

Decision No. 36518

**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA, a corporation, for an order authorizing applicant to file and make effective a rule and regulation, to be designated "Emergency Rule and Regulation No. A-5", in words and figures as written in the form therefor shown in Exhibit "B" hereof.

Application No. 25705

In the matter of the application of SOUTHERN CALIFORNIA GAS COMPANY, a corporation, for an order authorizing applicant to file and make effective a rule and regulation, to be designated "Emergency Rule and Regulation No. A-5", in words and figures as written in the form therefor shown in Exhibit "B" hereof.

Application No. 25706

BY THE COMMISSION:

OPINION AND ORDER

The two Applicants in the above entitled proceedings, namely, Southern Counties Gas Company and Southern California Gas Company, seek an order of the Railroad Commission to authorize each to file and make effective a rule and regulation to be designated Emergency Rule and Regulation A-5, and carrying the caption "Limitation Upon Surplus Natural Gas Service." The proposed rule is attached to and made a part of the Applications as Exhibit "B". Each of the two Applications was filed and docketed separately but appropriately may be combined for purpose of decision because of the common authorization sought and, further, because of the common gas supply available to both and their inter-dependability of one upon the other.

A review of the Applications revealed that the proposed filing of said emergency rule has been brought about due to the large increase in both "firm"

and "surplus" customer demands along with the fact that it appears that all oil well gas that is made available will and can be utilized without wastage or blow to the air. The conditions and regulations of the emergency rule contemplated by Applicants and as set forth in Exhibit "B" are as follows:

"EMERGENCY RULE AND REGULATION A-5  
LIMITATION UPON SURPLUS NATURAL GAS SERVICE

"In order that this utility may be enabled to make the most effective and economic use of the natural gas available and to be available, each of the surplus natural gas rate schedules and contracts of, and the rules and regulations governing the sale of natural gas by, this utility on file with the Railroad Commission of the State of California shall be deemed amended and is hereby declared amended or reformed to the extent that any such schedule, contract, rule or regulation is or may be inconsistent, or in conflict, with the following conditions and regulations:

- "1. Surplus natural gas service shall be and is hereby declared closed:
  - (a) to new or former customers not now being served gas at any location,
  - (b) to customers for equipment now served gas on other than surplus schedules,
  - (c) to present surplus customers for equipment using other fuels.

- "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.

"This emergency rule and regulation shall terminate six (6) months after the declaration of an armistice with Germany, Italy and Japan in World War II unless extended by action of said Railroad Commission."

In further support of the necessity of restricting surplus service Applicants point out that all the gas resources that are presently available to them and that can be utilized are no more than sufficient to take care of their present customer demands, and that even to supply such present customer requirements it will be necessary for Applicants to draw more heavily upon gas from dry gas resources. In this latter respect, it is pointed out that Applicants and their affiliates have a relatively small dry gas reserve and, in accordance with Exhibit "A" attached, if such reserve should be drawn on continuously at maximum capacity, its average life supply of gas would be less than two years.

The Commission of its own knowledge, through extensive studies and control of the gas industry in this state, is quite fully conversant with the questions and problems relating to the gas supply and customer demands not only in southern California, where Applicants serve, but throughout the state. Due to the sharply increased gas loads resulting both from the civilian and war demands, the requirements for gas in southern California have outstripped the ability to fully meet such demands. The Commission observes, too, that the conditions relative to supplying so-called surplus gas have changed very materially. In earlier and past years there has been available during a great portion of the year, and especially in the summer season, large volumes of gas produced in combination with oil that had no ready market. In order to utilize such excess oil well gases, tariffs were developed which disposed of such gases at rates as low or lower than other competitive fuels, and the service was subject to curtailment or discontinuance when this excess oil gas supply was not available either because there was a reduction in production, lack of transmission capacity, or because the firm customers' requirements needed such gas supply.

In southern California, particularly, there are very wide swings in customer demands, as between the different seasons of the year. In later years the amount and availability of surplus gas developed from oil wells has continually declined and, during the last few years, it has been necessary to augment the oil well gases with gas secured from dry gas wells. This latter is particularly desirable and has a very high utility of value to furnish peak load requirements which normally occur in the winter season. However, with increasing load requirements more of this dry gas has had to be furnished to meet the load requirements, not only during the peak season but in both the fall and winter periods. Such dry gas has even been used to provide gas service to customers purchasing under the low-priced curtailable surplus tariffs. Such a practice has been followed, in the first place, because it was a gradual change and the quantities of dry gas thus used initially were insignificant. However, at the present time very material amounts of such dry gas may be used for serving

surplus customers because the rate tariffs do not differentiate as to the source of the natural gas. The Commission has knowledge that not only have natural dry gas reserves been called upon for surplus gas service, but likewise gas has been drawn from underground reservoirs that have had gas reinjected and stored in the ground at considerable cost to provide for peak load demands in the winter season. Certainly, it would appear most unreasonable to interpret that the utility is obligated to draw on such reinjected gas in underground reservoirs to meet any existing or future surplus gas loads.

Because of these conditions it would be most wasteful and uneconomical to use and consume the limited dry gas resources available to the southern California market in large volumes under the low-priced surplus industrial tariffs. Certainly, such gas should be conserved as much as possible to meet the higher use requirements of the utilities' firm customers, and thus prolong by many years the service life of the existing reserves. This is probably not an appropriate Opinion and Order to restrict the use of dry gas generally, but it has been referred to because of the importance of the problem in its relation to the closing of the present surplus gas tariffs to all new applicants for such service and in accordance with that closing as hereinbefore set forth. It is the opinion of the Commission that the closing of these tariffs is not only warranted from the longer range viewpoint on conservation, but it is necessary, even more so, by reason of the fact that the continued heavy use of these dry gas reserves, that have estimated lives in some cases of but a fraction of a year, will seriously jeopardize this country's war requirements in providing the necessary fuels for the heavy war demands in the greater Los Angeles and San Diego areas. For the same reason, the Commission recognizes the need to protect the general public interest and finds that the restrictions as to additional sales of surplus gas will not, in its opinion, result in illegal discrimination between new customers and usage 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 other time as may be established by appropriate order by this Commission.

In taking this step the Commission is doing so with some knowledge as to the increasing scarcity of fuel oil. It fully recognizes that old and new essential war industries, as well as necessary civilian needs must have made available sufficient fuel. Accordingly, it is most willing and anxious to work with those other state and federal agencies that have control over this common problem, and work out means of insuring a proper and fair distribution of the fuels that are and can be made available.

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

IT IS HEREBY ORDERED that the Southern Counties Gas Company of California and the Southern California Gas Company are authorized to file a rule and regulation designated as Emergency Gas Rule and Regulation A-5 and on and after the effective date of said rule to carry out its provisions and in accordance with said rule as attached to the two Applications as Exhibit "B".

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

Dated at San Francisco, California, this 27<sup>th</sup> day of July, 1943.

Francis J. Havenue  
H. J. Baker  
Richard P. Baker  
Francis J. Havenue  
Commissioners.