

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2938
DECEMBER 27, 1990

R E S O L U T I O N

RESOLUTION G-2938. SOUTHERN CALIFORNIA GAS COMPANY.
ORDER REVISING THE TARIFFS TO REFLECT AN INCREASE IN
REVENUE REQUIREMENTS OF \$94,049,000 WHICH WILL RESULT
FROM OPERATIONAL AND CAPITAL-RELATED ATTRITION FOR 1991.

BY ADVICE LETTER 1985, FILED ON OCTOBER 12, 1990.

SUMMARY

1. This Resolution approves an increase of \$94,049,000 to Southern California Gas Company's (SoCal Gas) authorized Gas Margin to offset operational and capital-related attrition in 1991. This Attrition Rate Adjustment (ARA) was filed pursuant to Ordering Paragraph 14 of Decision(D.)90-01-016.

BACKGROUND

1. In D.90-01-016 (SoCal Gas's test year 1990 general rate case), the Commission authorized SoCal Gas to revise its base rates to offset 1991 operational and financial attrition.
2. Operational attrition is a decrease in a utility's net operating income because of increase in operation and maintenance expenses related to inflation between general rate case test years.
3. Capital-related attrition is a change in a utility's net operating income because of rate base and cost of capital changes between general rate case test years.

4. In D.90-11-057 (the cost of capital proceeding), the Commission adopted the 1991 capital structure and cost of capital for SoCal Gas as shown in Attachment A.

NOTICE

1. Public notice of this advice letter was made by publication in the Commission calendar, and by SoCal Gas's mailing copies to other utilities, governmental agencies, and all interested parties who requested notification.

PROTESTS

1. No protests were received on this advice letter.

DISCUSSION

1. On October 12, 1990, SoCal Gas filed Advice Letter 1985 requesting a 1991 base rate revenue increase of \$84,468,000 to offset operational and capital-related attrition as detailed below. On October 16, 1990, SoCal Gas revised its request to \$116,790,000 to incorporate its requested rate of return and other items. SoCal Gas filed a supplementary Advice Letter 1985-A on December 7, 1990, revising its request to \$94,049,000 to incorporate its 1991 rates of return adopted in D.90-11-057. Attachment B shows a summary of the requested increases.

2. SoCal Gas requested \$18,722,000 for labor inflation and \$15,925,000 for non-labor inflation for a total of \$34,647,000. These items were authorized in D.90-01-016; the dollar amounts reflect updated inflation estimates and are granted.

3. In Advice Letter 1985-A, SoCal Gas requested \$50,070,000 for capital-related attrition items. This request reflects the rates of return adopted for SoCal Gas in D.90-11-057. This request is granted.

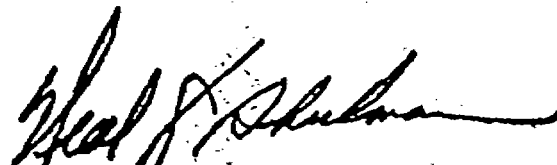
4. Resolution G-2937 grants the Test Year 1990 Tax Timing Difference of \$2,317,000.
5. SoCal Gas has requested decreases of \$2,519,000 for Federal Tax on Prior Year California Corporation Franchise Tax (CCFT), \$146,000 on Management Audit Fees, \$44,000 on Amortization of Contributions in Aid of Construction (CIAC) Revenue and \$112,000 for Intervenor Funding. These requests are granted.
6. D.90-01-016 p.39, para.28 authorized SoCal Gas expenses for Women and Minority Business Enterprises (WMBE). SoCal Gas' request for \$31,000 of WMBE expenditures is granted.
7. Research and Development expenditures were authorized in D.90-10-015. The amount requested includes 1990 funding of \$4.1 million and 1991 funding of \$4.9 million, adjusted for inflation and for the Uncollectibles and Franchise Fee Factor (UFF) of 1.021076. SoCal Gas' request for \$9,445,000 is granted.
8. SoCal Gas requested a \$360,000 increase because of an increase in the 1991 Federal Insurance Contribution Act (FICA) base amount. D.85-12-076 authorizes payroll tax changes. SoCal Gas' request is granted.
9. SoCal Gas' total 1991 ARA increase amounts to \$94,049,000.
10. SoCal Gas should compute attrition rate changes on the basis of the equal percent of margin changes method, using the allocation factors adopted in its most recent Annual Cost Allocation Proceeding (ACAP) D.90-11-023.
11. SoCal Gas should consolidate the revenue changes resulting from this resolution with those resulting from other Commission actions. These include Commission decisions on SoCal Gas' petition to modify its ACAP (modification of D.90-11-023), its petition to stay D.90-11-031 (gain on sale of its Flower Street headquarters) and its Demand Side Management programs (clarification and modification of D.90-08-068).

THEREFORE, IT IS ORDERED that:

1. Southern California Gas Company (SoCal Gas) is authorized to increase its Base Rate Revenue by \$94,049,000, effective January 1, 1991.
2. SoCal Gas is authorized to increase its gas rates effective January 1, 1991, based on the equal percent of margin changes method.
3. SoCal Gas shall consolidate the revenue changes resulting from this resolution with those resulting from other Commission actions and submit revised Preliminary Statement and tariff schedules reflecting those changes.
4. SoCal Gas Advice Letters 1985 and 1985-A, and their attachments, shall be marked to show that they are superseded and supplemented by the revised Preliminary Statement and tariff schedules as ordered by Ordering Paragraph 3.
5. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 27, 1990. The following Commissioners approved it:

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



Neal J. Shulman
Executive Director

Attachment A

Southern California Gas Company
Summary of Capital Structures
for Attrition Year 1991

Authorized Capital Structure 1990
(D.90-11-057) p.25

Component	Capital Ratio	Cost Factor	Weighted Cost
Long-Term Debt	45.00%	9.22%	4.15%
Preferred Stock	9.70%	7.31%	0.71%
Common Equity	45.30%	13.00%	5.89%
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Total	100.00%		10.75%

Requested Capital Structure 1991
(D.90-11-057) p.25

Component	Capital Ratio	Cost Factor	Weighted Cost
Long-Term Debt	44.40%	9.58%	4.25%
Preferred Stock	9.80%	5.99%	0.59%
Common Equity	45.80%	14.00%	6.41%
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Total	100.00%		11.25%

Authorized Capital Structure 1991
(D.90-11-057) p.52

Component	Capital Ratio	Cost Factor	Weighted Cost
Long-Term Debt	44.40%	9.58%	4.25%
Preferred Stock	9.80%	5.99%	0.59%
Common Equity	45.80%	13.00%	5.95%
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Total	100.00%		10.79%

Attachment B

Southern California Gas Company
Summary of Revenue Requirements
for Attrition Year 1991
(\$000)

Description	AL 1985 Requested	AL 1985-A Requested	Authorized
Operational Attrition			
Labor Escalation	18,722	18,722	18,722
Non-Labor Escalation	15,925	15,925	15,925
Total Operational Attrition	34,647	34,647	34,647
Capital- Related Items			
Book Depreciation	29,599	29,599	29,599
Ad Valorem Taxes	2,833	2,833	2,833
State Tax Depreciation	(2,250)	(2,250)	(2,250)
Federal Tax Depreciation	(7,702)	(7,702)	(7,702)
ITC Normalized	124	124	124
Interest Synchro.	(27)	(27)	(27)
Long Term Debt Cost	10,058	10,058	10,058
Preferred Stock Cost	(3,727)	(3,727)	(3,727)
Common Equity Cost	43,862	21,162	21,162
Total Capital- Related	72,770	50,070	50,070
Other Items			
TY 1990 Tax Timing Diff.	2,317	2,317	2,317
Interest on the above	88	0	0
Fed. Tax on Prior Yr CCFT	(2,519)	(2,519)	(2,519)
Management Audit Fees	(146)	(146)	(146)
Amortzn. of CIAC Rev.	(44)	(44)	(44)
Intervenor Funding	(112)	(112)	(112)
Women & Minor. Bus. Enterpr.	31	31	31
Research and Development	9,445	9,445	9,445
Payroll Taxes	313	360	360
Total Other Items	9,373	9,332	9,332
Total 1991 ARA Gas Margin Change	116,790	94,049	94,049
Previously Authorized Gas Margin for 1990			1,374,250
Add: Attrition Increase for 1991			94,049
Authorized Gas Margin for 1991			1,468,299