

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3149
November 22, 1994

R E S O L U T I O N

RESOLUTION G-3149. SAN DIEGO GAS AND ELECTRIC COMPANY (SDG&E) REQUESTS TO REVISE ITS TARIFF SCHEDULES APPLICABLE TO ITS GAS DEPARTMENT AND FOR APPROVAL TO ESTABLISH AND MAINTAIN AN INTEREST BEARING GLOBAL SETTLEMENT AGREEMENT TRACKING ACCOUNT.

BY ADVICE LETTER 930-G, FILED ON AUGUST 8, 1994.

SUMMARY

1. San Diego Gas and Electric Company (SDG&E) requests authority to revise its tariff schedules applicable to its Gas Department and for approval to establish and maintain an interest bearing Global Settlement Agreement Tracking Account (GSATA). SDG&E seeks the GSATA because SDG&E does not want to concurrently reduce gas rates to its customers as Southern California Gas Company (SoCalGas) has done to its customers which includes SDG&E, following the adoption of D.94-07-064 by the Commission. SDG&E also requests that the rate revision requirement language contained in tariff Schedules G-NGV and GT-NGV be waived.

2. SDG&E desires to maintain and establish GSATA in order to capture that portion of cost savings from reduced gas rates to SDG&E by SoCalGas not protected by the Commission approved Noncore Fixed Cost Account (NFCA) balancing account. This will prevent any cost savings from going to SDG&E's shareholders.

3. The Division of Ratepayer Advocates (DRA) filed a timely protest, requesting that a certain part of SDG&E's Preliminary Statement be revised because certain language in the Advice Letter is unclear.

3. This resolution grants SDG&E's request because it is reasonable and necessary. The protest is denied since SDG&E has clarified the language in Advice Letter 930-G with its response to DRA'S protest.

BACKGROUND

1. On July 20, 1994, the Commission issued D.94-07-064, adopting the "Joint Motion for Ex Parte Order Adopting Modified

November 22, 1994

Stipulation and Settlement Agreement and Motion of Southern California Gas (SoCal) for Approval of Contract With the City of Long Beach," commonly known as the "Global Settlement Agreement." This agreement resolves several outstanding issues relating to SoCalGas' operations and rates. As a result, SoCalGas filed Advice Letter 2337-G to revise rates to its customers including SDG&E.

2. SoCalGas revised the following charges to SDG&E: Interstate Transition Cost Surcharge (ITCS), Volumetric and Monthly Demand Charges. SDG&E, however, does not plan to concurrently revise gas rates to its customers, since the existing balancing account mechanisms will eventually reflect the effects of any rate adjustments. Instead, SDG&E proposed to establish the GSATA to capture that portion which the existing balancing account would not protect.

3. Under the Commission's existing noncore balancing account structure, 75% of the cost savings from reduced rates by SoCalGas to SDG&E for SDG&E's noncore customers will flow through the Noncore Gas Fixed Cost Account (NFCA). The other 25% savings will be at risk if GSATA is not established. Absent the GSATA, SDG&E represents that the remaining 25% will otherwise accrue to the benefit of its shareholders. SDG&E emphasized that the purpose of the GSATA is simply to assure that the full benefit of the Global Settlement Agreement as currently implemented by SoCalGas accrues to ratepayers and not SDG&E's shareholders. SDG&E proposed that the net benefits from reduced rates be credited to customers at a later date. It is therefore SDG&E's proposal that the balance in the account accrues interest monthly based on a three month Commercial paper rate.

4. SDG&E also requests that the Commission waive certain language in SDG&E's tariff Schedules G-NVG and GT-NGV. These contain a provision that requires SDG&E to adjust rates to reflect any changes in SoCalGas' Volumetric transmission rate within 30 days of such a change.

5. On October 10, 1994, SDG&E revised the Gas Preliminary Statement to Advice Letter 930-G and submitted a substitute sheet with the approval of the Commission Advisory and Compliance Division (CACD). The change was made to provide a simplified and more accurate description of the calculations made to set up the GSATA. SDG&E revised paragraph B, Accounting Treatment of the statement to appropriately indicate the allocation methods for core and noncore applicable to the GSATA. CACD agrees with the change.

NOTICE

1. Public notice of this filing has been made by publication in the Commission's calendar and by mailing copies to interested parties specified in Section III-G of General Order 96-A.

November 22, 1994

PROTESTS

1. CACD received one limited protest to Advice Letter 930-G from DRA on August 26, 1994. SDG&E responded to the protest on September 7, 1994.

2. DRA protested that "SDG&E's proposal is not entirely clear, thus DRA offers changes." DRA claims that certain statements in the advice letter "do not entirely conform with the language which the SDG&E includes in its proposed Preliminary Statement, where SDG&E states: "Disposition of the GSATA will be addressed in a subsequent BCAP proceeding or another regulatory proceeding." DRA wants this statement changed to "The balance in the GSATA shall be used to obtain a shortened amortization of SDG&E's obligation under the Global Settlement."

3. SDG&E responds that "DRA has misunderstood and misconstrued SDG&E's purpose in filing the Advice 930-G." SDG&E points out that the GSATA "... is simply a mechanism to assure that the full benefit of the Global Settlement will accrue to ratepayers," and not SDG&E's shareholders. Additionally, SDG&E stated that "GSATA is NOT a mechanism to deal with the amortization of SDG&E's obligation to Southern California Gas Company under the Global Settlement." SDG&E concludes that DRA's issues have been properly addressed by the motion SDG&E filed on August 12, 1994 and urged DRA to review it.

DISCUSSION

1. CACD has reviewed SDG&E's Advice Letter 930-G, DRA's protest and SDG&E's response to the protest. Additional discussions were also held with SDG&E's representatives on the advice letter. CACD believes that SDG&E filed Advice Letter 930-G because it does not want to concurrently reduce gas rates to its customers as SoCalGas has done. SDG&E also wants to insure that all its customers receive the benefits from reduced rates by SoCalGas. SDG&E is aware that 75% of noncore gas expenses and revenue flows through the NFCA balancing account (SDG&E's Preliminary Statement 11) and the remaining 25% goes to utility's shareholders if something is not done to prevent it. SDG&E represents that it does not want any of the benefits of reduced rates from SoCalGas to go to its shareholders. SDG&E asserts that this is the major reason for its proposal. SDG&E desires to use the GSATA to capture the 25% not protected by the balancing account for later disposition to noncore customers.

2. SDG&E could have reduced its rates concurrently with SoCalGas. However, this would involve revising several gas rate schedules for such a very small change in rates. SDG&E believes the administrative costs could be burdensome. Because of this, SDG&E proposed the GSATA approach. CACD agrees with SDG&E that the effect of the rate reduction is so small that it may not make sense for SDG&E to concurrently adjust gas rates to its customers as SoCalGas has done. In addition, there are balancing account mechanisms in place to capture the full effect of any rate changes except for NFCA balancing account.

November 22, 1994

3. The charges from SoCalGas that are not fully protected by the NFCA balancing account are Demand and Volumetric Charges. The Demand Charges are allocated to SDG&E based on adopted core and noncore SoCalGas costs. However, the Volumetric Charges are allocated based on actual recorded core and noncore deliveries through the SDG&E gas system for the month. As a result, the allocation factors will change monthly. The amount that will be credited to the GSATA depends on these allocation factors. The amount credited to the GSATA by SDG&E for the month of August is \$11,698 before interest.

4. Monthly entries to the GSATA will likely cease as rates resulting from the current Biennial Cost Allocation Proceeding (BCAP) become effective. This may be by January 1995. SDG&E wants to dispose of the balance in the GSATA in the next BCAP or any other Commission proceeding. This is the statement that the DRA requested SDG&E to change in its Preliminary Statement.

5. DRA's protest is triggered by SDG&E's statement in its Advice Letter that "This crediting will result in a shortened amortization of SDG&E's obligation under Global Settlement" (page 1 paragraph 4). This statement is unnecessary because it does not relate to SDG&E's request and therefore, caused DRA's misunderstanding and protest. SDG&E, in its response to DRA's protest, has clarified that its proposed GSATA is not a mechanism to deal with the amortization of SDG&E's obligation to SoCalGas under the Global Settlement Agreement. Since the confusing language in the Advice Letter has been clarified by SDG&E's response to DRA's protest, it is not necessary for SDG&E to reword its Preliminary Statement. CACD recommends approval of the advice letter as proposed by SDG&E, including the requirement for waiving the rate revision language in Schedules G-NVG and GT-NVG, since these have a full balancing account protection.

FINDINGS

1. On August 8, 1994, SDG&E filed Advice Letter 930-G and a replacement Preliminary Statement on October 10, 1994. SDG&E requests authority to revise its tariff schedules applicable to its Gas Department, to establish and maintain an interest bearing Global Settlement Agreement Tracking Account, and to waive the rate revision language requirement in its natural gas vehicle tariff schedules.

2. The proposed GSATA will enable SDG&E to book the remaining 25% of cost savings resulting from SoCalGas reduced rates to SDG&E to prevent the savings from going to SDG&E's shareholders.

3. The approval of the GSATA will reduce the need for wholesale rate revision and avoid unnecessary administrative burdens to SDG&E.

4. Waiving the rate revision language requirement in the natural gas tariff schedules is appropriate and does not conflict with or violate any tariff rule and condition.

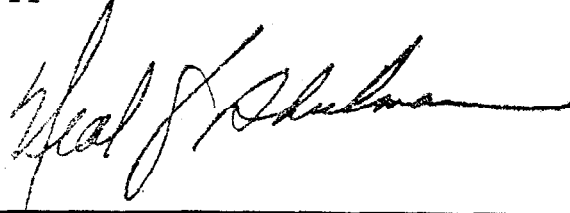
November 22, 1994

5. SDG&E does not have to revise the last statement in the Preliminary Statement to Advice Letter 930-G.
6. SDG&E's requests are necessary and reasonable.

THEREFORE, IT IS ORDERED that:

1. San Diego Gas and Electric Company is authorized to revise its tariff schedules for its Gas Department, to establish and maintain an interest bearing Global Settlement Tracking Account (GSATA), and to waive the revision language requirement in SDG&E's natural gas tariff schedules for the purpose of this Advice Letter only as requested by SDG&E.
2. DRA's protest is denied.
3. Advice Letter 930-G and the accompanying tariff sheets shall be marked to show that they were approved by Commission Resolution G-3149.
4. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on November 22, 1994. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

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