

Decision No. 11028

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application)
 of SANTA MARIA GAS COMPANY, a)
 corporation, For Authority to)
 Establish Minimum Rates for ser-)
 vice under its Schedules No.6)
 and No.7.)

Application No.8227

BY THE COMMISSION:

O R D E R

Santa Maria Gas Company has filed with this Commission a formal application setting forth that it is in the business of selling natural gas for industrial purposes in the vicinity of San Luis Obispo and Santa Maria and intervening territory traversed by its pipe lines. It is further set forth that the sale of this gas is in direct competition with fuel oil, and because of recent reductions of oil prices it has been necessary to reduce the industrial gas rates under applicant's Schedules No.6 and No.7 in order to retain the business. Subsequent to the establishment of these schedules by Decision Number 9443, Opinions and Orders of the Railroad Commission, applicant on October 1, 1921, reduced the rates of the above schedules two cents per thousand cubic feet and with the approval of the Commission, modified Schedules No.6 and No.7 by inserting the provision that the rates should be subject to an increase or decrease on a basis of two cents per thousand cubic feet for each ten cents increase or decrease, respectively, in the price paid for oil f.o.b. Avila, California on October 1, 1921.

On July 15, 1922 oil prices were again reduced 25 cents per barrel and applicant on July 24, 1922, further reduced its industrial rates by five cents per thousand cubic feet, making the present rates under Schedule No.6 as follows:

First 100,000 cubic feet per meter per month	28¢ per Mcf.
All over 100,000 " " " " " "	23¢ " "

and the present rate under Schedule No.7:

Rate per thousand cubic feet - - - - - 24¢

It is alleged that any further reductions of the above rates following a reduction of oil prices would result in the fixing of rates below the actual cost of the service to applicant. Wherefore, applicant requests the Commission for authority to establish as a part of said Schedule No.6 the further provision that the rates specified therein shall never be less than 28 cents per Mcf. for the first 100,000 cubic feet per meter per month and 23 cents per Mcf. for all over 100,000 cubic feet per meter per month, and that the rate under schedule No.7 shall never be less than 24 cents per thousand cubic feet.

Investigation by this Commission shows that the natural gas involved in this proceeding has a quite definite fuel value in comparison with oil, wherein about five thousand cubic feet of gas are equal in heating value to one barrel of oil. The present provision for change of gas rate with change of price of oil is based upon this relative fuel value.

This Commission previously, by its Decision No.9443, established rates of 35 cents and 30 cents per Mcf., respectively, for Schedule No.6, and 31 cents per Mcf. for Schedule No.7, based upon the cost of service. These rates were, however, reduced

because of competitive conditions created by the low price of oil fuel. This present application requests the fixing of the now existing rates as minima, and limits any possible increase under the provisions of the schedule to the rates above shown, which were found to be just and reasonable by this Commission.

In as much as investigation shows that further reduction of applicant's Schedules No.6 and No.7 would result in the rendering of service at unreasonable and non-compensatory rates, and that by limiting these schedules to the present rates for minimum charges, and the rates fixed by Decision No.9443 for maximum charges, no injury will result to applicant's consumers, it appears that a public hearing in the matter is unnecessary. From the showing made by applicant and the investigation by the Commission of the facts and circumstances involved, it appears, and the Commission hereby finds, that the proposed change of applicant's Schedules No.6 and No.7 is justified.

IT IS HEREBY ORDERED that Santa Maria Gas Company be, and hereby is, granted authority to file and establish the following schedule of rates which supplant its previously filed Schedules No.6 and No.7, to wit:

(a) SCHEDULE No.6

(b) Service:

Industrial and Boiler Fuel Service: Applicable to industrial service on existing mains having a delivery capacity in excess of the present requirements of consumers served under Schedules Nos.1,2,3,4, and 5; for use in steam boilers, incinerators, kilns, packing houses, creameries, laundries, metal working plants, canneries, etc., in which gas is not used to heat buildings or to prepare meals, and which are equipped to use other fuels, and can be converted to use other fuels on thirty minutes' notice. Consumers receiving service under this schedule are required to maintain adequate supplies of such other fuels.

(c) Territory:

Applicable to all districts served.

(d) Rate:

First 100000 cu.ft. per meter per month \$.28 per M Cu.Ft.
All over 100000 cu.ft. per meter per month \$.23 per M Cu.Ft.

The above rates are subject to increase or decrease on the basis of 2¢ per M cubic feet for each 10¢ increase or decrease, respectively, in the cost of oil above or below the price paid for oil F.O.B. Avila, California, on August 1st, 1922, namely, \$1.25 per barrel; provided, however, that in no case shall said rates exceed 35¢ or be less than 28¢ per thousand cubic feet for the first 100,000 cubic feet per meter per month, nor exceed 30¢ or be less than 23¢ per thousand cubic feet for all over 100,000 cubic feet per meter per month. Such increase or decrease, as the case may be, shall apply to all regular meter readings taken after the filing by Santa Maria Gas Company with the Railroad Commission of the State of California of an affidavit setting forth the new price paid for oil F.O.B. Avila, California, and upon the filing of such affidavit said Company shall forthwith file with the said Commission a revision of this Schedule showing the rates then in effect.

(e) Minimum Charge:

\$15.00 per meter per month.

(f) Special Conditions:

Measurement based upon the unit of 1,000 cubic feet of gas at four ounce pressure above atmosphere. At times of gas shortage consumers of this class will be shut off in favor of consumers served under Nos. 1,2,3,4 and 5. No obligation is undertaken to serve consumers of this class for any period of time.

(a) SCHEDULE No.7

(b) Service:

Special contract industrial rate for surplus gas: applicable to service of gas for fuel to industrial consumers.

(c) Territory:

Applicable to the City of San Luis Obispo.

(d) Rate:

Rate per thousand cubic feet \$.24

The above rate is subject to increase or decrease on the basis of 2¢ per M cubic feet for each 10¢ increase or

decrease, respectively, in the cost of oil above or below the price paid for oil f.o.b. Avila, California, on August 1st, 1922, namely, \$1.25 per barrel; provided, however, that in no case shall said rate exceed 31¢, nor be less than 24¢ per thousand cubic feet per meter per month. Such increase or decrease as the case may be, shall apply to all regular meter readings taken after the filing by Santa Maria Gas Company with the Railroad Commission of the State of California of an affidavit setting forth the new price paid for oil f.o.b. Avila, California, and upon the filing of such affidavit said Company shall forthwith file with said Commission a revision of this Schedule showing the rate then in effect.

(e) Minimum Charge:

\$31.00 per meter per month.

(f) Special Conditions:

(1) The gas supplied under this schedule is surplus gas only and service hereunder shall be furnished only under the form of contract entitled "Contract for Sale of Surplus Natural Gas" as set forth in the Rates, Rules and Regulations of Santa Maria Gas Company, of which this schedule and said contract are a part, and service hereunder is furnished subject to each and every term and condition of said form of contract.

(2) Service hereunder shall not be commenced unless and until said form of contract has been duly executed by the consumer and approved and accepted by the Company,

(3) In addition to the special terms and conditions stated in said form of contract, service hereunder is subject to the rules and regulations of the Company insofar as the same are not in conflict therewith.

(4) Measurement based upon the unit of 1000 cubic feet of gas at 4-ounce pressure above atmosphere.

Dated at San Francisco, California, this 26th day
of September, 1922.

H. B. Brundage
Irving Matthei
J. F. Brundage