

Decision No. 31809

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 a written agreement with GLADDING McBEAN & CO., in words and figures as written in the form therefor which is annexed hereto and issuing to applicant a certificate declaring that the present and future public convenience and necessity require or will require the construction, operation, and maintenance of the gas transmission main and facilities described in the body of this application, and the use by applicant of all lands and the exercise of all permits, easements, and franchises which may be used or useful in connection with the construction, operation and maintenance of said line and the distribution and/or sale of natural gas by means thereof.

ORIGINAL

Application No. 22510

R. W. DuVal, for the Applicant.
 Lowell L. Sparks, City Attorney, City of Lincoln.
 L. G. Levy, for Gladding McBean & Co.

RILEY, COMMISSIONER:

O P I N I O N

In this application Pacific Gas and Electric Company, hereafter referred to as Applicant, asks the Railroad Commission of the State of California for permission to enter into a written

agreement with Gladding McBean & Co., hereafter referred to as Customer, for the sale of surplus natural gas for fuel purposes in the operation of Customer's kilns, driers, and boilers at its plant located at Lincoln, Placer County, California; also for an order certifying that public convenience and necessity will require the construction and operation of a transmission line from Marysville to Lincoln, California, to serve said Customer; and in connection therewith, the exercise of the rights and privileges of certain franchises which Applicant possesses for the service of gas in the counties of Yuba and Placer, California.

A public hearing was held in this matter in Roseville, California, on February 10, 1939, at which place evidence was taken by Examiner Wehe and the matter submitted for decision. At the above hearing the Applicant made a supplemental request for a certificate of public convenience and necessity to serve the City of Lincoln and the Town of Wheatland with natural gas by means of connections to the proposed transmission line from Marysville to Lincoln.

A copy of the proposed agreement between Applicant and Customer was attached to the application and designated as Exhibit "A" of Exhibit No. 1. Some of the more important features and conditions of the proposed agreement are as follows:

If and when the same shall be available therefor, Customer will use surplus natural gas as the exclusive fuel for fuel purposes in the operation of its brick, tile, and pottery kilns and driers, and in the operation of its high-pressure boilers (668 h.p. rated capacity) used primarily for industrial purposes and only incidentally for building heating purposes at its plant located at Lincoln, Placer County, California.

The rates to be charged and paid are in accordance with the following:

First 10,000,000 cu.ft. per month - 16.0¢ per 1000 cu.ft.
All excess over 10,000,000 cu.ft. per month - 13.5¢ per 1000 cu.ft.

Annual minimum payment thirty thousand dollars (\$30,000.00) payable at the rate of two thousand five hundred dollars (\$2,500.00), each month unless the bill for actual gas consumed during any such month shall exceed that minimum, provided that when the aggregate bills for actual gas consumed during the preceding months during any contractual year shall exceed the aggregate minimum payments for said period, then such excess may be credited on that portion of subsequent minimum payments during the balance of said contractual year that are in excess of the bills for actual gas consumed during such subsequent months.

The above rates are subject to increase or decrease on the basis of one (1) cent per thousand cubic feet for each six (6) cent increase or decrease respectively in the market price of fuel oil above or below ninety-five (95) cents per barrel, f.o.b. Richmond, California, as regularly quoted by the Standard Oil Company of California, such change to be computed to the nearest one-tenth of one (1) cent and to become effective on all regular meter readings taken on or after the 30th day following such change in the quoted price of fuel oil.

The proposed agreement also contains a provision for a decrease in the amount of the annual minimum charge in the event Customer discontinues its operation for any twelve (12) consecutive months during the term of the contract, and also further provides for the application of this reduced minimum charge towards billings incurred after the resumption of operations. While this particular provision appears in some respects to unduly favor the Customer when the investment requirement of Applicant is considered, yet the history of operations of the Customer's plant over a long period of years appears to justify the conclusion that there is little likelihood of this requirement becoming a burden.

The agreement also provides that Customer shall not be obligated to accept any gas delivered thereunder containing less than 950 B.t.u. per cubic foot, but in the event it elects to do so it is obligated to pay for such gas in accordance with the rates

and terms of the contract.

A further condition of the agreement is that since the Applicant's obligations in furnishing natural gas are first to its regular customers and second to its surplus gas customers Applicant shall, in the event it needs all of its available gas for supplying its regular customers, have the right without notice to Customer to discontinue in whole or in part the supplying of surplus gas thereunder until such time as it shall have sufficient gas available to supply Customer.

The term of the proposed contract is for five (5) years from and after the date Applicant commences the delivery of surplus gas to Customer, providing, however, that in the event Customer temporarily discontinues its operations for any reason during any twelve (12) consecutive months during the term of the contract, the contract shall be extended for one (1) additional year beyond the initial term of five (5) years, but not to exceed a total term of eight (8) years.

Applicant agrees to furnish and install immediately at its own expense the necessary transmission main and equipment for delivery of gas under the terms of the contract, and in consideration of this expenditure Customer agrees that in case gas shall be available for all of its plant under normal operating conditions and Customer shall fail to take the necessary quantity thereof to operate the equipment therein described, or this agreement shall be cancelled prior to its expiration date as a result of the default of Customer thereunder, Customer will in addition to all other moneys then due Applicant thereunder, pay Applicant the full amount of all minimum charges therein specified for the balance of the term thereof. The proposed agreement also contains

a provision that said agreement shall at all times be subject to such changes and/or modifications by the Railroad Commission of California as said Commission may from time to time direct in the exercise of its jurisdiction.

Applicant estimates that the annual usage of natural gas by Gladding McBean & Co. under the terms of the proposed agreement will be four hundred eighty million (480,000,000) cubic feet and that the annual gross revenue to be derived therefrom will be approximately sixty-seven thousand eight hundred dollars (\$67,800).

At the hearing an official of Gladding McBean & Co. testified that, except for one period of eight months due to fire, the plant at Lincoln had been in continuous operation since 1875; that during all of this period fuel oil had been used; and, further, that the availability of natural gas would permit the manufacture of a variety of clay products which is not possible under existing conditions. The witness also introduced as exhibits company records showing the monthly and annual consumption of fuel oil, over a period of years, to be quite uniform and, further, that with the favorable business outlook ahead the estimated usage of 480,000,000 cubic feet of gas per year should be easily obtained.

Witness for the Customer further testified that because of large clay deposits existing at Lincoln, the operation of the plant appeared assured for at least another 20 years. It was further brought out that Customer is willing to expend some \$15,000 for piping within the plant at Lincoln to utilize the gas service and in addition would maintain at all times stand-by facilities for the use of fuel oil should Applicant find it necessary to discontinue the delivery of surplus natural gas.

While the revenue to be derived from the consummation of the aforesaid agreement does not by itself justify the proposed expenditure by Applicant, certain other factors, which will be discussed hereafter, are a part of the picture and assist in warranting the project and making the authorization of the proposed agreement feasible.

In order to supply Cladding McBean & Co. it will be necessary for Applicant to construct an extension of its existing gas transmission system from the City of Marysville, Yuba County, to the City of Lincoln, Placer County. Applicant has attached to its application, a map designated as Exhibit No. 2, which shows the approximate location and route of the contemplated transmission line as well as its relation to presently existing transmission facilities.

Witnesses for Applicant testified that the proposed transmission line would be approximately 25 miles long, 8-5/8" in diameter, and necessitate an expenditure of approximately two hundred fifty-five thousand five hundred seventy-one dollars (\$255,571.00) made up of the following items:

Landed Capital	\$ 14,520
132,000 feet (25 miles) of 8-5/8" O.D. wrapped pipe (installed)	198,000
Regulators	1,500
Meters	6,000
Fence surrounding meter and regulator installation	300
Overhead construction costs	<u>35,251</u>
Total	\$255,571

Applicant intends to pay the cost of constructing and completing said natural gas transmission line out of its income and from funds in its treasury not obtained from the issue of

stocks, bonds, notes or other evidences of indebtedness and/or from such funds as it may receive from the issue of such stocks, bonds, notes or other evidences of indebtedness as the Railroad Commission of the State of California shall hereafter upon proper application authorize for that purpose.

In Decision No. 31501, in Application No. 22277, it was pointed out that Applicant has contracted for a period of 10 years for the purchase of natural gas, if available, from the Marysville Buttes Field, the same to be distributed in a certain area in the vicinity of Marysville, Yuba City, Colusa, and Chico. The above Decision authorized the construction of natural gas transmission facilities to utilize said gas from the Marysville Buttes Field and it is Applicant's intention, if this present application is granted, to likewise use said Marysville Buttes field as the source of gas supply.

Applicant testified at the hearing that, in its opinion, approximately 5,000,000 cubic feet of gas per day are available from the existing wells in the field and that this amount would be more than adequate to care for all of its needs until additional wells are brought in.

In extending Applicant's transmission system it would be necessary to pass through portions of the counties of Yuba and Placer and the incorporated cities of Wheatland and Lincoln and the main would be constructed in part on private right of way and in part on public highways, roads and streets of said counties and cities. It is further stated that Applicant for some time past has been in possession and ownership of certain rights and franchises for the supplying of gas to the public in the above named counties and cities and that it is at present undertaking the acquisition

of such additional private rights of way and easements for the use of land as would be necessary for the installation and maintenance of the proposed main. There are attached to the application, as Exhibits Nos. 3, 4, 5, and 6, copies of franchises held. The terms and conditions of these franchises may be briefly tabulated as follows:

<u>Exhibit No.</u>	<u>Location of Franchise</u>	<u>Ordinance No.</u>	<u>Date Granted</u>
3	Yuba County	89	1- 7-30
4	Placer County	48	3- 4-30
5	Town of Wheatland	53	2-24-30
6	City of Lincoln	29-Series B	4- 8-30

Each of these franchises is for a term of 50 years and provides for the payment by Applicant of two per cent of its gross revenue after the first five years following the date of granting. Since Applicant has been in possession of these franchises for a period exceeding five years, payments under the terms thereof would start immediately upon beginning of natural gas service.

Applicant asked permission to exercise the rights and privileges contained in the above franchises which may be used or useful in connection with the construction, operation, maintenance of said system. The record shows that no other public utility is engaged in the business of supplying natural gas in the territory set forth in the application and the exercise of the aforesaid franchises by Applicant is believed to be in the public interest and the Order herein will grant the permission necessary to exercise these franchise rights.

As has been previously stated, the expenditure of \$255,571 for the construction of the proposed transmission system simply to serve Gladding McBean & Co. at Lincoln is not justified by the

revenues estimated to be derived therefrom. There were, however, other factors pointed out by Applicant which tend to make such action justifiable. It was indicated at the hearing that a considerably smaller transmission line than the one proposed would be adequate to supply Gladding McBean & Co. but that it is Applicant's plan that the proposed main eventually would form a link in the unification of its transmission facilities and thereby make available a second source of gas in times of emergency or should the supply from the Marysville Buttes Field prove inadequate. It was pointed out that under such conditions a smaller main than the 8-5/8" diameter line would be inadequate to supply all of the customers in the Marysville, Yuba City, Colusa, Chico areas. Applicant further testified that, due to demands on its existing transmission lines from Sacramento to Roseville, it will soon be necessary to augment these lines with additional facilities and, further, that completion of this project would leave but an eleven mile gap between Roseville and Lincoln which it is planned to construct at a future date.

Further justification for the proposed expenditure was presented when Applicant's witnesses stated additional revenues would be made available by the furnishing of natural gas service to consumers in the Town of Wheatland, City of Lincoln, and in the unincorporated areas of Marysville adjacent to the proposed transmission main. Applicant entered as exhibits the results of surveys which indicate the existence of 35 applicants for service in the City of Wheatland, 144 in the City of Lincoln, and 60 in the unincorporated areas south of Marysville.

In order to render the additional service in the Town of Wheatland and the City of Lincoln and in the unincorporated

areas of Marysville adjacent to the proposed transmission main, it will be necessary that a certificate of public convenience and necessity be granted to Applicant to exercise the franchise rights now held in these areas. Applicant at the hearing asked that its original application be so amended and enlarged.

A review of the evidence appears reasonably to justify the conclusion that these additional services, in combination with the anticipated revenues to be received from the Gladding McBean & Co. load, will result in sufficient annual return to provide for the costs of rendering the service, and to include a return on the increment investment incurred in rendering said services. (1)

It appears to the Commission that the granting of said certificates, in order to make possible the rendering of the aforesaid additional services, is justified and necessary to a logical development of the project here under consideration, and the Order herein will provide for the granting of such certificates.

At the hearing Applicant further requested permission to file and make effective, upon obtaining the other authorizations requested, the schedule of rates set forth in Exhibit No. 6 filed at that time. The proposed rates consist of a general service schedule, G-10; a domestic service schedule, GD-10; a commercial building heating schedule, GE-12; and a surplus gas service schedule, GS-12. These schedules are shown in Exhibit "A" attached to this Opinion and Order.

(1) As one of the annual costs, Applicant included an item for depreciation expense based in part on a fifteen-year life for the transmission mains. The Commission views said fifteen-year life as but a conservative factor in Applicant's estimate, and the granting of this application is not to be construed as fixing or establishing such life as proper for future depreciation purposes.

Proposed Schedules G-10 and GD-10 are similar in structure to the corresponding Schedules G-12 and GD-12 presently in effect in the Marysville area but provide a slightly higher charge for the minimum user. In view of the capital outlay required of the Applicant and the attendant risk, these rates do not appear to be unreasonable. Proposed Schedules GH-12 and GS-12 are identical with the rates for these types of service presently effective in the Marysville area and differ therefrom only in that they involve a territorial change to provide for the new territory.

At the public hearing on this matter, heretofore mentioned, no one appeared to oppose or protest the granting of the various matters prayed for in the application, but, on the other hand, the City Attorney for the City of Lincoln submitted a resolution, duly passed by the City Council of the aforesaid City, asking that the application be granted.

O R D E R

Pacific Gas and Electric Company having applied to the Railroad Commission of the State of California for permission to enter into an agreement with Gladding McBean & Co. and for an order certifying that present and future public convenience and necessity require and will require the granting to Applicant of authority to construct and operate a natural gas project as outlined in its application, to serve residents of the unincorporated areas south of Marysville, the Town of Wheatland, and the City of Lincoln, and to exercise all permits, easements and franchises used or useful in connection with said project;

Public hearing having been held, the matter being submitted and now ready for a decision,

The Railroad Commission of the State of California Hereby Authorizes Pacific Gas and Electric Company to enter into a written agreement with Gladding McBean & Co. for the sale and delivery of such quantity or quantities of surplus natural gas as shall be available for fuel purposes in the operation of the Gladding McBean & Co.'s plant at Lincoln, California, and to charge said Gladding McBean & Co. therefor at the rate specified in the said proposed agreement attached as Exhibit "A" of Exhibit No. 1 to the application, and under the terms and conditions set forth in said agreement; provided, however, and it is a condition of the authorization hereby granted, that Pacific Gas and Electric Company shall advise the Commission on or before the date when said agreement shall terminate, and/or before the end of each year of extension thereof, whether said agreement will remain in effect for the succeeding twelve (12) months' period.

The Railroad Commission of the State of California Hereby Certifies and Declares that public convenience and necessity require and will require the construction, maintenance and use by Pacific Gas and Electric Company of a natural gas transmission line and appurtenances from the City of Marysville to the City of Lincoln, the furnishing of natural gas service from said transmission system to consumers in the unincorporated territory south of the City of Marysville, in the Town of Wheatland, in the City of Lincoln, and to other consumers contiguous to the transmission system, and also the exercise of all permits, easements and franchises at present in its possession and which are used or useful in connection therewith.

The authorization herein granted is subject to the following additional conditions and not otherwise:

- 1- That Pacific Gas and Electric Company shall file two (2) copies of the executed agreement with Gladding McBean & Co. with the Commission within thirty (30) days after its execution.
- 2- That Pacific Gas and Electric Company shall withdraw page one of its Rule and Regulation No. 2 (C.R.C. No. 692-G) and shall file in substitution therefor a similar Rule and Regulation in which the following change has been made. The portion of the presently existing Rule and Regulation No. 2 reading:

"All territory served from the transmission lines extending from the Marysville Buttes Gas Field near Marysville in a westerly direction to Colusa and in an easterly direction to Yuba City and Marysville and in a northerly direction from Yuba City to Gridley, Oroville, and Chico - - - - - 950-1050,"

shall be amended to read:

"All territory served from the transmission lines extending from the Marysville Buttes Gas Field near Marysville in a westerly direction to Colusa and in an easterly direction to Yuba City and Marysville and in a northerly direction from Yuba City to Gridley, Oroville, and Chico and in a southeasterly direction from Marysville to Lincoln - - - - 950-1050,"

said amended and revised page one of Rule and Regulation No. 2 to become effective upon the completion and placing in operation of the natural gas project prescribed in this Order.

- 3- That Pacific Gas and Electric Company shall withdraw and cancel rate Schedules GH-12 (Sheet C.R.C. No. 677-G and GS-12, Sheet C.R.C. No. 678-G), and shall file rate Schedules G-10, GD-10, GE-12 and GS-12 as set forth in Exhibit "A" attached to this Opinion and Order, which shall be made effective upon the completion and placing in operation of the natural gas project prescribed in this Order.

Except as otherwise provided herein this Order shall become effective upon the date hereof.

The foregoing Opinion and Order are hereby approved
and ordered filed as the Opinion and Order of the Railroad Com-
mission of the State of California.

Dated at San Francisco, California this 16th day of
March, 1939..

Paul W. [unclear]
Frank [unclear]
Ray H. [unclear]
[unclear]
Justus D. [unclear]
Commissioners.

EXHIBIT "A"

SCHEDULE G-10
GENERAL SERVICE
NATURAL GAS

Character of Service:

This schedule is applicable to natural gas, supplied to general service customers, of a heating value of 950 to 1050 B.t.u. per cubic foot, and under conditions provided for in Rules and Regulations filed with the Railroad Commission of the State of California.

Territory:

Colgate Division:

Lincoln, Wheatland, and suburbs of each, and unincorporated territory lying along and supplied from the gas transmission line extending from Marysville to Lincoln.

Rates:

First	200 cu.ft. or less per meter per month:	
	Incorporated territory	\$1.05
	Unincorporated territory	1.30
Next	4,800 cu.ft. per meter per month....	12.6¢ per 100 cu.ft.
Next	5,000 cu.ft. per meter per month....	11.6¢ per 100 cu.ft.
Next	10,000 cu.ft. per meter per month....	9.1¢ per 100 cu.ft.
Next	80,000 cu.ft. per meter per month....	6.0¢ per 100 cu.ft.
All over	100,000 cu.ft. per meter per month....	5.0¢ per 100 cu.ft.

The above rates of 6.0¢ and 5.0¢ are subject to increase or decrease, respectively, of 1 mill for each 6¢ that the market price of fuel oil as regularly quoted by the Standard Oil Company of California f.o.b. its Richmond refinery is above or below \$0.95 per barrel, change of gas rates to be to the nearest mill and to become effective on all regular meter readings taken on and after the 30th day following any change in such price of oil; provided, however, that in no event will the above 6.0¢ and 5.0¢ rates be reduced more than 1 mill.

SCHEDULE GD-10

DOMESTIC SERVICE

NATURAL GAS

Character of Service:

This schedule is applicable to natural gas of a heating value of 950 to 1050 B.t.u. supplied to single family residences and separately metered flats and apartments.

Territory:

Colgate Division:

Lincoln, Wheatland, and suburbs of each, and unincorporated territory lying along and supplied from the gas transmission line extending from Marysville to Lincoln.

Rates:

First 200 cubic feet or less per meter per month:

Incorporated territory..... \$1.05
Unincorporated territory..... 1.30

Next 2,800 cubic feet per meter per month..12.6¢ per 100 cu.ft.
All excess use, per meter per month..... 5.0¢ per 100 cu.ft.

Special Conditions:

The above rate of 5.0¢ is subject to increase or decrease, respectively, of 1 mill for each 6¢ that the market price of fuel oil as regularly quoted by the Standard Oil Company of California f.o.b. its Richmond refinery is above or below \$0.95 per barrel, change of gas rates to be to the nearest mill and to become effective on all regular meter readings taken on and after the 30th day following any change in such price of oil; provided, however, that in no event will the above 5.0¢ rate be reduced more than 1 mill.

SCHEDULE GH-12

COMMERCIAL BUILDING HEATING SERVICE
NATURAL GAS

Character of Service:

This schedule is available, upon application, for natural gas service of a heating value of 950 to 1050 B.t.u. per cubic foot, to customers located along existing mains having a delivery capacity in excess of the then existing requirements of domestic and commercial customers, for the heating of buildings (other than residences, separately metered flats and apartments) alone or in combination with water heating service through the same meter.

Territory:

This schedule is applicable in Marysville, Chico, Oroville, Colusa, Lincoln, and intervening territory and contiguous suburbs supplied from the local distribution system of each city.

Rates:

Fixed Charge: Based on aggregate hourly burner capacity or rating as follows, per year:

First	400,000 B.t.u. or less.....	\$72.00
Next	1,000,000 B.t.u. per 100,000 B.t.u.....	7.00
Next	2,000,000 B.t.u. per 100,000 B.t.u.....	3.50
All excess over	3,400,000 B.t.u. per 100,000 B.t.u.	1.40

Commodity Charge: (to be added to Fixed Charge):

First	55,000 cu.ft. used per month... 3.35¢	per 100 cu.ft.
Next	220,000 cu.ft. used per month... 2.90¢	per 100 cu.ft.
All excess over	275,000 cu.ft. per month	2.45¢ per 100 cu.ft.

Minimum Monthly Charge: The Fixed Charge.

Special Conditions:

(a) This schedule is available only on annual contract. The fixed charge is payable in twelve equal monthly installments, or at the option of the customer, in seven equal monthly installments with bills based on regular meter readings taken in the months of October to April, inclusive.

(b) This schedule is applicable only to installations where the aggregate hourly burner capacity of gas fired building heating equipment is at least 200,000 B.t.u. per hour, of which not more than half is for hot water supply. It is not applicable to single family residences (see exception following), or to gas consumed in individual flats or apartments, or to any service where gas is used for the preparation of meals. Any residence having gas heating equipment of 1,000,000 B.t.u. per hour or more of gas burner capacity may receive service for such equipment on this schedule.

(c) The burner capacity to be used in applying this schedule is the aggregate capacity determined to the nearest even 100,000 B.t.u. per hour, of all burners which may be turned on at the same time, based on the name plate rating of all devices having a name plate rating approved by the testing laboratories of the American Gas Association, and as to other devices, the standard rating as determined by the testing laboratories of the American Gas Association or by the Company. In the case of appliances designed for other fuel and converted to gas, burner capacity, for the purpose of this schedule, will be 85% of actual capacity as determined by test.

Schedule GH-12 Continued

(d) The above commodity rates are subject to increase or decrease on the basis of 1 mill per 100 cubic feet for each 6¢ per barrel increase or decrease, respectively, in the market price of fuel oil, as regularly quoted by the Standard Oil Company of California, from \$0.95 per barrel, f.o.b. Richmond, change to be to the nearest one-hundredth cent, and to become effective on all regular meter readings taken on and after the 30th day following such change in the price of oil; provided, however, that in no event will the commodity rates be reduced more than 0.24¢ below those shown above.

SCHEDULE GS-12

SURPLUS NATURAL GAS SERVICE

Availability:

Available, upon application, to customers located along existing mains having a delivery capacity in excess of the then existing requirements of other customers, for surplus natural gas of a heating value of 950 to 1050 B.t.u. per cubic foot, used for the following purposes where operation can be readily continued on other fuels in case of shut off of gas supply:

1. Boiler fuel for boilers producing steam primarily for other than building heating.
2. Building heating with a minimum payment guarantee of \$4200 per year.
3. Heating of green houses.
4. Glass melting tanks, including glass works feeder furnaces if in combination with gas for melting tanks.
5. Steel and iron melting furnaces, and furnaces for heating or heat treating steel and iron products.
6. Vitreous enameling furnaces.
7. Core ovens and mould drying ovens in foundries.
8. Dehydrators and evaporators for fruit, nuts, vegetables, hay and milk.
9. Driers for sand, gravel, salt, barrels, soap, magnesia, rugs, molasses, malt, and metal parts after cleaning or chemical treatment.
10. Kilns and driers for brick, tile, pottery, porcelain, lime, cement, bone char, black ash, and ore.
11. Heating of swimming tanks.
12. Incinerators for garbage and refuse destruction.
13. Asphalt melting tanks used in paving work, roofing and pipe manufacturing plants.
14. Sulphur stills.

Territory:

Marysville, Chico, Oroville, Colusa, Lincoln, and intervening territory and contiguous suburbs supplied from the local distribution system of each city.

Rates:

First	55,000 cu.ft. per month.....	42.0¢ per 1000 cu.ft.
Next	55,000 cu.ft. per month.....	35.0¢ per 1000 cu.ft.
Next	990,000 cu.ft. per month.....	21.4¢ per 1000 cu.ft.
Next	2,200,000 cu.ft. per month.....	18.8¢ per 1000 cu.ft.
All excess over	3,300,000 cu.ft. per month.....	18.0¢ per 1000 cu.ft.

Minimum Charge: \$240.00 per year.

Special Conditions:

(a) A contract will be required for a period of 3 years when service is first rendered and year by year thereafter, continuing until cancelled by either party by written notice 30 days in advance of the end of the initial three year period or any subsequent year. Such contract must be on one of the Company's standard forms regularly filed with the Railroad Commission, State of California, in force at the time and applicable to the service of surplus gas. All the terms and conditions contained in said forms are by reference included herein.

Schedule GS-12 Continued
Surplus Natural Gas Service

(b) Contracts will specify the equipment for which surplus gas will be used and will provide that no other fuel may be used for such equipment when gas is available.

(c) Service under this schedule is subject to discontinuance without notice in case of an actual or threatened shortage of natural gas, whether due to insufficient supply in the fields or to inadequate transmission or delivery facilities.

(d) The Company will not be liable for damages occasioned by interruption or discontinuance of service supplied under this schedule.

(e) The rates of this schedule are subject to increase or decrease on the basis of 1¢ per 1000 cu. ft. for each 6¢ per barrel increase or decrease, respectively, in the market price of fuel oil, as regularly quoted by the Standard Oil Company of California, from \$0.95 per barrel, f.o.b. Richmond, change to be to the nearest one-tenth cent and to become effective on all regular meter readings taken on and after the 30th day following such change in the price of oil.