

Decision 88 11 048

NOV 23 1988

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

MEMORANDUM

Investigation on the Commission's)
 own motion into the methods to be)
 utilized by the Commission to)
 establish the proper level of)
 expense for ratemaking purposes)
 for public utilities and other)
 regulated entities due to the)
 changes resulting from the 1986)
 Tax Reform Act.)

NOV 23 1988

I.86-11-019

(Filed November 14, 1986)

OPINION DENYING PETITION FOR MODIFICATION BY
SAN DIEGO GAS & ELECTRIC COMPANY OF DECISION 88-01-061

San Diego Gas & Electric Company (SDG&E) has filed two Petitions seeking modification of Decision (D.) 88-01-061. That decision describes the methodology to be used in calculating the effects of the Tax Reform Act of 1986 (TRA 86) and the California Conformity Act of 1987, Senate Bill 572 (S.B. 572), on ratemaking income tax expense. SDG&E's Petitions were filed on April 15, 1988 and April 22, 1988.

In its April 15th Petition, SDG&E requested that D.88-01-061 be modified to allow and order Southern California Gas Company (SoCalGas) to refund \$867,314 due and owing to SDG&E as a result of taxes overcollected in 1987. SDG&E's request is premised on the following set of facts:

1. As a result of the Commission's TRA 86 decisions (D.87-09-026 and D.88-01-061), SoCalGas' revenue requirement was decreased by \$39,116,000.
2. D.88-01-061 ordered SoCalGas to reflect this revenue requirement adjustment in its Consolidated Adjustment Mechanism (CAM) balancing account, in order to provide a means of refunding the \$39,116,000 in overcollected taxes and interest to SoCalGas' customers.

3. SDG&E pays SoCalGas a capacity charge based on SoCalGas' authorized gas margin; in 1987 the percent charged to SDG&E was 2.2173% (D.87-01-046). SDG&E maintains that because it paid 2.2173% of SoCalGas' 1987 authorized gas margin, SDG&E also paid 2.2173% of the overcollected taxes.
4. Because SDG&E does not currently participate in SoCalGas' CAM balancing account, however, the portion of the overcollected taxes owed to SDG&E ($\$39,116,000 \times 2.2173 = \$867,314$) will not be refunded to it under the current D.88-01-061 proviso.

In its April 22, 1988 Petition, SDG&E addressed the refund issue more specifically, and requested that the \$867,314 including interest be included in SDG&E's CAM balancing account.

On May 9, 1988 SoCalGas filed its formal response in opposition to SDG&E's Petitions for Modification of D.88-01-061. As SoCalGas notes, in D.88-01-061 we ordered energy utilities to credit any revenue requirement overcollections during 1987 caused by TRA 86 to their ERAM/GAC/CAM balancing accounts by filing an advice letter. The advice letter was also to include any adjustment to 1988 revenue requirements related to TRA 86. In conformance with D.88-01-061 SoCalGas filed Advice Letter No. 1781 requesting a net revenue requirement decrease of \$4,324,000, and a crediting of that decrease to its CAM balancing account.

SoCalGas' \$4,324,000 figure contrasts with SDG&E's \$39,116,000. SoCalGas argues that while its total TRA 86 revenue requirement decrease is \$39,116,000, \$34,882,000 of that amount was included in SoCalGas' 1988 attrition advice letter and is currently reflected in SDG&E's rate for wholesale gas service. SoCalGas believes that the net figure, \$4,324,000, is the correct TRA 86 revenue requirement figure for purposes of this dispute with SDG&E.

SoCalGas also notes that under the OII/OIR implementation procedure, it will be required to maintain a tracking account of

any differences in Commission-authorized base revenue amounts and those base revenue amounts contained in its rates, for disposition in SoCalGas' next annual cost allocation proceeding. The \$4,324,000 will be included in the tracking account, and SoCalGas believes that during SoCalGas' next cost allocation proceeding, the Commission should authorize any appropriate adjustments in SDG&E's rates for those amounts contained in the tracking account. SoCalGas states that even if it were to adjust SDG&E's wholesale rate to reflect Advice Letter 1781 impacts, the adjustment would be 2.2173% of \$4,324,000, or \$93,880, not \$867,314 as SDG&E maintains. However SoCalGas believes that the tracking account affords the Commission the opportunity to make the adjustments SDG&E requests, during SoCalGas' next annual cost allocation proceeding.

Based on the arguments presented, it appears logical to conclude that the correct adjustment is 2.2173% of \$4,324,000, not 2.2173% of \$39,116,000, assuming that \$34,882,000 of the \$39,116,000 figure was included in SoCalGas' 1988 attrition advice letter. However we do not decide that issue here, preferring to allow SDG&E and SoCal to develop the evidentiary record during SoCalGas' next annual cost allocation proceeding, if the matter is still in dispute. Furthermore given the existence of the tracking account mechanism, the adjustments SDG&E requests are more appropriately made during SoCalGas' next annual cost allocation proceeding, based on the record developed there, and not in this docket.

Findings of Fact

1. SDG&E has requested modification of D.88-01-061 to allow SoCalGas to refund \$867,314 to SDG&E due to taxes overcollected in 1987.
2. SoCalGas opposes SDG&E's request on two grounds. First it notes that such refund amounts to \$93,880, not \$867,314, because SDG&E's rate for wholesale gas service already reflects 1988 attrition year impacts of \$34,882,000. Second, SoCalGas notes that

the OII/OIR implementation procedure requires it to track differences in Commission-authorized base revenue amounts and those base revenue amounts contained in its rates, for disposition in SoCalGas' next annual cost allocation proceeding.

3. Given the existence of the OII/OIR tracking account mechanism, the adjustment to SDG&E's rate for wholesale gas service to recognize any differences between that rate and rate premised on Commission authorized base revenue amounts is more appropriately made during SoCalGas' next annual cost allocation proceeding.

Conclusions of Law

SDG&E's April 15, 1988 and April 22, 1988 Petitions for Modification of D.88-01-061 should be denied.

ORDER

IT IS ORDERED that San Diego Gas & Electric Company's April 15, 1988 and April 22, 1988 Petitions for Modification of D.88-01-061 are denied.

This order is effective today.

Dated NOV 23 1988, at San Francisco, California.

STANLEY W. HULETT
President

DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Victor Weisser, Executive Director