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Decision No. 90439

JUN 19 1979

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SAN DIEGO GAS & ELECTRIC COMPANY)
for authority to increase its gas)
rates and charges to offset the)
increased costs of purchased gas,)
and for approval of certain tariff)
revisions.)

Application No. 58352
(Filed September 13, 1978)

Stephen A. Edwards and Jeffrey Lee
Guttero, Attorneys at Law, for
applicant.

John W. Witt, City Attorney, by
William S. Shaffran, Deputy City
Attorney, for City of San Diego,
interested party.

Robert Cagen, Attorney at Law, for
the Commission staff.

O P I N I O N

On September 13, 1978, San Diego Gas & Electric Company (SDG&E) filed this application for authority to increase gas rates under the purchased gas adjustment (PGA) procedure authorized in its tariffs. The increase in rates was requested to offset the effects of changes in the wholesale price of gas purchased by SDG&E under Southern California Gas Company's (SoCal) Schedule G-61 which had occurred since the last revision of SDG&E's PGA rates on July 19, 1977. In addition, SDG&E was in an undercollection position in its gas cost balance account and a minor increase in California source liquefied natural gas had occurred. SDG&E also sought through this application approval of certain tariff revisions.

Public hearing was held before Administrative Law Judge Main at San Diego on December 12, 1978. The matter was submitted March 15, 1979 upon the filing of a joint stipulation by SDG&E and the Commission staff prescribing revisions to the staff's showing made necessary by D.89857 dated January 16, 1979 in A.58067.

As a result of (1) the above joint stipulation; (2) SDG&E's concurrence in a deferral recommended by the staff in establishing a new balancing rate; and (3) SDG&E's concurrence in staff proposed tariff revisions, the PGA SDG&E seeks authority for in this proceeding is \$5,472,568 in increased gas costs. That cost increase reflects the level of rates charged as of October 3, 1978 under Schedule G-61 by SDG&E's gas supplier.

As of August 31, 1978 the balance in the Gas Cost Balance Account was \$1,272,776 and represented an undercollection. The staff took the position that development of a new balancing rate should be deferred until the staff completes an audit of the balancing account. SDG&E was amenable to a deferral of the balancing rate determination until the next PGA revision.

Tariff Revision

Certain revisions to Section 9, Purchased Gas Adjustment, of the Preliminary Statement of SDG&E's Gas Tariffs are required. Presently Section 9.(h), Determination of Revised Purchased Gas Adjustment, is structured to revise an existing PGA rate rather than to calculate a new one. This is deficient in that a new PGA, not a revised PGA, follows the establishment of base rates by Commission decision in a general rate case.

To overcome this shortcoming of the tariff the staff developed a revised procedure for calculating PGA's. SDG&E stipulated to its suitability. The essential changes that are required to implement the staff proposed procedure are placed in Section 9 of the Preliminary Statement. They are identified by

dashed underlining in the following modified Section 9.(h) used to calculate the PGA:

Section 9.(h) Determination of Purchased Gas Adjustment Rates

(1) Current average cost of system gas supply:

:Line: :No. :	Item :	Estimated Purchases ^{1/} (A)	:Effective Rate: : on 10/3/782/ (B)	Total A x B (C)
a.	Demand Charge	2,652,000 Mcf/d	\$2.1309 Mcf/d	\$ 5,651,147
b.	Commodity Charge	53,554,970 M ² Btu	1.4908 M ² Btu	79,839,749
c.	Peaking Demand Charge	6 Months	-	343,000
d.	Peaking Commodity Charge	2,794,070 M ² Btu	1.6913 M ² Btu	4,725,611
e.	Liquefied Natural Gas	247,520 M ² Btu	3.7849 M ² Btu	936,838
f.	Total			91,496,345 ^{1/}
g.	M ² Btu Sales			57,072,600 ^{1/}
h.	Weighted Average Unit Cost of Gas (f) + (g)			160.316¢ M ² Btu
(2)	<u>Current Base Weighted Unit Average Cost of Gas</u> <u>Included in Base Rates</u>			150.918¢ M ² Btu
(3)	Change in Average Unit Cost (1.h) - (2)			9.398¢ M ² Btu
(4)	Revenue Required to Offset Increased Cost of Gas (3) x (1.g)			5,363,683
(5)	Provision for Franchise Fees and Uncollectibles (4) x (2.03%)			108,883
(6)	Gross Revenue Required to Offset Increased Cost of Gas (4) + (5)			5,472,566
(7)	Balance in the Gas Cost Balance Account as of 9/30/78			**
(8)	Provision for Franchise Fees and Uncollectibles (7) x (2.03%)			**
(9)	Gross Revenue Required to Offset the Gas Cost Balance Account Balance (7) + (8)			**

^{1/} For a 12-month period beginning October 1, 1978.

^{2/} Under Southern California Gas Company's Schedule G-61 filed by Advice Letter No. 1153.

** Staff is auditing balance in GCBA. Establishing a balancing rate is deferred until the next PGA revision.

(10) Determination of Offset Rate:

<u>Schedules</u>	<u>Sales (Therms)</u>	<u>Offset Amount (Dollars)</u>	<u>Offset Rate (\$/Therm)</u>
GR, GX, GS	360,670,570 ^{3/}	5,472,566	0.0152
Other	-	-	-

(11) Previous Offset Rate

0.0000

(12) Determination of Balancing Rate:

<u>Schedules</u>	<u>Sales (Therms)</u>	<u>Balancing Amount (Dollars)</u>	<u>Balancing Rate (\$/Therm)</u>
All Schedules (Except P5 Sales)	543,005,670 ^{3/}	**	0.0000

(13) Previous Balancing Rate

0.0000

(14) Change in PGA Rates = (10) - (11) + (12) - (13):

	<u>Offset Rate (10)</u>	<u>Previous Offset Rate (11)</u>	<u>Balancing Rate (12)</u>	<u>Previous Balancing Rate (13)</u>	<u>Change in PGA Rate (\$/Therm)</u>
Residential					
Lifeline	0.0152	0.0000	0.0000	0.0000	0.0152
Nonlifeline	.0152	.0000	.0000	.0000	.0152
Nonresidential (Excluding P5)	-	-	.0000	.0000	.0000

(15) Total PGA Rates = (10) + (12):

Residential				
Lifeline	0.0152		0.0000	0.0152
Nonlifeline	.0152		.0000	.0152
Nonresidential (Excluding P5)	-		.0000	.0000

^{3/} Estimated sales are adjusted downward by 1,771,630 therms for 10 percent discount on Schedule GS.

** Staff is auditing balance in GCBA. Establishing a balancing rate is deferred until the next PGA revision.

Above Item 9.(h)(2), Current Base Weighted Unit Average Cost of Gas Included in Base Rates, comprises the principal change in the procedure for calculating purchased gas adjustments. In the existing tariff, Item 9.(h)(2) is the "average unit cost reflected in current PGA", with "current" actually denoting the most recent PGA. The tariff requires change because the most recent PGA is often not a "current PGA" but a PGA superseded by new base rates established by Commission decision in a general rate case. Such a decision also provides the basis for determining a new Base Weighted Average Unit Cost of Gas (BWAUCG) included in base rates. It is the use of BWAUCG in the staff-proposed procedure that makes it necessary to change Item 9.(h)(1)g. from " M^2 Btu Purchases" in the existing tariff to " M^2 Btu Sales", as set out above.

As indicated by Footnote 1, the period covered has been expanded from the six months specified in the existing tariff to 12 months. A 12-month period is presently used in determining the BWAUCG (i.e., in a test year) and also is used for the Supply Adjustment Mechanism (SAM) under Section 10 of the Preliminary Statement of SDG&E's gas tariffs. Similarly, Section 9.(f)(2) concerning the adjustment under the PGA to offset any over/undercollection of gas costs (i.e., the development of a balancing rate) should be revised to reflect the fact that volumes for a 12-month period are now being used.

Items 9.(h)(10) through 9.(h)(15) of the staff-proposed procedure for calculating PGA rates are structured to accommodate diverse rate spreads. This is in contrast to the present format of the tariff which calls for a uniform cents-per-therm rate spread.

The staff-proposed procedure for calculating purchased gas adjustments is sound. The BWAUCG included in base rates and the PGA rate are components of the effective rates in SDG&E's gas service schedules. It is these components, and not some approximation of them as presently provided for in the existing tariff, that under the staff procedure will be applied to sales for entries to the balancing account.

Rate Spread

SDG&E has proposed to increase the rates to all of its retail customers on a uniform cents-per-therm basis. The staff proposed no increase to nonresidential customers with a view to maintaining their rates competitive with those of alternate fuels. The staff recommended that all of the offset revenue be spread on a uniform cents-per-therm basis to all residential sales, including lifeline sales. SDG&E evaluated the staff-recommended rate design and found it acceptable. We will adopt the staff-recommended rate spread.

Findings of Fact

1.a. The revisions to Section 9.(h) of the Preliminary Statement to SDG&E's gas tariffs depicted in the format used to calculate PGA rates in the foregoing opinion are needed.

b. Section 9.(f)(2) should also be revised to reflect the changeover to the use of a 12-month period.

2. Establishing a new balancing rate should be deferred until the staff audit is completed. This effectively postpones establishing a balancing rate until the next PGA revision.

3. As a result of D.89857 dated January 16, 1979 in A.58067 the base weighted average unit cost of gas included in base rates is 15.0918 cents-per-therm and the PGA balancing rate is zero.

4.a. The gross revenue required to offset the estimated increase in the cost of gas is \$5,472,566 for the 12-month period beginning October 1, 1978.

b. This gross revenue requirement should be spread on a uniform cents-per-therm to all residential sales including lifeline sales.

c. The resultant offset rate, which is also the PGA rate in the absence of a balancing rate, is 1.52 cents-per-therm for residential service schedules.

5. The increase in rates and charges authorized by this decision is justified and is reasonable; the present rates and charges, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable.

6. Because there is an immediate need for the authorized rate relief, the following order should be made effective on the date hereof.

Conclusions of Law

1. Based on the foregoing findings SDG&E should be authorized to revise the Preliminary Statement in its gas tariffs and to increase its gas rates to all residential customers 1.52 cents-per-therm. Such rates will be just, reasonable, and nondiscriminatory.

2. The rates authorized herein should be subject to ^{purchase or} refund pending final determination of reopened Application No. 57179. That matter was reopened following the Supreme Court's annulment of Decision No. 87586. _{SS}

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company is authorized to file, after the effective date of this order, revisions to the Purchased Gas Adjustment section of the Preliminary Statement of its gas tariffs consistent with Finding 1 of this decision. Such filing shall comply with General Order No. 96-A. The effective date of the revised tariff schedules shall be four days after the date of filing. The revised rates shall be collected subject to ^{purchase or} refund. _{SS}

2. San Diego Gas & Electric Company is authorized to file, concurrently with the tariff revisions filed pursuant to Ordering Paragraph 1, the revised rate schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

The effective date of this order is the date hereof.

Dated at San Francisco, California,
this 19th day of JUNE, 1979.

John E. Bryan
President
James L. ...
Robert W. ...
Charles T. ...
Donald W. ...
Commissioners

APPENDIX A

Gas Department

Applicant's tariffs, rates and charges are changed to the level or extent set forth in this appendix.

<u>Tariff Rates</u> <u>Schedule GR, GM, GS, GT</u>	<u>Per Meter Per Month</u>	
	<u>Lifeline Rates</u>	<u>Non-lifeline Rates</u>
Customer Charge	\$1.70	\$1.70
<u>Commodity Charge</u>		
First 81 therms, per therm	\$0.2128 ^{1/}	\$0.2627
Next 81 therms, per therm	-	.3076
Over 162 therms, per therm	-	.3445

^{1/} 10% commodity rate discount for Schedule GS lifeline sales.
15% commodity rate discount for Schedule GT lifeline sales.

Schedule GN-1

Customer Charge	-	\$1.70
Commodity Charge, per therm	-	0.2500

Schedule GN-2

Commodity Charge, per therm	-	\$0.2500
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Schedules GN-3, GN-4, GN-5

Commodity Charge, per therm	-	No Change
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Schedules GL-1 and GL-2 and special contracts to be -
increased commensurately.