

**ORIGINAL**Decision No. 57862

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the joint application )  
 of SOUTHERN CALIFORNIA GAS COMPANY and )  
 SOUTHERN COUNTIES GAS COMPANY OF )  
 CALIFORNIA for an order authorizing )  
 them to file and place in effect, in )  
 accordance with General Order No. 96 )  
 and Section 454 of the Public Utilities )  
 Code, a revised rate schedule applicable )  
 to utility steam electric generating )  
 plants. )

Application No. 40288  
(Amended)

(Appearances and witnesses are listed in Appendix A)

FIRST INTERIM OPINIONApplicants' Requests

Southern California Gas Company and Southern Counties Gas Company of California, engaged in the purchase, distribution, and sale of natural gas to an area in Southern California having a population of about 8,000,000 persons, jointly filed the above entitled application on July 22, 1958 and filed an amended application on October 23, 1958 requesting the Commission to issue an order:

(1) Authorizing applicants to file and place in effect promptly, on an interim basis, the changes proposed in present Schedule No. G-54, as contained in Exhibits "A" and "B" attached to the amended application; and

(2) Authorizing applicants to file and place in effect a new Schedule No. G-57 as contained in Exhibits "E" and "F" attached to the amended application, and the correlating changes in Schedule No. G-54 as contained in Exhibits "C" and "D"; and

(3) Authorizing applicants to revise their present Rule No. 30 in the manner described and as contained in Exhibits "J" and "K" attached

to the amended application, and to file and place such revision into effect promptly; and

(4) Authorizing applicant Southern California Gas Company to modify its Schedule No. G-53 in the manner described in the amended application; and

(5) Granting such other or different authorization as the Commission may deem appropriate.

This first interim order is concerned only with applicants' request Number (3), above, regarding Rule No. 30.

#### Public Hearing

After due notice, public hearing was held upon this application, as amended, before Commissioner Matthew J. Dooley and Examiner Manley W. Edwards on October 30 and 31, 1958 and November 24, 1958 in Los Angeles. At the close of the third day of hearing, when it became apparent that additional hearing time was needed to receive all of the evidence to be presented on these several requests, applicants submitted for interim decision the matter of revisions in Rule No. 30. Additional hearing time is scheduled for January 28, 1959 to complete taking of testimony and evidence on the several other requests.

#### Applicants' Position

On April 10, 1957, by Decision No. 54831 in Application No. 38527, the Commission authorized present Schedule No. G-54, a new rate schedule applicable to utility steam electric generating stations and cement plants, for these applicants. This new rate schedule was designed to provide a fair and equitable allocation of gas deliveries to all eligible customers and to relate the quantity of gas delivered to the customers' obligation to take gas. This new schedule enabled applicants to acquire increased gas supplies to the benefit of all parties.

In light of these assured sales outlets, applicants executed letters of intent with El Paso Natural Gas Company providing for the ultimate delivery of 550,000 Mcf per day of additional out-of-state gas. In addition, applicants' affiliate, Pacific Lighting Gas Supply Company executed a letter of intent with Transwestern Pipeline Company for the delivery by the latter of an initial average daily volume of 300,000 Mcf at the California-Arizona border near Topock, Arizona. A certificate of public convenience and necessity was granted by this Commission on September 30, 1958 (Decision No. 57419), authorizing the construction of the latter project subject to Federal Power Commission approval of the Transwestern project.

Applicants take the position that the new gas supplies represented by the above mentioned projects would make it possible for them to offer a new type of long-term, high priority interruptible service for utility steam electric plants. The purpose of this amended application is for authorization to file and place in effect, on an interim basis, certain changes in present Schedule No. G-54 and to file and place in effect a new Schedule No. G-57 covering such high priority interruptible service, together with approval of certain necessary correlating changes. The proposed change in Rule No. 30 is one of these correlating changes made possible by increased gas supplies.

Proposed Rule No. 30 Changes

Rule No. 30 now permits applicants, under certain conditions, to refuse firm industrial service in excess of 25,000 cubic feet per day. Applicants now propose that nonresidential usage under any firm schedule may be refused: (a) if in excess of 200,000 cubic feet of gas per day for use in equipment which could, in the judgment

of the utility, readily use a substitute fuel without undue hardship; or (b) in those cases where the amount of such usage during periods of firm peak demand might, in the judgment of the utility, be such as to jeopardize firm service to domestic customers.

Reasons for Proposed Change in Rule No. 30

One of applicants' witnesses testified that the limitation provided by Rule No. 30 was established originally by the War Production Board and was continued by the applicants after the war, pending increased gas supplies. He stated that operation under the present limitation has resulted in the loss of many desirable loads simply because potential customers felt they could not use gas satisfactorily on an interruptible basis; that customers fail to see the need for a control at wartime levels when the war has been over for 13 years and gas supplies have increased materially; that application of the rule generally is confusing to customers and has resulted in poor customer relations in many instances; that during recent years the problem of fully complying with air pollution control regulations during curtailment periods has become acute for many of the smaller interruptible customers; and that since in this proceeding authorization is sought to make high priority service available to steam electric plant customers, a similar improvement in service to the smaller interruptible customers should be made available.

Position of Certain Parties

The Commission staff, represented by its gas and electric engineer, cross-examined applicants' witnesses for the purpose of developing a full record to aid the Commission in deciding this interim request. The staff developed that the provisions of the rule are permissive rather than mandatory and that a substantial number of

customers, as set forth in Exhibit No. 20, have been permitted firm service where volumes in excess of those called for in the rule are used. Such customers, however, use the gas under conditions which preclude the use of standby fuel. The staff also inquired into the reasons for the proposed limitation of 200 Mcf per day as contrasted with some other amount, bringing out that the original Rule No. 30 was introduced due to limitations in supply which no longer exist. It was also pointed out by the staff that the company proposes no change in the comparable Rule No. 31 applicable in Antelope Valley. The latter rule is not proposed for change at this time because it is consistent with Pacific Gas and Electric Company's rule, which utility serves in the areas adjoining the Antelope Valley area. At the conclusion of its cross-examination the staff interposed no objection to applicants' proposed Rule No. 30 being adopted.

The California Manufacturers Association heartily endorsed the proposal to amend Rule No. 30. Counsel for the Riverside Cement Company stated he had no objection to the applicants' proposal to amend Rule No. 30. None of the other parties to the proceeding expressed any objection to the proposal.

#### Findings and Conclusions

In view of the improved outlook for sizable additional, near-future increments in the supply of gas fuel in southern California, the Commission finds and concludes that applicants' request to amend Rule No. 30 is warranted; however, in view of the fact that gas supplies are not limitless, it is desirable to maintain some top limit on the supply of firm service to any one customer. A figure of 25,000 cubic feet per day is below an economic point where the average customer generally can afford to install a standby fuel system and break even on such lower interruptible rates as are available.

In reading the proposed rules, it is noted that the applicants in one place are referred to as "this utility" and in another place as "the company". It would appear less confusing to the customer (which also might be a company) to refer to the applicants as "this utility" or "the utility" in each instance and delete the reference to company.

The Commission finds that any increases in rates and charges that might result from the amendment of Rule No. 30 in the manner proposed by applicants are reasonable; that present rules, insofar as they differ from those herein prescribed, for the future are unjust and unreasonable; and that an order should be issued authorizing changes in Rule No. 30.

#### FIRST INTERIM ORDER

Southern California Gas Company and Southern Counties Gas Company of California jointly having applied to the Commission for authority, among other things, to revise Rule No. 30, public hearing thereon having been held, and this particular matter having been submitted for interim decision; therefore,

IT IS ORDERED that applicant Southern California Gas Company is authorized to file in quadruplicate with this Commission, after the effective date of this order, in conformity with General Order No. 96, and to make said filing effective upon five days' notice to the Commission and to the public, a revised Rule No. 30 substantially as set forth in Exhibit "J" attached to the application, but with the word "utility" substituted in place of "company" in the text thereof.

IT IS FURTHER ORDERED that applicant Southern Counties Gas Company of California is authorized to file in quadruplicate with this Commission, after the effective date of this order, in conformity

with General Order No. 96, and to make said filing effective upon five days' notice to the Commission and to the public, a revised Rule No. 30 substantially as set forth in Exhibit "K" attached to the application, but with the word "utility" substituted in place of "company" in the text thereof.

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

Dated at San Francisco, California, this 13th day of January, 1959.

E. J. Fox  
President  
John E. McMillan  
William H. Gale  
Theodore H. Jenner  
Commissioners

APPENDIX A

LIST OF APPEARANCES

FOR APPLICANT SOUTHERN CALIFORNIA GAS COMPANY: T. J. Reynolds and Harry P. Letton, Jr., by Harry P. Letton, Jr., and Reginald L. Vaughan, special counsel.

FOR APPLICANT SOUTHERN COUNTIES GAS COMPANY OF CALIFORNIA: Milford Springer and Robert M. Olson, Jr., and Reginald L. Vaughan, special counsel.

INTERESTED PARTIES: Roger Arnebergh, Alfred H. Driscoll, T. M. Chubb and Robert W. Russell, for City of Los Angeles; Henry E. Jordan, for City of Long Beach; Lynn L. McArthur, for City of Burbank; K. L. Parker, for City of Glendale; T. M. Goodrich, for City of Pasadena; Rollin E. Woodbury, Harry W. Sturges, Jr., John Bury, by Rollin E. Woodbury, for Southern California Edison Company; Chickering & Gregory, by C. Hayden Ames, for San Diego Gas & Electric Company; Willis T. Johnson, for California Electric Power Company; Brobeck, Phleger & Harrison, by Gordon E. Davis, for California Manufacturers Association; William L. Knecht, for California Farm Bureau Federation; Enright, Elliott & Betz, by J. T. Enright, and Waldo A. Gillette, for Monolith Portland Cement Company; O'Melveny & Myers, by Lauren M. Wright, for Riverside Cement Company, division of American Cement Corporation; Wallace K. Downey, for California Portland Cement Company; W. D. MacKay (Commercial Utility Service), for Challenge Cream & Butter Association; Thomas H. McGovern, for Western Oil and Gas Association.

FOR THE COMMISSION STAFF: Clarence Unnevehr.

LIST OF WITNESSES

Evidence was presented on behalf of the applicant by: A. R. Bailey, W. J. Herrman, Keith Kelsey, and C. T. Dierker.