

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
ENERGY BRANCH

RESOLUTION G-2840  
November 9, 1988

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

RESOLUTION G-2840. AUTHORIZES SOUTHERN CALIFORNIA GAS COMPANY (SOCAL GAS) TO DISBURSE THE ACCUMULATED OVERCOLLECTION IN THE AMMONIA PRODUCER SURCHARGE BALANCING ACCOUNT.

SOCAL GAS LETTER FILED SEPTEMBER 7, 1988.

---

**SUMMARY**

1. By Letter dated September 7, 1988 (Attachment B), SoCal Gas requested Commission approval for disbursing the accumulated overcollection in the Ammonia Producer Surcharge Balancing Account. The accumulated overcollection, including interest as of May 31, 1988, totals approximately \$13.5 million, of which \$6.6 million is SoCal's share.
2. SoCal Gas requests that the total authorized refund, of which it has control, be allocated in addition to itself, among the other participating California Gas utilities which are Pacific Gas and Electric, San Diego Gas and Electric, SouthWest Gas, and CP National. This allocation is in proportion to total surcharges collected by the individual utilities. Attachment A summarizes each utility's respective share.
3. In its Letter, SoCal Gas proposed that it distribute to each of the participating utilities its respective share of the refund in the form of a check. For its \$6.6 million share of the \$13.5 million refund, SoCal Gas requests that its portion be applied to the Consolidated Adjustment Mechanism (CAM) balance as of April 30, 1988.
4. The other participating gas utilities will inform the Commission, by letter, as to how their respective shares are to be reallocated.
5. SoCal Gas' request to refund to each of the participating utilities its share of the monies and to apply its portion to the CAM Balance Account is authorized by this Resolution.

**BACKGROUND**

1. Senate Bill No. 1029 (SB 1029), enacted September 29, 1983, amended Section 741 of the Public Utilities Code (PU Code) to require that the rate for gas sold to an ammonia producer would not exceed the price of the utility's marginal gas supply, plus twenty cents (\$0.02/therm) per million British thermal units (MMBtu). SB 1029 also required that a uniform surcharge be collected on all nonresidential natural gas sales in order to recover the revenue deficiency resulting from the legislated rate for gas sold to ammonia producers.
2. The Commission on December 20, 1983, by Resolution G-2570, authorized an ammonia producer surcharge mechanism effective January 1, 1984, to comply with the amendment to Section 741 of the PU Code enacted by SB 1029 for all gas utilities in California. This amendment to Section 741 of the PU Code was to remain in effect until January 1, 1987 when it would be repealed unless the statute was extended by further legislative action. Proponents of the statute took no action to extend the provisions of Section 741 and it expired.
3. During the effective dates of this subsidy procedure, the only active ammonia producer in California was the Brea Chemical Division of UNOCAL, a customer of SoCal Gas. The surcharge was intended to recover revenue shortfalls defined as the difference between the ammonia producer rate in effect on December 31, 1983 and the revised producer rates authorized by the Commission after December 31, 1983. By statute, the ammonia producer rate after December 31, 1983 was to be set at the price of SoCal Gas' marginal gas supply plus \$0.20/MMBtu (\$0.02 per therm).

#### PROTESTS

1. No protests were received regarding this Letter.

#### DISCUSSION

1. SoCal Gas requests approval for disbursing the accumulated overcollection in the Ammonia Producer Surcharge Balancing Account. SoCal proposes to refund each of the participating utilities its respective share in the form of a check. SoCal requests that its \$6.6 million refund be credited to the Consolidated Adjustment Mechanism (CAM) Balancing Account as of April 30, 1988.
2. The Commission Advisory and Compliance Division (CACD) has reviewed this letter and finds SoCal Gas' request for applying its portion to the CAM balance to be reasonable. Since the surcharge was originally implemented through the CAM Balancing Account, it is appropriate that the refund be implemented through the same balancing account.

3. SB 1029 required that the Ammonia Producer Surcharge be paid by nonresidential customers other than ammonia producers. Therefore, CACD recommends that SoCal Gas' refund go to its nonresidential customers excluding ammonia producers.
4. In addition, CACD Staff agrees with SoCal's request to reimburse each participating utility's share of the refund in the form of a check. See Attachment A for each utility's share of this refund. The participating utility will then be responsible for informing the Commission, by letter, as to how it proposes to disburse its share back to its customers.
5. Copies of this proposed refund have been sent by SoCal to other utilities and interested parties.

FINDINGS

1. The conditions proposed by SoCal for the disbursement of the accumulated overcollection in the Ammonia Producer Surcharge Balancing Account are just and reasonable provided that SoCal refunds its share to its nonresidential customers excluding ammonia producers.

THEREFORE, IT IS ORDERED that:

1. Southern California Gas Company is authorized to refund to each participating utility its share of the \$13.5 million by check.
2. Southern California Gas Company is authorized to apply its share to the Consolidated Adjustment Mechanism Balancing Account as of April 30, 1988. The refund shall be made to nonresidential customers, excluding ammonia producers.
3. This Letter shall be marked to show that it was authorized by Resolution G-2840 and became effective on and after November 9, 1988.
3. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on November 9, 1988. The following Commissioners approved it:

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

  
Executive Director

ATTACHMENT A

RESOLUTION G-2810

CALIFORNIA AMMONIA PRODUCERS SUBSIDY/SURCHARGE BALANCING ACCOUNT

UTILITY	COLLECTIONS, M\$	INTEREST, M\$	TOTAL COLL & INT, M\$	REQUIRED SURCHARGE	REFUND, M\$
SO CAL GAS	(12,547)	(693)	(13,230)	(6,580)	(6,650)
SDG&E	(1,451)	(79)	(1,530)	(761)	(769)
PG&E	(11,459)	(624)	(12,083)	(6,010)	(6,073)
SW GAS	(41)	(2)	(43)	(21)	(22)
CP NATIONAL	(17)	(1)	(18)	(9)	(9)
	<u>(25,515)</u>	<u>(1,399)</u>	<u>(26,904)</u>	<u>(13,381)</u>	<u>(13,523)</u>

RECEIVED

8176

ATTACHMENT B

SOUTHERN CALIFORNIA



SEP 9 1988

Energy Branch  
COMPANY

810 SOUTH FLOWER STREET • LOS ANGELES, CALIFORNIA

ROY M. RAALINGS  
Vice President

MAILING ADDRESS: BOX 3249 TERMINAL ANNEX, LOS ANGELES, CALIFORNIA 90051

September 7, 1988

U 904 G  
Proposal No. 88-22

Public Utilities Commission  
State of California  
State Building  
505 Van Ness Avenue  
San Francisco, CA 94102

Attention: Mr. Jeffrey P. O'Donnell  
Chief, Energy Branch

Gentlemen:

Southern California Gas (SoCalGas) requests Commission approval for disbursing the accumulated overcollection in the Ammonia Producer Surcharge balancing account. The total accumulated overcollection, including interest as of May 31, 1988, is approximately \$13.5 million.

SoCalGas requests that the total authorized refund be allocated among the participating California gas utilities in proportion to total surcharges collected by the individual utilities. Attached is a table summarizing the total surcharge collections since 1984, including interest accrued thereon. The resulting allocation to each utility shown on the table is based on the above described method.

SoCalGas' share of the refund is approximately \$6.5 million. It is proposed that this amount be applied to the Consolidated Adjustment Mechanism (CAM) balance as of April 30, 1988, which was subsequently allocated to the core and noncore market sectors in accordance with the cost allocation authorized by Decision No. 87-12-039, dated December 9, 1987.

This proposal has been reviewed by the Commission Staff and returned to SoCalGas for filing by letter dated August 26, 1988.

Background

Senate Bill No. 1029 (SB 1029), enacted September 29, 1983, amended Section 741 of the Public Utilities Code (Code) to require that the rate for gas sold to an ammonia producer would not exceed the price of the utility's marginal gas supply, plus twenty cents per MMBtu. SB 1029 also required that a uniform surcharge be collected on all non-residential natural gas sales in order to recover the revenue deficiency resulting from the legislated rate for gas sold to ammonia producers.

By Resolution G-2750, dated December 20, 1983, the Commission authorized an ammonia producer surcharge mechanism effective January 1, 1984, to comply with the amendment to Section 741 of the Code enacted by SB 1029 for all gas utilities in California. The amendment to Section 741, of the Code was to remain in effect until January 1, 1987 and was to be repealed thereupon unless the statute was extended by further legislative action. Proponents of the statute took no action to extend the provisions of Section 741 and the statute has expired.

During the effective dates of this subsidy procedure, the only active ammonia producer in California was the Brea Chemical Division of UNOCAL, a customer of SoCalGas. The surcharge was intended to recover revenue shortfalls defined as the difference between the ammonia producer rate in effect on December 31, 1983 (\$4.5243/MMBtu) and the revised ammonia producer rates authorized by the Commission subsequent to December 31, 1983. By statute, the ammonia producer rate subsequent to December 31, 1983, was to be set at the price of SoCalGas' marginal (swing source) gas supply plus \$0.20/MMBtu.

SoCalGas therefore, having previously reviewed this proposal with the Commission Staff and discussed and reached agreement on this issue with the other California gas utilities, requests expedited Commission approval of this proposal.

Copies of this proposal have been provided to parties on the General Order 96-A mailing list, attached.

Very truly yours,

*Ray M. Rawlings/p.j.*

Attachment