

Decision No. 41244

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA for an order approving an amendment to applicant's contract with San Diego Gas & Electric Company for the sale of gas.

ORIGINAL

Application No. 29069

OPINION AND ORDER

In this application Southern Counties Gas Company of California requests authority to amend the existing wholesale gas contract relating to the sale of natural gas to San Diego Gas & Electric Company, in accordance with two letter agreements dated January 20, 1948. One letter agreement provides for the elimination of sales to San Diego Company of certain low-priority gas for surplus resale, and increases the price to be paid for gas used in its electric and gas generating facilities. The other letter agreement modifies, on a temporary basis, the price to be paid for such gas used in San Diego Company's electric and gas generating facilities.

The existing contract is for a term of ten years from and after November 15, 1945, and was authorized by this Commission in its Decision No. 38626 (Application No. 27174) issued January 22, 1946. This Commission by its Decision No. 40348 (Application No. 28453), issued June 3, 1947, authorized the amendment of the contract to provide for the purchase by San Diego Company of additional classes of interruptible gas of higher priority than theretofore purchased, such amendment being dated May 15, 1947.

The contract as it now stands provides for the purchase by San Diego Company of certain classes of interruptible gas to be sold to its customers under rates "A", "B" and "C" (Schedule No. NS-1). The amendment of May 15, 1947 was brought about by the lack of availability of gas under this classification,

due to the price priority basis of curtailment practiced by Southern Counties Company. In view of the continuing lack of availability of such gas and the unlikelihood of future availability, Southern Counties Company now desires to remove this classification from the contract.

The existing contract also provides for the purchase by San Diego Company of gas for use as boiler fuel in its steam-electric generating stations and as boiler and generator fuel in its gas generating station at a base price of 15 cents per thousand cubic feet plus 1/10 cent for each one cent that the posted price of fuel oil shall exceed \$1 per barrel up to a maximum of 20 cents, or minus 1/5 cent for each one cent that the posted price of fuel oil shall be less than \$1 down to a minimum of 12.5 cents. At the present posted price of fuel oil, \$2.15, the effective price for this classification is 20 cents under the existing contract.

Late in 1947 Southern Counties Company entered agreements with Southern California Edison Company (Application No. 28875, Decision No. 41018) and the Department of Water and Power of the City of Los Angeles (Application No. 28918, Decision No. 41007) providing for the furnishing of "dump" natural gas for electric generation on the basis of the lowest priority (with respect to curtailment) of all customers on the systems of Southern Counties Gas Company and its affiliate, Southern California Gas Company. The base price provided for this "dump" service was 24 cents per thousand cubic feet, plus or minus 1/6 cent for each one cent that the posted price of fuel oil shall be above or below \$1.70 per barrel, with a minimum of 15 cents and a maximum of 30 cents. Accordingly, the present price (at \$2.15 fuel oil) would be 30 cents per thousand cubic feet under the original agreements, which is higher than the ceiling price on certain filed schedules of Southern Counties Company. On January 13, 1948 these original contracts were amended to provide for an effective maximum of 26 1/2 cents in order to maintain the bottom priority intended for these "dump" customers.

In order to eliminate the present price differential in favor of San Diego Company, and thereby permit the curtailment of the above-mentioned "dump"

customers before the electric and gas plant requirements of San Diego Company, Southern Counties Company and San Diego Company have entered into two supplemental agreements dated January 20, 1948 deleting the former price for electric and gas plant requirements and substituting therefor a price identical with that carried in both the Southern California Edison Company contract and the Department of Water and Power contract, including the modifications of January 13, 1948, providing for an effective price of 26½ cents per thousand cubic feet until further written notice.

In the first amending agreement (Exhibit "A") the section under "Price" relating to purchases by San Diego Company for resale to its S-1 and S-2 surplus customers has been restated without any change in conditions.

The original contract, to which the supplemental agreements are amendatory, provides that it shall at all times be subject to such changes or modifications by the Public Utilities Commission of the State of California as such 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 this matter is not necessary, and good cause appearing, therefore,

IT IS ORDERED that Southern Counties Gas Company of California is hereby authorized to enter into the two proposed supplementary agreements dated January 20, 1948 attached to the within application as Exhibits "A" and "B", amending an existing letter agreement dated November 20, 1945 under which applicant is now supplying gas to San Diego Gas & Electric Company.

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

Dated at San Francisco, California, this 24th day of February, 1948.

B. J. [Signature]
Justice F. Coe
[Signature]
[Signature]
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Commissioners.