

ORIGINAL

Decision No. 58321

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of
 PACIFIC GAS AND ELECTRIC COMPANY for
 authority to carry out an agreement
 dated February 24, 1959 with VALLEY
 NITROGEN PRODUCERS, INC. for the
 sale of interruptible natural gas.

(Gas)

Application No. 40993

OPINION AND ORDER

Pacific Gas and Electric Company, by the above entitled application, filed April 2, 1959, requests an order of the Commission authorizing it to carry out the terms and conditions of a contract, dated February 24, 1959, with Valley Nitrogen Producers, Inc. This contract provides for the sale of interruptible gas under Schedule G-50 to Valley Nitrogen Producers, Inc.'s new fertilizer plant now under construction near the unincorporated town of Helm, County of Fresno, California, without the standby facilities required in that schedule. A copy of the contract is attached to the application, marked Exhibit A, and by reference made a part hereof for all purposes.

Applicant's Position

In the manufacture of ammonia Valley Nitrogen will use a process which obtains hydrogen from raw natural gas by reacting gas with air and steam at high pressure and temperature in the presence of a catalytic agent. Valley Nitrogen advises that there is no substitute for natural gas as a raw material for the process which will be used at its ammonia plant; therefore, standby facilities for this process would serve no purpose.

Valley Nitrogen advises that to operate successfully it is essential to obtain natural gas at the lowest possible rates. The lowest rate schedule for which it qualifies is an interruptible schedule involving possible curtailment.

Valley Nitrogen agrees to provide standby fuel and equipment for the operations not involving natural gas as a raw material.

In order to make gas service available to Valley Nitrogen applicant will install approximately 4,905 feet of 6-inch gas main at an estimated cost of \$32,333. This sum shall not be subject to refund and shall be deemed to be the entire cost of said gas main extension adequate to deliver to Valley Nitrogen interruptible gas at a rate of flow which shall not exceed an hourly maximum of 500,000 cubic feet. Applicant estimates an annual gross revenue of approximately \$880,000 from the sale of interruptible gas to Valley Nitrogen.

In accordance with Commission authorization in Decision No. 57466, dated October 15, 1958, applicant is now supplying interruptible natural gas for use as a raw material in the manufacture of ammonia without the requirement of standby facilities. Applicant alleges that at the present time there are no interruptible customers in its service area, other than anhydrous ammonia producers which require natural gas as a raw material, that economically cannot utilize standby facilities.

This agreement has an initial term of three years and is subject to annual renewal and contains the provision that it shall not become effective until the Commission, by its order, authorizes applicant to carry out the terms and provisions thereof, and at all times be subject to such changes or modifications by the Commission as it may, from time to time, direct in the exercise of its jurisdiction.

Findings and Conclusions

The Commission is of the opinion that the applicant's request should be granted to supply interruptible natural gas service to Valley Nitrogen Producers, Inc., under the conditions specified in the contract. In authorizing interruptible service without standby equipment as a deviation from the regularly filed tariffs, applicant and customer are placed on notice that natural gas service to the firm customers is paramount and the Commission expressly reserves the jurisdiction to discontinue this deviation service at any time where the supply to firm customers may be impaired. Further, the contract between applicant and customer expressly provides that applicant may shut off the supply of interruptible gas at any time without notice. We note that this provision is an essential feature of protection to the firm customer and is inherent in our approval of this deviation service. Valley Nitrogen Producers, Inc., and the applicant are placed on notice that Valley Nitrogen Producers, Inc., must accept, without question, curtailment of interruptible gas service when notified by Pacific to do so pursuant to the tariff provisions. Being of the further opinion that public hearing is not necessary; therefore,

IT IS ORDERED that:

1. Applicant is authorized to carry out the terms of an agreement dated February 24, 1959 with Valley Nitrogen Producers, Inc.

2. Applicant and customer shall join in a written stipulation which shall be filed with this Commission prior to the commencement of any service under this order, which stipulation shall provide that under no circumstances will customer request nor applicant provide gas service to customer for the facilities covered by the order under an interruptible schedule with priorities of curtailment differing in

any manner from any other interruptible customer served under the same schedule during the period covered by the agreement.

3. Applicant shall file three certified copies of the agreement as executed within thirty days after the effective date of this order.

4. Applicant shall notify this Commission of the date of termination of said agreement within thirty days after said date of termination.

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

Dated at Los Angeles, California, this 28th
day of April, 1959.

S. L. Fox
President
W. H. [illegible]
W. H. [illegible]
Theodore [illegible]
Commissioners