

Decision No. 38932

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

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
Application No. 27382

BY THE COMMISSION:

OPINION AND ORDER

Under date of April 27, 1943, this Commission issued its Decision No. 36323 in Applications 25579, 25580, 25581 and 25583, deferring any adjustment or increase in gas, electric, and steam heat rates, or charges resulting from, or required by, the provisions of the applicants' filed tariff schedules and contracts through the operation of fuel oil clauses that would have been affected as a result of the 25¢ per barrel increase in the posted price of fuel oil, which latter became effective on April 1, 1943 under authorization of the Office of Price Administration. Such deferment in applicants' tariff schedules and contracts is still effective.

Under date of April 4, 1946, the Pacific Gas & Electric Company filed its first supplemental application in this matter in reference to another increase in the posted price of fuel oil, as did Coast Counties Gas & Electric Company under a new filing docketed as Application No. 27382. The other two applicants, namely, Southern Counties Gas Company of California and Southern California Gas Company, filed regular advice letters on the same subject on the April 4 date, and in such advice letters referred to their original applications in this matter and to Decision No. 36323. The same procedure will be followed as in the aforementioned decision by combining these matters for the purpose of decision because of the common authorization sought.

It is alleged by the four companies that notification has been received by each to the effect that the price of fuel oil was increased 15¢ a barrel, which price change was authorized by the Office of Price Administration on March 18, 1946. Each of these utilities has submitted to this Commission an affidavit giving notice of such price change. In this respect such affidavits set forth for each of the oil companies noted, the following pertinent information:

For Standard Oil Company of California

<u>Location</u>	<u>Effective Date</u>	<u>Price Change per Barrel</u>	
		<u>From</u>	<u>To</u>
At Richmond	March 20, 1946	\$1.15	\$1.30
At Seguro	"	1.10	1.25
At Lyoth	"	1.15	1.30
At Eureka	"	--	1.45

For General Petroleum Corporation

At Torrance	March 21, 1946	\$1.10	\$1.25
At Seguro	"	1.10	1.25

For Union Oil Company of California

At Wilmington	March 20, 1946	\$1.10	\$1.25
At Bakersfield (Maltha)	"	1.10	1.25

In authorizing the aforementioned oil price changes it is alleged that the Office of Price Administration did not alter its Revised Maximum Price Regulation (RMPR) 436, Article III, as amended February 27, 1946, governing the maximum price for natural and petroleum gas. Accordingly, it is the understanding of these utilities that the unit price which each was paying for natural gas purchased from others on March 20 and/or March 21, as the case may be, may not be increased so long as the aforementioned RMPR 436 may be continued in effect in its present form.

Because no immediate increase in the unit cost of natural gas is anticipated by reason of the recent 15¢ increase in fuel oil, nor because of the earlier 25¢ increase in fuel oil, each of the four utilities agrees to defer, for the time being, any adjustment or increase of its rates or charges for natural or manufactured gas services authorized and/or required by the provisions of its aforementioned filed tariff schedules and special contracts. Such deferment of the increases in its rates or charges for gas services is made upon the express condition and reservation that said deferment shall be without any prejudices to its rights and that the fuel oil clauses of its gas tariffs and special contracts shall be preserved and maintained, and that the period of deferment shall not be longer than thirty (30) days after the termination of the time that RMPR 436, governing the maximum prices for crude petroleum and natural petroleum gases of the Office of Price Administration, shall remain legally in full force and effect.

The Pacific Gas & Electric Company, under its aforementioned first supplemental application, requests that the deferment in reference to its electric and steam heat services furnished to its customers under filed tariff schedules and special contracts be removed; and further, that effective on all regular meter readings taken on and after May 10, 1946, the increase on its electric and

steam heat tariff schedules and special contracts containing the fuel oil clauses be permitted to operate for the fuel oil price changes that took place and became effective on both the April 1, 1943 date and upon the March 20 or 21, 1946 date. In making such request the Pacific Gas & Electric Company alleges substantially as follows, in addition to the allegations heretofore set forth:

1. That it has caused a notice to be sent to the Office of Price Administration clearly setting forth its intentions, reasons and justification as to its proposed filing with this Commission.

2. That it is, and for many years last past has been, a purchaser of large quantities of fuel oil for use in the conduct of its public utility business, which uses include fuel oil for the production of manufactured gas and for the production of steam for sale and for generation of electricity.

3. That all purchases of fuel oil on and after March 20, 1946, will be subject to the aforementioned 15¢ per barrel increase, plus a 2-1/2% California State Sales Tax.

4. That the increase under item 3 is estimated to result in an added cost of approximately \$380,000 for the twelve months' period commencing March 20, 1946, and further, that taking into account the aforementioned 25¢ per barrel increase effective April 1, 1943, the combined added cost for the twelve months' period will be at least \$1,000,000.

5. That if its retail electric and steam tariff schedules and contract rates be increased in accordance with the fuel oil clauses in each such tariff schedules

and contract rates, due to the 25¢ and 15¢ increase in fuel oil, the annual gross revenue for the Electric Department will be correspondingly raised by approximately \$770,000 and its Steam Department by approximately \$52,000.

This Commission is of the opinion that the deferment in the gas tariff rates and contract charges should be continued in reference to the 25¢ increase in fuel oil; and likewise, a deferment appears to be justified in reference to the March 20 or 21 15¢ increase in the posted price of fuel oil under the conditions set forth by applicants. In reference to this deferment, the following statement in the original decision has even greater force today because of the additional increase in the price differential between the two competitive fuels:

"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."

This Commission feels that it is its obligation to call attention to the fact that the over-all effect of the aforementioned deferments is to keep industrial gas rates, that carry fuel oil clauses for most of such tariff schedules and contracts, 6-2/3¢ per Mcf below what such rates will be when the deferment and/or "freeze" is removed.

The Commission is reasonably well satisfied that in reference to electric and steam rates carrying fuel oil clauses, such

rates beginning with meter readings taken on and after May 10 should reflect the increases in the posted price of fuel oil. The Commission observes that the utility has given more than the necessary thirty days' notice to the Office of Price Administration, and further, that its operating expenses, due to the increased cost of fuel oil, will be greater than its increased revenues because of such fuel oil change.

Under the circumstances the Commission, being of the opinion that a public hearing in the above-entitled matters at this time is not required, and basing its order on the factual findings heretofore set forth, and good cause appearing,

IT IS ORDERED:

1. That the first ordering Paragraph A in Decision No. 36323 is hereby set aside and replaced by the following:

a. That Pacific Gas & Electric Company, Coast Counties Gas & Electric Company, Southern Counties Gas Company of California and Southern California Gas Company are hereby authorized to defer any adjustment or increase in gas rates or charges resulting from, or required by, the provisions of the aforementioned utilities' filed tariff schedules or special contracts, that are affected as a result of the 25¢ per barrel increase in the posted price of fuel oil which became effective April 1, 1943, and also as to the 15¢ per barrel increase in the posted price of fuel oil which became effective on March 20 and/or March 21, 1946; provided that such period of deferment shall not be longer than thirty (30) days after the termination of the time that RMPR 436, governing the maximum prices for crude petroleum and natural petroleum gases of the Office of Price Administration, 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.

2. That Pacific Gas & Electric Company may, upon proper filing of its electric and steam heat tariff schedules and contract rates carrying fuel oil clauses, make the necessary revisions and increases that will result upon the application

of the aforementioned 25¢ and 15¢ increases in the posted price of fuel oil so as to make the same effective on all regular meter readings taken on and after May 10, 1946.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 7th day of May, 1946.

David Rudman
Justice J. C. Brewer
Francis J. ...
James H. ...
Harold P. ...
 Commissioners.