

ORIGINAL

Decision No. 46946

BEFORE THE PUBLIC UTILITIES 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)
Public Utilities Commission of the)
State of California authorizing)
applicant to carry out the terms of)
an agreement with THE DOW CHEMICAL)
COMPANY, dated September 4, 1951,)
a copy whereof is attached hereto,)
marked Exhibit "A".)
(Electric))

Application No. 32749

OPINION AND ORDER

Pacific Gas and Electric Company requests authority in this application to carry out the terms and conditions of an agreement dated September 4, 1951 with The Dow Chemical Company. Said agreement provides for the sale and delivery by Pacific of electric energy on an interruptible basis to The Dow Chemical Company's plant near Pittsburg, the lease to Dow of Pacific's Dow Substation, maintenance by Pacific of said substation and installation by Pacific of additional substation facilities. A copy of said agreement is attached to the application as Exhibit "A" and by reference made a part hereof.

The proposed agreement provides that it shall, at all times, be subject to the jurisdiction of this Commission and that if any change directed by this Commission shall so operate as to affect adversely Dow, Dow may effectuate an early termination as specified in said agreement. The term of the proposed agreement is to begin on the effective date of an order by this Commission authorizing Pacific to carry out its provisions. When effective, the proposed agreement will cancel an existing agreement between Pacific and Dow,

Dated December 1, 1941, and relating to lease of said substation facilities, an agreement dated July 1, 1940 relating to purchase and sale of electric energy at the said Dow plant, the agreements modifying the same dated April 18, 1947, and any other agreements between the parties which were in effect on the date of execution of the proposed agreement. The term of the proposed agreement will continue until December 31, 1957 and thereafter from year to year unless terminated on December 31, 1957, or any subsequent December 31, after not less than 12 months' prior notice.

The existing agreement under which Pacific is supplying electric energy to Dow, dated July 1, 1940, and the lease agreement dated December 1, 1940, were authorized by this Commission's Decision No. 33171, dated June 4, 1940 in Application No. 23484. Pacific has been supplying electric energy and service to Dow in accordance with the existing agreement of July 1, 1940 which provided, in addition to special rates, for shutdown of deliveries at Pacific's option during a certain period of each year. By a modifying agreement dated April 18, 1947, authorized by Decision No. 40281 dated May 20, 1947, the provisions for shutdown of deliveries were altered to provide for curtailment or discontinuance at other times of the contract year. Under the agreement of July 1, 1940, Pacific has the right to limit the delivery to a maximum demand of 20,000 kilovolt amperes. The proposed agreement provides for a maximum demand of 35,000 kilovolt amperes.

The rates and charges to be paid by Dow for electric energy and service to be furnished under said proposed agreement are as follows:

Demand Charge

| | |
|---|---------------|
| First 1,650 kva or less of monthly maximum demand | \$1,590.00 |
| Next 1,500 kva of monthly maximum demand | 0.954 per kva |
| All over 3,150 kva of monthly maximum demand | 0.848 per kva |

Energy Charge (to be added to the demand charge)
2.65 mills per kwhr.

Maximum Demand:

The maximum demand in any month will be the average kilovolt amperes delivery of the thirty (30) minute interval in which such average is greater than in any other thirty (30) minute interval in the month.

Oil Clause:

The above energy charge will be increased on the basis of 0.1325 mills for each 10 cents that the price of fuel oil as regularly quoted by the Standard Oil Company of California for delivery at its refinery at Richmond, California, exceeds \$1 per barrel, the increase to be computed to the nearest one-tenth mill per kwhr and such increase shall become effective on all regular meter readings taken on and after the thirtieth (30) day following effective date of such change in the price of fuel oil.

The new agreement provides that, in the event of actual or threatened shortage of power as determined by Pacific, service to Dow may be temporarily curtailed or discontinued from time to time between noon of July 1 and midnight of February 15 of any contractual year. Except in cases of emergencies, at least three hours' notice is to be given of curtailment up to 25% of Dow's then maximum demand and at least 16 hours' notice of curtailment exceeding said 25%. The aggregate curtailment or discontinuance by Pacific in any contractual year is not to exceed the equivalent of 2,190 hours of full discontinuance. The monthly maximum demand in any month during which full service is not maintained is to be prorated in the ratio of the hours of full service to the total number of hours in the month but is to be not less than the average load during the month.

As monthly rental for use of Pacific's substation facilities, the new agreement specifies that Dow shall pay \$3,001.86 plus a sum equal to 1.1925% of the actual cost to Pacific of furnishing and installing the additional substation facilities to be provided under the proposed agreement including 10% thereof for

supervision and overhead charges, provided that where facilities have been removed as provided, the payment shall be diminished by 1.0775% of the value less cost of removal applicable to facilities now installed and 1.1925% of the value less cost of removal of such removed facilities as were installed under the proposed agreement.

Applicant states that it received from Dow \$716,000 for electric energy and service supplied during the 12 months ended July 31, 1951. The charges for said service would have amounted in the aggregate to the sum of \$973,000 if said service had been billed in accordance with the rates contained in the proposed agreement. Applicant further states that the increase in rates and charges which will result under the proposed agreement is necessitated by reason of added costs to Pacific resulting from substantial increases in installation costs and operating expenses, particularly since the conclusion of World War II.

Pacific states in its application that under the new agreement Dow will receive electric service thereunder at rates and charges which are not more than fair and reasonable to Dow. Pacific alleges that the furnishing of electric service to Dow under the new agreement will not constitute a burden upon its other electric customers but will, all things considered, be of benefit and advantage to said other electric customers, and that the provisions governing lease of substation facilities by Pacific to Dow are fair and reasonable.

A comparison of average charges, based on delivery of 25,000 kva at 95% power factor and 90% load factor during a 730-hour month, shows about .513 cents per kwhr under the proposed agreement with fuel oil at a quoted price of \$1.80 per barrel, and .666 cents per kwhr under Pacific's presently filed Schedule P-5B. It is apparent that the lower level of charges afforded to Dow under the

proposed agreement reflects the advantages afforded in the operation of Pacific's system through the curtailment provisions of said agreement. It is expected that curtailment or discontinuance of deliveries will be effected, within the terms of the agreement, if necessary in the operation of Pacific's system. Nevertheless, the agreement should provide for appropriate revision of charges in the event that curtailment of deliveries from Pacific's system becomes necessary but is not effected because of circumstances which may or may not be beyond the control of Dow. The authorization herein granted will be conditioned upon modification of the proposed agreement to provide for such a revision of charges. The action taken herein shall not be construed to be a finding of the value of the property herein authorized to be leased.

There is now pending before this Commission, Application No. 32589 by the Pacific Gas and Electric Company, for a requested electric rate increase. If during the course of said proceeding or at any other time, it should be determined by this Commission that the contract rate herein authorized is such as to become a burden upon other ratepayers of the company or that said contract rate is not commensurate with the value of the service to be rendered under the contract, or does not meet the cost of such service, the said contract rate is subject to such change or modification as the Commission in its jurisdiction may determine.

The Commission having considered the request of applicant and being of the opinion that the application should be granted subject to the afore-mentioned condition and that a public hearing is not necessary,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified; therefore,

IT IS HEREBY ORDERED that Pacific Gas and Electric Company be and hereby is authorized to carry out the terms and conditions

of the written agreement dated September 4, 1951 with The Dow Chemical Company and to deliver the electric energy and service and lease the property described therein under the terms and conditions stated in said agreement provided said agreement is modified by inclusion therein of a provision substantially as follows:

In the event that Pacific gives notice of curtailment or discontinuance in accordance with Section 4 of this agreement and, in the absence of withdrawal of said notice by Pacific, such curtailment or discontinuance is not effected either because of circumstances arising in Customer's requirements or because of requirements for Customer's products, then the provisions of Sections 3, 4, and 5 of this agreement shall immediately terminate and thereafter for the remainder of the term of this agreement the rates and charges of Pacific's regularly filed and open tariff schedules shall be applied to deliveries of electric energy and service to Customer.

IT IS HEREBY FURTHER ORDERED that Pacific Gas and Electric Company, within thirty (30) days after the effective date of said agreement, shall file two (2) certified copies of the agreement as authorized herein and executed by the parties, shall file a statement of the date on which said agreement is deemed to have become effective, and within thirty (30) days after termination of said agreement shall notify this Commission of the date of such termination.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 1st day of April, 1952.

R. T. [Signature]
President.
Justice J. Cassen
J. Harold Hule
[Signature]