

Decision No. 63129

ORIGINAL

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 proposed by its)
supplier to recover increased cost)
of out-of-state natural gas supplies)
to become effective in the future.)

Application No. 54738
(Filed March 18, 1974;
amended April 8, 1974)

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C. Hayden Ames, and Donald J. Richardson, Jr.,
Attorneys at Law, Gordon Pearce, Attorney at
Law, and John H. Woy, for San Diego Gas &
Electric Company, applicant.
John Witt, City Attorney, by Robert Logan,
Deputy City Attorney, and Manley Edwards, for
City of San Diego, interested party.
Walter H. Kessenick, Attorney at Law, and
Eugene S. Jones, for the Commission staff.

O P I N I O N

San Diego Gas & Electric Company (SDG&E) requests authority to increase its rates and charges for natural gas service by an amount sufficient to offset the effects of higher gas costs resulting from Commission authorization of increases requested by Southern California Gas Company (SoCal) in its Application No. 54780.

SoCal's requested increases are for amounts sufficient to offset higher gas costs which will result from increases in the price of natural gas from El Paso Natural Gas Company (El Paso) to become effective not later than July 10, 1974, and from Transwestern Pipeline Company (Transwestern) to become effective not later than July 11, 1974.

After notice, public hearing was held before Examiner Johnson on June 18, 1974 in San Diego and the matter was submitted.

Testimony was presented on behalf of SDG&E by its vice president, Rates and Valuation, and on behalf of the Commission staff by one of its engineers. Other parties to the proceeding did not present any testimony but participated through cross-examination of the witnesses.

SoCal's Increased Gas Costs

SoCal purchases gas directly from El Paso and through its affiliate Pacific Lighting Service Company (PLS) from Transwestern and California producers. The gas purchased by PLS is resold to SoCal on a cost-of-service tariff schedule which reflects price changes incurred by PLS.

On January 10, 1974 El Paso filed with the Federal Power Commission (FPC) in Docket No. RP 74-57 proposed increases to SoCal averaging 7.09 cents per Mcf at 100 percent load factor. These increased rates will become effective on July 10, 1974, subject to refund until final rates are effective. In addition, on February 15, 1974 El Paso filed a motion in Docket No. RP 74-22 to increase rates, effective July 10, 1974, an additional 2.12 cents per Mcf to recover costs associated with cost increases which may be due and payable to owners of special overriding royalty interests. Subsequently, the FPC set this matter for hearing and further determination which precludes the increases requested in Docket No. RP 74-22 from becoming effective July 10, 1974, as requested.

On December 28, 1973 Transwestern filed with the FPC in Docket No. RP 74-52 proposed increases averaging 10.29 cents per Mcf at 100 percent load factor. The increased rate will become effective July 11, 1974 subject to refund until the final rates are effective.

In accordance with the terms of long-term contracts the cost of California source gas purchased from producers by PLS for resale to SoCal is determined by the average contract price paid by SoCal and PLS for out-of-state gas received at the California border. This border price is reflected in the cost-of-service tariff computations deriving the cost of California source gas to be paid to California producers by PLS and to PLS by SoCal.

The additional revenues required to offset increases in the cost of out-of-state gas and related California source gas will, if authorized, result in increases in SoCal's franchise fees and uncollectible accounts expense.

SDG&E's Increased Costs

This Commission, by Decision No. 83090 dated July 2, 1974 on Application No. 54780, authorized SoCal to increase its rates, including its Wholesale Service Schedule G-61 under which SDG&E purchases its gas from SoCal, 0.478 cents per therm to offset all cost increases related to the El Paso increase in FPC Docket No. RP 74-57 effective July 10, 1974, and 0.348 cents per therm to offset all cost increases related to the Transwestern increase in FPC Docket No. RP 74-52 effective July 11, 1974, a total of 0.826 cents per therm. These increased SoCal rates are subject to reduction and refund to the extent they exceed the level of the final rates derived from the ultimate disposition of FPC Dockets Nos. RP 74-57 and RP 74-52.

SDG&E's vice president presented exhibits and testimony showing that to fully offset the 0.478 cents per therm El Paso related increase would require an increase of 0.502 cents per

therm for retail sales and 0.478 cents per therm for interdepartmental sales and to fully offset the 0.348 cents per therm Transwestern related increase would require an increase of 0.366 cents per therm for retail sales and 0.348 cents per therm for interdepartmental sales, a total of 0.868 cents per therm for retail sales and 0.826 cents per therm for interdepartmental sales. The additional offsets required for retail sales as compared to interdepartment sales result from the increased franchise fees and uncollectible accounts expenses together with the expenses associated with unaccounted for and company use volumes of gas which relate only to the retail sales. The exhibits further indicated that should the requested offsets be authorized, the Preliminary Statement of SDG&E's tariffs would be modified to include increases associated with Docket Nos. RP 74-52 and RP 74-57 in Section 7 relating to Contingent Refunds and Rate Reductions.

The Commission staff engineer presented testimony and exhibits showing unit cost increases of 0.731 cents per therm for retail sales, and 0.696 cents per therm for interdepartment sales would be required to offset the staff recommended increase in SoCal's Application No. 54780. This lesser offset requirement reflects the deletion by the Commission staff engineer in the SoCal proceeding of that portion of the increase in Docket No. RP 74-57 related to increased overriding royalty payments. The basis for this deletion is a motion^{1/} filed on May 10, 1974 by the People of the State of California and the Public Utilities Commission of the State of California requesting the FPC to amend its February 8, 1974 order in Docket No. RP 74-57 by ordering El Paso, prior to July 10, 1974, to not collect the

^{1/} Official notice was taken of the "Motion of the People of the State of California and the Public Utilities Commission of the State of California For Clarification and For Rejection of Certain Proposed Charges" and El Paso's answer thereto.

1.93 cents per Mcf overriding royalty payments pending disposition of the proceedings in Docket No. RP 74-22 or alternatively, if El Paso is permitted to collect such amounts subject to refund, subsequent refunds should be dependent on the resolution of the issues in Docket No. RP 74-22. The Commission staff engineer did recommend, however, that SDG&E be permitted to offset the full amount of its cost increases resulting from increases for El Paso in Docket No. RP 74-57 and for Transwestern in Docket No. RP 74-52.

Results of Operation

Both SDG&E's vice president and the Commission staff engineer presented exhibits and testimony setting forth estimated test year 1974 summaries of earnings reflecting the Commission's adopted sales in Decision No. 82716 dated April 9, 1974 on SDG&E's Applications Nos. 53945, 53946, and 53970 as modified by SoCal's related gas balance study.

SDG&E's summary of earnings showed a 1974 test year rate of return of 6.30 percent for its Gas Department absent any increase in SoCal's rates. Should the full cost offset requested in SoCal's Application No. 54780 be granted without offsetting increases being granted SDG&E, the Gas Department rate of return is estimated to decline to 3.43 percent. The summary of earnings also shows that SDG&E's requested increases will yield additional test year 1974 Gas Department revenues of \$7,112,700 to restore the rate of return to 6.30 percent. The \$7,112,700 figure was changed on the record to \$7,115,500 to reflect a shift between retail interruptible and interdepartmental sales necessitated by the gas balance reflecting Decision No. 82716 sales. The \$2,800 differential is too small to have changed the computed 6.30 percent rate of return so the summary of earnings was not modified.

The Commission staff's summary of earnings showed a rate of return for SDG&E's Gas Department of 6.50 percent absent

a SoCal increase, 4.21 percent if SoCal's rates were increased to offset El Paso's requested increase, minus the overriding royalties portion of RP 74-57, and Transwestern's requested increase, and restoration of the 6.50 percent rate of return if SDG&E is authorized to increase rates to offset the increases granted SoCal by Decision No. 83090 in Application No. 54780.

Rates

SDG&E proposes to offset the effect of the increased purchased gas costs by the application of a uniform increase of 0.502 cents per therm for retail sales and 0.478 cents per therm for interdepartmental sales for the El Paso Docket No. RP 74-57 related increases, and 0.366 cents per therm for retail sales and 0.348 cents per therm for interdepartmental sales for the Transwestern Docket No. RP 74-52 related increases, a total of 0.868 cents per therm for retail sales and 0.826 cents per therm for interdepartmental sales. The increased rates to be collected by El Paso and Transwestern are subject to reduction and refund to the extent they exceed the finally authorized rates. Such refunds and reductions will be granted SoCal who proposes to flow them through to its customers, including SDG&E, on the same basis as the increases requested by the application. SDG&E, in turn, proposes to flow through any such refunds and reductions to its customers on a similar basis. SDG&E further proposes that if the requested offsets are authorized, the contingent refund provision in the Preliminary Statement of its tariffs will be revised to add the contingent offsets for Dockets Nos. RP 74-57 and RP 74-52.

Findings

1. Effective July 10, 1974 El Paso will, upon its motion in accordance with FPC filing in Docket No. 74-57, increase its rates for service to SoCal an average of 7.09 cents per Mcf at a 100 percent load factor subject to refund and reduction to the extent they exceed the finally authorized rates.

2. Effective July 11, 1974 Transwestern will, upon its motion, in accordance with FPC filing in Docket No. 74-52, increase its rates for service to SoCal through PLS, an average of 10.29 cents per Mcf at 100 percent load factor, subject to refund and reduction to the extent they exceed the finally authorized rates.

3. To offset its increased costs related to Dockets Nos. RP 74-57 and RP 74-52, this Commission by Decision No. 83090 dated July 2, 1974 in Application No. 54780 authorized SoCal to increase its rates, including Wholesale Schedule G-61 under which SDG&E purchases the bulk of its gas, 0.478 cents per therm effective on or after July 10, 1974 for the El Paso Docket No. RP 74-57 related increases, and an additional 0.348 cents per therm on or after July 11, 1974 for the Transwestern Docket No. RP 74-52 related increases.

4. The increased costs to SDG&E of these authorized SoCal offset increases, including increased franchise fees, and uncollectible accounts expense and costs associated with company use and unaccounted for volumes of gas, is \$7,115,500 which computes to 0.502 cents per therm for retail and 0.478 cents per therm for interdepartmental sales for the El Paso related increases, and 0.366 cents per therm for retail sales and 0.348 cents per therm for interdepartmental sales for the Transwestern related increases, a total of 0.868 cents per therm for retail sales and 0.826 cents per therm for interdepartmental sales.

5. The effect of permitting SDG&E to increase its rates to offset the \$7,115,500 of increased costs is to maintain the same rate of return that SoCal would experience absent the increase in purchased gas costs and will not increase the rate of return to be experienced by SDG&E.

6. SDG&E's proposal to apply the rate increases, decreases, and refunds to the rate schedules on a uniform cents per thermal unit basis is consistent with past Commission practice.

7. Any rate reduction and/or refund paid by El Paso, Transwestern, and California producers to SoCal will be flowed through to its customers, including SDG&E, who, in turn, will flow through such reductions and/or refunds to their customers.

The Commission concludes that the application should be granted to the extent set forth in the order which follows.

O R D E R

IT IS ORDERED that:

1. Applicant, San Diego Gas and Electric Company, is authorized to file with this Commission on or after the effective date of this order revised gas tariff schedules increasing the rates in all rate schedules 0.502 cents per therm for retail sales and 0.478 cents per therm for interdepartmental sales for the El Paso increase in Docket No. RP 74-57, and by 0.366 cents per therm for retail sales and 0.348 cents per therm for interdepartmental sales for the Transwestern increase in Docket No. RP 74-52. Such filing should include in Section 7 of the Preliminary Statement for contingent offset charges in FPC Dockets Nos. RP 74-57 and RP 74-52. Such filings shall comply with General Order No. 96-A. The effective date of the revised schedules shall be on one day's notice but not earlier than the effective date of the SoCal increase related to El Paso FPC Docket No. RP 74-57 and the effective date of the SoCal increase related to Transwestern FPC Docket No. 74-52. The revised schedules shall apply only to service rendered on and after the effective date thereof.

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2. Applicant, San Diego Gas and Electric Company, shall pass on to its customers by the Advice Letter procedure any reduced rates, and refund to its customers any refund from Southern California Gas resulting from an order of the Federal Power Commission in Dockets Nos. RP 74-57 and RP 74-52.

The effective date of this order is the date hereof.

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

Thomas L. Stinson
President
William J. Quinn
William J. Quinn
William J. Quinn
William J. Quinn
Commissioners