PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION

RESOLUTION G-3191**
JULY 17, 1996

RESOLUTION

G-3191 SOUTHERN CALIFORNIA GAS COMPANY (SOCALGAS) REQUESTS APPROVAL OF ITS NATURAL GAS VEHICLE (NGV) TARIFFS AND PROCEDURES FOR ITS SIX YEAR LOW EMISSION VEHICLE PROGRAM.

BY ADVICE LETTER 2470, FILED ON JANUARY 10, 1996.

SUMMARY

1. Southern California Gas Company (SoCalGas) seeks approval of its tariff rates and procedures for its Natural Gas Vehicle (NGV) program. These rates are specifically for compressed and transported uncompressed natural gas for motor vehicle use. Additionally, SoCalGas seeks approval of an arrangement where its shareholders receive the benefits of the incremental gas throughput attributable to NGVs put in service after December 1995. (Ratepayers receive the benefits of increased throughput for NGVs placed in service before December 1995.) SoCalGas also seeks approval to book in its NGV balancing account unpaid rebate commitments to NGV customers.

2. Decision (D.)95-11-035 approved ratepayer funding for various components of the utilities' low-emission vehicle (LEV) programs. The decision also ordered the utilities to file advice letters with the appropriate tariffs to comply with the decision. SoCalGas states that Advice Letter No. 2470 is its compliance filing for D.95-11-035.

3. SoCalGas' Advice Letter No. 2470 was protested by the Western States Petroleum Association (WSPA) and the Division of Ratepayer Advocates (DRA) on the grounds that the gas throughput benefits proposal is unsupported and inappropriate for an advice letter filing.

4. This resolution amends in part SoCalGas' advice letter. SoCalGas' filed rates for compressed natural gas for motor vehicles are not in compliance with D.95-11-035. SoCalGas' request to split the benefits between shareholders and ratepayers for the additional gas throughput is accepted. SoCalGas' request for establishing a memorandum account for the unpaid rebate commitments is approved.

5. SoCalGas shall file compliance tariffs in accordance with the discussion herein which convert its tariffed compressed NGV rate from a market design to a direct and fully allocated cost of service design, to be effective August 1, 1996.

BACKGROUND

Commission LEV Policy

1. D. 93-07-054 authorized utilities to file applications for ratepayer funding for their LEV programs. SoCalGas submitted Application 93-11-004, which argued that ratepayer funding for its NGV program should be approved because the potential increase in gas throughput attributable to the program would lead to a net savings for ratepayers. SoCalGas requested approximately $144 million in ratepayer funding for its NGV program.

2. In D.95-11-035, the Commission found that SoCalGas failed to demonstrate that its various NGV programs would increase throughput in a manner that would make the programs beneficial to ratepayers. However, the Commission authorized a total of $35.5 million in ratepayer funds for various subcomponents of SoCalGas' NGV program. Only those subcomponents which met the Commission LEV Guidelines (D.93-07-054) and applicable state and federal statutes were approved for ratepayer funding. The LEV Guidelines required that utility LEV programs must have direct ratepayer benefits in the form of safe, reliable, efficient or cost-effective service. The decision prohibited use of ratepayer funds for LEV promotional or marketing efforts, but it encouraged utility shareholders to engage in marketing activities preferably in subsidiaries.

3. D.95-11-035 also found that the present rates charged by gas utilities for natural gas service in their pilot projects were not designed to recover the full cost of service. They were priced to make natural gas competitive with other clean fuel options. The decision ordered the utilities to raise gradually their compressed NGV rates so that by January 1, 1997, they would reflect the direct and fully allocated cost of service.

4. D.95-11-035 specifically prohibited ratepayer funding for incentive or rebate programs designed to spur the development of an LEV market. SoCalGas argued that prior to the release

of the proposed decision, it had entered into a number of business commitments with NGV customers assuming the Commission would approve ratepayer funding for cash rebates to these customers. The proposed ALJ decision on this issue has been mailed.

Advice Letter No. 2470

5. D.95-11-035 ordered SoCalGas to file revised tariffs to be consistent with policies and findings in the LEV decision. On January 10, 1996, SoCalGas filed Advice Letter No. 2470 to Comply with D.95-11-035. Advice Letter No. 2470 requests three distinct things: (1) approval of SoCalGas' revised rates for compressed, uncompressed and transported customer-owned natural gas for motor vehicles, (2) a proposal to distribute increased gas throughput revenues from the NGV program to both ratepayers and shareholders, and (3) authorization to book into SoCalGas' NGV balancing account unpaid rebate commitments to NGV customers.

Proposed NGV Rates

6. SoCalGas proposes to raise its compressed NGV tariff rate from its present $0.59409 per therm to $0.63683 per therm. SoCalGas notes that its compressed and uncompressed rates are presently indexed to the wholesale price of unleaded gasoline. As the price of gasoline changes, so does its compressed and uncompressed rates. SoCalGas' rate design also has one floor rate to cover the cost of intrastate transmission. SoCalGas proposes to increase this floor rate from $0.05 per therm to $0.06 per therm to reflect the long-run marginal cost of intrastate transmission. SoCalGas proposes to add another floor rate of $0.35 per therm to recover the full cost of compression. (Presently the compression rate is reduced as the price of gas falls to maintain a fuel discount.) The floor rates will be subject to review in SoCalGas' BCAP. SoCalGas states "in the event gasoline prices remain sufficiently high, the transmission and compression margins will be allowed to increase by the same amount so the NGV fuel discount remains at twenty-six cents per gallon."

Proposed Throughput Revenue Sharing

7. SoCalGas proposes that all NGVs in service as of December 1995 are attributable to ratepayer funds (some NGVs attributable to ratepayer funds are not yet in service, but have also been accounted for). SoCalGas then developed compressed and uncompressed gas throughput "profiles" which project the amount of natural gas usage of the ratepayer-funded NGVs. The profile is based on two key factors: the vehicles' annual average use of natural gas, and their probable years of service. SoCalGas claims that the gas usage calculations are based on billing records at their refueling stations, and the life expectancies of the vehicles are based on industry

publications, trade associations, and interviews with fleet administrators.

8. If approved by the Commission, SoCalGas' throughput profiles become the bases for determining how to split the throughput revenues between shareholders and ratepayers. SoCalGas proposes different methods for distributing the throughput for the compressed and uncompressed natural gas. For the uncompressed natural gas, if actual throughput exceeds the amount of "profiled" throughput, the incremental amount would be identified as attributable to shareholder marketing efforts and the revenue attached to that increment would go to the shareholders. For example if the profiled throughput for 1996 was set at 2.7 million therms, and actual throughput for 1996 was 2.8 million therms, shareholders receive the revenues based on uncompressed margin for .1 million therms of throughput.

9. While not stated explicitly in its advice letter, SoCalGas acknowledged in subsequent meetings with CACD that actual uncompressed throughput may not reach the profiled amount for a variety of reasons (the profiled NGVs may not last as long as expected, or may not use as much natural gas as expected). Regardless of the reason, SoCalGas will not adjust the throughput profile downward to reflect these factors. In other words, ratepayers will receive the revenues calculated from the throughput profiles even if the actual throughput does not reach that amount. Using the same example as above, if the actual throughput for 1996 was 2.5 million therms, the ratepayers still receive revenues based on 2.7 million therms (the profiled amount). SoCalGas calculated the total amount of revenue for all NGVs attributed to ratepayers to be $15.031 million and would extend to 2009 (see attachment A). Included in this amount is $2.856 million from compressed margin over a six year period. This figure is based on a margin of $0.15/therm. The remaining $0.20/therm of the $0.35 compressed rate covers the ongoing operation, maintenance, and direct administrative and general expenses for the refueling stations. Station expenses above those authorized for recovery in the $0.20/therm rate over the profiled throughput are the responsibility of SoCalGas' shareholders until the stations are sold.

10. On April 29, 1996, SoCalGas responded in writing to a CACD data request. SoCalGas' response noted that for compressed natural gas, the ratepayers receive all revenue up to the throughput profile. SoCalGas continued "In addition, all compression margin (the incremental difference between the compressed rate and the transportation rate) from the stations to be divested in the six year span will flow to the ratepayers, even if it exceeds the throughput curve specified in Advice Letter 2470." If actual throughput is less than the profiled amount the ratepayers still receive the revenues based on the profiled amount. This arrangement will go on until the refueling stations are sold. At that time, the station buyer, as opposed to the ratepayers, begins to reap the compression margin. SoCalGas is selling all of its refueling stations to comply with D.95-11-035, and has no intention of building or investing in new ones. The ratepayers receive 75% of any gain or loss from the sale. Because it is not known when the stations will be

sold, it is difficult to estimate the amount of ratepayer revenue attributed to the compressed gas throughput either from existing vehicles on the road or incremental vehicles associated with SoCalGas marketing effort or otherwise.

Unpaid Rebate Commitments

11. SoCalGas requests authorization to book into its NGV balancing account the unpaid rebate commitments it made with NGV customers. According to SoCalGas, these commitments were made prior to the Commission's proposed decision which denied ratepayer funding for NGV rebates. SoCalGas clarified that it only seeks the establishment of a memorandum or tracking account for these items, so that it would be able to account for the funds if and when the Commission made a final decision on them.

NOTICE

Public notice of AL 2470 was recorded in the Commission's calendar on January 24, 1996, and by mailing copies of the filing to all parties on the service list for I.91-10-029 (LEV OII).

PROTESTS

1. CACD received two protests to AL 2470. The Western States Petroleum Association (WSPA) and the Division of Ratepayer Advocates (DRA) filed protests on January 30, 1996. Both WSPA and DRA oppose SoCalGas' proposal to allocate the benefits of the increased gas throughput to its shareholders for NGVs in service after December 1995. They note that the proposal presumes that the increased throughput is attributable to shareholder-funded promotional activity. WSPA and DRA argue that increased gas throughput from future NGVs is attributable to previous ratepayer investment in the NGV infrastructure and RD&D, and other economic factors. WSPA recommends that SoCalGas' ratepayers should be allocated the benefits of any increased throughput until their prior investment is fully recovered. DRA contends that SoCalGas' proposal is unsubstantiated and should be the basis for a formal application.

2. WSPA and DRA also oppose SoCalGas' request to book the unpaid rebate commitments. Both parties argue that this matter will be resolved by the assigned ALJ in an upcoming hearing.

3. Both parties recommend rejection of SoCalGas' advice letter.

4. SoCalGas filed a response to WSPA and DRA on February 6, 1996. SoCalGas notes that the Commission has not, in its LEV Decision or in any previous order, conditioned expenditure

of ratepayer funds in SoCalGas' NGV program with a requirement that ratepayers be repaid in full. SoCalGas also notes that the Commission found that projected benefits from the NGV program were too speculative. Therefore, SoCalGas argues that the Commission did not expect a "full refund" for ratepayers.

5. SoCalGas also argues that WSPA's and DRA's assertion that increased throughput is attributable to factors other than SoCalGas' marketing effort is factually incorrect, and that promotional efforts on the part of the utility are necessary in order for NGVs to compete in the alternative fuels market.

6. SoCalGas submits that its proposed method is a fair and simple way of splitting the potential throughput. Under its proposal, the increased throughput attributed to ratepayers is based on a profile that projects the natural gas consumption and the expected life of the NGVs in service before December 1995. Regardless of whether the vehicles serve their expected lives, or use the expected amount of gas, SoCalGas proposes that the ratepayers will receive the gas throughput profile before shareholders receive any benefits.

7. Finally, SoCalGas states that the Protestants misunderstood SoCalGas' request to book the unpaid rebate commitments as an attempt to get Commission approval absent a hearing. SoCalGas clarified that it is seeking approval of a tracking or memorandum account for the unpaid rebates so that it will be able to record the expenditures if approved by the Commission.

DISCUSSION

SOCALGAS' PROPOSED NGV RATES

1. No one protests SoCalGas' NGV rate filings. SoCalGas' proposal inserts a floor rate in its rate design for compressed natural gas. D.95-11-035 notes that the conversion from a market-based rate to a full cost rate should be gradual, but implemented by January 1997.

2. In approving this program today, SoCalGas is ordered to move to full cost of service-based rates to discontinue the subsidy to NGV users at the expense of the general body of ratepayers. Such a subsidy would be contrary to the policy of this resolution. SoCalGas is to file compliance tariffs to be effective August 1, 1996, that set the uncompressed rate equal to $0.1369/therm. This rate is based on the fully allocated costs reflected in SoCalGas' most recent BCAP application, A.96-03-031. The compression component of the tariff is to be set at $0.35/therm. These rates may be adjusted prospectively based on a final Commission decision in SoCalGas' BCAP application scheduled for later this year.

SOCALGAS' PROPOSAL TO DISTRIBUTE THROUGHPUT REVENUES TO RATEPAYERS AND SHAREHOLDERS

3. The LEV decision rejected a basic premise underlying SoCalGas' initial application: that ratepayer funding for an ambitious NGV program is justified because ratepayers would benefit from the savings attributed to the projected increase in gas throughput. Specifically, the Commission found that the projected gas throughput could not be linked to any particular NGV program, and that the potential throughput was speculative, leaving ratepayers with the risk that the program costs would not be reimbursed. It also found that it was unrealistic to assume that all the benefits of increased throughput would flow to ratepayers. (Findings of Fact 55, 57, 59, 60 and 61.) In essence, the Commission determined that any potential gas throughput from the NGV program carried too many unknowns for ratepayers to fund the entire NGV program.

4. The SoCalGas proposal in Advice Letter No. 2470 is the implementation of the general policies of the LEV decision discussed above. In keeping with the spirit of the decision, ratepayers receive the benefits of the forecasted throughput for carrying all of the initial risk. SoCalGas proposes that the shareholders receive benefits for sharing the risk (for their marketing efforts). While the original application was made premised on the ratepayers receiving all benefits of the projected throughput, it was also premised on the ratepayers funding the full cost of the program. Since, the expenditure of funds for marketing is not being absorbed by the ratepayers, it is only reasonable to allow the shareholders to recover this risk by sharing in the benefits.

5. SoCalGas submits that the Commission established a policy for shareholder involvement in low-emission vehicle programs in D.95-11-035. On page 14a, the Commission states, "Where direct benefits to captive ratepayers are insufficient to support ratepayer funding of utility ventures, utilities are strongly encouraged to undertake new market activities of a broader scope, but should do so at shareholder expense, preferably in separate utility affiliates." This statement approves shareholder involvement in LEV programs and implies that the throughput revenue sharing as proposed by SoCalGas is acceptable.

6. In response to the protests, SoCalGas states that the Commission has not, in its LEV Decision or in any previous order, conditioned expenditure of ratepayer funds in SoCalGas' NGV program with a requirement that ratepayers be repaid in full. We believe that Commission silence on the issue does not imply that ratepayers should not be made whole for their prior investment in utility NGV programs. On the contrary, we recall that SoCalGas argued throughout the LEV proceeding that ratepayer investment ($144 million) for its NGV programs was justified precisely for the reason that ratepayers would be made whole and more (D.95-11-035 p. 69). We believe that ratepayer investment in SoCalGas' pilot NGV program and subsequent bridge funding (refueling stations, RD&D, administrative program costs, etc.) will be

instrumental in future gas throughput and should be refunded, to the extent possible, through the increase in gas throughput revenues as described below.

7. SoCalGas argues further that the Commission found that projected benefits from the NGV program were too speculative. Therefore, SoCalGas concludes that the Commission did not expect a "full refund" for ratepayers. SoCalGas' argument takes the Commission finding out of context. The Commission made its finding in view of SoCalGas' original proposal to spend an additional $144 million of ratepayer money on future NGV programs (A.93-11-004). We believe that the Commission did not intend to deprive ratepayers the benefits of their past funding (SoCalGas' pilot program and continued bridge funding) by concluding that SoCalGas' projected NGV throughput was speculative.

Economic Factors in the NGV Market

8. SoCalGas' proposal credits gas throughput revenue to shareholders if the throughput exceeds the throughput profile attributed to ratepayers. We will approve a mechanism that provides SoCalGas shareholders the revenue benefits from the uncompressed margin[1] for all incremental throughput above the throughput profile attributed to ratepayers. The shareholder incentive mechanism is applicable for all throughput attributable to NGVs that are in service by December 31st of the year SoCalGas terminates its NGV marketing program or the year 2001, whichever is earlier. Any vehicles put into service after this time will not be attributable to shareholders and will not be part of the incentive sharing mechanism we establish here. The underlying assumption of this proposal is that increases above the throughput profile are solely attributable to the marketing efforts of SoCalGas' shareholders. We agree with the Protestants' argument that there are other economic factors, independent of marketing and promotional efforts by SoCalGas, which could increase gas throughput for the NGV program. The following economic factors have been identified:

(a) The Protestants note that there are federal mandates which require fleet operators to purchase alternative fuel vehicles to meet certain emission standards. Such mandates would contribute to throughput without a marketing or promotional effort on the part of SoCalGas. While it is true that the National Energy Policy Act of 1992 (EPAct) does not necessarily require the use of natural gas as an alternative

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[1] The uncompressed margin based on the uncompressed rate approved in this resolution is approximately $0.024. This is based on an uncompressed rate at $0.1369/therm. The uncompressed margin is calculated by removing the PITCO/POPCO Transition cost at $0.0119/therm, ITCS costs at $0.0042/therm, Miscellaneous Balancing Accounts at $0.0164/therm, Pipeline Demand Charges at $0.0419/therm, and rent on the distribution and transmission system at $0.03858/therm.

fuel to satisfy its requirements, natural gas as a vehicle fuel is a competitive option.

(b) Another potential factor affecting the NGV market are the prices of competitive alternative fuels. If the price of reformulated gasoline rises, that may add further incentive for fleet operators to switch to NGVs with very little promotion needed. SoCalGas notes that its current NGV rate design is indexed on the price of wholesale gas which means that rises in gas prices will lead to rises in natural gas rates. However, the Commission ordered all the gas utilities to redesign their NGV compressed rates so that the rates reflect the direct and fully allocated cost of service by January 1997. In approving Advice Letter No. 2470 we accelerate this time for SoCalGas compliance to August 1, 1996.

(c) SoCalGas argued throughout the proceeding that natural gas refueling stations were the key to a viable NGV market and has used significant amounts of ratepayer funds to build such stations. (Ratepayer funds were used for other NGV programs as well such as RD&D and program administration.) Regardless of whether the stations are sold off (as directed by the Commission), their existence is critical to the viability of an NGV market (as argued by SoCalGas in the proceeding.) It is conceivable that if the NGV market has early modest success, third parties entrepreneurs or fleet owners may build their own compression stations to enter the market. Under this scenario an NGV market may thrive with little or no promotional or marketing efforts needed.

9. In response to the Protestants, SoCalGas states that shareholder marketing efforts are necessary for increased gas throughput in the NGV market although it never specifies or commits to any level of shareholder funding.

10. Any combination of the economic factors mentioned above could cause stimulation of the NGV market. If factors other than SoCalGas' marketing efforts cause the throughput profile to be exceeded, the ratepayers will receive revenues from the incremental compressed throughput. We conclude that SoCalGas' throughput sharing proposal leaves ratepayers no worse off due to the guaranteed revenue stream, and possibly better off, if the throughput exceeds the profile since the revenues from the compression margin above the profile will flow to ratepayers until the stations are sold. In addition, revenues from increased throughput at the fully allocated uncompressed rate will provide a contribution to system fixed costs and transition costs.

<u>SoCalGas' Throughput Distribution Methodology</u>

11. SoCalGas throughput profiles assume that all NGVs in service as of December 1995 are

attributable to ratepayer funds (some NGVs attributable to ratepayer funds are not yet in service, but are also accounted for by SoCalGas). The profiles are based on two key factors; the vehicles annual average use of natural gas, and their probable years of service. Outside of conducting an audit, we can not validate the gas usage calculations and the life estimates of the vehicles, nor can we attest with certainty that SoCalGas has accounted for all the NGVs attributed to ratepayer funds. However, SoCalGas has not been unreasonable in obtaining the information used to produce the throughput profile. Ratepayers will be no worse off under the proposed sharing scheme, and may be better off than if it were rejected.

Proposed Throughput Distribution Methodology

12. SoCalGas estimated the throughput attributable to ratepayer investment and promised that this amount would go to ratepayers whether or not the projection was actually met. This amount was $15.031 million. SoCalGas stated that: "If the Commission should approve ratepayer funding for these [unpaid rebate] commitments, then the benefits from the throughput produced by these vehicles will be assigned to ratepayers. The amount of the unpaid rebates is $1.8 million." (Advice Letter 2470, p.7) Thus, the ratepayers will be guaranteed either $15.031 million if the ratepayer funding is approved, or that amount less revenues from the throughput produced by the vehicles attributed to those rebates if ratepayer funding is denied.

13. Any incremental compressed margin above what is used to cover the profiled compressed throughput will flow solely to ratepayers. (SoCalGas letter to CACD, April 29, 1996, p.5.) If, in a given year, the actual uncompressed throughput does not meet the profiled amount and the compressed throughput exceeds the profiled amount, the compressed throughput revenues may not be used to make up the difference for shortfalls in uncompressed throughput. 100% of these revenues will flow to recovery of ratepayer costs for NGV program.

14. A memorandum account for the profiled revenue will be cleared annually (based on levels in attachment A). This will insure that compression margin earned for ratepayers is not used to make up the difference on uncompressed throughput revenues.

15. The station capital costs are to be dealt with by the shareholders receiving 25% of any loss or profit on the sale of the stations and the ratepayers receiving 75% of any loss or profit on those sales. (D. 95-011-35). This will provide the shareholders some incentive to maximize the sale price in those transactions.

16. The concerns regarding the reliability of the benchmark chosen by SoCalGas are somewhat allayed since ratepayers receive the revenue from incremental compression margin. The incremental compression margin running to the ratepayers in the proposal accounts for the possible effects of the price of gasoline, federal alternative fuel vehicle mandates, and also possible third party infrastructure investment. All of these factors operate on the initial ratepayer

investment making it appropriate for shareholders to share such benefits with ratepayers. The benchmark set by SoCalGas may be too low because of the failure to account for the effect of ratepayer investment in RD&D. If so, the ratepayers will recover the portion of those costs through the incremental compression margin.

17. The proposal represents a true win-win situation where ratepayers are the first to receive any benefits of throughput due to their initial costs and shareholders receive the benefit of their marketing investment. The incremental compressed margin will run to the ratepayers and to the extent that it exceeds the profiled compressed throughput, these revenues will allow ratepayers to recover their unrecovered pilot and bridge funding costs. In this manner, if throughput exceeds projected levels for NGV's as a result of factors other than shareholder marketing efforts, the ratepayers will not lose the opportunity to be held harmless for their initial costs. At the same time, shareholders will retain the incentive to pursue increased throughput as they will recover the revenues from the compression margin for throughput above the profiled uncompressed throughput.

18. The marketing efforts of SoCalGas are among the factors that might raise the potential value of the NGV fueling stations. The proposed revenue sharing structure will allow shareholders to benefit from their efforts and at the same time benefit the ratepayers in two ways. First, the ratepayers' stake in the sale of the refueling stations will be more secure due to the efforts of the shareholders provided they are given the proper incentive to market the NGV program. In addition, until the stations are sold, ratepayers will benefit by the recovery of their initial costs through the compressed margin in the event that compressed throughput exceeds projected levels.

Booking the unpaid Rebate Commitments

19. SoCalGas' request to book the unpaid rebate commitments was clarified to be the establishment of a memorandum or tracking account to record these potential expenses. The Commission has not yet ruled on their admissibility, but we find that the establishment of a memorandum account for these purposes is not detrimental to ratepayers. We note that if the Commission allows the rebate commitments to be funded by ratepayers, the throughput curves established by SoCalGas increase significantly. If the Commission denies ratepayer funding for the rebates, SoCalGas predicts that its throughput profile will actually be lower than what it projected. SoCalGas' request is reasonable and should be adopted.

FINDINGS

1. Southern California Gas Company (SoCalGas) filed Advice Letter No. 2470 on January 10, 1996 as ordered by Decision 9511-035. Advice Letter No. 2470 requests: (1) approval of its

revised NGV tariff rates, (2) a proposal to distribute increased gas throughput from its NGV program to both shareholders and ratepayers, and (3) authority to book the unpaid rebate commitments to a memorandum account.

2. The Western States Petroleum Association and the Division of Ratepayer Advocates filed protests to Advice Letter No. 2470.

3. The Protestants state that SoCalGas' proposal to distribute some of the NGV throughput to shareholders is unsubstantiated and should be rejected.

4 The Protestants also oppose SoCalGas' request to establish the unpaid rebate commitments memorandum account because the admissibility of these commitments will be decided in a separate hearing.

5. Advice Letter No. 2470 does not comply with the Commission rate design policy for NGV rates established in D.95-11-035 because the wording contained in the advice letter text does not clearly demonstrate that the compressed tariff rate will be based on the direct and fully allocated cost of service by January 1997.

6. SoCalGas' argument that ratepayers are not entitled to be made whole for their past investment in NGV programs is not supported.

7. SoCalGas assumes that marketing and promotional efforts by its shareholders are the sole reason for increases to NGV throughput above the calculated ratepayer profile, but is unable to support this assumption.

8. Federal EPAct mandates have an impact on NGV throughput.

9. The price of competitive alternative fuels, in particular reformulated gasoline, has an impact on NGV throughput.

10 The presence of refueling stations, constructed with ratepayer funds, have an impact on NGV throughput.

11. Components of SoCalGas' methodology for distributing uncompressed and compressed gas throughput for NGVs could not be independently verified. The methodology used by SoCalGas is not unreasonable and any inaccuracy is safeguarded against by our proposed revenue sharing structure.

12. SoCalGas' proposal to establish a memorandum account to record the unpaid rebate commitments is not detrimental to ratepayers.

THEREFORE, IT IS ORDERED that:

1. SoCalGas' Advice Letter No. 2470 is rejected in part and granted in part.

2. SoCalGas shall file compliance tariffs on or before July 30, 1996 in accordance with the discussion herein so that its NGV compressed and uncompressed rates will be based on the direct and fully allocated cost of service effective August 1, 1996.

3. SoCalGas will file annual reports with CACD by March 31 of the following year to track revenues from compressed and uncompressed actual throughput until December 31, 2009.

4. SoCalGas' proposal to split gas throughput increases from its NGV program between shareholders and ratepayers is accepted as clarified in the discussion herein and by Attachment A.

5. SoCalGas' request for authority to establish a memorandum account to record the unpaid rebate commitments is approved.

6. The protests of the Western States Petroleum Association and the Division of Ratepayer Advocates are dismissed.

7. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on July 17, 1996.
The following Commissioners approved it:

Wesley Franklin

WESLEY FRANKLIN
Executive Director

P. GREGORY CONLON
President
DANIEL Wm. FESSLER
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners

Attachment A

Ratepayer Load and Margin

	Total	1 1996	2 1997	3 1998	4 1999	5 2000	6 2001	7 2002	8 2003	9 2004	10 2005	11 2006	12 2007	13 2008	14 2009	15 2010
Ratepayer Load (MWh)																
Uncompressed	60,064	3,838	4,901	4,877	4,622	4,236	4,046	6,998	6,398	6,212	6,135	4,612	3,321	1,814	606	442
Compressed	17,766	3,174	3,376	3,320	3,012	2,660	2,307	-	-	-	-	-	-	-	-	-
Total (MWh)	78,320	7,000	8,276	8,206	7,634	6,904	6,303	6,998	6,398	6,212	6,135	4,612	3,321	1,814	606	442
Ratepayer Margin (CY $000)																
Uncompressed	12,176	966	1,167	1,192	1,142	1,048	1,008	964	909	904	917	840	620	296	102	82
Compressed	2,864	470	621	530	494	434	401	-	-	-	-	-	-	-	-	-
Total (CY $000)	15,031	1,436	1,688	1,721	1,636	1,482	1,409	964	909	904	917	840	620	296	102	82