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Decision No. 84817

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY for (a) A General Increase in Its Gas Rates, and (b) For Authority to Include a Purchased Gas Adjustment Provision in Its Tariffs.	Application No. 53797 (Filed January 19, 1973)

ORDER DENYING REHEARING
AND MODIFYING DECISION NO. 84512

Petitions for rehearing of Decision No. 84512 have been filed by San Diego Gas & Electric Company (SDG&E), California Gas Producers Association, City of Escondido and City of San Diego. After considering each and every allegation made by petitioners, we are of the opinion that rehearing should be denied. However, our opinion should be modified and corrected. The need for most of the corrections was raised by SDG&E's petition for rehearing. Furthermore, we feel that a limited discussion would be appropriate as a response to some of the arguments.

On July 1, 1975, SDG&E filed a document requesting that we take official notice of testimony presented in Application No. 55345; a Southern California Gas Company (SoCal) general rate increase application. We will deny this request.

The testimony in question involves igniter fuel. It was not a matter raised in the Phase II proceedings in Application No. 53797; it will not present a problem while A Block gas is being furnished; and an interim order in Application No. 55345, if necessary, can appropriately correct any practices in this regard that need correcting.

Corrections

For the most part, the corrections to Decision No. 84512 ordered herein do not require any discussion. They are minor in nature and do not affect our prior determinations in any respect.

Two matters do, however, necessitate some explanation. First, on pages 34 and 43 of Decision No. 84512 we mistakenly reached contradictory determinations regarding a motion by Southern California Edison Company (Edison) for a negative declaration based upon its Environmental Data Statement. At the recent prehearing conference held July 28, 1975, the hearing examiner denied Edison's motion for a negative declaration. We hereby affirm this examiner's ruling and, for clarification, will delete the two sentences in Decision No. 84512 which deal with the negative declaration motion.

Petitioner takes exception to our discussion on page 61 of Decision No. 84512 relating to the running of SDG&E's data through the SAI/CDM program. In its petition, SDG&E characterized its witness' testimony as follows:

> "[SDG&E's] consultant testified that (1) taking into account all the necessary corrections found in the EPA/CDM and (2) using the South Bay weather data results in predictions three times higher than those which Edison produced using a standard uncorrected EPA/CDM."

We will accept this characterization with the understanding that one of the "corrections" referred to in the quote above concerns the proper theoretical treatment of wind speed. According to SDG&E's witness the appropriate methodology for treating wind speed has not been resolved by the Environmental Protection Agency (EPA).

Further Discussion

SDG&E argues strenuously that we erred in our finding of undue discrimination. After fully considering all the arguments presented, we hereby reaffirm our prior determination.

We agree with our staff (Decision No. 84512 at 35) that the similarities between SDG&E's G-54 customer and SoCal's G-58 customers far outweigh the differences between them. The severe

decline in the level of available gas supplies has, under the floor concept, given SDG&E a preference in the use of gas for generating electricity that cannot be allowed to continue. The fact that SDG&E purchases gas from SoCal and resells gas volumes to its electric department does not afford a reasonable basis to allow the substantial variation in levels of service between SDG&E's electric department and the G-58 customers that would exist under the floor concept as established in Decision No. 80430.

We recognize that our action now might seem to be considered inconsistent with some of our determinations in Decision No. 80430. However, when we issued that decision on August 29, 1972, we did not foresee the drastic drop in available gas supplies that subsequently occurred. The magnitude of this decline in supplies presents problems and questions that could not reasonably have been anticipated in our earlier decision.

SDG&E asserts that we erroneously allowed the City of Long Beach to benefit by the reallocation. This assertion must be rejected.

Similar to SDG&E, Long Beach is a wholesale customer of SoCal. However, the treatment in service afforded Long Beach is substantially different from that afforded SDG&E. Long Beach does not possess the preferences to gas service possessed by SDG&E. Indeed, Long Beach's gas supply to its retail steam plant customer, i.e., Edison, is subject to curtailment, under SoCal's contract with SDG&E, to the same extent as SoCal's gas service under its A and S-1 Block priorities. In other words, Long Beach is similarly situated with the G-58 customer class as to A and S-1 priorities. Its A Block and S-1 Block level of service has been shown to be unreasonably low, compared with SDG&E's level of service to its electric generating facilities. Finding No. 8 in Decision No. 84512 will be modified to include Long Beach, SoCal's G-60 customer.

SDG&E urges that we erred in the establishment of certain rates. In Decision No. 84512 we eliminated SDG&E's facility charge and increased the commodity charges to SoCal's G-58, G-60, G-61 and G-53-T customers.

We do not believe that SDG&E is objecting to the elimination of its facility change and will, therefore, not discuss that aspect of the rate changes. We will, however, explain the exercise of our judgment in increasing the commodity charges.

Our action in placing the revenue deficiency that arose from the elimination of the facility charge on G-58, G-60, G-61 and G-53-T customers follows the determination we made in Decision No. 82414; that is, that the affected classes would bear the burden of any rate changes caused by reallocation. The increases in the commodity charges were developed by the following formula: one-half of the increase was spread on the volumetric basis that would result from parity; one-half of the increase was spread by weighting the levels of service of each of the affected customer classes.

We readily admit that our determinations with respect to the rate increases were made as a matter of judgment. However, this is an area in which we must exercise judgment. We are convinced that our action was proper and correct.

SDG&E objects to the continuation of its demand charge despite the substantive changes made in its demand rights. After considering these arguments, we feel our action was appropriate.

The basic change made in Decision No. 84512 with respect to SoCal's service agreement with SDG&E affecting demand rights was the elimination therein of the "make up provisions". These are the provisions that enabled SDG&E to burn gas in its electric generating facilities at the expense of SoCal's A Block customers.

Prior to 1960, SoCal's predecessor, Southern Counties Gas Company (Southern Counties), had a service agreement with SDG&E which included a provision providing for parallel curtailment with respect to all steam plant gas. SDG&E was obligated to pay a demand charge under that service agreement.

In 1960, Southern Counties filed an advice letter, subsequently approved by us by resolution and without hearing, wherein the make up provisions were inserted. There was a change in SDG&E's demand charge under this filing. However, the increase in the demand charge related to an increase in the demand contract level, not to the insertion of the make up provisions.

Thus, the history of SoCal's service agreement with SDG&E supports the action taken in Decision No. 84512. The demand charge was not adjusted upward as compensation for SDG&E's steam plants acquiring superior rights to gas service in 1960. It should not be adjusted downward now that it has been shown these superior rights should be discontinued. In short, there is no historical relationship between the demand charge and the make up gas provisions.

No other matters require discussion.

THEREFORE, IT IS ORDERED that:

1. Decision No. 84512 is modified to reflect the following corrections:

a. On line 6 of page 1 (mimeo), "(C-58)" is hereby changed to "(G-58)";

b. On line 14 of page 11 (mimeo), "Decision No. 82810" is hereby changed to "Decision No. 83810";

c. All references quantifying San Diego Gas & Electric Company's demand rights at "21 M^2cfd" are hereby changed to "221 M^2cfd";

d. The last sentence in the first paragraph on page 34 (mimeo) is deleted;

e. The last sentence on page 43 (mimeo) is deleted;

f. On line 6 of page 45 (mimeo) "oxides" is hereby changed to "oxidants";

g. On lines 12 and 13 of page 46 (mimeo) "generating loads" is hereby changed to "generating loads met by oil and gas";

h. On the fifth line from the botton of page 43 (mimeo) "SDG&E" is hereby changed to "the San Diego area";

i. The sentence beginning twelve lines from the bottom of page 49 (mimeo) is hereby corrected to indicate that "SDG&E utilized weather data from a weather station in the vicinity of South Bay";

j. On the fifth line from the bottom of page 57 (mimeo) "sulfates" is hereby changed to "sulfur dioxide";

k. On the third line from the bottom of page 57 (mimeo) "average year" is hereby changed to "average projected year";

l. On the second line from the bottom of page 57 (mimeo) "Lindberg Field meteorological data" is hereby changed to "Lindberg Field historical meteorological data";

m. On line 2 of page 61 (mimeo) "valid" is hereby changed to "validated" and;

n. On lines 5 and 8 of the quotation of Public Utilities Code, Section 2771 on page 7 (mimeo) "users" is hereby changed to "uses";

o. Finding No. 8, page 68 (mimeo) is hereby modified as follows:

> "8. All of the bases upon which levels of service were considered herein show an excessive preference and unreasonable discrimination in favor of SDG&E's G-54 steam plant customer as compared to the G-58 and G-60 customer classes."

2. Rehearing of Decision No. 84512, as modified hereinabove, is denied.

The effective date of this order is the date hereof.

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

President

Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.