

L/dp

Decision 92-09-055 September 2, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHERN CALIFORNIA GAS COMPANY
for authority to revise its rates
effective October 1, 1991, in its
Biennial Cost Allocation Proceeding.
(U 904-G)

Application 91-03-039
(Filed March 15, 1991)

In the Matter of the Application of
SAN DIEGO GAS & ELECTRIC COMPANY
(U 902-G) for authority to revise
its rates effective October 1, 1991,
in its Biennial Cost Allocation
Proceeding.

Application 91-03-066
(Filed March 29, 1991)

ORDER MODIFYING DECISION 91-12-075 AND DENYING REHEARING

A number of parties, including the Southern California Gas Company (SoCal), filed applications for rehearing of Decision (D.) 91-12-075 (the BCAP Decision) in SoCal's 1991 Biennial Cost Allocation Proceeding. We disposed of most of those applications in D.92-06-033. However, that decision reserved for our later consideration the portions of SoCal's application that challenged the denial of recovery for brokerage fees, interutility transportation fees, and Pitas Point FF&U (franchise fees and uncollectibles) between August 1, 1991 and the effective date of the BCAP Decision. We now reach those issues.

In essence, SoCal's application for rehearing asks the Commission to establish tracking accounts through which it can recover expenses for brokerage fees, interutility transportation fees, and Pitas Point FF&U incurred before the date of the BCAP Decision. As the Commission recently said in the Southern

California Water Co. Headquarters case, 'D.92-03-094 (March 31, 1992)__ Cal. P.U.C. 2d ___:

It is a well established tenet of the Commission that ratemaking is done on a prospective basis. The Commission's practice is not to authorize increased utility rates to account for previously incurred expenses, unless, before the utility incurs those expenses, the Commission has authorized the utility to book those expenses into a memorandum or balancing account for possible future recovery in rates. This practice is consistent with the rule against retroactive ratemaking. (Emphasis in original.)

SoCal has shown no reason why we should depart from our longstanding practice.

In its application for rehearing, SoCal alleges that a mechanism has been in existence for the recovery of interutility transportation costs at all times between August 1, 1991 and the effective date of the BCAP Decision. This allegation seems to contradict the position SoCal took in its earlier petition for modification of D.90-09-089 and D.90-12-100. In that petition, SoCal requested a tracking account in which to record its interutility transportation costs for the period from August 1, 1991 until the effective date of the BCAP Decision on the grounds that it needed some means to recover these costs from its customers. In light of these conflicting claims, both of which are made without sufficient citation or explanation to readily ascertain their validity, we do not here determine if there already was a mechanism in place for the recovery of interutility transportation costs incurred between August 1, 1991 and the effective date of the BCAP Decision. Rather, we affirm that our intent in the BCAP Decision has always been simply to deny SoCal the right to establish a new tracking account in which to record interutility transportation costs incurred prior to the date of the BCAP Decision. Thus, SoCal is precluded from recovering any costs that could only have been recovered if there were such an

account. Nothing in the BCAP Decision bars SoCal from using any previously authorized mechanism for the recovery of interutility transportation fees that was in place during the period from August 1, 1991 until the effective date of the BCAP Decision (if there was such a mechanism), so long as SoCal has complied with the requirements of that mechanism, including any applicable reasonableness review.

SoCal's application for rehearing also claims that the Commission has taken SoCal's property without just compensation, in violation of constitutional prohibitions, by denying SoCal tracking accounts for brokerage fees, interutility transportation fees, and Pitas Point FF&U. SoCal has not made, and could not make, the specific allegations necessary to support such a "takings" claim.

No other matters require discussion at this point. We will, however, modify the BCAP Decision to better reflect the matters discussed above.

THEREFORE, good cause appearing,

IT IS ORDERED that D.91-12-075 is modified as follows:

1. The last sentence in the first full paragraph on page 18 is modified to read:

We should point out that this is not retroactive ratemaking because at the time we made this change effective August 1, 1991, we also established an account to recover the revenue shortfall.

2. The last sentence in the first full paragraph on page 21 is replaced with the following material:

In that instance SoCal is seeking to recover expenses already incurred. The Commission's longstanding practice is not to authorize increased utility rates to account for previously incurred expenses, unless, before the utility incurs those expenses, the Commission has authorized the utility to book those expenses into a memorandum or balancing account for possible future recovery in rates. (See also, Application of Southern

California Edison Co., D.84-12-060 (1984) 16
Cal. P.U.C. 2d 495, 505-07, Application of
Pacific Gas & Electric Co., D.88-09-020
(1988) 29 Cal. P.U.C. 2d 185, 196 (the
Commission will not allow utility recovery of
expenses incurred before the date of the
decision authorizing the debit account.)
Because SoCal is asking to recover
"brokerage" expenses incurred at a time when
there was no authorized tracking account, we
will deny SoCal's request to recover the
\$0.43 million shortfall.

3. The second paragraph on page 22 and the following paragraph beginning at the bottom of page 22 and continuing on the top of page 23 are replaced with the following material:

To recover its interutility transportation fees between August 1 and the decision date, SoCal proposes that it be permitted to establish a tracking account to record interutility transportation costs incurred from August 1, 1991 through the effective date of this decision. As with brokerage fees, it is contrary to the Commission's longstanding practice to authorize a tracking account to recover expenses already incurred. Accordingly, we will deny SoCal's request for this tracking account.

For the BCAP period, we will adopt DRA's cost estimate, which is based on DRA's slightly lower estimate of the volumes expected to move over line 300. Costs should be allocated on the basis of average year throughput (equal cents per therm).

4. The last sentence in the second full paragraph on page 25 is modified to read:

The Commission did not authorize a balancing or memorandum account to track Pitav Point FF&U before those costs were incurred.

5. The last three sentences in the first partial paragraph on page 26 are replaced with the following material:

Moreover, the 1989 ACAP decision abolished the cogeneration shortfall account. There is presently no account in which those dollars can be recorded. In the absence of such an account, we will not authorize recovery. Nor, for the reasons explained above, will we now create an account in which to record previously incurred expenses.

6. Finding of Fact No. 23 on page 87 is modified to read:

23. SoCal shall not be authorized to establish a new tracking account in which to record interutility transportation fees paid to PG&E that it incurred from August 1, 1991 through the effective date of this decision.

7. Conclusion of Law No. 1 on page 93 is modified to read:

1. It is a well established tenet of the Commission that ratemaking is done on a prospective basis. The Commission's practice is not to authorize increased utility rates to account for previously incurred expenses, unless, before the utility incurs those expenses, the Commission has authorized the utility to book those expenses into a memorandum or balancing account for possible future recovery in rates. This practice is consistent with the rule against retroactive ratemaking. Therefore the Commission will not now increase rates, or establish new accounts, for the recovery of brokerage fees, interutility transportation fees, and Pitas Point franchise fees and uncollectible expenses incurred between August 1, 1991 and the effective date of this decision.

8. Ordering Paragraph No. 7 on page 95 is modified to read:

7. SoCal shall not recover any interutility transportation costs that could only have been recovered if the Commission had authorized the tracking account rejected by Finding of Fact No. 23.

IT IS FURTHER ORDERED that:

9. SoCal's application for rehearing of Decision 91-12-075 is denied.

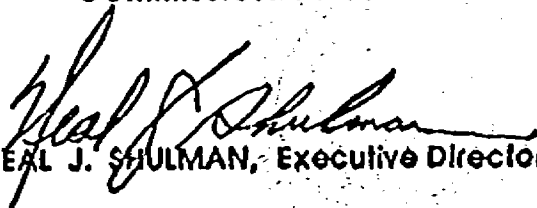
This order is effective today.

Dated _____, 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