

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**RESOLUTION G-3247
DECEMBER 17, 1998**

RESOLUTION

RESOLUTION G-3247. SEMPRA ENERGY, ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY (SOCALGAS), REQUESTS APPROVAL TO UPDATE REGULATORY ACCOUNT BALANCES FOR THE THIRD PERIOD OF D.97-04-082, SOCALGAS' 1996 BIENNIAL COST ALLOCATION PROCEEDING (BCAP). APPROVED.

BY ADVICE LETTER NO. 2751 FILED OCTOBER 15, 1998.

SUMMARY

1. Sempra Energy on behalf of Southern California Gas Company (SoCalGas) requests approval of revisions to SoCalGas rates to incorporate the projected 1998 year-end regulatory account balances for the third period of Decision (D.) 97-04-082, SoCalGas' 1996 Biennial Cost Allocation Proceeding (BCAP).
2. SoCalGas proposes to incorporate the January 1, 1999, adopted regulatory account balances not impacted by their 1999 BCAP Application proposals into August 1, 1999 rates unchanged.
3. The proposed rates are based on the average temperature year gas demand data for setting rates adopted by the Commission in D.97-04-082.
4. The rates contained in Advice Letter 2751 do not include other adjustments authorized or expected to be authorized by the Commission prior to the end of 1998. SoCalGas will submit an advice letter to consolidate all rate changes and to revise the necessary tariff schedules resulting from those actions by the Commission no later than December 29, 1998.

5. Southern California Edison (SCE) protested this advice letter on the basis that SoCalGas proposed to collect \$17.2 million in the Pacific Interstate Transmission Company (PITCO) and Pacific Offshore Pipeline Company (POPCO) Transition Cost Account (PPTCA) for recovery in 1999 rates.

6. This Resolution approves the updated regulatory account balances after finding that the filing is in compliance with the practice of updating regulatory account balances on or before October 15 of each year and with D.97-04-064.

BACKGROUND

1. SoCalGas' filing requests revision of their rates to incorporate the projected 1998 year-end regulatory account balances for the third period of D.97-04-082. SoCalGas proposes to incorporate the January 1, 1999 adopted regulatory account balances which are not impacted by the 1999 BCAP Application proposals into August 1, 1999 rates unchanged.

2. The rates do not include other adjustments authorized or expected to be authorized by the Commission prior to the end of 1998. SoCalGas will submit an advice letter to consolidate all rate changes and to revise the necessary tariff schedules resulting from those actions by the Commission at least three (3) days prior to the effective date of such rates of January 1, 1999.

3. The filing is made in compliance with the practice of updating regulatory account balances on or before October 15 of each year.

4. The Summary of Revenue Changes and Present and Proposed Rates, and the Summary of Regulatory Account Changes filed with the request indicate a decrease in revenues and proposed rates for those accounts which are proposed to be adjusted.

NOTICE

1. SoCalGas has made public notification of this filing by publication in the Commission's calendar and mailing copies of Advice Letter No. 2751 in accordance with Section III-G of General Order (GO) 96-A.

PROTESTS

1. SCE protested Advice Letter 2751 on November 4, 1998 on the basis that SoCalGas proposed to collect \$17.2 million in the PITCO/POPCO Transmission Cost Account (PPTCA) for recovery in 1999 noncore rates. SCE contends that SoCalGas should not be entitled to recover excess gas and transition costs associated with PITCO/POPCO after December 31, 1998 because such costs are to have been phased out, through inclusion in rates, over a five-year period, commencing January 1, 1994 and ending December 31, 1998. SCE cites as verification, the following quotation from D.94-07-064, Appendix A., p.7:

Shareholders shall be at risk for any excess costs above market prices for gas associated with purchases made from PITCO or POPCO (if in existence) after December 31, 1998, the scheduled expiration date of the sharing mechanism. . . .

2. On November 12, 1998, SoCalGas responded to the protest of SCE. SoCalGas states that SCE's protest is based on an incomplete reading of D.94-07-064. SoCalGas cites Appendix A (Section B.1.7, pg 3) of the Global Settlement which states:

If the customers' share of the total PITCO and POPCO excess gas and transition costs has not been fully amortized by December 31, 1998, the customers' rates shall continue to have a revenue requirement for the amortization costs plus accrued interest. The revenue requirement will be revised to recover the full remaining balance plus interest, at the beginning of each year.

3. SoCalGas states that the PPTCA balance requested for recovery in 1999 rates is the forecasted remaining unamortized balance as of December 31, 1998, and therefore their request is entirely consistent with the Global Settlement.

DISCUSSION

1. The Energy Division (ED) has reviewed SoCalGas Advice Letter 2751.

2. The Advice Letter is reasonable for the following reasons:

(a) The filing is made in compliance with the practice of updating regulatory account balances on or before October 15.

(b) The filing revises SoCalGas' rates to incorporate the projected 1998 year-end regulatory account balances which are not impacted by the 1999 BCAP Application proposals, for the third period of D.97-04-082.

(c) The proposed rates are based on the average temperature year gas demand data for setting rates which was adopted by the Commission in D.97-04-082.

(d) The protest of SCE filed November 4, 1998 is denied because Advice Letter 2751 is consistent with the language contained in Appendix A (Section B.1.7, pg. 3) of D. 94-07-064 which states that if a customer's share of the total PITCO and POPCO excess gas and transition costs are not fully amortized by December 31, 1998, the customer's rates will continue to have a revenue requirement for the amortization costs. The revenue requirement will be revised to recover the full remaining balance plus interest, at the beginning of each year. The section SCE is referring to deals with costs incurred after December 31, 1998.

FINDINGS

1. On October 15, 1998, SoCalGas filed Advice Letter No. 2751 which updated regulatory account balances for the third period of D.97-04-082.

2. On November 4, 1998, SCE protested the Advice Letter on the basis that SoCalGas was not entitled to collect \$17.2 million in the PITCO/POPCO Transition Cost Account based on SCE's interpretation of the Global Settlement which called for phase out of such costs over a five-year period, commencing January 1, 1994 and ending December 31, 1998.

3. On November 12, 1998, SoCalGas responded to the protest of SCE citing language in the Global Settlement which provides for excess gas and transition costs that have not been fully amortized by December 31, 1998 to continue to have a revenue requirement which is to be revised to

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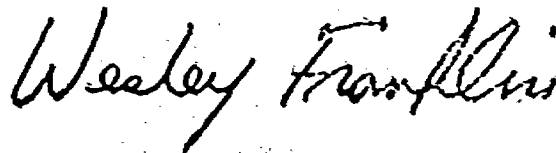
recover the full remaining balance plus interest, at the beginning of each year.

4. SCE's protest is denied.

THEREFORE, IT IS ORDERED that:

1. SoCalGas shall file a supplemental advice letter with revised tariffs by December 29, 1998, that is identical to Advice Letter 2751 except for any adjustments authorized by the Commission prior to the end of 1998.
2. Advice Letter 2751 shall be marked to show that it will be superseded and supplemented by another advice letter containing the revised tariffs.
3. The revised tariffs to fully implement the updating of regulatory account balances shall be effective January 1, 1999, pending written confirmation by the Energy Division that the tariffs are in compliance with Resolution G-3247.
4. SCE's protest is denied.
5. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on December 17, 1998, the following Commissioners voting favorably thereon:



WESLEY M. FRANKLIN
Executive Director

RICHARD A. BILAS

President

P. GREGORY CONLON

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

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2. SoCalGas proposes to incorporate the January 1, 1999, adopted regulatory account balances not impacted by their 1999 BCAP Application proposals into August 1, 1999 rates unchanged.
3. The proposed rates are based on the average temperature year gas demand data for setting rates adopted by the Commission in D.97-04-082.
4. The rates contained in Advice Letter 2751 do not include other adjustments authorized or expected to be authorized by the Commission prior to the end of 1998. SoCalGas will submit an advice letter to consolidate all rate changes and to revise the necessary tariff schedules resulting from those actions by the Commission no later than December 29, 1998.

5. Southern California Edison (SCE) protested this advice letter on the basis that SoCalGas proposed to collect \$17.2 million in the Pacific Interstate Transmission Company (PITCO) and Pacific Offshore Pipeline Company (POPCO) Transition Cost Account (PPTCA) for recovery in 1999 rates.

6. This Resolution approves the updated regulatory account balances after finding that the filing is in compliance with the practice of updating regulatory account balances on or before October 15 of each year and with D.97-04-064.

BACKGROUND

1. SoCalGas' filing requests revision of their rates to incorporate the projected 1998 year-end regulatory account balances for the third period of D.97-04-082. SoCalGas proposes to incorporate the January 1, 1999 adopted regulatory account balances which are not impacted by the 1999 BCAP Application proposals into August 1, 1999 rates unchanged.

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3. The filing is made in compliance with the practice of updating regulatory account balances on or before October 15 of each year.

4. The Summary of Revenue Changes and Present and Proposed Rates, and the Summary of Regulatory Account Changes filed with the request indicate a decrease in revenues and proposed rates for those accounts which are proposed to be adjusted.

NOTICE

1. SoCalGas has made public notification of this filing by publication in the Commission's calendar and mailing copies of Advice Letter No. 2751 in accordance with Section III-G of General Order (GO) 96-A.

PROTESTS

1. SCE protested Advice Letter 2751 on November 4, 1998 on the basis that SoCalGas proposed to collect \$17.2 million in the PITCO/POPCO Transmission Cost Account (PPTCA) for recovery in 1999 noncore rates. SCE contends that SoCalGas should not be entitled to recover excess gas and transition costs associated with PITCO/POPCO after December 31, 1998 because such costs are to have been phased out, through inclusion in rates, over a five-year period, commencing January 1, 1994 and ending December 31, 1998. SCE cites as verification, the following quotation from D.94-07-064, Appendix A., p.7:

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DISCUSSION

1. The Energy Division (ED) has reviewed SoCalGas Advice Letter 2751.

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(c) The proposed rates are based on the average temperature year gas demand data for setting rates which was adopted by the Commission in D.97-04-082.

(d) The protest of SCE filed November 4, 1998 is denied because Advice Letter 2751 is consistent with the language contained in Appendix A (Section B.1.7, pg. 3) of D. 94-07-064 which states that if a customer's share of the total PITCO and POPCO excess gas and transition costs are not fully amortized by December 31, 1998, the customer's rates will continue to have a revenue requirement for the amortization costs. The revenue requirement will be revised to recover the full remaining balance plus interest, at the beginning of each year. The section SCE is referring to deals with costs incurred after December 31, 1998.

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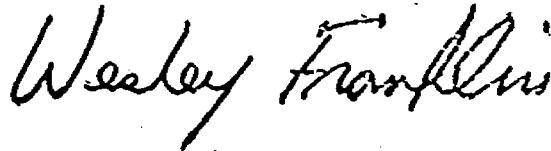
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THEREFORE, IT IS ORDERED that:

1. SoCalGas shall file a supplemental advice letter with revised tariffs by December 29, 1998, that is identical to Advice Letter 2751 except for any adjustments authorized by the Commission prior to the end of 1998.
2. Advice Letter 2751 shall be marked to show that it will be superseded and supplemented by another advice letter containing the revised tariffs.
3. The revised tariffs to fully implement the updating of regulatory account balances shall be effective January 1, 1999, pending written confirmation by the Energy Division that the tariffs are in compliance with Resolution G-3247.
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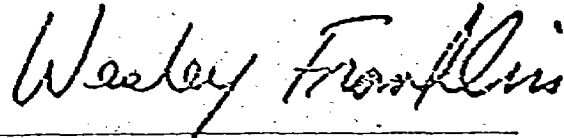
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