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Decision No. 84136

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY for authority to increase revenues to offset the effect of certain increased costs.	Application No. 55117 (Filed August 16, 1974; amended October 11, 1974)

ORDER DENYING REHEARING AND MODIFYING DECISION NO. 83881

In Decision No. 83881, issued December 17, 1974, we granted Southern California Gas Company (SoCal) the authority to increase its rates $19,339,000 annually on a test year 1974 basis. This increase was requested to offset increased employee wages and benefits, and three other specific items of cost increases.

On December 24, 1974, the City of Los Angeles filed a petition seeking rehearing and a stay of Decision No. 83881. In its petition, the City raises numerous arguments with respect to Decision No. 83881. Having fully considered each and every allegation in the City's petition, we are not persuaded that good cause for rehearing or stay of Decision No. 83881 has been shown. However, our consideration of the decision has persuaded us that Decision No. 83881 should be modified in one respect.

We noted in Decision No. 83881 that the staff supported the additional revenue requirement as requested by SoCal for the four cost items in issue. However, we also noted in Decision No. 83881 that it proposed a reduction in this revenue requirement to allow for the effect of a tax credit which became available by SoCal's taking the 1974 optional repair allowance, which benefits rate of return by 0.09 percent. In response to the staff's proposal SoCal

presented evidence on three other specific items of cost which, in the aggregate, would reduce rate of return by .43 percent. 1/

On the basis of all the evidence, including the results of operation for test year 1974 as adjusted to include the four cost increases and additional revenue requirement as requested, we found that earnings would not likely exceed the 8.5 percent allowed rate of return established in Decision No. 83160, issued July 16, 1974.

In a recent offset proceeding involving the Pacific Gas and Electric company, we found that:

> "2. An offset proceeding as differentiated from a general rate increase proceeding is designed to provide prompt timely relief of limited issues susceptible to abbreviated review processes.
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> "3. Such issues should be limited to specific definable changes." (Decision No. 82137, p. 44)

We also found in that proceeding that it was not appropriate to consider "[i]ncreases in cost to serve not directly related" to the increases in the costs for which the offset is requested, and that such matters should be determined in a general rate case proceeding. (See Decision No. 82137, Finding No. 4, p. 44.)

Having reviewed the instant case in view of these recent findings, we conclude that our consideration of the four additional items which the staff and SoCal contended would, respectively, benefit and reduce rate of return, was inappropriate. However, based on the results of operations for test year 1974 adopted in Decision No. 83160, and adjusted to include the four cost increases and additional revenue requirement as requested by SoCal, we reaffirm our finding that it is unlikely that SoCal would earn the allowed rate of return of 8.5 percent.

IT IS THEREFORE ORDERED THAT:

1. Finding No. 3 of Decision No. 83881 is hereby modified to read as follows:

1/ Increased Social Security taxes, increased underground storage expense, and lower firm customer sales.

"3. Based upon the results of operations for test year 1974 adopted in Decision No. 83160, and adjusted to include the four cost increases and the additional revenue requirement as described in the application herein, it is not likely that SoCal would, even with such increases, earn the allowed 8.5 percent rate of return as authorized in Decision No. 83160."

2. Rehearing of Decision No. 83881 is hereby denied. The effective date of this order is the date hereof.

Dated at San Francisco, California, this 19th day of FEBRUARY, 1975.

I abstain.
Leonard Ross
Commissioner

President

Commissioners