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SEP 8 1995

Decision 95-09-013. September 7, 1995

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

1994 Application of Southern
California Gas Company (U 904 G)
Under the Annual Reasonableness
Review Procedure.)
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)
)

Application 94-06-024
(Filed June 14, 1994)

ORIGINAL

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Michel Peter Florio and Theresa Mueller, Attorneys at Law, for Toward Utility Rate Normalization; Eric Karlson, for Edson & Modisette; Christine Miller, for Barakat & Chamberlin; and Phil Endom, Attorney at Law, and Judy Pau, for El Paso Natural Gas Company, interested parties.

Patrick Gileau, Attorney at Law, and Mark Pocta for Division of Ratepayer Advocates.

O P I N I O N

1. Summary of Decision

A joint motion by applicant Southern California Gas Company (SoCalGas), the Division of Ratepayer Advocates (DRA), and Toward Utility Rate Normalization (TURN) to transfer the few contested issues in this application to other Commission proceedings is granted. This proceeding is closed.

2. Background

SoCalGas filed this reasonableness review application on June 14, 1994, in accordance with the Commission's rate case plan. (Decision (D.) 89-01-040, Appendix D, Table 4). The review period is April 1, 1993 through March 31, 1994. Notice of the application appeared in the Commission's Daily Calendar on June 20, 1994. The Commission received no protest or request for a hearing. SoCalGas seeks three findings for the review period: (1) that gas supply operations were reasonable, (2) that implementation of the

Commission's capacity brokering program was reasonable, and (3) that decisions regarding short-term negotiated gas transportation contracts were reasonable.

According to the rate case plan, DRA should have produced a report by August 29, 1994. DRA did not meet that deadline, but DRA proposed a revised procedural schedule by letter to the assigned administrative law judge (ALJ) dated October 3, 1994. The revised schedule included service of a DRA report, service of intervenor testimony, a prehearing conference, and evidentiary hearings. The Commission received no response to the letter. By ruling dated October 20, 1994, the ALJ adopted DRA's proposal and scheduled a prehearing conference and evidentiary hearings.

DRA served its report on October 27, 1994, and TURN served prepared testimony on November 23, 1994. The prehearing conference was convened and completed on November 29, 1994. At the prehearing conference, the ALJ identified SoCalGas' showing as Exhibit 1, DRA's report as Exhibit 2, and TURN's prepared testimony as Exhibit 3. DRA and TURN identified few contested issues, in part because a recent "global settlement" resolved many reasonableness issues regarding gas procurement contracts, transition costs relating to Pacific Interstate Transmission Company and Pacific Offshore Pipeline Company, and stranded interstate pipeline costs. The Commission reviewed and later approved the global settlement in D.94-04-088 and D.94-07-064.

The active parties have agreed that evidentiary hearings in this matter are not necessary if the contested issues can be removed to other proceedings. At the close of the prehearing conference, SoCalGas, DRA, and TURN presented a joint motion that the Commission take the following procedural steps: (1) receive into evidence Exhibits 1 and 2; (2) submit this application without hearings or briefs, based on the record developed to date; (3) defer consideration of the only two issues raised in TURN's testimony to the next phase of consolidated Application

(A.) 93-09-006 and A.93-09-048, the current Biennial Cost Allocation Proceeding (BCAP) for SoCalGas and San Diego Gas & Electric Company; (4) defer consideration of the only issue raised in DRA's report to the next proceeding in which DRA will review balancing account balances; and (5) defer hours spent by intervenors in this proceeding to the BCAP, for purposes of intervenor compensation. TURN's two issues concern entries to SoCalGas' Economic Practicality Revenue Shortfall (EPRS) account, and SoCalGas' reservation of pipeline capacity for core subscription customers. DRA's issue concerns the appropriate franchise fee and uncollectibles rates beginning January 1, 1994. No party responded to the joint motion.

The ALJ canceled the scheduled evidentiary hearings and on July 19, 1995 issued a ruling adopting transcript corrections.

3. Discussion

We will grant the joint motion and close this proceeding. Because there are few contested issues, and they are related to issues in other proceedings, considering them elsewhere will promote administrative efficiency while preserving the rights of the parties.

TURN's issues of EPRS charges and core subscription reservations are already explicitly assigned to Phase IV in SoCalGas' current BCAP. (D.94-12-052, discussion at mimeo. p. 76; D.95-04-078, discussion at mimeo. p. 2.) Phase IV is not yet set for hearing. The next opportunity for DRA to review SoCalGas' balancing account balances will be in A.95-06-043, filed June 22, 1995. That application covers SoCalGas' operations during the April 1, 1994 through March 31, 1995 review period. As we noted in discussion of the global settlement, we expect reduced controversy in SoCalGas' reasonableness reviews, but SoCalGas must continue to file such applications each year. (D.94-04-088, discussion at mimeo. p. 46.) Because TURN's substantive issues are removed to

the BCAP, it also makes sense to allow TURN to carry forward its hours spent in this proceeding, for compensation purposes.

DRA is the only party to conduct a comprehensive review of the issues for which SoCalGas seeks reasonableness findings. TURN did not make a full review of SoCalGas' operations. (Exhibit 3, A4 at pp. 2-3.) With the exception of SoCalGas' franchise fee and uncollectibles rates, DRA finds that SoCalGas' gas procurement costs and capacity brokering activities during the review period were reasonable. DRA takes no issue with SoCalGas' negotiated short-term transportation contracts. DRA does not recommend any disallowance related to operations and storage activities. DRA concludes that SoCalGas acted reasonably in dealing with abnormal system operating conditions following the Northridge earthquake on January 17, 1994, but DRA did not review costs booked into a related memorandum account.

Because we did not convene evidentiary hearings in this matter, we must rely on the professional expertise and judgment of the DRA. We do so with confidence in DRA's capabilities. Based on DRA's review, we will grant SoCalGas' requests for findings of reasonableness, excepting only the deferred issues identified by DRA and TURN.

Findings of Fact

1. SoCalGas requests three Commission findings regarding the April 1, 1993 through March 31, 1994 review period: (1) that gas supply operations were reasonable, (2) that implementation of the Commission's capacity brokering program was reasonable, and (3) that decisions regarding short-term negotiated gas transportation contracts were reasonable.

2. DRA and TURN identified few contested issues regarding SoCalGas' operations during the review period.

3. Consideration of the contested issues in other proceedings will promote administrative efficiency while preserving the rights of the parties.

4. The joint procedural motion of SoCalGas, DRA, and TURN is reasonable and should be granted.

5. Evidentiary hearings in this matter are not necessary.

6. Excepting issues deferred to other proceedings, SoCalGas' gas supply operations during the review period were reasonable.

7. Excepting issues deferred to other proceedings, SoCalGas' implementation of the Commission's capacity brokering program during the review period was reasonable.

8. Excepting issues deferred to other proceedings, SoCalGas' decisions regarding short-term negotiated gas transportation contracts during the review period were reasonable.

Conclusions of Law

1. TURN's issues regarding EPRS charges and core subscription reservations should be considered in SoCalGas' current BCAP.

2. DRA's issue regarding franchise fee and uncollectible rates should be considered in A.95-06-043.

3. TURN should be authorized to request intervenor compensation in SoCalGas' current BCAP for hours spent in this proceeding.

4. This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. The joint procedural motion of Southern California Gas Company (SoCalGas), the Division of Ratepayer Advocates, and Toward Utility Rate Normalization (TURN) is granted as set forth below.

2. Exhibits 1 and 2 are received into evidence, subject to future cross-examination if it becomes necessary for any reason.

3. Consideration of charges to SoCalGas' Economic Practicality Revenue Shortfall account and of SoCalGas' reservations of pipeline capacity for core subscription customers

during the April 1, 1993 through March 31, 1994 review period is removed to consolidated Application (A.) 93-09-006 and A.93-09-048.

4. Consideration of appropriate franchise fee and uncollectibles rates for SoCalGas during the April 1, 1993 through March 31, 1994 review period is removed to A.95-06-043.

5. TURN is authorized to request intervenor compensation in consolidated A.93-09-006 and A.93-09-048 for hours spent in this proceeding.

6. Excepting issues removed to other proceedings, SoCalGas' requests for findings of reasonableness are granted. The findings are set forth herein.

7. This proceeding is closed.

This order becomes effective 30 days from today.

Dated September 7, 1995, at Los Angeles, California.

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY

Wesley Franklin
Acting Executive Director