

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-3176
DECEMBER 18, 1995

R E S O L U T I O N

RESOLUTION G-3176. SOUTHWEST GAS CORPORATION REQUESTS COMMISSION APPROVAL OF A PLAN TO DISTRIBUTE REFUNDS RECEIVED FROM NATURAL GAS SUPPLIERS BY CREDITING ITS PURCHASED GAS COST BALANCING ACCOUNT.

BY ADVICE LETTER 493, FILED ON JANUARY 11, 1995

SUMMARY

1. Southwest Gas Corporation (Southwest), by Advice Letter 493, requests permission to provide the benefit of supplier refunds as a credit to its Purchased Gas Cost Balancing Account (PGA). This procedure is an alternative to making refunds to individual customers and will decrease Southwest's administrative costs. The utility would designate this proposal as Refund Plan 24.
2. This Resolution authorizes Southwest's proposal.

BACKGROUND

1. Southwest's Southern California Division is comprised of approximately 93,200 residential, commercial, and core aggregation customers in portions of San Bernardino County, California. Natural gas to serve these customers is transported over the El Paso Natural Gas Company [El Paso] pipeline. These customers are participants in Southwest's PGA.
2. Based on rates set by the Federal Energy Regulatory Commission in Docket No. RP 90-81-000, et al., and Docket No. RP 91-26-000, et al., El Paso refunded \$9,886.71 in overcollections to Southwest. The refunds, plus approximately \$232.52 in interest, are being held by Southwest for the benefit of its Southern California Division customers.
3. By Advice Letter 493, filed on January 11, 1995, Southwest requested authority to implement its Refund Plan 24 by authorizing the utility to credit the refunds and interest to its PGA.

4. A similar refund plan for Southwest's Southern California Division customers was submitted by Advice Letter 470 and authorized by Resolution G-3110 on June 8, 1994.

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 Southwest's advice letter filing.

DISCUSSION

1. As a result of FERC decisions in RP 90-82-000, et al., and RP 91-26-000, et al., Southwest has received principal refunds of \$9,886.71 from El Paso and has accumulated an estimated interest amount of 232.52 through February 1994. The total amount in Southwest's filing is therefore \$10,119.23.

2. Southwest is proposing to administer the refund through the PGA for its Southern California Division customers instead of directly crediting individual accounts. Southwest makes this proposal because every Southern California Division customer is subject to the PGA and entitled to the refund. Utilizing the PGA will decrease the administrative costs of distributing refunds to customers.

3. Southwest indicates that the principal authority for refund distributions is contained in Public Utilities Code (Code) Section 453.5. Code Section 792.5 governs the use of balancing accounts. Section 453.5 deals specifically with refunds and 792.5 requires the use of reserve (balancing) accounts to reflect the differences between related costs and revenues for passing through to customers specific changes in costs, in this instance, the cost of gas purchased for system requirements.

4. Southwest also refers to California Manufacturers Association vs. Public Utilities Commission (1979) 24 Cal 3rd 836, 840 (Manufacturers) wherein the California Supreme Court (Court) determined two guiding principles for refund requirements. These requirements are: (1) to the maximum extent possible refunds shall be returned to the customers who paid the funds; and (2) for those customers to whom the refund is difficult to determine there may be a rate reduction. The Court, in Manufacturers, was mindful of the condition in Code Section 453.5 that the obligation to provide pro rata refunds based on past usage is limited by considerations of practicality.

Therefore, the Court did not foreclose the Commission from formulating refunds on the basis of current usage, consistent with the express language of Code Section 453.5 and the implementation of Code Section 792.5 (24 Cal 3rd 849).

5. Southwest further indicates that in its authorization of Southwest's previous refund plans, the Commission has found that a direct refund methodology would diminish the benefits to all of the customers because the refund amount is small relative to the administrative costs of making a direct refund to individual customer bills. Although the costs of making a direct refund would not be recouped from the customers at this time, such costs could be incorporated into rates in future rate cases.

6. Southwest's proposal in this filing follows the one authorized by Resolution G-3110 where Southwest's Northern California Division customers received a \$41,000 refund benefit by credit to the PGA (except for core aggregation customers, who received a credit to their bills). If Resolution G-3110 funds were disbursed by credit to individual customer's bills, Southwest estimates that the administrative costs would have been \$25,000. The average refund amount would have been approximately \$0.43 per customer and the cost to administer the refund would have been \$0.26 per customer.

7. In this filing, the refund amount is \$10,119.23. The administrative cost to refund this amount is estimated to be at least \$10,430. The average refund would be approximately \$0.10 per customer.

8. Southwest characterizes the refund amount as de minimis. It further claims that the proposal meets the considerations of practicality and the requirements of Code Sections 453.5, 792.5 and Manufacturers. Finally, it also claims that the proposal more closely matches the actual cost of gas and the recoveries through the PGA mechanism.

9. Resolution G-3110 indicated that it was not practical to distribute a refund based on prior usage because the refund was small and the cost to administer the refund to individual customers was relatively high. Because of the similarities between this refund proposal and that authorized in Resolution G-3110, CACD recommends that the Commission approve AL 493.

10. Southwest had proposed to implement its plan within one month of the date AL 493 was filed. Therefore, Southwest should start implementing this proposal to credit the specified refunds and interest to the PGA within one month of the effective date of this Resolution and finish implementation of Refund Plan 24 by

March 31, 1995. CACD further recommends that Southwest be directed to provide an accounting of this refund by April 30, 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.

FINDINGS

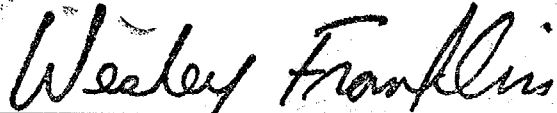
1. Southwest filed Advice Letter 493 requesting authorization to return \$10,119.23 (including interest) to its Southern California Division customers. Southwest received the funds as a refund from El Paso.
2. In the long run the administrative cost of directly crediting individual accounts of all customers would considerably diminish the benefit of such a refund.
3. Southwest is proposing to administer the refund through the PGA for its Southern California Division customers.
4. Southwest's plan to distribute the refunds by credit to the PGA account should be designated as Refund Plan 24.
5. Southwest should be authorized to start placing its filing into effect on December 20, 1995, the effective date of this Resolution, and conclude the distribution of refunds by March 31, 1995.
6. Southwest should provide an accounting of Refund Plan 24 by April 30, 1996 to CACD. The accounting should include the refund amounts received by Southwest and interest thereon credited to the PGA account and a demonstration that such credits were fully used to benefit the ratepayers.

THEREFORE, IT IS ORDERED that:

1. Southwest Gas Corporation's Advice Letter 493, for Refund Plan 24, shall be marked to show that it was approved by Commission Resolution G-3176, with an effective date of December 20, 1995.
2. Southwest shall implement Refund Plan 24 by March 31, 1996.
3. Southwest shall provide an accounting of Refund Plan 24 by April 30, 1996 to the Commission Advisory and Compliance Division.

This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 18, 1995. The following Commissioners approved it:



WESLEY M. FRANKLIN
Executive Director

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT Jr.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners