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ORIGINAL

Decision No. 48337

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY, a corporation, for an order of the Commission authorizing Applicant to carry out the terms of a written agreement for the sale of surplus natural gas by Applicant to the Southern California Edison Company.

Application No. 33904

Appearances for applicant: Milford Springer, Frederick G. Dutton and Harry P. Letton, Jr.

Interested parties: Bruce Renwick, Rollin E. Woodbury and Robert J. Cahall, for Southern California Edison Company, H. G. Dillin, for San Diego Gas & Electric Company, Ivan L. Bateman and John E. Girard, for Department of Water and Power, City of Los Angeles.

Other appearances: Carl E. Crenshaw, for the Commission staff.

OPINION AND ORDER

Southern California Gas Company operating a public utility natural gas business in the southern portion of the State of California, by the above-entitled application filed November 26, 1952, requests an order of the Commission authorizing it to carry out the terms of a contract dated November 24, 1952 with the Southern California Edison Company. Said agreement relates to the furnishing of surplus natural gas for use in the Southern California Edison Company's steam electric generating stations at Redondo Beach and Etiwanda, California and establishes the charges to be made for such service. A copy of said agreement marked Exhibit "A" is attached to the application. After due notice a public hearing was held on this application on February 5, 1952 before Commissioner Huls and Examiner Edwards at Los Angeles, California.

Applicant's Position

Applicant takes the position that it is essential to have a ready market for surplus gas. Applicant's load is subject to wide seasonal variation and with the present supply it anticipates a firm load deficiency during the winter months starting in 1956. An additional out-of-state supply of gas of approximately 150,000,000 cubic feet per day is being sought and applicant anticipates that there will be surplus gas available during off-peak periods to sell to steam plants over the period of the next five years or longer.

Applicant and its affiliate, Southern Counties Gas Company of California, forecast that without large steam plant sales they may be obligated to take or pay for as much as 185,400,000 cubic feet of out-of-state gas per day on the average in 1954 in excess of their load requirements. Such amount might decrease to as little as 36,600,000 cubic feet in 1957 due to growth of regular load exclusive of steam plant load. Therefore, applicant contends that this agreement is vital during the next few years from an economic point of view and therefore is in the public interest.

Main Contract Provisions

The agreement provides that the total quantity of surplus natural gas which applicant and its affiliate shall have available for sale to Southern California Edison Company for steam electric generation and to the Department of Water and Power of the City of Los Angeles for the same purpose shall be divided on the basis of 60 per cent to the former and 40 per cent to the latter. At the hearing applicant stated that this division has recently been revised to 58 per cent and 42 per cent, respectively, by letter agreement with the users.

The agreement provides that for all natural gas delivered to both plants in excess of 300,000,000 cubic feet in any one month the price to be paid is one cent per Mcf below the then effective rate for the lowest block in applicant's G-53 rate schedule but not more than 9.65 cents per Mcf above nor less than 3 cents per Mcf above the commodity price per Mcf paid by applicant to its supplier, El Paso Natural Gas Company at Blythe, California. At the hearing one of the witnesses testified that the cost of transmitting the gas from the state line to Los Angeles is approximately 3 cents per Mcf.

This new agreement is to continue in force for five years from the date applicant notifies Southern California Edison Company that it is ready to deliver gas as prescribed in the contract, and thereafter until canceled by 10 days' written notice. Such notification of the starting date is contingent upon its and its affiliate's ability to deliver at least 600 million cubic feet of natural gas during the next 30-day period for steam electric generation.

The agreement contains a provision that at all times it shall be subject to change or modification by this Commission in the exercise of its jurisdiction.

<u>Rate Tariff</u>

The Commission prefers that service be rendered under filed tariffs in place of special contracts. Applicant was asked at the hearing if it had given any thought to the possibility of rendering this service under a filed tariff rate in place of a special contract rate. While it did not sponsor a rate tariff for this business it had available a proposed rate tariff that might be used in conjunction with a service agreement. Such proposed rate tariff was marked Exhibit No. 5 in this proceeding.

Conclusion

Upon a review of the record the Commission is of the opinion that the sale of gas contemplated under this agreement will provide an outlet of short term duration for any possible large surplus quantities of gas that the applicant may have during off-peak periods as a result of obtaining added quantities of out-of-state gas. So long as the price received for this gas exceeds applicant's demand and commodity costs on out-of-state purchases plus transmission cost from the state line, it should not burden other customers.

At the present posted price of fuel oil the operation of the escalator provisions under Schedule G-53 provide for the lowest block base rate of 27.4 cents per Mcf. Such rate is above the present ceiling of 25.47 cents per Mcf computed as provided in the agreement consisting of a commodity cost of 15.82 cents plus a 9.65-cent incremental cost. The effective rate (one cent below the lowest block) of 26.4 cents is also above the ceiling price of 25.47 cents. The ceiling price presently provides a sizable margin over incremental commodity cost which is sufficient to cover the average transmission cost on out-of-state gas with some added increment which should cover the demand component on out-of-state gas and leave some margin above out-of-pocket cost to offset any conceivable burden on the firm customers.

In view of the fact that reference must be made to a filed interruptible schedule to find the current rate for gas in excess of 300,000 Mcf under the agreement, it is more appropriate that a separate tariff should be filed for this steam electric plant service somewhat as contemplated by Exhibit A of the order herein. In general the contract's terms and conditions are acceptable but since the order herein will require the filing of a tariff the application now before us will not be authorized. Instead the rate shall be filed and a copy of any supplemental service agreement, if any is necessary, should be reduced to a standard form and filed substantially in the form of Contract for the Sale of Natural Gas Interruptible Service under Revised Cal.P.U.C. Sheet No. 6354-G.

O R D E R

Southern California Gas Company having requested approval of a contract with Southern California Edison Company, public hearing having been held and the Commission being of the opinion that the contract should not be authorized but instead that the contemplated service should be rendered under a filed tariff, therefore,

IT IS ORDERED that service under the agreement dated November 24, 1952 be not authorized.

IT IS FURTHER ORDERED that applicant shall file in quadruplicate with this Commission, after the effective date of this order, in conformity with General Order No. 96, a rate schedule substantially in accordance with Exhibit A herein, covering Steam Electric Generating Plant - Surplus Natural Gas Service and after not less than one day's notice to the Commission, the Southern California Edison Company and the City of Los Angeles, to make said rate effective for service rendered on and after April 1, 1953.

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

Dated at San Francisco, California, this 24th day of March, 1953.

President.

Commissioners.

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EXHIBIT A

Schedule No. G-55

STEAM ELECTRIC GENERATING PLANT - SURPLUS NATURAL GAS SERVICE

APPLICABILITY

Applicable, subject to interruptions in supply, to surplus natural gas service for steam electric generating stations owned and operated by the Southern California Edison Company and the Department of Water and Power of the City of Los Angeles.

TERRITORY

Within the following gas company areas:

Southwest Division
Eastern Division
San Fernando Valley Division

RATES

Commodity Charge

	Base Rate	Effective Rate
(a) At the option of the customer (provided for in Paragraph 2 of the Special Conditions), for the first 300,000 Mcf or less of gas delivered to customer during any one calendar month, per Mcf:	25.106¢	25.106¢

	Base Rate	Current Rates Minimum	Current Rates Maximum	Current Rates Effective
(b) For all gas in excess of 300,000 Mcf delivered to customer during any one calendar month (assuming customer exercises the option referred to above), or for all gas delivered to customer during any one calendar month, per Mcf:	24.000¢	18.820¢	25.470¢	25.470¢

Base Rates

The base rates are established for a posted price of fuel oil of $1.55 per barrel.

Current Minimum and Maximum Rates

The effective rate set forth in (b) above shall, in no event, be higher than 9.65¢ per Mcf above, nor lower than 3¢ per Mcf above a price per Mcf equal to the commodity price per Mcf paid by the company to the El Paso Natural Gas Company for gas delivered at Blythe during such calendar month (adjusted to a pressure base of 14.73 psi absolute). Such commodity price is 15.82¢ per Mcf effective January 1, 1953.

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Schedule No. G-55

Effective Rate

The effective rates set forth in (a) and (b) above are predicated on the posted price of fuel oil, in accordance with Special Condition No. 1 below, and the effective rate set forth in (b) above is limited by the current minimum and maximum rates.

Contingent Offset Charge

The base and effective rates in (a) above, and within the limits of the current minimum and maximum the base and effective rates in (b) above, are subject to an offset charge of 2.4 cents per Mcf related to the volume of gas used is to be added to the periodic bill as computed at the foregoing effective billing rate. This offset charge is in accordance with Decision No. 47992 of the California Public Utilities Commission and is subject to possible refund.

SPECIAL CONDITIONS

1. Fuel Clause. Whenever and as long as the posted price of fuel oil in tank car lots shall be below one dollar and fifty-five cents ($1.55) and above one dollar and sixteen cents ($1.16) per barrel both inclusive, then the effective rates perthousand cubic feet for all natural gas delivered under this schedule may be at the base rates set forth above, less one-sixth cent (1/6¢) for each one cent (1¢) by which the price of fuel oil shall be below one dollar and fifty-five cents ($1.55) per barrel, the computation to be carried to the nearest .001¢. The posted price means the price in tank car lots of Bunker fuel oil with a viscosity specification of 165 seconds or over, Saybolt Furol at 122° F., 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.

When a change in the price of fuel oil occurs, which would result in a change in the effective rates hereunder, the Company may submit to the California Public Utilities Commission, within a period of fifteen (15) days, an Advice Letter and appropriate tariff schedules setting forth the new effective rates and accompanied by an affidavit of such change in the price of fuel oil. The new gas rates may be effective beginning with the bill based on the first regular monthly meter reading for billing purposes which is taken on and after the 30th day following such change in the price of fuel oil, subject, however, to any revisory action that may be deemed necessary in the public interest by the California Public Utilities Commission in the exercise of its jurisdiction pursuant to the provisions of law and the rules and regulations of said Commission.

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2. Option. Customer, at its option (as expressed in the agreement referred to below), may elect to receive up to 10,000 Mcf of natural gas per day on a curtailment parity with company's other customers receiving gas under company's Rate Schedule G-53. If customer exercises this option, the rate applicable to such deliveries shall be as set forth in (a) above under "Rates".

3. Curtailment. Except as provided below, customer shall be entitled to no surplus gas hereunder until the company and its affiliate, Southern Counties Gas Company of California, shall first have sufficient quantities of natural gas available to them, and each of them, from oil wells in California and from the gas pipe line at Blythe to satisfy each of their aggregate requirements for gas for underground storage and to supply with natural gas all their other customers (including wholesale customers) now existing and/or hereafter supplied with natural gas. If the supplying of such gas hereunder shall, in the opinion of the company, jeopardize or threaten the supply to any of said other customers, then the company may so notify customer, and customer will discontinue receiving gas from company's system within a maximum of one hour after such notice, and will not again take gas from company's system until authorized by company to do so.

If customer shall have exercised its option, pursuant to the second Special Condition above, it shall be entitled to receive up to 10,000 Mcf of natural gas per day on a curtailment parity with other customers receiving gas under company's Rate Schedule G-53.

4. Apportionment of Gas. Of the total quantity of natural gas on an hourly rate of flow basis, which company and its affiliate, Southern Counties Gas Company of California, shall at any time have available for sale to customers, the Southern California Edison Company shall be entitled to 58% and the City of Los Angeles to 42%. If either customer does not require all or part of its percentage of the total gas available to both, it shall relinquish the portion not required, and the other shall be entitled to the gas so relinquished until again required by the customer relinquishing same.

5. Agreement. An agreement, covering the service of natural gas to customer's steam electric generating stations, shall be required as a condition precedent to service under this schedule, which agreement shall contain all terms and conditions applying to such service. Such agreement shall be subject to approval by the Public Utilities Commission of the State of California.

Customer and company shall agree upon the volume of gas to be purchased and sold under the agreement, and the extent to which customer may obtain fuels from suppliers other than company.

The period of time to be covered by the agreement shall be determined by agreement between the customer and company, but shall be for not less than three nor more than five years.

6. Renegotiation of Rates. The rate set forth above shall be subject to renegotiation at any time by mutual consent of customer and company, such renegotiated rate, however, being subject to approval by the Public Utilities Commission of the State of California. The rate shall also be subject to renegotiation in accordance with the terms of the agreement referred to above in Paragraph 5 under "Special Conditions".