

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2742
September 10, 1987

R E S O L U T I O N

CP NATIONAL (CPN). ORDER AUTHORIZING IMPLEMENTATION OF OF A GAS REFUND PLAN IN THE AMOUNT OF \$979,569, PLUS APPROPRIATE INTEREST, APPLICABLE TO CPN'S RESIDENTIAL AND COMMERCIAL CUSTOMER'S IN ITS NEEDLES DISTRICT OPERATIONS
(Advice Letter No. C-246-G, filed August 24, 1987)

SUMMARY

By Advice Letter C-246-G filed August 24, 1987, CP National (CPN) requests authorization to implement a refund plan, applicable to its Needles gas operations, for accumulated over-collections of PGA, SAM and CFA balancing accounts. Under this plan refunds will be made in October 1987. The facts are as follows:

BACKGROUND

1. The proposed refund plan reflects the accumulated over-collections by CPN of amounts, plus interest, of three separate balancing accounts mechanisms as shown below:

1) Purchase Gas Adjustment (PGA)	\$459,365.71
2) Supply Adjustment Mechanism (SAM)	\$501,741.36
3) Conservation Financing Adjustment (CFA)	\$ 18,462.01
	Total - \$979,569.08

2. The over-collections are due to the decrease in the cost of gas since CPN's last filing, the growth in customer base and associated their sales, and reduced customer participation in conservation activities. Because of the size of the over-collection, it would take over 12 months to amortize this refund in rates. Therefore a one-time refund is proposed to be made in October 1987.

3. Because all of CPN's customers in Needles are priority 1, refunds to residential and commercial accounts will be made to customers of record during the most recent 12-month billing period. The refund will be calculated based upon the refund rate per therm times the therm sales to the above customers during the 12-month period ending July 31, 1987 or portion thereof.

4. This overcollection has occurred over a period of approximately three years, beginning in 1984. The CFA and SAN balancing accounts were established for CP National's Needles District in 1982.

5. Attachment B prepared from CPN's figures shows the amount refundable as of July 31, 1987. Also shown are the sales therms applicable to the twelve month period and a calculation to derive the refund rate per therm.

6. In its proposed plan CPN is deducting \$11,835.00 from the refundable amount for the cost of administering the refund. CPN also proposes to withhold an additional \$19,591.00 (approximately 2% of the over-collection) as a reserve for refunds to eligible prior customers who are not now customers of record and to make adjustments where amounts to refunds are disputed.

7. The staff of the Evaluation and Compliance Division does not believe that the cost to administering this refund should be charged against the amount of over-collections being returned to the customers. Expenses associated with refunds should be charged to normal operating accounts. Therefore, with the exception of the 2% or \$19,591.00 reserve fund, all over-collections with accrued interest through September 30, 1987, should be refunded.

8. The individual refund amounts are expected to be slightly higher than the \$442 per residential customer and \$3,415 for commercial customers as shown on Attachment B because \$11,835.00 of administrative expenses will not be deducted and the additional accrued interest will be calculated through September 30, 1987. Refunds will be made during the October 1987 billing cycles at which time additional accrued interest through September 30, 1987 will be included in the refund.

9. Refunds to eligible active customers will be made generally in the form of a credit to their October 1987 bills. Residual amounts will then be forwarded by check to the customers' address of record. Refunds to former customers will be prepared using the most recent address available on customer record history. Refunds for customers that cannot be located will be subject to the laws of escheat.

10. CPN will consider and evaluate inquiries from any customer or former customer, through December 1987, who either did not receive a refund or who contend that the refund should have been greater, and will make a refund or refund adjustment as deemed appropriate on a case-by-case basis.

11. Residual amounts from this refund adjustment fund will be returned to the appropriate balancing account for future amortization.

12. This refund plan as modified is similar to prior refund plans by other utilities which have been approved by previous Commission Resolutions.

13. The utility will publish notices of the refund in all local newspapers of general circulation throughout its service area, requesting all who believe they are entitled to a refund to contact CPN. Staff recommends that CPN be required to include a bill insert in its September/October bills explaining the purpose of the refund. In addition, CPN should mail notices of the refund to all former customers within the 12-months ending July 31, 1987 at the last known address.

DISCUSSION

1. The staff of the Evaluation and Compliance Division (E&C) has reviewed the refund plan and with one exception, concludes that it is reasonable and should be implemented in an expeditious manner.

2. E&C takes exception to CPN deducting \$11,835.00 from the over-collections as an administrative expense. It is E&C's recommendation that all over-collections with interest through September 30, 1987, less the 2% reserve for unforeseen claims and refund adjustments, be refunded.

3. Further E&C recommends that CP National be ordered to make a diligent effort as outlined in Paragraph 13 above, to locate all former customers who are eligible for a refund.

FINDINGS

1. This refund plan has been reviewed by the Evaluation and Compliance Division and the Legal Division of the Commission staff, and approval is recommended.

2. We find that this refund plan is just and reasonable and in the best interest of the customers and should be implemented in an expeditious manner. We further find that the staff's recommendations concerning efforts to locate former customers should be adopted.

3. We find that the staff's recommendations to not allow any deductions from the refund amount for administration expenses should be adopted.

THEREFORE:

1. CP National is ordered under Section 453.5 of the Public Utilities Code to implement the modified Gas Refund Plan for its residential and commercial customers in the Needles District commencing during its October 1987 billing cycle.
2. CPN shall refund at least \$959,978.00 including interest accumulated through September 30, 1987 during the month of October, 1987.
3. CP National shall make reasonable efforts to locate former customers in accordance with Paragraph No. 13 above.
4. CP National shall keep records of the refunds and shall submit a report to the Chief of the Energy Branch of the Evaluation and Compliance Division on the disposition of the funds by March 31, 1988. A copy shall also be mailed to the Chief of the Operational Costs Branch of the Public Staff Division. The reports shall also include specific data as to the results of efforts to locate former customers who left the system with the twelve month period ending July 31, 1987.
5. CP National shall give public notice to its customers of this refund in accordance with Paragraph No. 13 above.
6. This Gas Refund Plan for residential and commercial customers in CP National's Needles District shall become effective October 1, 1987.
7. Advice Letter C-246-G and the accompanying Gas Refund Plan shall be marked to show that it was authorized for filing and implementation by Commission Resolution G-2742. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 10, 1987. The following Commissioners approved it:

STANLEY W. HULETT
President
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners



Executive Director

Commissioner Donald Vial, being necessarily absent, did not participate.

N E E D L E S G A S

Estimated Costs of Refund Administration

Processing 9.3 hrs at \$450 per hr.*	\$ 4,185
Programming	500
Supervisory	2,000
Clerical (Report Review)	1,500
Data Entry	3,500
Administrative Reconciliation and Report Submission	<hr/> \$ 11,835
Amount held in reserve for possible refund to prior customers, etc. 2.00% of Estimated Refund	\$ 19,591

* Represents hourly charge for run time on CPN's mainframe computer for refund program.

AMOUNT TO REFUND

July Balances	\$ 979,569.00
SAM, CFA, PGA	
less administrative costs	11,835.00
less reserve	19,591.00
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Refundable Amount	\$ 948,143.00
Therm Sales 12 MTD May 1987	794,768
Refund Rate per therm	\$ 1.19298
Average Residential Refund	\$ 442.06
Average Commercial Refund	\$ 3,415.05