

ORIGINAL

Decision No. 36323.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the Matter of the Application of
SOUTHERN COUNTIES GAS COMPANY OF
CALIFORNIA for an order authorizing it
to defer increase in its gas rates as
a result of 25-cents-per-barrel increase
in posted price of fuel oil effective
April 1, 1943.

Application No. 25579.

In the Matter of the Application of
SOUTHERN CALIFORNIA GAS COMPANY, etc.

Application No. 25580.

In the matter of the application of
PACIFIC GAS AND ELECTRIC COMPANY, etc.

Application No. 25581.

In the Matter of the Application of
COAST COUNTIES GAS AND ELECTRIC
COMPANY, etc.

Application No. 25583.

BY THE COMMISSION:

OPINION AND ORDER

The respective Applicants in the above proceedings, namely, Southern Counties Gas Company, Southern California Gas Company, Pacific Gas and Electric Company and Coast Counties Gas and Electric Company, seek an order of the Railroad Commission to defer the effective increase in their rates or charges as authorized or required by the provisions of their filed tariff schedules and special contracts for gas, electric and steam heating service as a result of an increase in the posted price of fuel oil effective April 1, 1943. Each of the four applications were filed and docketed separately, but appropriately may be combined for purpose of decision because of the common authorization sought.

Applicants allege that effective on April 1, 1943, the posted price of industrial fuel oil in tank car and/or barge lot deliveries was increased twenty-five cents (25¢) per barrel and that, in accordance with the "fuel oil clause," all gas, electric and steam heating tariff schedules

and special contract rates and charges incorporating such clauses would be increased thirty days from the date of the fuel oil change or thirty days from the date of filing revised rates and as provided in the individual tariffs and contracts.

Applicants further allege that it is their understanding that the effect of the Revised Price Schedule No. 88 of the Office of Price Administration (new Section 1340.159 (b)(14) and amending Section 1340.159(d)(2)(i)) is to freeze the price which Applicants themselves are paying to the sellers of natural gas immediately prior to April 1, 1943, and that the unit price paid for such gas purchased by Applicants may not be increased.

Applicants further state that under the circumstances and the unusual conditions now obtaining they are willing, subject to the authorization of this Commission, for the time being to defer any adjustment or increase in their tariff schedules and special contract rates charged for gas, electric and steam heating service due to the aforementioned increase of twenty-five cents (25¢) per barrel in the posted price of industrial fuel oil, provided that such deferment may be granted without prejudice to their rights and to a date not later than thirty days after the termination of the period during which said amended Revised Price Schedule No. 88 shall remain in full force and effect.

The Commission is most mindful of the need to obtain and to maintain economic stabilization for our national economy. It is, accordingly, willing to lend its offices in cooperation with the agencies of the Federal Government in maintaining present price levels when it appears that general public good will result and without undue injury to any parties directly involved. In the instant matter, it appears that the public interest does require the maintenance of the present level of utility rates and charges. This is particularly so in reference to gas rates, inasmuch as the Office of Price Administration has pegged the cost of gas that the Applicants purchase and, as a result, there will be no increased production cost because of the

increase in the price of fuel oil. This being so, there is no need for an increase in consumer rates from the point of view of rising gas costs to Applicants. However, such increase in fuel oil will unquestionably give rise to grave problems in price differentials, particularly between large industrial consumers of gas and oil. Many such customers that are now served by gas already have a price differential in their favor and, with the twenty-five cent (25¢) rise in fuel oil, this spread will be sharply increased. Some of the large industrial users of gas will enjoy a price differential, as compared to those burning oil, to as great as ninety per cent. Such a situation, in turn, will add to the preference of gas as an industrial fuel and will increase demand in areas where there is already a gas scarcity.

In the case of one Applicant, Pacific Gas and Electric Company, extensive electric and steam heating service is rendered in addition to the gas service. That utility alleges that the twenty-five cent (25¢) increase per barrel in the fuel oil will add "not less than \$250,000" annually to its fuel bill for electric and steam generation. Since deferment is requested in both the electric and the steam rates in the same manner as the gas rates, this increased cost of operation will necessarily be absorbed without added cost to its electric and steam consumers during the period of deferment.

While the deferment of any rate adjustments due to the twenty-five cent (25¢) change in the price of oil, in the Commission's opinion, will result in certain undesirable conditions and added expense burdens, nevertheless the over-all effect appears to be in the public interest and, accordingly, the order will grant the authorization requested by retaining the right by future orders to adjust and/or modify consumer rates within the period of deferment if conditions justify such action.

In Case No. 4138, et al., involving the Southern California Gas Company and the Southern Counties Gas Company, the Commission prescribed a definite procedure for giving notice to the Commission when a change in the posted price of fuel oil occurred and required that such notice be given within a period of five days after the change in the price of oil. The revised rates filed within the five-day period automatically became effective within the regular statutory period of thirty days unless the rates were suspended or special authorization was obtained from the Commission for a lesser period.

The other two Applicants, namely, Pacific Gas and Electric Company and Coast Counties Gas and Electric Company, while following a somewhat similar procedure have not been so required by order of the Commission. The practice established in the aforesaid case under Decision No. 29287, dated November 23, 1926, has proved itself reasonable, though some change and liberalization are held desirable in reference to the filing period. Each utility should be required henceforth to observe substantially the same procedural requirements. It is believed that the five-day period should be extended to fifteen days and any rate changes resulting from the application of the fuel oil clause should be made effective thirty days after the change in the price of fuel oil. In carrying out these requirements, each gas and steam heating tariff shall carry a "base" and an "effective" rate, the "base" rate to correspond to the base fuel oil price in the fuel oil clause and the "effective" rate to the present posted price of fuel oil; said "effective" rate shall likewise be set forth in the tariff or in a supplement thereto. The fuel oil clause, in addition to the standard statement as to the relationship between oil and gas, should provide wording essentially as follows:

"When a change in the price of fuel oil occurs, the company shall submit to the Railroad Commission, within a period of fifteen (15) days, an Advice letter and appropriate tariff schedules setting forth the new effective rates and accompanied by an affidavit of such change in the price of fuel oil. The new rates shall be effective on all regular meter readings taken on and after the thirtieth (30) day following such change in the price of fuel oil."

In the case of an increase in the price of fuel oil, the utility may, if it so elects, file a formal application within the fifteen-day period seeking authority to defer or waive the corresponding increase in the tariff and contract rates. A decrease in the price of fuel oil, within the limits prescribed in the fuel oil clause, requires a corresponding reduction in the rates effective unless a formal order is obtained staying such change.

The Commission being of the opinion that a public hearing in the above entitled matters is not required and good cause appearing,

IT IS ORDERED that Southern Counties Gas Company, Southern California Gas Company, Pacific Gas and Electric Company and Coast Counties Gas and Electric Company

- (A) Are authorized to defer any adjustment or increase in gas, electric and steam rates or charges resulting from or required by the provisions of the Applicants' filed tariff schedules or special contracts that are affected as the result of the twenty-five cent (25¢) per barrel increase in the posted price of fuel oil which became effective April 1, 1943, provided that such period of deferment shall not be longer than thirty (30) days after the termination of the time that Section 1340.159 (d)(2)(i) of the Office of Price Administration's Revised Price Schedule No. 88, as revised April 1, 1943, shall remain legally in full force and effect and provided, further, that this Commission may, by appropriate order, change or modify the authorization herein made as future conditions may dictate and require.
- (B) Are required to give notice, make rate filings, and prepare tariff schedules for gas and steam heating services that carry fuel oil clauses in a manner substantially in the wording as heretofore set forth in the body of this Opinion and Order.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 27th day of April, 1943.

Francis A. Havenner
J. H. Hall
Justice F. Craven
Richard L. ...
Frank ...

Commissioners.