

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3164
FEBRUARY 22, 1995

R E S O L U T I O N

RESOLUTION G-3164. SOUTHWEST GAS CORPORATION REQUESTS COMMISSION APPROVAL OF A PLAN TO DISTRIBUTE REFUNDS RECEIVED FROM NATURAL GAS SUPPLIERS BY CREDITING ITS PURCHASED GAS COST BALANCING ACCOUNT.

BY ADVICE LETTER 482, FILED ON JULY 26, 1994.

SUMMARY

1. Southwest Gas Corporation (Southwest), by Advice Letter 482, requests permission to provide the benefit of supplier refunds as a credit to its Purchased Gas Cost Balancing Account (PGA). This procedure is an alternative to making refunds to individual customers and will decrease Southwest's administrative costs. The utility would designate this proposal as Refund Plan 23.
2. This Resolution authorizes Southwest's proposal, effective on February 22, 1995.

BACKGROUND

1. Southwest's Northern California Division is comprised of approximately 9,330 residential and commercial customers in the north Lake Tahoe region. Natural gas to serve these customers is purchased from Northwest Pipeline Corporation (Northwest) and Paiute Pipeline Company (Paiute). These customers are participants in Southwest's PGA.
2. Based on rates set by the Federal Energy Regulatory Commission in five proceedings, Northwest and Paiute have refunded \$42,243.31 in overcollections to Southwest. The refunds, plus approximately \$3,000 in interest, are being held by Southwest for the benefit of its Northern California Division customers.
3. By Advice Letter 482, filed on July 26, 1994, Southwest requested authority to implement its Refund Plan 23 by authorizing the utility to credit the refunds and interest to its PGA.

4. A similar refund plan for Southwest's Southern California Division customers was submitted by Advice Letter 470 and authorized by Resolution G-3110 on June 8, 1994.

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 Southwest's advice letter filing.

DISCUSSION

1. As a result of FERC decisions in over 9 federal dockets, designated RP85-13, 65Tbtu, RP89-137, SSP Refund, and RP91-202 by Southwest in its filing, Southwest has received principal refunds of \$42,243.31 from Northwest and Paiute and has accumulated an estimated interest amount through August 1994 of \$2,683.01. The total in Southwest's filing was therefore \$44,926.32.

2. Southwest is proposing to administer the refund through the PGA for its Northern California Division customers, instead of directly crediting individual accounts. This is proposed because every Northern California Division customer is subject to the PGA and utilizing the PGA will decrease the administrative costs of distributing refunds to customers.

3. Southwest indicates that the principal authority for refund distributions is contained in Public Utilities Code (Code) Section 453.5. Code Section 792.5 governs the use of balancing accounts. Section 453.5 deals specifically with refunds and 792.5 requires the use of reserve (balancing) accounts to reflect the differences between related costs and revenues for passing through to customers specific changes in costs, in this instance, the cost of gas purchased for system requirements.

5. Southwest also refers to California Manufacturers Association vs. Public Utilities Commission (1979) 24 Cal 3rd 836, 840 (Manufacturers) wherein the California Supreme Court (Court) determined two guiding principles for refund requirements. These requirements are: (1) to the maximum extent possible refunds shall be returned to the customers who paid the funds; and (2) for those customers to whom the refund is difficult to determine there may be a rate reduction. The Court, in Manufacturers, was mindful of the admonition in Code Section 453.5 that the obligation to provide pro rata refunds based on past usage is limited by considerations of practicality.

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Therefore, the Court did not foreclose the Commission from formulating refunds on the basis of current usage, consistent with the express language of Code Section 453.5 and the implementation of Code Section 792.5 (24 Cal 3rd 849).

6. Southwest further indicates that in its authorization of Southwest's previous refund plans, the Commission has found that a direct refund methodology would annul the benefits to most of the customers because the refund amount is small relative to the administrative cost of allocating the refund to individual customer bills.

7. Southwest's proposal in this filing follows that authorized by Resolution G-3110, Southwest's most recent refund authorization. In that authorization, Southwest's Southern California Division customers received a \$41,000 refund benefit by credit to the PGA (except for core aggregation customers, who received a credit to their bills). If the Resolution G-3110 funds were disbursed by credit to individual customer's bills, Southwest estimates that the administrative costs would have been \$25,000. The average refund amount would have been approximately \$0.43 per customer and the cost to administer the refund would have been \$0.26 per customer.

8. In this filing, the refund amount is \$45,000. The administrative cost to refund this amount is estimated to be \$12,000. The average refund would be approximately \$4.82 per customer and the cost to administer the refund would be \$1.29 per customer. The ratio of administrative cost to refund would be approximately 60% in Resolution G-3110 and 27% in this refund.

9. Southwest characterizes the refund amount as de minimis. It further claims that the proposal meets the considerations of practicality and the requirements of Code Sections 453.5, 792.5 and Manufacturers. Finally, it also claims that the proposal more closely matches the actual cost of gas and the recoveries through the PGA mechanism.

10. Resolution G-3110 indicated that it was not practical to distribute a refund based on prior usage because the refund was small and the cost to administer the refund to small residential customers was relatively high. Because of the similarities between this refund proposal and that authorized in Resolution G-3110, CACD recommends authorization.

11. Southwest had proposed to implement its plan within one month of the date the advice letter was filed. Therefore, Southwest should implement this proposal to credit the specified refunds and interest to the PGA within one month of the effective date of this Resolution. CACD further recommends that Southwest be directed to provide an accounting of this refund by March 31, 1996 to CACD. The accounting should include the actual refund

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amounts and interest thereon credited to the PGA account and a demonstration that such credits were fully used to benefit the ratepayers.

FINDINGS

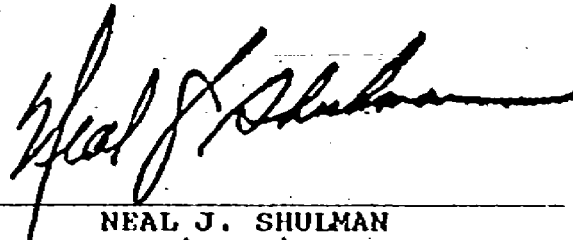
1. Southwest filed Advice Letter 482 requesting authorization to return \$44,926 (including interest) to its Northern California Division customers. Southwest received the funds as a refund from Northwest and Paiute.
2. The administrative cost of directly crediting individual accounts of all customers would partially and substantially annul the benefit to most of these customers in receiving such a refund.
3. Southwest is proposing to administer the refund through the PGA for its Northern California Division customers.
4. Southwest's plan to distribute the refunds by credit to the PGA account should be designated as Refund Plan 23.
4. Southwest should provide an accounting of Refund Plan 23 by April 30, 1996 to CACD. The accounting should include the refund amounts received by Southwest and interest thereon credited to the PGA account and a demonstration that such credits were fully used to benefit the ratepayers.
5. Southwest should be authorized to place its filing into effect on February 22, 1995.

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THEREFORE, IT IS ORDERED that:

1. Southwest Gas Corporation's Advice Letter 482, for Refund Plan 23, shall be marked to show that it was approved by Commission Resolution G-3164, with an effective date of February 22, 1995.
2. Southwest shall implement Refund Plan 23 by March 31, 1995.
2. Southwest shall provide an accounting of Refund Plan 23 by April 30, 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 February 22, 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