

ORIGINAL

Decision No. 42795

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application by SOUTHERN COUNTIES GAS
COMPANY OF CALIFORNIA in connection
with fuel oil escalator clauses con-
tained in filed rate schedules and
special industrial contracts.

Application No. 30232

OPINION AND ORDER

In this application Southern Counties Gas Company of California 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 the operation of such escalator clauses on the effective gas rates pending the Commission's decision in Case No. 4716, 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 April 1, 1949,⁽¹⁾ which, the company contends, would be inconsistent with its rate proposals in Case No. 4716.

(1)

F.O.B. Tank Cars
El Segundo
Los Angeles
Torrance

\$2.00/bbl.

Standard Fuel Oil (PS 400)	Bunker Fuel Oil
Union Industrial Fuel Oil	Union Bunker Fuel Oil
General Industrial Fuel Oil	General Bunker Fuel Oil

\$1.80/bbl.

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

"SUBJECT TO A CHANGE (WITHIN THE RATE LIMITS QUOTED ABOVE) OF 1/6 OF ONE CENT PER THOUSAND CUBIC FEET FOR EACH CHANGE OF ONE CENT IN THE POSTED PRICE OF INDUSTRIAL FUEL OIL ABOVE OR BELOW 95¢ PER BARREL. 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 ITS EL SEGUNDO REFINERY, OR BY THE GENERAL PETROLEUM CORPORATION AT ITS TORRANCE REFINERY, OR BY THE UNION OIL COMPANY OF CALIFORNIA AT ITS WILMINGTON REFINERY, 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. 233 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 Oil Company of California. The change in designation reflected by the sheets transmitted by Advice No. 233 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 for the reason that to do otherwise would result in "...reductions now in certain rate schedules and in its special industrial contracts, which would be inconsistent with its proposals in Case No. 4716, and which rate changes would be altered again soon by the Commission's decision in that pending rate case...". 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.

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 Counties Gas Company of California 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 Counties Gas Company of California 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. F. Zimmerman
Justin F. Calmes

Harold P. Kels

Samuel W. Patten
Commissioners