ORIGINAL

Decision 93190 JUN 10 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY to Increase Revenues Under the Consolidated Adjustment Mechanism to Offset Changed Gas Costs Resulting from Increases in the Price of Natural Gas Purchased from EL PASO NATURAL GAS COMPANY, TRANSWESTERN PIPELINE COMPANY and PACIFIC INTERSTATE TRANSMISSION COMPANY; to Adjust Revenues to Reflect Greater Than Anticipated Collection of Revenues Due to Increases in Natural Gas Supplies; to Adjust Revenues to Reflect Undercollection of Franchise Fees, Uncollectible Expense and California Taxes on Income; to Adjust Revenues to Reflect Increased Carrying Costs on the Value of Natural Gas Stored Underground; and to Revise Section H of the Preliminary Statement of its Tariffs.	Application 60339 (Filed March 9, 1981)

(Appearances are listed in Appendix A.)

INTERIM OPINION

I. Introduction

By Application (A.) 60339 Southern California Gas Company (SoCal) seeks authority to increase gas rates by $229,351,000 to offset increased gas costs, changes in volumes supplied, and to recognize certain proposed adjustments in the ratemaking treatment of associated expenses. The application is SoCal's regular semiannual filing under its Consolidated Adjustment Mechanism (CAM), based on an April 1st revision date.

A duly noticed public hearing was held in Los Angeles on April 27, 28, 29, 30, and May 1, 1981, before Administrative Law Judge Patrick J. Power. In order to develop a complete record on basic CAM issues, certain matters were deferred until a second phase of the proceeding, as discussed below.

SoCal offered the testimony of three witnesses: Robert Ballew, Manager of Budgets and Financial Planning; Robert L. Fowler, Research Engineer; and Marvin Douglas, Manager of Rates and Tariffs. Three witnesses also appeared on behalf of the Gas Branch of the Utilities Division of the Commission staff (staff): Joseph L. Fowler, Jr., Senior Utilities Engineer; James R. Barrett, Associate Utilities Engineer; and Paul A. Grimard, Research Analyst. Also participating were California Manufacturers Association (CMA), Tehachapi-Cummings Municipal Water District (Tehachapi), California Gas Producers Association (CGPA), Toward Utility Rate Normalization (TURN), Southern California Edison Company (Edison), San Diego Gas & Electric Company (SDG&E), the City of San Diego (San Diego), and V. Edward Duncan (Duncan). This matter was submitted for an interim decision upon oral argument on May 1st.

II. Summary

This decision sets rates based on a six-month forecast period, rather than the more typical test year. The shorter period is adopted because of uncertainty over supplies for the remainder of the test year. SoCal's estimates of supplies and sales are adopted. The balancing account balance is amortized over four months, reflecting the time remaining until the next revision date (October 1st).

The increase authorized is $34.9 million over the forecast period ($69.8 million annually if SoCal's sales are used). This increase is the net result of the increase requested by SoCal and a subsequent reduction scheduled for July (the expiration of a factor in the rates set to collect a court ordered refund).

The adopted rate design is based on guidelines adopted by this Commission in SoCal's general rate case, D.92497. Rates for low priority customers are set by reference to alternate fuel prices. Schedules GN-1, GN-2, and the second tier residential rates are increased by the system average percentage. The lifeline rate is unchanged from the present rate, but is nearly 6% higher than the rate that might otherwise prevail, if the rate reduction in July was allowed to be effective. Wholesale rates are derived by formula and are slightly reduced.

The decision also addresses the relative merits of Platt's Oilgram and the Lundberg Survey as sources of alternate fuel price information. Platt's is found to be the more useful.

III. Issues Presented

This decision addresses the typical CAM issues regarding reasonable test year estimates of gas supplies and sales and the corresponding rate design, including the appropriate alternate fuel price reference source. The following issues are deferred to the second phase of this proceeding:

1. Whether SoCal should be allowed recovery of alleged undercollection of Franchise Fees and Uncollectible Expense (F & U) that accrued from August 14, 1978, to September 12, 1979.
2. Whether SoCal should be allowed recovery of additional California income tax paid in 1980 because of large CAM undercollections resulting from alleged delayed rate relief.

3. Whether SoCal should be allowed recovery of certain carrying costs associated with the increased value of fuel oil in inventory.

Any judgment regarding the reasonableness of SoCal's record period procurement practices and balancing account balance is also deferred.

IV. Revenue Requirement

A. Gas Supply

SoCal's application is based on an April 1, 1981, revision date and a future test year ending March 31, 1982. Unlike other recent CAM applications SoCal shows no Canadian (Pacific Interstate-NW) gas volumes in its test year estimate. The only major supply issue is the test year estimate of SoCal purchases from Pacific Gas and Electric Company (PG&E).

SoCal's estimate assumes deliveries from PG&E at the contract maximum for the duration of the test period. Staff assumes deliveries at the contract minimum for the remaining life of the contract (until December 31, 1981) and no deliveries thereafter. The specific estimates are:

SoCal - 592,630 thousand therms (M/th)
Staff - 222,750 thousand therms (M/th)

Staff supports its estimate as based on more recent information derived from the pending PG&E gas offset proceeding, A.60263, most particularly PG&E's own estimate of gas it will have available for SoCal. SoCal supports its estimate as based on its own ability to take gas, and as consistent with recent levels of purchases.

This issue is clouded by SoCal's pending A.59793 regarding inclusion of Pan Alberta gas in CAM, beginning October 1, 1981. Neither SoCal nor staff has included such gas in its test year estimate of supply or sales and its effect is therefore unknown for purposes of this decision. Its availability would apparently result in either additional sales or displaced supplies.

We find that this uncertainty is most reasonably resolved by departing from our normal practice of setting rates based on a future test year. Instead, for purposes of this decision only, we find that a six-month period - April 1st through September 30th - is reasonably adopted as the test period. In this way we defer the matters of the PG&E contract expiration and the effect of Pan Alberta gas to SoCal's next CAM proceeding, based on an October 1st revision date.

In this limited context we find SoCal's estimate of PG&E purchases more reasonable, based on the level of recent purchases and in view of the relatively low high priority demand that prevails during the summer season. However, the pendency of PG&E's proceeding alerts us that the price of gas purchased under the contract is likely to rise soon. In order to avoid the certain undercollection that will otherwise occur, we apply to the sales estimate adopted in this decision the price adopted by this Commission in A.60263. This does not amount to a finding that any particular level of purchases is per se reasonable.

TURN adduced testimony regarding pending federal proceedings and the ultimate El Paso Natural Gas Company (El Paso) price applicable to these purchases. While eventual refunds from El Paso appear likely, SoCal will most probably pay the higher price for the duration of the truncated test period. Therefore, we adopt SoCal's price as reasonable and leave the matter of subsequent refunds or reductions to latter proceedings. The adopted test period estimates of volumes and prices are shown in Table I.

TABLE I

Source	Estimated Purchases M/th	Estimated Cost M/$	Average Price ¢/th
El Paso	3,375,490	790,788	23.427
Transwestern	1,427,400	392,109	27.470
Pacific Interstate-SW	9,030	2,064	22.857
California Sources	134,570	23,283	17.302
Federal Offshore	24,910	2,453	9.847
PG&E	297,250	129,750	43.650
Net Storage	(285,580)	(73,698)	25.806
Company Use	(46,660)	-	-
Unaccounted For	17,948	-	-
	4,954,358	1,266,749	25.568
Franchise Fees and Uncollectibles @ 1.639%		20,762	
PGA Cost of Gas	4,954,358	1,287,511	25.987

(Red Figure)

B. Sales

Two issues emerged regarding sales by customer classes. These are the volumes to be sold to SDG&E and the prospective level of service to the Scattergood No. 3 (Scattergood) electric generating station of the Los Angeles Department of Water and Power.

Regarding SDG&E, the respective estimates are as follows:

SoCal - 914,988 M/th
Staff - 797,111 M/th

Staff supports its estimate as being based on later data furnished to it by SDG&E. The nature of the data was not specified. SDG&E offered no evidence.

This is an unfortunate situation that we resolve in this case by adopting SoCal's estimate, based on the relatively favorable rate treatment afforded SDG&E. We expect that SDG&E will reexamine its requirements in light of the economics prevailing on a companywide basis following this decision and that even later data will control. The relative economics of power plant gas and oil should of course be considered in SDG&E's ECAC proceedings and SDG&E's choice examined in these proceedings.

In order to avoid a recurrence of this type of situation and to conserve our own scarce resources hereafter, SoCal and SDG&E offset proceedings should be heard on a consolidated basis and decided concurrently. The mechanics are simple and obvious. Needless delay and attendant undercollection can be avoided as well as hearing time saved.

Regarding Scattergood, staff argues that SoCal has overlooked the effect of Decision (D.) 92704 whereby Scattergood was reclassified from Priority 5 to Priority 3 and is now served at the GN-32 rate. SoCal argues that staff overstates the volumes and the corresponding revenue associated with Scattergood because it overlooks an alleged economic inefficiency that occurs on account of the higher rate. SoCal points out that no gas was served to Scattergood in April. SoCal's points are well taken. The staff adjustment is not adopted.

C. Refund Factor

SoCal's presently effective rates include a factor of 1.379 cents per therm authorized by D.91969 dated July 2, 1980, to collect funds in order to make refunds under the directive of the California Supreme Court in the case of CMA v PUC (1979) 24 Cal 3d 836. Depending on sales estimates, the factor yields about $130 million annually. Recovery will be effectively complete by July 1981, and SoCal and staff each propose that a rate reduction be scheduled accordingly.

Either proposal might be reasonable if this decision had been timed closely to the April 1st revision date. However, we see no purpose served by a substantial rate increase in June and a substantial rate reduction a month later. Therefore, we have calculated the revenue requirement on a combined basis and provided for a single rate change. The resulting rate increase cannot be compared directly to the relief requested by SoCal in this application because of different effective dates.

The derivation of the adopted rate increase is shown in Table II. The entry "Refund" is calculated to yield approximately the remaining refund requirement. As of the effective date of this order SoCal should net out the refund account by appropriate entries to the CAM balancing account. The retail rates will no longer include a refund component.

TABLE II
($000)

Cost of Gas Purchased	$1,266,749	
F & U at 1.639%	20,762	
Total Cost of Gas		$1,287,511
Margin (six months - exchange revenue excluded)		352,986
Refund		11,214
GEDA		5,189
CAM balance (semiannual basis)	88,709	
CAM F & U at 1.639%	1,454	
Total CAM		90,163
Revenue Requirement		1,747,063
Revenue at Present Rates		1,712,195
Increase (semiannual basis)		34,868
(annualized)		69,787

D. Other Matters

The revenue requirement is calculated based on a F & U factor of 1.639%, as proposed by SoCal and supported by staff. TURN points out this factor may be reviewed further in the second phase of this proceeding and suggests that the previous factor of 1.539% be used. We find such delay unreasonable in light of the staff support for the change which SoCal defends as reasonable, based on higher franchise fees actually paid.

The CAM balance used for the calculation is the recorded balance as of May 31st (based on the testimony of Mr. Ballew), the month-ending date most near the date of this decision. In order to effectively reduce the balancing account we have provided for four months amortization in recognition of the period remaining from the date of this decision.

V. Rate Design

A. Adopted Rates

The adopted rate design is shown in Table III. The adopted rates are based on the guidelines set forth in D.92497, SoCal's recently completed general rate case. Because of the consolidated treatment of the revenue requirement, the adopted rates need to be compared, not only to present rates, but also to rates that reflect the collection of the refund factor. Thus, Table III shows the change from "adjusted rates", present rates reduced by the refund factor on a uniform-cents-per-therm basis, in order to show that every customer class effectively shares in the rate increase authorized by this decision. A summary of the guidelines is attached as Appendix B.

TABLE III

Class of Service	Estimated Sales M/th	Present Rate1/ $/th	Revenue M$	Adjusted Rate2/ $/th	Adjusted Revenue M$	Adopted Rate1/ $/th	Revenue M$	% Change Present-Adjusted	
Residential									
Customer Charge			67,020		67,020		67,020		
Commodity									
Lifeline	672,038	.24564	165,079	.23185	155,812	.24564	165,079	0	5.9
Nonlifeline									
First Block	239,883	.34192	82,021	.32813	78,713	.34978	83,906	2.3	6.6
Excess	209,267	.48021	100,492	.46642	97,606	.49131	102,814	2.3	5.3
Total Residential	1,121,188	.36980	414,612	.35601	399,151	.37355	418,819	1.0	4.9
Commercial-Industrial									
Customer Charge			6,450		6,450		6,450		
GN-1	439,950	.34192	150,428	.32813	144,361	.34978	153,886	2.3	6.6
Ammonia Producers3/	104,470	.26871	28,072	.26871	28,072	.28125	29,382	4.7	4.7
GN-2	376,960	.34192	128,890	.32813	123,692	.24978	131,853	2.3	6.6
GN-32, 42	350,590	.37941	133,017	.36562	128,183	.38929	136,481	2.6	6.5
GN-36, 46	199,990	.34941	69,879	.33562	67,121	.35929	71,854	2.8	7.1
GN-5	1,784,410	.34941	623,491	.33562	598,884	.35929	641,121	2.8	7.1
Total Commercial-Industrial	3,256,370		1,140,227		1,096,763		1,171,027		
Total Retail	4,377,558	.35518	1,554,839	.34172	1,495,914	.36318	1,589,846	2.3	6.3
Wholesale									
Long Beach	116,000		31,678		30,079		31,650	0	5.2
San Diego	460,800		125,678		119,323		125,567	0	5.2
Total Wholesale	576,800		157,356		149,402		157,217		
Total System	4,954,358	.34559	1,712,195	.33209	1,645,316	.35263	1,747,063	2.0	6.2

1/ Excludes CCA.

2/ Present rates adjusted on uniform cents per therm basis to reflect expiration of refund factor on July 5, 1981 pursuant to D.91969.

3/ Test period cost of gas + 10%, pursuant to Public Utilities Code § 741.

The adjusted rates are shown for illustrative purposes only. We find that uniform-cents-per-therm is a rate design method not favored under the guidelines. The refund factor is an accounting convention, it does not reflect the actual rate increase at the time the factor was imposed. (Schedules GN-32, 36, 42, and 46 were not raised, because of alternate fuel price information.) The adjusted rates could reasonably be shown on some other basis that would show a higher percentage borne by the higher priority customers.

SoCal proposed a uniform-cents-per-therm increase (and subsequent reduction). As stated above, such a method is disfavored. Staff proposed an increase in low priority rates only, and a rate reduction to all classes. For comparison purposes the resulting retail rate proposals of SoCal and staff (after the reduction) are shown in Table IV, with the adopted rates. The comparison is limited by the different underlying revenue requirements.

TABLE IV

Class of Service	SoCal $/th	Staff $/th	Adopted $/th
Residential			
Lifeline	.25582	.22971	.24564
Tier II	.35210	.32971	.34978
Tier III	.49039	.51192	.49131
Nonresidential			
GN-1	.35210	.32971	.34978
GN-2	.35210	.32971	.34978
GN-32, 42	.38959	.39686	.38929
GN-36, 46	.35989	.36687	.35929
GN-5	.35989	.36687	.35929
Ammonia Producers	.28724	.27976	.28125

CMA and Edison expressed their preference for rates based on "allocated cost of service." This position has been before the Commission many times. No new arguments were offered that would cause us to reverse what is now a long line of decisions leading to the adoption of the guidelines. In its stead they supported a uniform-cents-per-therm increase, a method that we find distorts rather than preserves rate relationships.

SoCal suggests that the lifeline rate should be higher than the average cost of gas. This facile test is not dispositive. It would make the lifeline rate a function of gas supply choices that yield high-priced gas for the benefit of additional service to low priority customers. It would also distort the effect of the Supply Adjustment Mechanism (SAM) component of CAM. A lifeline increase could occur, even in the case of an overall reduction.

There is also some confusion regarding the application of the guidelines to the wholesale rates. SoCal and staff both found that the retail guidelines resulted in rates that would yield excess revenue and discounted rates accordingly. SDG&E argues that the wholesale rates should be similarly discounted.

We disagree. The wholesale rate guideline is perhaps more in the nature of a formula than a guideline. We see no reason why it should be a function of alternate fuel prices.

The adopted wholesale rate is based on the average cost of gas, the GEDA factor, and a factor calculated to yield the wholesale portion of the remaining refund recollection for the month of June, spread over the test period. The commodity rate is derived as follows:

Avg. Cost of Gas		GEDA		Refund		Rate
.25568	+	.00107	+	.00215	=	.25890

The reduction from the present rate is less than 1%, but again this comparison is misleading because of the treatment of the refund factor.

SoCal proposed to include a F & U factor and to apply a new balancing account to the wholesale rate. We are not inclined to introduce such refinements outside the general rate case where the formula was devised. The balancing account is proposed to recognize deviations from the adopted average cost of gas and the recorded average. For the first few months it would show a net overcollection and would reduce the commodity rate.

We are not persuaded that a balancing account is necessary for this purpose. SoCal should make a more substantial showing of need before such a procedure is adopted. It may be that such a balancing account would require SAM-type features to make it equitable, introducing unwelcome complexity. We have so many balancing accounts now that we are reluctant to provide for another.

San Diego pointed out that staff's proposal produced an anomaly - that on a combined basis wholesale rates would yield 45% of the overall rate increase. Although the adopted rate design renders this concern moot in this proceeding, San Diego should be advised that there is no longer any relevant comparison to be made between the system average increase and the wholesale increase. This is because wholesale customers no longer have a stake in the SAM portion of the CAM procedure, which could foreseeably cause a retail reduction at the time of a wholesale increase.

The guidelines are applied in the following manner in this proceeding. The wholesale rates have been set first, as described above, and the retail revenue requirement determined. The ammonia producer rate has been calculated pursuant to statute. Schedules GN-1, GN-2, and the second tier residential were increased by the retail average percentage, as was the third tier residential rate. Schedules GN-36, GN-46, and GN-5 are set somewhat less than the prevailing alternate fuel prices to reflect three factors: (1) the revenue requirement constraint; (2) a perceived softening oil market; and (3) our preference not to reduce lifeline in the case of an overall increase.

Again we wish to emphasize that this decision effectively raises the lifeline rate over the level that will otherwise prevail shortly. We consider that lifeline had a vested interest in at least a 1.379 cents per therm reduction upon the completion of the refund recollection. Similarly, the wholesale rates are effectively increased.

B. Alternate Fuel Prices

In D.92498 in SoCal's immediately prior CAM proceeding we quoted from the staff brief regarding alternate fuel price information:

> "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."

SoCal responded to staff's invitation with testimony and evidence intended to persuade this Commission that Lundberg data should control. Staff supports continued reliance on Platt's.

SoCal offered a comparison of Platt's and Lundberg data to the price of No. 6 high-sulfur fuel oil collected by the Energy Information Administration (EIA). It made the following observations:

"First, in each of the eight months for which EIA data are available, the Lundberg price range encompassed a greater portion of the EIA price range than did the Platt's price range. Second, in each of the eight months a greater portion of the volumes reported by EIA fell within the Lundberg price range than within the Platt's price range.

"Third, in five of the eight months the Lundberg data came closer to matching the low end of the price range; in one month the Lundberg and Platt's data were virtually identical; and in only two months did the Platt's data more closely match the low end of the EIA price range.

"Fourth, in each of the eight months the low end of the Platt's price range was higher than the low end of the EIA price range. This is particularly significant because of the importance of identifying the low end of the price range at which consumers can purchase fuel oil. Since this same Platt's price information is the foundation upon which this Commission Staff constructs its estimate of the price range for #6 (0.5% sulfur) fuel oil in SoCal's service area, the likelihood exists of overestimating the low end of that price range. Finally, in six of the eight months the Lundberg data came closer to matching the high end of the EIA price range, while the Platt's data did so in only two months."

Based on these criteria SoCal concludes that the Lundberg information more accurately reflects high-sulfur fuel oil prices in SoCal's service area.

In order to derive a low-sulfur fuel oil price, staff adjusts the Platt's high sulfur price data based on the prevailing differential between high- and low-sulfur fuel oil in New York and Boston. SoCal compared this method to high-sulfur/low-sulfur prices published for the Los Angeles area by Oil Buyers' Guide (OBG) and concluded that staff's method is invalid because east and west coast price differences do not correspond. SoCal recommends that Lundberg data be used instead.

Staff responds as follows:

> "Platt's Oilgram is the largest and most widely quoted petroleum price reference source in the industry. Although its quotations are limited to the posted and listed prices for the various petroleum derivatives, it seems to provide a more accurate and responsive reflection of the effective price range of fuel oils than any of the other published price sources. By contrast, the Lundberg Survey, which is preferred by the witnesses for Southern California Gas Company, reports the stated prices paid by a variety of nondescript petroleum buyers in many major cities. This, of course, results in a wider reported price range than that of Platt's Oilgram."

Staff also keeps track of prices from several other sources.

We are not persuaded that the Lundberg data serve a useful purpose. Our reservations are based on SoCal's interpretation of the data, not on any perceived inaccuracy.

We reject SoCal's position that the "low end" of the price range is "important" or even interesting. The "low end" is no more useful in setting gas rates than is the "high end". Our interest is in identifying the prevailing price of fuel oil (rather like the prevailing wage notion in setting truck rates). The Lundberg price range fails in this regard. Ironically, SoCal's showing demonstrates that Platt's range is highly representative in this respect, at least in relation to EIA prices.

The "low end" is particularly unreliable in a market saturated by natural gas. Without additional information we do not know whether a reduced natural gas price will cause a further reduction in the "low end" oil price, resulting in no additional gas sold but a substantial loss in contribution, or, whether increased oil demand will drive up the "low end" of the price range so rapidly that no sales would be lost at the higher natural gas price. The "low end" is unstable, depending perhaps on whether Lundberg made one more phone call. We are unable to reconcile SoCal's insistence on the importance of the "low end" with its position on the appropriate substitution test for discretionary purchases of high-priced natural gas.

Nor are we convinced of the unreasonableness of staff's low-sulfur adjustment. Accepting SoCal's comparison as valid, the differential is only a few cents per therm - not significant in terms of the rates adopted in this proceeding.

We find most reasonable the practice of referencing low priority rates to the prevailing price of low-sulfur fuel oil (constrained by the revenue requirement). Assuming a sufficient revenue requirement, the exact reference point is a function of oil supply conditions, the prospect of lost gas load, and the price of the incremental gas supply.

Findings of Fact

1. By A.60339 SoCal requests authority to increase its rates by about $229.3 million annually.

2. Cetain issues have been deferred to a second phase of this proceeding, reducing SoCal's request for this interim order to about $197 million.

3. SoCal's present rates include a factor of 1.379 cents per therm to recover funds required to be refunded.

4. The refund factor would expire in July 1981, resulting in a rate reduction of about $136 million.

5. Staff proposes a rate increase of about $147 million, followed by a rate reduction in July.

6. There is no purpose served by a large rate increase in June followed by a large rate reduction in July.

7. There is uncertainty regarding SoCal purchases from PG&E following the expiration of the contract.

8. There is uncertainty regarding SoCal purchases from the Pan Alberta project.

9. SoCal's estimate of PG&E purchases is better supported by recent practices.

10. The pending PG&E proceeding, A.60263, should be recognized in the adopted PG&E price.

11. Based on a decision in A.60263, the adopted price is reasonably used in setting rates in this proceeding.

12. SoCal's estimated El Paso price is accurate for setting rates for the test period.

13. SoCal's estimate of sales to SDG&E is reasonable, based on the adopted wholesale rate.

14. Staff's proposed adjustment for Scattergood overstates the effect of D.92704.

15. The refund factor should be eliminated and the refund account closed out.

16. The proposed F & U factor of 1.639% reflects actual franchise fees and should be used in setting rates.

17. The CAM balance recorded as of May 31st should be used in setting rates, because it is the month-ending date closest to this rate change.

18. The balancing account balance should be amortized over the remaining portion of the test year.

19. The resulting revenue requirement is an increase of $69.8 million (annualized) over present rates.

20. The wholesale rates should be derived pursuant to the method adopted in D.92497.

21. The GN-36, 46, and GN-5 rates are reasonably set by reference to alternate fuel prices.

22. The GN-1, GN-2, and 2nd and 3rd tier residential rates are reasonably increased by the retail average percentage increase over present rates.

23. The effect of the elimination of the refund factor is that rates of every customer class are increased by this decision.

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

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

26. The increased rates and charges authorized by this decision are 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. The revenue requirement should be calculated on a combined basis.

2. The revenue requirement should be calculated based on a six-month test period.

3. The rate design guidelines adopted in D.92497 should be applied.

4. SoCal should be authorized to increase its rates as set forth in Appendix C.

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 Appendix B, to be effective not less than five days after filing. The revised schedules shall apply only to service rendered on or after the effective date thereof.

This order is effective today.

Dated JUN 16 1981, at San Francisco, California.

President

Commissioners

APPENDIX A

LIST OF APPEARANCES

Applicant: David B. Follett and Robert B. Keeler, Attorneys at Law, for Southern California Gas Company.

Protestant: Edward Duncan, for himself.

Interested Parties: Brobeck, Phleger & Harrison, by Gordon E. Davis, William H. Booth, and James M. Addams, Attorneys at Law, for California Manufacturers Association; John R. Bury, H. R. Barnes, Susan Macid Beale, L. Cope, and Susan L. Steinhauser, Attorneys at Law, for Southern California Edison Company; Martin E. Whelan, Jr., Attorney at Law, for Techachapi Cummings County Water District; Biddle, Walters & Bukey, by Halina F. Osinski, Attorney at Law, for Western Mobilehome Association; Henry F. Lippitt, 2nd, Attorney at Law, for California Gas Producers Association; John W. Witt, City Attorney, by William S. Shaffran, Deputy City Attorney, for City of San Diego; Graham & James, by Boris Lakusta, David J. Marchant, Thomas J. MacBride, and Linda A. Newman, Attorneys at Law, for Union Chemicals, Division of Union Oil Company of California and SimCal Chemical Company; William L. Reed, Stephen A. Edwards, and Jeffrey Lee Guttero, Attorneys at Law, for San Diego Gas & Electric Company; Harry K. Winters, for the University of California; Vernon E. Cullum, for Long Beach Gas Department; Robert W. Parkin, City Attorney, by Richard A. Alesso, Deputy City Attorney, for City of Long Beach Gas Department; and Michel Florio , Attorney at Law, for Toward Utility Rate Normalization.

Commission Staff: James S. Rood, Attorney at Law, and S. Robert Weissman.

APPENDIX B
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Summary of Rate Design Criteria Adopted in SoCal's Most Recent General Rate Proceeding, D.92497, For Various Classes of Customers

Wholesale Customers

A two-part rate consisting of a commodity rate and a capacity rate was established.

a. The commodity rate was determined by the average cost of gas as used for the PGA procedure and excluded any margin component;

b. The capacity rate was set by using the percentage relationship between the wholesale share of the margin based on the Base Supply and Load Equation allocation methodology and the total proposed margin applied to the margin adopted in the general rate case. The annual capacity charge for SDG&E (but not for City of Long Beach) was reduced by the approximate conservation expenses for SoCal that SDG&E would otherwise have to pay in wholesale rates.

Residential Rates

The customer charge of $3.10 was retained on an interim basis and is still in effect. Also still in effect is the 10% discount on the lifeline blocks served under Schedule GS, pending a final decision on the appropriate level of customer charge. Also:

a. Lifeline rate is set residually in residential rates.

b. Nonlifeline, second-tier rates are set referenced to the average retail rate.

c. Nonlifeline, third-tier rates are set at the highest rate on the system (not to exceed the marginal cost of gas).

d. The average residential rate (including lifeline) shall be referenced to the average retail rate.

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Commercial and Industrial Rates

Priority 1 nonresidential customers (served on Schedule GN-1) are referenced to the average retail rate, excluding wholesale volumes and revenues.

Priority 2 customers (served on Schedule GN-2 except Priority 2A igniter which is served under GN-5) are also referenced to the average retail rate, excluding wholesale volumes and revenues. The primary difference between GN-1 and GN-2 users is volume of use, and there is no rationale for establishing a separate rate for each.

Priority 3 and 4 customers' rates are set with reference to the cost of alternate fuel. Schedules served include GN-32 and GN-42, referenced to the cost of #2 fuel oil and GN-36 and GN-46, referenced to the cost of #6 fuel oil.

Priority 5 customers consisting of steam electric generating plants, utility gas turbines and Priority 2A igniter gas rates served on Schedule GN-5 are referenced to the cost of #6 low sulfur fuel oil, with the rate to Edison set not to exceed 80% of the cost of alternate fuel oil.

APPENDIX C

SUMMARY OF ADOPTED RATES

Statement of Rates - Commodity Rates in c per therm

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[a]	Base Rates[b]	Balancing Account	Refund	GEDA	Effective Commodity Rates[c]
Residential					
Lifeline	22.397	2.06	-	.107	24.564
Tier II	32.811	2.06	-	.107	34.978
Tier III	46.964	2.06	-	.107	49.131
Nonresidential					
GN-1	32.811	2.06	-	.107	34.978
GN-2	32.811	2.06	-	.107	34.978
GN-32, 42	36.762	2.06	-	.107	38.929
GN-36, 46	33.762	2.06	-	.107	35.929
GN-5	33.762	2.06	-	.107	35.929
Ammonia Producers[d]	28.125	-	-	-	28.125
Wholesale					
G-60	25.568	-	.215	.107	25.890
G-61	25.568	-	.215	.107	25.890

a/ See special provisions in each rate schedule.

b/ As of effective date of decision.

c/ Excludes Conservation Cost Adjustment.

d/ Pursuant to Public Utilities Code § 741.