

Decision No. 30530

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 PACIFIC GAS AND ELECTRIC COMPANY,
 a corporation, for an order of the
 Railroad Commission of the State
 of California authorizing applicant
 to enter into an agreement with
 Shell Oil Company in words and
 figures contained in form therefor
 which is herewith annexed and marked
 Exhibit "A" of Exhibit No. 1 there-
 of, etc.

Application No. 21658

BY THE COMMISSION:

O P I N I O N

Pacific Gas and Electric Company has applied for an order authorizing said applicant to enter into a proposed written agreement with Shell Oil Company, a copy of which is attached to and made a part of the application. This proposed agreement between Pacific Gas and Electric Company sometimes hereinafter referred to as Pacific and Shell Oil Company as Shell makes provision among other things for (1) the sale and delivery of electric energy and steam to Shell by Pacific, (2) the construction and operation of a steam-electric generating plant by Pacific on property adjacent to refinery of Shell at Martinez in the County of Contra Costa, State of California, (3) the delivery of feed water at said steam plant by Shell and (4) the purchase of fuel oil by Pacific from Shell for use in said steam plant, all subject to and upon terms and conditions in said proposed agreement set forth.

Shell has been supplied electric service at its Martinez plant by Pacific for many years and is presently supplied under the latter's filed Schedule P-30 pursuant to terms of a five year agreement dated January 30, 1936. The amount of electric energy so purchased during the year 1937 was approximately 25,000,000 KWH. with a load factor of 80% and power factor ranging from 96% to 97%. The Shell Company is increasing its steam and electric requirements, it being anticipated that annual usages of electric energy and steam will in the near future be 31,000,000 KWH. and 2,000,000,000 lbs. of steam respectively. Unless lower electric power rates than are provided by Schedule P-30 can be secured, Shell, according to representations of Pacific, proposes to install its own steam electric generating plant.

Shell Company requires substantial amounts of steam for its oil refining process which needs are now generated in its own boiler plant while electric power requirements as heretofore stated are at present supplied by Pacific. The steam thus required can be made in conjunction with the production of electric energy more economically in a single plant generating and using high pressure steam than by present production of steam and electricity in separate plants. The availability of refinery waste fuel in the forms of sludge, tars, waxes, and gases with the fact that the consumer, by virtue of being in the general petroleum business, may furnish these to Pacific for utilization under the boilers to the advantage of both.

To retain the Shell Company's business without detrimental effects to existing consumers of Pacific, the latter

must secure all possible economies inherent in supplying power developed from processed steam. To accomplish this purpose requires the construction and operation of a steam electric generating plant adjacent to Shell's oil refinery. Pacific proposes to build a high pressure steam electric plant to consist of a single 35,000 Kw. turbo-generator unit and three boilers each of a capacity of 200,000 lbs. per hour with accessories, at a capital cost of approximately \$5,000,000. In addition to serving Shell said plant will provide additional necessary generating capacity for Pacific's system operations. The following rates for the sale and purchase of electric energy are provided by the proposed agreement:

- (a) From May 1, 1937 to April 30, 1938, inclusive, in accordance with Pacific's Schedule P-30, a true copy of which is attached to the application and made a part thereof; and
- (b) From May 1, 1938, until said steam plant shall be placed in operation four and one-half (4½) mills per kilowatt-hour, and
- (c) For the remainder of the term of the agreement:

Demand Charge

First	5000 kilowatts or less of monthly maximum demand.....	\$6,250.00 per month
All Over	5000 kilowatts of monthly maximum demand	\$1.20 per kilowatt per month.

The maximum demand in any month will be the average kilowatt delivery of the thirty (30) minute interval in which such delivery shall be greater than in any other thirty (30) minute interval in that month.

Quantity Charge per Kilowatt Hour: (in addition to Demand Charge):

One-half (½) mill, and in addition thereto Shell shall deliver to Pacific at said steam plant 0.0021 barrels of fuel oil or the equivalent quantity of substitute fuel, and Pacific shall accept substitute fuel when offered by Shell in lieu of fuel oil.

The following rates are provided by the proposed agreement for the sale and purchase of steam:

Demand Charge:

For monthly maximum demand of 325,000 pounds or less.....\$2,250.00 per month

The maximum demand will be the average steam delivery of the sixty (60) minute interval in which such delivery is greater than in any other sixty (60) minute interval in that month.

Quantity Charge: (In addition to Demand Charge):

First 125,000,000 lbs. per month..\$0.02 per 1000 lbs.
All Over 125,000,000 lbs. per month..\$0.015 per 1000 lbs.

And in addition to payment of the foregoing rates Shell will deliver to Pacific at said steam plant for each 1,000 pounds of steam delivered 0.265 barrels of fuel oil, or the equivalent quantity of substitute fuel, and Pacific shall accept substitute fuel when offered by Shell in lieu of fuel oil.

In addition to the rates provided in the proposed agreement for the sale and purchase of electric energy and steam, and the delivery of fuel to Pacific by Shell in exchange for electric energy and steam, the more important features of the proposed agreement are:

1. Obligations of Shell Company:

- (a) To take all electric energy requirements from Pacific Company up to 15,000 kilowatts, exclusive of that which may be generated from Shell Company's existing small plant, which it stipulates will not be enlarged.
- (b) To maintain and operate its electric energy consuming equipment so that the delivery of energy under the contract shall be at a power factor of at least 85 per cent.
- (c) To take all steam requirements from Pacific Company at a pressure of 160 pounds per square inch and 50 degrees F. superheat, and at a rate not to exceed 325,000 pounds per hour, in excess of that which Shell may at its option generate in its existing boilers.

- (d) That it shall not utilize high pressure steam for generation of either electric or mechanical power if it becomes necessary for Shell to install its own steam generating plant to fulfill needs in excess of those specified in the contract.
- (e) To deliver quantity of feed water at its expense to Pacific Company, equal in pounds to the pounds of steam received from the latter.

2. Obligations of Pacific Company:

- (a) To operate and maintain Turbo generator as a standby unit at all times when it is not being used for generation.
- (b) To accept substitute fuel when offered by Shell Company in exchange for electric energy and steam.
- (c) To purchase at least 375,000 barrels of fuel oil during each three-year period for the operation of said plant, at the average posted price thereof, or to pay Shell Company 12 cents per barrel for the deficiencies of such purchases.

The length of the term of the proposed contract assures Pacific of the consumer's business for a long period of time to the benefit of both parties, which appears necessary to the economic success of the project in view of the substantial amount of the investment required and the life expectancy of equipment involved.

It appears reasonably clear that the rates offered by the contract for electric service, approval of which is sought, are necessary to meet the competitive condition and to retain the business of the oil company. The electric and steam service to be performed at the rates provided in the contract must be viewed as an electric service only and the total revenue therefrom should be considered as electric revenue of this utility.

It further appears reasonably clear that the construction and operation of the steam electric plant and the retention of

the business of the Shell Oil Company at the proposed contract rates and under the other contract provisions will not constitute a burden upon other consumers, but will tend to the benefit of such other consumers.

O R D E R

The Pacific Gas and Electric Company having filed the above titled application, the Commission being of the opinion that a public hearing thereon is not necessary and that the application should be granted, therefore good cause appearing,

IT IS HEREBY ORDERED that the Pacific Gas and Electric Company be and it is hereby authorized to execute an agreement with Shell Oil Company containing the same terms and provisions as the proposed agreement filed in this proceeding as Exhibit "A" and is hereby further authorized to charge the rates set forth in said agreement for electric energy and steam supplied to Shell Oil Company at its refinery at Martinez, Contra Costa County, California. The Pacific Gas and Electric Company shall file a copy of the executed agreement with the Commission within thirty (30) days after its execution.

IT IS HEREBY FURTHER ORDERED that the Pacific Gas and Electric Company, until otherwise directed by the Railroad Commission, shall on its records and in reports to the

Railroad Commission, record the revenues, both electric and steam, derived under said agreement, under the appropriate electric operating revenue accounts.

The authority herein granted shall become effective on the date hereof.

Dated at San Francisco, California, this 17th day of January, 1938.

Walter H. Jones
Tom Whittell
Joan R. H. H. H.

W. H. Riley
Commissioners.