

Decision No. 39275

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA
for an Order approving a Contract with the
UNION SUGAR COMPANY for the service of surplus
natural gas for industrial purposes.

Application No. 27685

ORIGINALO P I N I O N

In this application Southern Counties Gas Company of California asks the Commission for an order approving a contract for the service of surplus natural gas to the Union Sugar Company for industrial purposes at its sugar factory located at Betteravia, California. A copy of the contract, marked Exhibit "A," is attached to the application.

Under the terms of the contract referred to, the gas company agrees that beginning June 1, 1946, or as soon thereafter as it shall be ready, it will supply surplus gas to the sugar company under filed rules and regulations and at the following rates:

12¢ per MCF from the start of the sugar campaign to and including Oct. 31, 1946.
14¢ per MCF from November 1, 1946, to the end of the sugar campaign.

The foregoing rates are subject to a change of one-sixth of one cent per MCF for each change of one cent in the posted price of industrial fuel oil above eighty-five cents (85¢) per barrel. For the purpose hereof said posted price means the price in tank car lots of industrial fuel oil of 12° to 18° gravity A.P.I., as quoted to customers generally, either by the Standard Oil Company of California for "Standard Fuel Oil" at its El Segundo Refinery, or by the General Petroleum Corporation for "General Industrial Fuel Oil" at its Torrance Refinery, or by the Union Oil Company of California for "Industrial Fuel Oil" at its Wilmington Refinery, whichever posted price is the lowest.

The resultant rates are limited to a maximum of 22¢ per MCF.

The minimum delivery shall be 3,000 MCF per day except when testing out, starting or closing down the campaign, at which times the minimum shall be the actual amount required.

The contract is to terminate at the end of the 1946 sugar campaign.

To prevent the withdrawal of natural gas which might be kept in the ground for ultimate use by domestic, commercial, gas engine, wholesale and essential industrial customers, the gas company as provided by the agreement has the right at any time, upon not less than two (2) days' notice, to discontinue the supply of gas to the sugar company. In the exercise of the above right by the gas company, surplus

customers paying the higher rates have priority of service. If the exercise of the above right of discontinuance of service results in an unsatisfactory service to the sugar company, the latter has the right to cancel the contract upon ten (10) days' notice to the gas company.

The agreement provides that it shall at all times be subject to such changes or modifications as the Railroad Commission may from time to time direct.

Service at identical rates but without an oil clause was furnished this customer during the 1944 sugar campaign under a contract authorized by Decision No. 37245 and during the 1945 campaign under the same contract as extended by Decision No. 37976. The continuance of this service at such low rates in the face of the advancing cost of fuel oil is not warranted and the oil clause common to applicants filed industrial tariffs has therefore been incorporated into the proposed contract.

The Commission having considered the request of Applicant and being of the opinion that the requested authority should be granted, and that a public hearing in the matter is not necessary, therefore,

O R D E R

IT IS HEREBY ORDERED that Southern Counties Gas Company of California be, and it is hereby authorized to enter into that certain agreement attached to this application marked Exhibit "A" and to serve surplus natural gas to the Union Sugar Company at the rates and under the terms and conditions set forth in said agreement.

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

Dated at San Francisco, California this 30 day of July, 1946.

L. Harold Kudner

Justin F. Quince

James Lawrence

Harold P. Hull

Commissioners.