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Decision 92-02-046 February 20, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the joint
Application of CP NATIONAL
CORPORATION (U 11 M), a California
corporation, and SOUTHWEST GAS
CORPORATION (U 905 G), a California
corporation, for an order authorizing
the acquisition of the Needles,
California public utility gas
operations of CP NATIONAL
CORPORATION by SOUTHWEST GAS
CORPORATION.

ORIGINAL

Application 91-06-046
(Filed June 24, 1991)

Thomas R. Sheets, Attorney at Law, for
Southwest Gas Corporation, applicant.
Judy Lamson, Attorney at Law, and Richard
Shankey, for the Division of Ratepayer
Advocates.

OPINION

Introduction

On September 25, 1991, we issued Decision (D.) 91-09-068 which was an interim opinion and order wherein Southwest Gas Corporation (Southwest) was granted authority to acquire CP National Corporation's (CP National) public utility natural gas system in Needles.

Southwest and the Division of Ratepayer Advocates (DRA) agreed, and the Commission ordered in D.91-09-068, that certain ratemaking issues would subsequently be considered in a second phase of the proceeding. This opinion and order address those ratemaking issues.

Background

D.91-09-068 authorized the acquisition of CP National's public utility natural gas system in Needles by Southwest. In conjunction with the acquisition, DRA and Southwest agreed that

certain ratemaking issues, including sales volumes, sales and customer forecasts, balancing account rates, rates and conditions of service and the authorized Supply Adjustment Mechanism (SAM) Base Cost Amount for the Needles Gas District would be considered in a subsequent DRA report applicable to Phase II and Post Phase II periods commencing January 1, 1992 and January 1, 1993, respectively. DRA issued its report on ratemaking issues on October 15, 1991. On December 4, 1991, DRA issued a revised report restating and supplementing its findings on the ratemaking issues. The reports are received in evidence as Exhibits 5 and 6, respectively.

Ratemaking Issues

The parties agreed and D.91-09-068 provided that the acquisition, from a ratemaking perspective, would be handled in phases. Phase I began September 30, 1991 and ran until January 1, 1992. Southwest provided natural gas service under all existing tariff provisions set forth in CP National's tariffs throughout Phase I. Phase II began on January 1, 1992 and runs until January 1, 1993. During Phase II, Southwest will continue to bill Needles' customers at the same base tariff rates as Phase I and will provide service to Needles' customers through the end of 1992 under the existing terms and conditions applicable to Southwest's Southern California Division, except as otherwise provided for in D.91-09-068. Post Phase II begins January 1, 1993 with Needles' rates to be realigned with rates, tariffs and conditions applicable to Southwest's Southern California Division.

In its revised report (Exhibit 6), DRA addressed the issues of sales volumes, sales and customer forecasts, balancing account rates, rates and conditions of service and the authorized SAM Base Cost Amount for the Needles Gas District. As a result, DRA reached the following recommendations, concurred in by Southwest:

1. Effective January 1, 1992 (Phase II), the authorized SAM Base Cost Amount for the Needles Gas District be increased from \$508,220 to \$587,473, an increase of \$79,253.
2. Effective January 1, 1993 (Post Phase II), the authorized SAM Base Cost Amount for the Needles Gas District be increased from \$587,473 to \$649,700, an increase of \$62,227.
3. Effective January 1, 1992, service be provided to Needles' customers by Southwest through the end of 1992 under the existing terms and conditions applicable to Southwest's Southern California Division. In all other respects, the conditions adopted in D.91-09-068 remain unchanged.
4. Forecasts of sales and customers proposed by DRA be adopted and utilized. Sales of gas for 1991, 1992 and 1993 in the region are 915,093, 960,000 and 1,000,000 therms, respectively. Customer forecasts for 1991, 1992 and 1993 are 1,589, 1,684 and 1,789, respectively.
5. Effective January 1, 1993, service be provided to Needles' customers by Southwest under Southwest's then applicable Southern California Division rates, tariffs and conditions which entails, among other items, a switch from the lifeline system to the baseline system.

Discussion

The Commission authorized the transfer of the CP National public utility natural gas system in Needles to Southwest but continued this proceeding in order to examine ratemaking issues which had previously been raised in conjunction with the transfer of the property to Southwest. DRA has made recommendations on all of the pertinent ratemaking issues, which recommendations are set forth in DRA's October 15, 1991 report, as revised December 4, 1991, (Exhibits 5 and 6) and which recommendations have been

completely accepted and agreed to by Southwest. The Commission is satisfied with DRA's recommendations on ratemaking issues, accepts DRA's and Southwest's agreement on these items and finds that adopting and implementing DRA's recommendations on ratemaking issues pertaining to the Needles Gas District would be in the public interest.

Findings of Fact

1. Southwest is a public utility which operates natural gas distribution systems in various parts of California, Nevada and Arizona.

2. By this application, certain ratemaking issues for the period January 1, 1992 and thereafter including sales volumes, sales and customer forecasts, balancing account rates, rates and conditions of service and the authorized SAM Base Cost Amount for the Needles Gas District are being determined.

3. DRA submitted recommendations on ratemaking issues, which were agreed to by Southwest and which, if accepted, would fully resolve all ratemaking issues.

4. DRA and Southwest agreed that:

- a. Effective January 1, 1992 (Phase II), the authorized SAM Base Cost Amount for the Needles gas district be increased from \$508,220 to \$580,473, an increase of \$79,253.
- b. Effective January 1, 1993 (Post Phase II), the authorized SAM Base Cost Amount for the Needles gas district be increased from \$587,473 to \$649,700, an increase of \$62,227.
- c. Effective January 1, 1992, service be provided to Needles' customers by Southwest through the end of 1992 under the existing terms and conditions applicable to Southwest's Southern California Division. In all other respect, the conditions adopted in D.91-09-068 remain unchanged.

- d. Forecasts of sales to be used for 1991, 1992 and 1993 are 915,093, 960,000, and 1,000,000 therms, respectively. Forecasts of customers for 1991, 1992, and 1993 are 1,589, 1,684 and 1,789, respectively.
- e. Effective January 1, 1993, service be provided to Needles' customers by Southwest under Southwest's then applicable Southern California Division rates, tariffs and conditions, which among other items, entails a shift from the lifeline system to the baseline system.

5. The recommendations of DRA, as concurred in by Southwest, are reasonable and in the public interest and should be accepted by the Commission.

Conclusions of Law

1. The adoption and implementation of DRA's recommendations on ratemaking issues pertaining to the Needles Gas District, as concurred in and agreed to by Southwest, would be in the public interest.

2. The application should be granted as set forth in the following order.

3. This order should be effective on the date signed because the parties are desirous that the implementation of the DRA recommendations on ratemaking issues, concurred in by Southwest, should have commenced on January 1, 1992, which begins the Phase II and Post Phase II period as such has been described in D.91-09-068 and in DRA's report.

ORDER

IT IS ORDERED that:

1. Effective immediately, the authorized Supply Adjustment Mechanism Base Cost Amount to be utilized by Southwest Gas Corporation for the Needles Gas District shall be increased from \$508,220 to \$580,473, an increase of \$79,253.

2. Effective January 1, 1993, the authorized Supply Adjustment Mechanism Base Cost Amount to be utilized by Southwest Gas Corporation for the Needles Gas District shall be increased from \$587,473 to \$649,700, an increase of \$62,227.

3. Effective immediately, Southwest Gas Corporation shall provide service to the Needles Gas District through the end of 1992 under the existing terms and conditions applicable to Southwest's Southern California Division excepting that in all other respects the conditions adopted in Decision (D.) 91-09-068 shall remain unchanged.

4. Forecasts of sales to be used for the Needles Gas District for 1991, 1992 and 1993 shall be 915,000, 960,093 and 1,000,000 therms, respectively. Forecasts of customers to be used for the Needles Gas District for 1991, 1992 and 1993 shall be 1,589, 1,684 and 1,787, respectively.

5. Southwest shall file with the Commission, in the prescribed form, rates, tariffs and conditions consistent with the requirements set forth in this order.

6. D.91-09-068 as modified herein is made final and Application 91-06-046 is closed.

This order is effective today.

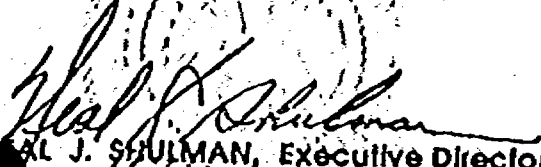
Dated February 20, 1992, at San Francisco, California.

DANIEL Wm. FESSLER
President

JOHN B. OHANIAN
NORMAN D. SHUMWAY
Commissioners

Commissioner Patricia M. Eckert,
being necessarily absent, did
not participate.

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


NEAL J. SHULMAN, Executive Director