

Decision No. 11313

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

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| In the Matter of the Application of |) | |
| the MIDWAY GAS COMPANY, for an order |) | |
| cancelling Schedule No. A-5 of |) | |
| Schedule of Rates of the Midway Gas |) | Application No. 8420 |
| Company, and approving contract |) | |
| dated September 1, 1922 with the |) | |
| General Pipeline Company of California.) |) | |

BY THE COMMISSION.

O R D E R

Midway Gas Company has filed with the Railroad Commission a formal application requesting approval by the Commission of a certain contract entered into between Midway Gas Company and General Pipeline Company of California, under date of September 1, 1922, which provides for the sale by Midway Gas Company of surplus natural gas for its main transmission line to the several pumping stations and oil heating plants of General Pipeline Company, which are situated along the route of said transmission line of Midway Gas Company. A copy of aforementioned contract has been duly filed with the Railroad Commission.

General Pipeline Company has, for a period of years, been purchasing natural gas for use at its pumping plants, from Midway Gas Company in accordance with the terms of a certain contract dated May 25, 1916, now expired, but heretofore filed with the Railroad Commission in connection with applicant's Schedule

of Rates and designated as Schedule No. A-5. The provisions of the new contract for which approval is now asked would set aside and cancel the former contract and Rate Schedule No. A-5 of Midway Gas Company.

Evidence indicates that Midway Gas Company has not at the present time a market for all of the natural gas that it can transport, and it is therefore desirous of selling such surplus gas as it may have. Further, the General Pipeline Company is desirous of using gas fuel at its pumping and heating plants, provided the same can be purchased at a favorable rate compared with the price of fuel oil. Recent changes in the price of fuel oil and applicant's operating costs have made necessary the modification of the rates set forth in Schedule No. A-5. The proposed new contract provides for a favorable rate for gas, depending upon the market price of oil. Investigation shows that natural gas has a definite fuel value in comparison with crude oil, and the rates set forth in the proposed new contract are much more nearly in accord with the equivalent cost of oil fuel than were the rates established by Schedule No. A-5.

The rates herein set forth fix a minimum charge of 14 cents per thousand cubic feet for natural gas when the field price offered by Standard Oil Company of California for crude oil of a gravity of 17.9° or lower Beaume is 84 cents per barrel or less. If the price of oil increases above 84 cents per barrel the price of gas is to increase 1/2 cent per thousand cubic feet for each 4 cent increase per barrel in the price of crude oil above 84 cents per barrel, the maximum price of gas, however, being limited to 25 cents per thousand feet. This schedule of rates tends to result in a slight benefit to the General Pipeline Company with increasing oil costs, as the gas rate increases less rapidly than oil prices.

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 rates are reasonable and the acceptance of the new contract is justified.

IT IS HEREBY ORDERED. that the contract dated September 1, 1922, between Midway Gas Company and the General Pipeline Company of California for the sale and purchase of natural gas be, and hereby is, approved and accepted for filing with the Railroad Commission of the State of California.

IT IS HEREBY FURTHER ORDERED, that Schedule No. A-5 of the Schedule of Rates of the Midway Gas Company as previously filed with the Railroad Commission, be cancelled.

Dated at San Francisco, California, this 5th day of December, 1922.

L. B. Brundage
Livingston Martin
Charles H. Smith
J. J. [unclear]

Commissioners.