

Decision No. 62168

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
PACIFIC GAS AND ELECTRIC COMPANY,)
authorizing applicant to carry out)
the terms and conditions of a contract)
with PACIFIC STATES STEEL CORPORATION,)
dated March 31, 1961.)

Application No. 43432

OPINION AND ORDER

Applicant's Request

By the above-entitled application, filed May 22, 1961, Pacific Gas and Electric Company seeks an order of this Commission authorizing it to carry out the terms and conditions of a contract dated March 31, 1961 with Pacific States Steel Corporation relating to the sale and delivery of interruptible gas for use in the operation of its equipment at its plant at the City of Union City, Alameda County, California.

Proposed Service and Contract

Pacific has supplied interruptible natural gas service to Steel Corporation at its plant located at 34125 Alvarado-Niles Road, City of Union City for sometime past. The standard form contract dated October 22, 1958 covering such service is attached to the application as Exhibit A. Steel Corporation proposes to install additional gas-fired equipment and has requested Pacific to increase its gas service facilities.

Pacific and Steel Corporation have entered into a contract dated March 31, 1961 covering the proposed service. Steel Corporation agrees to use interruptible gas as the exclusive fuel in the operation of its equipment, except, however, Steel Corporation may, in the

operation of four open hearth furnaces and two mill furnaces, use fuel oil with interruptible gas at the ratio of one barrel of fuel oil for each (a) 14,000 cubic feet of interruptible gas at a nominal delivery pressure of 150 psi or, (b) 6,000 cubic feet of interruptible gas at a delivery pressure of less than 150 psi. The deliveries are not to exceed a rate of flow of 1,000,000 cubic feet per hour. Service is to be provided under Schedule No. G-53.

Pacific will install (a) approximately 17,755 feet of new 12-inch gas main extending from Pacific's gas transmission line 153 along Decoto Road in a northeasterly direction to a point just west of the Southern Pacific Railroad right of way; (b) approximately 1,830 feet of 12-inch gas service pipe on Pacific's property extending from Decoto Road to the proposed meter location in the northwest corner of Steel Corporation's property; and (c) associated components at an estimated cost of \$240,000. Under the provisions of Pacific's Gas Main Extension Rule No. 15 the installation of said facilities will be entirely at Pacific's expense. The furnishing of interruptible gas shall be contingent upon Steel Corporation maintaining adequate stand-by facilities and a supply of fuel. It is estimated that Pacific will receive an annual gross revenue of approximately \$2,200,000 from the sale and delivery of interruptible gas to Steel Corporation under this contract.

The contract has an initial term of ten years from and after either (a) the date of first delivery of interruptible gas thereunder, or (b) six months subsequent to the date Pacific is ready to supply interruptible gas from said facilities as such date is determined by Pacific, whichever date shall be earlier, and shall continue thereafter from year to year unless terminated. The contract contains the usual Commission jurisdiction clause.

The contract permits Steel Corporation to use fuel oil in conjunction with interruptible gas. This differs from the provision contained in Section 4 of Pacific's filed standard form "Contract for Interruptible Gas Service - Schedule G-53" which provides as follows:

"4. If and when Pacific shall have interruptible gas available for delivery to customer hereunder, customer agrees that it will use said gas as the exclusive fuel in the operation of the following described gas-fired apparatus and will not use said gas for any purpose other than in the operation of said apparatus:"

The application states that Steel Corporation and Pacific agreed to an initial ten-year term in order to protect Pacific's capital investment in the installation of the new 12-inch gas main to furnish the required interruptible gas to this customer.

Findings and Conclusions

The Commission is of the opinion that the applicant's request should be granted to supply interruptible gas service to Steel Corporation. Applicant's reason for permitting the use of fuel oil in conjunction with interruptible gas in Steel Corporation's open hearth furnaces and mill furnaces is that the high temperatures required in Steel Corporation's operations cannot be obtained from the use of natural gas exclusively.

It appears to the Commission that applicant's deviations from its standard form of interruptible gas contract are warranted and being of the further opinion that a public hearing hereon is not necessary; therefore,

IT IS HEREBY ORDERED that:

1. Applicant is authorized to carry out the terms of a contract dated March 31, 1961 with Pacific States Steel Corporation.
2. Applicant shall file three certified copies of the contract as executed within thirty days after the effective date of this order.

3. Applicant shall notify this Commission of the date of termination of said contract within thirty days after said date of termination.

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

Dated at San Francisco, California, this 27th day of June, 1961.

George W. Long
 President

John J. Mitchell

George F. Fox

George H. Brown

Frederick B. Hallock
 Commissioners