

Decision No. 84290

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 to Increase
its Gas Rates and Charges to
Offset the Increased Costs of
Purchased Gas.

Application No. 55543
(Filed March 6, 1975;
amended March 13, 1975)

(Appearances listed in Appendix A)

O P I N I O N

This is an application by San Diego Gas & Electric Company (SDG&E), resulting from the conversion by the Commission of SDG&E's Advice Letter 328-G filed February 28, 1975, for a purchased gas adjustment (PGA) increase (as authorized by Decision No. 83675 dated October 29, 1974 and Resolution No. G-1694 dated November 26, 1974) due to the concurrent filing of Southern California Gas Company (SoCal), which wholesales natural gas to SDG&E under SoCal's Schedule G-61, for a PGA increase. SDG&E has computed its share of that increase as \$8,765,400. SDG&E has also applied here for an increase of \$333,500 due to the increased cost of California source liquefied natural gas (LNG) under contract escalation provisions. The company's total annualized gross revenue request is \$9,302,300 amounting to a net increase of 1.153 cents per therm in its PGA. SDG&E requests this PGA offset to be effective simultaneously with the effective date of any increase granted to SoCal, and proposes to apportion any revenue increase on a uniform cents per therm basis to retail customer classes and a slightly lower unit assignment to the interdepartmental class.

This application was set for public hearing on a consolidated basis with the applications of Pacific Gas and Electric Company (Application No. 55542), and Southern California Gas Company (Application No. 55544), and hearings were held on March 19 and 20, 1975 before Commissioner Vernon L. Sturgeon and Examiner Phillip E. Blecher.

The Evidence

Decision No. 83675, supra, authorized an overall rate of return of 8.75 percent for SDG&E, based on test year 1974. SDG&E used test year 1974 adjusted by using rates, purchased gas, and fuel costs in effect as of January 31, 1975, with estimated sales and purchases of gas for the twelve month period commencing April 1, 1975 (the requested effective date of the subject PGA). The test year franchise requirements, uncollectibles, and income tax expenses were adjusted to reflect the difference in sales and purchased volumes of gas. SDG&E represents that the annualized gross revenue requested here will not cause it to exceed its last authorized rate of return,^{1/} which the Commission found reasonable in Decision No. 83675. SDG&E also represented that its request was directly tied to SoCal's Application No. 55544, and SDG&E would amend its request to comply with any decision altering SoCal's requested PGA.

The city of San Diego presented an expert witness who sponsored Exhibit L which showed the company's recorded 1974 figures as earning 7.52 percent, well below the authorized rate of return of 8.75 percent. He also testified it was not proper to use the same rate base and basically same expenses as adopted for test year 1974 in SDG&E's last general rate proceeding which resulted in Decision No. 83675.

In Re PG&E, Decision No. 83127 dated July 9, 1974 we adopted this procedure since any other presentation would not have been tested in any manner.

^{1/} See Exhibit I, page 2.

We believe the presentation based on adopted test year 1974 to be valid and proper.

The staff recommended changes in the test year 1974 peaking commodity and commodity volumes used by SDG&E in its presentation (Exhibit H), which revisions were accepted by the company. The staff based its presentation on an average heating value of 1,058 btu per cubic foot of gas and the company based its computation on SoCal's btu figure of 1,051 used in Application No. 55544. In the SoCal matter we adopted the use of 1,054 btu. Since SDG&E's gas cost increase is directly based on SoCal's cost, we are also adopting the 1,054 btu heating value here. The staff's recommended annualized gross revenue increase based on its Exhibit K is \$8,690,000. We are ordering an annualized gross revenue increase of \$8,728,000, amounting to 1.066 cents per therm applied uniformly to all retail customer classes, and 10.013 cents/M²Btu for its interdepartmental class, as shown in Table 1 below:

TABLE 1

Line	SDG&E	Staff	Adopted
1. Estimated Annual Purchases	\$71,680,222	\$71,108,395	\$71,150,812
2. Estimated Annual M ² Btu Purchases	85,551,121	85,559,985	85,559,985
3. Average Unit Cost per M ² Btu	83.786c	83.109c	83.159c
4. Average Unit Cost in Current PGA	73.145c	73.145c	73.145c
5. Change in Average Unit Cost per M ² Btu	10.641c	9.964c	10.014c
6. Base Average Unit Cost of System Gas Supply per M ² Btu	71.106c	71.106c	71.106c
7. Excess of New Unit Cost Over Base Unit Cost per M ² Btu	12.680c	12.003c	12.053c
8. Revised PGA			
a. Interdepartmental			
(1) New PGA per M ² Btu	12.680c	12.003c	12.053c
(2) Less Previous PGA	2.040c	2.040c	2.040c
(3) Net Increase in PGA per M ² Btu	10.640c	9.963c	10.013c
b. Retail Sales ^{2/}			
(1) New PGA per M ² Btu times retail formula	1.366c	1.274c	1.279c
(2) Less Previous PGA	.213c	.213c	.213c
(3) Net Increase in PGA per M ² Btu	1.153c	1.061c	1.066c

^{2/} See Exhibits H and K.

Various parties at the hearing voiced objection to the comparatively short time between the advice letter filing and the hearing dates. Under our adopted procedures, an advice letter need not be set for hearing, but the Commission, in an effort to allow additional objective examination of this large offset request, converted the advice letter filing into an application. This has the effect of requiring broader service of notice, and an opportunity for public hearing. To be fair, the hearing was scheduled at the earliest possible time to allow the utility the opportunity to obtain relief, if any, with a minimum loss of revenue. The original advice letter was filed February 28, 1975. There was more than ample opportunity for a meaningful examination of the requested increase, and the Commission provided the public a greater opportunity to be heard than its existing rules presently provide. To extend this opportunity, we are herein ordering that notice of all future advice letter filings that effectively increase rates be served upon all entities who appeared at the utility's last general rate proceeding, as well as all entities who have requested, in writing, notice of all such filings.

It should be noted that on March 24, 1975 the Commission received Resolution No. 11,735 of the City Council of the city of National City opposing proposed increases in rates and charges for the electric, gas, and steam service of SDG&E. The resolution was dated March 18, 1975 and was adopted as an official protest by the city of National City.

No evidence was offered disputing the computations of rate of return and requested PGA increases.

Findings

1. SoCal filed a PGA with the Commission on February 28, 1975, which provides for a gas cost increase to SDG&E, under Schedule G-61 of SoCal, of \$8,765,400 for the period April 1, 1975 through March 31, 1976.

2. SDG&E, under its approved PGA, has requested an annualized gross increase in its gas revenues of \$9,302,300, which sum includes \$333,500 resulting from contract escalation provisions of California source LNG and franchise and uncollectible costs as well as the Schedule G-61 gas cost increase of SoCal, to be effective April 1, 1975 with appropriate refund provisions.

3. Decision No. 83675 authorized an 8.75 percent rate of return based on test year 1974, adopted by the Commission after full analysis and testing.

4. The requested PGA increase will not cause SDG&E to exceed the last authorized rate of return.

5. The increase being authorized herein will result in a 10.013 cents/ M^2 Btu increase in the interdepartmental PGA and a 1.066 cents per therm PGA increase in all retail customer classes.

6. The rates and rate of return authorized by Decision No. 83675 were found to be reasonable, and one PGA increase was added to those rates, and that increase was found to be reasonable.

7. The PGA increase authorized herein is reasonable and will not increase the rate of return above the last authorized rate of 8.75 percent.

8. The increases in uniform cents per therm to each retail customer class of 1.066 cents, and to interdepartmental of 10.013 cents/ M^2 Btu are reasonable, and the new rates authorized herein are therefore found to be reasonable.

9. There was no evidence offered to dispute the computations of PGA increase and rate of return made by SDG&E and the staff.

10. The increase in gas costs is an extraordinary expenditure, both in nature and magnitude, and is the proper subject of an offset proceeding limited in issue to specific items directly related to the increased commodity charge.

11. The staff recommended an annualized gross revenue increase of \$8,690,000. We are authorizing an annualized gross revenue increase of \$8,728,000, which is justified.

Conclusions

1. SDG&E should be granted a PGA in all retail customer classes of not more than 1.066 cents per therm, and in its inter-departmental sales of not more than 10.013 cents/M²Btu.

2. The increased rates authorized herein are justified and reasonable within the meaning of the Public Utilities Code.

3. The Tax Reduction Act of 1975 has made changes in the applicability of the investment credit to utilities under our jurisdiction. Because of our uncertainty about the effects of those changes we will make our order in this proceeding an interim order subject to refund. This will permit us to act promptly, if the utility elects to flow through the benefits of the investment credit to the ratepayers, to offset, by reduced rates, the investment credit and to refund that portion of the credit accruing since the effective date of this order.

INTERIM ORDER

IT IS ORDERED that:

1. San Diego Gas & Electric Company is authorized to increase its rates in all classes of retail service by not more than 1.066 cents per therm, and is further authorized to increase its inter-departmental rate by not more than 10.013 cents/M²Btu to offset the increase cost of gas purchased from its suppliers. The effective date of the authorized increases shall be the last to occur of either (a) April 2, 1975, or (b) the effective date of any PGA increase granted to Southern California Gas Company in Application No. 55544, or (c) the date of the tariff filings hereinafter required.

2. San Diego Gas & Electric Company is authorized to file revised tariff schedules to reflect the authorized increase in rates. Such schedules shall comply with General Order No. 96-A and shall include a provision that any refund or reduction of the offset increase ordered or required of Southern California Gas Company shall be refunded to applicant's customers on a like basis, through Advice Letter filing, and a provision for refund because of changes in the investment credit. The revised tariff schedules shall apply only to service rendered on and after the effective date thereof.

3. Simultaneously with any future filing by San Diego Gas & Electric Company for an offset increase, it shall file a statement indicating the recorded results of this offset increase, including, but not limited to the following items:

- a. Total gross revenue increase, by class of service.
- b. Total commodity cost increase, by supplier schedule.
- c. Total franchise increase.
- d. Total uncollectibles increase.
- e. Total federal income tax increase.
- f. Total state income tax increase.
- g. Total other taxes increase.
- h. Results of operation with indicated rate of return with and without the offset increase authorized herein.
- i. Changes in any other items of income and expense attributed by the company to this offset increase.

4. Notice of all future filings for offset increases shall be served upon all persons or entities having filed appearances in its last general rate increase proceeding, whether pending or not, together with the notice required by General Order No. 96-A. These notice requirements shall apply to advice letter filings and applications.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 15th day of APRIL, 1975.

*I will file a dissent.
William Lyons, Jr.*

Vernon L. Sturgeon

President

Leonard Ross

Commissioners

*I will file a
written concurrence*

Vernon L. Sturgeon

Commissioner ROBERT BATINOVICH

Present but not participating.

APPENDIX A

List of Appearances

Malcolm H. Furbush, Robert Ohlbach, Joseph S. Englert, Jr., by Joseph S. Englert, Jr., Attorney at Law, for Pacific Gas and Electric Company; David B. Follett, Attorney at Law, for Southern California Gas Company; Chickering and Gregory, by Sherman Chickering, Donald Richardson, C. Hayden Ames, and David A. Lawson, II, Attorneys at Law, for San Diego Gas & Electric Company; Gordon Pearce, Attorney at Law, Vice President and General Manager, for San Diego Gas & Electric Company; John H. Woy, for San Diego Gas & Electric Company; for all applicants at consolidated hearing.

Burt Pines, City Attorney, by Leonard L. Snaider, Deputy City Attorney, for the City of Los Angeles; Leonard Putnam, City Attorney, by William E. Emick, Jr., Deputy City Attorney, for the City of Long Beach; Rollin E. Woodbury, William Marx, H. Robert Barnes, Jr., and Dennis G. Monge, Attorneys at Law, for Southern California Edison Company; Edward C. Wright, General Manager, Long Beach Gas Department, for the City of Long Beach; Roy A. Wehe, Consulting Engineer, for the City of Long Beach; Manley W. Edwards, for the City of San Diego; Ronald L. Johnson, Attorney at Law, for the City of San Diego; William S. Shaffran, Attorney at Law, for the City of San Diego; Brobeck, Phleger & Harrison, by Thomas G. Wood and Gordon E. Davis, Attorneys at Law, for California Manufacturers Association; William Knecht and William Edwards Attorneys at Law, for California Farm Bureau Federation; Robert W. Russell and Manuel Kroman, Department of Public Utilities and Transportation, City of Los Angeles; Overton, Lyman & Prince, by Donald H. Ford, Attorney at Law, for Southwestern Portland Cement Co.; A. Barry Cappello, City Attorney, for the City of Santa Barbara; interested parties.

Herman Mulman, for The Coalition for Economic Survival; and Alex Googooian, City Attorney, for the City of Bellflower; protestants.

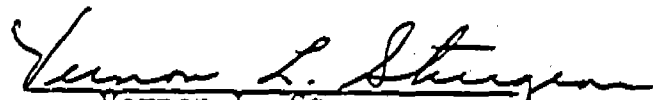
Janice E. Kerr, Attorney at Law, and Edmund J. Texeira, for the Commission staff.

A. 55542, D. 84289
A. 55543, D. 84290
A. 55544, D. 84291

COMMISSIONER VERNON L. STURGEON, concurring in part, dissenting in part

I concur in part, and I dissent in part. I dissent strongly to making an offset order of this type subject to refund. It has the effect of putting a cloud on the companies' ability to attract new financing, both equity and debt, to the detriment of the companies and their customers at a time when it is difficult and costly for utilities to finance even under the most favorable of circumstances.

I concur to avoid a stalemate which would deprive the utilities of revenue which the record clearly demonstrates is warranted. This order should have been final and the matter of investment tax credit should have considered in a general rate case in public hearings.


Vernon L. Sturgeon
Commissioner

San Francisco, California
April 2, 1975

A. 55542 - D.84289
A. 55543 - D.84290
A. 55544 - D.84291

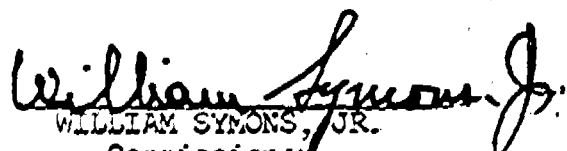
COMMISSIONER WILLIAM SYMONS, JR., DISSENTING

Although I support the authorization for the increase to cover the cost of increased price of gas as fully justified by the evidence, my conscience forces me to dissent from the condition relating to the Investment Tax Credit. I may have an old-fashioned approach but I still believe there is a right way and a wrong way of doing things. It is not right to attach a condition for the purpose of extracting a concession from the utilities as the price of getting what they need and are entitled to.

It is especially bad in this situation where the new Investment Tax Credit law has not been the subject of hearings in which the purpose of the credit, its effect on the utility's cash flow, the financial needs of the utility and the long run interest of the consumers have been evaluated. In the absence of a record made in such proceedings I must object to the hasty decision that has been made today and I believe that the condition on the authorization is simply totally improper.

The Investment Tax Credit of 1975 is not an issue properly before us in this purchase gas adjustment application and can be handled adequately by the Commission in either a general rate case or special proceedings. Conditioning the rate approval here upon conjectured possible future action with regard to the Investment Tax Credit has the harmful effect of unnecessarily clouding the quality of utility earnings to the ultimate detriment of both the utility and the ratepayer.

San Francisco, California
April 1, 1975


WILLIAM SYMONS, JR.
Commissioner