

Decision No. 86049**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. 56541  
 (Filed June 9, 1976;  
 amended June 16, 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

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 No. 358-G filed June 7, 1976, for a purchased gas adjustment (PGA) increased (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 \$9,080,300 maximum, excluding franchise requirements and uncollectibles, and would require a maximum increase in SDG&E's rates to offset the maximum increase in purchased gas costs of

\$9,265,700 on an annual basis. SDG&E alleges that the granting of its request will enable it to earn only the same rate of return it would earn without such increased costs.

After proper notice this application was consolidated for hearing with the application of SoCal, Application No. 56540, 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

Decision No. 83675 dated October 29, 1974 authorized a rate of return of 8.75 percent on rate base for test year 1974. Exhibit F of Exhibit 3, SDG&E's summary of earnings statement for test year 1976 shows that for the gas department the rate of return will decrease from 8.24 to 4.81 percent because of the increased cost of gas from SoCal and the relief requested will restore the rate of return to 8.24 percent. For SDG&E as a whole the rate of return will decrease from 8.72 to 8.19 percent because of the increased cost of

gas and the relief requested will restore the rate of return to 8.72 percent.

SDG&E is willing to file a modification of its PGA similar to that requested by SoCal as a part of its next PGA filing and to accept gas tariff increases calculated under the modified procedure in this application, and agrees that the increase requested to offset the increase in the cost of gas need not be adjusted on an annualized basis but on the basis of the actual time period involved.

SDG&E will offset its increased cost of gas by applying an increased cost to all its retail customer classes, excluding the first 75 therms in the general service schedules, and to all of its interdepartmental sales and will amend its rates as appropriate to reflect the Commission's pending decision on lifeline quantities if there is a change.

Exhibit D of Exhibit 3 sets forth the PGA calculations of the gross revenue impact on an annualized basis and based upon SoCal's proposed PGA modification as follows:

1. Pages 7 and 8, \$1,322,700, a 1.28 percent increase, based upon SoCal's increase, by Transwestern Pipeline Company (Transwestern) if effective July 1, 1976.

2. Pages 9 and 10, \$6,586,700, a 6.39 percent increase based upon SoCal's increase by El Paso Natural Gas Company (El Paso) effective August 1, 1976.

3. Pages 11 and 12, \$9,034,600, an 8.76 percent increase based upon SoCal's increase by Transwestern and El Paso being effective August 1, 1976.

Exhibit E of Exhibit 3 sets forth its proposed increases in rates based upon SoCal's proposed PGA modification as follows:

Summary of Proposed Increases

Based on Southern California Gas Company's  
Proposed PGA Method

Transwestern increase effective July 1, 1976:

1. Schedules G-1, G-2, G-3, G-4, and G-11  
An increase of 0.395 cents per therm for all rate blocks in excess of 75 therms.
2. Schedules G-40, G-50, and G-51  
An increase of 0.395 cents per therm.
3. Schedule G-54  
An increase of 3.95 cents per million Btu.

Transwestern increase effective July 1, 1976 and an El Paso increase effective August 1, 1976:

1. Schedules G-1, G-2, G-3, G-4, and G-11  
An increase of 1.967 cents per therm for all rate blocks in excess of 75 therms.
2. Schedules G-40, G-50, and G-51  
An increase of 1.967 cents per therm.
3. Schedule G-54  
An increase of 19.67 cents per million Btu.

Transwestern and El Paso increases both effective August 1, 1976:

1. Schedules G-1, G-2, G-3, G-4, and G-11  
An increase of 2.698 cents per therm for all rate blocks in excess of 75 therms.
2. Schedules G-40, G-50, and G-51  
An increase of 2.698 cents per therm.
3. Schedule G-54  
An increase of 26.98 cents per million Btu.

The attorney for the city of San Diego contended that SDG&E did not offer sufficient evidence to prove that the requested increase to offset increased costs would not increase SDG&E's rate of return above 8.75 percent, but there was no other objection to SDG&E's request and no evidence was introduced tending to show that it was not justified.

Findings

1. SoCal filed a request with the Commission on June 3, 1976 which was converted into an application filed June 9 and amended June 14, 1976 which provides for a gas cost increase through September 1976 to SDG&E under Schedule G-61 of SoCal of 13.22 cents per million Btu if Transwestern's price increase to SoCal is effective July 1, 1976 and El Paso's increase is effective August 1, 1976. To offset this additional cost of gas and associated increases in franchise requirements and uncollectibles SDG&E will require an increase in gross revenue of \$7,909,400, on an annual basis, effective July 1, 1976 for the three-month period of July, August, and September 1976 resulting in an increase in rates to its customers of 0.395 cents per therm or equivalent effective July 1, 1976 and an additional increase of 1.967 cents per therm or equivalent effective August 1, 1976 (excluding the first 75 therms representing lifeline quantities), both increases being effective to September 30, 1976.

2. In the event Transwestern's price increase is not effective until August 1, 1976, as requested by SoCal to coincide with the price increase of El Paso, SoCal's application provides for a gas cost increase to SDG&E effective August 1, 1976 through

September 1976 under Schedule G-61 of SoCal of 15.10 cents per million Btu. To offset this additional cost of gas and associated increases in franchise requirements and uncollectibles SDG&E will require an increase in gross revenues for the two-month period of August and September 1976 of \$9,034,600, on an annual basis (instead of \$7,909,400 set forth in Finding 1), resulting in an increase in rates to its customers of 2.698 cents per therm or equivalent effective August 1, 1976 (excluding the first 75 therms representing lifeline quantities), such increase being effective through September 1976.

3. In the event the FPC grants Transwestern's request for an effective date of August 1, 1976, then SoCal will restore its rates to June 30, 1976 levels if it has already increased its rates based on a Transwestern increase effective date of July 1, 1976 and refund, subject to Commission authorization, all amounts collected for service during July 1976 for the Transwestern July 1, 1976 increase. Concurrently, SoCal will file new rates effective August 1, 1976 to reflect the change in Transwestern's filing effective date from July 1, 1976 to August 1, 1976. Accordingly, SDG&E will be required to make changes to its tariff and make refunds to its customers subject to Commission authorization to reflect any action taken by SoCal.

4. 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.

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

6. The increase authorized herein will result in no increase in lifeline rates of 75 therms per month for Schedules G-1, G-2, G-3, G-4, and G-11 pending a final decision on lifeline volumes in Case No. 9988.

7. The rates and rate of return authorized by Decision No. 83675 were found to be reasonable and the increases in the rates subsequent to that time have been found to be reasonable.

8. The PGA increase authorized herein is reasonable and will not increase SDG&E's rate of return above the last authorized rate of 8.75 percent.

9. The increases in interdepartmental rates and in uniform cents per therm to each retail class, excepting the first 75 therms per month (lifeline) for Schedules G-1, G-2, G-3, G-4, and G-11, are reasonable and the new rates authorized herein are reasonable.

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. To prevent SDG&E from incurring a substantial reduction in its authorized rate of return by increased costs effective July 1, 1976, 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.

12. Commencing July 1, 1976 SDG&E will have an annual increase in revenue requirements of \$7,909,400 for the three-month period of July, August, and September due to increases in purchased gas costs effective July 1, 1976 and August 1, 1976 resulting in increases in rates to its customers of 0.395 cents per therm or equivalent effective July 1, 1976 and an additional increase of 1.967 cents per therm or equivalent effective August 1, 1976 (excluding the first 75 therms representing lifeline quantities), both increases being effective to September 30, 1976.

13. In the event Transwestern's increase is not effective until August 1, 1976, SDG&E will have an annual increase in revenue requirements of \$9,034,600 (instead of \$7,909,400 set forth above) resulting in an increase in rates of 2.698 cents per therm or equivalent effective August 1, 1976 (excluding the first 75 therms representing lifeline quantities). Accordingly, if SDG&E has increased its rates based on a July 1, 1976 effective date, then SDG&E must restore its rates to June 30, 1976 levels and refund, subject to Commission authorization, all amounts collected for service during July 1976 for the Transwestern July 1, 1976 increase. Concurrently, SDG&E will file new rates effective August 1, 1976 to reflect the change in Transwestern's filing effective date from July 1, 1976 to August 1, 1976.

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

15. SDG&E has agreed to comply with the same PGA modifications as requested by SoCal in Application No. 56540, and it is in the public interest and reasonable for it to do so and to require it, beginning July 1, 1976, to maintain a balancing account showing over- or undercollection of gas costs authorized under the PGA procedure



and to include in its regular April and October PGA rate revisions an adjustment for any over- or undercollection of such gas costs for the six-month period ending three months prior to the effective date of the new PGA, and to calculate PGA gas cost increases up to the next anticipated PGA rate revision instead of annualizing such costs.

The Commission concludes that the application should be granted to the extent set forth in the following order.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company is authorized effective August 1, 1976 to increase all its rate schedules by 2.698 cents per therm or equivalent (excluding the first 75 therms representing lifeline quantities), which increase is effective through September 1976.
2. Commencing July 1, 1976 San Diego Gas & Electric Company shall maintain a balancing account showing over- or undercollection of gas costs authorized under the PGA procedure and include in its regular April and October PGA rate revisions an adjustment for any over- or undercollection of these gas costs for the six-month period ending three months prior to the effective date of the new PGA. Also, San Diego Gas & Electric Company shall calculate PGA gas cost increases up to the next anticipated PGA rate revision instead of annualizing these costs.

3. 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 San Diego Gas & Electric Company's customers on a like basis through Advice Letter filing. The revised tariff schedules shall be effective on August 1, 1976, and shall apply only to service rendered on and after the effective date thereof and shall be effective through the month of September only.

The effective date of this order is the date hereof.

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

William Lyons Jr. President  
Robert Bateman Commissioners

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