

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Energy Branch

RESOLUTION G-2919  
August 8, 1990

R E S O L U T I O N

RESOLUTION G-2919. SOUTHWEST GAS CORPORATION REQUEST TO REVISE: (1) THE GAS RATES APPLICABLE TO THE SAN BERNARDINO RATE AREA AND; (2) THE SURCHARGES FOR THE PURCHASED GAS ADJUSTMENT AND THE SUPPLY ADJUSTMENT MECHANISM BALANCING ACCOUNTS IN ORDER TO OFFSET THE COST OF GAS PURCHASED FROM PACIFIC GAS AND ELECTRIC COMPANY. THIS WOULD RESULT IN AN INCREASE IN REVENUE REQUIREMENTS OF \$11,881,924 OR 27.12% BASED ON THE BALANCE IN EACH ACCOUNT AS OF APRIL 30, 1990. THE UTILITY ALSO SEEKS TO AMORTIZE THE BALANCE IN EACH BALANCING ACCOUNT OVER A 24 MONTH PERIOD AND TO ELIMINATE THE CONSERVATION FINANCING ADJUSTMENT SURCHARGE.

ADVICE LETTER 417, FILED JUNE 1, 1990

SUMMARY

1. By Advice Letter 417, Southwest Gas Corporation (SWG) seeks to revise the Preliminary Statements and Rate Schedules, applicable to the San Bernardino County Rate Area to reflect a change in rates caused by increases in the cost of gas purchased from SWG's supplier, Pacific Gas & Electric Company (PG&E).
2. This filing also seeks to revise the Purchased Gas Adjustment (PGA) and the Supply Adjustment Mechanism (SAM) surcharge balances in the balancing accounts as of April 30, 1990. In order to reduce the shock of the increase, SWG is requesting waiver to amortize the PGA and SAM balancing accounts over a 24-month period, rather than the normal 12-month period.
3. The overall additional revenue requirement sought by SWG caused by the increased cost of gas from PG&E and the amortization of the PGA and SAM balancing accounts, is an increase in revenue of \$11,881,924, or 27.12% from that produced by the present rates, over a two year period, beginning April 30, 1990.
4. This resolution grants SWG's request to revise the specified gas tariffs, effective August 8, 1990.

BACKGROUND

1. The latest increase in PG&E gas transportation rates became effective on April 19, 1990, pursuant to Ordering Paragraph 1 of Decision (D.)90-04-021 in Application (A.)89-08-024.

2. The currently effective Base Tariff Rates, the Average PGA and SAM components of rates for San Bernardino County have all been in effect since January 1, 1990 and were all filed by Advice Letter 414 in compliance with the provisions of D.89-11-068, Ordering Paragraph 10 of November 22, 1989, in A.89-05-037.

2. The currently effective PGA rates contain a surcharge of a negative \$0.01546 per therm, excluding adjustments for franchise taxes and uncollectibles accounts expense, for the purpose of amortizing the Gas Cost Balancing Account. The currently effective SAM rates contain a surcharge of a negative \$0.02788 per therm, also excluding adjustments for franchise fees and uncollectibles account expense, which is to amortize the Supply Adjustment Balancing Account.

NOTICE

1. Public notice of this filing was given in the Commission calendar for June 6, 1990 and by mailing copies of it to other utilities, governmental agencies and to all interested parties who specifically requested it. None of the above parties received workpapers on this filing. Publication of SWG's filing has been made in newspapers of general circulation in San Bernardino County.

PROTESTS

1. No protests have been filed with respect to this advice letter. On June 21, 1990, the Commission's Division of Ratepayer Advocates (DRA) recommended that approval of this filing be made conditional to a subsequent review and audit by DRA as part of SWG's next general rate case proceeding.

DISCUSSION

1. The total revenue increase request by SWG is \$11,881,900. The derivation of this revenue requirement is shown in Attachment A. This amount is comprised of:

- (1). An increase in the cost of gas from PG&E of \$5,395,600 (\$0.06112 per therm), and
- (2). An increase of \$6,486,300 because of a change in the amounts amortized from the PGA and SAM balancing accounts.

2. The amount being amortized in the PGA and SAM balances in this advice letter is \$3,087,500 on an annual basis compared to a \$3,398,800 overcollection which is currently reflected as a negative adjustment in rates. This results in an increase in revenue of \$6,486,300 because of changes in the PGA and SAM accounts.

3. In order to amortize the PGA and SAM Balancing Accounts over a 24-month period, SWG proposes to revise the respective surcharges (\$/therm) as shown in the following table:

(negative)			
<u>Balancing Account</u>	<u>Present Surcharge</u>	<u>Proposed Surcharge</u>	<u>Difference</u>
PGA	(0.01546)	0.02899	0.04445
SAM	(0.02788)	0.00349	0.03137
Total Surcharge	(0.04334)	0.03248	0.07582

The total revised surcharge, adjusted for franchise fees and uncollectibles, and adjustment for Low Income Rate Assistance (LIRA) is \$0.03673. (Attachment B).

4. In addition, base rates are increased in proportion with annual sales to reflect the rate increases from PG&E. (Attachment C). The summary of present and proposed rates and revenues by rate schedule is shown in Attachment E.

5. SWG also proposes to eliminate the current Conservation Financing Adjustment (CFA) surcharge applicable to the San Bernardino County Rate Area. This rate revision is made in accordance with the guidelines established in its last General Rate Case (GRC) Application 88-02-003, filed February 3, 1988. As a part of this advice letter, SWG has transferred the April 30, 1990 balance in the CFA balancing account to the PGA Balancing Account (Attachment B).

6. The net result of these rate revisions will be an increase in average monthly bills to the customers ranging from

20.0% to 30.0%. A comparison of typical residential bills both summer and winter is shown as Attachment D.

7. SWG states that Advice Letter 417 conforms with the provisions and rate design guidelines established in D.88-12-081, Appendix B, dated December 19, 1988 in A.88-02-003.

8. This Advice Letter filing has been reviewed by the Commission Advisory and Compliance Division (CACD). CACD believes that the rate increase requested by SWG is justified and that the rate design criteria conforms with those established in D.88-12-081, Appendix B. DRA has not audited the PGA or SAM Balancing Account balances, but accepts them subject to subsequent review in SWG's next GRC filing. DRA has not made its assessment of the appropriateness of SWG's request to eliminate the CFA surcharge and transfer of this balance to the PGA balancing account. DRA may audit and attempt to litigate these issues in SWG's next GRC.

9. The utility requested an effective date forty days after the date of filing, July 10, 1990. The need for review has delayed presenting this matter to the Commission. CACD recommends that this Resolution should be effective immediately.

#### FINDINGS

1. The rate increases are just and reasonable to offset increased cost of gas from the utility's supplier and to amortize undercollected balancing accounts for both PGA and SAM.

2. Approval of this rate increase should be made conditional upon subsequent audit by DRA during SWG's next General Rate Case proceeding.

3. SWG's proposal to eliminate the CFA surcharge applicable to the San Bernardino County rate area should be approved conditional upon further audit by DRA at the next GRC proceeding.

4. SWG's proposal to deviate from filed tariffs and amortize the balancing accounts over a 24 month period rather than 12 months will reduce the effect of the rate increase on the customers and is reasonable.

5. Any under-collection occurring due to delaying the implementation of these rate revision until this date will flow into the respective balancing accounts and will be addressed at the time of SWG's next GRC proceedings.

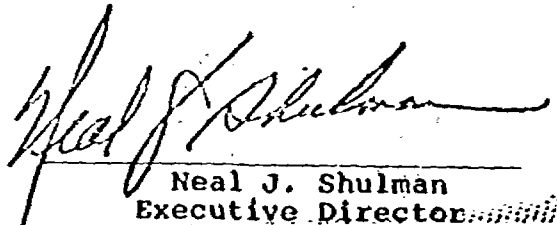
August 8, 1990

THEREFORE, IT IS ORDERED that:

1. Southwest Gas Corporation is authorized under the provisions of Sections 454 and 490 of the Public Utilities Code to place the tariff sheets filed with Advice Letter 417 into effect immediately.
2. Approval to place these tariff sheets into effect is granted conditional subject to a reasonableness review by the Division of Ratepayer Advocates at the utility's next General Rate Case proceeding.
3. Any over collections that might be discovered by a subsequent reasonableness review will be subject to refund.
4. Advice Letter 417 and all accompanying tariff sheets shall be marked to show that they were approved for filing by Resolution G-2919.
5. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on August 8, 1990. The following Commissioners approved it:

G. MITCHELL WALK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
Commissioners

  
Neal J. Shulman  
Executive Director

Attachment A

SOUTHWEST GAS CORPORATION  
 SOUTHERN CALIFORNIA DIVISION  
Calculation of Revenue Requirement

<u>Description</u>	<u>Amount (\$)</u>
Total Cost of Purchased Gas	27,638,422
Plus:PGA Balancing Acct. @ 4/30/90 (1)	<u>2,461,816</u>
Subtotal	30,100,238
Franchise Fees & Uncoll. (at 1.3960%)	<u>420,199</u>
Subtotal	30,520,437
SAM Balancing Acct. @ 4/30/90 (2)	296,255
Base Cost Amount	<u>24,881,263</u>
Total Revenue Requirement	55,697,955
Revenue at Present Rates	<u>43,816,031</u>
Increase	<u>11,881,924</u> =====

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[1]PGA Balance X	Attrition Yr. Sales D.88-12-081	84,929,149
	----- = 4,923,631 X-----	
	Est. 2(Sales Jan. to Dec. 1990)	169,859,298
[2]SAM Balance X	Attrition Yr. Sales D.88-12-081	84,929,149
	----- = 592,509 X-----	
	Est. 2(Sales Jan. to Dec. 1990)	169,859,298

Attachment B

SOUTHWEST GAS CORPORATION  
 SOUTHERN CALIFORNIA DIVISION  
Computation of Balancing Account Adjustments

<u>Description</u>	<u>Amount</u>
<u>Purchased Gas Cost Adjustment</u>	
PGA Balancing Account @ 4/30/90	\$ 4,923,631
Plus: Fran. Fees & Uncoll. @ 1.3960%	68,734
Total Revenue Required	4,992,365
Estimated Sales (Therms) (1)	169,858,298
Rate Required (Total Rev. Req./Sales)	\$0.02939/th.
Surcharge Excluding F. & U. (PGA/Sales)	0.02899/th.
-----	
<u>Supply Adjustment Mechanism</u>	
SAM Balancing Account @ 4/30/90	\$ 592,509
Estimated Sales (Therms) (1)	169,858,298
Surcharge (SAM Bal. Acct./Sales)	\$0.00349/th.
-----	
<u>Low Income Rate Assistance Adjustment (3)</u>	
LIRA Balancing Account @ 1/1/90	
LIRA Program Rate Credit	\$ 211,439
LIRA Program Administrative Cost	90,068
Plus: Fran. Fees & Uncoll. @ 1.3960%	1,257
Total Revenue Required	\$ 302,764
Estimated Sales (Therms) (2)	78,688,447
Rate Required (Total Rev. Req./Sales)	\$0.00385/th.
Surcharge Excluding F & U	0.00383/th.
Total PGA, SAM & LIRA Surcharge	\$0.03673/th.

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- [1] Est. at twice the 1990 Attrition year sales.
  - [2] Est. 1990 Attrition year sales less: LIRA, cogeneration, electric generation and special contracts.
  - [3] Authorized by Advice letter 414

Attachment C

SOUTHWEST GAS CORPORATION  
SOUTHERN CALIFORNIA DIVISION  
Weighted Average Cost of Gas

<u>Description</u>	<u>Billing Units</u>	<u>PG&amp;E Rates(1)</u>	<u>Purchased Gas Cost</u>	<u>Ave. Cost per Therm</u>
Transmission Line Purchases, PG&E Rate Schedule G-63				
Sale in Therms (2)	84,929,149			
LAUF Gas @ 3.9440¢	<u>3,349,84</u>			
Total Purchases	88,278,733			
PG&E Ann. Demand Charge		\$6,063,100	\$ 6,063,100	
PG&E Volumetric Charge		\$0.01275	1,125,554	
PG&E Core Procurement Rate		\$0.23165	<u>20,449,768</u>	
Total Purchased Gas Cost			\$27,638,422	
Average Cost of Purchased Gas (Cost/Purchase)				\$0.31308

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(1) PG&E Rates Effective 4/19/90

(2) 1990 Attrition Year Sales authorized in D.88-12-081



SOUTHWEST GAS CORPORATION  
 SOUTHERN CALIFORNIA DIVISION  
 Typical Monthly Bill Comparison  
Residential Gas Service--Winter Comparison

Barstow District

<u>Monthly Therms</u>	<u>Present Rates [1]</u>	<u>Proposed Rates [2]</u>	<u>Increase</u>	<u>Percent</u>
5	\$ 6.34	\$ 7.30	\$ 0.96	15.1%
15	10.51	13.39	2.88	27.4
25	14.69	19.48	4.80	32.7
55	27.21	37.76	10.55	38.8
74	37.69	51.25	13.56	36.0
150	93.62	115.71	22.09	23.6
200	130.41	158.11	27.70	21.2

Victorville District

5	\$ 6.34	\$ 7.30	\$ 0.96	15.1%
15	10.51	13.39	2.88	27.4
25	14.69	19.48	4.80	32.7
55	27.21	37.76	10.55	38.8
74	37.05	50.77	13.72	37.0
150	92.98	115.23	22.25	23.9
200	129.79	157.63	27.86	21.5

Big Bear District

5	\$ 6.34	\$ 7.30	\$ 0.96	15.1%
15	10.51	13.39	2.88	27.4
25	14.69	19.48	4.80	32.7
55	27.21	37.76	10.55	38.8
74	35.14	49.34	14.20	40.4
150	87.89	111.14	23.52	26.8
200	124.68	153.81	29.13	23.4

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 [1] Present Rates Effective 1/1/90:

Basic Service Charge	\$ 4.25
Commodity Charge per therm	
Baseline	\$0.41746
Tier II	\$0.73590

[2] Present Rates:

Basic Service Charge	\$ 4.25
Commodity Charge per therm	
Baseline	\$0.60929
Tier II	\$0.84813

SOUTHWEST GAS CORPORATION  
 SOUTHERN CALIFORNIA DIVISION  
 Typical Monthly Bill Comparison  
Residential Gas Service--Summer Comparison

Barstow District

Monthly Therms	Present Rates [1]	Proposed Rates [2]	Increase	Percent
5	\$ 6.34	\$ 7.30	\$ 0.96	15.1%
15	10.51	13.39	2.88	27.4
25	17.55	21.63	4.08	23.2
35	24.91	30.11	5.20	20.9
50	35.95	42.84	6.89	19.2

Victorville District

5	\$ 6.34	\$ 7.30	\$ 0.96	15.1%
15	10.51	13.39	2.88	27.4
25	17.55	21.63	4.08	23.2
35	24.91	30.11	5.20	20.9
50	35.95	42.84	6.89	19.2

Big Bear District

5	\$ 6.34	\$ 7.30	\$ 0.96	15.1%
15	10.51	13.39	2.88	27.4
25	15.00	19.72	4.72	31.4
35	22.36	28.20	5.84	26.1
50	33.40	40.92	7.52	22.5

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 [1] Present Rates Effective 1/1/90:

Basic Service Charge	\$ 4.25
Commodity Charge per therm	
Baseline	\$0.41746
Tier II	\$0.73590

[2] Present Rates:

Basic Service Charge	\$ 4.25
Commodity Charge per therm	
Baseline	\$0.60929
Tier II	\$0.84813

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DOCUMENTS ARE

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SOUTHWEST GAS CORPORATION  
SOUTHERN CALIFORNIA DIVISION  
Summary of Present and Proposed Rates and Revenues by Rate Schedule:

Description	Rate Schedule	Annual Number of Bills	Sales Volumes (therms)	Rates Effective January 1, 1990 (1)		Proposed Rates (2)		Increase	
				Rates	Revenues	Rates	Revenues	Dollar	Percent
<b>Residential Gas Service</b>									
<b>Primary</b>									
Basic Serv. Ch.	G-1	840,202		\$ 4.25	\$3,570,859	25.00	29,100	\$ 0	0.00%
Basic Serv. Ch. GS & GN		1,164		25.00	29,100			0	0.00
Comm. Ch. per Th.						0.60468	19,894,694	6,311,436	46.46%
Baseline			32,901,194	0.41285	13,583,258	0.84352	12,598,721	1,616,195	15.19
Tier II			14,935,358	0.73129	10,922,078		\$36,092,926	\$7,987,631	28.42%
<b>Total Primary</b>		<b>841,366</b>	<b>47,836,552</b>		<b>\$28,105,294</b>				
<b>Secondary</b>									
Basic Serv. Ch.	G-1H	107,639		\$ 4.25	\$ 457,721			\$ 0	0.00%
Comm. Ch. per Th.						0.05790	3,028,167	720,562	23.73
All Usage			3,529,744	0.65376	2,307,695		\$3,405,888	\$ 720,562	26.66%
<b>Total Secondary</b>		<b>107,639</b>	<b>3,529,744</b>		<b>\$ 2,765,396</b>		<b>\$39,578,814</b>	<b>\$8,708,193</b>	<b>20.21%</b>
<b>Total Residential</b>		<b>949,005</b>	<b>51,366,296</b>		<b>\$30,870,621</b>				
<b>Commercial Gas Service</b>									
Basic Serv. Ch.	GN-1	60,034		\$10.00	\$ 600,340	\$10.00	\$ 600,340	\$ 0	0.00%
Comm. Ch. per Th.						0.50135	7,349,192	1,423,958	24.01
All Usage			14,658,819	0.40421	\$ 5,925,241		\$7,949,539	\$1,423,958	21.02%
<b>Total Commercial</b>		<b>60,034</b>	<b>14,658,819</b>		<b>\$ 6,525,581</b>				
<b>Cogeneration Gas Service</b>									
Basic Serv. Ch.	GN-2	36		\$75.00	\$ 2,700	\$75.00	\$ 2,700	\$ 0	0.00%
Comm. Ch. per Th.						0.36926	\$1,404,969	\$ 317,817	29.23
All Usage			3,804,822	0.28573	1,087,152		\$1,407,669	\$ 317,817	29.16%
<b>Total Cogeneration</b>		<b>36</b>	<b>3,804,822</b>		<b>\$ 1,089,852</b>				
<b>Industrial Gas Service</b>									
Basic Serv. Ch.	GN-3	72		\$75.00	\$ 5,400	\$75.00	\$ 5,400	\$ 0	0.00%
Comm. Ch. per Th.						0.39196	\$5,630,766	\$1,370,197	22.16
All Usage			14,365,665	0.29658	4,260,569		\$5,636,166	\$1,370,197	22.12%
<b>Total Industrial</b>		<b>72</b>	<b>14,365,665</b>		<b>\$ 4,265,969</b>		<b>\$64,572,187</b>	<b>\$11,020,165</b>	<b>27.65%</b>
<b>Total This Page</b>		<b>1,009,207</b>	<b>84,195,602</b>		<b>\$42,752,023</b>				

(1) Advice Letter No. 414  
(2) Excluding CPUC and LIRA surcharge

SOUTHWEST GAS CORPORATION  
SOUTHERN CALIFORNIA DIVISION  
Summary Of Present And Proposed Rates And Revenues By Rate Schedule

Description	Rate Schedule	Annual Number of Bills	Sales Volumes (therms)	Rates Effective January 1, 1970 (1)		Proposed Rates		Increase	
				Rates(1)	Revenues	Rates(2)	Revenues	Dollar	Percent
<b>Electric Generation Gas Service</b>									
Basic Serv. Ch.	GH-5	0		\$500.00	\$ 0	\$500.00	\$ 0	0	0.00%
Comm. Ch. per Th.									
All Usage			0	0.28573	\$ 0	0.36926	\$ 0	0	0.00%
<b>Total Electric Generation</b>		<b>0</b>	<b>0</b>		<b>0</b>		<b>0</b>	<b>0</b>	<b>0.00%</b>
<b>Internal Combustion Engine Gas Service</b>									
Basic Serv. Ch.	GH-6	360		\$ 25.00	\$ 9,000	\$ 25.00	\$ 9,000	0	0.00%
Comm. Ch. per Th.									
All Usage			732,805	0.36460	267,181	0.48307	362,996	95,815	32.49%
<b>Total Int. Comb. Eng.</b>		<b>360</b>	<b>732,805</b>		<b>\$ 276,181</b>		<b>\$ 362,996</b>	<b>\$ 86,815</b>	<b>31.43%</b>
<b>Standby Gas Service</b>									
Basic Serv. Ch.	GH-7	0		\$ 10.00	\$ 0	\$ 10.00	\$ 0	0	0.00%
Comm. Ch. per Th.									
All Usage			0	0.55842	\$ 0	0.55842	\$ 0	0	0.00%
<b>Total Standby Service</b>		<b>0</b>	<b>0</b>		<b>0</b>		<b>0</b>	<b>0</b>	<b>0.00%</b>
<b>Street Lighting Service</b>									
Ch. per Lamp per Mo.	G-5								
1.99 cfh or less (lampsx12)		12	742	\$ 7.39	\$ 355	\$ 9.05	\$ 434	\$ 80	22.44%
2.00 - 2.49 cfh (lampsx12)		0	0	12.45	0	12.45	0	0	0.00%
<b>Total Street Lighting</b>		<b>12</b>	<b>742</b>		<b>\$ 355</b>		<b>\$ 434</b>	<b>\$ 80</b>	<b>22.44%</b>
<b>Total This Sheet</b>		<b>372</b>	<b>733,547</b>		<b>\$ 276,535</b>		<b>\$ 363,430</b>	<b>\$ 86,895</b>	<b>31.42%</b>
<b>Total All Schedules</b>		<b>1,009,579</b>	<b>84,929,149</b>		<b>\$43,020,558</b>		<b>\$54,935,618</b>	<b>\$11,907,050</b>	<b>27.67%</b>
<b>Other Operating Revenues</b>					<b>\$ 841,355</b>		<b>\$ 841,355</b>	<b>\$ 0</b>	<b>0.00%</b>
<b>GS &amp; GH Discount</b>					<b>(53,882)</b>		<b>(78,219)</b>	<b>(25,026)</b>	<b>16.46%</b>
<b>Total Operating Revenue/SAR</b>					<b>\$43,016,031</b>	<b>0.65502</b>	<b>\$55,690,055</b>	<b>\$11,882,024</b>	<b>27.12%</b>
<b>Total Revenue Requirement</b>							<b>\$55,691,955</b>		
<b>Over/(Under)</b>							<b>\$ 100</b>		

(1) Advice Letter No. 414  
(2) Excluding CPUC and LIRA Surcharge

REGISTRATION NO. C-2579  
 SWS AT 417/MSW  
 -12-  
 August 3, 1990  
 Attachment B  
 Sheet 2 of 2