

Decision No. 50659

ORIGINAL

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 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. 21846  
 (Third Supplemental)

OPINION AND ORDER ON THIRD SUPPLEMENTAL APPLICATION

In this third supplemental application Pacific Gas and Electric Company requests authority to carry out the terms and conditions of a letter agreement with Union Oil Company, dated July 21, 1954, amending and modifying a contract between said parties, dated June 2, 1938, as amended April 1, 1942 and April 9, 1951. Said letter agreement provides, among other things, for an additional supply of steam by Pacific to Union at Union's Oleum plant, installation of a low pressure boiler by Union on its property, and the payment by Union of a monthly carrying charge on the cost to Pacific of the necessary modifications to Pacific's present equipment. A copy of the letter agreement is attached to the third supplemental application as Exhibit No. 4.

Applicant states that Union requires an additional supply of steam in connection with the expansion of its refinery operations at Oleum. Under the letter agreement of July 21, 1954, Union at its own expense will install a low pressure boiler having a maximum capacity of 30,000 pounds of steam per hour, which boiler is to be

used to supply steam required by Union in excess of the maximum 325,000 pounds per hour furnished by Pacific under the existing contract. The agreement further provides, in order that the output of Union's boiler may be properly integrated with steam supplied by Pacific, that Pacific will determine the amount of steam to be supplied thereby in addition to steam supplied by Pacific from time to time. In so doing Pacific will dispatch the steam loads so that Union's boiler, when in service, will not be operated below a practical minimum. Pacific will make such modifications of its evaporators, evaporator feed water system, piping and regulating valves as may be necessary in order to carry out this program. For approximately 176 hours annually, Pacific will undertake to supply Union's peak demands for steam in excess of 355,000 pounds per hour but not exceeding 385,000 pounds per hour maximum demand.

Among other things the agreement also provides that Union will supply all necessary fuel, labor, water and maintenance for the operation of Union's boiler and will pay Pacific's carrying charges at the rate of 1.63 per cent per month on the cost to Pacific of aforesaid modifications to its evaporators, evaporator-feed water system, piping and regulating valves, estimated at approximately \$47,000. Payments for such carrying charges are not to exceed \$850 per month. In the event that the agreement of June 2, 1938 is not renewed on or before December 31, 1957, Union also will reimburse Pacific for the actual cost of making the aforesaid modifications of its feed water facilities, plus the cost of removal, less salvage value of equipment removed.

Union will pay to Pacific for all additional steam furnished by Pacific under this supplemental agreement in the same manner and at the same rates per thousand pounds as established in the agreement on June 2, 1938 and subsequent supplements thereto.

The original agreement of June 2, 1938 contains a clause which provides that it shall at all times be subject to such change or modification as this Commission may direct in the exercise of its jurisdiction.

Applicant alleges that it has given careful consideration to all the facts and circumstances bearing upon the matters involved and believes and says that said letter agreement dated July 21, 1954 and its terms and conditions are, under the circumstances obtaining, fair, just and reasonable to the parties hereto.

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, therefore,

IT IS HEREBY ORDERED that applicant be and it is authorized to carry out the terms and conditions of the letter agreement, dated July 21, 1954, with Union Oil Company, amending and modifying a certain agreement between said parties, dated June 2, 1938, as amended April 1, 1942 and April 9, 1951, and to render the service described therein under the terms, charges and conditions stated therein.

IT IS HEREBY FURTHER ORDERED that applicant shall file with this Commission a statement showing the date on which service under the July 21, 1954 letter agreement is first rendered, and

shall also notify this Commission of the date of termination of that certain agreement dated July 2, 1938 as amended and modified from time to time.

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

Dated at San Francisco, California, this 19<sup>th</sup> day of OCTOBER, 1954.

*John E. Mitchell*  
 President

*Justin F. Caserio*

*Kenneth Patton*

*Deane Ferguson*

*Raylo Lutenauer*  
 Commissioners