ltc

Decision No. 86048

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Advice Letter No. 987 of SOUTHERN CALIFORNIA GAS COMPANY to Increase Revenues to Offset Higher Gas Costs Resulting from Increases in the Price of Natural Gas Purchased from TRANSWESTERN PIPELINE COMPANY and CALIFORNIA PRODUCERS; to Increase Revenues to Offset Higher Gas Cost Resulting from Increases in the Price of Natural Gas Purchased from EL PASO NATURAL GAS COMPANY and CALIFORNIA PRODUCERS and to Modify its Purchased Gas Adjustment Procedure.	Application No. 56540 (Filed June 9, 1976; amended June 14, 1976)

Thomas D. Clarke and Jeffrey A. Meith, Attorneys at Law, for Southern California Gas Company; Philip Mann, Attorney at Law, for San Diego Gas & Electric Company; for applicants at the consolidated hearing.

Ronald L. Johnson, Attorney at Law, for the City of San Diego; Rollin E. Woodbury and H. Robert Barnes, Attorneys at Law, and Larry R. Cope, for Southern California Edison Company; and Vernon E. Cullum, for the City of Long Beach; interested parties.

Timothy E. Treacy, Attorney at Law, for the Commission staff.

O P I N I O N

On June 3, 1976 Southern California Gas Company (SoCal) filed its Advice Letter No. 987 seeking a purchased gas adjustment (PGA) for increased natural gas rates to go into effect July 1, 1976.

The Commission converted this filing into the subject application on June 9, 1976. SoCal's amended application was filed June 14, 1976 seeking a gross revenue increase of $10,743,000 effective August 1, 1976 for the two-month period of August and September 1976 because of an increase of 14.882 cents per Mcf to be charged by El Paso Natural Gas Company (El Paso) to offset El Paso's general rate increase of 5.382 cents per Mcf and 9.50 cents per Mcf under its PGA with the Federal Power Commission (FPC) of which 5.61 cents per Mcf represents a two-month special surcharge to be effective in August and September 1976 only; and a gross revenue increase of $3,748,000 effective July 1, 1976 for the three-month period of July, August, and September 1976 because of an increase of 12.08 cents per Dth to be charged by Transwestern Pipeline Company (Transwestern) for that three-month period under its PGA with the FPC, and a concomitant increase by the California suppliers whose price to SoCal is based on the border price of gas. To accommodate SoCal, Transwestern has requested the FPC for permission to make the increase effective August 1, 1976 for the months of August and September to coincide with the rate increase of El Paso, in which case the requested gross revenue increase would be based upon Transwestern's increase of 19.19 cents per Dth for the two-month period and a total increase in gross revenues of $14,735,000 for the two-month period of August and September 1976 to offset the combined concurrent effect of El Paso's and Transwestern's rate filing.

In addition, SoCal seeks to modify its PGA to establish PGA rate changes on the basis of volume and costs, inclusive of storage, anticipated for the period until the next PGA;[1/] and

1/ SoCal's PGA now provides in Rule 2(n) of its filed tariff that increased purchased gas costs be estimated on an annualized basis.

that its PGA be further modified to include in the regular April and October PGA rate revisions an adjustment for any over- or under-collection of gas costs for the six-month period ending three months prior to the effective date of the new PGA.[2/]

In the event the Commission denies the request for modification of SoCal's PGA procedure, SoCal seeks, instead of the gross revenue increases requested above for the period ending September 30, 1976, authorization to increase its rates effective August 1, 1976 to increase gross revenues $79,162,000 on an annual basis to offset El Paso's rate increase, and effective July 1, 1976 to increase gross revenues $21,152,000 on an annual basis to offset Transwestern's PGA rate increase or, if Transwestern's rate increase is not effective until August 1, 1976, then effective on that date to increase gross revenues by a total of $111,942,000 on an annual basis to offset the combined concurrent effect of El Paso's and Transwestern's price increases.

If SoCal is authorized to place its revised PGA rates into effect July 1, 1976 and the FPC subsequently approves the Transwestern deferral to August 1, 1976, it will refund the appropriate amount collected between July 1 and August 1, 1976.

In each case, SoCal proposes revenue increases be spread to the wholesale class of service by the system average increase per therm or equivalent and to the other classes of service on a uniform cents-per-therm or equivalent basis, excluding the first 75 therms on the general service schedules (lifeline). SoCal will amend its rates as appropriate to reflect the Commission's pending decision on lifeline quantities.

2/ SoCal's present PGA contains no provision for any such over- or undercollection as now requested.

SoCal alleges that its earnings based on the year 1976 will not exceed the level of earnings authorized by the Commission in Decision No. 83160 dated July 16, 1974 and that granting the request contained herein will do no more than allow SoCal to maintain the earnings position it would have experienced had its gas costs not increased.

SoCal alleges that inasmuch as El Paso's and Transwestern's cost increases include special surcharges to be effective only until their next anticipated PGA rate revisions in October 1976 and so that SoCal may be able to more closely track such changes in gas costs, its PGA procedures should be modified to establish PGA rate changes as it has requested herein and that in view of the current uncertainty of supply volumes and heating values and the related potential for error in determining PGA rates, the PGA procedure should be further modified to include in the regular April and October PGA rate revisions an adjustment for any over- or undercollection of gas rates for the six-month period ending three months prior to the effective date of the new PGA.

SoCal proposes that Rule 2(n), Revised Cal. P.U.C. Sheet No. 14117-G (Sheet 7) be modified:

1. By deleting the last sentence of the second full paragraph which now provides:

> "In such case also, a new base weighted average unit cost of system gas supply will be determined and will replace the existing base unit cost as Item 5 in the Determination of Revised Purchased Gas Adjustment."

2. By deleting the third full paragraph which now provides:

> "PGA increases are subject to refund and reduction if (1) lower rates are ordered by the FPC, (2) there is any excess of charges over increases in expenses, (3) the end of year temperature adjusted rate of return exceeds the authorized rate of return up to the amount of the authorized increase, and (4) a final order in Application No. 55544 should so provide."

and substituting therefor:

> "PGA increases are subject to refund and reduction if (1) lower rates are ordered by the FPC, (2) the end of year temperature adjusted rate of return exceeds the authorized rate of return up to the amount of the authorized increase, and (3) a final order in Application No. 55544 should so provide.
>
> "The semi-annual April and October revision of the PGA shall include an adjustment to offset any over- or undercollection of gas costs for the six-month period ending three months prior to the requested effective date of the new PGA."

and Revised Cal. P.U.C. Sheet No. 14437-G (Sheet 8) be changed to provide for computation of the gross revenue impact in accordance with the requested change.

After proper notice this application was consolidated for hearing with the application of San Diego Gas & Electric Company (SDG&E), Application No. 56541, and a public hearing was held in Los Angeles on June 21, 1976 before Examiner James D. Tante and the matter was submitted on that date.

Alan G. Strachan, director of its rates and evaluation matters, and R. R. Higgins, an economist, testified for SDG&E; Walter F. Stanley, manager of its revenue requirements and financial analysis, testified for SoCal; and Bertram D. Patrick, an associate utilities engineer, testified for the Commission staff.

Exhibit 1, proof of publication and posting of notice of the application and the hearing by SDG&E; Exhibit 2, certificate of service by SDG&E; Exhibit 3, Exhibits A through F, as attached to SDG&E's application; Exhibit 4, proof of posting, publication, and service by SoCal; Exhibit 5, the direct testimony of Walter F. Stanley; Exhibit 6, SoCal's amendment to its application with Exhibits 1 through 10 attached thereto as modified by the testimony of Walter F. Stanley; Exhibit 7, SoCal's present Rule 2(n) providing for its PGA; and Exhibit 8, the prepared testimony of Bertram D. Patrick; were received in evidence.

The Evidence

On January 30, 1976 El Paso filed a general rate increase with the FPC amounting to 5.382 cents per Mcf for gas purchased by SoCal. By order issued February 27, 1976, in Docket No. RP76-59, the FPC suspended the proposed rate increase until August 1, 1976, at which time the increase will become effective under the Federal Natural Gas Act.

The FPC in Orders Nos. 749 and 749-A, dated December 31, 1975 and February 27, 1976, respectively, authorized jurisdictional pipeline companies having PGA clauses to file special rate adjustments to offset increases in gas prices resulting from the FPC's establishment of nationwide rates for natural gas flowing in interstate commerce prior to January 1, 1973. Under these authorizations, El Paso was permitted to make special rate increase filings to be effective on May 1, 1976 and July 1, 1976. These increases would be in addition to El Paso's scheduled April and October PGAs. On March 17, 1976 El Paso filed an amended motion with the FPC requesting authorization to make the May 1 and July 1 increases effective on August 1, 1976, the same date on which El Paso's general rate increase will become effective. The PGA increase will amount to 9.50 cents per Mcf for gas purchased by SoCal. Of that amount, 5.61 cents per Mcf represents a two-month special surcharge to be effective in August and September 1976. This surcharge will be eliminated in El Paso's October PGA and in the determination of SoCal's corresponding PGA. These increases, combined with the El Paso general rate increase, amount to a 14.882 cents per Mcf increase in the price which SoCal must pay El Paso for gas effective August 1, 1976. The combined May 1 and July 1 increases and the El Paso general rate increase, all proposed to be effective August 1, 1976, amount to an increase in SoCal's revenue requirements of $10,743,000 for August and September 1976.

Transwestern filed with the FPC on May 28, 1976 a special PGA in Docket No. RP75-74 pursuant to FPC Opinions Nos. 749 and 749-A to track producer increases effective July 1, 1976. Transwestern's filing contained two tariff filings. One, amounting to a 19.19 cents per Dth increase including a special surcharge adjustment to be effective for the months of August and September 1976, is based upon a deferral of recovery of such cost increases in its rates until August 1, 1976. The deferral is proposed to accommodate SoCal by providing for such increase to become effective coincidentally with the August 1, 1976 increase of El Paso, resulting thereby in only a single rate change for SoCal's customers instead of creating two rate revisions. Although Transwestern has requested an August 1, 1976 effective date for this increase, should the FPC deem it inappropriate to permit such rate to become effective on that date, Transwestern requests the FPC to accept its alternative rate proposal amounting to a 12.08 cents per Dth increase effective July 1, 1976. The increase in gross revenue requirement for the months of July, August, and September amounts to $3,748,000. This increase was the subject to Advice Letter No. 987.

The increased cost of gas from El Paso and Transwestern directly affects the cost of California source gas purchased from producers under long-term contracts by SoCal affiliate, Pacific Lighting Service Company (PLS). Under these contracts the price paid by PLS is determined by the average contract price paid by SoCal and PLS for out-of-state gas received at the California border. The price paid by PLS for California gas is one of the costs included in PLS' cost-of-service tariff whereby PLS recovers all of its allowable costs from SoCal.

The impact to SoCal based upon a concurrent Transwestern and El Paso August 1 increase as a result of the foregoing is an additional gross revenue requirement of $14,735,000, the development of which is fully set forth and described in Section 6 of Exhibit 6. The additional gross revenue requirement was determined in accordance with PGA procedures proposed in this application.

Decision No. 83160 dated July 16, 1974 authorized rates based on an 8.50 percent rate of return for test year 1974, and authorized a PGA procedure for SoCal. For test year 1976 the gas cost increase would reduce its rate of return to 5.03 percent and the requested increase to offset the increased cost of gas will provide an estimated rate of return of 8.28 percent and not exceed the level authorized by Decision No. 83160. (Exhibit 6, page 9; Exhibit 5; Exhibit 8.)

Section 6 attached to Exhibit 6 sets forth the PGA calculations of the gross revenue impact of the gas cost increase as follows:[3/]

1. Page 1, $3,748,000 for the Transwestern increase for three months if effective July 1, 1976.
2. Page 2, $10,743,000 for the El Paso increase for two months effective August 1, 1976.
3. Page 3, $14,735,000 for the Transwestern and El Paso increase for two months effective August 1, 1976.

3/ Numbers 1, 2, and 3 are based upon the modification of its PGA as requested by SoCal and Numbers 4, 5, and 6 are based upon its PGA as it presently exists, requiring SoCal to estimate its increased purchased gas costs on an annualized basis.

4. Page 4, $21,152,000 for the Transwestern increase for 12 months effective July 1, 1976.
5. Page 5, $79,162,000 for the El Paso increase for 12 months effective August 1, 1976.
6. Page 6, $111,942,000 for the Transwestern and El Paso increase for 12 months effective August 1, 1976.

There was no contention that the above computations were inaccurate in any manner and the computations are adopted.

Mr. Vernon E. Cullum, representing the city of Long Beach, contended that the uncollectibles and losses should not be allocated uniformly to the wholesale and other users but there was no evidence presented concerning this matter.

SoCal's proposed new Rule 2(n) consists of two pages as set forth in Section 5 attached to Exhibit 6. Its present procedure (Exhibit 7) was approved in Decision No. 83160 dated July 16, 1974. Since that time the situation the PGA was proposed to meet has changed and its PGA procedures should be modified. Basically, SoCal proposes two modifications. The first is to use the time period until the next PGA as the base to establish its PGA. Usually this will be a six-month period but, however, in this application it is either a two- or three-month period, depending on when the Transwestern revised rates become effective. This, in contrast to the annual basis formerly used, will enable SoCal to more closely track gas cost charges for the specific period. The second modification proposed is a balancing account to accumulate any over- or undercollection of gas costs and include them in its PGA each April and October 1. This procedure is similar to that used under FPC authority by SoCal's out-of-state suppliers, El Paso and

Transwestern. This modification will eliminate the potential for error in determining PGA rates brought about by the uncertain gas supply situation. Also, such an adjustment account which accumulates over- or undercollections due to SoCal's PGA is in keeping with the concern this Commission expressed in Decision No. 85731 dated April 27, 1976 related to the electric utilities fuel adjustment clauses. (Exhibit 5, page 4.)

Discussion

SoCal's current PGA was approved in Decision No. 83160, wherein the Commission found that, "/T/he PGA is intended to expeditiously allow SoCal to pass through supplier increases without hearing." There is no question that the rate increases of Transwestern and El Paso will take effect, since El Paso is statutorily authorized to put its general rate increase in effect, and all pipelines have been authorized to track the producer increases, approved in Orders Nos. 749 and 749-A, with special filings. Accordingly, the proposed increase by SoCal is a proper matter for offsetting with its PGA and we shall approve the proposed increase as requested.

We believe that the modifications to the PGA, proposed by SoCal and unopposed by any party, should also be approved. The testimony of SoCal's witness Stanley, substantiated by staff witness Patrick's testimony, shows that the uncertainties in gas supplies have produced a situation where the accuracy and necessity of the system utilizing annualized estimates is subject to question. Moreover, the evidence shows that the mechanism for balancing over- or undercollections will also insure that the PGA will permit recovery of the impact of increased gas costs, no more and no less.

This proposal is consistent with the purpose and spirit of the PGA and, in addition, it is in keeping with the Commission's policy with respect to fuel cost adjustments. As we stated in Decision No. 85731, "/W/e believe...the fuel clause adjustment is an extraordinary proceeding designed for a specific, extraordinary purpose." Moreover, we also found that:

> "2. The amount of over or under collection of fuel clause revenues compared to increased fuel cost should realistically be determined on actual recorded basis from the birth of the fuel clauses through the latest available date."

In that proceeding we approved the concept of a "balancing account" to take care of over- or undercollections in prior periods.

The rate design proposed by SoCal is based on the interim lifeline volumes currently in use by the Commission pending a decision in Case No. 9988. The first 75 therms on the general service rate schedules of SoCal would not bear any portion of the increase. The proposed spread of this PGA increase would use SoCal's system average increase per therm to determine the increase to the wholesale customers, and it would spread the increase to SoCal's retail customers on a uniform cents-per-therm basis.

The evidence produced by the SoCal and the staff witnesses shows that with approvals of the increase proposed herein, SoCal will not exceed its 8.5 percent rate of return found reasonable in Decision No. 83160 and disallowance would drop SoCal's rate of return to 5.03 percent, based on the test year 1976.

Findings

1. By Orders Nos. 749 and 749-A, issued in Docket No. R-478, the Federal Power Commission authorized an increase in the flowing gas rate of all natural gas sold by producers to interstate pipeline companies.

2. As currently scheduled, the above-described increase will be effectuated in the rates charged PLS by Transwestern on July 1, 1976 (absent FPC action to select August 1, 1976 as the effective date).

3. Transwestern is currently seeking before the FPC a deferral of the July 1, 1976 effective date to August 1, 1976.

4. The effect of Orders Nos. 749 and 749-A on Transwestern's rates, assuming the conditions in Finding 2, is 12.08 cents per Dth. Alternatively, assuming the August 1, 1976 effective date as per Finding 3, the amount of Transwestern's increase equals 19.19 cents per Dth.

5. The effect of Orders Nos. 749 and 749-A on El Paso rates will be a 9.50 cents per Mcf increase of which 5.61 cents per Mcf represents a special surcharge to be effective in August and September 1976.

6. El Paso will commence collecting on August 1, 1976 an amount equivalent to 5.382 cents per Mcf as part of a general increase in rates filed in Docket No. RP76-59.

7. The above-described increase will be effectuated in the rates charged to SoCal by El Paso on August 1, 1976.

8. The increases in the cost of SoCal's out-of-state supplies will result in a related increase in the cost of California produced gas.

9. The SoCal revenue requirement related to supplier Transwestern increases under Findings 2 and 8 is $3,748,000 for the months of July, August, and September 1976 and will result in

increases effective July 1, 1976 to its retail schedule rates of 0.294 cents per therm or equivalent (excluding the first 75 therms representing lifeline quantities) and wholesale schedule rates by 0.221 cents per therm or equivalent.

10. The SoCal revenue requirement related to supplier El Paso increases under Findings 5, 6, and 8 is $10,743,000 for the months of August and September 1976 and will result in increases effective August 1, 1976 to its retail schedule rates of 1.501 cents per therm or equivalent (excluding the first 75 therms representing lifeline quantities) and wholesale schedule rates by 1.101 cents per therm or equivalent.

11. The SoCal revenue requirement related to its suppliers will be $14,735,000 (instead of $14,491,000 under Findings 9 and 10) for the months of August and September 1976.

12. This will result in increases effective August 1, 1976 to its retail schedule rates of 2.059 cents per therm or equivalent (excluding the first 75 therms representing lifeline quantities) and wholesale schedule rates of 1.510 cents per therm or equivalent.

13. The granting of the increase requested herein is reasonable and will not affect SoCal's earnings or its rate of return, but will

offset only the effects of the extraordinary increases in its cost of purchased gas.

14. The increase in gas costs is an extraordinary expenditure 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.

15. SoCal proposes to amend its PGA procedure to reflect the period up to the next PGA filing, as opposed to the current procedure providing for annualized estimates.

16. SoCal also proposes to amend Rule 2(n) of its filed tariff to permit adjustments for over- or undercollections in prior periods.

17. The increase in rates set forth above is based on the modification in Findings 15 and 16.

18. The modification of its PGA procedure in its Rule 2(n) on file with the Commission as proposed by SoCal and set forth in Exhibit 5 attached to Exhibit 6 is reasonable and in the public interest and should be authorized.

19. In the event the FPC orders Transwestern or El Paso to reduce rates and make refunds, the amount of the offset increase will be reduced and appropriate refunds made subject to the Commission's approval.

20. SoCal's proposed tariff sheets will spread the increase to the wholesale customers by the system average increase per therm and to the other classes of service on a uniform cents-per-therm basis, excluding the first 75 therms on the general service schedules. The rate spread proposed herein is reasonable pending a final decision on lifeline volumes in Case No. 9988, and takes into account the interim lifeline quantity currently utilized by the Commission.

21. The rate of return and rates authorized by Decision No. 83160 were found to be reasonable, and only offset increases have been added to those rates, all of which offset increases have been found to be reasonable, and the increase permitted herein is reasonable and will not increase SoCal's earnings or increase its rate of return above that authorized by Decision No. 83160.

22. Inasmuch as no objection was made to the request of SoCal, and to prevent SoCal from incurring a substantial reduction in its authorized rate of return by increased costs, the provisions of Section 1705 of the Public Utilities Code and Rule 83 of the Commission's Rules of Practice and Procedure providing for an order being effective twenty days after the date thereof should not be adhered to but the order should be effective as of the date it is signed.

23. Failure to concurrently offset the above-described supplier rate increases would substantially and adversely affect the financial condition of SoCal and would seriously impair its ability to continue to render its utility service.

24. The modification to SoCal's PGA will improve the accuracy with which the clause reflects purchased gas costs and such modification is just, reasonable, and an appropriate reflection of the Commission's policies enunciated in Decisions Nos. 83160 and 85731.

25. The rate increase proposed herein is just and reasonable, in the public interest, and is required to adequately compensate SoCal only for its increased costs of purchased gas and will not permit SoCal to earn a rate of return above that currently authorized pursuant to Decision No. 83160.

26. The rate design approved herein, with its lifeline features, is just and reasonable.

The Commission concludes that the relief requested should be granted to the extent set forth in the ensuing order.

O R D E R

IT IS ORDERED that:

1. Effective August 1, 1976 Southern California Gas Company is authorized to increase its retail schedule rates by 2.059 cents per therm or equivalent (excluding the first 75 therms representing lifeline quantities) and wholesale schedule rates by 1.510 cents per therm or equivalent.

2. If the Federal Power Commission does not defer the July 1, 1976 effective date of Transwestern Pipeline Company's increase to August 1, 1976, Southern California Gas Company shall accrue such increase on its books and shall amortize such increase over August and September 1976.

3. Southern California Gas Company is authorized to file a modified purchased gas adjustment procedure by modifying its Rule 2(n) on file with the Commission, as set forth in Appendix A attached hereto, on or before July 1, 1976, to be effective July 1, 1976.

4. Southern California Gas Company is authorized to file revised tariff schedules to reflect the authorized increase in rates and the modification of its Rule 2(n). Such schedules shall comply with General Order No. 96-A, and shall include the provision required by Decision No. 83160 and a provision that any refund or reduction of these offset increases ordered or required by Federal Power Commission action shall be refunded to its customers charged on a like basis. The revised tariff schedules required herein shall

be effective on July 1, 1976, for the modification of Rule 2(n), and on August 1, 1976 for the rate schedules. The tariff schedules filed pertaining to the increase in rates shall apply only to service rendered on and after the effective date thereof, and shall be effective through the month of September 1976 only.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 29th day of JUNE, 1976.

William Symons Jr.
President

Vernon L. Sturgeon

Robert Batinovich
Commissioners

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.

Rule 2

DESCRIPTION OF SERVICE
(Continued)

(n) Purchased Gas Adjustment

The commodity rates in all filed rate schedules, and in equivalent rates in G-30, shall include the applicable Purchased Gas Adjustment (PGA) set forth in Section H.2. of the Preliminary Statement. The PGA shall be revised no more frequently than six times each year, in accordance with procedure for Determination of Revised Purchased Gas Adjustment, detailed below, to reflect a change in the weighted average unit cost of the Pacific Lighting Utility system gas supply purchased from external sources of at least .025 cents per Mcf since the PGA was last revised. PGA rate adjustments will become effective after Commission authorization for service on and after the effective date of the change in Section H.2. of the Preliminary Statement, but not less than 30 days after the date of filing. Section H.2. lists the total PGA in currently effective rates and the contingent refund portion by FPC docket.

When a change in weighted average unit cost of system gas supply results from an FPC ordered rate reduction in a docket of either El Paso Natural Gas Company or Transwestern Pipeline Company related to contingent offsetting rate increases that were made effective prior to the establishment of the PGA procedure, the current PGA amounts in the Preliminary Statement shall not be revised, but instead rates shall be adjusted in accordance with tariff provisions covering future adjustment of those contingent offset charges. In such case, the rates in the rate schedules will be adjusted and the affected rate schedule tariff sheets will be refiled.

PGA increase are subject to refund and reduction if (1) lower rates are ordered by the FPC, (2) the end of year temperature adjusted rate of return exceeds the authorized rate of return up to the amount of the authorized increase, and (3) a final order in Application No. 55544 should so provide.

The semi-annual April and October revision of the PGA shall include an adjustment to offset any over- or undercollection of gas costs for the six-month period ending three months prior to the requested effective date of the new PGA.

Refunds received from suppliers as related to dockets listed in Section H.2. of the Preliminary Statement will be made to customers with interest at 7 percent, subject to Commission authorization of a refund plan to be submitted by the Utility when such refunds have accumulated to a total of $1,000,000 or more.

(Continued)

Rule 2

DESCRIPTION OF SERVICE
(Continued)

(n) Purchased Gas Adjustment--Contd.

A results of operations report based on actual and estimated operations, including nomalized temperature adjusted sales and customer growth will be filed by April 15 of each year. Also a report on the reasonableness of the prices paid for gas purchases will be filed by April 15 of each year.

DETERMINATION OF REVISED PURCHASED GAS ADJUSTMENT

1. New weighted average unit cost of system gas supply

Source	A Estimated Volume[a] MMcf	B Estimated Cost[a] M$	C Average Price ¢/Mcf
El Paso			
Transwestern			
Pac. Interstate (S.W. Div.)			
Cal. Federal Offshore			
Cal. (Monthly Border Price)			
Cal. (Annual Border Price)			
Cal. (Other Regular)			
Cal. (Peaking)			
Net Storage			
Exchange Revenue Effect			
Total			

2. New weighted average unit cost, ______¢/Mcf (Total B ÷ Total A)

3. Weighted average unit cost reflected in current PGA, ________ ¢/Mcf

4. Increase in weighted average unit cost of gas, (2) - (3), ________¢/Mcf

5. Gas Purchases for resale and Company use[a] ________MMcf

6. Revenue required to offset increased cost of gas, (4) X (5), M$

7. Provision for franchise fees and uncollectibles, (6) x _ % = M$____________

(Continued)

Rule 2

DESCRIPTION OF SERVICE
(Continued)

(n) Purchased Gas Adjustment--Contd.

8. Provision for (over) undercollection of prior PGA's, M$ ____________

9. Gross revenue required to offset cost of gas increase, (6) + (7) + (8), M$ ____________

10. Estimated total system sales,[a] __________ M therms

11. Increase in system average PGA rate, (9) ÷ (10), __________ ¢/therm

12. Increase in PGA rate for retail non-lifeline rates = (11) x total est. M therm sales - (11) x wholesale M therm sales + retail non-lifeline M therm sales = __________ ¢/therm
x __________ M therms - __________ ¢/therm x __________ M therms
+ __________ M therms = __________ ¢/therm

13. Rate Adjustment

Equivalent PGA for Various Rate Schedules	Increase (Decrease) In PGA	Present PGA	New PGA
Retail Schedules with therm rates—Lifeline	¢/therm	¢/therm	¢/therm
—Non-Lifeline	¢/therm	¢/therm	¢/therm
Schedule G-58	¢/MMBtu	¢/MMBtu	¢/MMBtu
Schedule G-60	¢/therm	¢/therm	¢/therm
Schedule G-61	¢/MMBtu	¢/MMBtu	¢/MMBtu

Schedule G-30 shall be changed based upon the average monthly consumption of each lamp rating times the Ccf equivalent of Item 4 above.

14. Gross revenue impact (M$)[a] =
M therms of wholesale sales x $/therm = __________
M therms of retail lifeline sales x $/therm = __________
M therms of retail non-lifeline sales x $/therm = __________
Total M$ __________

Notes: a. For period until next anticipated PGA revision.
b. To adjust for offset of change in border price of out-of-state gas on exchange revenue.