

**ORIGINAL**Decision No. 24654

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application  
of PACIFIC GAS AND ELECTRIC  
COMPANY for an order of the Rail-  
road Commission of the State of  
California authorizing it to enter  
into a written agreement with  
GLADDING McBEAN & CO., relating to  
the sale by the former and purchase  
by the latter of natural gas for  
use in its plant located at Lincoln,  
Placer County, California.

Application No. 24485

BY THE COMMISSION:

OPINION AND ORDER

In this application Pacific Gas and Electric Company, hereinafter sometimes referred to as Applicant, asks permission to enter into a written agreement with Gladding McBean & Co., hereinafter referred to as Customer, relating to the sale by the former and purchase by the latter of surplus natural gas for fuel purposes in the operation of Customer's kilns, driers and boilers at its brick and tile plant at Lincoln in Placer County, California. Attached to the application, as Exhibit "A," is a copy of the proposed agreement.

In support of the authorization sought, Applicant alleges that it now is and, ever since on or about the 19th day of July, 1939, has been furnishing surplus natural gas to Customer under and in accordance with the rates, terms and conditions of a special contract dated March 15, 1939,

which said contract was authorized by this Commission's Decision No. 31809 (Application No. 22510) under date of March 6, 1939. Further, that said contract and decision are incorporated herein by reference.

A review of the contract of March 15, 1939, and the one herein proposed reveals that the rates under which surplus natural gas is to be sold to Customer, as well as most of the other provisions, are identical with the rates and similar provisions in the pending agreement. The terms and provisions of the proposed agreement differ from the existing agreement in the following material particulars, namely:

1. The term of the proposed agreement will be from the date of the execution thereof until January 31, 1947, while the term of the existing agreement is for five years, dating from July 19, 1939.
2. Under the existing agreement, Customer is on a general equality with other surplus gas users that receive service from Applicant's transmission system from the Buttes Gas Field; whereas, under the proposed agreement, Customer will be accorded a priority in reference to other surplus gas customers on the Buttes' system to the extent of 2,000,000 M.c.f. of surplus natural gas, a quantity at present rate of Customer's consumption to provide gas for approximately two and one-half years of plant operation.

It is alleged by Applicant that such surplus priorities are proposed to be granted by reason of the fact that Customer has undertaken to advance to the Buttes Oilfields, Inc., the sum of \$50,000.00 to enable the latter to develop an additional supply of natural gas in the Buttes Gas Fields where Applicant now receives its only natural gas supply for the Chico, Marysville, Lincoln areas. Applicant further

alleges that to meet its present and growing needs of natural gas to supply its customers, the drilling of additional wells and the making available of a further source of gas supply will be beneficial to Applicant and to all its customers.

The Commission has knowledge of the fact, as shown in the initial application, heretofore referred to, that the Buttes' system of Applicant is isolated and is unconnected with its major transmission gas system, and is accordingly entirely dependent upon the present Butte dry gas wells for its natural gas supply. The Commission is of the opinion that it is not only to the interest of Applicant's customers in this limited area that the present gas supply be augmented, but also to its system gas customers generally. This is held to be so inasmuch as a deficiency in natural gas from the Buttes Gas Field would in all probability require the immediate construction of a transmission tie, at a very considerable capital expenditure, with Applicant's southern system. While such a tie may be desirable from an operating viewpoint, it would constitute an added burden that revenues at this time can ill afford to support. The plan resulting from the proposed agreement, if successful in bringing in additional gas supplies, will thus benefit all of Applicant's gas customers with no additional expense. The Commission is of the opinion that the preference or advantage to Customer is not undue or unjust under the circumstances here involved, as such preference or advantage relates solely to other surplus customers and is limited to a definite quantity of gas, after which Customer loses any preference or advantage over other surplus users.

and thereafter takes its regular place as to shut-off. It is also to be noted that Applicant's firm gas customers have priority over all surplus gas users including the service to Customer under this agreement.

The Commission feels obligated to call the attention of both the Applicant and the Customer to the broad interests that this Commission has in gas conservation in this state. In this respect this Commission has recently instituted a statewide investigation under Case No. 4591 as to the reasonableness of contracts and schedules relating to the supplying of surplus natural gas for industrial and commercial and other uses. In this investigation there is at issue the question of the natural gas supply and the propriety of supplying industrials with large volumes of low rate gas, such as is contemplated in the instant proceeding. While this study and investigation is far from being completed and all parties should have no reason to expect anything but the most fair and just treatment, nevertheless all must face the possibility that if the results of the investigation clearly indicate that steps should be taken to exercise further control over the state's natural resources, then it is well within the realm of possibility that contracts, such as the one herein proposed, might be modified but only after appropriate proceedings.

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 proposed agreement with Gladding McBean & Co., set forth as Exhibit "A" attached to the within application, and to render surplus natural gas service to said Gladding McBean & Co. 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.

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 7<sup>th</sup> day of October, 1941.

W. Baker  
Ray L. Bailey  
Justin J. Cameron  
Francis R. Havenner  
Richard L. Jackson  
Commissioners.