

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Energy Branch

RESOLUTION G-3180  
December 20, 1995

R E S O L U T I O N

RESOLUTION G-3180. SAN DIEGO GAS & ELECTRIC COMPANY. REQUEST TO REVISE ITS RATES AS ORDERED IN COMMISSION DECISION (D.) 94-12-052, IN SDG&E'S BIENNIAL COST ALLOCATION PROCEEDING (BCAP). INCORPORATES \$6.4 MILLION COST INCREASE TO SDG&E APPROVED IN SOCALGAS' ADVICE LETTER 2448.

BY ADVICE LETTER 991-G, FILED ON November 1, 1995.

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SUMMARY

1. San Diego Gas & Electric Company (SDG&E) seeks approval of a core rate decrease of \$4.4 million and a \$3.9 million noncore rate increase in response to Decision (D.) 94-12-052 and Southern California Gas Company's (SoCalGas') Advice Letter (AL) 2448 that it calls Alternative 1. In addition, SDG&E offers Alternative 2 that would freeze core rates to provide rate stability. Core rates would then be adjusted in SDG&E's Weighted Average Cost Of Gas (WACOG) Update Filing that will be filed in August 1996.
2. The Division of Ratepayer Advocates (DRA) protests SDG&E's Alternative 2 and recommends a one-time lump sum refund of the Core Purchased Gas Account (CPGA).
3. This Resolution approves SDG&E's Alternative 1 for noncore rate changes only. This Resolution also grants DRA's protest and orders the refund of SDG&E's CPGA end-of-year balance estimated to be \$24,677,000. This results in an increase of \$20.4 million in rates by eliminating the balancing account amortization rate.

BACKGROUND

1. In D.94-12-052 the Commission approved gas rates in SDG&E's Biennial Cost Allocation Proceeding [Application (A.) 93-09-048.] Ordering Paragraph 4 of D.94-12-052 provides for an update of SDG&E's gas rates applicable in 1996, which is the second year of SDG&E's BCAP cycle.
2. SDG&E filed AL 991-G on November 1, 1995. SDG&E proposes two alternatives to incorporate the year-end update of its gas

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balancing accounts and the rate increase from SoCalGas as a result of SoCalGas' AL 2448. Alternative 1 revises core and noncore rates in compliance with D.94-12-052. This results in a \$4.4 million decrease to core customers and a \$3.9 million increase to noncore customers for a net decrease of \$.5 million. Alternative 2, SDG&E's preferred option, would implement a core rate freeze and freeze the CPGA amortization rate. As part of its WACOG Update Filing, as required by D.95-07-048, SDG&E would reevaluate the CPGA balance and market prices to determine if adjustments to the amortization rate is necessary.

3. SDG&E prefers Alternative 2 since it provides rate stability to core customers. SDG&E contends that higher amortization rates resulting from Alternative 1 would not reflect gas market prices. SDG&E cautions against adopting a one-time refund of the CPGA as the Commission recently ordered for SoCalGas in D.95-09-075. SDG&E notes that providing a one time refund would eliminate the amortization rate subtractor and result in customers monthly bills being increased. SDG&E forecasts that the refund would result in a \$20.4 million increase in revenue requirement for 1996. The \$20.4 million is derived from the increase that results from refunding the CPGA balance of \$24,677,000 and the core decrease of \$4.4 million that results from compliance with D.94-12-052.

#### NOTICE

1. Public notice of this advice letter was made by publication in the Commission calendar, and by SDG&E's mailing copies to other utilities, governmental agencies, and all interested parties who requested notification.

#### PROTESTS

1. DRA filed a protest to this AL on November 21, 1995. DRA contends that "SDG&E's Proposal Retains Funds That are Due Customers", "SDG&E's Proposal is Anticompetitive", and "SDG&E's Proposal Masks Cost Increases That Would Otherwise be Plainly Visible in an Unbundled Natural Gas Business".

2. DRA argues that the CPGA balance is money due customers. By retaining the overcollections and amortization rates, the rate paid by customers is artificially depressed by overpayments from a prior time period. DRA states, "Since the core WACOG is presently calibrated to gas market levels, refunding the overcollection as proposed will effectively drop the San Diego commodity price to less than market." Consequently, the rates paid by customers would not clearly reflect the actual costs incurred and harm SDG&E's competitors.

3. DRA recommends that the CPGA balance be refunded in a one-time lump sum manner similar to that ordered by the Commission in D.95-09-075 for SoCalGas. This will return customer money to the customers in a timely manner and allow for future rates to reflect gas market prices more closely.

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4. SDG&E responds that DRA's recommendation fails to consider the impacts of refunding the entire CPGA balance and the resultant increase in core rates. Further, SDG&E points out that it would not be able to refund the CPGA, if ordered to, until the end of the first quarter of 1996 due to the number of refunds that must be calculated. DRA has suggested that the refund occur "during a month in early 1996."

#### DISCUSSION

1. Alternative 1 fails to address the balance that has accrued in the CPGA as a result of the WACOG being set above market levels. It is the Commission's desire to refund overcollected balances and align customer rates with market levels.

2. Freezing core rates until August 1996, Alternative 2, while providing rate stability, does nothing more than postpone returning the CPGA balance to customers. It also sends an inaccurate price signal to customers by lowering the actual cost they see by incorporating the amortization of the CPGA balance. The effective cost to customers will not change by refunding the CPGA as a one time credit or by refunding it piecemeal through an amortization rate. There is simply a timing difference.

3. Refunding the overcollection over a longer time period would place SDG&E's competitors at a competitive disadvantage by incorporating in current rates a refund that results from overcollections in an early time period. The Commission has stated, "To the extent that the procurement rate includes a refund component for past excesses it does not reflect an accurate price signal." (D.95-09-075, p. 10)

4. CACD recommends that SDG&E update noncore rates as described in Alternative 1. CACD further recommends that SDG&E be ordered to refund the entire CPGA balance as a one-time lump-sum credit to eligible customers bills and adjust rates to reflect the resulting \$20.4 million increase in gas rates. This will return customer monies to the customers in a timely manner and align revenues more closely with costs.

5. Refunds should be made for customers of record as of December 31, 1995, consistent with the following guidelines:

6. The refund amount shall be calculated based on January 1995 usage.

a) SDG&E shall determine the total therms billed to core customers in January 1995. The CPGA balance shall be divided by this amount. The resulting quotient shall be multiplied by the individual customers January 1995 usage to determine the refund amount to be credited to customers February 1996, and subsequent months, bill as necessary.

b) A core customer beginning service after January 1995 shall receive a refund based on the January 1995 usage for that residence adjusted to reflect the portion, in months, of 1995

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that they were core customers. For new construction the refund will be based on the average usage for that rate class.

c) A core customer who terminates service before exhausting the refund credit shall receive a cash refund.

**FINDINGS**

1. SDG&E filed AL 991-G on November 1, 1995, requesting a decrease of \$4.4 million to its core gas rates and an increase of \$3.9 million to its noncore gas rates as described in Alternative 1 in compliance with D.94-12-052.
2. SDG&E proposes Alternative 2 to freeze core rates and re-evaluate the CPGA balance as part of its WACOG Update Filing in August 1996.
3. The current WACOG has caused SDG&E's core ratepayers to pay rates above current market costs.
4. SDG&E forecasts a PGA balance of \$24,677,000 for the end of 1995.
5. DRA filed a protest on November 21, 1995.
6. DRA's protest argues that Alternative 1 and 2 do not return customer monies in a timely fashion and would bias prices harming SDG&E's competitors.
7. DRA recommends a one-time refund of the CPGA balance.
8. SDG&E responds that a refund would cause rates to increase by \$20.4 million, sending a confusing message to customers.
9. In order to align revenues more closely with costs and to amortize the CPGA overcollection in an expeditious manner a one-time lump sum refund to core customers should be made.

**THEREFORE, IT IS ORDERED that:**

1. San Diego Gas & Electric Company (SDG&E) shall adjust its gas rates in accordance with the terms of this Resolution effective January 1, 1996.
2. SDG&E shall file on or before December 28, 1995 an advice letter incorporating the rate changes in accordance with the terms of this Resolution.
3. DRA's protest is granted. A one-time credit shall be issued by SDG&E to all core gas sales customers as of December 31, 1995.
4. The refund amount shall be calculated based on January 1995 usage.

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a) SDG&E shall determine the total therms billed to core customers in January 1995. The CPGA balance shall be divided by this amount. The resulting quotient shall be multiplied by the individual customers January 1995 usage to determine the refund amount to be credited to customers February 1996, and subsequent months, bill as necessary.

b) A core customer beginning service after January 1995 shall receive a refund based on the January 1995 usage for that residence adjusted to reflect the portion, in months, of 1995 that they were core customers. For new construction the refund will be based on the average usage for that rate class.

c) A core customer who terminates service before exhausting the refund credit shall receive a cash refund.

5. SDG&E shall revise its rates to reflect the increase of \$20.4 million that results from the above refund.

6. The rates authorized by this Resolution are reasonable.

7. SDG&E shall provide an accounting of the refund to the Commission Advisory and Compliance Division by September 1, 1996.

8. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 20, 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. NEPPER  
Commissioners