

Decision No. 35136

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 UNION OIL COMPANY in words and figures contained in form therefor which is hereunto annexed marked Exhibit "A" of Exhibit No. 1 thereof, etc.

Application No. 21246

ORIGINAL

BY THE COMMISSION:

FIRST SUPPLEMENTAL OPINION AND ORDER

Pacific Gas and Electric Company has applied for a supplemental order authorizing it to modify and add a new section to the existing contract with Union Oil Company entered into pursuant to authorization contained in Decision No. 30872, dated May 16, 1941, in the above-numbered application. A copy of the proposed modification and amendment, marked Exhibit A, is attached to and made a part of the supplemental application. This proposed agreement between Pacific Gas and Electric Company, sometimes hereinafter referred to as Pacific, and Union Oil Company, sometimes hereinafter referred to as Union, provides for the modification of Sections 6 and 13 of the existing contract and for the addition thereto of a new section numbered 22.

Section 6 of the existing contract provides that Pacific will sell and deliver to Union steam up to a maximum rate of 275,000 pounds per hour, but also provides that Union may generate and use steam of its own generation up to a maximum of 20,000 pounds per hour if generated from waste heat sources. It now appears that Union has enlarged its Oleum Plant operations as the result of an entirely new process to produce high octane gasoline, and that it will have a

large quantity of waste heat in the new unit in excess of that needed to generate the 20,000 pounds per hour now permitted. Unless the present contract is modified, Union will lose a large quantity of waste heat with a resultant lowering of plant efficiency. If, on the other hand, Union generates steam in excess of 20,000 pounds per hour, Pacific's fuel economy for the production of electric energy will be lowered. To compensate Pacific for such lowered economy, Union is proposing to furnish fuel oil or petroleum coke. It proposes to deliver to Pacific 0.05 barrels of fuel oil or 21 pounds of petroleum coke for each thousand pounds of steam in excess of 12,500,000 pounds generated by Union during each month of the term of the proposed agreement, provided that it shall not be required to deliver fuel oil or petroleum coke on account of any steam so generated during any month in excess of the difference between 175,000,000 pounds and the number of pounds of steam delivered to it by Pacific during the same month.

In other words, if Pacific delivers steam at the maximum provided rate of 275,000 pounds per hour and at a load factor of 87%, it would deliver 175,000,000 pounds per month. Under such operating conditions Pacific would realize maximum fuel economy for electric generation and, logically, could not expect repayment for generation by Union in excess of 20,000 pounds per hour. If Pacific delivers less steam because of generation by Union, it is apparent that the lowered fuel economy applies only to the difference between Pacific's maximum delivery rate (175,000,000 pounds per month) and the actual delivery rate. Under the condition of no delivery by Pacific and full generation by Union, the maximum repayment per month will be 8,750 barrels of fuel oil or 3,675,000 pounds of petroleum coke. The actual monthly repayment amounts will, undoubtedly, be less than these figures, depending of course upon the relative quantities of steam delivered and generated from waste sources. It is understood that the operation of the new process will not materially reduce the regular delivery of steam by Pacific for use in the existing refinery operations. The revised Section 6 also provides for metering of the steam, storage of fuel and a reasonable test period.

Section 13 of the existing contract provides for installation by Pacific of equipment and facilities for handling, gauging, storing, and burning of fuel oil or coke as delivered by Union. The proposed revision of Section 13 provides that Union shall install on Pacific's steam plant site the equipment for pulverizing, handling, and burning petroleum coke. A proposed new section designated Section No. 22, requires Pacific to pay sales taxes, use taxes and other taxes for fuel oil and/or petroleum coke delivered under this agreement except that delivered on account of steam generated by Union.

A review of the proposed modifications to the contract indicates that they will enable Union to better utilize its waste heat by compensating Pacific for any possible reduction in the economy of electric power generation and at the same time afford Pacific a greater sale of power. Modification of the original contract as proposed by Exhibit 2 will not only compensate Pacific for loss in efficiency of electric generation, but will at the same time conserve and use a natural resource, all of which appears to be in the public interest.

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

IT IS ORDERED that Pacific Gas and Electric Company is hereby authorized to execute the supplemental agreement in terms substantially as set forth in Exhibit A attached to the first supplemental application, and further to carry out the terms and provisions of said supplement.

In all other respects the terms and conditions of the original agreement as authorized by Decision No. 30872 shall remain in full force and effect.

The Pacific Gas and Electric Company shall file a copy of the executed supplemental agreement with the Commission within sixty (60) days after the date

of this order. Authority herein granted shall become effective on the date hereof.

Dated at San Francisco, California this 17th day of March, 1942.

Justin J. Caseman
Ray W. Ricey
M. Baker
Francis P. Havenner
Richard K. Schaefer
(Commissioners)