

Decision No. 35707

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of
 PACIFIC GAS AND ELECTRIC COMPANY, a
 corporation, for an order authoriz-
 ing applicant to file and make effec-
 tive a gas rule and regulation, to be
 designated Emergency Gas Rule and
 Regulation No. 2-A, in words and fig-
 ures as written in the form therefor
 shown in Exhibit "A" hereof.

Application No. 25139.

BY THE COMMISSION:

OPINION AND ORDER

In this application Pacific Gas and Electric Company requests an order authorizing it to file and make effective a rule and regulation, to be designated Emergency Gas Rule and Regulation No. 2-A. The proposed rule is attached to the application as Exhibit "A."

A review of Applicant's proposal indicates that the proposed filing of said emergency rule has been brought about essentially by the heavy war demands for gas and the rearrangement of its gas transmission facilities to further the war effort. The conditions and regulations of the emergency rule contemplated by Applicant may be set down as follows:

1. Surplus natural gas service shall be and is hereby declared closed:
 - (a) to new applicants,
 - (b) to existing and former customers at new locations,
 - (c) to existing firm gas customers at present locations,
 - (d) for additional equipment at any location.
2. The Railroad Commission may by rule, order or otherwise establish or permit such exceptions from the conditions of paragraph 1 hereof as it may consider just and reasonable.

Said proposed emergency rule and regulation provides that it shall terminate six (6) months after the declaration of an armistice in World War II, unless extended by action of the Railroad Commission.

In further support of the necessity of restricting surplus service as presented herein, Applicant points out that such surplus service has been furnished to many industrial customers in competition with other fuels under

contracts, schedules and regulations, on file with this Commission, and it has the right to discontinue such gas service if, in the ordinary course of the operations of its gas system, Applicant finds that it has need for the presently available gas supply for its other customer requirements on "firm" gas tariffs; that from the inception of natural gas service by Applicant until recent date, the greater part of its natural gas supply has been obtained from gas that has been produced in combination with oil. The important Kettleman Hills oil and gas field, in the San Joaquin Valley, has been the principal source of gas supply. Inasmuch as such gas was produced with oil, the available supply depended, in a large measure, on the rate of oil production. Since the oil production was the highest in the summer period, when the firm gas demands were the lowest, there were available large quantities of gas that had no immediate market and to utilize such surplus gas and reduce actual "blow" to the air an industrial market was developed. Early decisions of this Commission clearly show that such seasonal sales to industries were developed by the utilities in this State in order to utilize this excess gas and decrease wastage. Such sales were termed "surplus" and were subject to discontinuance at any time that there was insufficient gas available or if transmission facilities were needed for handling gas of higher priorities. (1)

(1) For example, in Decision No. 29287, rendered November 23, 1936, the Commission summarized the surplus gas background as follows:

"For a great many years the * * * utilities have furnished to industrial consumers so-called surplus industrial gas. In performing their public and vital function of serving natural gas for domestic and commercial purposes, it was found that because of the wide variation, due to climatic and seasonal conditions in the demand for natural gas for these purposes, it was impossible to secure contracts at low rates from the producers of natural gas for a supply which would conform to these wide and unavoidable fluctuations. Producers naturally insisted upon a somewhat uniform absorption of their output. Natural gas must be utilized when produced. Storage of large quantities is excessively costly. Under these circumstances, and in order to avoid the necessity of the distributing utilities blowing into the air and wasting the gas during the summer months when the domestic and commercial usage is low and which they were required to take and pay for, they entered upon the policy of selling gas to industries where system capacity was adequate, subject to shut-off when the available supply was required for the dominant domestic and commercial load.* * * *"

Applicant further represents that one of the principal gas lines from the Valley Fields is no longer available and, as a result, Applicant is now and, with an ever increasing demand and for an indefinite time in the future, will be replacing its losses in supply from the Valley Fields with that from the Rio Vista dry gas field and other nearby fields; and, further, since the gas obtained from the dry gas field is not produced in combination with oil it is entirely under control as to the amount of production. Under existing conditions there is no dry gas wastage nor is there surplus gas available from dry gas fields, from which applicant obtains its supply. Because of this situation Applicant actually has an insufficient supply of surplus gas to provide for the needs of its existing customers of this classification and none available for new users of the same class.

For these reasons Applicant states that, in accordance with what it deems a reasonable interpretation of its tariffs, contracts, rules and regulations, it has declined to receive or to accept applications for furnishing new surplus gas service and has followed out substantially the restrictions for which it is now seeking formal authorization in this proceeding. In this latter respect it states that while it believes its interpretation of its rules and regulations is reasonable, nevertheless, in order to obviate possible future controversies, it has come for a formal sanction by this Commission.

The Commission observes that the proposal of Applicant is an emergency measure and will expire six months after the declaration of an armistice unless other action has, in the meantime, been taken. The closing of the surplus tariffs to new customers and to new uses must be viewed as an important step in this class of service. The Commission, itself, is quite fully advised as to the very critical changes which have been and are taking place in reference to Applicant's gas supply and the sharply increased war demands for gas. Applicant has made reference to the Commission's own investigation, under Case No. 4591, into all phases of surplus natural gas service in this

State. Its Interim Orders Nos. 34797 and 35455, rendered November 26, 1941, and June 9, 1942, respectively, point out the gravity of the surplus gas situation and particularly require that auxiliary fuels shall be provided for all new services of that classification. This investigation is now under active study by our staff and further public hearings will be had before a final order is rendered.

The Commission is of the opinion that, with the background of the aforesaid investigation and the common knowledge as to the necessity of bringing into force all conservation measures that are not inconsistent with the requirements of the industry, an interim order at this time is justified permitting the filing of the Emergency Gas Rule and Regulation as herein proposed by Applicant. In making such authorization, the California Railroad Commission recognizes the public interest involved and finds that the restrictions as to additional sales in surplus gas will not, in its opinion, result in illegal discrimination as between new customers and uses denied and those customers presently receiving service. This action, however, should be viewed as an emergency measure and for the period provided or until such lesser time as may be required for the California Railroad Commission to review and pass upon the whole surplus gas situation under Case No. 4591.

A public hearing under the circumstances being deemed unnecessary and good cause appearing;

IT IS HEREBY ORDERED that Pacific Gas and Electric Company is authorized to file a rule and regulation, designated as Emergency Gas Rule and Regulation A-4, and in accordance with that attached to the application as Exhibit "A."

The effective date shall be the date hereof.

Dated at San Francisco, California, this 18th day of August, 1942.

Justice J. C. Brewer
John F. Riley
Francis X. Haweman
Simon Sachs
Commissioners.