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Decision 90-12-101   December 19, 1990

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of Southern California Gas Company for Authority pursuant to Public Utilities Code Section 851 to sell and lease back its Headquarters Property in Los Angeles, California. (U 904 G)	Application 87-07-041 (Filed July 28, 1987)

ORDER DENYING MOTION FOR STAY

Southern California Gas Company (SoCalGas) has filed a motion for stay of Decision (D.) 90-11-031 and D.90-04-028 as modified thereby (the Modified Decision). In the Modified Decision we apportioned the benefits of the gain on sale of SoCalGas's Flower Street headquarters between SoCalGas's shareholders and ratepayers. We concluded that the principal amount of the gain should be applied "to offset SoCalGas's headquarters costs over an 11-year 11-month amortization period." (Conclusion of Law No. 8.) We also ordered SoCalGas to

> amortize, as an offset against its cost of service, the $24,190,000 capital gain realized from the Flower Street headquarters sale over a period of eleven years and eleven months from December 1, 1990. The amortization amounts shall be grossed up in calculating the revenue requirement. SoCalGas shall reduce its annual revenue requirement by $3,466,254 starting December 1, 1990, and this reduction shall stay in effect for 11 years and 11 months. (Ordering Paragraph No. 4.)

SoCalGas has not made the tariff filings necessary to reduce its rates starting December 1, 1990. Instead, on November 30, 1990, SoCalGas filed its motion for stay.

This motion states that "SoCalGas' present intention is to seek review of [the Modified Decision] by the California Supreme Court." The motion then claims that if SoCalGas is required to reduce rates to customers before the Court has ruled on SoCalGas's requested review, "SoCalGas could be irreparably harmed" <u>if</u> the Court later overturns the Commission. SoCalGas therefore requests that the Commission stay its rate reduction order and instead require SoCalGas to place in an interest-bearing account the sums that otherwise would have flowed through to ratepayers. Then, if the Commission prevails in Court, SoCalGas would flow through to ratepayers the amount in the account.

We reject SoCalGas's request for a stay for a number of reasons. First, we believe that the Modified Decision is proper and that the Commission will prevail in Court. Second, the Modified Decision assumes that SoCalGas has an opportunity to earn its currently authorized rate of return on money available for investment. On the other hand, when we establish interest-bearing accounts, our normal practice is to require interest at the lower, three-month commercial paper rate. Thus, SoCalGas's proposal would give the company an opportunity to earn additional income beyond that contemplated by the Modified Decision. Under SoCalGas's proposal, the company would get to keep the difference between the investment income it would actually be earning on the balance in the account and the three-month commercial paper rate, until the Court disposes of SoCalGas's request for review. Finally, SoCalGas's proposal is not necessary to prevent irreparable harm to SoCalGas.

At least in recent years, when parties have requested a stay of a rate reduction order pending an appeal to the California Supreme Court, we have not granted the stay. Instead, we have authorized the utility to record in an interest-bearing memorandum account the difference between the revenues it actually collects and the revenues it would have collected if the stay had been granted. Such a memorandum account protects the utility in case the rate reduction order is overturned, in whole or in part, because in that case the Commission would allow the utility to reflect the corresponding portion of the memorandum account in future rates.

Consistent with our prior practice, we will not stay our rate reduction order, but will authorize SoCalGas to record each month in an interest-bearing memorandum account the amount by which the Modified Decision (and this decision) have reduced its revenue requirement. If the Modified Decision were to be overturned, SoCalGas could collect the balance in the memorandum account in future rates.

SoCalGas has not reduced its annual revenue requirement by $3,466,254 starting December 1, 1990, as ordered by the Modified Decision. Our order today will require SoCalGas to file tariff sheets, to be effective on January 1, 1991, reducing its annual revenue requirement as ordered by the Modified Decision. In addition, our order today must deal with the fact that SoCalGas did not reduce its revenues for the month of December 1990 as we contemplated in the Modified Decision. In order to avoid multiple rate changes during the year, we will order SoCalGas to credit its Core Fixed Cost Account (CFCA) and its Noncore Implementation Account (NIA) by a total of $288,855 and the interest thereon for the month of December 1990. This sum shall be allocated between these two accounts in accordance with the directions we give below for allocation among customer classes.

In its motion, SoCalGas also claims that the Modified Decision "did not specify how its revenue requirement reduction should be spread among SoCalGas' customers." (Motion at 3.) The Modified Decision did, however, conclude that the "principal amount of the gain realized on the utility's sale of the Flower Street headquarters should be applied to offset SoCalGas's headquarters costs over an 11-year 11-month amortization period." (Conclusion of Law No. 8.) We believe that this language -- specifying that the revenue requirement reduction was an offset relating to headquarters costs -- should have provided sufficient guidance to SoCalGas in spreading the revenue requirement reduction among its customers. However, to make our intentions even clearer, today's order will specify that the revenue requirement reduction shall be spread among customer classes according to SoCalGas's most recently adopted ACAP cost allocation treatment of administrative and general expenses.

Having carefully considered all the arguments raised in SoCalGas's motion for stay, we are of the opinion that good cause for granting a stay has not been shown. However, we are of the opinion that SoCalGas should be authorized to set up a memorandum account and directed to begin reducing its revenue requirement, all as described above.

Therefore, good cause appearing,

IT IS ORDERED that:

1. SoCalGas is authorized to record in a memorandum account the amount by which its revenue requirement for each month has been reduced by D.90-04-28 as modified by D.90-11-031, and by this decision. This account shall accrue interest at a rate equal to one-twelfth the interest rate on Commercial Paper (three months) for the previous month as published in the Federal Reserve Statistical Release, G.13, or its successor. If SoCalGas does not prevail in its challenge to Decision Nos. 90-04-028 and 90-11-031, this memorandum account shall be terminated and removed from its accounting records.

2. SoCalGas's motion for stay of Decision Nos. 90-04-028 and 90-11-031 is denied.

3. As previously ordered in D.90-04-28 as modified by D.90-11-031, SoCalGas shall reduce its annual revenue requirement by $3,466,254 (subject to change due to changes in its gross-up factor) for a period lasting until 11 years and 11 months after December 1, 1990. To implement the revenue requirement reduction

for December 1990, SoCalGas shall credit its Core Fixed Cost Account (CFCA) and its Noncore Implementation Account (NIA) by a total of $288,855 and the interest thereon for the month of December 1990.

4. The revenue requirement reduction ordered in this decision and in D.90-04-28 as modified by D.90-11-031 shall be spread among customer classes according to SoCalGas's most recently adopted ACAP cost allocation treatment of administrative and general expenses.

5. SoCalGas shall file, no later than five days from today, tariff sheets to be effective on January 1, 1991 implementing the revenue requirement reduction directed by Ordering Paragraphs Nos. 3 and 4 hereof.

This order is effective today.

Dated December 19, 1990, at San Francisco, California.

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

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

NEAL J. SHULMAN, Executive Director