ORIGINAL

Decision No. 92498 DEC 5 - 1980

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY for a determination that applicant acted reasonably in buying certain volumes of gas from Pacific Interstate Transmission Company and to decrease 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. 59929 (Filed September 8, 1980)

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

H. C. Phelan, for California Asphalt Pavement Association; Graham & James by Boris H. Lakusta and David A. Taran, Attorneys at Law, for Union Chemicals Division of Union Oil Company of California and Valley Nitrogen Producers, Inc.; Carl M. Faller, Jr., Attorney at Law, for Tehachapi-Cummings County Water District; Henry F. Lippitt, 2d, Attorney at Law, for California Gas Producers Association; Mike Florio, Attorney at Law, for Toward Utility Rate Normalization; William L. Reed, Stephen A. Edwards, and Jeffrey Lee Guttero, Attorneys at Law, for San Diego Gas & Electric Company; Downey, Brand, Seymour & Rohwer, by Philip A. Stohr, for General Motors Corporation,

Otis M. Smith, General Counsel, and Julius Jay Hollis, Attorney at Law; and Larry R. Cope, H. Robert Barnes, John R. Bury, Charles R. Kocher, and Susan Beale, Attorneys at Law, for Southern California Edison Company; interested parties.
Edward W. O'Neill, Attorney at Law, and Robert Weissman, for the Commission staff.

INTERIM OPINION

I. Introduction

By amended application Southern California Gas Company (SoCal) seeks authority to reduce its gas rates by $127.8 million on an annualized basis. The original application requested a $42.5 million reduction. The amendment reflects the intervening settlement of Transwestern Pipeline Company's general rate case, Docket No. RP 78-88, approved by the Federal Energy Regulatory Commission, and updated balancing account calculations.

A duly noticed public hearing was held in Los Angeles on November 3 and 4, 1980, before Administrative Law Judge Patrick J. Power. SoCal requested that review of the reasonableness of its recorded purchased gas costs be deferred to a second phase of this proceeding. Its request was granted and the matter submitted subject to the filing of concurrent briefs on November 10, 1980. SoCal offered the testimony of Marvin Douglas, Manager of Rates and Tariffs, in support of its position. The Commission staff offered the testimony of Joseph L. Fowler, Jr., head of the Gas Branch Rates Unit. The matter was submitted subject to the filing of concurrent briefs on November 10, 1980. Briefs were filed by SoCal, the Commission staff, Tehachapi-Cummings Water District (Tehachapi), Southern California Edison Company (Edison) and Toward Utility Rate Normalization (TURN).

II. Revenue Requirement

SoCal's application is based on an October 1, 1980, revision date and a future test year ending September 30, 1981. The test year gas supply estimates are as follows:

TABLE I

Source	Estimated Purchases M/th	Estimated Cost M/$	Average Price ¢/th
El Paso	6,577,330	$1,436,357	21.838
Transwestern	2,617,040	710,123	27.135
Pacific Interstate - NW	9,940	5,117	51.479
Pacific Interstate - SW	16,740	3,776	22.557
Federal Offshore	46,030	3,853	8.371
California Purchases	313,990	63,025	20.072
PG&E	296,200	127,623	43.087
Net Storage	(149,270)	(37,876)	25.374
Company Use	(90,300)	-	-
Unaccounted-For Gas	(173,224)	-	-
Total for Resale	9,464,476	2,311,998	24.428
Franchise Fee and Uncollectibles @ 1.585%	-	36,645	-
PGA Cost of Gas	9,464,476	2,348,643	24.815

(Red Figure)

Staff adopted SoCal's volumes and prices as the basis for its showing. Only TURN objects to the use of SoCal's estimates.

TURN argues that the 9,940 M/th of Canadian gas purchased by way of Pacific Interstate - NW should be excluded from the test year estimates, pending the further hearings in this proceeding. It relies on language in D.91969 in A.59508 (the immediately preceding SoCal offset filing) in which we excluded all such volumes from the test year.

We decline to adopt the adjustment proposed by TURN, while reaching no final conclusion regarding the reasonableness of SoCal's supply policies. There is a material difference between including the gas in the future test year estimate and allowing the recovery of the recorded purchased gas expense. The record to date indicates that the actual volume purchased may vary substantially from the estimate and we find the estimate reasonable for the limited purpose of setting rates pending the final decision in this matter.

Staff's showing is based on balancing account balances estimated as of November 30, 1980, and the margin requested by SoCal in its pending general rate increase application, A.59316. On a combined basis it recommends about a $42.5 million reduction.

The timing of this decision coincides with the general rate case decision. Therefore, we will use the adopted margin as the basis for determining the revenue requirement in this proceeding, as well as the staff's estimates of the balancing accounts.

TABLE II

Cost of Gas Purchased	$2,311,998	
F&U at 1.539	35,582	
Total Cost of Gas		$2,347,580
Margin per A.59316		706,497
Exchange per A.59316		3,318
Refund		127,894
GEDA		19,830
CAM Balance (Annualized)	$ 18,976	
CAM F&U at 1.539	292	
Total CAM		19,268
Revenue Requirement		3,224,387
Revenue at Present Rates	$3,298,506	
Exchange	4,569	
Total at Present Rates		3,303,075
Increase (Decrease)		(78,688)

On a combined basis the overall effect is a reduction of $78.7 million.

III. Rate Design

Rate design is the major contested matter. SoCal and staff have each proposed a rate reduction spread to all customers. Techacapi and TURN argue that low priority industrial rates should not be reduced, citing alternate fuel price data and D.91969 in which such rates were not increased (except GN-5). Edison urges that the rate design start from "allocated cost of service".

The adopted rate design is shown in Table III. The rates are based on the criteria announced in the concurrent general rate case decision in A.59316, D. 92497 . The criteria are modified as appropriate to recognize the revenue requirement and the rate reduction nature of this proceeding.

The criteria have been applied in the following manner. The wholesale rates were calculated first, based on the adopted capacity charge from the general rate case, and the system average cost of gas including GEDA and the refund balance. The interruptible rates are unchanged. The average residential rate, 2nd tier residential rate, GN-1 and GN-2 rates are the same and are set by reference to the average retail rate. The third tier residential rate is reduced by the same percentage as the average residential rate. The lifeline rate is derived residually. There is no change in the customer charge.

The priority 3 and 4 rates (GN-32, 36, 42, and 46) were not increased in the last SoCal offset proceeding, D.91969. Since this reduction is in a smaller amount, we find that such rates should not be reduced, absent a compelling showing that alternate fuel prices require such a reduction.

TABLE III

Class of Service	Estimated Sales M/th	Present Rate $/th	Revenue M$	Adopted Rate $/th	Revenue M$	% -Change
Residential						
Customer Charge	-	$ -	$ 134,289	$ -	$ 134,289	-
Commodity						
Lifeline	2,084,106	.25866	539,075	.24671	514,177	4.6
Nonlifeline						
First Block	774,640	.35181	272,526	.34299	265,694	2.6
Excess	479,735	.49822	239,014	.48128	230,887	3.4
Total Residential	3,338,481	.35492	1,184,904	.34299	1,145,047	3.4
Commercial-Industrial						
Customer Charge	-	-	12,718	-	12,718	-
GN-1	1,105,040	.35513	392,433	.34299	379,018	3.4
Ammonia Producers	190,097	.26888	51,114	.26871	51,081	.06
GN-2	796,758	.35529	283,080	.34299	273,280	3.5
GN-32, 42	721,557	.38048	274,538	.38048	274,538	0
GN-36, 46	386,420	.35048	135,432	.35048	135,432	0
GN-5	1,900,177	.35048	665,974	.35048	665,974	0
Total Commercial-Industrial	5,100,049	-	1,815,289	-	1,792,041	-
Total Retail	8,438,530	.35554	3,000,193	.34801	2,937,088	2.1
Wholesale						
City of Long Beach	207,764	-	61,215	-	57,298	6.5
San Diego Gas & Electric	818,182	-	237,098	-	225,432	4.9
Total Wholesale	1,025,946	-	298,313	-	282,730	-
Total System	9,464,476	.34851	3,298,506	.34020	3,219,818	2.4

SoCal relies on certain data from a "Lundberg Survey" as a partial basis for a reduction in interruptible rates. However, as stated in staff's brief:

> "SoCal referred to the results of recent surveys by the Lundberg Company, but made no serious attempt to persuade the Commission to discontinue its historical use of Platt's. Absent more compelling evidence, Platt's should continue to be used to establish alternate fuel based rates."

We agree with staff and adopt the Platt's Oilgram evidence as indicative of alternative fuel prices. The most recent information shows oil prices significantly higher than gas rates. Therefore, no reduction is warranted.

The GN-5 rate was raised in D.91969 and remains at its present level in this decision, based on alternate fuel price information. Edison has pointed out certain deficiencies in staff's data regarding the averaging in of facilities charges in reporting Edison's contract prices. For this reason we base this rate on the same Platt's price information that underlies the other interruptible rates. We also find that the Platt's data more meaningfully shows the value of the oil for purposes of determining whether gas or oil should be burned. Therefore, we set the GN-5 rate at the same level as GN-36 and 46.

IV. Tariff Change

Staff proposes a change in the tariff provision applicable to the lifeline allowance for central facilities. The rationale is as follows:

"Owners of central facilities who provide hot water heating and space heating for lifeline uses of their tenants are not receiving allowances and rates for providing that service. On the other hand, individual tenants receive full lifeline allowances and rates even though some of them are provided hot water and space heating through central facilities. . . . The staff believes that the application of the lifeline concept should result in lifeline rates and appropriate lifeline volumes for those who provide such service. Conversely the lifeline rates and volumes should not be provided to those customers who are provided lifeline service through central facilities."

Staff proposes that an appropriate tariff change be made, to take effect 90 days after the effective date of this order.

Only TURN objects to the tariff change:

"TURN opposes any reduction in any customer's lifeline allowance without prior notice to those affected. Staff's proposal for subsequent notice makes little sense."

TURN suggests instead that SoCal be required to provide notice to all affected tenants prior to its next gas offset proceeding.

We think that TURN misunderstands the problem. The staff recommendation does not "reduce" the lifeline allowance, it simply shifts it to the party providing the associated service. We see no vested interest in maintaining a lifeline allowance for nonexistant uses. There is no allegation by TURN that the remaining lifeline allowance is unreasonable or inadequate. The staff proposal is reasonable and is adopted.

Findings of Fact

1. By A.59929, as amended, SoCal requests authority to reduce its rates by about $127.8 million.

2. SoCal requested that certain issues be deferred, but that an interim order be issued.

3. Based on updated balancing account information and the margin requested by SoCal in A.59316, staff recommends a rate reduction of about $42.5 million.

4. The test year gas supply estimates set forth in Table I are reasonable for the purpose of this decision and are adopted.

5. The margin adopted in D. 92497 in A.59316 and the updated balancing account information provided by staff should be used in developing the revenue requirement in this decision.

6. The resulting revenue requirement is a reduction of $78.7 million from present rates.

7. The rate design criteria adopted in D. 92497 are reasonably applied in this proceeding.

8. The rate design shown in Table III conforms to the criteria adopted in D. 92497 .

9. The wholesale rates are based on the adopted capacity charge and the system average cost of gas, including GEDA and the refund balance.

10. The average residential rate, 2nd tier residential rate, GN-1 and GN-2 rate are set at the same level and by reference to the system average retail rate.

11. The third tier residential rate is the highest on the system and is reduced by the same percentage as the average residential reduction.

12. The GN-32, 36, 42, and 46 rates were not raised in the last SoCal offset proceeding, A.59508, D.91969.

13. The rate reduction should not apply to rate schedules not increased in the last proceeding, absent some compelling consideration.

14. Platt's Oilgram provides the most useful alternate fuel price information.

15. Based on Platt's price information as adjusted by staff, alternate fuel prices are substantially higher than present gas rates.

16. The GN-5 rate is reasonably based on the same alternate fuel price information as GN-36 and 46.

17. The tariff provisions applicable to the lifeline allowance for central facilities should be modified to provide that the party providing the service receives the allowance.

18. In order to provide for timely implementation of the rate reduction, the order should be effective the date hereof.

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

Conclusions of Law

1. SoCal should be authorized to reduce its gas rates as set forth in Appendix A.

2. The lifeline allowance for central facilities should be revised as set forth in Appendix B.

INTERIM ORDER

IT IS ORDERED that on or after the effective date of this order Southern California Gas Company is authorized to file the revised tariff schedules attached to this order as Appendices A and B and cancel its presently effective schedules. The revised schedule of rates and charges (Appendix A) shall become effective not earlier than January 1, 1981, and not less than five days after filing. The revised tariff provision applicable to central facilities (Appendix B) shall become effective in not less than ninety days after filing and not less than sixty days after written notice is provided to each customer. The revised schedules shall apply only to service rendered on or after the effective date thereof.

The effective date of this order is the date hereof.

Dated DEC 5 - 1980, at San Francisco, California.

President

Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX 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	Effective Commodity Rates
Residential						
Tier I (Lifeline b/)	¢ per therm	22.850	.228	1.379	.214	24.671
Nonlifeline						
Tier II	¢ per therm	32.406	.228	1.379	.214	34.229
Tier III	¢ per therm	46.307	.228	1.379	.214	48.128
Nonresidential c/						
GN-1	¢ per therm	32.408	.228	1.379	.214	34.229
GN-2 d/		32.408	.228	1.379	.214	34.229
GN-3:						
GN-32	¢ per therm	36.227	.228	1.379	.214	38.048
GN-36	¢ per therm	33.227	.228	1.379	.214	35.048
GN-4: d/						
GN-42	¢ per therm	36.227	.228	1.379	.214	38.048
GN-46	¢ per therm	33.227	.228	1.379	.214	35.048
GN-5	¢ per therm	33.227	.228	1.379	.214	35.048
Wholesale						
G-60 Capacity	$ per month	$ 269,705	-	-	-	-
G-60 Commodity	¢ per therm	24.428	-	1.379	.214	26.021
G-61 Capacity	$ per month	$1,044,416	-	-	-	-
G-61 Commodity	¢ per therm	24.428	-	1.379	.214	26.021

a/ Effective date of decision.
Note: The Gas Margin included in Base Rates is $706,497,000 (excludes exchange revenue of $3,318,000).

b/ 10 percent 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 26.871/therm.

Southern California Gas Company

Applicant's tariff sheets for Schedules GR and GM are revised to include the addition to Special Condition No. 2 set forth in this appendix.

1. Schedule GR

In multi-family complexes where individual dwelling units receive natural gas service directly from the Utility through separate meters and where water heating service is provided from a separately metered central source, the applicable basic lifeline allowance for each such individually metered dwelling unit will be six therms per month.

Codes	End-Use Per Residence	Monthly Therm Allowance for Climate Zones* 1	2	3
4	Individually metered units served directly by the Utility in a multi-family complex with water heating supplied from a separately metered central source			
	Summer (May 1 through October 31)	6	6	6
	Winter (November 1 through April 30)	61	86	121
5	Individually metered units served directly by the Utility in a multi-family complex with water heating and space heating supplied from a separately metered central source	6	6	6

2. Schedule GM

In multi-family complexes where water heating for each or any of the individually metered residential units is provided from a central water heating source and where such central water heating facility receives natural gas service directly through a separate meter, the basic monthly lifeline allowance applicable to that meter will be 16 therms times the number of dwelling units receiving water heating service from such central facility. Eligibility for service under this provision is available subsequent to notification by customer and verification by Utility.

Codes	Per Qualified Dwelling Unit	Monthly Therm Allowance for Climate Zones*		
		1	2	3
6	Master-metered central source supplying water heating to individually metered units served directly by the Utility in a multi-family complex	16	16	16
7	Master-metered central source supplying water heating and space heating to individually metered units served directly by the Utility in a multi-family complex,			
	Summer (May 1 through October 31)	16	16	16
	Winter (November 1 through April 30)	49	64	85