

Decision No. 23484

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, and THE DOW CHEMICAL COMPANY, a Michigan corporation, for an order of the Railroad Commission of the State of California authorizing applicants to enter into written agreements in words and figures as written in the forms therefor which are hereunto annexed.

ORIGINAL

Application No. 23484

BY THE COMMISSION:

OPINION AND ORDER

This is an application of Pacific Gas and Electric Company, herein sometimes referred to as Pacific, for an order authorizing applicant corporation to enter into certain written agreements with The Dow Chemical Company, herein sometimes referred to as Dow. Said agreements, copies of which are attached to and made a part of the application cover:

1. The sale and delivery by Pacific and purchase by Dow of the electricity to be used in the operation of the electro-chemical plant of Dow near Pittsburg, Contra Costa County, California, as set forth in Exhibit No. 2 attached to the application, and
2. The construction by Pacific of a substation, adjacent to the plant of Dow, for the transformation of said electricity from 110,000 volts to about 22,000 volts as set forth in Exhibit No. 1 attached to the application, and
3. The lease by Pacific to Dow of said substation and the land upon which it is situated as set forth in Exhibit "A" attached to Exhibit No. 1 and to the application.

The proposed agreement for the sale and delivery of power supersedes and takes the place of an agreement bearing date of the 10th day of June, 1935, between Great Western Electro-Chemical Company (predecessor of Dow) and Great Western Power Company of California (predecessor of Pacific) as renewed and extended by an agreement between Pacific and Great Western Electro-Chemical Company dated February 3, 1938. The agreement dated June 10, 1935, was authorized by Decision No. 28223 of this Commission.

The rates to be charged under the proposed power sale agreement are in accordance with the following:

DEMAND CHARGE:

For kva of monthly maximum demand occurring in any contractual year:

First 85,000 kva.....\$ 2.40 per kva
All in excess..... 2.00 per kva

MINIMUM CHARGE.....\$12,000 per month

The rate herein quoted will result in a saving to Dow, inasmuch as the rate under the existing agreement provides for a straight payment of \$2.40 per kva of demand.¹

The minimum charge requirement has been increased from \$9,000 to \$12,000 per month. Pacific estimates that it will receive approximately \$336,400 from Dow during the first year of operation under the proposed contract and the enlarged plant operations, which sum is approximately \$94,273 in excess of the revenue received by Pacific for electric service furnished to Dow during the twelve month period which ended with the April, 1940 bill.

¹ Pacific states in the application that the accumulated total of monthly maximum demands during the twelve month period ending with the April, 1940, bill was 100,887 kva. Because of contemplated enlargement of Dow's plant, Pacific estimates that the accumulated total of monthly maximum demands during the first year of operation under the proposed agreement and the enlarged plant operations will be 151,200 kva.

The proposed power sale agreement provides for the delivery of three phase, 60 cycle alternating current possessing an approximate electro-motive force at the point of delivery of 22,000 volts until the maximum demand of Dow first exceeds 15,000 kva and thereafter at an approximate electro-motive force of 110,000 volts. The proposed power sale agreement also provides for the discontinuance at Pacific's option of delivery of power during a consecutive period not exceeding three months in any one year upon six weeks' written notice to Dow, the period of discontinuance to begin at any time between June 1 and August 31. This provision is similar to a shut-off provision contained in the agreement under date of June 10, 1935.

In order to provide for the delivery of electricity under the proposed power sale agreement, Pacific also requests in this application authority to enter into an agreement with Dow respecting the construction of a substation for the transformation of electric energy from 110,000 volts to 22,000 volts. Pacific agrees to purchase an acceptable lot of land adjacent to Dow's plant near Pittsburgh and to erect, subject to the approval of Dow, a substation thereupon including the necessary transformers, oil circuit breakers, air switches, bus structures and associated equipment having an initial rated capacity as designated by Dow, but not less than 15,000 kva. The substation construction agreement further provides that Pacific will operate and maintain said substation until the first day of the month next succeeding the month in which the maximum demand of Dow first exceeds 15,000 kva and that subsequent to that day Pacific shall lease to Dow said lot of land and substation upon the terms and conditions set forth in the lease agreement, a copy of which, marked

Exhibit "A," is attached to the application. The monthly rental for said leased premises is fixed under the substation construction agreement at the sum of:

- (a) .79% of the cost of said lot of land, and
- (b) 1.0775% of the cost of said substation.

The term of the proposed lease agreement is to continue for so long as the aforementioned power sale agreement shall remain in effect and thereafter until terminated by either party on thirty (30) days' written notice. The lease agreement, however, also provides that the lessee (Dow) shall have the option of purchasing the lot of land and substation facilities leased thereunder.

The term of the proposed power sale agreement is for a period commencing on the date of execution thereof and continuing until terminated by six (6) months' written notice given by either party to the other provided that such notice of termination shall not be given to become effective prior to December 31, 1945.

The power sale agreement contains a provision that it shall at all times be subject to such changes or modifications by the Railroad Commission as said Commission may from time to time direct in the exercise of its jurisdiction.

The Commission having considered the request of Pacific and it being of the opinion that the application should be granted, that a public hearing in the matter is not necessary, and good cause appearing therefor,

IT IS HEREBY ORDERED that Pacific Gas and Electric Company is hereby authorized to enter into that certain proposed power sale agreement with The Dow Chemical Company set forth as in Exhibit No. 2 attached to the within application and to render

electric service to The Dow Chemical Company at the rates and under the terms and conditions set forth in said agreement provided, however, that the authority herein granted shall not be taken as limiting the Commission's authority to modify or set aside such agreement by appropriate order.

IT IS HEREBY FURTHER ORDERED that Pacific Gas and Electric Company is hereby authorized to enter into that certain proposed substation construction agreement with The Dow Chemical Company as set forth in Exhibit No. 1 attached to the within application together with that certain proposed lease agreement set forth in Exhibit "A" attached thereto and to consummate said proposed agreements fully and in accordance with their terms and conditions.

IT IS HEREBY FURTHER ORDERED that Pacific Gas and Electric Company shall file with the Commission two copies of each agreement within thirty (30) days after its execution.

Authority herein granted shall become effective as of the date hereof.

Dated at San Francisco, California this 4th day of June, 1940.

Ray L. Rice
Frank D. Smith
Robert W. Wilson
W. H. Hall
Justus J. Coe
Commissioners