

Decision No. 33776

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 J. D. and A. B. SPRECKELS COMPANY (Western Sugar Refinery), relating to the sale by the former and purchase by the latter of surplus natural gas for use in its plant at San Francisco, California.

ORIGINAL

Application No. 23837

BY THE COMMISSION:

OPINION AND ORDER

In this application Pacific Gas and Electric Company, hereinafter sometimes referred to as Applicant, requests authority to enter into a written agreement with J. D. and A. B. Spreckels Company, hereinafter sometimes called Customer, relating to the sale and delivery of surplus natural gas as shall during the term of the agreement be required for fuel purposes in the operation of Customer's high-pressure boilers (6300 h.p. rated capacity) used primarily for industrial purposes, and only incidentally for building heating purposes, at its plant located at foot of 23rd Street, City and County of San Francisco, California. A copy of the proposed agreement marked Exhibit "A" is attached to and made a part of the application.

Some of the more important features and conditions of said proposed agreement may be set forth. Applicant agrees, if and when it shall have surplus gas available, to sell and deliver to Customer, and the latter agrees to purchase from the former, such quantities of the same as shall during the term of the agreement be required primarily for industrial fuel purposes and only

incidentally for building heating purposes in Customer's plant. Customer further agrees to use surplus gas as the exclusive fuel in the operation of said plant.

The proposed agreement shall supersede the agreement between the two parties dated March 22, 1938.

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

First 7,500,000 cu. ft. per month - 14.0¢ per 1000 cu. ft.
Next 7,500,000 cu. ft. per month - 12.0¢ per 1000 cu. ft.
All excess cu. ft. per month - 11.5¢ per 1000 cu. ft.

The above rates are subject to adjustment based upon the price of fuel oil and an annual minimum payment of \$12,000 payable at the rate of \$1000 per month.

The term of the proposed agreement is for a period of three (3) years from and after January 1, 1941 and shall continue thereafter from year to year; provided, however, that either party hereto shall have the right to terminate said agreement at the expiration of the initial term thereof, or any subsequent contractual year by giving the other written notice to that effect at least thirty (30) days prior to said termination date.

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

It is observed that the usual three year initial period is called for in the proposed agreement. The Commission is of the opinion that, with the increasing needs of the firm gas consumers in California, every effort should be made to conserve the State's gas reserves for this higher type of gas usage and, accordingly, utilities should not obligate themselves to deliver gas under long-term surplus agreements. It is our opinion that an initial period of one year is sufficient, with the right of either party to cancel the gas service upon thirty (30) days' written notice after said initial one year period.

The Commission having considered the request of Applicant 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, therefore

IT IS ORDERED that Pacific Gas and Electric Company is hereby authorized to enter into that certain agreement with J. D. and A. B. Spreckels Company substantially as set forth as Exhibit "A" attached to the application and to render surplus industrial gas service to J. D. and A. B. Spreckels Company at the rates and under the terms and conditions set forth in said agreement; provided, however, that the initial term of said agreement be limited to one (1) year and, further, 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.

Pacific Gas and Electric Company shall file two copies of the agreement with the Commission within thirty (30) days after its execution.

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

Dated at San Francisco, California, this 3rd day of January, 1941.

Ray L. Riley

Justice J. Calver
Commissioners