

ORIGINAL

Decision No. 80477

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of AMAX Carbon Products,  
Inc., a corporation of Bakersfield,  
California, for a variance from  
certain requirements of a gas  
purchasing contract with Southern  
California Gas Company.

Application No. 53326  
(Filed May 11, 1972)

T. S. Melby, for AMAX Carbon Products, Inc.,  
applicant.  
K. R. Edsall and F. A. Peasley, Attorneys at Law,  
for Southern California Gas Company, protestant.  
Robert C. Moeck, for the Commission staff.

O P I N I O N

Hearing on this application was held after due notice in San Francisco before Examiner Coffey on June 22, 1972. The matter was submitted on July 10, 1972, upon receipt of the reporter's transcript.

AMAX Carbon Products, Inc. (AMAX) requests authorization of a deviation from the requirement of the Southern California Gas Company Tariff Schedule G-50, Interruptible Natural Gas Service, that interruptible customers have standby facilities. This request is opposed by the Southern California Gas Company (Southern).

AMAX, a newly formed subsidiary of American Metal Climax Company, in mid 1971 started a plant near Bakersfield which forms metallurgical coke from fluid petroleum coke. Applicant requested service under Schedule G-50 on February 10, 1971, before the plant was completed and before the start of operations. Although service began in August, 1971, the first supply of any magnitude was from October to December, 1971, the period of the first attempt to start the plant. From December until a recent attempt to restart operations, the plant has been shut down for reconstruction.

From August, 1971 until May 22, 1972, AMAX was billed for service under Schedule G-50. Because standby facilities have not been installed, AMAX has been billed since May 22, 1972, under Schedule G-3, Firm Natural Gas Service.

At the hearing AMAX modified its request for a deviation for a period estimated not to exceed 12 months from May 10, 1972 to a request for a deviation until October 31, 1972.

The temporary suspension of the requirement for standby facilities is requested since the operation presently is largely experimental in nature and time is required to determine the size of the standby facilities needed to meet the standby requirements of Southern.

AMAX witness testified that operations could be curtailed without damage or complaint due to interruption of gas supply with a normal notice of one hour.

Southern supports the tariff requirement for adequate standby fuel systems as insurance of the customer's ability to curtail, to meet the interruptible portions of the contract, and to continue production during periods of interruptions. The tariff requirement facilitates policing of utility orders to customers to curtail their usage of gas.

Southern maintains that AMAX does not have a valid basis for its request, the principle factors in the request being the difference between the cost of firm and interruptible services, the research and development nature of the project, and delay in investment for standby facilities. Southern maintains that these reasons for a deviation have not been valid in the past. Generally, Southern has served customers in similar circumstances under its firm schedule while they worked out their problems and then transferred them to interruptible service. Southern has offered to follow this procedure in this matter.

Southern follows the requirement of Decision No. 34797, dated November 26, 1941, which ordered:

"IT IS HEREBY ORDERED by the Railroad Commission of the State of California that Southern California Gas Company, Southern Counties Gas Company, Pacific Gas and Electric Company and Coast Counties Gas and Electric Company shall not hereafter, except upon application made to this Commission and approval first obtained make any of their existing surplus gas schedules available to new customers or for new uses unless such customer then shall have other sources of fuel supply available for ready use in the event of the shut off of gas service by the utility; and each said respondent utility, within twenty (20) days from the date of this order, shall submit to the Commission for approval such proposed revisions of or additions to its tariffs, rules and regulations as may be necessary to limit, during the period of national emergency, the availability of surplus gas service as herein provided."

The Commission prior to this decision, in normal times, usually had not required a tariff provision that standby equipment actually be installed as a condition precedent to service of surplus natural gas, leaving to the discretion of industrial management as to whether in lieu thereof their plants would be shut down during periods of shortage of supply. Recognizing in 1941 a state of national emergency, and that aircraft, ship, tank and munition production must move forward uninterrupted and that firm loads were mounting throughout the state, the Commission made the foregoing order. In this proceeding we will limit the issues to those presented by the parties under the existing filed tariffs.

Findings and Conclusions

We find that:

1. AMAX has requested interruptible natural gas service from Southern under Tariff Schedule G-50.
2. Tariff Schedule G-50, Special Condition No. 2(a), requires:  
"2. Except upon an application made to the Public Utilities Commission and approval first obtained:  
    (a) No customer (except as to a plant on an interruptible gas rate during all or a portion of the year ending December 16, 1941), applying for gas service hereunder subsequent to December 16, 1941, shall be entitled to such gas service, unless such customer shall have adequate standby fuel, equipment, and qualified attendance ready at all times to effect immediate change-over from gas to other fuel in the event that the supply of gas hereunder shall be discontinued."
3. AMAX does not presently have standby facilities required by said special condition.
4. Southern is willing to continue to serve AMAX under firm natural gas service Schedule G-3 with the understanding that AMAX will receive as a refund the difference between the amount of money spent by AMAX for gas service under Schedule G-3 and that amount it would have spent if service had been rendered under Schedule G-50; provided AMAX has a standby fuel system installed and operating and has entered into a contract with a fuel supplier by October 31, 1972.
5. AMAX stated that Southern's proposal was acceptable.
6. This record does not show that any similarly situated customer has been denied the rate relief proposed by Southern.

We conclude that the request for a deviation from Southern's tariffs should be denied, that Southern's conditioned proposal to serve AMAX should be authorized and that the rate relief herein granted is not discriminatory.

O R D E R

IT IS ORDERED that:

1. The request of a deviation from Special Condition No. 2(a), Tariff Schedule G-50 of the Southern California Gas Company, is denied.

2. Southern California Gas Company shall continue to serve AMAX Products, Inc., under its Schedule G-3 for firm natural gas service until such time as AMAX Products has installed an adequate operational standby fuel system and has contracted for a sufficient supply of standby fuel to meet the requirements of said Special Condition No. 2(a). If said system is installed and said fuel contract has been finalized by October 31, 1972, Southern California Gas Company shall refund to AMAX Products, Inc., the difference between the amount of money collected from AMAX Products, Inc., for gas service under Schedule G-3 and the amount it would have collected if service had been rendered under Schedule G-50.

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

Dated at San Francisco, California, this 12<sup>th</sup> day of SEPTEMBER, 1972.

Vernon L. Sturgeon  
President  
William J. Squires Jr.

Alfred R. [illegible]  
[illegible]  
Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.