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Decision No. 91969 JUL 2 1980

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 Approved Purchased Gas Adjustments Procedures Resulting from Adjustments in the Price of Natural Gas Purchased from TRANSWESTERN PIPELINE COMPANY, EL PASO NATURAL GAS COMPANY, PACIFIC INTERSTATE TRANSMISSION COMPANY and PACIFIC GAS & ELECTRIC COMPANY; and to Adjust Revenues under the Supply Adjustment Mechanism to Reflect Greater Than Anticipated Collection of Revenues Due to Increases in Natural Gas Supplies.

Application No. 59508
(Filed March 7, 1980)

Thomas D. Clarke and Douglas K. Porter, Attorneys at Law, for Southern California Gas Company, applicant.

Stephen A. Edwards, William L. Reed, and Jeffrey Lee Guttero, Attorneys at Law, for San Diego Gas & Electric Company; Larry R. Cope, H. Robert Barnes, and John R. Bury, Attorneys at Law, for Southern California Edison Company; Martin E. Whelan, Jr., Inc., by Carl M. Faller, Jr., for Tehachapi-Cummings County Water District; John W. Witt, City Attorney, by William S. Shaffran, Deputy City Attorney, for City of San Diego; H. R. Carroll and G. W. Roe, for California Glass Manufacturers Energy Committee; David G. Vander Wall, Attorney at Law, for Rockwool Industries, Inc.; Harry Phelan, for California Asphalt Pavement Association; Robert W. Parkin, City Attorney, by William E. Emick, Jr., and Richard A. Alesso, Deputy City Attorneys, and Vernon E. Cullum, for City of Long Beach; Henry F. Lippitt, 2nd., Attorney at Law, for California Gas Producers Association; Downey, Brand, Seymour & Rohwer, by Richard R. Gray and Philip A. Stohr, Attorneys at Law, for General Motors Corporation; Brobeck, Phleger & Harrison, by James M. Addams and William H. Booth, Attorneys at Law, for California Manufacturers Association; and Burt Pines, City Attorney, by Ed Perez, Deputy City Attorney, for City of Los Angeles; interested parties.

Randolph L. Wu, Attorney at Law, for the Commission staff.

OPINION

Introduction

Southern California Gas Company (SoCal) seeks authority to increase its rates to provide additional gross revenues of $382,698,000 for the 12 months ending March 31, 1981. SoCal seeks to offset the effects of gas cost changes which will commence on April 1, 1980, or earlier, and the under-recovery of previous gas cost increases, pursuant to its authorized Purchased Gas Adjustment (PGA) procedure. SoCal also requests authority to reduce its rates in an amount sufficient to offset the credit amount in its Supply Adjustment Mechanism (SAM) balancing account and to reflect a projected overcollection of its gas margin. The calculated PGA deficiency is $459,795,000. The SAM credit is calculated at $77,097,000. The difference is the Consolidated Adjustment Mechanism revenue requirement that is the basis of this application.

After due notice, the matter was heard before Administrative Law Judge Orville I. Wright at Los Angeles on April 17, 18, 23, and 24, 1980. The matter was submitted on the basis of opening briefs on May 6, and reply briefs on May 15.

Testimony was offered on behalf of SoCal by Robert L. Ballew, Manager of Financial Planning and Analysis for Pacific Lighting Corporation, Jack R. Scalf, Cost Allocation and Rate Analyst, and Robert J. Hohne, Manager of Supply, Planning and Projects. Testimony on behalf of the Commission staff was presented by Sudheer Gokhale, Assistant Utilities Engineer, and Paul E. Grove, Public Utility Financial Examiner III. Testimony was also received from H. R. Carroll, Manager, Energy Utilization, for Glass Containers Corporation, on behalf of the California Glass Manufacturers Energy Committee (Glass Mfg), Vernon E. Cullum, Superintendent of Gas Procurement, Control and Production for the City of Long Beach Gas Department (Long Beach), Richard Gamble, Senior Vice President of

Rockwool Industries, Inc. (Rockwool), and Douglas P. Hansen, Supervising Rate Analyst for San Diego Gas & Electric Company (SDG&E). Two members of the public, John Jutzi and John S. Simons also made statements on the record.

Opening briefs were received from SoCal, the Commission staff, California Manufacturers Assocation (CMA), General Motors Corporation (GM), City of San Diego (San Diego), SDG&E, Southern California Edison Company (Edison), Long Beach, and Tehachapi-Cummings County Water District (Tehachapi). Reply briefs were filed by SoCal, CMA, Long Beach, and SDG&E.

Issues

The central issues are the revenue requirement to be adopted and the rate design to be applied. Within each of these subject matters are several subissues that need to be addressed.

With respect to the revenue requirement, issues have been raised regarding gas supply policy and procurement, the calculation of the SAM margin, the timeliness of recovery of revenues to be refunded, and the amortization period of the balancing accounts.

With respect to rate design, issues have been raised regarding the policy considerations underlying rate design decisions, the interpretation of alternate fuel price data, the reblocking of residential tiers, the calculation of the lifeline rate, the basis for setting wholesale rates, and requests for special consideration.

Summary

By this decision SoCal is found to be entitled to additional revenue of $354,537,000. The relief authorized is about $28 million less than requested, and about $28 million more than recommended by staff. The adopted adjustments include the use of updated balancing accounts, revised residential blocking, revenues

under reconsideration in regard to Decision No. 90105, elimination of a supply of Canadian gas, and recognition of a higher price from Pacific Gas and Electric Company (PG&E).

The adopted rate design is consistent with established Commission policy. Low priority rates are set by reference to alternate fuel price information which in this case indicates that no increase is warranted in schedules GN-3 and 4. The system average increase is 12.9 percent. The increase to lifeline is 11 percent.

Revenue Requirement

Gas Supply

The basis for the application is the gas supply volumes and prices set out in Table 1:

TABLE 1

Source	Estimated Purchase M/th	Estimated Cost M$	Average Price ¢th
El Paso	6,170,710	1,398,394	22.662
Transwestern	2,270,300	564,195	24.851
Pac.Interstate - NW	54,103	27,908	51.583
Pac.Interstate - SW	19,780	5,433	27.467
Federal Offshore	32,810	2,144	6.535
California Purchases	310,944	64,534	20.754
PG&E	32,376	126,587	39.389
Net Storage	180	(3,636)	-
Company Use	(76,913)	(9,500)	12.352
Unaccounted-For Gas	(173,707)	-	-
Total for Resale	8,929,583	2,176,059	24.369

Staff adopted SoCal's estimated volumes and prices for the purpose of its showing. However, staff counsel raised questions regarding

the reasonableness of SoCal's purchase of volumes from Pac.Interstate-NW, and recommends that certain expense be disallowed.

The staff position is summarized by these excerpts from its brief:

> "The staff submits that the reasonableness of gas purchases at prices exceeding the proposed rates must be shown by the applicant before recovery of those costs is allowed. Because of the applicant's failure to justify Canadian gas purchases at 52¢/th, the staff recommends that all Canadian gas expense incurred since February 17, 1980 to March 31, 1980 be disallowed. Such a disallowance is reasonable since on February 16, 1980, DOE/ERA Opinion No. 14 was issued. It temporarily authorized a price increase to $4.47/MMBtu but stated that purchase of Canadian gas at that price is contrary to the public interest. This temporary price increase was approved by DOE/ERA to avoid the hardships which abrupt termination might cause. Thus, SoCal had ample warning that the continued purchase of Canadian gas at $4.47/MMBtu might be imprudent without sufficient jurisdiction of immediate hardship to its customers.
>
> "A disallowance of Canadian gas expense would not be a Commission pronouncement that the purchase of Canadian gas at 52¢/th is per se unreasonable, but a finding that the applicant had failed to carry its burden of proof in this proceeding regarding its past purchases of Canadian gas at 52¢/th. In this way, SoCal will be placed on notice that its purchases of Canadian gas and acceptance of sharply increased prices determined by DOE/ERA to be against the public interest will be thoroughly examined in future offset proceedings. The approval in this proceeding of test year projections of gas volumes would not be a determination of the reasonableness of the associated procurement strategy."

SoCal asserts a number of points in its briefs in support of its position that its purchases have been and will continue to be reasonable. It characterizes the staff recommendation as

"a major change in Commission policy" and contends that "the retroactive application of such an unnecessarily harsh punitive proposal is a subject which deserves far greater consideration than that which the parties have been afforded in this proceeding." It argues that "if the Commission were to adopt staff's proposal of disallowing costs associated with particular supply sources after such costs have been incurred, the lack of any assurance of cost recovery associated with ever increasing gas costs could have serious adverse consequences on SoCal's financial well-being. Because such a policy, if adopted, would seriously affect the ability of all of California's gas utilities in acquiring energy in today's difficult and evolving energy market, and in the project financing necessary for their supply projects."

With respect to specific justification for purchase of the gas, SoCal points out that the purchase price of the gas is slightly lower than staff's proposed rate for the third tier residential block, which staff has characterized as the lowest priority use. It observes that the staff's estimated sales to Tier III greatly exceed the volume to be purchased from this source. It also argues that, on the basis of fully allocated costs, the price of the gas can be rolled in with the cost to serve GN-5 and be absorbed in the proposed GN-5 rate. It compares the price of the gas to cost of new supplies on the El Paso and Transwestern systems and argues that it has reasonably obtained "a volume of gas which is dedicated to the California market."

It further argues that staff has overlooked its contract obligations to buy the gas. It claims that "SoCal has done nothing more than honor its contractual commitment and purchased gas from an interstate supplier at a lawfully established rate. In so doing, it has acted prudently."

It also contends that its purchase policy is consistent with this Commission's directive in Decision No. 89177 in Application No. 57626 (LNG) to pursue a policy of gas acquisition, and with a recent statement by President Bryson and other key state energy policy officials to President Carter regarding relief from federal laws restricting natural gas use.

Finally, it characterizes the gas supply as "essential" in the colder than average 1978-79 winter season "to maintain service to its customers and of significant help in avoiding an energy crisis in Southern California" and "consistent and prudent in responding to the need of Southern California to mitigate air pollution problems."

Curiously, SoCal's brief does not refer to a major policy consideration offered by its witness, Mr. Hohne (Tr. 262):

"Well, put yourself in the National Energy Board, boardroom in Canada.

"Here we have an application pending for 240 million cubic feet a day, and we say we need the gas.

"DOE has said this gas is needed for Southern California; and we have been taking gas from Northwest Pipeline, gas from Canada on an as-available basis, taken all of the gas that has been tendered, and then all of a sudden, while they are trying to decide whether or not to permit us to take long-term supplies, suddenly, we say our market, for whatever reason, we are going to cut off these as-available supplies.

"I wouldn't be inclined to look favorably on the Southern California market as a place that, you know, to export long-term supplies of Canadian gas.

"I think they would suspect that we were telling them, you know, giving them a song and dance; we are up there telling them we have a market, we desperately need the gas, which we do, and a week later we are cutting off a very significant supply, maybe not in terms of volume but certainly any gas coming into California is badly needed.

"So, I think Canada would certainly wonder what we were doing; on the one hand we were pleading with them for additional supplies, then do a turnaround and cut it off, what we are now getting."

This entire discussion raises policy questions that have implications beyond the matter of the dollars at stake in this proceeding. We are seriously concerned about the attitude expressed by SoCal regarding management and regulatory responsibilities.

SoCal appears to be laboring under some fundamental misapprehension of the nature of offset proceedings and the applicant's burden of proof. Merely because a particular gas supply has been addressed in a previous proceeding and found reasonable does not of itself justify inclusion of the supply in a subsequent proceeding, where there has been a material change in circumstances.

Here the material change in circumstances is the February 18, 1980, increase in the border price of Canadian gas. We consider the extent of the increase and the resulting repercussions sufficient to attract the attention of SoCal management at the policy level. Among other things, there is DOE/ERA Opinion and Order No. 14, dated February 16, 1980, which states in part:

> "We have determined that this price is not reasonable and that it is consistent with the public interest to allow U.S. firms to temporarily import the gas at that price only if there is also a compelling showing that the gas is needed immediately to prevent a severe adverse impact on the public health, safety or welfare."

This sort of language should alert SoCal that some affirmative showing on its part is expected in its next gas offset proceeding, other than merely a reference to general Commission policy.

SoCal is correct that the matter of the purchase of these supplies has been previously before this Commission, but it overlooks significant language from past proceedings. In Decision No. 90822 (A.58724) we addressed staff's characterization that SoCal's purchase of Canadian gas raised latent issues regarding reasonableness of gas supply policy as follows:

> "The staff raises an issue directly related to the rate design issues we must address herein. As long as gas rates for interruptible customers are set at a price that at least recovers SoCal's cost for the incremental high cost quantities of gas to serve these customers, there is no harm to SoCal's ratepayers as a whole because the cost for this higher priced gas is recovered from those interruptible customers who use it. For this reason we adopt rates for interruptible customers that are high enough to recover SoCal's cost for the higher priced Canadian gas."

Under SoCal's proposed rates, the cost of Canadian gas is more than 13 cents per therm higher than the highest interruptible rate. In this context the issue of the reasonableness of SoCal's Canadian imports was appropriately raised by staff.

The various rationales offered by SoCal to support continued imports are unpersuasive. Therefore this decision excludes such volumes from the adopted test year supply estimates. This judgment is without prejudice to SoCal's right to recover the costs of such gas upon a sufficient showing.

We decline to adopt the adjustment relating to purchases from February 17th to March 31st, as proposed by staff. That period occurred after the end of the record period that is the basis of the application and may be considered in the next regularly scheduled proceeding, as discussed below. Thus the effect of our judgment is prospective only and is based on the narrow ground of "burden of proof".[1/]

We are not persuaded by the various rationales offered by SoCal for inclusion of the gas in this proceeding. The argument that the price is slightly less than staff's proposed residential third-tier rate ignores the real world impact of the purchases - less than 4 percent of SoCal's estimated priority 5 sales - and does not support recovery of the cost of the gas from February 17, 1980, to the date of this decision. The attempt to roll in the cost of gas with "allocated" costs to serve priority 5 customers

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1/ It should be understood that the issue of proper rate treatment for the prebuilding of the western leg of the Alaskan gas pipeline was not addressed in the record, and the Commission does not intend by this decision to take or imply a position on that issue.

ignores the quoted language from Decision No. 90822 as well as the plain meaning of DOE/ERA Opinion and Order No. 14. We are also unable to treat this small volume of gas that apparently depends on the "best efforts" of Northwest Pipeline Corporation (Northwest) as a meaningful supply "dedicated" to California.

We are not sure what to make of the contention that staff has "overlooked" SoCal's contractual obligation to buy this gas. The contract is admittedly not "take or pay", but SoCal claims to be obligated to buy the gas "if facilities are available for its transportation and if it has a market for the gas." Of course it has a market if the gas is priced low enough. But the impact of SoCal's rate design showing is that alternate fuel prices foreclose the possibility of selling the gas for nearly its cost.

With respect to this Commission's gas supply policy pronouncements, we have expressed the position that gas is a critical fuel for the future energy needs of California. But we have never indicated that basic economics should be abandoned in the pursuit of additional supplies.

The conclusion that these volumes are not included in the test year estimate does not dispose of either the issues of whether SoCal should buy the gas or whether it should recover for costs incurred since February 17, 1980. It may continue to buy the gas subject to the risk that it can sustain its burden of proof in the next proceeding.

The proposed staff adjustment is more properly taken up in the next proceeding, as it relates to a period beyond the recorded balancing account balance that is the basis of the application. A reasonable basis for developing an adjustment to the PGA and SAM accounts should be offered in the next proceeding. SoCal will have the opportunity to demonstrate that it has acted reasonably in buying the gas.

The adopted test year gas supply volumes and prices are set forth in Table 2. The adopted estimates differ from SoCal's proposed by deletion of the Northwest supply and the recognition of the current PG&E price and are based on staff's format.

TABLE 2

Weighted Average Unit Cost of System Gas Supply

Source	Estimated Purchases M/th	Estimated Cost M$	Average Price ¢/th
El Paso	6,170,710	1,398,394	22.662
Transwestern	2,270,300	564,195	24.851
Pac. Interstate--SW	19,780	5,433	27.467
Federal Offshore	32,810	2,144	6.535
California Purchases	310,944	64,534	20.754
PGandE	321,376	138,471	43.087
Net Storage	180	(3,636)	-
Company Use	(76,913)		
Unaccounted-For Gas	(173,707)	-	-
Total for Resale	8,875,480	2,169,535	24,444 *
F & U @ 1.54%		33,411	
PGA Cost of Gas		2,202,946	24,821

* Ammonia Producer Rate = (1.10)(24.444¢/th)= 26.888¢/th

Adopted Margin

SoCal and staff differ in the format of their margin calculation and in the inclusion of $12,411,000 relating to Decision No. 90105, which is presently under reconsideration. We find the staff format to be consistent with the format adopted for PG&E in Decision No. 91107, and to be a reasonable manner for presenting the data. We agree that until final action is taken in regard to Decision No. 90105 that no adjustment is appropriate to the margin. The adopted margin is set forth in Table 3.

TABLE 3

Summary of Estimated Gas Margin
Test Year 1979

	Item	Amount ($ 000)
	Sales Revenue	$1,339,852
	Exchange Revenue	1,090
	D.90105 Adjustment	12,411
(1)	Total	1,353,353
	Cost of Gas	777,454
	Plus Franchise Requirements and Uncollectibles	12,128
(2)	Total	789,582
(3)	Gas Margin (line (1)-line (2))	563,771

Refund Recovery

Included in SoCal's application is the recovery of $121,462,000 to be refunded to its ratepayers pursuant to the direction of the California Supreme Court in the case of CMA v PUC (1979) 24 Cal 3d 836. Tehachapi and San Diego question whether collection of the revenue should be deferred until after a refund plan is approved.

SoCal's proposed refund plan is presently pending before this Commission and may be adopted concurrently with this rate increase. In this circumstance we find that it is appropriate to permit SoCal to begin collection of the revenues by this order.

Balancing Account Amortization

Both SoCal and staff agree that the balancing accounts should be amortized over six months. In view of the continuing undercollection and the delay beyond the revision date in fashioning this relief we have based the revenue requirement in this proceeding on six months amortization.

Differences Between SoCal and Staff

As indicated, SoCal seeks recovery of $382,698,000. The staff recommends that $326,426,000 be allowed. The differences between SoCal and staff are attributable to 4 factors: The $12,411,000 relating to Decision No. 91107; staff's proposed reblocking of residential tiers (discussed below), which produces $10,638,000 more revenue from present rates; staff's use of updated balancing accounts, subject to audit ($33,795,000); and reduced franchises and uncollectible expenses related to the reblocking ($569,000).

Adopted Revenue Requirement

The adopted revenue requirement is based on the adopted test supplies and prices, includes the Decision No. 91107 revenues in the margin, reflects the staff-proposed reblocking, and the updated balancing account balances. The results are set forth in Table 4. The authorized rate increase is $354,537,000.

TABLE 4

Annualized Revenue Requirement

Item	Amount ($000)
Gas Margin	$ 563,771
Exchange Adjustment	(4,659)
Cost of Gas	2,202,946
TCAC	11,706
CEDA @ 0.214¢/therm	18,994
Refunds	121,462
Balancing Accounts	194,906
Total	3,109,126
Revenue at Present Rates	2,754,589
Gross Increase	354,537

Balancing Account Amortization

Six-Months Basis			Annualized Effect	
Sales	Rate	Revenue	Sales	Revenue
3,953,243	$.02196	$86,795	8,875,493	$194,906

Rate Design

Policy Consideration

This Commission has established a policy of designing rates based on alternate fuel costs for interruptible customers and inverted rates for residential customers. The rate design contentions in this proceeding address initially whether the present practice should continue or whether some other basis should be applied.

CMA, GM, and Edison all contend that "allocated cost of service" should be applied instead of the Commission's established policy. These contentions have been before the Commission previously and have been discussed in numerous decisions including Decision No. 90822 and Decision No. 91077 for SoCal, and Decisions Nos. 91107 and 91720 for PG&E. These parties offer no new evidence or reasoning that convinces us to make such a radical change in policy.

Instead, we find in the record further support for our position. For example, there is the testimony of Mr. Hohne that:

> "The price of this gas (Canadian) is no more than the price of gas that El Paso, some of the prime sources of gas that El Paso is buying.
>
> "It is certainly less than the going price for deregulated gas in the, in the Gulf Coast area, in the Overthrust Belt.
>
> "We have got Mexican gas coming in through El Paso and Transwestern, which is more than what we are paying for, more than what we are selling gas at the, for margin."

This illustrates the problem with using average cost of gas for rate design purposes. The average cost of El Paso and Transwestern supplies is set out in Table 1. But included in those figures are volumes of gas purchased at much higher prices. Because of the operation of the priority system, those volumes benefit the lower priority customers.

<u>Alternate Fuel Price Data</u>

SoCal and staff each offered data regarding alternate fuel prices. Although their data originates from different sources, each reached the same conclusion regarding rates for low priority customers.

SoCal relies on data furnished by the Lundberg Company, gathered by means of a survey. It examines the data and uses the lowest identified price as its reference point for low priority rates. Staff relies on information published by Platt's Oilgram and makes certain adjustments in reaching its recommendation.

In the past we have tended to rely on the Platt's information as interpreted by staff. We find the survey data to be highly speculative, particularly as interpreted by SoCal. We note that Platt's Oilgram is also relied on in DOE/ERA Opinion and Order No. 14-B.

The Platt's information in the record is subject to a range of interpretations. The staff witness chose to emphasize indicators that recognize the "softness" of the oil market and the potential for loss of load if rates are increased. Tehachapi emphasizes the high side of the price information and argues that there is room for interruptible customers to bear a fair portion of the increase.

We find that the timing of this increase provides convincing support for the staff's conservative interpretation. The warm summer weather and abundant fuel supplies create the potential that load may be lost in priorities 3 and 4, and that priority 5 customers would be saturated. This creates the risk that SoCal would have to reduce purchases from even its lowest cost suppliers and that contribution would be lost. Therefore we adopt the staff's proposed interruptible rates.

High Priority Rates

The major consideration in this regard is the extent to which the rate design criteria adopted in the PG&E general rate case opinion, Decision No. 91107, are applied in this proceeding. Pending the completion of the SoCal general rate case we continue the evolution of the SoCal system rate design.

The rate design proposals of SoCal and staff are set forth in Table 5. A comparison of these rates must recognize the different revenue requirements underlying the calculations and the staff's proposed residential reblocking.

TABLE 5

Rate Design Proposals

		Present Rate (¢/th)	SoCal (¢/th)	Staff (¢/th)
Residential				
Tier I		23.403	29.908	25.284
Tier II		30.097	36.470	34.356
Tier III		38.818	45.017	51.586
Nonresidential				
GN-1		30.097	36.421	34.356
GN-2		30.097	36.457	34.356
GN-32, 42		38.133	38.176	38.176
GN-36, 46		35.133	35.176	35.176
GN-5		31.133	35.176	35.176
Wholesale				
G-60	Capacity			
G-60	Commodity	24.941	32.402	31.124
G-61	Demand			
G-61	Commodity	24.978	33.025	31.124
	Peaking	26.983	35.030	

The staff's proposed residential reblocking relates to the quantity in the second tier for summer use. Staff proposes to reduce the quantity in the second tier to an amount equal to the lifeline quantity, putting SoCal's summer/winter Tier II relationship on nearly the same basis as that adopted for PG&E. The result is that some sales are shifted into the more steeply inverted third tier. This proposal was unopposed and is adopted in this decision.

The adopted high priority rates reflect the movement of the GN-1 and 2 rates toward the system-average nonlifeline rate, consistent with the PG&E rate design. The adopted residential rates reflect increased inversion. The effective increase to larger residential users is somewhat greater than indicated, because of the reblocking. The weighted average residential rate is equal to the GN-1 and 2 rates. The adopted lifeline rate exceeds the average cost of gas.

Wholesale Rates

SoCal and staff each proposed specific methodologies for calculating the wholesale rates. SoCal proposed to base the rates on "allocated costs." Staff's proposal is apparently consistent with its method proposed in the SoCal general rate case. SDG&E, Long Beach, and San Diego oppose both proposals and urge that the wholesale rate be increased on a system average basis.

There is no point in belaboring this issue in this proceeding. We have previously indicated that we would increase wholesale rates on a system-average basis, pending completion of the general rate case. (See Decision No. 91077.) The adopted rates reflect this policy judgment.

Special Considerations

SB 1301, granting extraordinary rate relief to ammonia producers, has passed the Legislature and was signed by the Governor prior to our action today in this matter. The calculations in this order are based on that bill being Law. Otherwise the ammonia producers would be treated like any other customer on the system.

The adopted rate, 26.888 cents per therm, is based on the language in SB 1301 as explained at page 16395 of the Assembly Journal, dated June 12, 1980, which provides that the rate "shall not exceed the average price paid by the gas corporation for gas from all suppliers as determined in the latest rate proceeding before the Commission, plus 10 percent of such average price." Further, SB 1301 precludes us from passing any portion of PGA undercollection to the ammonia producers, unlike any other customer class. Although the calculations in this decision apply the rate to all of the gas sold to the ammonia producers, the bill excludes volumes that are "subject to the incremental pricing provisions of the federal Natural Gas Policy Act of 1978." Such "exempt" volumes should actually be billed by SoCal at its regular tariff rate.

Rockwool and Glass Mfg. have both alleged substantial hardship from the effect of high natural gas rates on their respective businesses and have asked for special consideration. We are not favorably disposed toward setting rates for individual customers based on their financial circumstances. The rate design adopted in this proceeding effectively provides at least a portion of the relief sought by Rockwool and Glass Mfg. by not increasing the interruptible rates.

Adopted Rate Design

The adopted rate design is set forth in Table 6. We have deliberately abandoned the cumbersome SoCal format of separate SAM and PGA rates in favor of a greatly simplified display of uniform cents-per-therm balancing account and refund collection factors. This matter of the appropriate display will be considered further in the SoCal general rate case and the report from the committee considering uniform SAM and PGA procedures.

TABLE 6

Adopted Rate Design For The Forecast Period

Item	Sales (Mth)	Revenue at Present Rates (M$)	Adopted Rate ($/th)	Adopted Rev. (M$)	Increase ¢/therm	Increase Percent
Residential						
Customer Months	$ –	$ 132,721	$	$ 132,721	–¢	–%
Tier I	2,051,263	480,046	.26000	533,328	2.597	11.1
Tier II	822,519	247,554	.35330	290,596	5.233	17.4
Tier III	475,323	184,511	.49971	237,524	11.153	28.7
Total Residential	3,349,105	1,044,832	.35656	1,194,169	4.459	14.3
Nonresidential						
Customer Months	–	12,253	–	12,253	–	–
GN-1	1,137,032	342,213	.35657	405,432	5.560	18.5
GN-2 Regular	837,968	252,203	.35657	298,794	5.560	18.5
GN-2 NH3	151,429	32,058	.26888	40,716	5.718	27.0 1/
GN-32, 42 Regular	680,767	259,597	.38176	259,890	0.043	0.1
GN-32, 42 NH3	15,313	3,242	.26888	4,117	5.718	27.0 1/
GN-36, 46	422,640	148,486	.35176	148,668	0.043	0.1
GN-5	1,317,442	410,159	.35176	463,423	4.043	13.0
Total Nonresidential	4,562,591	1,460,211	–	1,633,293	–	11.9
Wholesale						
G-60 Capacity	–	2,570	–	2,570	–	–
G-60 Commodity	190,621	47,540	–	53,990	3.384	–
G-61 Demand	–	6,106	–	6,106	–	–
G-61 Commodity	773,176	193,330	–	218,999	3.320	–
Total Wholesale	963,797	249,546	–	281,665	–	12.9
Total Sales W/LL	8,875,493	2,754,589	.35030	3,109,126	–	12.9
Total Sales W/O LL	6,825,230	–	.37745	2,575,798	–	–

1/ No increase to the GN-3 and GN-4 rates based on 1-12-80 tariffs.

A.59508 ALJ/hh

Findings of Fact

1. SoCal is entitled to additional revenue as estimated for the test period of April 1, 1980, to March 31, 1981, of $354,537,000.

2. The authorization of the above increase will offset increased gas costs and will not result in SoCal's exceeding its authorized rate of return.

3. SoCal has not demonstrated that its test year estimates of supply from Northwest are reasonably included in the test year results.

4. The revenue requirement reasonably reflects the current price paid to PG&E.

5. The Decision No. 90105 revenues are appropriately included in the margin.

6. The results reasonably reflect updated balancing accounts, subject to audit.

7. The residential reblocking reasonably promotes additional conservation.

8. Alternate fuel price data reasonably indicates that rates to priorities 3 and 4 customers should not be increased in this proceeding.

9. The GN-5 rate is reasonably set based on the GN-36 and 46 rates.

10. GN-1 and 2 rates are reasonably set toward the system-average nonlifeline rate.

11. The weighted average residential rate equal to the GN-1 and 2 rates is reasonable.

12. Based on SB 1301, the ammonia producers' rate is 26.888 cents per therm for gas sold subject to that statute. Gas sold exempt from the statute should be billed at the regular tariff rate.

13. The wholesale rates are reasonably raised based on the system average, pending completion of the general rate case.

14. No special consideration should be afforded Rockwool or Glass Mfg.

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

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.

O R D E R

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 as Appendix A, to revise its tariffs as provided herein, and 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 JUL 2 1980, at San Francisco, California.

President

Commissioners

APPEN[illegible] A
Summary of Adopted Rates

Statement of Rates

The rates in all filed Rate Schedules, except G-30, include adjustments listed below. Schedule G-30 rates are revised commensurate with Schedule GN-1.

Type of Service	Unit	Base Rates[a/]	Bal. Acct.	Refund	GEDA	TCAC	Effective Commodity Rates
Residential							
Tier I (Lifeline[b/])	¢ per therm	22.077	2.196	1.379	.214	.134	26.00
Nonlifeline			↑	↑			
Tier II	¢ per therm	31.392			.214	.149	35.[illegible]33
Tier III	¢ per therm	46.033			.214	.149	49.971
Nonresidential[c/]							
GN-1	¢ per therm	31.724			.214	.144	.35657
GN-2[d/]		31.740			.214	.128	.35657
GN-3:							
GN-32	¢ per therm	34.259			.214	.128	38.176
GN-36	¢ per therm	31.259			.214	.128	35.176
GN-4:[d/]							
GN-42	¢ per therm	34.259			.214	.128	38.176
GN-46	¢ per therm	31.259			.214	.128	35.176
GN-5	¢ per therm	31.259			.214	.128	35.176
Wholesale							
GN-60	¢ per therm	24.439			.214	.097	28.325
GN-61							
Regular Commodity	¢ per therm	24.412	↓	↓	.214	.097	28.298
Peaking Commodity	¢ per therm	26.417	2.196	1.379	.214	.097	30.303

a/ Effective date of decision.
Note: The Gas Margin included in Base Rates is $562,681,000 (excludes exchange revenue).

b/ 10% discount applies to all usage billed at Lifeline Rates under Schedule GS.

c/ See Special Conditions in schedules; alternative fuel cost ceiling rates may apply to certain gas usage under Rate Schedules GN-1 through GN-4.

d/ The commodity rate for ammonia producers is 26.888/therm.