

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2924
February 21, 1991

R E S O L U T I O N

RESOLUTION G-2924. SOUTHWEST GAS CORPORATION SEEKS COMMISSION APPROVAL TO REVISE UNIT COSTS FOR EXCESS FOOTAGE FOR GAS MAIN AND SERVICE EXTENSIONS IN ITS SOUTHERN CALIFORNIA (MOJAVE) DIVISION.

BY ADVICE LETTER 418, FILED ON JUNE 19, 1990, AND SUPPLEMENTED BY ADVICE LETTER 418-A, FILED ON JANUARY 30, 1991.

SUMMARY

1. By Advice Letter 418-A, Southwest Gas Corporation (Southwest) requests approval to increase the unit cost charges for gas main extensions from \$4.70 to \$6.78 per foot and for service extensions from \$4.90 to \$6.21 per foot to reflect actual construction costs in its Southern California (Mojave) Division, Rule Nos. 15 and 16. A tax factor of 1.28 that was approved in Advice Letter 424-A, effective January 25, 1991, will be applied to these rates for a total of \$8.68 per foot for main and \$7.95 per foot for service extensions.

2. This resolution approves the request.

BACKGROUND

1. Southwest Tariff Rule Nos. 15 and 16 set forth provisions for extension of gas distribution mains and services necessary to furnish permanent gas service to new applicants. The charges are intended to recover the utility's cost for line extension in excess of the free length allowance.

2. Tariff Rule Nos. 15.E.2 and 16.H. state that the utility will review its known and estimated cost of construction of gas main extensions and services annually and submit revisions if these costs have increased by ten per cent since the last revision.

3. Southwest has previously submitted a proposal which was reviewed by the Commission Advisory and Compliance Division (CACD) on June 1, 1990 and no changes to the proposal were recommended.

4. Section 783 of the Public Utilities Code (Code) requires the Commission to enforce rules governing the extension of service by gas and electric utilities that were in effect on January 1, 1982. Code section 783(a) provides an exception that allows utilities to revise unit costs.

NOTICE

Advice Letter 418-A was mailed to all parties listed on the utility's advice letter mailing list.

PROTESTS

1. No protests to this Advice Letter have been received by CACD.

DISCUSSION

1. Southwest filed Advice Letter 418 on June 19, 1990. CACD requested additional data to support the proposed unit costs after the receipt of Advice Letter 418. The utility filed Advice Letter 418-A on Jan 30, 1991.

2. Southwest has two service areas: Southern California (Mojave) Division serving San Bernardino County, and Northern California (Sierra) Division serving Placer County. The proposed unit cost in Southern California Division indicates an increase of 26.7% for the service extension and 44.3% for the main. Southwest has experienced a unit cost increase of about 4.7% for the service and 7.7% for the main extensions in its Northern California Divisions.

3. Southwest is required to review its known and estimated main and service extension unit costs annually and submit revisions if the cost changes by more than 10%.

4. Southwest gas main and service extension unit costs were last revised by Resolution G-2562, November 1983. In October of 1987, Southwest revised its unit costs to include an Income Tax component. By Advice Letter 391, Shortly after that revision, Southwest withdrew the Income Tax Component and revised its tariff sheets by adopting the rates in effect prior to the adoption of Resolution G-2562. Thus, Southwest gas main and service extension unit costs have not been revised to reflect known and estimated cost of construction since 1983. Southwest has provided data representing Southwest's actual unit costs for mains and services since the last unit costs were set. The data shows that the unit cost of main and service extensions have been rising continuously since 1983. Because no periodic review had been performed prior to 1990, the rates were never revised to reflect the actual increase in construction cost. The proposed increase of 44.3% in main and 26.7% in service extensions in the Southern California Division is intended to make up the difference and reflect the actual cost of construction for extensions beyond the free allowance.

5. Southwest's request is based on recorded cost in 1989. Southwest provided its unit cost data, actual unit cost of pipe, and data on annual labor increase for the last 7 years. Southwest's increase in construction cost is mainly due to labor costs increase since 1983. CACD reviewed the data and concluded that in calculating the average cost of main and service extensions Southwest has included the costs of projects requiring only free footage as well. Southwest has used this method in the past and has always combined the costs of projects with free footage with the costs of projects involving advances. Southwest, however, states that the cost of free footage is usually not much different from the cost of advances, and therefore the available data is reasonable. CACD recommends that in the future Southwest review and revise its current bookkeeping practices and adopt a more accurate system for the calculation of advances.

6. The proposed increases in main and service extension unit costs in Southern California Division are above ten percent. The Northern California unit cost increases are calculated to be less than ten percent. Therefore only Southern California rates, as proposed by Southwest, should be revised.

FINDINGS

1. Southwest's requested increases in main and service extension unit costs for Southern California Division are based on recorded expenditures. Southwest's recorded construction cost includes projects with free footage as well as projects with advances involved. Although this data may not be an exact representation of the incurred costs for advances, it is the only data available on which to base the unit costs increases. Therefore, Southwest's request appears just and reasonable.

2. In light of the increased unit cost for specific line extensions, Southwest should ensure that customers requesting line extensions are fully informed about their options to have this work performed by private contractors privately and to obtain competitive bids for such work as specified in Tariff Rule No. 15.

THEREFORE, IT IS ORDERED that:

1. Southwest Gas Corporation is authorized under Public Utilities Code section 783, and General Order 96-A to revise its gas main and service extensions for its Southern California Division (Mojave) as requested by Advice Letter 418-A.

2. Southwest Gas Corporation Advice Letter 418-A and its accompanying tariff sheets shall be marked to show that they were authorized by Resolution G-2924.

3. Southwest Gas Corporation shall perform a periodic (annual) review as described in Rule No. 15. Section E.2. and Rule No. 16 Section H. The review shall include the known and estimated cost of extensions constructed in the previous year and shall

CORRECTION

THIS DOCUMENT HAS
BEEN REPHOTOGRAPHED
TO ASSURE
LEGIBILITY

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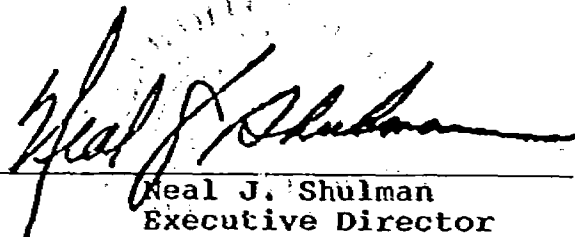
contain two categories:

- (a) costs of free extensions
- (b) costs of extensions with advances involved.

When the cost of extensions with advances changes by more than 10% from current tariff, Southwest Gas shall file the revisions to its unit costs of advances beyond the free length to reflect the proper increase.

4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on February 21, 1991. The following Commissioners approved it:



Neal J. Shulman
Executive Director

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. CHANIAN
Commissioners

I abstain.
DANIEL WM. FESSLER
Commissioner

I abstain.
NORMAN D. SHUMWAY
Commissioner