

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
ENERGY BRANCH

RESOLUTION G-2785  
June 17, 1988

**R E S O L U T I O N**

SOUTHERN CALIFORNIA GAS COMPANY (SoCalGas) ORDER  
AUTHORIZING A DECREASE IN THE GAS EXPLORATION AND  
DEVELOPMENT ADJUSTMENT (GEDA) RATE COMPONENT OF THE  
ANNUAL REVENUE REQUIREMENT. ADVICE LETTER 1777, FILED  
MARCH 23, 1988.

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**SUMMARY**

1. This filing requests that the Commission reduce SoCalGas' estimated annual GEDA revenue requirement to \$15.244 million for transition costs. This is a reduction from the previously adopted \$18.4 million annual revenue requirement. The GEDA revenue requirement would then be reconciled in SoCalGas' next cost allocation proceeding scheduled for the spring of 1989. This Resolution grants SoCalGas' request.

**BACKGROUND**

1. GEDA is a ratemaking vehicle that was instituted in 1973, at a time of threatened natural gas shortages. Under GEDA, gas utilities under this Commission's jurisdiction were to seek and obtain gas supplies by exploration for new gas fields and development of proven reserves in existing fields. Ratepayers, not investors, assumed the cost of exploration and development of gas reserves.

2. On September 25, 1973, D.81898 (A.53625) authorized the GEDA program and a procedure by which SoCalGas could annually adjust for over-or under-collections of the costs of authorized GEDA activities.

3. On August 4, 1977, D.93368 (A.59750) authorized GEDA balancing accounts to be subject to review and possible adjustment with respect to reasonable income tax expense to provide net after tax return on unamortized GEDA rate base.

4. SoCalGas was authorized to dispose of all remaining GEDA assets by Commission Resolution G-2715, dated February 11, 1987, pursuant to Decisions 85-11-062, 86-02-032, and 86-08-081.

DISCUSSION

1. By Decision 87-12-039, dated December 9, 1987 issued in OII 86-06-005 and OIR 86-06-006, the Commission adopted an annual GEDA revenue requirement of \$18.4 million for SoCalGas for rate setting purposes and incorporated that revenue requirement into rates scheduled to become effective May 1, 1988.
2. By this Advice Letter, SoCalGas submits for filing revisions in its Gas Exploration and Development Adjustment revenue requirements. SoCalGas' currently revised annual GEDA revenue requirement is estimated to be \$15.244 million, as summarized in Attachment A.
3. This Advice Letter is submitted in accordance with the Decisions noted above.
4. On December 9, 1987, the Commission issued Decision 87-12-039, implementing rate changes. That decision adopted and incorporated transition (1) costs, including an annual GEDA revenue requirement of \$18.4 million. This amount is reflected in rates that became effective May 1, 1988.

PROPOSED RATE TREATMENT

5. An amortization account was established to reconcile forecast and actually incurred transition costs, including GEDA costs. Transition cost rate surcharges were to be reviewed in annual proceedings.
6. Since the GEDA revenue requirement will be subject to transition cost amortization account treatment effective May 1, 1988, the difference between the adopted \$18.4 million revenue requirement and the revised estimate of \$15.244 million can be effectively reconciled in the amortization account of which GEDA is a component.

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(1) The Commission stated the essential idea of transition costs on page 23 of D. 86-12-009:

"The basic concept is founded upon our recognition that there are certain costs that result from the past structure and practices of the gas industry, which are today in excess of a reasonable level, given today's gas market and the new, still evolving industry structure."

In D. 87-12-039 the Commission further stated:

"These (transition) costs date from the era when the utilities bought gas and built their systems with the obligation to serve all types of customers. The purpose of identifying these costs now is to enable them to be shared equally among all current gas users."

7. To avoid multiple rate changes during this period of transition to the rate structure implemented in Decision 87-12-039, SoCalGas requests that the revised GEDA revenue requirement be approved and reconciled in SoCalGas' next cost allocation proceeding scheduled for the spring of 1989.

PROTESTS

1. The Commission has received no protests to this Advice Letter.

FINDINGS

1. The Staff of the Commission Advisory and Compliance Division has reviewed this filing and determined that SoCalGas' request to revise the annual GEDA revenue requirement to \$15.244 million and reconcile the adjustment in the amortization account, with no immediate rate change, is reasonable.

2. Public notification of this filing has been made by supplying copies of the filing to other utilities, governmental agencies and to all interested parties who requested such notification.

3. This filing is in compliance with Commission Decisions 85-11-062, 86-02-032, 86-08-081 where applicable, and in compliance with the intent of Commission Resolution No. G-2715.

THEREFORE, IT IS ORDERED that:

1. Southern California Gas Company is authorized under PU Code Sections 455 and 701 to revise the GEDA revenue requirement as outlined in Decision 87-12-039 from \$18.400 million to \$15.244 million, as submitted in Advice Letter No. 1777.
2. This Advice Letter shall be marked to show that it was accepted for filing by Commission Resolution G-2785. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular scheduled meeting on June 17, 1988.

The following Commissioners approved it:

STANLEY W. HULETT  
President

DONALD VIAL  
FREDERICK R. DUDA  
G. MITCHELL WILK  
JOHN B. OHANIAN  
Commissioners

  
Executive Director

SOUTHERN CALIFORNIA GAS COMPANY

DETERMINATION OF GAS EXPLORATION AND DEVELOPMENT ADJUSTMENT  
1988 ANNUAL REVISION FOR ALL AUTHORIZED PROJECTS

1. Estimates for current year (annual) for Gas Exploration and Development.	M\$	13,193
2. (Over-) or under-collection of Gas Exploration and Development net cost for period.	M\$	1,772 a/
3. Total annual net cost to be received through GEDA. line 1 + line 2	M\$	14,965
4. Gross revenue requirement.	M\$	15,244 b/

a/ Balancing account balance (adjusted) at January 31, 1988

b/ Total annual cost plus franchise fees and uncollectibles expenses based upon a F & U rate of 1.864%.