

Decision No. 91201 JAN 8 - 1980**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY to increase revenues to offset changed gas costs under its Purchased Gas Adjustment procedures resulting from adjustments in the price of natural gas purchased from TRANSWESTERN PIPELINE COMPANY and EL PASO NATURAL GAS COMPANY.

Application No. 59296
(Filed November 23, 1979)

Robert B. Keeler and Douglas Ken Porter, Attorneys at Law, for Southern California Gas Company, applicant.

Herman Mulman and Edward B. Novikoff, for Seniors for Political Action; and Hyman Finkel, for Seniors for Legislative Issues; protestants.

Larry R. Cope, John R. Bury, David N. Barry III, H. Robert Barnes, and Rollin E. Woodbury, Attorneys at Law, for Southern California Edison Company; Steven A. Edwards, Jeffrey L. Guttero, and William L. Reed, Attorneys at Law, for San Diego Gas & Electric Company; Graham and James, by Boris H. Lakusta, David J. Marchant, Jr., and Byde W. Clawson, Attorneys at Law, for Valley Nitrogen Producers, Inc., Union Chemicals Division of Union Oil Company of California; William E. Emick, Attorney at Law, for City of Long Beach; Donald R. Howery, by K. D. Walport, for Department of Transportation, City of Los Angeles; Downey, Brand, Seymour & Rohwer, by Philip A. Stohr, Attorney at Law, for General Motors Corporation; Henry F. Lippitt 2nd, Attorney at Law, for California Gas Producers Association; Harry K. Winters, for University of California; Robert E. Burt, for California Manufacturers Association; and Lawler, Felix & Hall, by Richard C. Neal, Attorney at Law, for Rockwool Industries, Inc., R & G Sloane Manufacturing Co., Inc. and the Susquehanna Corporation; interested parties.

Maxine Brody, Attorney at Law, and Joe Fowler, for the Commission staff.

O P I N I O N

Southern California Gas Company (SoCal) seeks authority to increase its rates to provide additional gross revenues of \$99,893,000 annually to offset the increased cost of gas purchased from El Paso Natural Gas Company (El Paso) and Transwestern Pipeline Company, which increases became effective on January 1, 1980. SoCal proposes to spread the requested increase on a uniform cents-per-therm basis which will result in a 1.176 cents-per-therm increase in commodity rates to all customers except ammonia producers whose temporary supplemental service rate, authorized in interim Decision No. 90322 was extended through June 30, 1980 by Decision No. 91095, dated November 30, 1979.

After due notice, a public hearing was held before Administrative Law Judge Orville I. Wright in Los Angeles on December 19, 1979.

Testimony was presented on behalf of SoCal by John H. Belson, rate design manager in the Regulatory Affairs Department, and on behalf of the Commission staff by J. R. Barrett, associate engineer in the Gas Branch of the Utilities Division. There was no controversy of fact or opinion in the evidence of SoCal and staff.

Three members of the public, Herman Mulman, Edward Novikoff, and Hy Finkel spoke in opposition to any increase in rates to customers of limited means.

Harry K. Winters, senior engineer for energy matters ^{of} the Systemwide Administration of the University of California (U.C.), testified that schools and hospitals should be placed in the category of nonresidential high priority users or, alternatively, that any increase in rates charged to the University of California be made subject to refund in the event of reclassification by the Commission in C.9642 wherein the matter is at issue. As it would be discriminatory ratemaking for us to accord special treatment

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to U.C. in this offset case, we do not address the issues raised by U.C. and leave them, without prejudice, to be decided in the generic proceeding.

The uncontradicted evidence shows that SoCal's revenue requirement to offset increased costs of gas becoming effective January 1, 1980 is \$99,893,000. These increases are extraordinary, one-time adjustments outside of the time frame of SoCal's suppliers' regularly scheduled PGA cost adjustments and result from filings required of all interstate pipeline companies under Section 282.602 of FERC Order No. 49, issued September 26, 1979. Under that order, interstate pipeline companies are to file revised tariffs on or before December 1, 1979 to become effective January 1, 1980, reflecting revised PGA rates and projected incremental pricing surcharges for the period between such effective date and the pipeline company's next normally scheduled PGA dates (April 1, 1980 in SoCal's case.)

As these cost increases to SoCal will add an estimated \$25,000,000 to its anticipated cash flow deficiency which cannot be covered from the present time to the date rates become effective for its next regular PGA filing, SoCal petitions the Commission for immediate relief. Both as to timing and amount, these gas cost increases to SoCal are not contemplated by and are beyond the scope of normal PGA procedures.

The rate design - a uniform cents-per-therm increase - reflects adjustments adopted by this Commission in SoCal's two most recent PGA proceedings. In SoCal's next regularly scheduled PGA proceeding we will consider application of the rate design criteria enunciated in Decisions Nos. 91107 and 91108 (Findings No. 22 and 21 respectively) for Pacific Gas & Electric Company.

With regard to the actual tariff provisions for service under Schedules GN-35 and GN-46 we feel it is appropriate to modify the qualifying language to be consistent with the FERC definition in Order No. 50. Therefore, we adopt the utility proposal that the first portion of the applicable tariff language be modified as follows: "Natural gas used in facilities capable of burning, on a regular basis, fuel oil with a viscosity..."

SoCal's application conforms to Commission Resolution No. M-4704, dated January 30, 1979, with respect to the Voluntary Wage and Price Standards issued by the Council on Wage and Price

Stability. Further, an Environmental Assessment is not required pursuant to Commission Decisions Nos. 81237 and 81484.

This matter was submitted following oral argument during which staff, General Motors, and the California Manufacturers' Association enunciated support of SoCal's application. No party opposed the application on oral argument.

Findings of Fact

1. SoCal is entitled to additional revenue as estimated for the forecast period, being calendar year 1980, of \$99,893,000.

2. Authorization of the above increase would offset increased gas costs and will not result in SoCal exceeding its authorized rate of return.

3. A uniform increase of 1.176 cents per therm to all users with the exception of ammonia producers will generate the additional revenue required and is reasonable.

4. The rates authorized by this decision should remain in effect until further order by the Commission.

5. The request by U.C. to consider the issue of reclassification or to make rates to it subject to refund would be discriminatory ratemaking if done in this offset case.

6. Since SoCal is already incurring the costs offset hereby, this order should be made effective on the date hereof.

7. The increases of gas cost to SoCal are extraordinary, one-time adjustments which, if not offset, will seriously disrupt SoCal's cash flow so that it would be unreasonable to require it to wait for relief under normal PGA procedures.

Conclusions of Law

1. The increases in rates and charges authorized herein are reasonable, and the present rates and charges, insofar as they differ from those prescribed herein are, for the future, unjust and unreasonable.

2. SoCal should be authorized to file and place into effect the rates found reasonable by this decision.

ORDER

IT IS ORDERED that on or after the effective date of this order, Southern California Gas Company is authorized to file the revised rate schedules attached to this order as Appendix A and concurrently to withdraw and cancel its presently effective schedules. 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 JAN 8 - 1988, at San Francisco, California.

John E. Bayne
President
Richard W. Howell
Clarence T. ...
...
Commissioners

*We dissent in part:
This order again passes
over the America Indians
from bearing the weight of
any rate increase. They should
bear their fair share of all
increases rather than passing
the burden to other ratepayers.*

*John E. Bayne
Richard W. Howell*

APPENDIX A

Southern California Gas Company

1. Statement of Rates (\$ per therm)

Type of Service	Base Commodity Rates	PGA	SAM	GEDA	TCAC	Effective Commodity Rates
<u>Residential</u>						
Lifeline	16.387	15.129	(8.461)	.257	.134	23.446
<u>Nonlifeline</u>						
First Block	20.487	16.673	(7.426)	.257	.149	30.140
Excess	25.887	16.673	(4.105)	.257	.149	38.861
<u>Nonresidential</u>						
GN-1	22.025	15.721	(8.007)	.257	.144	30.140
GN-2 ^{1/2}	20.913	15.721	(6.879)	.257	.128	30.140
GN-32, - 42 ^{1/2}	20.913	9.534	7.344	.257	.128	38.176
GN-36, - 46	20.913	9.534	4.344	.257	.128	35.176
GN-5	20.913	9.534	0.344	.257	.128	31.176
<u>Wholesale</u>						
G-60	14.558	15.721	(5.649)	.257	.097	24.984
G-61						
Regular	14.595	15.721	(5.649)	.257	.097	25.021
Peaking	16.600	15.721	(5.649)	.257	.097	27.026
1/ <u>Ammonia Producers</u> (Temporary Supplemental Service)						21.17

2. Applicants effective commodity rates are changed to the level or extent shown in this appendix. Schedule G-30 rates to be increased commensurately with Schedule GN-1. Applicants customer and demand charges are unchanged.