

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
ENERGY BRANCHRESOLUTION G-2789
SEPTEMBER 14, 1988R E S O L U T I O N

RESOLUTION G-2789 AUTHORIZED SOUTHWEST GAS CORPORATION TO REDUCE RATES FOR NATURAL GAS IN ITS SIERRA DIVISION \$239,400 (3.9%) AND INCREASE RATES FOR NATURAL GAS IN ITS MOJAVE DIVISION \$891,200 (3.0%), BY ADVICE LETTER NO. 399-G, FILED APRIL 1, 1988

SUMMARY

1. Southwest Gas Corporation (SWG) has filed this Advice Letter (AL) to change its rates for natural gas to reflect increased costs of natural gas in accordance with the Purchased Gas Adjustment (PGA) clause. These changes would decrease Sierra Division (Sierra) rates and increase Mojave Division (Mojave) rates. SWG has also incorporated in this AL Balancing Account, Supply Adjustment (CFA) Balancing Account, Supply Adjustment Mechanism (SAM) Balancing Account and the Tax Reform Act (TRA) of 1986 (Balancing Accounts).

2. This Resolution authorizes SWG to continue balancing account treatment of these items and to implement the TRA of 1986, but to defer rate changes until November 1, 1988.

DISCUSSION

1. SWG has submitted this advice letter to revise its Preliminary Statement and Tariff Schedules to reflect increased costs of natural gas, and to its Balancing Accounts.

2. SWG has received notices of increases in the cost of natural gas from both Pacific Gas & Electric Company and Northwest Pipeline Corporation, which are the suppliers to SWG's two local distribution systems. The increased gas costs are reflected in the SAM.

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3. SWG was authorized to track the increased cost of natural gas purchases by Decision (D) 78498 in Application (A) 52428, dated March 30, 1971. This is done through the PGA. Presently there is an overcollection for both districts resulting in a proposed revenue requirement reduction.

4. SWG was authorized to implement the Conservation Financing Adjustment (CFA) balancing account by D.82-10-048, dated October 20, 1982 and D.82-07-096, dated July 21, 1982. Presently there is an undercollection for Mojave and an overcollection for Sierra resulting in a revenue increase and decrease respectively.

5. SWG, as well as other utilities regulated by the CPUC, was ordered by D.88-01-061 dated January 28, 1988 to implement the Tax Reform Act (TRA) of 1986. The resulting lower income tax rates result in a revenue requirement decrease for Sierra. For Mojave, there is also a decrease in taxes due to TRA 86.

6. The Commission Advisory and Compliance Division has reviewed the workpapers, except for those supporting the TRA adjustments, submitted in support of this AL and believes them to be accurate.

7. Pursuant to Ordering Paragraph 14 of D.88-01-061, the utilities' rates are subject to refund and adjustment with interest to account for changes and possible changes to the revenue requirements authorized therein. This includes those changes made as a result of the advice letter filings, memorandum accounts, and balancing account entries mentioned in the other ordering paragraphs of the decision. Therefore, in order to allow sufficient time for CACD review, the advice letter filings should be accepted subject to later adjustment to the extent that they are subsequently determined not to be in compliance with, or to contain adjustments not authorized by, D.88-01-061. The adjustments should be with interest. Supplemental tariff sheets with an explicit statement on adjustment and/or refund will express this provision. The language to be filed in the supplemental sheets is as follows:

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"These rates remain subject to further adjustment and/or refund, with interest, pending Commission review of compliance with Commission Decision No. 88-01-061, pursuant to Ordering Paragraph 14 thereof."

8. The adjustments in revenue requirements are set forth below:

	Sierra	Mojave
	(\$000)	(\$000)
SAM	\$115.6	\$361.6
PGA	(146.0)	(1,581.8)
CFA	(13.7)	136.7
TRA	(92.1)	(327.3)
TOTAL	<u>(\$136.2)</u>	<u>\$1,410.8</u>

* Amounts in parentheses are reductions.

9. SWG mailed copies of this AL on March 31, 1988. The rate adjustments were requested by this Advice Letter to become effective on the date of this Commission's authorization.

10. Senate Bill 987 (Dills) mandates revisions to the baseline gas quantities and rates effective November 1, 1988.

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11. Southwest Gas Corporation will have an attrition adjustment of its natural gas rates effective January 1, 1989.
12. Three rate adjustments in five months could confuse utility customers and add to the utility's administrative expense.
13. No protests to this Advice Letter have been received by CACD.

FINDINGS

1. Costs of natural gas supplied to Southwest Gas Corporation have increased.
2. The rates for natural gas service should be adjusted to amortize the present balances accumulated in the Conservation Fund (CFA) Account, Supply Adjustment Mechanism (SAM) Account and the Purchased Gas Adjustment (PGA) Account.
3. SWG's rates for service should be reduced to reflect the reduced income tax rates resulting from the Tax Reform Act of 1986.
4. The rates for natural gas service may change on November 1, 1988 to reflect revisions in the baseline quantities and rates mandated by SB 987 (Dills).
5. Frequent rate changes are undesirable.
6. The rates should be subject to later adjustment with interest. To the extent they do not comply with or contain adjustments not authorized by our Decisions, until the Commission finally approves them. Supplemental sheets expressing this intent, as stated above, will make this provision explicit.

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THEREFORE IT IS ORDERED that:

1. Southwest Gas Corporation shall file supplemental sheets to defer rate changes authorized by this Resolution until they can be implemented along with the rate revisions mandated by Senate Bill 987 (Dills).
2. The supplemental sheets shall include the provision quoted above to continue the examination of the TRA component of the rate changes.
3. The over or undercollections in Advice Letter 399-G will be recorded in the appropriate balancing accounts.
4. The necessary adjustments, resulting from the balancing accounts, shall be incorporated into the rate adjustments which are to be implemented on November 1, 1988.
5. Southwest Gas Corporation will continue its present balancing account procedure for the accounts discussed in this Resolution.
6. This resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 14, 1988. The following Commissioners approved it:

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



Executive Director