

Decision No. 83567**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Southwest Gas Corporation for Authority to Revise its Tariff for Natural Gas Service to Offset Increases in Expense Caused by Increases in the Price of Natural Gas from El Paso Natural Gas Company.

Application No. 52920  
Fifth Petition for  
Modification of  
Decision No. 79467  
(Filed on August 14, 1974)

O P I N I O N

The petitioner, Southwest Gas Corporation (Southwest), purchases gas from the Northwest Pipeline Corporation (Northwest), who recently succeeded El Paso Natural Gas Company (El Paso) as the petitioner's supplier. Southwest uses this gas to supply retail sales in its Placer County service area, including Northstar, and for resale elsewhere. The Federal Power Commission (FPC) has granted a purchased gas adjustment clause to Southwest for the gas purchased from Northwest for resale.

Currently, the Commission has authorized Southwest to use the advice letter procedure to offset increases in the cost of gas resulting from tracking rate increases authorized its supplier by the FPC. This authority expires on December 31, 1974.

Northwest has requested authority to increase its rates in Rate Schedule PL-4 by 0.272 cents per therm in FPC Docket No. RP74-95 effective on December 1, 1974. This will result in increased gas costs of \$19,841 per year, based on a volume of 7,294,342 therms for the 12 months ending June 30, 1974. This increase is not covered by the existing authorization for the use of the advice letter procedure.

The Commission first authorized the use of the advice letter procedure for Southwest to track increases in the cost of purchased gas from El Paso in Decision No. 79467, dated December 14, 1971.

This authority expired on December 31, 1972 and Decision No. 80875, dated December 19, 1972, renewed this authority through December 31, 1973 and included as well increases under FPC Docket No. 72-151. In Decision No. 82124, dated November 13, 1973, authorization for using the procedure was extended until December 31, 1974 and included increases under Dockets Nos. RP73-99 and RP73-109. Finally, on April 23, 1974, Decision No. 82778 authorized the use of procedure for increases granted under FPC Dockets Nos. RP74-23 and RP74-51.

The petitioner now requests further renewal of authority to use the advice letter procedure for tracking increases due to tracking rate increase filings made by the new supplier, Northwest.

In addition, the petitioner seeks authority to use the advice letter procedure to pass along all increases granted through FPC Docket No. RP72-121 instead of being required to file separate petitions for each increase. In this docket, Southwest was granted authority for a purchased gas adjustment clause.

In the event that the authority requested above is not granted, petitioner requests the authority to track, through the advice letter procedure, any cost of gas increase resulting specifically from FPC action in Docket No. RP74-95, which was described previously.

The petitioner indicated the price increases, if authorized, will not increase the petitioner's level of earnings, but will merely offset the increased cost of purchased gas to the petitioner. The increased revenue would be recovered on the basis authorized in Decisions Nos. 79467, 80875, 82124, and 82778, and would be subject to reduction and refund in accordance with the Commission orders in these decisions.

Petitioner recently was granted rate relief in its Placer County District by Decision No. 82714, dated April 9, 1974, in Application No. 53747. A rate of return of 8.75% was found to be reasonable although results of operations were based on a 1973 test

year. Under the circumstances, it is unlikely that petitioner's earnings will exceed the above-indicated rate of return.

Findings

1. Petitioner has previously been authorized to track changes in its cost of purchased gas attributable to rate increase filings made by El Paso Natural Gas Company.

2. Northwest Pipeline Corporation has succeeded El Paso Natural Gas Company as supplier to petitioner in this area.

3. The authority to offset price changes by its new supplier, Northwest Pipeline Corporation, based on tracking increases granted by the FPC, as specified in Decision No. 79467, should be extended until December 31, 1975.

4. Petitioner should be granted authority to track cost of gas changes resulting from actions taken by the FPC in Docket No. RP74-95.

5. The rate increase sought by the petitioner is necessary to offset the increase in the cost of purchased gas. The revenue will be recovered according to the specifications of Decision No. 79467 and subject to reduction or refund as noted therein.

6. Petitioner's request for authorization to track by advice letter procedure all increases granted to it in FPC Docket No. RP72-121 would constitute, in effect, a purchased gas adjustment clause. In lieu of this, the Commission will follow the precedent of Decisions Nos. 79467, 80875, 82124, and 82778 and continue to consider such increases on an individual basis.

7. A public hearing is not necessary.

Conclusion of Law

Based on the foregoing findings, the Commission concludes that the petitioner should be granted the authority sought in its petition for modification of Decision No. 79467 to the extent set forth in the order which follows.

O R D E R

IT IS ORDERED that:

1. Southwest Gas Corporation's authorization to use the advice letter procedure to revise tariff schedules to reflect changes in the cost of purchased gas attributable to tracking rate change filings made by Northwest Pipeline Corporation is extended until December 31, 1975.

2. Southwest Gas Corporation may file on or after the effective date of this decision, under the advice letter procedure, rate changes designed to offset the cost adjustments attributable to FPC revisions in the rates applicable to sales of gas to petitioner arising out of any decision of the FPC in Docket No. RP74-95.

3. In all other respects, Decision No. 79467, as modified by Decisions Nos. 80875, 82124, and 82778, remains in full force and effect.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 7th  
day of OCTOBER, 1974.

Vernon L. Stinson  
President  
William J. Quinn  
John W. Quinn  
Charles A. Quinn  
Edward A. Quinn  
Commissioners