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Decision No. 84956

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHERN CALIFORNIA GAS COMPANY:)
(1) For Authority to Adjust Its Rates)
as Necessary to Reflect Its Partici-)
pation in a Funding Agreement to)
Secure Certain Rights to Alaskan)
Natural Gas; (2) For Authorization)
to Give Its Consent to an Assignment)
to Atlantic Richfield by Pacific)
Lighting Gas Development of Certain)
Rights Pursuant to an Agreement)
Related to the Funding Agreement.)

Application No. 55599
(Filed April 3, 1975)

ORDER DENYING REHEARING
OF DECISION NO. 84729 AND MODIFYING THE
ORDERING PARAGRAPHS OF DECISION NO. 84729

On August 1, 1975 this Commission issued Decision No. 84729 in which we granted Southern California Gas Company (SoCal) authority to increase its rates to reflect its participation in a funding agreement of its affiliate Pacific Lighting Gas Development Company (PLGD) and the Atlantic Richfield Company (ARCO). Under the terms of the funding agreement, known as the North Alaska Funding Adjustment (NAFA), ARCO has agreed to grant Pacific Interstate Transmission Company (PIT), a SoCal affiliate, the exclusive right to negotiate for 60 percent of ARCO's proven gas reserves in its solution gas and associated gas cap in the Prudhoe Oil Pool on the North Slope of Alaska. PIT and SoCal have entered into an agreement by which SoCal will purchase any gas acquired by PIT. SoCal and PLGD have executed an agreement under which SoCal will guarantee that PLGD has funds necessary to meet its payment obligations under its agreement with ARCO. SoCal's rates to its customers will be increased in a sum sufficient to pay all the carrying costs and other charges on a \$420,000,000 loan to ARCO contemplated by the NAFA.

On August 11, 1975, Southern California Edison Company (Edison) filed a limited petition for rehearing objecting to that portion of Decision No. 84729 which, Edison alleges, adopts the proposal of SoCal suggesting a uniform surcharge upon the deliveries to all of SoCal's current gas customers on the system to reflect the increased rates for the funding agreement.

On August 11, 1975, Sylvia M. Siegel, executive director of Toward Utility Rate Normalization (TURN), also filed a petition for rehearing setting forth 18 general allegations of error in Decision No. 84729.

On September 10, 1975, ARCO filed a motion for expedited decision on petition for rehearing and on September 15, 1975, SoCal filed a response to the petition for rehearing.

Edison's petition for rehearing is based on the premise that this Commission adopted, in Decision No. 84729, SoCal's suggested uniform surcharge upon the deliveries to all of the current gas customers on the system. We did not adopt this proposal in Decision No. 84729. In the decision we set forth the position of the parties to the proceeding for and against a uniform rate spread. We then ordered SoCal to file proposed tariff schedules within thirty days after the effective date of the order in Decision No. 84729. Since the matter of rate spread to reflect the increased rates for the funding agreement has not been decided, we find the petition for rehearing of Edison to be premature.

This Commission has reviewed each and every allegation of TURN in great detail and is of the opinion that good cause for rehearing has not been shown. This Commission did not commit legal error nor abuse its discretion in approving the North Alaska Funding Adjustment (NAFA).

We note that many of TURN's objections relate to the unfavorable position in which California was placed by the NAFA that was discussed by this Commission in Decision No. 84729. We restate our position that this funding agreement was approved out of

necessity to assure an adequate supply of natural gas for California. We are opposed to the Federal Power Commission's (FPC) advance payment program that facilitates this type of funding agreement. In an effort to place California in a more equitable position to negotiate for natural gas supplies we have subsequently petitioned the FPC to abolish its advance payment program.

In reviewing Decision No. 84729 we find that several technical changes must be made in the language of the ordering paragraphs of the decision to correctly carry out our intentions. All references to federal taxes in ordering paragraphs 2 through 6 should refer also to state taxes. Ordering paragraph 7 should be deleted in its entirety and the following language substituted therefor:

"Filings for adjustment of the NAFA surcharge authorized herein shall be made by supplemental application at least 30 days prior to October 1 and April 1 of each year and shall become effective on such date unless otherwise ordered by the Commission."

This substitution precludes the requirement of filing a new application in connection with each rate adjustment. Our intention in approving the NAFA is to allow SoCal to adjust the NAFA surcharge by supplemental application as it passes through to customers only increased costs to the corporation.

THEREFORE, IT IS ORDERED that:

1. Ordering paragraphs 3, 4, 5, and 6 of Decision No. 84729 are hereby modified to insert the words "state and" before the word "federal" in each of those paragraphs.

2. Ordering paragraph 7 is hereby deleted and the following language is hereby substituted as ordering paragraph 7 of Decision No. 84729:


"Filings for adjustment of the NAFA surcharge authorized herein shall be made by supplemental application at least 30 days prior to October 1 and April 1 of each year and shall become effective on such date unless otherwise ordered by the Commission."


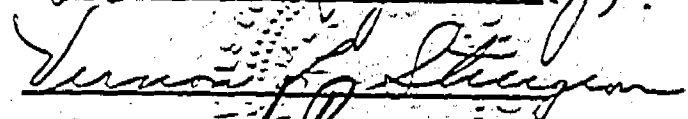

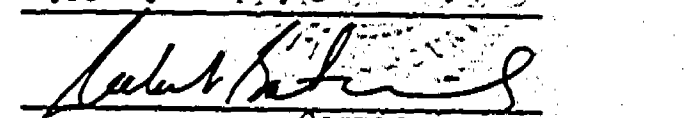
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3. Rehearing of Decision No. 84729, as modified herein-
above is hereby denied.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 30th day
of SEPTEMBER, 1975.


President





Commissioners