

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**ENERGY DIVISION**

**RESOLUTION G-3226\***

**November 5, 1997**

**RESOLUTION**

**RESOLUTION G-3226. SOUTHERN CALIFORNIA GAS COMPANY REQUESTS TO ESTABLISH A MEMORANDUM ACCOUNT TO RECORD AND TRACK INTERVENOR COMPENSATION PAYMENTS AUTHORIZED BY THE COMMISSION. APPROVED IN PART. DENIED IN PART.**

**BY ADVICE LETTER 2478-G, FILED ON FEBRUARY 7, 1996.**

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**SUMMARY**

1. By Advice Letter (AL) 2478-G, Southern California Gas Company (SoCalGas) requests to establish a memorandum account to record and track intervenor compensation payments authorized by the Commission.
2. A protest was filed in AL 2478-G by the Division of Ratepayers Advocates (DRA), now the Office of Ratepayers Advocates. DRA contends the methodology proposed to recoup the intervenor compensation payments is inappropriate. DRA's protest is denied in part because SoCalGas agrees that amounts recorded to this memorandum account should not accrue interest and all intervenor compensation payments not recovered by SoCalGas in its 1996 Biennial Cost Allocation Proceeding (BCAP) should be recovered in its next BCAP update on an equal cent per them basis. DRA's protest was moot in part because Rule 76.30 of the Commission Rules of Practice and Procedure was removed from later versions of the Rules of Practice and Procedure.
3. This resolution approves the establishment of a memorandum account for intervenor compensation payments and denies the request to debit \$18,633.20 to this memorandum account in AL 2478-G.

**BACKGROUND**

1. In the past, SoCalGas recovered intervenor compensation payments through rates as part of its general rate case or annual attrition proceeding. However, with the adoption of the Performance Based Regulation (PBR) mechanism, SoCalGas is no longer subject to an annual

general rate case or attrition adjustment proceeding. Therefore, SoCalGas filed AL 2478 to establish a memorandum account to recover intervenor compensation payments authorized by the Commission.

2. The base rates in the PBR does not include recovery of intervenor compensation payments authorized by the Commission.
3. SoCalGas proposed to record to the memorandum account, on a monthly basis, any intervenor compensation payments authorized by the Commission plus interest at the three-month commercial paper rate consistent with its Preliminary Statement, Part I, J. The balance in this account would be recorded on SoCalGas' financial statements and recovery would be addressed as part of SoCalGas' BCAP.
4. AL 2478 proposed initially to debit the amount of \$18,633.20 to the memorandum account as the amount of intervenor compensation authorized by the Commission in D.95-11-036, and paid by SoCalGas.
5. SoCalGas also argued that Rule 76.30 of the Commission's Rules of Practice and Procedure allows SoCalGas to record intervenor compensation to a deferred expense account to be recovered through rates as part of its general rate case or annual attrition proceeding.

#### NOTICE

1. Notice of AL 2478-G was made by publication in the Commission's calendar and by mailing copies of the filing to adjacent utilities and interested parties.

#### PROTEST

1. On February 21, 1996, DRA filed a protest opposing SoCalGas' methodology to recoup intervenor compensation payments authorized by the Commission. Citing Public Utilities Code Section 1807<sup>1</sup>, DRA believes that SoCalGas should only recoup the incurred intervenor compensation payments within one year and without interest.

<sup>1</sup>Public Utilities Code Section 1807 states in pertinent part:

"Notwithstanding any other provision of law, any award paid by a public utility pursuant to this article shall be allowed by the commission as an expense for the purpose of establishing rates of the public utility by way of a dollar-for-dollar adjustment to rates imposed by the commission immediately on the determination of the amount of the award, so that the amount of the award shall be fully recovered within one year from the date of the award."

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2. Further, DRA proposes that the method of recovery should be accomplished through the establishment of a tracking account in SoCalGas' gas margin in the BCAP. DRA believes this method of recovery would allow all customers to share in the payment of these expenses as all adjustments made to gas margin are spread among all customers.
3. DRA recommends that the above methodology be adopted by the Commission on a temporary one year basis. Thereafter, DRA recommends that intervenor compensation payments be included in PBR expenses and therefore not continue as an item in the BCAP proceedings.
4. In its response, filed on February 27, 1996, SoCalGas stated that it did not oppose DRA's proposed method of recovery, so long as it is not limited to one year because SoCalGas could be denied the ability to recover these payments if it fails to recover the authorized intervenor compensation payments within the one year time frame required by statute.
5. SoCalGas agrees with DRA's proposal that the Commission authorize SoCalGas to recover all intervenor compensation payment as an expense under PBR.
6. Neither SoCalGas nor DRA raised DRA's proposed method of recovery in either the BCAP or PBR proceedings.
7. Further, SoCalGas agreed that the amounts recorded to this memorandum account should not accrue interest, and therefore, the accrual provision is no longer necessary.
8. In response to SoCalGas' argument that Rule 76.30 of the Commission's Rules of Practice and Procedure permits assignment of intervenor compensation payments to a deferred expense account, DRA argues that under the PBR mechanism, SoCalGas would no longer be subject to an annual general rate case or attrition adjustment proceeding, so these expenses should be included in SoCalGas' PBR expenses, and not continued as an item in the BCAP proceedings.

#### DISCUSSION

1. AL 2478-G should be approved because Public Utilities Code Section 1807 permits recovery of all intervenor compensation payments authorized by the Commission.
2. DRA has failed to provide justification that SoCalGas be limited to a one year period to recover intervenor compensation payments authorized by the Commission. A one year limitation is unreasonable because neither SoCalGas nor DRA raised this issue in either the PBR or BCAP. Further, a PBR is not the appropriate forum to recover intervenor compensation payments

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because SoCalGas may not file for recovery in a PBR proceeding each year, which could result in SoCalGas being denied the ability to recover these payments within the one year time frame required by statute.

3. SoCalGas agrees with DRA that it should not recover any accrued interest on this memorandum account.
4. DRA has also failed to support its recommendation that intervenor compensation payments can only be recouped through the gas margin. DRA's rationale for this method of recovery is that all customers will share in the payment of these expenses. This can be accomplished by requiring SoCalGas to recover these payments on an equal cent per therm basis.
5. In its October 14, 1997 response, SoCalGas stated that intervenor compensation payments of \$227,000, which includes the \$18,633.20 proposed to be debited to this memorandum account, were recovered in the BCAP. Therefore, the request to debit \$18,633.20 to the memorandum account should be denied.
6. Both SoCalGas and DRA cited and discussed Rule 76.30 of the Commission's Rules of Practice and Procedure. However, Rule 76.30 was removed from both the August 3, 1994 and March 1996 versions of the Commission's Rules of Practice and Procedure. Therefore, the arguments related to this rule are moot and need not be addressed.

#### FINDINGS

1. With the adoption of the PBR mechanism, SoCalGas is no longer subject to an annual general rate case or attrition adjustment proceeding and therefore, has no mechanism to recover intervenor compensation payments authorized by the Commission.
2. SoCalGas' PBR base rates do not include intervenor compensation payments authorized by the Commission.
3. SoCalGas filed AL 2478-G on February 7, 1996 requesting the establishment of a memorandum account to record and track intervenor compensation payments authorized by the Commission, and to debit \$18,633.20 to that account.
4. DRA filed a protest to AL 2478-G opposing the methodology proposed by SoCalGas to recoup intervenor compensation payments authorized by the Commission. DRA does not oppose the appropriateness of SoCalGas recovering intervenor compensation payments.
5. SoCalGas should not recover any accrued interest on this memorandum account.

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6. All intervenor compensation payments authorized by the Commission should be tracked and recorded in a memorandum account to be recovered by SoCalGas in its next BCAP update on an equal cent per therm basis.
7. DRA's protest should be denied because SoCalGas agrees that amounts recorded to this memorandum account should not accrue interest and all intervenor compensation payments authorized by the Commission should be tracked and recorded in this memorandum account to be recovered by SoCalGas in its next BCAP update on an equal cent per therm basis.
8. SoCalGas' proposal to debit \$18,633.20 to this memorandum account should be denied because SoCalGas recovered this amount in its BCAP.
9. Both SoCalGas and DRA cited and discussed Rule 76.30 of the Commission's Rules of Practice and Procedure. However, Rule 76.30 was removed from both the August 3, 1994 and March 1996 versions of the Commission's Rules of Practice and Procedure. Therefore, the arguments related to this rule are moot and need not be addressed.

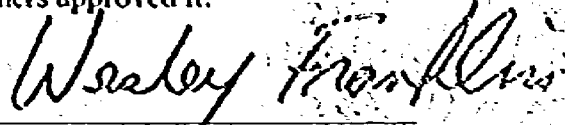
**THEREFORE IT IS ORDERED THAT:**

1. Southern California Gas Company's request in Advice Letter 2478-G, to establish a memorandum account to track and record all intervenor compensation payments authorized by the Commission to be recovered by SoCalGas in its next BCAP update on an equal cent per therm basis, is approved. SoCalGas' request to debit \$18,633.20 to this memorandum account is denied.
2. Southern California Gas Company shall not accrue any interest in this memorandum account. Within 30 days, Southern California Gas Company shall file a supplemental advice letter eliminating the interest provision from the proposed tariff.
3. The protest of DRA is denied.
4. This resolution is effective today.

Resolution G-3226  
SoCalGas AL 2478-G/BFS

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I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on November 5, 1997. The following Commissioners approved it:



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WESLEY M. FRANKLIN  
Executive Director

P. Gregory Conlon, President  
Jessie J. Knight, Jr.  
Henry M. Duque  
Josiah L. Neeper  
Richard A. Bilas  
Commissioners