

ORIGINAL

Decision No. 38217

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

Southern Counties Gas Company of California, to cancel Emergency Rule A-5 re surplus gas service and	)	Supp. Appl. No. 25705
Southern California Gas Company, Same	)	Supp. Appl. No. 25706
Re Surplus Gas Rates and Petitions therein	)	Case No. 4591
Santa Ana Dehydrating Company	)	Appl. No. 26664
Precision Kiln Drying Company vs. So. Calif. Gas Co.	)	Case No. 4776
Harbor Terminal Oil Company vs. So. Counties Gas Co.	)	Case No. 4784
C. F. F. Company vs. Same	)	Case No. 4787
Valley View Canning Co., vs. Same	)	Case No. 4778
J. E. F. Oil Company vs. Same	)	Case No. 4777
Angulo Tile Company vs. So. California Gas Co.	)	Case No. 4775
S. Bernard Strona vs. So. Counties Gas Co.	)	Case No. 4779
W. S. Waldrip vs. So. California Gas Co.	)	Case No. 4791
A. H. Forgar & Co. vs. Same	)	Case No. 4765
James Forge Company vs. Same	)	Case No. 4792
Rancho Packing Co. vs. Same	)	Case No. 4793
State Packing Company, Inc., vs. Same	)	Case No. 4794

T. J. Reynolds for Southern California Gas Company.
O. C. Sattinger for Southern Counties Gas Company of California.
W. D. Finch for Angulo Tile Company.
E. D. Yoemans for Southern Pacific Company.
E. R. Young for Vernon Industrial Development Association.
K. L. James for James Forge Company.
J. W. McLeod for Precision Kiln Drying Company.
Samuel Mirman for Rancho Packing Company.
H. C. Tallmidge of O'Melveny and Myers for Ball Brothers.
E. L. Overholt and C. T. Nolder for Santa Ana Dehydrating Company.
Tony S. Ostoich for C. F. F. Company.
S. Bernard Strona for Pomona Brick Company.
L. H. Stewart and W. D. MacKey for Triangle Candy Company.
A. H. Forgar for A. H. Forgar & Company.
Ray L. Chesebro, City Attorney, Wixon Stevens, Deputy City
Attorney, and K. Charles Bean, Chief Engineer and General
Manager, Department of Public Utilities and Transportation,
for the City of Los Angeles.
George E. Kingsley for Industrial Utilities Committee of the
Los Angeles Chamber of Commerce.
J. Shapiro for Valley View Canning Company.

SACHSE and ANDERSON, COMMISSIONERS:

OPINION

At the public hearing held in the Courtroom of the Commission in Los Angeles on August 29, 1945, the above matters were combined for the purpose of taking testimony, and because of their interrelationship they will likewise be combined for purposes of decision.

In this proceeding supplements to Applications Nos. 25705 and 25706, filed by Southern Counties Gas Company of California and Southern California Gas Company respectively, seek an authorization cancelling Emergency Rule and Regulation A-5, designated "Limitation Upon Surplus Natural Gas Service." In addition, requests are made for exceptions under the aforesaid limitation rule by petitioners in the other matters involved in this proceeding. There is likewise involved a possible revision in this Commission's Third Supplemental Order in Case No. 4591⁽¹⁾ so there may be maintained a proper harmony between that order and authorizations for changes that are the subject of this proceeding.

It is of record that on or about July 21, 1943 Southern Counties Gas Company of California and Southern California Gas Company under the above applications made request that this Commission make its order authorizing applicants to file and make effective a rule and regulation to be designated No. A-5, which would close surplus natural gas service to (a) new or former customers not then being served with gas at any location, (b) customers for equipment then served with gas on other than surplus schedules, and (c) present surplus customers for equipment using other fuels. This Commission granted such permission by its Decision No. 36518, dated July 27, 1943, and Rule and Regulation No. A-5 was filed by each of the applicants, and became effective on August 1, 1943.⁽²⁾

(1) A proceeding initiated under date of April 8, 1941 on the Commission's own motion into the natural gas situation in California. An Interim Order and Supplemental Orders (Decisions Nos. 34797, 35455, 36744, and 37467) have been issued during the war period dealing with controls over the service of surplus natural gas. Such orders were deemed necessary in part to coordinate state rules and regulations with those issued by agencies of the Federal Government.

(2) Similar rules and regulations have been filed by the Pacific Gas and Electric Company and the San Diego Gas and Electric Company and are still in effect.

It is further of record that this Commission issued its First Supplemental Order in Decision No. 37469, dated November 9, 1944, authorizing applicants to refile Emergency Rule and Regulation No. A-5 in order to permit those essential customers who had been entitled to receive uninterrupted gas service by virtue of regulations or orders issued by the National Government to revert to surplus service in the event their status was declared to be such that it would be possible to comply with the shutoff provisions under the surplus tariffs. To date neither applicant has refiled its said Emergency Rule and Regulation A-5.

Applicants pointed out that initially when the emergency limitation rule became effective they were faced with serving new war plant loads on a surplus basis and when service was once commenced to such war industries curtailment would, in many instances, be impossible. Because of this situation much of the surplus load that would be added would be carried over as a firm requirement, thus increasing the already abnormal war usage during periods of the year when demands for gas were at their maximum.

It is the further position of applicant utilities that the situation now is quite different inasmuch as both the European and Pacific wars are over and no new war industries are likely to be established, and that in reference to both old and new peacetime plants, the utilities will be able to fully enforce the contract requirements with respect to surplus gas service.

In further support of applicants' request to cancel the limitation order, attention is called to the changed situation wherein their presently effective tariffs now limit surplus gas service to oil-well gas not needed for firm requirements and for underground storage, thus providing for dry gas conservation.

In the course of the hearing it also was developed that inasmuch as the gas supply in relation to customer requirements is still critical during the heating season it was not desirable to take on large volumes of new firm industrial loads, but that such loads could better be served on tariffs such as the present surplus schedule wherein the service is subject to interruption

and under the condition that these new customers would provide an alternate source of fuel supply. (3)

As a possible alternative to reopening surplus tariffs to new customers, testimony was introduced by the Commission's Gas Engineer dealing with the establishment of a new interruptible tariff, (4) which would provide for a rate level (5) approximately competitive with the price of fuel oil and having a priority of service commensurate with that price.

Since it will hereinafter be found that at this time the record in this proceeding justifies the cancellation of the present limitation rule and regulation No. A-5, the eligibility of the petitioners for surplus service in this proceeding, as well as for future applicants, will be determined in accordance with tariff and contract requirements of the two utilities. Such applicants for service may be classified as follows:

(3)

Standby fuel requirements, as now provided by applicant utilities' rate tariffs, are substantially as follows:

"*****Except upon an application made to the Railroad Commission and approval first obtained:

"(a) No consumer (except as to a plant on a surplus gas rate during all or a portion of the year ending December 16, 1941), applying for gas service hereunder subsequent to December 16, 1941, shall be entitled to such gas service unless such consumer shall have adequate standby fuel and equipment ready at all times for immediate operation in the event that the supply of gas hereunder shall be discontinued.

"(b) No existing consumer using gas hereunder subsequent to December 16, 1941, shall be permitted to increase usage of gas hereunder for additional equipment (except as to equipment on a surplus gas rate during all or a portion of the year ending December 16, 1941) unless such consumer shall have adequate standby fuel and equipment ready at all times for immediate operation in the event that the supply of gas hereunder shall be discontinued."

(4)

A tariff of this character is now in effect on the Pacific Gas and Electric Company's system under somewhat similar circumstances, although there is one important difference inasmuch as over 70% of this northern company's gas supply is secured from dry gas fields, and thus there is available little or no surplus oil-well gas. The rate for such interruptible service averages about 20¢ per Mcf and the service generally has priority over surplus gas sold at lower rate levels.

(5)

The evidence of record shows that large volumes of gas are sold by the two applicants under surplus tariffs at rates as low as 10¢. Likewise, it was indicated that a 20 or 21¢ rate would be required to make such sales competitive with oil on a heat basis. However, when war restrictions now imposed by the Federal Government are removed, a substantial part of the present differential in price between oil and gas will disappear.

- (1) Former surplus customer as to a plant served at any time during the year ending December 15, 1941.
- (2) Former surplus customer as to a plant not served at any time during the year ending December 15, 1941.
- (3) New applicant for surplus service.

Petitioners in this proceeding as well as future applicants who fall in classification (1) above are entitled to receive surplus service in accordance with applicant utilities' filed tariffs and rules and regulations without the necessity of installing standby. Of the fourteen petitioners seeking surplus service in this proceeding, it appears that six should be assigned to the No. (1) classification. (6)

In reference to the remaining eight petitioners, it appears that none of these will fall in the No. (2) classification, which classification requires standby as a precedent to service, but all are new applicants for surplus service and, accordingly, should be classified under the No. (3) grouping, which likewise requires standby as a requirement for surplus service. These remaining eight petitioners, however, may likewise be further classified: (a) as to those who have installed standby and thus qualify for service; (b) those who have indicated that they will install standby and, accordingly, will be entitled to service when such standby is actually installed; (c) one petitioner who has indicated that he does not propose to install standby and thus will not be entitled to surplus service; and (d) one petitioner who represents that he has standby, but based upon the record, it is not possible to determine whether such standby is adequate within the meaning of the tariff requirements, and thus at this time his petition for surplus service must be considered as being denied. In reference to this latter ruling, it is, of course, apparent that if and when adequate

(6) These petitioners are: Southern Pacific Company, (Taylor Yard), Case No. 4591; A. H. Forgar & Company, Case No. 4765; Angulo Tile Company, Case No. 4775; S. Bernard Strona, DBA Pomona Brick Company, Case No. 4779; Harbor Terminal Oil Company, Case No. 4784; and Rancho Packing Company, Case No. 4793.

standby is available the petitioner will be automatically entitled to surplus service under the filed tariffs. (7)

The lifting of the limitation on surplus service at this time is viewed purely as an interim procedure which is in harmony with the initial war emergency order and with the expressed wishes of the two applicant utilities and such of their customers who expressed a view in these proceedings. While such a procedure is herein followed, yet from this somewhat limited record and our general knowledge of the gas situation not only as the same affects southern California, but from the viewpoint of the state as a whole, it is imperative that this entire matter of adequacy of gas supply, distribution as between customer classes, and rates to be charged for surplus service be investigated thoroughly. It is our intention to fully prosecute these matters and other related ones in the near future under this Commission's state-wide natural gas investigation (Case No. 4591). With this background, and all the parties being thus advised as to the interim nature of the conclusions herein reached, we are of the opinion that the prayer of the two applicant utilities should be granted and the request of the other petitioners for exceptions be treated as heretofore indicated.

ORDER.

A hearing having been held in the above-entitled matters, the Commission being fully advised, and good cause appearing therefor, based upon the findings and conclusions set forth in the foregoing opinion,

IT IS HEREBY ORDERED that Southern Counties Gas Company of California and Southern California Gas Company may cancel their presently effective and

(7) Grouping of Petitioners Under Classification (3):

- (a) Standby Installed: Santa Ana Dehydrating Co., Appl. No. 26664;
Precision Kilm Drying Co., Case No. 4776
State Packing Company, Inc., Case No. 4794.
- (b) Standby Proposed: Valley View Canning Co., Case No. 4778;
W. B. Waldrip, Case No. 4791;
James Forge Company, Case No. 4792.
- (c) Standby Not Proposed: C. F. F. Company, Case No. 4787.
- (d) Standby Adequacy Uncertain: J.E.F. Oil Company, Case No. 4777.

filed Emergency Rule and Regulation No. A-5 as of the effective date of this Order and may thereafter render surplus natural gas service to both old and new customers strictly in accordance with their filed tariffs, contracts, and rules and regulations.

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

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

Dated at San Francisco, California, this 12th day of September, 1945.

Harold Anderson

Justin D. Casner

Frank W. Cline

James D. Hull
(Commissioners)