

Decision No. 37025

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of
COAST COUNTIES GAS AND ELECTRIC COMPANY,
a corporation, for an order of the
Railroad Commission of the State of
California authorizing applicant to enter
into a special agreement with Union Oil
Company of California covering the sale
and delivery of natural gas for certain
operations at Oleum Refinery.

Application No. 26101

BY THE COMMISSION:

OPINION AND ORDER

Coast Counties Gas and Electric Company requests that the Railroad Commission of the State of California authorize and permit it to carry out the terms of a certain written agreement under date of December 22, 1943, between it and the Union Oil Company relating to the sale and delivery of natural gas to the oil company's Toluene plant at Oleum, California. A copy of the agreement marked Exhibit "A" is attached to and made a part of the application.

Under the terms of the agreement natural gas is to be supplied on a noncurtailable basis exclusively for the purposes of the Toluene plant. Said Toluene plant is engaged in the processing of certain vital war materials and the delivery of gas commenced on December 22, 1943 under authority of the War Production Board. The nature of the plant operations requires the utilization of approximately 2,000 Mcf of natural gas per day.

The special rate to be paid for natural gas under the agreement is 19¢ per Mcf. Other special conditions relating to the service of gas are also set forth in the agreement.

The section in the agreement covering the rate also includes the customary fuel oil clause. In this respect the rate to be charged, as set forth in the agreement, is predicated on 90¢ oil f.o.b. Richmond, even though oil is presently quoted at \$1.15 per barrel. Regarding this matter, Coast Counties Gas and Electric Company and several other utilities were granted authority by this Commission's Decision No. 36323 to defer any adjustment or increase in gas, electric, and steam rates or charges resulting from or required by the provisions of filed tariff schedules or special contracts that were affected as the result of the 25¢ increase in the posted price of fuel oil which became effective April 1, 1943.⁽¹⁾

The agreement also contains a provision that it shall at all times be subject to such change or modification by the Railroad Commission of the State of California as said Commission may from time to time direct in the exercise of its jurisdiction.

The Commission having considered the request of Applicant and it being of the opinion that the application should be granted, that a public hearing in the matter is not necessary and sufficient cause appearing, therefore

IT IS ORDERED that Coast Counties Gas and Electric Company is hereby authorized to carry out the terms of said agreement under date of December 22, 1943 with Union Oil Company of California and to charge for the gas sold in accordance with the rate specified therein.

(1) While the posted price of fuel oil f.o.b. Richmond was increased from 90¢ to \$1.15 per barrel, the cost of gas to the distributing utilities was frozen by the Office of Price Administration, and because of this situation the Railroad Commission in its Decision No. 36323, dated April 27, 1943, likewise granted to the several utilities the authority set forth above. Such deferment of the increase in gas rates was not to continue for more than 30 days beyond the termination of the period that the Office of Price Administration's order freezing the cost of gas to the utilities was legally in full force and effect or until otherwise changed or modified by appropriate order of this Commission.

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

Dated at San Francisco, California, this 2nd day of May, 1944.

Richard L. Lusk
Justin D. Cooney
Francis R. Havenor
Frank A. Cooney
Frank Powell
Commissioners