

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND  
COMPLIANCE DIVISION  
Energy Branch

RESOLUTION G-3158  
JANUARY 5, 1995

R E S O L U T I O N

RESOLUTION G-3158. WASHINGTON WATER POWER COMPANY  
REQUESTS AUTHORITY TO INCREASE RATES.

BY ADVICE LETTER C-16-G, FILED ON JULY 20, 1994 AND  
SUPPLEMENTAL ADVICE LETTER C-16-G-A, FILED ON DECEMBER  
28, 1994.

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SUMMARY

1. WP Natural Gas, a division of Washington Water Power Company, (WP Gas) originally filed for an increase in annual revenues of \$954,757 or 9.01%. By its supplemental filing, the utility seeks a lesser increase of \$816,342 or 7.71%. Both filings would reflect higher gas costs, balancing account revisions, a pass-through of miscellaneous gas refund amounts, the expiration of the utility's Supply Adjustment Mechanism<sup>1</sup> (SAM), and increased Low Income Ratepayer Assistance (LIRA) surcharges and discounts. The supplemental filing adds a base rate revenue decrease to mitigate the effect of the proposed increases.
2. This Resolution authorizes the supplemental request, effective on January 5, 1995.

BACKGROUND

1. WP Gas serves approximately 15,000 customers in the south Lake Tahoe region of El Dorado County.
2. Washington Water Power Company and Sierra Pacific Power Company are seeking authorization to merge by Application 94-08-043.

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1 The designation Low Income Ratepayer Assistance or LIRA was changed to California Alternate Rates for Energy or CARE beginning on January 1, 1995 by Decision 94-12-049. The CARE acronym will be used for the rest of this Resolution.

3. The components of WP Gas' rate increase request are:

Rate Increase Components

Gas cost increase: \$113,996  
This reflects the difference between gas cost revenues at present rates and test year purchased gas costs.

Gas cost balancing account offset: \$425,479  
The under collection in the gas cost balancing account would be amortized by this increase.

Refund: [\$131,208]  
A residual from the utility's Refund Plan 1 and a refund from the utility's pipeline supplier has left the utility with this amount on hand. Refund Plan 1 was authorized by Resolution G-3029, which found that the refund to individual ratepayers was just and reasonable. Due to the small size of this refund, WP Gas would distribute it through the Purchased Gas Adjustment mechanism, a deviation from the provisions authorized in Resolution G-3029.

SAM compensating rate recovery: \$814,821  
WP Gas' amortization of its over collected Supply Adjustment Mechanism (SAM) account through a contribution to rates ended in 1994 as a result of Commission Decision 91-09-067 and the exhaustion of the over collected funds. Rates would be increased to reflect the end of the refund amortization.

CFA over collection correction: [\$275,895]  
Current Conservation Financing Adjustment (CFA) rates are yielding revenues in excess of anticipated program expenditures and recovery of an under-collected balance in the CFA balancing account. Rates would be reduced to balance program revenues and expenditures.

CARE changes: \$7,557  
The CARE program is funded by a surcharge to non-CARE ratepayers. The surcharge funds are used to provide the CARE discount to eligible customers. This filing would increase the surcharge by \$11,577. Maintaining the discount for CARE recipients results in a revenue reduction of \$4,020. The effect of surcharges and discounts is contained in the CARE balancing account.

Mitigation adjustment: [\$138,408]  
WP Gas proposes to mitigate the extent of the increases by a voluntary reduction equivalent to \$150,000 in forecasted 1995 revenues.

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The total from above, without the mitigation adjustment, is \$954,750 or 8.92%. With the mitigation adjustment, the increase is \$816,342, or 7.71%. WP Gas originally filed for an increase in annual revenues of \$954,757 or 9.01%, which translates to the \$954,750 amount when adjusted for CARE surcharges and discounts and a minor correction to special contract revenues.

4. WP Gas calculated the annual revenue increase in compliance with the rate design established in Decision 89-01-055. With the exception of a special contract with one customer, the 7.71% rate increase has been spread evenly to all customer classes.

5. By its supplemental filing, WP Gas requested that its filing be made effective on January 5, 1995, which is more than 40 days from the filing date of the original advice letter.

**NOTICE:**

1. Public notice of this filing has been made by publication in the Commission's calendar and by mailing copies to interested parties specified by General Order 96A.

**PROTESTS**

1. The Commission Advisory and Compliance Division (CACD) has received no protests to WP Gas's advice letter filing.

**DISCUSSION**

**Disposition of Refunds:**

1. WP Gas' proposal to distribute refunds through the Purchased Gas Adjustment Mechanism would differ from its previous refund plan, wherein it disbursed \$2.6 million to ratepayers. In this instance, with only \$131,208 at issue, distribution by rate reduction, rather than by attempting to return the funds to individual customers, would reduce administrative expenses while providing the benefits of the refund to current ratepayers.

2. A refund plan for Southwest Gas Corporation was authorized by Resolution G-3110 in June, 1994. The following is an excerpt from that Resolution:

Southwest's proposal meets the refund requirements of Public Utilities (PU) Code 453.5 and is consistent with previous refund cases determined by the California Supreme Court, including California Manufacturer's Association v. Public Utilities Commission (CMA v. PUC) (1979) 24 Cal.3d 836. CMA v. PUC states that customers, except small residential users, should be refunded based on prior

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usage, where practical. Because the refund is small and the cost to administer the refund to the small residential customers is relatively high, it is not practical to distribute the refund based on prior usage.

3. Because of the similarities in the circumstances of these two gas utilities, CACD recommends authorization of WP Gas' request to deviate from Refund Plan 1 and to distribute the residual from that refunding and the funds most recently received from suppliers through a credit to the Purchased Gas Adjustment Mechanism. CACD further recommends that this distribution be designated as Refund Plan 2 and that WP Gas be directed to provide an accounting of this refund by February 29, 1996 to CACD. The accounting should include the actual refund amounts and interest thereon credited to the PGA account and a demonstration that such credits were fully used to benefit the ratepayers.

**Mitigation adjustment:**

4. In its supplementary filing, WP Gas has voluntarily requested a base rate reduction of \$138,408 based on test year sales, or \$150,000 based on forecasted 1995 sales. The reason, as set forth in the utility's supplemental filing, is to mitigate the impact of the requested increases on the utility's customers. The effect is to present a lesser increase for approval. If approved, this voluntary change would lower the requested increase from 8.92% to 7.71%.

5. The Division of Ratepayer Advocates (DRA) stated that the reduction will benefit WP Gas' California customers. This position was expressed in a December 28, 1994 letter to the presiding Administrative Law Judge and interested parties to the current application to merge with Sierra Pacific Power Company (A.94-08-043) and to interested parties in the utility's original application to acquire the Lake Tahoe system from CP National Corporation (A.91-01-006).

6. General Order 96A generally limits supplemental filings to relatively minor changes. The requested voluntary reduction, while different from those used as examples in the General Order, is still relatively minor when compared to the utility's over all rates. This change will benefit WP Gas's ratepayers.

7. WP Gas originally requested an effective date of its filing of January 1, 1995. By its supplemental filing, WP Gas requested an effective date of January 5, 1995. CACD has reviewed the original and supplemental filing. CACD concurs with WP Gas' computations and recommends approval of the supplemental filing with an effective date of January 5, 1994.

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FINDINGS

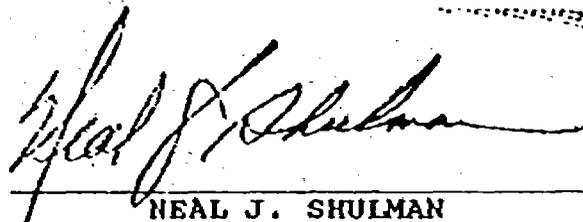
1. The rate changes as proposed by WP Gas are in conformance with prior Commission Decisions.
2. WP Gas' proposed disposition of refunds is reasonable and should be authorized.
3. WP Gas' plan to distribute the refunds by credit to the PGA account should be designated as Refund Plan 2.
4. WP Gas should provide an accounting of Refund Plan 2 by February 29, 1996 to CACD. The accounting should include the actual refund amounts and interest thereon credited to the PGA account and a demonstration that such credits were fully used to benefit the ratepayers.
5. WP Gas's voluntary request for a lesser increase will benefit WP Gas's ratepayers.
6. While not as minor as the examples cited in General Order 96A, WP Gas's supplemental filing is a relatively minor change that will benefit ratepayers.
7. WP Gas should be authorized to place its filing into effect on January 5, 1995.

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THEREFORE, IT IS ORDERED that:

1. Washington Water Power Company's (WP Gas) Supplemental Advice Letter C-16-G-A shall be marked to show that it, with the attached tariff sheets, was approved by Commission Resolution G-3158, with an effective date of January 5, 1995.
2. WP Gas shall provide an accounting of Refund Plan 2 by February 29, 1996 to the Commission Advisory and Compliance Division.
3. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on January 5, 1995. The following Commissioners approved it:



NEAL J. SHULMAN  
Executive Director

DANIEL Wm. FESSLER  
President  
NORMAN D. SHUMWAY  
P. GREGORY CONLON  
JESSIE J. KNIGHT, JR.  
Commissioners