

ORIGINAL

Decision No. 47977

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHERN CALIFORNIA GAS COMPANY,)
SOUTHERN COUNTIES GAS COMPANY OF)
CALIFORNIA, and PACIFIC GAS AND)
ELECTRIC COMPANY for an order of)
the Commission authorizing Applicants)
to carry out the terms of an amend-)
ment to the original contract dated)
August 11, 1947 relating to the)
sale of gas.)

Application No. 28652
(First Supplemental)

FIRST SUPPLEMENTAL OPINION AND ORDER

In this First Supplemental Application, Southern California Gas Company, Southern Counties Gas Company of California, and Pacific Gas and Electric Company^{1/} request an order of the Commission approving a letter agreement dated October 22, 1952 relating to the sale of natural gas by Sellers to Buyer. The proposed agreement would modify an existing agreement between the parties dated August 11, 1947 which was approved by this Commission in Decision No. 40671 issued August 26, 1947 in the above-numbered application.

The original agreement, which will terminate on September 30, 1953, provides that Buyer will have a right to purchase 50 million cubic feet of gas per day at higher priority than Sellers' interruptible customers, and an additional 50 million cubic feet per day ahead of the use by the steam electric generating plants of the Southern California Edison Company and the Department of Water and Power of the City of Los Angeles. For all

1/ Southern California Gas Company and Southern Counties Gas Company of California will be referred to as "Sellers" and Pacific Gas and Electric Company, as "Buyer".

such volumes of gas purchased by Buyer, it pays Sellers a price equal to the rate per thousand cubic feet paid by Sellers to El Paso Natural Gas Company for natural gas purchased at Blythe, plus 5 cents per thousand if delivered at Bakersfield, and 6 cents per thousand if delivered at Kettleman Hills. The current average price for all such gas purchased by Buyer is approximately 22.3 cents per thousand cubic feet.

In Application Nos. 33699 and 33700, Sellers have advised the Commission that effective January 1, 1953, they will pay an additional 4.41 cents per thousand cubic feet for gas purchased from El Paso Natural Gas Company at Blythe. The Sellers also propose a method of recovering these increased costs for gas purchased by making an offset rate applicable to retail sales effective January 1, 1953. Under the proposed method, the offset rate would not be applied to sales to Buyer.

In the instant application, applicants point out that, unless the original agreement dated August 11, 1947 is amended, the price for gas purchased by buyer will automatically increase 4.41 cents for all purchases made subsequent to January 1, 1953. Accordingly, the terms of the proposed letter agreement dated October 22, 1952 provide that Buyer will pay 22.3 cents per thousand cubic feet for all gas delivered thereunder during the balance of the term of the original agreement, or until September 30, 1953.

In addition to the amendment of the price provisions of the original agreement, the proposed letter agreement provides that Buyer shall be entitled to no natural gas until Sellers shall have first sufficient quantities of natural gas available to them from oil wells in California and from the gas pipe line at Blythe to satisfy each of their requirements for company use and for underground

storage, and to supply all their customers, including wholesale customers, now existing and/or hereafter supplied with natural gas.

Buyer is of the opinion that freezing the price paid for gas at 22.3 cents is ample consideration for changing its right or priority to purchase any gas from Sellers and further that its customers will suffer no over-all detriment by amending the August 11, 1947 agreement, as proposed.

Sellers point out that the amended agreement will make it possible for their respective interruptible customers to have the right to use up to the first 50 million cubic feet per day which would otherwise be available to Buyer during periods of curtailment on Sellers' systems. Further, Sellers will be in a position to supply gas to the steam electric plants of Southern California Edison Company and the Department of Water and Power of the City of Los Angeles ahead of sales to Buyer.

The Commission having considered the request of applicants and being of the opinion that the application should be granted and that a public hearing is not necessary, therefore,

IT IS HEREBY ORDERED that applicants be and they are authorized to carry out the terms and conditions of the letter agreement dated October 22, 1952, attached as Exhibit A to this application, and to make said letter agreement effective January 1, 1953, subject, however, to the following condition:

1. Applicants shall file with the Commission within thirty (30) days after the effective

date of this order, two certified copies
of the letter agreement as executed.

The effective date of this order shall be twenty (20) days
after the date hereof.

Dated at San Francisco, California, this 2nd day
of December, 1952.

A. J. Davidson
President.

James F. Brewer

Harold K. Kula

Samuel P. Patten
John E. Mitchell
Commissioners.