

Decision No. 38626

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA, a California corporation, and SAN DIEGO GAS & ELECTRIC COMPANY, a California corporation, for the approval of a gas contract between applicants.

Application No. 27174

ORIGINALOPINION AND ORDER

In this application the Applicants, Southern Counties Gas Company of California and San Diego Gas and Electric Company, request authority to exercise a written agreement relating to the resale of natural gas by the former to the latter. A copy of the proposed agreement, marked Exhibit "1", is attached to and made a part of the application.

Under the terms and conditions of an agreement entered into on April 27, 1932, and all supplements and amendments thereto, the Southern Counties Gas Company has since September 1932 been delivering to San Diego Gas and Electric Company all of that company's firm requirements for natural gas, up to the pipe line capacity available. In addition to these firm deliveries, San Diego Gas and Electric Company has received substantial volumes of gas for resale to interruptible industrial customers and for use as fuel in its steam electric generating plant. In recent years the deliverability of the gas transmission line to San Diego has been inadequate to meet the firm gas requirements under cold weather conditions.

In order to augment the deliverability of the said pipe line, Southern Counties Gas Company has installed a booster station with approximately 1,000 horsepower at Dana Point which will raise the line pressure and thereby increase the deliverability to San Diego from approximately 26 million to 33 million cubic feet per day. Southern Counties Gas Company and its affiliate have also taken

additional steps to increase the peak deliverability in the Los Angeles Basin area and is sharing a portion of this increased supply with San Diego. Some of these improvements have included the construction of a new gas transmission line from La Coleta storage field to Los Angeles, booster stations at Ventura and Santa Paula, and certain gas facilities at the Playa del Rey storage project. The charge to the San Diego Gas and Electric Company for its share of the increased deliverability of the line, made possible by the additional facilities cited, is reflected in the fixed charge of the proposed rate.

According to the terms of the contract, the Southern Counties Gas Company agrees, subject to some limitations, to sell and deliver to San Diego Gas and Electric Company all of the natural gas required for resale to its domestic, commercial and firm industrial customers up to approximately the capacity of the transmission line, or 33 million cubic feet per day. It is also stipulated that the requirements over and above those for resale to firm customers, such as gas for resale to interruptible industrial customers and for use as fuel in San Diego's steam electric generating plant, will be made subject to gas availability, pipe line capacity, and certain other limitations.

The rates to be charged under the proposed agreement are composed of three components, namely, (1) fixed monthly charge, (2) the monthly charge for volume of gas delivered for the various use classifications, and (3) variable credit predicated on the volume of gas for resale to firm customers in excess of 26 million cubic feet per day. The rates are as follows:

	<u>Proposed Rate</u>
(1) <u>Fixed Charge</u>	\$4,500 per month from the effective date of contract until December 1, 1945, and \$7,500 per month thereafter.

(2) <u>Monthly Charge for volume of gas delivered</u>	<u>Per Mcf</u>		
	<u>Minimum Price</u>	<u>Base Price</u>	<u>Maximum Price</u>
(a) For use as boiler fuel in steam electric generating plants and for boiler and generator fuel in the gas generating station.	12.5¢	15¢	20¢
(b) For gas resold to interruptible industrial customers			
Rate "A"	18¢	21¢	23.5¢
Rate "B"	15¢	18¢	23¢
Rate "C"	13¢	16¢	21¢

The above base price predicated upon industrial fuel oil price of \$1.00 per barrel. When fuel oil price exceeds \$1.00 per barrel, the effective rates in (a) and (b) shall be the base price plus 1/10¢ for each 1¢ by which fuel oil price exceeds \$1.00 per barrel. When fuel oil price is below \$1.00 per barrel the effective rate shall be the base price less 1/5¢ for each 1¢ the fuel oil price is below \$1.00 per barrel.

(c) For all gas sold not covered specifically in 2(a) and 2(b) above.

23.5¢ per Mcf

(3) Variable Credit

1¢ per Mcf for all deliveries in excess of 26 million cubic feet in any day of 24 hours, exclusive of any gas used or resold under sections 2(a) and 2(b).

That portion of the above rate under section (2), covering the monthly charge for the several classes of service, is substantially the same as the rate under the present contract. The sections relating to the fixed charge and the variable credit (Sections 1 and 3) are additional provisions that are not a part of the original contract.

The proposed contract contains a provision covering certain adjustments in the prevailing price of gas that will be made in the event the heating value of the gas delivered falls below a specified standard.

The term of the agreement is for a period of ten years from and after November 15, 1945, and is to continue in effect thereafter subject to termination by either party only upon twelve months' written notice to the other given at any time after nine years from November 15, 1945.

The agreement contains a provision that it shall at all times be subject to such changes or modifications 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 Applicants and it being of the opinion that the application should be granted, that a public hearing in the matter is not necessary, and good cause appearing, therefore,

IT IS ORDERED that Southern Counties Gas Company of California and San Diego Gas and Electric Company are hereby authorized to enter into that certain proposed agreement set forth as Exhibit "1", attached to and made a part of the application, at the rates and under the terms and conditions set forth in said agreement.

The authority herein granted shall become effective as of the date hereof.

Dated at San Francisco, California, this 27th day of January, 1946.

Harold Rudman
Justin J. Currier
Wm. H. H. H. H.
Harold H. H.
Commissioners