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Decision 96-02-073 February 23, 1996

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHERN CALIFORNIA GAS COMPANY)
for authority to revise its rates)
effective April 1, 1994, in its)
Biennial Cost Allocation Proceeding,)

Application 93-09-006
(Filed September 1, 1993)

And Related Matters.)
Application 93-08-022
(Filed August 9, 1993)
Application 93-09-048
(Filed September 23, 1993)

ORIGINAL

(see Decision 94-12-052 for appearances)

OPINION ON PHASE IV
This decision resolves the two issues involved in Phase IV of this biennial cost allocation proceeding (BCAP). The active parties in this proceeding have filed on November 3, 1995, a noncore stipulation and Settlement Agreement (S&SA) which resolves the cost allocation issue associated with the revenue shortfall caused by continued migration of eligible customers from core to noncore status, and modifies the methodology for reserving interstate pipeline capacity for core subscription customers.
The S&SA is the result of a negotiation process which was initiated by Southern California Gas Company (SoCalGas) and a number of parties negotiated during the month of September 1995. On or

In addition to SoCalGas, the resulting agreement was supported by the Division of Ratepayer Advocates (DRA), Toward Utility Rate Normalization (TURN), Southern California Edison Company, San Diego Gas & Electric Company (SDG&E), and Southern California Utility Power Pool/Imperial Irrigation District.

about October 4, 1995, those participants reached an agreement for resolving the issues in Phase IV and a draft S&SA was prepared and circulated for the review, not only of the participants but of other potentially interested parties as well. On October 17, 1995, SoCalGas served a notice that a formal settlement conference would be held on October 26, 1995. At that conference, the draft S&SA was discussed, modifications thereto were agreed upon, and all attending parties indicated their support for the draft agreement as revised. The parties seek approval of the S&SA.

The Settlement Issues

The Settlement Parties propose to resolve the Phase IV issues as follows:

A. Revenue Shortfalls Resulting from Core-to-Noncore Migration

The Settlement Parties recognize that, with the elimination by the Commission in Decision (D.) 93-09-082 of the alternate fuel requirement as a condition of eligibility for noncore service, SoCalGas has continued to experience revenue shortfalls as qualifying core customers transfer to noncore service to take advantage of the lower rates associated with such service. While the revenue shortfalls associated with core-to-noncore migration prior to D.93-09-082 under the earlier standard of "economic practicality" governing noncore eligibility, have already been included in rates as a result of the decision in Phase I of these proceedings adopting a "joint recommendation" of several of these same settlement parties (D.94-12-052, pp 7, 76) it is

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acknowledged by the Settlement Parties that all revenue shortfalls materializing after the abolition of the "economic practicality" nonstandard in D.93-09-082 have been accumulating in a subaccount of the Core Fixed Cost Account (CFCA) (As of July 31, 1995, the accumulated revenue shortfall related to core-to-noncore migration occurring after D.93-09-082 amounts to \$34.2 million).

In order to resolve the controversy regarding the manner in which the revenue shortfall is allocated among customer classes, the Settlement Parties mutually agree as follows: First, upon approval by the Commission of this S&SA, the revenue shortfall shall be transferred from the CFCA subaccount to the Economic Practicality Shortfall Account (EPRS) where it will continue to accrue interest at the authorized three-month commercial paper rate commencing on the date of transfer. The entire balance will also reflect interest on the shortfalls from the outset. All subsequent revenue shortfalls resulting from the transfer of customers from core-to-noncore status will also be accrued with interest in the EPRS.

The EPRS balance will not be amortized in the rates of any customer class as a component of SoCalGas' impending regulatory account update, filing for rates scheduled to become effective on January 1, 1996. Instead, appropriate adjustments in revenue and requirements resulting from the EPRS balance will be incorporated into SoCalGas' next BCAP application which is scheduled to be filed in March 1996.

The Settlement Parties mutually agree that the balance in the EPRS account will be allocated in accordance with the allocation principles adopted by the Commission in D.94-12-052.

The Settlement Parties mutually acknowledge that the allocation principles stipulated to by SoCalGas' DRA and TURN and adopted by the Commission in D.94-12-052 regarding the allocation of the EPRS undercollection require the balance to be recovered 80% from the core market and 20% from the noncore market. This

allocation is reasonable and in the public interest, and is consistent with the treatment of revenue shortfalls accrued prior to D.93-09-082.

B. Reservation of Interstate Pipeline Capacity for Core Subscription Customers

The Settlement Parties mutually agree that, upon approval by the Commission of this S&SA, SoCalGas, effective January 1, 1995, will reserve interstate pipeline capacity for core subscription customers based upon the coincident peak month demand of the core and core subscription classes.

In agreeing that it is desirable to modify SoCalGas' past practice of reserving capacity for core subscription customers on the basis of the noncoincident peak month demand of the core subscription class, the Settlement Parties acknowledge that they have maintained differing interpretations of the Commission's earlier language regarding this issue in D.92-07-025, specifically, the text at pages 30-31, Conclusion of Law 24, and Ordering Paragraph 18.

This difference of interpretation notwithstanding, it is the mutual recommendation of the Settlement Parties that it is in the public interest to determine reservations of pipeline capacity for core subscription customers beginning January 1, 1995, on the basis of coincident peak month, consistent with the Commission's reasoning at pages 30-31 of D.92-07-025.

The instant S&SA fully satisfies the criteria established by the Commission for an all-party settlement in the SDG&E decision, D.92-12-019, the Commission defined its all-party settlement criteria as requiring Commission satisfaction that the Settlement Parties mutually acknowledge the

unanimous sponsorship of all active parties to the instant proceeding, that the sponsoring parties are fairly reflective of the affected interests.

3. That no term of the settlement contravenes statutory provisions or prior Commission decisions.

4. That the settlement conveys to the Commission sufficient information to permit us to discharge our future regulatory obligations with respect to the parties and their interest. (D.92-12-019, at p. 7.)

The Settlement Parties assert that the instant S&SA meets all of the SDG&E criteria for approval.

The Settlement Parties are fully representative of the entire range of affected interests. These parties include SoCalGas' core customer interests (TURN), noncore customer interest (utility electric generator (UEG), wholesale and commercial and industrial customers), and a governmental interest (DRA, which represents the interest of the ratepayers). The Settlement Parties were represented by competent attorneys, technical experts, and senior management personnel. The negotiations were at arms' length with parties free to negotiate on all issues to their best advantage. Clearly, the instant S&SA is supported by parties that are "fairly reflective of affected interests" and encompass the "range of parties ideally positioned to comment on the operation of the utility and ratepayer perception." (D.92-12-019, mimeo., p. 154.)

Findings of Fact

1. The Settlement Parties represent that this S&SA complies with the Commission's requirements for all-party settlements as set forth in D.92-12-019.
2. The S&SA commands the unanimous sponsorship of all active parties to the instant proceeding.
3. The Settlement Parties are fairly reflective of the affected interests.
4. No term of the S&SA contravenes statutory provisions or prior Commission decisions.

5. The S&SA conveys to the Commission sufficient information to permit the discharge of its future regulatory obligations with respect to the parties and their interests.

6. The adoption of this S&SA is in the public interest.

Conclusion of Law

The Commission concludes that the S&SA should be approved.

The Settlement Parties assert that the instant S&SA meets

ORDER

All of the SIXPF criteria for approval. The Settlement Parties are fully representative of the

entire range of affected interests. **IT IS ORDERED that:**

1. The Stipulation and Settlement Agreement filed on November 3, 1995 is approved.
2. Application (A.) 93-09-006, A.93-08-022, and A.93-09-048 are closed.

This order is effective today.

Dated February 23, 1996, at San Francisco, California.

The parties are to negotiate on all issues to their best advantage. Clearly, the instant S&SA is supported by parties that

are "fairly reflective of affected interests" and endorses the "range of interests fairly positioned to comment on the operation of

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President
GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEPPER
Commissioners

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