Commission. Decision No. 79348 dated April 18, 1972 authorized tracking of purchased gas costs through, but not beyond, December 31, 1972.

This filing is made necessary by the increased cost of gas purchased from Southwest Gas Corporation and to provide for the additional revenues necessary to permit a rate of return of 9.3 percent on average depreciated rate base.

For the estimated year 1974 the increased cost of purchased gas as a result of increases that became effective on January 22, 1974 and April 1, 1974 is \$272,900. Based on the estimated year 1974 after application of the \$272,900 cost of gas increase, the rate of return drops from 7.42 percent to a negative amount. The revenue requirement needed to track this increase is \$277,123.

The total revenue increase requested in the application is \$391,184. This amount includes the revenue requirement needed to recover the increased cost of purchased gas as well as an additional amount necessary to achieve a return of 9.3 percent. Applicant's proposed rates are based on a rate of return of 9.3 percent (approximately 13.0 percent return on equity) which it claims are required to attract new capital needed for supplying the service that must be supplied and to permit it to maintain its credit and financial integrity.

As the staff was not prepared to proceed with a full rate case showing prior to October 1974, applicant requested a hearing at which time it would request an offset increase and authority to track increases through the last six months of 1974.

Public hearing was held before Examiner Gillanders at South Tahoe on June 25 and 26, 1974. Applicant had published, mailed, and posted notice of the hearings in accordance with this Commission's Rules of Practice and Procedure. Three members of the public attended the hearing but did not participate.

Testimony on behalf of applicant was presented by its rate and valuation engineer. Testimony on behalf of the Commission staff was presented by an engineer.

The following table summarizes the testimony of applicant's witness regarding the various rate changes which have been made or will be made up to June 30, 1974:

<u>Effective Date</u>	<u>Purchased Gas Increase</u>	<u>Offset Revenue Increase</u>
April 1, 1974	2.158¢/therm	2.359¢/therm
May 1, 1974	(.070)	(.077)
June 30, 1974	<u>.578</u>	<u>.632</u>
	2.666	2.914

On applicant's basis^{1/} the 2.914¢/therm would require an increase of \$342,312 on an annual basis.

The staff's original exhibit (Exhibit 3) for the purpose of the offset proceedings was based on the year 1973 recorded and adjusted for normalized conditions. Revenue requirement to offset the increases in cost of gas was calculated on the basis of 8.35 percent rate of return and was \$241,541. As a result of strenuous cross-examination by applicant and a motion to strike the exhibit, the examiner directed the staff to modify its exhibit. The staff did so and presented Exhibit 4. Again, after applicant's cross-examination and objection, the examiner directed that the staff prepare another exhibit (Exhibit 8) which the staff presented at the hearing held on June 26.

Applicant and the staff stipulated that, for the purpose of this offset proceeding only, Exhibit 8 could be used for setting interim rates. The examiner accepted the stipulation with the understanding that the staff, when it presents its showing in the full rate case, will present a results of operation study fully developed and complete within itself. Exhibit 8 shows that to offset the increases in costs of gas after June 30, 1974 would require an increase of 2.730¢/therm.

^{1/} Year 1974 estimated.

Finding and Conclusion

We find that after June 30, 1974 applicant, in order to offset increased costs of gas from its supplier, must pay 2.730¢/therm for such gas. We conclude that such 2.730¢/therm should be added to each of applicant's tariff schedules and that applicant should also be authorized to track future changes in cost of gas which may occur between the effective date of this decision and December 31, 1974.

INTERIM ORDER

IT IS ORDERED that:

1. Applicant is authorized to file with this Commission, on or after the effective date of this order, revised tariff schedules providing for a 2.730¢/therm increase to each tariff schedule. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be July 1, 1974 but shall be on not less than three days' notice to the Commission. Applicant is also authorized to file the following change to paragraph 5 of its filed preliminary statement:

5. RATE TRACKING PROVISION (SOUTH TAHOE DIVISION)

The utility purchases gas from Southwest Gas Corporation for delivery in its South Tahoe Division. Whenever authorized by this decision, Southwest changes its rates to utility above or below the base rates, utility will use advice letter procedures in order to file revised tariff schedules with such changes in rates, charges, and conditions as may be necessary to reflect increases or decreases in the cost of purchased gas attributable to tracking the rate increase filing of Southwest if such increase or decrease becomes effective before December 31, 1974.

2. Further public hearing is scheduled on this application for October 8 and 9, 1974 at South Tahoe.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 2nd day of JULY, 1974.

William J. Guerin
President
Alfred Blum
James P. Vukasin, Jr.
Commissioners

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