

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3158
JANUARY 5, 1995

R E S O L U T I O N

RESOLUTION G-3158. WASHINGTON WATER POWER COMPANY
REQUESTS AUTHORITY TO INCREASE RATES.

BY ADVICE LETTER C-16-G, FILED ON JULY 20, 1994 AND
SUPPLEMENTAL ADVICE LETTER C-16-G-A, FILED ON DECEMBER
28, 1994.

SUMMARY

1. WP Natural Gas, a division of Washington Water Power Company, (WP Gas) originally filed for an increase in annual revenues of \$954,757 or 9.01%. By its supplemental filing, the utility seeks a lesser increase of \$816,342 or 7.71%. Both filings would reflect higher gas costs, balancing account revisions, a pass-through of miscellaneous gas refund amounts, the expiration of the utility's Supply Adjustment Mechanism (SAM), and increased Low Income Ratepayer Assistance (LIRA)¹ surcharges and discounts. The supplemental filing adds a base rate revenue decrease to mitigate the effect of the proposed increases.
2. This Resolution authorizes the supplemental request, effective on January 5, 1995.

BACKGROUND

1. WP Gas serves approximately 15,000 customers in the south Lake Tahoe region of El Dorado County.
2. Washington Water Power Company and Sierra Pacific Power Company are seeking authorization to merge by Application 94-08-043.

1 The designation Low Income Ratepayer Assistance or LIRA was changed to California Alternate Rates for Energy or CARE beginning on January 1, 1995 by Decision 94-12-049. The CARE acronym will be used for the rest of this Resolution.

3. The components of WP Gas' rate increase request are:

Rate Increase Components

Gas cost increase: \$113,996
This reflects the difference between gas cost revenues at present rates and test year purchased gas costs.

Gas cost balancing account offset: \$425,479
The under collection in the gas cost balancing account would be amortized by this increase.

Refund: [\$131,208]
A residual from the utility's Refund Plan 1 and a refund from the utility's pipeline supplier has left the utility with this amount on hand. Refund Plan 1 was authorized by Resolution G-3029, which found that the refund to individual ratepayers was just and reasonable. Due to the small size of this refund, WP Gas would distribute it through the Purchased Gas Adjustment mechanism, a deviation from the provisions authorized in Resolution G-3029.

SAM compensating rate recovery: \$814,821
WP Gas' amortization of its over collected Supply Adjustment Mechanism (SAM) account through a contribution to rates ended in 1994 as a result of Commission Decision 91-09-067 and the exhaustion of the over collected funds. Rates would be increased to reflect the end of the refund amortization.

CFA over collection correction: [\$275,895]
Current Conservation Financing Adjustment (CFA) rates are yielding revenues in excess of anticipated program expenditures and recovery of an under-collected balance in the CFA balancing account. Rates would be reduced to balance program revenues and expenditures.

CARE changes: \$7,557
The CARE program is funded by a surcharge to non-CARE ratepayers. The surcharge funds are used to provide the CARE discount to eligible customers. This filing would increase the surcharge by \$11,577. Maintaining the discount for CARE recipients results in a revenue reduction of \$4,020. The effect of surcharges and discounts is contained in the CARE balancing account.

Mitigation adjustment: [\$138,408]
WP Gas proposes to mitigate the extent of the increases by a voluntary reduction equivalent to \$150,000 in forecasted 1995 revenues.

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The total from above, without the mitigation adjustment, is \$954,750 or 8.92%. With the mitigation adjustment, the increase is \$816,342, or 7.71%. WP Gas originally filed for an increase in annual revenues of \$954,757 or 9.01%, which translates to the \$954,750 amount when adjusted for CARE surcharges and discounts and a minor correction to special contract revenues.

4. WP Gas calculated the annual revenue increase in compliance with the rate design established in Decision 89-01-055. With the exception of a special contract with one customer, the 7.71% rate increase has been spread evenly to all customer classes.

5. By its supplemental filing, WP Gas requested that its filing be made effective on January 5, 1995, which is more than 40 days from the filing date of the original advice letter.

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 by General Order 96A.

PROTESTS

1. The Commission Advisory and Compliance Division (CACD) has received no protests to WP Gas's advice letter filing.

DISCUSSION

Disposition of Refunds:

1. WP Gas' proposal to distribute refunds through the Purchased Gas Adjustment Mechanism would differ from its previous refund plan, wherein it disbursed \$2.6 million to ratepayers. In this instance, with only \$131,208 at issue, distribution by rate reduction, rather than by attempting to return the funds to individual customers, would reduce administrative expenses while providing the benefits of the refund to current ratepayers.

2. A refund plan for Southwest Gas Corporation was authorized by Resolution G-3110 in June, 1994. The following is an excerpt from that Resolution:

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

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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.

3. Because of the similarities in the circumstances of these two gas utilities, CACD recommends authorization of WP Gas' request to deviate from Refund Plan 1 and to distribute the residual from that refunding and the funds most recently received from suppliers through a credit to the Purchased Gas Adjustment Mechanism. CACD further recommends that this distribution be designated as Refund Plan 2 and that WP Gas be directed to provide an accounting of this refund by February 29, 1996 to CACD. The accounting should include the actual refund amounts and interest thereon credited to the PGA account and a demonstration that such credits were fully used to benefit the ratepayers.

Mitigation adjustment:

4. In its supplementary filing, WP Gas has voluntarily requested a base rate reduction of \$138,408 based on test year sales, or \$150,000 based on forecasted 1995 sales. The reason, as set forth in the utility's supplemental filing, is to mitigate the impact of the requested increases on the utility's customers. The effect is to present a lesser increase for approval. If approved, this voluntary change would lower the requested increase from 8.92% to 7.71%.

5. The Division of Ratepayer Advocates (DRA) stated that the reduction will benefit WP Gas' California customers. This position was expressed in a December 28, 1994 letter to the presiding Administrative Law Judge and interested parties to the current application to merge with Sierra Pacific Power Company (A.94-08-043) and to interested parties in the utility's original application to acquire the Lake Tahoe system from CP National Corporation (A.91-01-006).

6. General Order 96A generally limits supplemental filings to relatively minor changes. The requested voluntary reduction, while different from those used as examples in the General Order, is still relatively minor when compared to the utility's over all rates. This change will benefit WP Gas's ratepayers.

7. WP Gas originally requested an effective date of its filing of January 1, 1995. By its supplemental filing, WP Gas requested an effective date of January 5, 1995. CACD has reviewed the original and supplemental filing. CACD concurs with WP Gas' computations and recommends approval of the supplemental filing with an effective date of January 5, 1994.

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FINDINGS

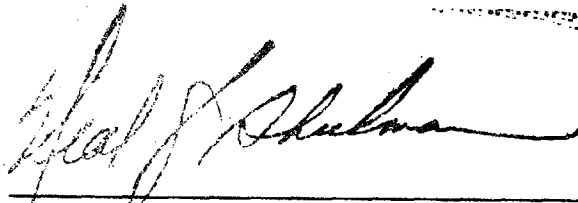
1. The rate changes as proposed by WP Gas are in conformance with prior Commission Decisions.
2. WP Gas' proposed disposition of refunds is reasonable and should be authorized.
3. WP Gas' plan to distribute the refunds by credit to the PGA account should be designated as Refund Plan 2.
4. WP Gas should provide an accounting of Refund Plan 2 by February 29, 1996 to CACD. The accounting should include the actual refund amounts and interest thereon credited to the PGA account and a demonstration that such credits were fully used to benefit the ratepayers.
5. WP Gas's voluntary request for a lesser increase will benefit WP Gas's ratepayers.
6. While not as minor as the examples cited in General Order 96A, WP Gas's supplemental filing is a relatively minor change that will benefit ratepayers.
7. WP Gas should be authorized to place its filing into effect on January 5, 1995.

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THEREFORE, IT IS ORDERED that:

1. Washington Water Power Company's (WP Gas) Supplemental Advice Letter C-16-G-A shall be marked to show that it, with the attached tariff sheets, was approved by Commission Resolution G-3158, with an effective date of January 5, 1995.
2. WP Gas shall provide an accounting of Refund Plan 2 by February 29, 1996 to the Commission Advisory and Compliance Division.
3. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on January 5, 1995. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

DANIEL Wm. FESSLER
President
NORMAN D. SHUMWAY
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
Commissioners



February 26, 1996

U-907G

PUBLIC UTILITIES COMMISSION
THE STATE OF CALIFORNIA
Kevin P. Coughlan, Chief, Energy Branch
505 Van Ness Avenue, 3102
San Francisco, CA 94102-3298

RE: Resolution G-3158

As ordered by Resolution G-3158, WP Natural Gas hereby submits an original and six (6) copies of its report on the status of Refund Plan 2. Any questions regarding this report may be addressed to Kathy Mitchell at (509)482-4407.

Sincerely,

A handwritten signature in cursive script that reads 'Thomas D. Dukich'.

Thomas D. Dukich
Manager
Rates & Tariff Administration

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enclosures

Washington Water Power - WP Natural Gas Refund Plan 2 Report

CPUC Resolution G-3158 dated January 5, 1995 ordered that WPNG "...provide an accounting of Refund Plan 2 by February 29, 1996 to the Commission Advisory and Compliance Division." This report provides such an accounting.

In the Company's Advice Letters C-16-G and C-16-G-A, WPNG requested authority to distribute a refund of \$131,208 through the Purchased Gas Adjustment Mechanism instead of attempting direct refunds to individual customers. This refund amount consisted of a refund residual resulting from Refund Plan 1, refunds received from Paiute Pipeline, and related interest on the aforementioned through May 31, 1994. The Commission found that WPNG's "...proposed disposition of refunds is reasonable and should be authorized."

The energy rate established in Advice C-16-G and Advice C-16-G-A incorporated this refund (see Attachment A) into its design. Therefore, a component of the \$0.03502 Energy rate increase to Sales customers consisted of a refund rate to customers of \$0.00698 per sales therm or $(\$128,820 \times 1.01854 / 18,790,729 \text{ therms})$. This energy rate has been in place since January 5, 1995, the effective date of Resolution G-3158. Therms consumed by sales customers from January 5, 1995 through January 31, 1996 totaled 21,968,467, resulting in a refunded amount of $21,968,467 \text{ therms} \times \$0.00698 = \$153,340$.

As the refund of \$131,208 was a May 31, 1994 balance, additional interest had accrued by January 5, 1996, the date of rate implementation. The attached schedule (see Attachment B) details the disposition of the refund. After approximately one year, the refund and related interest was fully amortized.

Washington Water Power - WPNG
South Lake Tahoe
Average Energy Rate

Exhibit No. (WPNG-C)
Sheet 1 of 2

	Total	Transportation (All Customers)	Sales Only Customers
1 Test Year Sales	19,100,354	19,100,354	18,790,729 Therms
<u>Revenue at Present Rates (1)</u>			
2 Basic Revenues	\$2,815,160		
3 Energy	\$7,097,399	\$2,766,498	\$4,330,901 (3)
4 CFA	\$534,196		
5 PUC	\$14,516		
6 MMMHS	\$1,287		
7 Low Income Surcharge	\$20,396		
8 Low Income Discount	(\$43,170)		
9 Miscellaneous	\$148,423		
10 TOTAL REVENUES	\$10,588,207		

Determination of New Energy Revenue Requirement

11 Gas cost refunds at May 31, 1994 (4)	(\$128,820)		(\$128,820) ①
12 Test Year purchased gas costs at present rates. (2)	\$7,633,607	\$2,516,185	\$5,117,422
13 Purchased gas cost balancing account balance as of May 31, 1994	(\$135,743)	(\$45,331)	(\$90,412)
14 Energy Revenue Requirement (Line 13 Line 12 + Line 11)	\$7,369,044	\$2,470,854	\$4,898,190
15 Franchise tax and uncollectible multiplier. (5)	1.01854	1.01854	1.01854 ②
16 Energy Revenue Requirement (Line 15 x Line 14)	\$7,505,666	\$2,516,664	\$4,989,002
17 Increase (Decrease) over present energy revenues. (Line 16 - Line 3)	408,267	(249,834)	658,101
18 Percent increase (decrease). (Line 17 / Line 10)	3.86%		
19 Average Energy rate increase (decrease) per therm. (Line 17 / Line 1)	\$0.02137	(\$0.01308)	\$0.03502

$$\begin{aligned} & 128,820 \cdot x \\ & 1.01854 \div \\ & 18,790,729 = \\ & \underline{0.006983} * \\ & \text{per therm} \end{aligned}$$

(1) From revenue at present rate worksheet.

(2) From purchased gas worksheet.

(3) Derived from C-12-G, effective 10/6/93, ratio of the Transportation Revenue Requirement component to the Total Energy Revenue Requirement. $(\$2,449,899 / \$6,285,171 = 38.98\%)$

(4) Consists of Refund Plan #1 residual balance of \$59,926 (including interest), approved January 22, 1993 by Resolution G-3029 and a gas cost refund of \$68,894 (including interest) from Paiute Pipeline.

(5) Provision for franchise taxes & uncollectibles

$$\frac{1}{.9818} = 1.01854 = \text{Gross Revenue Deduction Factor Applicable to Exp.}$$

WASHINGTON WATER POWER - WPNG
SOUTH LAKE TAHOE
REFUND PLAN 2

Month	Description	Sales Therms	Amortization @ -0.00698	Interest Rate	Balance Before Interest	Average Balance	Interest	Balance
5/31/94								131,208.00
6/30/94	Interest			0.0507	131,208.00	131,208.00	554.35	131,762.35
7/31/94	Interest			0.0507	131,762.35	131,762.35	556.70	132,319.05
8/31/94	Interest			0.0525	132,319.05	132,319.05	578.90	132,897.95
9/30/94	Interest			0.0534	132,897.95	132,897.95	591.40	133,489.35
10/31/94	Interest			0.0552	133,489.35	133,489.35	614.05	134,103.40
11/30/94	Interest			0.0601	134,103.40	134,103.40	671.63	134,775.03
12/31/94	Interest			0.0631	134,775.03	134,775.03	708.69	135,483.72
1/31/95	Amortization & Interest (1)	2,497,790	(17,434.57)	0.0676	118,049.15	126,766.44	714.12	118,763.27
2/28/95	Amortization & Interest	2,506,242	(17,493.57)	0.0672	101,269.70	110,016.49	616.09	101,885.79
3/31/95	Amortization & Interest	2,352,101	(16,417.66)	0.0665	85,468.13	93,676.96	519.13	85,987.26
4/30/95	Amortization & Interest	2,288,309	(15,972.40)	0.0665	70,014.86	78,001.06	432.26	70,447.12
5/31/95	Amortization & Interest	1,863,805	(13,009.36)	0.0662	57,437.76	63,942.44	352.75	57,790.51
6/30/95	Amortization & Interest	1,345,130	(9,389.01)	0.0656	48,401.50	53,096.01	290.26	48,691.76
7/31/95	Amortization & Interest	902,663	(6,300.59)	0.0644	42,391.17	45,541.47	244.41	42,635.58
8/31/95	Amortization & Interest	730,473	(5,098.70)	0.0629	37,536.88	40,086.23	210.12	37,747.00
9/30/95	Amortization & Interest	735,826	(5,136.07)	0.0632	32,610.93	35,178.97	185.28	32,796.21
10/31/95	Amortization & Interest	916,005	(6,393.71)	0.0624	26,402.50	29,599.36	153.92	26,556.42
11/30/95	Amortization & Interest	1,320,564	(9,217.54)	0.0632	17,338.88	21,947.65	115.59	17,454.47
12/31/95	Amortization & Interest	1,927,339	(13,452.83)	0.0624	4,001.64	10,728.06	55.79	4,057.43
1/31/96	Amortization & Interest	2,582,220	(18,023.90)	0.0614	(13,966.47)	(4,954.52)	(25.35)	(13,991.82)
		<u>21,968,467</u>	<u>(153,339.91)</u>				<u>8,140.09</u>	

Notes

(1) January sales therms are prorated to reflect rate implementation effective 1/5/96.