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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3151
December 21, 1994

R E S O L U T I O N

RESOLUTION G-3151. SOUTHERN CALIFORNIA GAS COMPANY (SOCALGAS) REQUESTS AUTHORITY TO ESTABLISH A TEMPORARY MEMORANDUM ACCOUNT TO RECORD THE AUTHORIZED REVENUE REQUIREMENT FOR ITS 1994 POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (PBOPS) COSTS AND TO INCLUDE THE AMOUNT IN SOCALGAS' 1995 ATTRITION RATE ADJUSTMENT (ARA) FILING.

BY ADVICE LETTER 2358-G, FILED ON SEPTEMBER 28, 1994.

SUMMARY

1. Southern California Gas Company (SoCalGas) requests authority to revise its tariff schedules and for approval to establish a temporary memorandum account, Rate Adjustment Deferral Memorandum Account (RADMA). SoCalGas wants to record the \$6.25 million authorized by D.94-09-063 for its 1994 Post-retirement Benefits Other than Pensions (PBOPs) costs in this account and to incorporate the amount in SoCalGas' 1995 Attrition Rate Adjustment (ARA) filing. The Commission temporarily denied SoCalGas the \$6.25 million in D.93-12-043, (SoCalGas' Test Year 1994 General Rate Case) until SoCalGas demonstrates that its costs are comparably reasonable. The amount is recoverable prospectively.

2. SoCalGas is seeking the temporary account to insure that the authorized 1994 PBOPs costs are included in the 1995 ARA filing to avoid multiple rate changes prior to December 31, 1994. SoCalGas plans to escalate its 1995 PBOPs request by the rate of inflation as currently allowed by the Commission for Attrition filings.

3. The Division of Ratepayer Advocates (DRA) filed a timely protest, "... to ensure strict compliance with Ordering Paragraph of D.94-09-063" and for SoCalGas to modify its revised Preliminary Statement. DRA does not want inflation adjustment for SoCalGas' 1995 PBOPs Attrition request because the Commission denied SoCalGas inflation allowance for the 1994 PBOPs costs expressed in 1991 dollars.

4. This resolution grants SoCalGas' request because it is in compliance with D.94-09-063 and reasonable. DRA's protest

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against the 1995 PBOPs inflation adjustment is denied because its argument is unpersuasive.

BACKGROUND

1. On December 17, 1993, the Commission issued D.93-12-043 (SoCalGas' Test Year 1994 General Rate Case) and disallowed \$6.25 million from PBOPs costs requested by SoCalGas but provided for prospective recovery "... if SoCalGas demonstrates that its PBOPs costs are comparable to those of firms that prefund PBOPs." This demonstration was to be submitted to the Commission not later than February 15, 1994.
2. In compliance, SoCalGas filed the analysis requested on February 15, 1994. D.94-09-063 found that "SoCalGas' PBOPs costs are reasonable. Finding of Fact No. 4 at page 12 states that "The \$6.25 million of PBOPs costs disallowed in D.93-12-043 should be reinstated without interest."
3. By this advice letter SoCalGas requests authority to establish a temporary memorandum account (to expire December 31, 1994) for the purpose of recording the authorized revenue requirement for SoCalGas' 1994 PBOPs costs and to incorporate that amount in SoCalGas' 1995 Attrition filing. SoCalGas will escalate its 1995 PBOPs request by the rate of inflation as currently allowed by the Commission. DRA objects to this idea and it is the main reason for DRA's protest.

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 96A and to all parties of record in A.92-11-017.

PROTESTS

1. The Commission Advisory and Compliance Division (CACD) received one limited protest to Advice Letter 2358-G from DRA on October 3, 1994. SoCalGas responded to the protest on October 10, 1994.
2. DRA, "... strongly believes that SoCalGas' request for inflation on the \$6.25 million can not be reconciled with the orders and discussion in D.94-09-063." DRA is referring to the 11.11% inflation allowance the Commission denied SoCalGas because SoCalGas wanted to adjust the \$6.25 million in 1991 dollars to Test Year 1994 dollars. DRA argues that "... it would not be logically consistent to authorize inflation above the 1991 dollar amount for 1995 but not to have done the same for 1994." Therefore, "DRA recommends that any and all inflation for 1995 that SoCalGas is requesting be rejected...." DRA also seeks specific language in SoCalGas' Preliminary Statement. DRA wants the "revised Preliminary Statement" amended to state that "...no interest shall accumulate on any amounts in the PBOBs Sub-Account."

3. In response to the specific language requested by DRA, SoCalGas states that "... SoCalGas has not proposed that interest accumulate in the account. We therefore have no objection to language that specifies no interest for this memorandum account."

4. As to DRA's objection to adjustment of the 1994 PBOPs costs to 1995 dollars for the 1995 Attrition, SoCalGas argues that DRA's request be denied. SoCalGas argues that "... granting this \$6.25 million in PBOPs expense for the Test Year, the Commission has in effect determined that this is the estimated amount that it has authorized for 1994 rates...." SoCalGas further states that "The \$6.25 million then becomes the 1994 base amount for purposes of determining the escalated amount in 1995 dollars to be included in the 1995 Attrition Year."

DISCUSSION

1. CACD has reviewed SoCalGas' Advice Letter 2358-G, DRA's protest and SoCalGas' response to the protest, including the source of the protest, D.94-09-063.

2. The inflation issue between DRA and SoCalGas centers around the statement contained in D.94-09-064 at page 9. It states: "The proper level of funding for PBOPs is merely an estimate which is an issue in each general rate case; it is an account in which overfunding and underfunding is adjusted over time." This statement follows the statement that denies SoCalGas the 11.11% inflation allowance. CACD believes that the above statement provides the reason for the denial. Therefore, the Commission is merely establishing that the \$6.25 million PBOPs costs are the estimate for Test Year 1994. CACD believes that the Commission did not allow the inflation allowance sought by SoCalGas because the estimate may be high and, as a result, escalation was not necessary. D.94-09-63 might have denied SoCalGas the inflation allowance because of the concluding statement in D.93-12-043 at page 43 which states: "We simply find that SoCalGas' PBOPs appear higher than those offered by comparable firms based on the little information we have." CACD is not persuaded by DRA's argument that since inflation allowance is not allowed for a portion of PBOPs costs for Test Year 1994 estimate, therefore, SoCalGas be denied inflation escalation for 1995 PBOBs Attrition. It is reasonable to allow SoCalGas to escalate its PBOBs costs for 1995 by the inflation factor as allowed by D.93-12-043.

3. Since SoCalGas does not object to including specific language in its "revised Preliminary Statement" about no interest accumulation, SoCalGas should revise the statement in compliance with the intent of D.94-09-063.

FINDINGS

1. D.94-09-063 authorized SoCalGas to file an advice letter to recover \$6.25 million in present rates to fund its 1994 PBOPs costs within 30 days of the decision.

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2. On September 28, 1994, SoCalGas filed Advice Letter 2358-G, requesting authority to revise its tariff schedules and to establish a temporary memorandum account to record the authorized revenue requirement for its 1994 PBOPs costs and to incorporate this amount in its 1995 attrition revenue adjustment filing.

3. The proposed temporary memorandum account by SoCalGas will insure recovery of the authorized revenue requirement for its 1994 PBOPs costs.

4. SoCalGas' proposal to include the authorized 1994 PBOPs costs in SoCalGas' 1995 Attrition Rate Adjustment is in accordance with D.94-09-063.

5. It is reasonable for SoCalGas to modify its revised Preliminary Statement to comply with the language contained in D.94-09-063 that no interest on the \$6.25 million is allowed.

6. It is appropriate and reasonable for SoCalGas to adjust its 1995 PBOPs costs based on approved Commission ARA mechanism in place because CACD finds DRA's reasons to do otherwise unpersuasive.

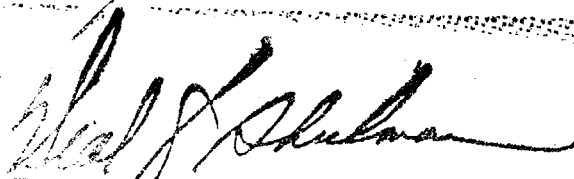
7. SoCalGas' requests are reasonable and in compliance with the Commission decision D.94-09-063.

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THEREFORE, IT IS ORDERED that:

1. Southern California Gas Company is authorized to revise its tariff schedules and to establish a temporary memorandum account, Rate Adjustment Deferral Memorandum Account and to incorporate the authorized revenue requirement in its 1995 attrition rate adjustment filing.
2. Southern California Gas Company shall file a supplemental advice letter with its revised Preliminary Statement to show that the \$6.25 million includes no interest. This is to be filed within 10 days of the effective date of this Resolution.
3. DRA's protest of Advice Letter 2358-G is denied.
4. Southern California Gas Company shall file an advice letter within 15 days after the balance in the temporary memorandum account has been effected in rates to remove the account from the authorized list of memorandum accounts.
5. Advice Letter 2358-G and the accompanying tariff sheets shall be marked to show that they were approved by Commission Resolution G-3151.
6. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December, 21, 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