

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3026
December 16, 1992

R E S O L U T I O N

RESOLUTION G-3026. SOUTHERN CALIFORNIA GAS COMPANY. ORDER REVISING THE TARIFFS TO REFLECT AN INCREASE IN REVENUE REQUIREMENTS RESULTING FROM OPERATIONAL AND CAPITAL-RELATED ATTRITION FOR 1993 AND TO INCORPORATE THE PROJECTED 1992 YEAR-END BALANCING AND TRACKING ACCOUNT BALANCES FOR THE SECOND YEAR OF THE TWO-YEAR 1992 BCAP RATE CYCLE.

BY ADVICE LETTERS 2142 AND 2142-A, FILED ON OCTOBER 5 AND NOVEMBER 4, 1992 AND ADVICE LETTER 2145, FILED ON OCTOBER 16, 1992.

SUMMARY

1. This Resolution approves an increase of \$88,049,000 to Southern California Gas Company's (SoCalGas) authorized gas margin to offset operational and capital-related attrition in 1993, with an additional increase of \$6,245,000 related to Demand Side Management (DSM) and Conservation programs. SoCalGas is also directed to transfer DSM adjustments adopted for 1993 from the attrition filing to the BCAP filing.
2. This Resolution approves certain modifications to the Biennial Cost Adjustment Proceeding (BCAP) balancing and tracking accounts, amounting to approximately \$108.4 million for core account amortizations and approximately \$42.4 million for noncore account amortizations.
3. This Resolution also directs SoCalGas to provide interstate supplier refunds including interest and FF&U of approximately \$21 million into core rates calculated to be effective January 1, 1993.

BACKGROUND

1. In D.90-01-016 (SoCalGas' Test Year 1990 General Rate Case [GRC]), the Commission authorized SoCalGas to revise its base rates to offset operational and capital-related attrition. Operational attrition is a decrease in a utility's net operating income due to an increase in operation and maintenance expenses related to inflation between general rate case test years.

Capital-related attrition is a change in a utility's net operating income due to rate base and cost of capital changes between general rate case test years.

2. D.91-07-057 deferred SoCalGas' General Rate Case to 1994 and extended its attrition adjustments through 1993. Revenue adjustments other than standard attrition adjustments are deferred to the 1994 General Rate Case.

3. On October 5, 1992, SoCalGas filed Advice Letter (AL) 2142 requesting a 1993 base rate revenue increase to offset operational and capital-related attrition. SoCalGas filed Supplemental AL 2142-A on November 4, 1992, to incorporate additional adjustments.

4. On October 16, 1992, SoCalGas filed AL 2145, as ordered by D.91-12-075, requesting rate revisions to incorporate the projected 1992 year-end balancing and tracking account balances for the second year of the two-year 1991 BCAP rate cycle. As required by D.91-12-075, rate revisions filed under AL 2145 utilize the same average temperature year gas demand data and purchased gas prices employed in setting rates adopted for the first year of the 1991 BCAP rate cycle.

5. On November 12, 1992, SoCalGas filed a revised proposed refund plan of interstate supplier refunds. The total amount to be refunded, including interest estimated through January 15, 1993, is \$27,122,771. Interest has been estimated through the mid-point of the refund period to insure the full refundable amount is included in the plan.

6. D.92-05-029 modified SoCalGas' BCAP decision (D.91-12-075) to make certain corrections to technical errors. One of these errors incorporated a Demand Side Management (DSM) credit and incentive award under the attrition filing, rather than under the BCAP filing. SoCalGas replicated the DSM filing error under Advice Letters 2142, 2142-A, and 2145. A consolidated advice letter will be required to correct for this error, to update attrition revenue requirement changes, and to accommodate the BCAP balancing and tracking account changes. These corrections and additional changes are identified below.

7. In its supplemental attrition filing, SoCalGas had incorporated additions and revisions to Post-retirement Benefits Other Than Pensions (PBOPs, D.92-07-006), to Research, Development and Demonstration (RD&D, D.92-10-041), and a final adjustment to utility labor wage inflation. At the time this filing was made, final decisions were pending on the Cost of Capital, PBOPs, Hazardous Waste, Reasonableness Review, Headquarters, and DSM. With the exception of a Reasonableness Review decision, all of the outstanding proceedings' decisions have been addressed under this resolution.

8. Some adjustments to attrition calculations not subject to pending decisions have been identified by SoCalGas and the Commission Advisory and Compliance Division, Energy Branch (CACD). These include:

- (a) Costing true-ups for the Management Audit
- (b) Updated 1993 Labor and NonLabor escalation and other adjustments in the New Headquarters calculations.

9. In its request to flow-through interstate supplier refunds to customers, SoCalGas requests a change in the allocation method used from that used for the last refund plan authorized by Resolution G-2944 dated April 24, 1991. SoCalGas proposes to incorporate the core market's allocable portion of the supplier refunds into the core rate changes to be made effective January 1, 1993. Approximately \$20 million (principal) of these refund amounts would be available to offset some of the core market revenue requirement increase requested in the BCAP filing.

NOTICE

1. Public notice of these advice letters was made by publication in the Commission calendar and by SoCalGas mailing copies to other utilities, governmental agencies, and all interested parties who requested notification.

PROTESTS

1. On October 28, 1992, San Diego Gas and Electric (SDG&E), filed a letter with the CACD to comment on the methodology SoCalGas had used in its initial filing of AL 2145 for the BCAP, requesting consideration of its right to protest a supplemental filing.

2. On October 30, 1992 the Division of Ratepayer Advocates (DRA), filed a protest to AL 2145. SoCalGas responded to the protest on November 13, 1992.

3. A limited protest to AL 2142-A for attrition, was filed on November 20, 1992 by DRA regarding authorization of SoCalGas' proposed PBOPs plan. SoCalGas received the protest on December 2, 1992 and responded on December 9, 1992.

4. DRA also filed a protest on December 2, 1992 regarding SoCalGas' proposed allocation of the Transwestern Pipeline Company (Transwestern) refund portion. SoCalGas replied to this protest on December 9, 1992.

DISCUSSION

1. CACD reviewed Advice Letters 2142, 2142-A, and 2145 for compliance with D.85-12-076 (Attrition Rate Adjustment) and D.90-01-016 (SoCalGas' TY90 General Rate Case), as well as other relevant Commission decisions and resolutions.

2. SoCalGas has updated its Labor Escalation factor for 1993 to 3.27% and its 1993 NonLabor Escalation to 2.51%. CACD verifies that these calculations employ the updated Consumer Price Index for Urban Consumers (CPIU) and the Modified Producer Price Index (MPPI) methodology adopted by D.90-01-016. The factor used for Franchise Fees and Uncollectibles (FF&U) is 1.021076, as adopted in the GRC. SoCalGas has also employed the updated net-to-gross multiplier of 1.803004 approved under AL 1984.

3. ATTRITION

A. Operation and Maintenance Expenses (O&M)

SoCalGas requested an increase for operational attrition items related to O&M Expenses of \$16,007,000, which consisted of the following:

- (1) An increase of \$11.8 million for its labor base escalation for Attrition Year (AY) '93.
- (2) An increase of \$42,000 for labor escalation related to Demand-Side Management funding.
- (3) An increase of \$ 3.97 million for its non-labor base escalation for AY '93.
- (4) An increase of \$69,000 for its non-labor base escalation related to RD&D expenses for AY '93.
- (5) An increase of \$110,000 for its non-labor base escalation related to DSM funding.

CACD verifies that these calculations performed by SoCalGas are correct, however, the Commission modified SoCalGas' Attrition and BCAP filings for 1992 under D.92-05-029 to correct for some technical errors made. One error this decision corrected was the addition of the DSM credit and incentive amounts to the Attrition base revenue margin for allocation under the BCAP. These amounts are applicable only to the core and, as such, need to be placed as a line item under the BCAP cost allocation rather than as a sum added to the base revenue requirement which is spread to all customer classes. As stated in D.92-05-029, "[t]he effect of these adjustments is to assign the core the entire benefit of the DSM and incentive award."

For SoCalGas' 1993 Attrition, CACD recommends avoiding the DSM placement error of last year by removing the DSM credits [Items (2) and (5) above] from the base revenue calculation, and also removing the Shareholder Incentives and Conservation

Amortization reversal, which SoCalGas has entered under "Other Authorized Items", below. These amounts should be entered as line items in the BCAP cost allocation. This placement is reflected under Attachment B.

SoCalGas was authorized a Supplemental RD&D funding level of \$5.8 million in 1990 dollars under D.92-10-041. The Commission adopted this level of funding to maintain the level previously authorized for 1992 and to bridge the funding gap caused by a deferral of SoCalGas' GRC. This funding is subject to the appropriate inflation adjustments under the attrition mechanism. CACD affirms that SoCalGas' recalculated RD&D amount escalated for nonlabor and adjusted for FF&U produces a net increase of \$70,000.

B. Capital-Related Items

Capital-Related Items adjusted by the adopted factors for SoCalGas under D.92-11-047 (See Attachment A) for the Cost of Capital and Rate of Return have been recalculated from SoCalGas' original request, to reflect the following authorized changes:

- | | |
|--------------------------|----------------------|
| (1) Debt Cost | \$ 56,000 decrease |
| (2) Preferred Stock Cost | \$4,062,000 increase |
| (3) Common Equity Cost | \$2,171,000 increase |

CACD verifies that all other capital-related items accurately reflect the authorized adjustments adopted in D.90-01-016. The net increase under capital-related items is \$30,994,000.

C. Other Authorized Items

SoCalGas originally requested a \$41,759 increase in other authorized items under its attrition filing. CACD has modified this amount to \$41,200, as identified below:

(1) **Federal Tax on Prior Year CCFT:** SoCalGas requested a decrease of \$1.213 million for Federal Tax on Prior Year California Corporation Franchise Tax (CCFT). CACD verifies that this request is correct.

(2) **Management Audit Fees:** Resolution G-2736 dated October 28, 1987 adopted recovery of contract costs for a phased management audit. In discussions and memoranda between CACD and SoCalGas, it was determined that the Phase II-A authorized amount of \$379,800 for 1992 had a credit of \$15,100. CACD recommends this amount be deferred to 1993, offsetting the Phase II-B contract amount. CACD also recommends that the Post Audit amounts of \$50,000 allotted for collection in 1992 and in 1993 be deferred to 1994 should they be required. The net result of these changes including FF&U is an increase of \$28,000.

(3) **Amortization of CIAC Revenue:** SoCalGas requested a continuance of the amortization of Contributions in Aid of Construction (CIAC) revenues for a decrease of \$48,000. CACD recommends continuance of this amortization for 1993.

(4) **Revenue Shortfall:** Resolution G-2965 authorized a \$580,000 increase to the revenue requirement under the 1992 Attrition to cover a revenue shortfall. This amount is reversed for 1993.

(5) **Intervenor Funding:** Intervenor funding for 1992 is reversed for 1993. Four proceedings, D.91-12-055, D.92-05-057, D.92-03-067, and D.92-08-017, authorized \$168,000 for services provided by intervenors on behalf of ratepayers. This amount was paid by SoCalGas during 1992. The total increase for 1993 recovery, adjusted for FF&U is \$135,000.

(6) **Payroll Taxes:** SoCalGas requested a \$156,000 increase for the recovery of increases in the 1993 Federal Insurance Contributions Act (FICA) base amount. D.85-12-076 authorized payroll tax changes.

(7) **Shareholder Incentives:** The DSM Shareholder Incentive for 1992 for \$1.342 million is reversed for 1993. D.92-12-001 approved recovery of \$6.023 million for accomplishments under SoCalGas' DSM programs. Interest from 7/1/92 through 12/31/92 is \$103,000. The total increase for 1993, adjusted for FF&U is \$6.225 million. These amounts are reflected in Attachment B below the total revenue requirements increase.

(8) **Amortizations:** Ten Section and Conservation three-year credit amortization amounts authorized under D.90-01-016 end in 1992. The amounts of \$76,000 and \$1,180,000 reverse the continuance of these credits from the base revenue. However, the Commission policy regarding Conservation has changed since SoCalGas' GRC. These amounts, like the DSM, are appropriately associated with the core and should also be a line item allocated under the BCAP, rather than spread through attrition to all ratepayers. CACD recommends removing this item from the attrition to a line item under the BCAP.

(9) **Old Headquarters:** To comply with D.92-07-080, SoCalGas has calculated an \$182,000 credit associated with the Old Headquarters Memorandum Account.

(10) **New Headquarters:** CACD reviewed D.92-07-080 to evaluate SoCalGas' calculations related to 1991-1993 New Headquarters (HQ) revenue requirements. A number of negative adjustments are required for full compliance with this decision:

	<u>1991</u>	<u>1993</u>
(a) Sales Values of the Equity Interest	(\$221)	\$0
(b) Update of "In Rate" for 1993	\$0	(\$231)
(c) Rent for Rosemead	\$0	(\$54)
(d) Update of Esc. for O&M, etc.	\$0	(\$3)
(e) Update of 1993 Cost of Capital	\$0	(\$86)
(f) FF&U	(\$4)	(\$5)
Total Adjustments	(\$225)	(\$379)

The net increase for 1991-1993 should be \$13.763 million. The reasons for these adjustments are:

(a) Sales Values of Equity Interest --- In D.92-07-080 (p.59), the 1991 and 1992 adopted O&M costs associated with the New HQ reflect two reductions: sales values of the equity interest and cash flow from the equity income. The reduction for sales values for 1991 shown in the HQ decision, (Appendix C, Page 3) had already been prorated for part-year occupancy from June 1, 1991. SoCalGas had prorated it again to reflect the updated occupancy date in its calculation.

(b) Update of "In Rates" for 1993 --- The annual incremental revenue requirement for the New HQ is equal to the total New HQ costs minus what is already in rates for each year. For example, the 1992 incremental revenue requirement is equal to the 1992 adopted New HQ costs less the revenue in 1992 rates, as shown in the HQ decision (Appendix C, Page 2). Therefore, the 1993 incremental amount should be calculated using 1993 rates. SoCalGas had used the 1992 rates to calculate the 1993 amount. The 1993 revenue for the headquarters is expected to increase by approximately \$231,000. However, this change needs to be addressed under its General Rate Case application.

(c) Rent for Rosemead Headquarters --- In D.92-07-080, the Commission adopted a rate of \$26.54/sq.ft. rental space for the Rosemead headquarters. That rate is not subject to escalation. Apparently, the 1993 rate that SoCalGas used has been escalated.

(d) Update of Escalation for O&M, etc. --- This is simply an update of escalation rates as shown in the attrition filing. SoCalGas' calculation reflects the outdated escalation rates.

(e) Update of 1993 Cost of Capital --- Similar to (d), SoCalGas used the 1992 rate of return to calculate the 1993 capital related revenue requirement. D.92-11-047 authorizes a new rate of return for SoCalGas for 1993.

(11) California Property Tax Memo Account: SoCalGas has requested a decrease of \$856,000 to comply with Ordering Paragraph 4 of OII 92-03-052. CACD verifies that this amount is correct.

(12) Post-retirement Benefits Other than Pensions (PBOPs): SoCalGas' projected expense for 1992 and 1993 is \$32,443,000. However, D.92-12-015 directed utilities to calculate PBOPs limited to one percent of the prior year's total operating revenue. One percent of SoCalGas' 1991 operating revenue is \$29,303,060. This amount becomes \$29.921 million when adjusted for FF&U. Therefore, SoCalGas has requested a rate increase of \$29.921 million to recover tax deductible funding for 1992 and 1993.

On November 20, 1992, DRA submitted a limited protest concerning SoCalGas' request for the funding of PBOPs, citing a lack of sufficient documentation and compliance with D.91-07-006. SoCalGas received the protest on December 2, 1992 and responded December 9, 1992, and provided additional workpapers.

DRA protested that SoCalGas had not provided workpapers supporting its \$29,921,000 request for PBOPs, nor had it demonstrated compliance with D.91-07-006. DRA requested:

- (a) The actuarial valuation of PBOPs;
- (b) A complete copy of all PBOP Trust Agreements;
- (c) A letter of confirmation from the IRS regarding the establishment of each 501(c)(9) trust;
- (d) A comprehensive listing of all PBOPs Subaccounts;
- (e) A calculation of PBOPs amounts requested under Advice Letter 2142-A from the amounts reflected in the 1992 actuarial valuation.
- (f) SoCalGas' request for 1993 PBOPs contributions be made subject to refund pending the PBOPs decision.

In its response, CACD verifies that:

(a) SoCalGas submitted an updated 1992 actuarial valuation to respond to DRA's request.

(b) SoCalGas attached copies of its existing 401(h) and 501(c)(9) documents, promising to submit documentation for the new 401(h) and 501(c)(9) plans as soon as they are available.

(c) SoCalGas provided copies of the IRS statutes authorizing the use of a 501(c)(9) trust and copies of IRS letters confirming that its existing plans comply with IRS regulations and are exempt from taxation. SoCalGas states that it will forward copies of IRS responses to the Commission regarding its new accrual basis as soon as they are received.

(d) SoCalGas provided an listing of all PBOPs subaccounts. CACD recommends that SoCalGas provide a listing of any additional PBOPs accounts that it may establish in order to enable an audit.

(e) SoCalGas remarked that despite the small difference in the 1991 and 1992 valuations, the one percent limitation adopted under D.92-12-015 for the PBOPs revenue requirement for 1993 attrition filing remains unchanged. CACD concurs.

CACD believes that SoCalGas has provided as much information as possible, given the short span of time between the issuance of D.92-12-015 and this resolution. However, CACD shares some of the same concerns as DRA, because certain elements of compliance are lacking. Therefore, CACD recommends the following conditions to ensure proper compliance with D.92-12-015. SoCalGas should file an advice letter containing the following:

- (1) Complete documentation for the new trust agreements for 1992 by 12/31/92.
- (2) A certified actuarial valuation that complies with both IRS and GAAP disclosure requirements as of 1/1/93/. This should be provided to CACD and DRA not later than 2 weeks after receipt from SoCalGas' actuary, but no later than 3/1/93.
- (3) A revised listing of additional PBOPs accounts that may be established through 12/31/93.
- (4) Any IRS confirmation of the new accounts that may be received by SoCalGas.
- (5) Confirmation of funding the trust by submitting proof of deposit.
- (6) Reversions of any excess plan assets that must be returned to ratepayers.
- (7) Rationale and demonstration of which plans SoCalGas has decided to implement.
- (8) An amendment of all trust agreements to:
 - a) explicitly state that no PBOP funds and the related earnings shall be used for any purpose other than PBOPs, and
 - b) explicitly state that trust accounting records are to be kept in a manner that will separate the accounting for PBOPs activities from non-PBOP activities.

The advice letter and documentation should be served on the CACD Auditing and Compliance Branch and the DRA Energy Auditing Branch. In addition, CACD recommends that to safeguard these benefits for employees and ratepayers, the Commission allow SoCalGas to recover only its contributions to the trusts to be established and not any tax which may result from the contributions. CACD further recommends that the \$29.9 million for PBOPs be subject to refund should SoCalGas not comply with the above recommendations.

4. BCAP Update for 1993

A. Summary In its AL 2145 BCAP filing, SoCalGas provided the following narrative to summarize its projected increases:

"An increase of \$108.4 million (or 4.7%) in the total core revenue requirement is necessary in order to amortize the accumulated balances in the core balancing and tracking accounts. This increase is the result of the following:

- (1) the almost complete amortization of certain supplier refunds which had been included in rates during the first year of the 1991 BCAP cycle (a \$26.9 million increase);
- (2) an undercollection in the Core Fixed Cost account (CFCA) which is primarily due to the warm weather experienced in southern California and the resulting reduction in core sendout (a \$28.4 million increase);
- (3) an undercollection in the Enhanced Oil recovery (EOR) revenues allocated to core customers, due to greater-than-forecasted load loss to bypass pipelines (a \$19.8 million increase);
- (4) remaining undercollections related to certain transition period costs, conservation program wind-down costs and purchased gas adjustment costs (a \$34.4 million increase); and
- (5) a net impact of remaining core cost components representing a \$1.1 million reduction.

An increase of \$42.4 million (or 7.7%) in the total noncore revenue requirement is necessary to amortize the accumulated balances in the noncore balancing and tracking accounts. This increase is the result of the following:

- (1) the almost complete amortization of certain supplier refunds which had been included in rates during the first year of the 1991 BCAP cycle (a \$34.0 million increase);
- (2) an undercollection in the EOR revenues allocated to noncore customers, due to greater-than-forecasted load loss to bypass pipelines (a \$5.5 million increase);
- (3) remaining undercollections related to the winding down on certain transition period costs (a \$13.1 million increase); and
- (4) a net impact of remaining noncore cost components representing a \$10.2 million reduction."

B. Amortization Period for Balancing/Tracking Accounts

In their protest, DRA recommends that in view of deteriorating economic conditions in Southern California and the concomitant "harsh economic and social realities facing SoCalGas customers," SoCalGas should be required to refile their proposed rates "based on a two year amortization of the balancing/tracking accounts" (DRA Protest, November 5, 1992, Page 2).

The BCAP decision adopted DRA's proposal to amortize the balancing and tracking accounts over twelve rather than twenty-four months (D.91-12-075, Page 26 and Finding of Fact 28). In so doing, the Commission acceded to DRA's argument that "because the forecasted cost of gas is decreasing, an opportunity now exists to amortize the large net balancing account undercollections in 12 months without causing a significant impact on rates" (Id., Page 26).

SoCalGas responds that DRA's recommendation improperly seeks to modify D.91-12-075 via an advice letter protest rather than through the "appropriate recourse" of petitioning for modification pursuant to Rule 43. Beyond this procedural consideration, SoCalGas states that "to defer recovery of these amounts now will cause a more substantial burden to be borne by ratepayers later when there is no assurance that economic conditions will have improved" (SoCalGas response to DRA's protest, November 13, 1992, Page 2). SoCalGas reasons that the imminent expiration of the Southland/Chevron refund, the risk of future balancing account undercollections (particularly in the core purchased gas and fixed cost accounts), and rate impacts from looming regulatory changes (LRMC, capacity brokering, the bypass deferral rulemaking), all militate against unduly extending the amortization horizon for current balances.

CACD believes SoCalGas' procedural point is dispositive. The one-year balancing account amortization which SoCalGas filed in AL 2145 complies with the plain language in Finding of Fact 28 and Ordering Paragraph 2 of D.91-12-075. It is DRA's burden to demonstrate that the language in D.91-12-075 with which SoCalGas complied requires modification.

CACD has recalculated the BCAP Update to incorporate the attrition base revenue requirement, modifying the DSM amounts as a line item allocable to the core as discussed above, and has included the proposed refund plan amount discussed below in Appendix C of this resolution.

5. Refund Plan

SoCalGas' refund plan proposes to incorporate the core market's allocable portion of the interstate supplier refunds into the core rate changes to be made effective January 1, 1993 to offset some of the core market revenue requirement increase

requested in the BCAP filing. SoCalGas estimates the core portion to be approximately \$20 million in principal.

No party objected to SoCalGas' proposal to defray the core market rates with refund amounts effective January 1, but DRA protested, recommending that the portion of the Transwestern refund SoCalGas proposes to allocate to Chevron be allocated to the core customers. DRA also requested that the Commission acknowledge that SoCalGas' return of refunds to Pacific Interstate Transmission Company (PITCO) received from El Paso Natural Gas Company not be construed as a finding of reasonableness of the contract provision underlying the transaction.

SoCalGas replies that it does not oppose DRA's proposal to exclude the dollars allocated to Chevron and will credit the portion of the Transwestern refund instead to the core refund account. SoCalGas states that the issues raised by DRA regarding the contract SoCalGas has with Chevron is not properly before the Commission in its disposition of the proposed refund plan, and therefore, SoCalGas has withdrawn the issue. SoCalGas also replies that it is not its intent that the proposed refund plan should have any impact on the disposition of DRA's challenge of the reasonableness of the PITCO contract.

CACD has reviewed SoCalGas' refund plan and has attached SoCalGas' summaries of the plan as Appendix D to this resolution. SoCalGas has changed the proposed refund to Chevron in its revised proposal, transferring the amounts to the core. CACD believes that this adjustment is correct. Also, the reasonableness of the PITCO contract is not at issue under this resolution. CACD recommends that the Commission adopt the core allocation as marked on page 2 of Attachment D. The total amount of refund principal to be allotted to the core is \$19,880,261. Interest estimated as of December 31, 1992 will be \$880,070. The estimated total of the core market's allocable refund under this plan is \$21,137,181, including FF&U.

FINDINGS

1. D.90-01-016 authorized SoCalGas to revise its base rates to offset operational and capital-related attrition.
2. D.91-07-057 deferred SoCalGas' General Rate Case to 1994 and extended its attrition adjustments through 1993.
3. D.91-12-075 directed SoCalGas to incorporate in a rate filing the updated 1992 year-end balancing and tracking account balances for the second year of the two-year 1991 BCAP rate cycle.

4. SoCalGas proposes to incorporate into rates the core's allocable portion of interstate supplier refunds to offset some of the core market revenue requirement increases requested in the BCAP filing.
5. SoCalGas updated its Labor Escalation factor for 1993 to 3.27% and its 1993 NonLabor Escalation to 2.51% according to methodologies adopted in D.90-01-016.
6. SoCalGas has employed the GRC adopted FF&U factor of 1.021076 and the updated net-to-gross multiplier of 1.803004 approved under Advice Letter 1984.
7. SoCalGas requested an increase of \$16,007,000 for operational attrition items related to O&M expenses. These items were authorized in D.90-01-016 and include labor and nonlabor adjustments related to DSM.
8. D.92-05-029 modified SoCalGas' base margin revenue by shifting the DSM and Conservation related amounts from attrition to the BCAP, since these amounts are only applicable to the core.
9. SoCalGas requested \$30,994,000 for capital-related attrition items. This request reflects D.92-11-047.
10. SoCalGas requested a decrease of \$1.213 million for Federal Tax on Prior Year California Corporation Franchise Tax.
11. The Management Audit Memo Account should be credited with \$15,100 for 1993 and the Post Audit amounts of \$50,000 allotted for collection in 1992 and in 1993 should be deferred to 1994, should they be required. The net result of these changes including FF&U is an increase of \$28,000.
12. SoCalGas requested a continuance of the amortization of Contributions in Aid of Construction (CIAC) revenues for a decrease of \$48,000.
13. Resolution G-2965 authorized a \$580,000 increase to the revenue requirement under the 1992 Attrition to cover a revenue shortfall. This amount is reversed for 1993.
14. Intervenor funding for 1992 is reversed for 1993. Four proceedings, D.91-12-055, D.92-05-057, D.92-03-067, and D.92-08-017, authorized \$168,000 for services provided by intervenors on behalf of ratepayers. This amount was paid by SoCalGas during 1992. The total increase for 1993 recovery, adjusted for FF&U is \$135,000.

15. SoCalGas requested a \$156,000 increase for the recovery of increases in the 1993 Federal Insurance Contributions Act (FICA) base amount. D.85-12-076 authorized payroll tax changes.

16. The DSM Shareholder Incentive for 1992 for \$1.342 million is reversed for 1993. D.92-12-001 approved recovery of \$6.023 million for accomplishments under SoCalGas' DSM programs. The total increase for 1993, adjusted for interest and FF&U is \$6.225 million. These amounts are reflected in Attachment B below the total revenue requirements increase.

17. Ten Section and Conservation three-year credit amortization amounts authorized under D.90-01-016 end in 1992. The amounts of \$76,000 and \$1,180,000 reverse the continuance of these credits from the base revenue. The Conservation reversal should be removed from the Attrition and should be placed under the BCAP as a line item applicable to the core.

18. In compliance with D.92-07-080, SoCalGas has calculated an \$182,000 credit associated with the Old Headquarters Memorandum Account.

19. To comply with D.92-07-080 for 1991-1993 New Headquarters (HQ) revenue requirements, a net increase of \$13.763 million for 1991-1993 should be authorized.

20. SoCalGas requested a decrease of \$876,000 for its California Property Tax Memo Account adjustment to comply with OII 92-03-052.

21. To ensure proper compliance with D.92-12-015, SoCalGas should file an advice letter and provide copies to the CACD Auditing and Compliance Branch and the DRA Energy Auditing Branch containing the following:

- (1) Complete documentation for the new trust agreements for 1992 by 12/31/92.
- (2) A certified actuarial valuation that complies with both IRS and GAAP disclosure requirements as of January 1, 1993.
- (3) A revised listing of additional PBOPs accounts that may be established through 12/31/93.
- (4) Any IRS confirmation of the new accounts that may be received by SoCalGas.
- (5) Confirmation of funding the trust by submitting proof of deposit.
- (6) Reversions of any excess plan assets that must be returned to ratepayers.
- (7) Rationale and demonstration of which plans SoCalGas has decided to implement.

- (8) An amendment of all trust agreements to:
- a) explicitly state that no PBOP funds and the related earnings shall be used for any purpose other than PBOPs, and
 - b) explicitly state that trust accounting records are to be kept in a manner that will separate the accounting for PBOPs activities from non-PBOP activities.
22. SoCalGas should be allowed to only recover contributions to the trusts to be established under PBOPs.
23. SoCalGas should not be allowed to recover any tax which may result from the PBOPs contributions.
24. The PBOPs \$29.9 million should be subject to refund if SoCalGas does not comply with the above findings.
25. An increase of \$108.4 million (or 4.7%) in the total core revenue requirement is necessary to amortize the accumulated balances in the core balancing and tracking accounts under the updated BCAP filing.
26. An increase of \$42.4 million (or 7.7%) in the total noncore revenue requirement is necessary to amortize the accumulated balances in the noncore balancing and tracking accounts under the updated BCAP filing.
27. The one-year balancing account amortization which SoCalGas filed in AL 2145 complies with D.91-12-075.
28. The BCAP Update should incorporate the attrition base revenue requirement, modifying the DSM amounts as a line item allocable to the core as discussed above, and should include the proposed core refund plan amount, as detailed in Attachment C of this resolution.
29. SoCalGas changed the proposed refund to Chevron in its revised proposal, transferring the amounts to the core.
30. The reasonableness of the PITCO contract is not at issue under this resolution.
31. The refund plan proposal posed by SoCalGas to defray the core market rates with refund amounts effective January 1 should be adopted.
32. The amount of principle under the refund plan to be allotted to the core is \$19,880,261. Interest estimated as of December 31, 1992 will be \$880,070. The estimated total of the core market's allocable refund under this plan is \$21,157,181, including FF&U.

THEREFORE, IT IS ORDERED that:

1. Southern California Gas Company is authorized to increase its Base Rate Revenues by \$88,049,000, effective on January 1, 1993. Southern California Gas Company is authorized to incorporate DSM amounts of \$6,245,000 as a line item applicable to the core under the BCAP Update.
2. Southern California Gas Company is authorized to increase its gas rates effective no sooner than January 1, 1993, based on the equal percent of margin changes method for base revenues.
3. Southern California Gas Company is authorized to update its Biennial Cost Allocation balancing and tracking accounts of approximately \$108.4 million for the core and approximately \$42.4 million for the noncore, as shown in detail under Attachment C of this Resolution.
4. Southern California Gas Company is authorized to incorporate the \$21,137,181 refund, detailed on Page 2 of Attachment D of this Resolution, as a line item allocable to the core under the BCAP Update.
5. Southern California Gas Company shall submit a consolidated advice letter with a revised Preliminary Statement and tariff schedules for attrition year 1993 incorporating the authorized revenues for 1993 Attrition, DSM, BCAP balancing and tracking accounts, and the core refund plan as adopted herein, within five business days of the effective date of this Resolution. The revised Preliminary Statement and tariff schedules shall have an effective date of January 1, 1993.
6. Upon receipt of the supplemental advice letter filings, as stated in Ordering Paragraphs 3 and 4 of this Resolution, Southern California Gas Company's Advice Letters 2142, 2142-A, and 2145 and attachments shall be marked to show that they have been superseded by the new advice letter and the revised Preliminary Statement and tariff schedules.

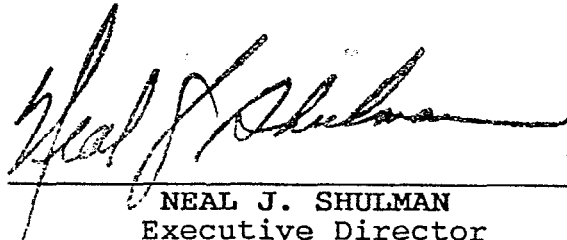
Resolution G-3026
SoCalGas AL 2142,
2142-A, 2145/AWP/csg/scl/jrw

December 16, 1992

7. Southern California Gas Company shall file a second advice letter to comply with Findings 21 through 24 of this Resolution no later than two weeks within receipt of its actuarial valuation, but in no case later than March 1, 1993.

8. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 16, 1989. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners

ATTACHMENT A

Southern California Gas Company

SUMMARY OF CAPITAL STRUCTURES

SoCalGas' Adopted Cost of Capital 1992
(D.91-11-059)

<u>Component</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Long-Term Debt	43.80%	9.37%	4.10%
Preferred Stock	10.10	5.52	0.56
Common Equity	<u>46.10</u>	12.65	<u>5.83</u>
TOTAL	100.00%		10.49%

SoCalGas' Requested Capital Structure 1993
(D.92-11-047)

<u>Component</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Long-Term Debt	42.70%	9.04%	3.86%
Preferred Stock	10.80	5.55	0.60
Common Equity	<u>46.50</u>	13.10	<u>6.09</u>
TOTAL	100.00%		10.55%

SoCalGas' Adopted Cost of Capital 1993
(D.92-11-047)

<u>Component</u>	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Long-Term Debt	42.70%	9.04%	3.86%
Preferred Stock	10.80	5.55	0.60
Common Equity	<u>46.50</u>	11.90	<u>5.53</u>
TOTAL	100.00%		9.99%

ATTACHMENT B
Southern California Gas Company
Summary of Revenue Requirement
Increase for Attrition Year 1993
(\$000)

<u>Description</u>	<u>AL 2142</u> <u>Requested</u>	<u>AL 2142-A</u> <u>Requested</u>	<u>AY'93</u> <u>Authorized</u>
<u>O & M EXPENSES</u>			
Labor Escalation (TY90 Base)	11,083	11,816	11,816
Labor Escalation (DSM)	39	42	--
NonLabor Escalation (TY90 Base)	4,452	3,970	3,970
NonLabor Escalation (RD&D)	--	69	69
NonLabor Escalation (DSM)	124	110	--
<u>Total O&M Expenses</u>	<u>15,698</u>	<u>16,007</u>	<u>15,855</u>
<u>CAPITAL RELATED ITEMS</u>			
Book Depreciation Expenses	32,070	32,070	32,070
Ad Valorem Taxes	2,934	2,934	2,934
State Tax Depreciation	-2,329	-2,329	-2,329
Federal Tax Depreciation	-7,976	-7,976	-7,976
ITC Normalized	141	141	141
Interest Synchronization	-23	-23	-23
Debt Cost	7,557	7,557	-56
Preferred Stock Cost	1,823	1,823	4,062
Common Equity Cost	18,975	18,975	2,171
<u>Total Capital Related Items</u>	<u>53,172</u>	<u>53,172</u>	<u>30,994</u>
<u>OTHER AUTHORIZED ITEMS</u>			
Federal Tax on Prior Year CCFT	-1,213	-1,213	-1,213
Management Audit Fees	145	145	28
Amort. of CIAC Revenue	-48	-48	-48
Revenue Shortfall	-580	-580	-580
Intervenor Funding	135	135	135
Payroll Taxes	156	156	156
Shareholder Incentive '92	-1,342	-1,342	--
Ten Section	76	76	76
Conservation Funds	1,180	1,180	--
Old Headquarters Memo Account	-182	-182	-182
New Headquarters Decision	14,367	14,367	13,763
Calif. Property Tax Memo Acct.	-856	-856	-856
PBOPs	--	29,921	29,921
Research, Demonstration & Devl.	-6,123	--	--
Shareholder Incentive '93	--	6,255	--
<u>Total Other Authorized Items</u>	<u>\$5,715</u>	<u>\$48,014</u>	<u>\$41,200</u>
<u>REVENUE REQUIREMENTS INCREASE</u>	<u>\$74,585</u>	<u>\$117,193</u>	<u>\$88,049</u>

ATTACHMENT B
Southern California Gas Company
Summary of Revenue Requirement
Increase for Attrition Year 1993
(\$000)

<u>Description</u>	<u>AL 2142</u> <u>Requested</u>	<u>AL 2142-A</u> <u>Requested</u>	<u>AY'93</u> <u>Authorized</u>
Labor Escalation (DSM)			42
NonLabor Escalation (DSM)			110
Shareholder Incentive '92			-1,342
Conservation Amort. Reversal			1,180
Shareholder Incentive '93			<u>6,255</u>
DSM Totals			\$ <u>6,245</u>
 <u>REVENUE REQUIREMENTS INCREASE WITH DSM</u>			 <u>\$94,294</u>
 Previously Adopted Margin, 1991 (as modified by D.92-05-029, p.3)			 \$1,465,036
 Attrition Modification (as modified by D.92-05-029, p.4)			 <u>50,860</u>
Subtotal			\$1,515,896
 Previously Adopted Margin, 1992 (as modified and including Brokerage Fees			 \$1,515,896
 Attrition 1993			 <u>88,049</u>
 New Margin, Attrition 1993 DSM			 \$1,603,945 <u>6,245</u>
Total			\$1,610,190

SOUTHERN CALIFORNIA GAS COMPANY
CORE BUNDLED RATES AND REVENUES

Effective January 1, 1993

Core Customer Class	Throughput (Mth)	Present Rates (\$/unit)	Present Revenues (\$M)	Adopted Rate Non-Gas (\$/th)	Adopted Rate Gas (\$/th)	Adopted Rate Total (\$/unit)	Adopted Revenue Non-Gas (\$M)	Adopted Revenue Gas (\$M)	Adopted Revenue Total (\$M)	Change (%)
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
RESIDENTIAL										
Customer Charge		3.10	168,384			3.10	168,384		168,384	0.0%
Submeter Discount		6.36	(5,210)			6.36	(5,210)		(5,210)	0.0%
Subtotal			163,175				163,175		163,175	0.0%
Tier 1	1,808,402	0.46731	845,085	0.31199	0.19951	0.51150	564,206	360,790	924,996	9.5%
Tier 2	972,048	0.67235	653,556	0.51703	0.19951	0.71654	502,579	193,931	696,510	6.6%
TOTAL RESIDENTIAL	2,780,450	0.59768	1,661,815	0.44236	0.19951	0.64187	1,229,960	554,721	1,784,681	7.4%
CORE COMMERCIAL										
Customer Charge - P1		13	34,375			13	34,375		34,375	0.0%
Customer Charge - P2		65	435			65	435		435	0.0%
Volumetric Charge										
Summer Tier 1	379,893	0.53698	203,995	0.38163	0.19951	0.58114	144,979	75,792	220,771	8.2%
Summer Tier 2	192,257	0.47198	90,741	0.31663	0.19951	0.51614	60,875	38,357	99,231	9.4%
Winter Tier 1	309,232	0.66995	207,170	0.51460	0.19951	0.71411	159,132	61,694	220,826	6.6%
Winter Tier 2	115,521	0.51199	59,145	0.35664	0.19951	0.55615	41,199	23,047	64,247	8.6%
TOTAL CORE COMMERCIAL	996,912	0.59771	595,862	0.44236	0.19951	0.64187	440,994	198,891	639,886	7.4%
TRANSPORTATION ONLY	74,460	0.39892	29,704	0.44236	0.00000	0.44236	32,938	0	32,938	10.9%
CORE TOTAL	3,851,822	0.59384	2,287,381	0.44236	0.19565	0.63801	1,703,892	753,612	2,457,505	7.4%

RESIDENTIAL LOW INCOME RATEPAYER ASSISTANCE (LIRA)

Adopted LIRA Rates and Discounts	LIRA Throughput (Mth)	Non-LIRA Rate (\$/unit)	LIRA Rate (\$/unit)	Rate Discount (\$/unit)	Revenue Discount (\$M)
Customer Charge		3.10	2.64	0.46	2,108
Submetering Adjustment					62
Tier 1	106,491	0.51150	0.43477	0.07672	8,170
Tier 2	57,240	0.71654	0.60906	0.10748	6,152
Total	163,731				16,493

LIRA Surcharge Calculation

LIRA Benefit (\$M)	16,493
LIRA A&G (\$M)	996
LIRA Balancing Acct (\$M)	(8,450)
Total LIRA Cost (\$M)	9,039
Nonexempt Volumes (Mth)	4,711,547
LIRA Surcharge (\$/th)	0.00192

SOUTHERN CALIFORNIA GAS COMPANY
NONCORE DEFAULT TRANSPORT RATES AND REVENUES

Effective January 1, 1993

Noncore Customer Class	Throughput (Mth)	Present Rates (\$/th)	Present Revenues (\$M)	Adopted Rates (\$/th)	Adopted Revenues (\$M)	Absolute Change (\$M)	Relative Change (%)
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
INDUSTRIAL							
Customer Charge			4,706		4,983	277	5.9%
Volumetric Charge							
Summer	666,384	0.11438	76,221	0.13032	86,840	10,619	13.9%
Winter	355,646	0.14307	50,882	0.16029	57,007	6,124	12.0%
Volumetric Subtotal	1,022,030	0.12436	127,103	0.14075	143,847	16,744	13.2%
TOTAL INDUSTRIAL	1,022,030	0.12897	131,809	0.14562	148,830	17,021	12.9%
UTILITY ELECTRIC GENERATION (UEG)							
Facilities Charges			1,081		1,144		
Volumetric Charge							
Summer	1,300,555	0.07993	103,953	0.09265	120,499	16,545	15.9%
Winter	508,550	0.10832	55,086	0.12236	62,224	7,138	13.0%
Volumetric Subtotal	1,809,105	0.08791	159,039	0.10100	182,723	23,683	14.9%
TOTAL UEG	1,809,105	0.08851	160,120	0.10163	183,867	23,746	14.8%
COGENERATION							
Volumetric Charge							
Summer	403,329	0.07884	31,798	0.09152	36,912	5,113	16.1%
Winter	208,287	0.10723	22,335	0.12122	25,249	2,914	13.0%
Volumetric Subtotal	611,616	0.08851	54,133	0.10163	62,161	8,028	14.8%
Cogeneration LT Contracts	24,623	0.03501	862	0.03501	862	0	0.0%
TOTAL COGENERATION	636,239	0.08644	54,995	0.09906	63,023	8,028	14.6%
NONCORE SUBTOTAL							
Net of LT Contracts	3,442,751	0.10052	346,063	0.11469	394,857	48,795	14.1%
Including LT Contracts	3,467,374	0.10005	346,925	0.11413	395,719	48,795	14.1%
WHOLESALE							
Long Beach							
Demand Charge			10,478		12,289	1,811	17.3%
Volumetric Charge							
Summer	182,690						
Winter	114,345						
Annual	297,035	0.03000	8,911	0.03000	8,911	0	0.0%
Total Long Beach	297,035	0.06528	19,389	0.07137	21,200	1,811	9.3%
SDG&E							
Demand Charge	1,110,498		64,581		70,700	6,119	9.5%
Volumetric Tier 1	793,328	0.00797	6,323	0.00829	6,578	255	4.0%
Volumetric Tier 2	267,044	0.02725	7,277	0.02970	7,930	653	9.0%
Volumetric Tier 3	50,126	0.00797	400	0.00829	416	16	4.0%
Contract Shortfall			2,096		528	(1,568)	
Total SDG&E	1,110,498	0.07265	80,676	0.07758	86,151	5,475	6.8%
TOTAL WHOLESALE	1,407,533	0.07109	100,065	0.07627	107,351	7,286	7.3%
NONCORE TOTAL							
Net of LT Contracts	4,850,284	0.09198	446,128	0.10354	502,209	56,081	12.6%
Include LT Contracts	4,874,907	0.09169	446,990	0.10320	503,071	56,081	12.5%
BROKERAGE							
	186,946	0.00266	497	0.00266	497	0	0.0%

Proposed Plan for Customer Refund
November 12, 1992
Page 6

TABLE 1

SUMMARY OF INTERSTATE SUPPLIER REFUNDS RECEIVED BY SOCIALGAS SINCE OCTOBER 1990

Description	FERC Docket No.	Date Received	Date Refunded	Amount	Interest (to 1/1/93)	Total
El Paso*	RP88-44-000	10/91		\$11,976,211		
FERC 191 Account (D.91-12-075)**			1/92	<u>\$(9,100,000)</u>		
TOTAL				\$ 2,876,211	\$ 148,561	\$ 3,024,772

PITCO (from El Paso)	RP88-44-000	10/91		\$21,003,767		
Refunded to PITCO (Pan Alberta)			11/91	<u>\$(5,851,000)</u>		
Adjustment		12/91		<u>\$ 444,555</u>		
TOTAL				\$15,597,322	\$ 831,580	\$16,428,902
Transwestern	CP73-108-000&CP87-134-000	11/91		\$ 1,324,703	\$ 62,299	\$ 1,387,002
PITCO	TM91-8-37&TM92-2-37	3/92		\$ 350,890	\$ 10,925	\$ 361,815
Transwestern	RP89-48-000	6/92		\$ 2,323,605	\$ 47,885	\$ 2,371,490
General Rate Refund				\$ 1,414,806	\$ 30,192	\$ 1,444,998
Targeted Sales Suppliers				<u>\$ 1,114,780</u>	<u>\$ 44,341***</u>	<u>\$ 1,159,121</u>
Chevron				\$ 4,853,191	\$ 122,418	\$ 4,975,609
TOTAL						
Transwestern	TA89-1-42	10/90		\$ 680,839	\$ 85,592	\$ 766,431
	TA88-4-42&TM90-3-42	10/90		<u>\$ 158,616</u>	<u>\$ 19,564</u>	<u>\$ 178,180</u>
TOTAL				\$ 839,455	\$ 105,560	\$ 944,611
TOTAL*				\$25,841,772	\$1,280,939	\$27,122,711

* TOTAL excludes El Paso refund Docket No. RP88-44-000, which was included in the 1991 BCAP.

** 191 Settlement (Southland/Chevron Refunds): A.91-03-039=\$42,181,762; A.91-03-066=\$9,100,000;
Total=\$51,281,762.

*** FERC interest calculation.

SOUTHERN CALIFORNIA GAS COMPANY
 SUMMARY OF SUPPLIER REFUNDS
 ESTIMATED INTEREST AS OF DECEMBER 31, 1992

Description	Authorization	Date Received/Refunded	Amount	Interest	Total
Supplier refund received from El Paso pursuant to Docket No. - - - - -	RP-88-44-000	10/91	11,976,211		
Allocated to the 191 Settlement Account pursuant to BCAP Decision No. - -	91-12-075	1/92	(9,190,000)		
			2,876,211	143,722	3,019,933
Supplier refund received from PITCO due to a transportation refund from El Paso pursuant to Docket Nos.	RP-88-44-000	10/91	21,003,767		
Refund returned to PITCO (Pan Alberto) Adjusted		11/91	(5,851,000)		
		12/91	444,555		
			15,597,322	777,640	16,374,962
Supplier refund received from Transwestern pursuant to Docket Nos. - -	CP-73-108-000 & CP-87-134-000	11/91	1,324,703	60,073	1,384,776
			493,664	22,327	515,991
Supplier refund received from PITCO pursuant to Docket Nos. - - - - -	TM-91-8-37 & TM-92-2-37	3/92	350,890	10,498	361,388
Supplier refund received from Transwestern pursuant to Docket No. - - -	RP-89-48-000	6/92	3,438,385	69,605	3,507,990
General Rate Refund/Chevron					
Supplier refund received from Transwestern pursuant to Docket No. - - -	RP-89-48-000	6/92	1,729,090	35,003	1,764,093
Targeted Sales Suppliers					
TOTALS			25,316,601	1,096,541	26,413,142

Pan Alberto
 core allocation

core allocation

core allocation

core allocation

19,880,261 880,070 20,760,331 core allocation (summary)
 * .003 contingency holdback
 62,280
 \$20,698,051 net refund for 1/1/93
 * FF&U
 431,130 TOTAL IN BCAP for 1/1/93
 \$21,137,181