

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF
THE STATE OF CALIFORNIA

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In the matter of the service of gas :
by MIDWAY GAS COMPANY, SOUTHERN :
CALIFORNIA GAS COMPANY, LOS ANGELES : Case No. 1390
GAS AND ELECTRIC CORPORATION and :
SOUTHERN COUNTIES GAS COMPANY. :

Herbert J. Goudge, Paul Overton and S. W. Guthrie,
for the Los Angeles Gas and Electric Corpora-
tion.

Hunsaker, Britt & Edwards, by Leroy M. Edwards,
for Southern Counties Gas Company.

Jared How, for Midway Gas Company and Southern
California Gas Company.

Charles S. Burnell, Jesse E. Stephens and William
P. Measley, for the City of Los Angeles.

M. Estudillo, for the City of Riverside.

Benjamin E. Paige, Arthur E. Hurt and Eugene D.
Williams for the Southwestern Shipbuilding Co.

S. M. Haskins, for the Los Angeles Shipbuilding
and Dry Dock Company.

I. G. Lewis, for the Chamber of Commerce of San
Pedro, the Chamber of Commerce of Harbor City
and the Chamber of Commerce of Lomita.

William W. Phelps, for the City of Hermosa Beach.

EDGERTON, Commissioner

O P I N I O N

As a result of another hearing in this matter it becomes advisable to modify the order made herein on December 11, 1919.

That order makes no provision for compensating Southern California Gas Company for the loss of revenue resulting from cutting off service to its industrial consumers of natural gas in order to give Los Angeles Gas and Electric Corporation gas to maintain its service to domestic consumers.

Very serious question has been raised in this proceeding as to the exact status of the various companies with relation to the right to the use of the available natural gas. The Los Angeles Gas and Electric Corporation insists that it is a consumer of the Midway Gas Company taking delivery at Glendale and that Southern California Gas Company is also a consumer of Midway, occupying no preferred status -- and this notwithstanding a written contract between Midway and Southern California Gas Companies whereby it is agreed Southern California Gas Company shall have natural gas from Midway Company sufficient for its needs. It is contended, however, by Los Angeles Gas and Electric Corporation that this contract is ineffective as against the powers of this Commission to regulate the delivery and supply of this gas and that the Commission in exercising its powers should disregard the terms of this contract and treat the two companies alike, giving to each gas sufficient to serve domestic and commercial consumers and also sufficient to generate artificial gas and reform natural gas into artificial gas.

On the other hand, Southern California Gas Company takes the position that it has a prior right as against Los Angeles Gas and Electric Corporation to the use of natural gas and that the latter company can only claim delivery of gas after all consumers of Southern California Gas Company have been cared for. However, Southern California Gas Company is willing on the order of this Commission to deliver to Los Angeles Gas and Electric Corporation a supply of natural gas sufficient to care for its domestic and commercial consumers provided it is compensated therefor so that it will suffer no loss as compared with the revenue derived prior to the time when it cut off its industrial consumers to deliver gas used by them to the Los Angeles Gas and Electric Corporation.

I believe it must be held that this Commission has power to regulate the service in the supply of gas by Midway Company to both the Southern California Gas Company and to Los Angeles Gas and Electric Corporation and that the contract or any contracts which in terms provide conditions of such service are subject to the powers of the Commission.

In exercising this power, however, I believe the Commission should give consideration in this case to the facts with relation to bringing the natural gas to Los Angeles and its delivery to consumers and that the Commission should so act as to conform to the reasonable rules of justice.

It appears that Southern California Gas Company has been the active agency for the promotion of

the use of natural gas in Los Angeles and vicinity. At a time when the natural gas brought down to Glendale by Midway Gas Company did not find a complete and ready sale, Southern California Gas Company vigorously promoted the use of this natural gas by industry until now the industrial demand far exceeds the existing supply. The revenue from the use of natural gas by industry is a substantial part of the total revenue of Southern California Gas Company. Therefore it appeals to me that where we call upon Southern California Gas Company in times of peak demand to shut off its industrial consumers, which means the cessation of revenue from this source we must in fairness call upon the company benefited by this action, to-wit, Los Angeles Gas and Electric Corporation to make up this revenue.

I do believe therefore it should be decided, for the purpose of this order, that Southern California Gas Company is entitled and shall have from Midway Gas Company at Glendale all natural gas over and above that which normally has been given to Los Angeles Gas and Electric Corporation; that at the times of peak demand when this supply to Los Angeles Gas and Electric Corporation is not sufficient to care for its domestic consumers that Southern California Gas Company deliver to Los Angeles Gas and Electric Corporation an amount of natural gas sufficient to maintain the prescribed quality of gas to its domestic consumers and that for this service Los Angeles Gas and Electric Corporation pay to Southern California Gas Company twenty cents

(\$.20) per thousand (1000) cubic feet for all gas delivered over and above fifteen million (15,000,000) cubic feet per day normally delivered to Los Angeles Gas and Electric Corporation; this rate to be paid from and after December 11, 1919.

Southern Counties Gas Company is constructing a gas transmission line from its system near Montebello to the Midway line extending from the Murphy-Coyote fields to Lynwood, whereby it is expected that the Midway supply to the Los Angeles district will be augmented by an amount of two million (2,000,000) cubic feet per day. To supply this Southern Counties Gas Company must discontinue industries now receiving natural gas in Orange and eastern Los Angeles counties. This act is in general compliance with the former order of the Commission.

From a practical operating standpoint, it is advisable for Southern Counties Gas Company to supply a constant amount of gas per day to Midway Gas Company, and that the latter company vary its supply to Long Beach district as required to give adequate service. In view of this additional supply by Southern Counties Gas Company it appears that during the period of this order industries in Long Beach district of Southern Counties Gas Company should be treated on a parity with similar consumers on Southern California Gas Company's system. Southern Counties Gas Company should receive for this gas twelve cents (\$.12) per thousand (1000) cubic feet delivered to Midway Gas Company.

Southern California Gas Company should supply the Long Beach district with sufficient gas, when

augmented with such gas as can be supplied by Southern Counties Gas Company, for domestic and commercial purposes, and, except for local transmission or distribution conditions which may prevent, it should supply gas for industrial purposes so that industries in Long Beach will be on a parity with industries on Southern California Gas Company's system, and that this gas should be supplied at the rate as specified in the contract, being a rate of nineteen cents (\$.19) per thousand (1000) cubic feet.

There is a fairly constant supply of natural gas but a widely fluctuating demand both hourly and daily, largely dependent upon temperature. As nearly as possible, from an operating standpoint, uniform delivery of gas to industries is advisable, also variation in demands from transmission lines should be minimized. A uniform quality of gas to consumers should, as near as practicable, be maintained. In view of these facts it is very difficult and practically impossible, that a definite amount of gas be allotted to each utility or industry and the order of the Commission must primarily be a statement of principles. The utilities must heartily cooperate with each other and the Commission in order that the most efficient use of the gas be had.

The previous order directed the division of gas on the basis of artificial gas manufacture of 570 B.T.U. per cubic foot. A more constant use of natural gas can be obtained by varying the heat content of artificial gas manufactured, making a low heat content

on the warmer days and increasing the heat content on days of peak sendout. With the variation of heat content of artificial gas from 500 to 600 B.T.U. per cubic foot the variation of supply of natural gas necessary for Los Angeles Gas and Electric Corporation to comply with the specifications of the Commission's order may be limited to a minimum of 15,300,000 cubic feet and to a maximum of 18,400,000 cubic feet Glendale delivery. With constant quality of artificial gas of 570 B.T.U. the variation would have to be from 14,200,000 to at least 19,700,000 cubic feet. Southern California Gas Company can similarly reduce the variation by varying its artificial gas. The order as previously made should be modified in order to allow this variation.

The former rates for industrial service provided that priority to gas depended upon the rate schedule chosen by the consumer and not according to necessity of use of gas. This rule has not been followed out during the past few weeks but the priority has been based more generally upon the necessity for gas. I believe that, as to the gas which is at this time to be available to industries, all industries receiving a priority based upon the essential need of gas should be placed upon a parity as to rates and that this rate should be that as classified as Schedule No. "A-7" of Southern California Gas Company, for a guarantee of \$75.00 per month and a rate of 30 cents per M cubic feet, and that consumers who continue to obtain gas under the specifications of this order shall be placed upon this schedule and continued thereon.

Special investigation of industries must be had to determine what industries shall be allowed to be considered as having a prior right to gas. It may be well to state, as a general rule, that industries which can use other fuels, whether equipped or not, will not be considered as having a right to the use of gas during a shortage. Only such industries as can use no other fuel will be given a preference. The Commission is directing that an investigation be made by its Gas and Electric Division into the needs of each of the industries sufficient to determine their status in such cases as it is necessary that investigation be had.

In the order herein the principles of division of gas will be somewhat modified from those set forth in the Commission's decision of December 11, 1919, the main modifications being certain limitations and requirements as to artificial gas. I do not believe it practical to guarantee the industries continued on the lines a full supply of gas regardless of conditions of supply or demands of the domestic and commercial service. I believe, however, under the division herein specified, that the industries will usually be given an adequate supply.

Some evidence was introduced at this last hearing relative to the advisability of changing the heat unit standard of gas now being supplied to domestic consumers in the City of Los Angeles and vicinity but in view of the fact that exhaustive tests are to be made of the resulting service to domestic consumers of different qualities of gas, decision in this matter should be held

in abeyance until these tests have been made and the results laid before the Commission at the hearing to be held February 18th except for a slight extension of the permissible variation provided for in this order.

The evidence before the Commission at this time in this whole matter indicates very clearly that because of the rapid growth in the demand for gas in the southern part of this state the gas companies are not at this time adequately equipped to care for the present and future demands. This is a situation which should not be allowed to continue as serious results will surely come if adequate plans are not immediately prepared for meeting the constantly increasing demands for gas.

I believe it is incumbent upon the existing gas companies immediately to prepare and submit to this Commission plans designed to fulfill the obligation of these companies in meeting the demands of present and future consumers and the order herewith following will so provide.

At the hearing now set for February 18th consideration will be given to the status of oil companies furnishing natural gas to gas companies involved herein.

I recommend that the following Order be adopted as a substitute for the Order made herein on December 11, 1919, with the understanding that this whole proceeding be kept open for the purpose of giving further consideration to all the matters involved herein after a reasonable trial period has been had of the effect of the Order herein proposed.

O R D E R

Further hearing having been held in the above entitled proceeding and it appearing that a modification of the previous order be had,

IT IS HEREBY ORDERED, effective on and after the 10th day of February 1920, as follows:

1. Midway Gas Company shall operate its gas transmission system in the Kern County or Bakersfield district so that domestic and commercial service will be adequate insofar as Midway Gas Company can control the same.
2. Southern Counties Gas Company shall operate its gas transmission system in the Orange County and East Los Angeles County districts so that adequate domestic and commercial service will be rendered.
3. Midway Gas Company, Southern California Gas Company and Southern Counties Gas Company shall continue to distribute natural gas in those parts of their distribution systems which were, on November 15th, 1919, supplied with natural gas.
4. The service of "mixed gas" in the City of Los Angeles and vicinity, which was in effect on November 15th, 1919 on the systems of Los Angeles Gas and Electric Corporation and Southern California Gas Company, shall be continued.
5. The mixed gas supplied by Los Angeles Gas and Electric Corporation and Southern California Gas Company in Los Angeles and vicinity shall contain, under standard conditions of temperature and pressure, a monthly average total heating value of not less than 815 B.T.U.s. per cubic foot. The determination of the average total heating value shall be in accordance with Rule 22 of General Order 58 of the Railroad Commission of the State of California. The maximum variation from the average total heating standard of mixed gas herein established shall at no time exceed 45 B.T.U.s. per cubic foot above or 65 B.T.U.s. below said average.

6. Southern California Gas Company shall supply to Southern Counties Gas Company's Long Beach district natural gas sufficient for domestic and commercial service and service to industries entitled to gas under this order in that district, and Southern Counties Gas Company shall increase the supply to the Los Angeles district for use of its domestic and commercial consumers in Long Beach and vicinity by discontinuing service to industrial consumers in its Eastern District as necessity demands.
7. Southern California Gas Company, Southern Counties Gas Company and Los Angeles Gas and Electric Corporation shall make use of their holder capacity insofar as practical to reduce the peak demands for gas from the transmission systems.
8. Natural gas available to Los Angeles district from the Glendale terminal and the Lynwood and Vernon terminals of Midway Gas Company shall be distributed by Midway Gas Company and Southern California Gas Company as follows, in the order of priority as listed:
 - (a) Requirements of Southern Counties Gas Company's Long Beach district for domestic and commercial purposes, and requirements of Southern California Gas Company for direct natural gas service for domestic and commercial purposes where formerly supplied.
 - (b) Requirements of Southern California Gas Company and Los Angeles Gas and Electric Corporation for mixing purposes sufficient to comply with the requirements set forth herein, based upon artificial gas varying from 500 B.T.U. per cubic foot to 600 B.T.U. per cubic foot, dependent upon send-out requirements.
 - (c) Requirements of industrial consumers of Southern California Gas Company and Southern Counties Gas Company's Long Beach district where gas fuel is essential to operation.
 - (d) Requirements of Southern California Gas Company for reforming and gas plant operation and sale for industrial purposes.

IT IS HEREBY FURTHER ORDERED that, pending final decision in the matter, the natural gas supply of Midway Gas

Company delivered at Glendale be apportioned between Los Angeles Gas and Electric Corporation and Southern California Gas Company, to be effective from and after December 11th, 1919, as follows:

To Los Angeles Gas and Electric Corporation	15,000,000 cu.ft. daily
To Southern California Gas Company	All in excess of 15,000,000 cu.ft.

provided, that in case the total delivery of gas to the Los Angeles district terminal shall, due to any cause, not be such as to render sufficient to Southern California Gas Company to make available a quality of mixed gas equal to that produced by Los Angeles Gas and Electric Corporation, the amount shall be so divided as to make possible an equal quality of mixed gas on both systems.

IT IS HEREBY FURTHER ORDERED that:

(1) Any natural gas supplied to Los Angeles Gas and Electric Corporation in excess of 15 million cubic feet in any one day shall be supplied to it by Southern California Gas Company.

(2) Los Angeles Gas and Electric Corporation shall pay Southern California Gas Company 20 cents per thousand cubic feet for all natural gas received by it in excess of 15 million cubic feet per day from and after December 11th, 1919.

(3) Midway Gas Company shall pay to Southern Counties Gas Company 12 cents per thousand cubic feet for all gas delivered by Southern Counties Gas Company to Midway Gas Company from the Eastern fields.

(4) Industrial consumers continuing the use of gas under the classification of part (c) of Sec. 8 of this order on Southern California Gas Company's system shall pay for such gas, based upon all service rendered on and after February 10, 1920, the rate of 30 cents per thousand cubic feet as specified in Schedule No. "A-7" of the Southern California Gas Company, and such industries on Southern Counties Gas Company's Long Beach system shall pay a rate of not less than 35 cents per thousand cubic feet, as set forth in Schedule No. "2-C" of Southern Counties Gas Company.

(5) On or before February 18th, 1920 Midway Gas Company, Southern California Gas Company, Los Angeles Gas and Electric Corporation and Southern Counties Gas Company shall submit to this Commission studies of their requirements for additional production, transmission and distribution facilities and plans for supplying adequate service to their consumers during the winter of 1920-1921.

This order shall be effective until March 31st, 1920 unless otherwise modified by this Commission.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

Dated at San Francisco, California, this 9th
day of February, 1920.

Edwin O. Edgerton

H. H. [unclear]

Charles B. [unclear]

H. H. [unclear]

Dwight Martin

Commissioners.