

ph

Decision No. 42794

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application by SOUTHERN CALIFORNIA
GAS COMPANY in connection with fuel
oil escalator clauses contained in
filed rate schedules and special
contracts.

Application No. 30236

OPINION AND ORDER

In this application Southern California Gas Company asks this Commission to prescribe that applicant's existing fuel oil escalator clause contemplates the gearing of natural gas rates to Bunker Fuel Oil, and requests that an order be issued to postpone concurrently any resulting rate changes due to the operation of such escalator clauses pending the Commission's decision in Case No. 4716,⁽¹⁾ now under submission. In support of these requests, the company states in its application that it is of the opinion that Bunker Fuel Oil is the proper criterion for its escalator clauses, but that it desires to avoid reductions in certain of its filed schedules and special contracts which would automatically result from the reduction in the posted price of Bunker Fuel Oil on

(1) Re Southern Counties Gas Company of California "Proposal to Mitigate the Distortion of Firm and Interruptible Rate Levels," filed January 26, 1949.

April 1, 1949, ⁽²⁾ which, the company contends, would be inconsistent with rate proposals made by Southern Counties Gas Company of California, in Case No. 4716.

A typical fuel oil escalator clause as now contained in filed schedules and special contracts of this company is quoted as follows:

"Provided, however, that whenever and so long as the posted price of industrial fuel oil in tank car lots shall be above eighty-five cents (\$0.85) per barrel, then the price per thousand cubic feet for all natural gas delivered hereunder shall be at the Base rates above set forth, plus one-sixth cent (1/6¢) for each one cent (1¢) by which said price of fuel oil shall be above eighty-five cents (\$0.85) per barrel; and provided, also, that in every event the price of gas hereunder shall be limited to the Minimum and Maximum rates, respectively, as hereinabove set forth. For the purpose hereof, said posted price means the price in tank car lots of industrial fuel oil conforming to Pacific Specification No. 400 as quoted to customers generally, either by the Standard Oil Company of California at El Segundo (El Segundo Refinery) or by the General Petroleum Corporation of California at Torrance (Torrance Refinery) or by the Union Oil Company of California at Wilmington (Wilmington Refinery), Los Angeles County, California, whichever posted price is the lowest."

The designation "Pacific Specification No. 400" was first incorporated in the company's schedules, effective October 1, 1946, transmitted by Advice No. 264 received for filing August 30, 1946. Prior to October 1, 1946, the company's escalator clauses generally referred to "Standard Fuel Oil" as quoted by Standard Oil Company of California, "General Industrial Fuel Oil" as quoted by General Petroleum Corporation, or "Industrial Fuel Oil" as quoted by Union

(2)		
<u>F.O.B. Tank Cars</u>	<u>\$2.00/Bbl.</u>	<u>\$1.80/Bbl.</u>
El Segundo	Standard Fuel Oil (PS 400)	Bunker Fuel Oil
Los Angeles	Union Industrial Fuel Oil	Union Bunker Fuel Oil
Torrance	General Industrial Fuel Oil	General Bunker Fuel Oil

Oil Company of California. The change in designation reflected by the sheets transmitted by Advice No. 264 did not represent a change in the applicable fuel oil, but rather was effected in order to conform more closely to the terminology used initially by the oil industry on the Pacific Coast in issuing quotations for fuel oil between August 17 and 23, 1946. Whereas the grades of fuel oil previously quoted were defined primarily according to range of specific gravity, the grades under the new designation are defined according to range of viscosity. For "Pacific Specification No. 400" a minimum viscosity was prescribed, but no maximum.

On August 3, 1948, a new fuel oil quotation was issued segregating Pacific Specification No. 400 into two grades, designated by Standard Oil Company of California as "Standard Fuel Oil" and "Standard Bunker Fuel Oil," respectively, the latter having the higher viscosity. Standard Bunker Fuel Oil carried the same price as previously quoted for Pacific Specification No. 400, but "Standard Fuel Oil" was quoted at 10¢ per barrel higher. Effective with the January 25, 1949 quotation, a 20-cent per barrel differential was established between standard fuel oil and bunker fuel oil, which differential was perpetuated in the April 1, 1949 prices. These and related quotations by the other pertinent oil companies had no effect upon rates of applicant, nor did subsequent quotations until April 1, 1949, for the reason that maximum rates were controlling, and accordingly no changes in rates resulted from the intervening oil price quotations. The April 1, 1949 quotation, on the other hand, reflects a reduction in the price of fuel oil sufficient to make effective reductions in certain of the rates of

applicant in accordance with escalator clauses based on the Bunker Fuel Oil subdivision of the Pacific Specification No. 400 grade.

This Commission is of the opinion that the grade of fuel oil contemplated by the escalator clauses of applicant's filed schedules conforms to what is currently designated as Bunker Fuel Oil, which is the higher viscosity oil of the two subdivisions of Pacific Specification No. 400. It is concluded that the designation now carried in the escalator clauses of applicant is sufficiently explicit without modification. It is general knowledge that the most representative fuel oil grade competitive with industrial and commercial natural gas is Bunker Fuel Oil, and rate filings of other gas utilities have been accepted upon that basis.

This Commission is asked to grant applicant's prayer in order to "...avoid aggravating the current rate discriminations, which are in the process of being corrected. Granting this request will eliminate the minor rate reduction now, which may have to be reversed in the near future by increasing these rates to make applicant's rates consistent with the Commission's decision in Case No. 4716...". It is the position of this Commission that conditions contained in presently filed and effective tariffs are not contingent upon or subject to interpretation upon the basis of a surmisal as to findings which may be made by the Commission in a pending proceeding of another utility..

A public hearing under the circumstances being deemed unnecessary and good cause appearing.

IT IS HEREBY ORDERED that the application of Southern Counties Gas Company of California be and it is dismissed without prejudice.

IT IS HEREBY FURTHER ORDERED that Southern California Gas Company shall file on or before May 1, 1949, only those gas rate schedules necessitating adjustments in the effective rates in accordance with the fuel oil escalator clauses contained therein to conform to the posted price of Bunker Fuel Oil effective April 1, 1949. Southern California Gas Company shall incorporate the appropriate adjustments in the rates contained in those special contracts referred to in the application. The rates contained in the tariffs and special contracts noted in this order shall be effective May 1, 1949.

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

Dated at Los Angeles, California, this 26th
day of April, 1949.

R. E. Anderson

James R. Caswell

Harold Kula

Kenneth Patten
Commissioners