

Decision No. 36746

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 Railroad Commission
 authorizing Applicant and DEFENSE PLANT
 CORPORATION to enter into a written
 agreement in words and figures contained
 in the form therefor, which is hereunto
 annexed, marked Exhibit "A" and made a
 part hereof.
 (Gas service - Lathrop, California)

ORIGINAL

APPLICATION NO. 25906

BY THE COMMISSION

OPINION AND ORDER

In this application Pacific Gas and Electric Company, hereinafter referred to as Applicant, requests authority to enter into a written agreement with Defense Plant Corporation, a corporation created by Reconstruction Finance Corporation and hereinafter sometimes referred to as Defense Plant. The proposed agreement relates to the sale by Applicant and purchase by Defense Plant of natural gas to be utilized for fuel in Defense Plant's magnesium plant located at Lathrop. A copy of the proposed agreement marked Exhibit "A" is attached to and made a part of the application.

Under the terms and conditions of the proposed agreement, Applicant will deliver up to 8,000,000 cubic feet of natural gas per 24-hour day if and when such quantities of natural gas are available and are required in the operation of the magnesium plant. Delivery of the natural gas is to be made at the intersection of Applicant's gas transmission line, designated as Line No. 108, and the gas line constructed by Defense Plant to supply the requirement of the magnesium plant.

The special rates to be paid and the special conditions pertaining to the sale by Applicant and the purchase by Defense Plant of natural gas are set forth in Exhibit "A" and as follows:

First	500,000 cf or less per month	- \$142.73
Next	13,500,000 cf per month	- 23.6¢ per 1000 cf
Next	137,000,000 cf per month	- 13.0¢ per 1000 cf
All excess use		- 14.0¢ per 1000 cf

Oil Price Adjustment: The above rates and charges for all gas supplied hereunder are subject to an increase or decrease of 1¢ per Mcf 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, respectively, 90¢ per bbl., change in gas rate to be computed to the nearest tenth cent 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 the above gas rates shall not be reduced hereunder by more than 1.7¢.

Heating Value: The normal heating value of the gas to be supplied hereunder will be between 1000 B.t.u. and 1100 B.t.u. (gross value, dry basis), but may vary somewhat beyond these limits. No change in rate will be made for change of heating value.

Applicant directs our attention to the fact that the parties actually started service operations on June 12, 1942, under a contract effective on May 26, 1942. In view of this it is stipulated that the term of the proposed agreement set forth in Exhibit "A" be from June 12, 1942, until the cessation of hostilities between the United States and Germany, Japan, Italy and other major powers and for a period not to exceed six months thereafter. However, it is further stipulated that the delivery of gas under the terms of the proposed agreement will cease should the magnesium plant no longer be operated by or for Defense Plant, or other governmental agencies, or by or for a government-owned plant or corporation. The agreement also states that the contract dated May 26, 1942 between Applicant and Permanente Metals Corporation is to be cancelled.

It is noted by Applicant that the present price of fuel oil as quoted by the Standard Oil Company of California, f.o.b. its Richmond refinery, is \$1.15 per barrel which price became effective on April 1, 1943. The proposed rate tariff in Exhibit "A" provides that:

"The above rates and charges for all gas supplied hereunder are subject to an increase or decrease of 1¢ per Mcf 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, respectively, 90¢ per barrel....."

In accordance with this Commission's Decision No. 36323 dated April 27, 1943, Applicant was authorized:

"(A) to defer any adjustment or increase in gas, electric and steam rates or charges resulting from or required by the provisions of the Applicants' filed tariff schedules or special contracts that are affected as a result of the twenty-five cents (25¢) per barrel increase in the posted price of fuel oil which became effective April 1, 1943"

In view of this, Applicant requests approval to defer any adjustment or increase in the rates or charges set forth in Exhibit "A" resulting from or required by the provisions of the special conditions relative to the Oil Price Adjustment.

The proposed agreement contains a provision that the contract shall at all times be subject to such changes or modification by this Commission as said Commission may from time to time direct in the exercise of its jurisdiction

We have considered the request of Applicant and are of the opinion that the application should be granted, that a public hearing in the matter is not necessary, and good cause appearing;

IT IS HEREBY ORDERED that Pacific Gas and Electric Company:

(A) Is hereby authorized to enter into that certain agreement with the Defense Plant Corporation attached to this application and marked Exhibit "A" and to render natural gas service to the magnesium plant at the rates and under the terms and conditions set forth in said agreement.

(B) Is authorized to defer any adjustment or increase in the rates or charges contained in said proposed agreement resulting from and required by

the provisions thereof due to the twenty-five cent (25¢) per barrel increase in the posted price of fuel oil which became effective April 1, 1943, all subject to the provisions of paragraph A of this Commission's Order in Decision No. 36323.

The effective date of this Order shall be the date hereof.

Dated at San Francisco, California this 7th day of
December, 1943.

Francis A. Havens
J. J. Baker
Justus F. Calver
Richard H. Hays
Emilio C. Cruz

(Commissioners)