

Decision 08-11-010 November 6, 2008

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of West Coast Gas Company to
Revise its Gas Rates and Tariffs. (U910G)

Application 08-04-007
(Filed April 1, 2008)

DECISION APPROVING SETTLEMENT

Summary

This decision approves a settlement¹ between West Coast Gas Company (WCG) and the Division of Ratepayer Advocates (DRA). The terms of the settlement provide that WCG will increase its rates by \$202,116 (9.49% increase) on January 1, 2009. WCG had requested \$228,040 and DRA had recommended \$189,135.

We find the settlement meets all of the Commission's requirements, and should be approved.

I. Background

On April 1, 2008, West Coast Gas Company (WCG) filed a test year (TY) 2008 general rate case (GRC) application for its gas distribution operations under the Commission's jurisdiction. In Application 08-04-007, as originally filed, WCG requested a \$234,127 increase in base rates – to go into effect on January 1, 2009 – for gas distribution operations at the Mather and Castle service territories near

¹ The full text of the settlement is attached as the Appendix to this decision.

Sacramento; this amounts to a 10.99% increase over rates currently authorized by the Commission.

On May 9, 2008, the Division of Ratepayer Advocates (DRA) filed a protest to WCG's application. A prehearing conference was held on June 9, 2008, attended by WCG and DRA. On June 17, 2008, WCG revised its request, seeking an increase of \$228,040 representing a 10.70% increase over rates currently authorized.

On July 18, 2008, DRA submitted its Report on the Results of Operations for West Coast Gas Company (DRA Report), which, among other things, recommended an increase in revenue requirement for WCG totaling \$189,135, representing an 8.88% increase over rates currently authorized.

On July 29, 2008, WCG submitted rebuttal testimony to the DRA Report. On August 21, 2008, WCG served a "Notice of Settlement Conference" to all parties to be held on August 27, 2008. The conference was held, and the Settlement Agreement is now before us.

II. The Settlement Is Reasonable in Light of the Whole Record, Consistent With Law, and in the Public Interest

In order for a settlement to be approved by the Commission, the settlement must be: 1) reasonable in light of the whole record; 2) consistent with law; and 3) in the public interest. (See Decision 04-07-006, *PG&E v. Calpine Corp., et al.*, "Opinion Approving Settlement," mimeo., pp. 10-15.)

The settlement is reasonable in light of the whole record. The Parties fully developed their positions. WCG submitted testimony with its application. DRA reviewed the record, including discovery and documentation provided by WCG, was in constant communication with WCG on potential concerns, and submitted its Report addressing the merits of WCG's rate increase request. WCG filed

rebuttal testimony addressing issues raised in the DRA Report. Thus, the Parties were fully prepared to assess the strengths and weaknesses of all positions when they negotiated this settlement.

The settlement is based on the positions of the Parties as presented in the testimony, and represents a compromise between the Parties' positions. While the Parties were generally very close on most issues, a few concessions were made by both sides. For example, WCG estimated that revenues would need to be increased by \$228,040 representing a 10.70% increase to earn a full return on rate base. DRA, in turn, recommended an increase of \$189,135, representing an 8.88% increase in revenue. In a reasonable compromise of their respective positions, DRA and WCG have agreed to a revenue increase of \$202,116. (Settlement, p. 5.)

DRA and WCG further reasonably compromised the issue of a three-year attrition rate period (2010 through 2012) and the mechanism to be used to calculate the attrition year adjustment as well as the time period for the filing of WCG's next GRC application. (Settlement, p. 4.) In addition, DRA and WCG agree that the uncollectible accounts rate shall be 0.116%.

The Settlement Agreement is consistent with the law. No term of the Settlement Agreement contravenes statutory provisions or prior Commission decisions. The Parties reached settlement in accordance with Rules 12.1 et seq. of the Commission's Rules of Practice and Procedure (Rules).

Granting WCG the base rate revenue requirement increase of \$202,116 is in the public interest. The Parties have demonstrated that the rate increase is necessary and reasonable, and advances the public interest by ensuring that WCG's customers continue to receive safe and reliable gas service, with an assurance of rate stability. Additionally, the requested rate increase was

uncontested by any of WCG's customers or any member of the public. Furthermore, the Settlement Agreement benefits ratepayers and serves the public interest by expeditiously resolving issues that otherwise would have been litigated. Based on the foregoing criteria, the Settlement Agreement meets the applicable legal standards.

III. Comments on Proposed Decision

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2) and Rule 14.6(c)(2), the otherwise applicable 30-day period for public review and comment is waived.

IV. Assignment of Proceeding

Timothy Alan Simon is the assigned Commissioner and Robert Barnett is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. A 70%/30% equity-debt capital structure for WCG is reasonable and adopted.
2. A return on equity for WCG of 9.40% is reasonable and adopted.
3. A post test-year ratemaking mechanism for the attrition years 2010, 2011, and 2012 is adopted with the expectation that WCG's next GRC filing will be based upon a 2013 test-year showing. The attrition year adjustments to revenue requirements for years 2010, 2011, and 2012 will be effected by advice letter filing prior to commencement of each attrition year and will be calculated based on the simple average of the forecasts of changes in the Consumer Price Index (CPI) as published by Data Resources Inc. and Global Insight in the month and on the day closest to July 1 of the year before the attrition year. As an example, the forecasted change in the CPI for attrition year 2010, as the average of the inflation

rate forecasted by the two published references on or near July 1, 2009, would be used to calculate the change in revenue requirement for the attrition year 2010.

4. WCG shall remove plant held for future use from WCG's TY 2009 rate base.

5. A revenue increase of **\$202,116** and a return on equity of 9.40% are reasonable and adopted.

6. A uniform increase in all WCG's rate schedules of 9.49% is reasonable and adopted.

7. All customer charges and the per therm distribution charges are increased by 9.49%. Attachment B hereto reflects the impact of a 9.49% rate increase upon WCG's residential rates, demonstrating an anticipated increase of \$4.23 in the average monthly residential bill.

8. The settlement resolves all issues raised in the application.

9. All parties support the settlement.

10. Hearings are not necessary.

Conclusions of Law

1. The settlement is reasonable in light of the whole record.

2. The settlement is consistent with the law.

3. The settlement is in the public interest.

4. The settlement should be approved.

O R D E R

IT IS ORDERED that:

1. The rates, charges, and terms set forth in the Settlement Agreement, attached as the Appendix to this decision, are approved.

2. West Coast Gas Company shall file within 30 days after the effective date of this order, in accordance with General Order 96-B, and make effective on not less than five days' notice, but not sooner than January 1, 2009, the revised tariff schedules for its Mather and Castle service territories in accordance with the Appendix of this order.

3. Application 08-04-007 is closed.

This order is effective today.

Dated November 6, 2008, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners