

ORIGINAL

Decision No. 47346

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 SHELL CHEMICAL CORPORATION, dated)
April 11, 1952, a copy whereof is)
attached hereto, marked Exhibit "A".)
(Electric))

Application No. 33482

OPINION AND ORDER

In this application Pacific Gas and Electric Company seeks authority to carry out the terms and conditions of an agreement dated April 11, 1952, with Shell Chemical Corporation. Said agreement provides for the sale and delivery by Pacific of electric energy on an interruptible basis to Shell Chemical Corporation's plant near Pittsburg, the lease to Shell of Pacific's Shell 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 agreement provides that it shall be subject at all times to such changes or modifications by this Commission as this Commission may direct in the exercise of its jurisdiction provided that in the event that any such change or modifications shall so operate as to adversely affect Shell, then Shell 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 terms and is to continue until the 31st day of December, 1957, and

thereafter from year to year, provided that either party may terminate said agreement on December 31, 1957, or on December 31 of any subsequent year by giving the other not less than 12 months' prior notice.

Upon becoming effective, the proposed agreement will cancel and supersede certain agreements between Pacific and Shell (a) bearing date of May 24, 1945, together with letter agreements dated October 13, 1947, January 3, 1950, and October 25, 1951, relating to the leasing of Pacific's Shell Substation facilities, and (b) bearing date of May 24, 1945, together with letter agreement modifying the same, bearing date of August 18, 1947, and any other agreements between the parties, either oral or written, which were in effect on the date of execution of the proposed agreement, relating to the purchase and sale of electric energy for use at Shell's plant. Authority to carry out the agreement relating to the purchase and sale of electric energy, dated May 24, 1945, was granted to Pacific Gas and Electric Company by Decision No. 38211, dated September 12, 1945, in Application No. 23261, 1st Supplemental. Pacific is and for some time has been furnishing electric energy to Shell in accordance with the terms and conditions of said existing contract of May 24, 1945, as modified by the order of the Commission in Decision No. 43972 (Application No. 30717), authorizing a 6% increase in charges thereunder, and in minor part, under the rates, charges and conditions in Pacific's filed and effective Schedule P-5.

The more important particulars in which the new agreement of April 11, 1952 differs from the presently effective contract are:

1. The new agreement includes the undertakings of Pacific and Shell in respect to electric service and lease of substation facilities known as "Shell Substation" in lieu of the present

separate electric service agreement and the lease agreement between said parties. As monthly rental for said substation facilities, the new agreement specifies that Shell shall pay \$2,405.25, plus a sum equal to 1.0775% of the actual costs to Pacific of furnishing and installing the additional substation facilities which may be provided under the proposed agreement, including 10% thereof for supervision and overhead charges and diminished by a sum equal to 1.0775% of the value less cost of removal of any facilities, theretofore leased under the agreement, which may be removed.

2. Under the existing electric service contract Pacific has the right to limit the delivery of electric energy to a maximum demand of 20,000 kva, whereas the new agreement gives Pacific the right to limit such maximum to 23,000 kva.
3. The schedule of rates to be charged Shell by Pacific for all electric energy delivered under the new agreement and the curtailment and discontinuance provisions thereof are the same as those recently made effective for electric service supplied under special contracts with the Dow Chemical Company, Hercules Powder Company, and Kaiser Aluminum and Chemical Corporation, pursuant to authorization of the Commission contained in Decisions Nos. 46946, 46947, and 47167, respectively.

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

Demand Charge:

First	1650 kilovolt amperes or less of monthly maximum demand	\$1,590.00
Next	1500 kilovolt amperes of monthly maximum demand	0.954 per kilovolt ampere.
All Over	3150 kilovolt amperes of monthly maximum demand	0.848 per kilovolt ampere.

Energy Charge: (to be added to the Demand Charge)
2.65 mills per kilowatt-hour.

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 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¢ 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 \$1.00 per barrel, the increase to be computed to the nearest one-hundredth mill per kilowatt-hour, and to become effective on all regular meter readings taken on and after the thirtieth (30) day following such change in the price of fuel oil.

With respect to curtailment or discontinuance, the new agreement provides that whenever, from time to time, between noon of July 1 and midnight of February 15 of any contractual year it shall be necessary, in the sole judgment of Pacific, on account of actual or threatened shortage of power, for the use of energy by Shell to be temporarily curtailed or discontinued to permit Pacific to meet the demands of its regular customers on firm rates, Shell will curtail the use of electric energy to the extent required by Pacific. The curtailment or discontinuance is to be made immediately upon request from Pacific in cases of emergencies not reasonably predictable by Pacific, the curtailment will be made upon receipt of at least three hours' notice in all other instances requiring curtailment up to 25% of Shell's then maximum demand, and in instances requiring discontinuance or curtailment of more than 25% of Shell's then maximum demand the curtailment will be made upon at least 16 hours' notice. 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.

In its application, Pacific states that it received \$506,212 from Shell for electric energy and service supplied under the existing agreement of May 24, 1945 during the 12 months ended March 31, 1952, and that if said service had been billed in accordance with the schedule of rates contained in the new agreement, the charge would have amounted, in the aggregate, to the sum of \$746,142. Therefore, the increase in charge would approximate \$240,000 or 47.4%. Applicant further states that the increase in rates and charges which will result under the proposed agreement is necessitated by reason of added cost to Pacific of furnishing and supplying electric service resulting from substantial increases of installation costs and operating expenses, more particularly during the period since the conclusion of World War II. Applicant states that under said new agreement Shell will receive electric service at rates and charges which are not more than fair and reasonable to Shell, that the furnishing and supplying of energy and service to Shell at and in accordance with the terms and conditions contained in said new agreement, and a full performance by the parties thereto of their respective covenants, will not constitute a burden upon Pacific's other electric customers but will, all things considered, be of benefit and advantage to said other customers, and requests a finding that the increases in rates and charges which will result from the consummation of said new agreement are justified.

A comparison of average charges, based on delivery of 20,000 kva at 95% power factor and 90% load factor during a 730-hour month, shows about 5.1 mills per kilowatt-hour under the

proposed agreement, with fuel oil at a quoted price of \$1.80 per barrel, and 6.9 mills per kilowatt-hour under Pacific's presently filed Schedule P-5B. Charges under the presently existing contract for service to a load of similar magnitude, with 90% annual load factor, would be approximately 3.6 mills per kilowatt-hour. It is apparent that the level of charges afforded to Shell under the proposed agreement reflects the advantages in the operation of Pacific's system through the curtailment provisions of said agreement. Likewise, it is apparent that the charges to Shell for such service should be at comparable level with the charges recently authorized for similarly curtailable service to other electrochemical customers of Pacific and that such increase in charges as may occur under the proposed contract is justified and should be made effective without delay. The agreement provides for the application of Pacific's regularly filed and open tariff schedules for the remainder of its term in the event that curtailment or discontinuance of service under the terms of the agreement becomes necessary but is not effected because of circumstances arising in Shell's requirements or in the requirements for Shell's products.

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.

With respect to the lease of substation facilities as provided in the proposed agreement, the action taken herein shall not be construed to be a finding of the value of the property herein authorized to be leased.

The Commission having considered the request of applicant and being of the opinion that the application should be granted 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, and

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 April 11, 1952, with Shell Chemical Corporation, and deliver the electric energy and service and lease the property described therein under the terms and conditions stated in said agreement.

IT IS HEREBY FURTHER ORDERED that Pacific Gas and Electric Company, within thirty (30) days after the termination of said agreement, shall notify this Commission of the date of such termination.

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

Dated at San Francisco, California, this 24th day of June, 1952.

[Signature]
President.
Justice F. Garner
[Signature]
[Signature]
[Signature]
Commissioners.