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Decision 91-03-031 March 13, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
the SOUTHERN CALIFORNIA GAS COMPANY)
for Authority to Revise its Rates)
Effective October 1, 1990, in its)
Annual Cost Allocation Proceeding.)

ORIGINAL
Application 90-03-018
(Filed March 15, 1990)

In the Matter of the Application of)
SAN DIEGO GAS & ELECTRIC COMPANY for)
Authority to Revise its Rates)
Effective October 1, 1990, in its)
Annual Cost Allocation Proceeding.)

Application 90-03-049
(Filed March 29, 1990)

ORDER DENYING REHEARING

Southern California Gas Company (SoCal) and the City of Long Beach (Long Beach) have filed applications for rehearing of Decision (D.) 90-11-023. We have considered all the allegations of error in the applications and are of the opinion that good cause for rehearing has not been shown.

However, we believe that the decision should be modified in order to indicate that the appropriate proceeding for review of SoCal's conservation related expenses is SoCal's general rate case. With this in mind, SoCal should preserve any evidence relating to these costs so that it may present such evidence in its next general rate case.

The decision should also be modified to more fully explain the positions of the parties regarding Long Beach's utility electric generation (UEG) demand and the Commission's reasoning in adopting SoCal's forecast. Finally, the decision should be modified to indicate that any further proceedings on Long Beach's rate design proposal in A.90-03-018 should await a decision of wholesale rate design issues currently being addressed in I.86-06-005.

Therefore, IT IS ORDERED that D.90-11-023 is modified as follows:

1. On page 26, the first full paragraph is modified to read:

Noneconometric throughput forecasts are used to forecast demand for UEG, EOR, and wholesale UEG classes. Again, DRA and SoCal have arrived at similar forecasts using different approaches. Again, the differences are due to the fuel price inputs. DRA expects gas prices to be lower and LSWR prices higher than SoCal's forecasts. SoCal is forecasting economic fuel switching for SDG&E and EOR steamflood customers. DRA does not expect any economic fuel switching to occur. Regardless of the individual category differences, the total throughput forecasts of DRA and SoCal differ by less than 1%.

According to Long Beach, both DRA's and SoCal's forecasts of Long Beach's UEG demand are flawed because they are based on historical data and do not take into account the effect of the wholesale rate design on Long Beach's incremental demand or improvements in Long Beach's facilities. Both DRA and SoCal have arrived at similar estimates for Long Beach's UEG demand, as well as for Long Beach's total wholesale demand. We find that SoCal's UEG forecast for Long Beach is reasonable. Long Beach has not presented any evidence that persuades us that Long Beach's estimate, which departs from the historical methods used by DRA and SoCal, should be adopted.

Because we do not expect economic fuel switching for SDG&E and EOR customers, we will adopt SoCal's noneconometric throughput forecast, modified by eliminating economic fuel switching. Based upon our demand forecast, P-5 average year curtailments are expected to reach 35,521.4 MDth.

2. On page 34, the following paragraph is added at the end of the discussion on the Conservation Cost Adjustment Account:

In the on-going CCA proceeding, SoCal has again proposed balancing account treatment for the conservation related litigation

costs. The administrative law judge granted DRA's motion to strike portions of SoCal's application and prepared testimony pertaining to this issue, stating that the balancing account is not an available source for such expenses. (A.90-06-064, Administrative Law Judge's Ruling on the Motion of DRA to Strike Portions of the Application and Prepared Testimony of Southern California Gas Company, October 17, 1990.)

In light of the fact that this issue has now been addressed in four different proceedings, we wish to clarify the Commission's intent regarding these expenses. We do not believe that balancing account treatment is appropriate for conservation related litigation expenses for the reasons set forth in D.90-01-015. Recognizing that the reasonableness of these costs was not litigated in SoCal's last general rate case (see D.90-01-016), we will allow SoCal to introduce evidence regarding such costs in its next general rate case for the purpose of forecasting future A&G expenses. Such expenses shall not be precluded from the ratemaking process on the grounds that they are untimely. The Commission notes that the reasonableness of such expenses and their effect on future forecasts of litigation expense has not yet been determined and should properly be considered in the general rate case.

3. On page 50, the first full paragraph is modified to read:

SoCal and DRA have proposed a rate design for Long Beach which follows the principles of the rate design in D.90-01-015. We will adopt that rate design. A rate design change as proposed by Long Beach has many ramifications which are best dealt with in a separate proceeding so that if changes are warranted, they will be in place prior to SoCal's next ACAP and all parties can prepare forecasts based on those known changes. We are aware that issues relating to wholesale rate design are currently being addressed in the Gas Rate Design investigation (I.86-06-005). To the extent that Long Beach's

concerns are not addressed in that proceeding, we will keep A.90-03-018 open for the purpose of reconsidering the rate design proposal of Long Beach. By this reference, we do not express any opinion on the merits of Long Beach's proposal.

4. On page 75, Conclusion of Law No. 10 is modified to read:

To the extent that the rate design issues raised by Long Beach have not been addressed in I.86-06-005, these issues should be resolved in a later phase of this proceeding.

5. On page 77, Ordering Paragraph No. 4 is modified to read:

A.90-03-018 remains open to consider the rate design proposal of Long Beach to the extent that Long Beach's concerns have not been addressed in I.86-06-005. After a decision is issued in the current phase of I.86-06-005, Long Beach may request further proceedings in A.90-03-018 as are necessary for the purpose of addressing its rate design proposal.

IT IS FURTHER ORDERED that rehearing of D.90-11-023 as modified herein is denied.

This order is effective today.

Dated March 13, 1991, at San Francisco, California.

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
DANIEL WM. FESSLER
NORMAN D. SHUMWAY
Commissioners

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

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NEAL J. SCHULMAN, Executive Director