

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION

RESOLUTION G-3079
October 20, 1993

R E S O L U T I O N

RESOLUTION G-3079. SOUTHWEST GAS COMPANY REQUEST
AUTHORITY TO ADJUST RATES APPLICABLE TO ITS PURCHASED
GAS COST ADJUSTMENT PROVISION (PGA) AND SUPPLY
ADJUSTMENT MECHANISM (SAM) APPLICABLE TO ITS NORTHERN
CALIFORNIA DIVISION.

BY ADVICE LETTERS 458-G, FILED ON MARCH 22, 1993.

SUMMARY

1. Southwest Gas Company (Southwest) seeks Commission authorization to adjust its PGA and SAM rates for increases in its transportation costs to reflect proposed increases made by Paiute Pipeline Company (Paiute) and Northwest Pipeline Company (Northwest). Southwest is requesting an increase of \$921,790 or an increase of 18.21% of its overall Revenue Requirements.
2. The Division of Ratepayer Advocates (DRA) filed a protest on Southwest's advice letter.
3. This resolution grants Southwest's request to increase its PGA and SAM rates.

BACKGROUND

1. The purpose of this advice letter is to adjust rates applicable to Southwest's PGA and SAM applicable to Southwest's Northern California Division.
2. The new rates reflect operating arrangements between Southwest, Paiute and Northwest and is based on Paiute's and Northwest's motions before the Federal Energy Regulatory Commission (FERC) to place rates in their respective general rate increase applications into effect April 1, 1993.
3. Southwest claims that based on current data available to it, increases in its rates above the levels proposed in this advice letter are justified. However, because of the substantial increases in its upstream pipeline providers' rates occurring on April 1, 1993, Southwest is proposing to mitigate

the impact of the rate increases on its customers at this time by proposing to:

- (a) make no change in the currently-effective commodity cost or purchased gas and PGA balancing account surcharge; and,
- (b) set the SAM balancing account surcharge at zero rather than implementing the rate required to clear the debit balance in the account.

4. According to Southwest, its filing is in compliance with the provisions of Southwest's tariff and the rate design guidelines established by the Commission in its Decision No. (D.) 91-12-049 in Application No. (A.) 91-01-027.

NOTICE

1. Public notification of the advice letter was made by Southwest through mailing copies of the advice letters to other utilities, governmental agencies, and to all interested parties who requested such information. Notice of the advice letter was published in the Commission Calendar.

PROTESTS

1. On April 8, 1993, DRA filed a protest on Southwest's advice letter. In its protest DRA stated that because of the magnitude of Southwest's requested increase it did not believe that an advice letter is the appropriate place to change Southwest's rates. DRA recommended that Southwest's advice letter be rejected as it appears to go well beyond the bounds of adjusting its PGA and SAM rates, and advice letter filings are not the appropriate forum for such a large increase.

2. Southwest filed a response to DRA's protest on April 20, 1993. In its response, Southwest indicated that the issue raised by DRA in its protest to Southwest's advice letter relates to the size of the proposed increase to its PGA and SAM rate provisions. Southwest strongly disagrees with DRA's contentions that its advice letter filing is the improper procedural mechanism for the implementation of these changes and that Southwest's advice letter should be subject to rejection solely based upon the magnitude of the change reflected in the advice letter filing.

3. Southwest contends that this position is contrary to the established practices of the Commission, and the long historical precedent established by Southwest's prior changes to its PGA and SAM rates through advice letter filings.

4. Southwest claims that it has always implemented changes to its Northern and Southern California PGA and SAM rates through the advice letter process, and that no part of this Commission's General Order No. (G.O.) 96-A advice letter filing procedures reflects any limitation on the size of an increase in rates that may be adjusted pursuant to an advice letter filing. Southwest

further stated that DRA's protest is not based upon a procedural basis for excluding Southwest's advice letter from the normal procedures for implementing changes to its PGA and SAM rates but alternatively is based solely upon the DRA's subjective initial opinion of the overall size of the increase requested by Southwest in its advice letter.

5. Southwest contends that the underlying basis for DRA's protest does not support a rejection of Southwest's advice letter filing as it fails to recognize the circumstances underlying the proposed changes to the PGA and SAM rates requested by Southwest. The only increased costs included in this advice letter relate to approved FERC interstate pipeline transportation rates.

6. Southwest's proposed rate changes reflect the substantial increase to firm transportation rates and demand charges that have recently become effective on both the Paiute and Northwest system. These increases in upstream pipeline transportation rates were specifically approved by the FERC in recent orders placing into effect the pipeline's rates subject to refund in their respective FERC Docket Numbers' RP93-6-000 and RP93-5-000. Therefore, the major concern to the DRA, that being the large increase in Southwest's upstream transportation charge component of Advice Letter 458-G, is merely the pass through of FERC approved currently effective interstate pipeline transportation rates.

7. Southwest claims that it has not included the full impact of the potential changes to its SAM and PGA rates. Southwest has not changed its historical purchased gas costs that would have increase the level of rates that were requested. In addition, while Southwest's PGA balance reflects a positive balance, Southwest is not proposing an increase in its currently effective PGA surcharge. Finally, even though there is a positive balance in Southwest's SAM, Southwest has established a zero SAM surcharge in an attempt to further mitigate the impact of the increases contained in its advice letter filing. Had Southwest included all of these changes its total impact would have been substantially higher.

8. It is Southwest's position that DRA's protest does not raise substantive or procedural justifications for rejecting Southwest's filing. Southwest's historic precedent and the Commission's General Order No. 96-A recognize the appropriateness of implementing changes to Southwest's PGA and SAM rates through the advice letter mechanism regardless of the potential size of the proposed increase. The major cost component of Southwest's filing are the upstream pipeline transportation charges. These charges are subject to the FERC jurisdiction and are subject to downward adjustment and refund pursuant to the FERC's final rate case determinations. Therefore, Southwest requests that the merits of the DRA protest be rejected in its entirety as being inconsistent with the terms of this Commission's General Order No. 96-A Advice Letter Procedure.

DISCUSSION

1. Southwest is authorized to file for an increase in its rates in an advice letter filing in General Order 96-G, Section VI, if the increase is minor in nature. In cases where the proposed increases are minor in nature the Commission may accept a showing in the advice letter provided justification is fully set forth therein, without the necessity of a formal application.

2. Southwest provides utility service to residential, commercial and industrial customers in most of Arizona and Nevada, and parts of northeastern and southeastern California. The majority of Southwest's utility operation is outside of California.

3. Because of Southwest's relative small size in California, the Commission has allowed Southwest to file some of its rate increases by advice letter filings, rather than applications, with the primary difference being its General Rate Case filings.

4. Southwest is requesting a \$921,790 rate increase for its Northern California customers in its advice letter. The reason for this rate increase is filings made at FERC to increase the transportation costs at Paiute and Northwest.

5. Because of Southwest's relative size in California, the size of the increase that it is requesting, and the reason for the rate increase, CACD accepted Southwest's advice letter filing rather than require that an application be filed.

6. CACD has reviewed the support for Southwest's requested rate increase of \$921,790.

7. CACD obtained a copy of the approved tariffs for Paiute and Northwest, Southwest's general ledger that shows the ending balances of Southwest's PGA and SAM balancing accounts, and Southwest's general ledger that shows the cost of gas that Southwest paid during the last year.

8. Upon review of Southwest's supporting documents CACD discovered that:

- a) Southwest used transportation rates that were higher than those ultimately approved by FERC; and,
- b) Southwest's SAM account did not have a positive balance as Southwest claimed.

9. However, using the latest approved rates at FERC, the ending balances in Southwest's PGA and SAM accounts, and the current cost of gas that Southwest paid during the last year, CACD determined that Southwest could have requested an increase of \$1,075,364.

10. The increase that Southwest is requesting is \$153,574 less than its current costs. Southwest does not want to increase its

rates to reflect the full amount of its costs. The reason for this is Southwest wants to mitigate the impact of the rate increase in its advice letter filing.

11. Southwest should be allowed to increase its rates to the requested rates in order to more closely match its rates with its costs.
12. When FERC approved its rates, it approved them subject to refund. If FERC changes the transportation rates at a later time in its ongoing proceedings, Paiute and Northwest will have to refund to Southwest the excess amounts that they had billed, and Southwest will have to refund these amounts to its customers.
13. Southwest's rates are approved subject to a reasonableness review of these accounts in Southwest's next general rate case, and subject to its refund obligations for any Paiute and Northwest refunds.

FINDINGS

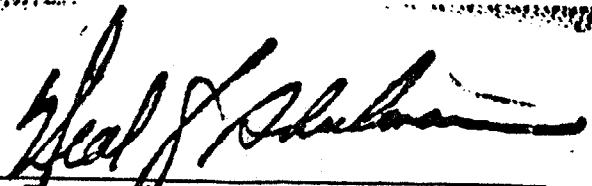
1. Southwest is authorized to file requests for minor increases in an advice letter filing.
2. The increase sought by Southwest is reasonable and should be adopted.
3. Southwest's filing is to set its rates closer to its current costs and should be subject to refund upon the Commission's reasonableness review of its SAM and PGA balancing accounts' actual costs, or due to any refunds it receives from Paiute or Northwest.

THEREFORE, IT IS ORDERED that:

1. Southwest Gas Company's advice letter filing is accepted to set its Purchase Gas Account Provision's and Supply Adjustment Mechanism's rates closer to its current costs and will be subject to refund upon the Commission's reasonableness review of these balancing accounts, or due to any refunds it receives from Paiute Pipeline Company or Northwest Pipeline Company.
2. Southwest Gas Company is authorized to increase its Purchase Gas Account Provision rates and its Supply Adjustment Mechanism rates.
3. Southwest Gas Company's new Purchase Gas Account Provision rates and its Supply Adjustment Mechanism rates shall go into effect on October 20, 1993.
4. Advice Letter 458-G shall be marked to show that it was approved by Commission Resolution G-3079.
5. This resolution is effective today.

October 20, 1993

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on October 20, 1993. The following Commissioners approved it:



Executive Director

DANIEL Wm. FESSLER
President
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
P. GREGORY CONLON
Commissioners

I abstain.
/s/ JESSIE J. KNIGHT Jr

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