

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND  
COMPLIANCE DIVISION  
Energy Branch

RESOLUTION G-3110  
JUNE 8, 1994

R E S O L U T I O N

RESOLUTION G-3110. SOUTHWEST GAS CORPORATION REQUESTS COMMISSION APPROVAL OF A REFUND PLAN TO REFUND TO ITS CUSTOMERS FUNDS RECEIVED FROM A SUPPLIER OF ITS NATURAL GAS.

BY ADVICE LETTER 470, FILED ON DECEMBER 31, 1993.

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SUMMARY

1. Southwest Gas Corporation (Southwest) requests authorization to return to its Southern California Division customers \$41,353.43 in refunds received from its supplier of natural gas, El Paso Natural Gas Company (El Paso).
2. This Resolution grants the request as proposed by Southwest.

BACKGROUND

1. Southwest received a refund from El Paso as a result of a joint decision on federal dockets RP92-214, RF92-60, and RP91-188. As a result of the decision, El Paso also gave Pacific Gas and Electric Company (PG&E) a refund that may be allocated to Southwest for gas purchased by Southwest's customers and transported by PG&E.
2. Southwest's refund from El Paso was a result of gas purchased for Southwest's Southern California Division, which is comprised of core aggregation customers, and residential and small commercial customers participating in Southwest's Purchased Gas Cost Balancing Account (PGA).

NOTICE:

1. Public notice of this filing has been made by publication in the Commission's calendar on January 4, 1994 and by mailing copies to interested parties specified by General Order 96A.

PROTESTS

1. No protests to this advice letter were received by the Commission Advisory and Compliance Division (CACD).

DISCUSSION

1. As a result of the joint decision on federal dockets RP92-214, RF92-60, and RP91-188, Southwest has received a refund from El Paso and should be receiving a refund from PG&E in the future.

2. Of the total amount that El Paso directly refunded to Southwest, \$41,353.43, customers participating in Southwest's PGA will receive \$41,141.44, and core aggregation customers will receive \$211.99. These amounts include interest from both El Paso and Southwest and were contributed by the customers at the same ratio as the refund.

3. Southwest is proposing to administer the refund through the PGA for its Needles and other Southern California Division customers, instead of directly crediting individual accounts. This is proposed because the administrative cost to refund individual customers based on prior usage is equal to a substantial portion of the total refund amount. According to Southwest, the computer time alone would cost approximately \$7,000, or 17 percent of the refund amount.

4. Refunds for core aggregation customers will be credited directly to their invoices.

5. Southwest's proposal meets the refund requirements of Public Utilities (PU) Code 453.5 and is consistent with previous refund cases determined by the California Supreme Court, including California Manufacturer's Association v. Public Utilities Commission (CMA v. PUC) (1979) 24 Cal.3d 836. CMA v. PUC states that customers, except small residential users, should be refunded based on prior usage, where practical. Because the refund is small and the cost to administer the refund to the small residential customers is relatively high, it is not practical to distribute the refund based on prior usage.

6. Southwest had proposed to implement the refund plan within 2 months of the date the advice letter was filed, or approximately one month after the earliest possible date that a resolution could have been effective. Therefore, Southwest should implement the refund within one month of the effective date of this resolution.

7. Thirty days after implementation, Southwest will submit a refund report detailing the actual amount credited to the PGA and core aggregation customers.

8. In the analysis of this advice letter, CACD found that Southwest's Preliminary Statements, Section 7F.(4) requires modification. This section specifically states that Southwest will distribute cash refunds through its Gas Cost Balancing Account. To distribute a refund through a balancing account, the refund conditions must meet the exceptions of PU Code 453.5 and several Supreme Court decisions. The determination of exceptions is made by the Commission. Therefore, Southwest should modify its preliminary statements removing the nonconforming language and submit a new Preliminary Statements section via advice letter to the Commission.

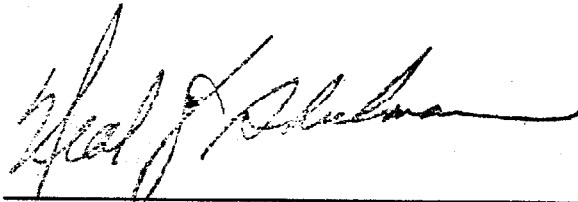
#### FINDINGS

1. To the extent that Southwest Gas Company also receives refunds from Pacific Gas and Electric Company as a result of the Federal Energy Regulatory Commission's authorization of a settlement on federal dockets RP92-214, RF92-60, and RP91-188, Southwest Gas Company Gas Company should file an advice letter with the Commission to propose distribution of those funds.
2. Southwest Gas Company Gas Company has received refunds from its supplier, El Paso, which should be returned to its ratepayers.
3. The administrative cost of directly crediting individual accounts of all customers would partially and substantially annul the benefit to most of these customers in receiving such a refund.
4. Southwest Gas Company Gas Company is proposing to administer the refund through the Purchased Gas Cost Balancing Account for its Needles and other Southern California Division customers. Core aggregation customers will receive their refund directly credited to their accounts.
5. Southwest Gas Company Gas Company Gas Company should modify its Preliminary Statements, Section 7F.(4) to remove language regarding balancing accounts..

**THEREFORE, IT IS ORDERED that:**

1. Southwest Gas Company Gas Company Gas Corporation is authorized to make refunds to its customers as proposed in this Advice Letter. Interest on the refund shall be distributed to the customers and shall continue compounding until the refund is distributed.
2. The refund plan shall be implemented by July 6, 1994.
3. Advice Letter 470 shall be marked to show that it was approved by Commission Resolution G-3110.
4. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on June 8, 1994. The following Commissioners approved it:



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NEAL J. SHULMAN  
Executive Director

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DANIEL Wm. FESSLER  
President  
PATRICIA M. ECKERT  
NORMAN D. SHUMWAY  
P. GREGORY CONLON  
JESSIE J. KNIGHT, Jr.  
Commissioners