

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**RESOLUTION G-3275
DECEMBER 16, 1999**

RESOLUTION

Resolution G-3275. Sempra Energy, on behalf of Southern California Gas Company (SoCalGas), requests approval of its proposal to refund \$100 million of the projected year-end 1999 balance in SoCalGas' Core Fixed Cost Account (CFCA) through a one-time bill credit to all eligible core customers. SoCalGas' request is approved with modifications with an effective date of today.

By Advice Letter 2847, filed on September 20, 1999.

SUMMARY

This Resolution approves, with modifications, SoCalGas' Advice Letter 2847 with an effective date of today. SoCalGas proposes to refund \$100 million of the projected year-end 1999 balance in the CFCA through a one-time bill credit to all eligible SoCalGas core customers.

The Utility Reform Network (TURN) protested the Advice Letter. The protest is denied.

The Advice Letter is approved with the following modifications:

1. The effective date of the Advice Letter is today.
2. The name of this one-time bill credit has been changed from "Special Refund Credit" to "Refund Credit".
3. The format of the bill message/bill insert and newspaper notice to notify SoCalGas' core customers of this one-time bill credit is included in this Advice Letter.
4. SoCalGas' Refund Plan, Section C (1) "Eligibility of Refund," has been revised to include customers who used gas during the refund period, who were not SoCalGas customers of record as of November 6, 1999, are also entitled to a refund.
5. SoCalGas shall implement this one-time bill credit in the December 1999 billing cycle.

BACKGROUND

On September 20, 1999, SoCalGas filed Advice Letter 2847 that contained its proposal to refund \$100 million through a one-time bill credit from the projected year-end 1999 balance in its CFCA to eligible core customers.

SoCalGas states that cooler than average temperatures during the last quarter of 1998 and the early part of 1999 led to the unplanned over-collections in the CFCA. The \$100 million represents a significant portion of the projected year-end 1999 balance in the CFCA. SoCalGas considers this large over-collection as an unusual occurrence and its request for this one-time bill credit not is considered precedent in resolving future balances in the CFCA.

The proposal of this one-time bill credit is being offered in order to return ratepayers' monies sooner and to promote rate stability for SoCalGas' core customers.

NOTICE

Public notice of the Advice Letter was made by publication in the Commission Calendar and by SoCalGas mailing copies of the filing to interested parties in accordance with Section III-G of General Order (G.O.) 96-A.

PROTESTS

TURN filed its protest of SoCalGas' Advice Letter 2847 on October 11, 1999.

While TURN supports the return of money over-collected from core customers, it urges the Commission to order SoCalGas to return this money through the normal process of a rate decrease and not through a "Special Refund Credit".

The following are TURN concerns regarding the advice letter:

1. TURN states that one-time bill credits or debits are contrary to long-established ratemaking practice for the treatment of balancing accounts. TURN requests the Commission to order SoCalGas to amortize the CFCA over-collection through normal rate reductions.
2. TURN claims the CFCA over-collection is unusual only because SoCalGas has for years systematically over-estimated core demand in its ratemaking proceedings. It is SoCalGas' over-estimation of core

throughput in Biennial Cost Allocation Proceeding (BCAP) applications which had the effect of shifting fixed costs to core customers that has historically contributed to consistent under-collections in the CFCA account, making the occasion of an over-collection appear "unusual".

3. The advice letter states that that the amortization of the over-collection "could potentially result in a significant rate increase at the beginning of the year 2001." TURN states that it is obvious that over/under-collections will result in rate changes. The rate impact in 2001 is dependent on core gas usage in 2000 and the resulting balances in the CFCA, as well as other ratemaking factors too numerous to mention.
4. TURN states "The CFCA is a balancing account which protects the company against weather-related differences in projected and actual core revenues. Such "revenue protection" should not be used to provide the company with additional public relation benefits!" TURN objects to the use of "Special Refund Credit" as the name for this one-time credit. TURN suggests renaming the "Special Refund Credit" to "Repayment of Overcollected Charges". TURN believes customers will not be "fully cognizant of the fact that this credit reflects past over-collections".

On October 19, 1999 SoCalGas responded to TURN's protest. SoCalGas requested the Commission approve Advice Letter 2847 and rejected TURN's protest.

SoCalGas' response to each of TURN's concerns is as follows:

1. SoCalGas reiterates that the large overcollection in the CFCA is an unusual occurrence; and, as such, this special one-time bill credit should not be considered precedent-setting for any future balances in the CFCA. SoCalGas agrees with TURN that balancing account positions should not be routinely handled by this method of a one-time bill credit. But, when extraordinary circumstances occur, SoCalGas states it has and will propose a process that would best serve its customers.

SoCalGas refers to a Commission Decision (D.) 96-06-033 in which San Diego Gas & Electric Company was ordered to provide a one-time refund.

2. SoCalGas states that an over-collection arises when billed revenues exceed the revenue requirement. Also, during the last quarter of 1998 and early 1999, southern California experienced considerably cooler than expected temperatures. The unforeseen over-collection in the CFCA was due to the unexpected weather conditions.

3. SoCalGas indicates that if the \$100 million over-collection were amortized into rates creating a gas rate decrease during the year 2000, and if all other variables remained equal, beginning January 1, 2001 a significant rate increase would occur.
4. SoCalGas states "There are no 'over-collected charges' in SoCalGas' CFCA." The increased revenues are due to colder than expected weather conditions in late 1998 and early 1999. SoCalGas believe the "Special Refund Credit" is appropriate rather than TURN's proposed "Repayment of Overcollected Charges".

DISCUSSION

The issues before us are whether to accept SoCalGas' one-time credit, to determine if the refund methodology is reasonable, and to address TURN's protest.

On October 15, 1998, SoCalGas filed Advice Letter 2751. This advice letter was an annual filing to incorporate into its rates the projected 1998 year-end regulatory account balances in conjunction with the BCAP¹. At that time, SoCalGas projected that the CFCA would be \$16 million under-collected at the end of 1998.

In Resolution G-3247, the Commission approved Advice Letter 2751 on December 17, 1998. Resolution G3247 directed SoCalGas to file a supplemental advice letter with revised tariffs by December 29, 1998, that were identical to Advice Letter 2751 except for any adjustments authorized by the Commission prior to the end of 1998.

Supplemental Advice Letter 2751-A was filed on December 29, 1998 and became effective on January 1, 1999.

SoCalGas indicated that the Commission approved Advice Letter 2751 to amortize the \$16 million projected CFCA under-collection in rates effective January 1, 1999. However, the year-end 1998 balance in SoCalGas' CFCA was an over-collection of \$45 million. SoCalGas indicates this was primarily due to considerably cooler than average temperatures during the last quarter of 1998. As the cooler than average temperatures continued into early 1999, this led to increased projected year-end 1999 over-collections in the CFCA. The \$100 million estimate represents a significant portion of the projected year-end 1999 balance in the CFCA.

SoCalGas proposes to provide this one-time credit to all eligible core customers who were customers of record on November 6, 1999. Customers who used gas during

¹ D.97-04-082, SoCalGas' 1996 Biennial Cost Allocation Proceeding, Ordering Paragraph 2.

the refund period² but who were not SoCalGas customers of record as of November 6, 1999 will also receive a refund.

The amount of each eligible customer credit will be determined by multiplying the refund factor³ by each customer's total therms billed during the refund period. The refund factor is calculated by dividing the total amount to be refunded by the total therms billed to all eligible customers during the refund period.

SoCalGas provided additional information showing that since the CFCA's existence, about 10 years, it has only been in year-end 1998 and 1999 that an over-collection has occurred. In the other years, the CFCA has been under-collected.

SoCalGas stated that in D. 95-09-075 it was ordered to provide a lump-sum credit or payment in its over-collected balance in its Core Purchased Gas Account (CPGA) as recommended by the Division of Ratepayer Advocates (DRA)⁴. SoCalGas had proposed to refund the monies over a 28-month period. D. 95-09-075 states, "DRA believes that refunding this over-collection over a 28-month period creates an unnecessary delay in returning these funds to SoCalGas' core procurement ratepayers." The DRA recommended that the refund be allocated to customers on the basis of their consumption in a specific month.

The Energy Division (ED) asked SoCalGas to provide its bill insert and newspaper notice notifying its customers of this one-time refund. This information was provided to the CPUC's ED, Legal Division, and the Public Advisor's Office. The original notices did not contain the necessary information informing SoCalGas customers about the one-time credit, eligibility parameters, a Customer Service Center phone number for answering questions, and a time frame for responding to inquires received.

Following discussions between SoCalGas, ED, Legal, and the Public Advisor's Office, SoCalGas revised the bill message/bill insert and the newspaper notice. The name of the one-time bill credit was also changed from "Special Refund Credit" to "Refund Credit." The final versions of the bill message/bill insert and the newspaper notice are as follows:

Bill Message and Bill Insert

- 1) For all eligible customers, a message will be printed on their bill to reflect the following:

² The refund period is from October 1, 1998 through September 30, 1999.

³ Based on a preliminary scan of the eligible core customer database on October 13, 1999, SoCalGas estimates that the refund factor (\$ per therm) was \$0.028 per therm. The actual scan date for the CFCA refund will be November 6, 1999 and the refund factor will be adjusted to reflect that data.

⁴ The Division of Ratepayer Advocates' name was changed to Office of Ratepayer Advocates.

- ◆ This "Refund Credit" is from surplus revenues created by high customer gas use last winter as a result of cooler than normal weather. The "Refund Credit" shown on this bill is your share of a refund as approved by the California Public Utilities Commission.
- 2) For all eligible master metered customers with submetered accounts, a bill insert will also be included with their bill to reflect the following message:
- ◆ In accordance with California Public Utilities Commission Code 739.5 (b), you are required to distribute to your users the refund received from the serving utility. This refund is calculated for each user by determining the ratio of the user's usage to the total therms for your account during the last billing period, and then applying that percentage to the total refund amount. For any questions, call the Company's Customer Service Center at (800) 427-2000.

Newspaper Print

Before and after the actual refunds, SoCalGas will publish notices in newspapers throughout its service territory that a refund will be or has been made. Persons who believe that they are entitled to a refund, but who have yet to receive one may contact SoCalGas' Customer Service Center. The notices will read as follows:

- ◆ The Gas Company will pass (has passed) along to its core customers (core customers are primarily residential, commercial, and industrial customers who have purchased gas from The Gas Company and who have not elected noncore service) of record as of November 6, 1999, a refund as approved by the California Public Utilities Commission. This "Refund Credit" is from surplus revenues created by high customer gas use last winter as a result of cooler than normal weather.

The one time refund will be (was) credited on gas bills mailed November 23, 1999 through December 22, 1999³, and will be shown as a "Refund Credit." Each customer's refund will vary according to the customer's usage during the refund period, which is from October 1, 1998 through September 30, 1999.

Customers who used gas during the refund period, who were not our customers of record as of November 6, 1999, are also entitled to a refund and should contact The Gas Company. Any inquiries should be directed to the Company's Customer Service Center at (800) 427-2200 or you can write to The Gas Company - attention: Customer Billing Services, P.O. Box 513249

³ The actual dates of when the gas bills were mailed will depend on when Resolution 3275-G is approved.

-GT 11D5, Los Angeles, CA 90051-1249. The Gas Company will evaluate and respond within ten (10) business days to inquiries received through March 1, 2000. Those eligible customers will receive either a one-time bill credit or a refund check within sixty (60 days) from their inquiry.

The proposal to refund \$100 million of the projected year-end 1999 balance in the CFCA through a one-time bill credit to eligible SoCalGas' core customers is reasonable. Eligible core customers would immediately receive either a credit or refund. SoCalGas' proposal of utilizing the refund period of October 1, 1998 through September 30, 1999 is also appropriate. This is the time period in which the over-collection occurred.

TURN's protest is denied. The Commission has ordered one-time credits to utility customers as indicated in two prior Commission decisions.⁶ TURN did not provide support for its allegations that the CFCA over-collection is unusual only because SoCalGas has for years systematically over-estimated core demand in its ratemaking proceedings. While under-collections occurred during the prior years, SoCalGas states, the throughput forecast that has been used to set rates for the past five years was adopted as part of the Global Settlement, to which TURN agreed. SoCalGas indicates that cooler weather conditions in 1998 and 1999 led to the over-collection. While we agree that SoCalGas' large over-collection is unusual, we also agree that a one-time credit at this time is appropriate. Monies will be immediately credited/refunded to eligible SoCalGas core customers. The name "Special Refund Credit" has been changed to "Refund Credit". SoCalGas will provide bill messages/bill inserts and newspaper notices informing its core customers of this one-time credit.

COMMENTS

The draft resolution of the Energy Division in this matter was mailed to all parties in accordance with California Public Utility Commission (PU) Code Section 311(g). Both SoCalGas and TURN have waived the 30-day minimum comment period as provided by the PU Code Section 311(g). Both parties have agreed to have a comment due date of December 10, 1999. Comments were filed on December 10, 1999 by TURN.

TURN states, "The Commission should reject the Draft Resolution because of its anti-competitive implications for the California gas market." TURN indicates that the two prior Commission decisions that ordered one-time credits dealt with overcollected commodity costs not overcollection of utility fixed costs. TURN further states, "The Commission has never previously authorized a one-time refund of fixed cost balancing account overcollections." TURN believes that "providing a 'Refund Credit' has

⁶D. 96-06-033 and D. 95-09-075.

potential anti-competitive implications from goodwill unfairly accruing to the monopoly utility. For this reason, the Commission should maintain normal ratemaking treatment – reducing future rates – as the methodology for treating the overcollection in the CFCA.”

TURN requests that the bill message/bill insert be modified to make the explanation slightly more understandable to the lay person. The requested modification (underlined) is as follows:

“This “Refund Credit” is from surplus revenues collected from residential and other core customers created by higher than expected (sic) customer gas use as a result of cooler than normal weather.”

TURN has failed to provide adequate reason to “reject” the draft Resolution G-3275. While either a refund or rate reduction could create “goodwill” towards the utility, this hardly provides adequate justification to forestall a refund. We believe ratepayers would welcome their due refund as soon as possible. Cooler than expected weather conditions in 1998 and 1999 led to the over-collection. SoCalGas’ large over-collection is unusual, particularly at this time of year, and the one-time credit at this time is considered appropriate for this unusual situation. Monies will immediately be credited/refunded to eligible SoCalGas core customers.

Further, SoCalGas has revised its bill message/bill insert and the newspaper notice, following extensive discussions between SoCalGas, ED, Legal, and the Public Advisor’s Office. TURN’s suggested language adds little to the bill message/bill insert explanation and their request to modify the bill message/bill insert is denied.

TURN’s comments do not identify any misrepresentation of law or facts.

FINDINGS

1. By Advice Letter 2847, filed on September 20, 1999, Southern California Gas Company requested to provide a one-time bill credit or refund to eligible core customer of record during the period from October 1, 1998 through September 30, 1999.
2. On October 11, 1999 TURN filed a Protest to Advice Letter 2847.
3. TURN’s protest is denied. TURN requested the Commission to order the amortization of SoCalGas’ CFCA over-collection through “normal rate reductions” and reject SoCalGas’ proposed one-time bill credit. It has been determined that SoCalGas’ large over-collection is unusual and a one-time credit at this time is reasonable. TURN did not provide support for its allegations that the CFCA over-collection is unusual because SoCalGas has systematically over-

estimated core demand in its ratemaking proceedings. TURN suggested that the "Special Refund Credit" be renamed to "Repayment of Overcollected Charges". TURN believes SoCalGas' customers will not be "fully cognizant... that this credit reflects past over-collections." SoCalGas has renamed its "Special Refund Credit" to "Refund Credit." SoCalGas will inform its core customers of this one-time credit through bill messages/bill inserts and newspaper notices.

4. SoCalGas' proposal is reasonable with the discussed modifications.
5. This Resolution should be effective today.

THEREFORE, IT IS ORDERED THAT:

1. SoCalGas' Advice Letter 2847 is approved with the following modifications:
 - a) The effective date of the Advice Letter is today.
 - b) The name of this one-time bill credit has been changed from "Special Refund Credit" to "Refund Credit".
 - c) The format of the bill message/bill insert and newspaper notice to notify SoCalGas' core customers of this one-time bill credit is included in this Resolution.
 - d) SoCalGas' Refund Plan, Section C (1) "Eligibility of Refund," has been revised to include customers who used gas during the refund period, but who were not SoCalGas customers of record as of November 6, 1999. SoCalGas shall implement this one-time bill credit in the December 1999 billing cycle.
2. TURN's protest is denied.
3. SoCalGas will submit its revised newspaper notice indicating the time-period during which the one-time refund will be credited on gas bills.
4. This Resolution is effective today.

December 16, 1999

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 16, 1999; the following Commissioners voted favorably thereon:

Wesley Franklin

WESLEY M. FRANKLIN
Executive Director

RICHARD A. BILAS
President
HENRY M. DUQUE
JOSIAH L. NEEPER
JOEL Z. HYATT
CARL W. WOOD
Commissioners