

ORIGINAL

Decision No. 89624 NOV 9 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Investigation on the Commission's own motion into a natural gas supply adjustment mechanism for Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, Southwest Gas Corporation, and California-Pacific Utilities Company, respondents.

Case No. 10261
Petition for Modification
(Filed June 30, 1978)

OPINION AND ORDER MODIFYING DECISION NO. 88835

CP National Corporation (CP), formerly California-Pacific Utilities Company, a named respondent in the Order Instituting Investigation dated February 15, 1977 in Case No. 10261, by petition for modification filed June 30, 1978 requests modification of the effective date of the Supply Adjustment Mechanism (SAM) specified in the Interim Order in Decision No. 88835 dated May 16, 1978, as it applies to CP's South Tahoe Division.

The Interim Order in Decision No. 88835 stated:

"IT IS ORDERED that:

- "1. Within thirty days of the effective date hereof, each respondent is ordered to file, under General Order No. 96-A, the Supply Adjustment Mechanism set forth in Appendix B. The effective date of said adjustment mechanism shall be not earlier than June 1, 1978 nor later than January 1, 1979.
- "2. In its initial filing for rate change under the Supply Adjustment Mechanism procedure, each utility shall include a proposal for consolidating the Supply Adjustment Mechanism with its purchase gas adjustment clause.
- "3. Case No. 10261 shall remain open."

CP requests that the Commission change the effective date of SAM for its South Tahoe Division from not later than January 1, 1979 to the date that rates become effective in Application No. 57822, its general rate proceeding filed January 20, 1978. CP filed Advice Letter No. 121-G on June 29, 1978 to add SAM to its Needles gas operation.

In its petition CP asserts that an SAM for its South Tahoe Division made effective before the conclusion of the current rate proceeding in Application No. 57822 filed January 20, 1978 would cause irreparable harm in that it would limit CP to recovery of a Base Cost Amount of \$720,000 computed from CP's last general rate case (Decision No. 84006 dated January 21, 1975 in Application No. 54803). It states that beginning not later than January 1, 1979, in accordance with Ordering Paragraph 1 in Decision No. 88835, it would have to record nonexistent overcollections at the rate of about \$355,000 per annum, when, in fact, because of customer growth and resultant investment in facilities, the estimated rate of return at present rates will be negative. The present base rates in CP's South Tahoe Division were set in Decision No. 84006 based upon a 9.04 percent rate of return and on a \$2,809,100 rate base for 1974 when the utility served about 6,000 customers. The present rate base is about \$4,500,000 and there are over 10,000 customers. This growth in rate base and customers of over 60 percent makes it inappropriate to use a 1974 test year for a 1979 SAM.

If 1974 is used for SAM, CP would be recovering a gas margin significantly in excess of that which would be used as the Base Cost Amount because of revenues from additional customers. CP's Application No. 57822 shows the following for the year 1978 at proposed rates: \$5,760,233 revenues and \$3,936,092 purchased gas costs. A SAM based on those figures would utilize a Base Cost Amount of \$1,824,141. This is an increase in Base Cost Amount of over \$1,100,000 from the \$720,000 that would be computed from Decision No. 84006 in January 1975.

Copies of the petition for modification were served upon all parties of record and no responses or protests were filed by any party.

Findings

1. An SAM for CP's South Tahoe Division made effective prior to a decision in Application No. 57822 would cause CP to record nonexistent overcollections.

2. Granting the petition for modification of the effective date of SAM for CP's South Tahoe Division would not be adverse to the public interest.

Conclusion

A public hearing is not necessary. The petition should be granted.

IT IS ORDERED that Decision No. 88835 is modified to add the following ordering paragraph:

IT IS FURTHER ORDERED that CP National Corporation shall include in its gas tariff Preliminary Statement a Supply Adjustment Mechanism (SAM) applicable to its South Tahoe Division which shall be filed with the Commission to be effective concurrently with the rates authorized at the conclusion of the current rate case proceedings in Application No. 57822 filed January 20, 1978.

The effective date of this order shall be thirty days after the date hereof.

Dated at San Francisco, California, this 9th day of NOVEMBER, 1978.

I dissent.
William Sproule Jr

Robert Bateman
President

Vernon L. Sturgeon
Clayton B. Howell
Clare T. Delzic
Commissioners