

ORIGINALDecision No. 69643

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
 PACIFIC GAS AND ELECTRIC COMPANY)
 FOR AUTHORIZATION (a) to carry out)
 the terms and conditions of an)
 agreement dated May 26, 1965 with)
 STANDARD OIL COMPANY OF CALIFORNIA,)
 and (b) to revise and refile)
 Pacific's Schedule No. G-53,)
 Interruptible Natural Gas Service.)
(Gas)

Application No. 47721
 (Filed July 2, 1965)

OPINION AND ORDER

By this application, Pacific Gas and Electric Company seeks authority (1) to carry out the terms and conditions of an agreement with Standard Oil Company of California relating to the sale of interruptible natural gas and (2) to revise and refile rate Schedule No. G-53 for Interruptible Natural Gas Service.

Pacific and Standard entered into an agreement under date of May 26, 1965, by which, among other things, Pacific agrees to deliver to Standard, commencing November 1, 1965, natural gas on an interruptible basis up to a maximum rate of flow of 130,000 Mcf per day as raw material and for operation of gas-fired equipment at Standard's Richmond refinery. Standard agrees to use such interruptible natural gas as the exclusive fuel in gas-fired equipment except that it retains a right to use 20,000 Mcf per day of its own gas transported by the Stanpac line and a right to use fuels produced as by-products of its refinery processes at Richmond.

Standard is presently supplying all of its own fuel requirements at Richmond with refinery fuel and unfinished fuel oil and with natural gas from its own fields which is transported through the facilities of the Stanpac line.

Standard is in the process of expanding and enlarging its refinery operations by the addition, among other things, of an Isomax project and it estimates that its natural gas requirements will average approximately 130,000 Mcf per day. Standard proposes to use natural gas as a fuel and also as a raw material in the production of anhydrous ammonia and in other refinery processes.

Before entering into the agreement of May 26, 1965 with Pacific, Standard considered constructing its own pipeline facilities to increase its ability to transport its own gas from various fields to the refinery, because it was not economically attractive to purchase all of its natural gas supply under Pacific's presently effective Schedule No. G-53, and because Standard contended that it would be impracticable to physically separate its plant into two parts, one to be supplied by Standard and one to be supplied by Pacific. Pacific thereupon proposed to seek authorization of the Commission to modify its Schedule No. G-53 to establish a lower rate for all gas used in excess of 1,500,000 Mcf per month, which rate was satisfactory to Standard as competitive with the alternative of Standard building its own pipeline.

The provisions of the agreement allowing Standard to use 20,000 Mcf per day of its own natural gas are a continuation of its present transportation arrangements, and those allowing Standard to use refinery fuels which are by-products are a means of utilizing those by-products which might otherwise go to waste.

In all other respects the provisions of the agreement are substantially in accordance with the provisions of Pacific's filed standard form interruptible gas contract No. 62-4786 Rev.

Based on the load estimates provided by Standard (approximately 36,500,000 Mcf per year), it is estimated that the annual gross revenue to be derived by Pacific under the agreement will be \$12,336,000.

The proposed rate will produce revenues adequate to support in full the direct investment made to supply interruptible gas service to Standard and to yield additional revenues which will accrue to the benefit of gas system customers.

In connection with seeking authorization to carry out the agreement with Standard, Pacific seeks authorization of the Commission to revise Schedule No. G-53, in order to provide for a reduction of one cent per Mcf in the effective commodity rate for all interruptible gas to be used in excess of 1,500,000 Mcf per month.

This reduction, designed to secure business that might otherwise be lost to competitive fuels, amounts to \$185,000 per year. It appears to be justified for interruptible gas service to Standard and also for such service to other commercial and industrial establishments whose loads are of comparable magnitude. The terminal block rate is above the cost of California gas.

Schedule No. G-53 presently provides that service to interruptible customers on Schedule No. G-53 will be curtailed before service is curtailed under schedules having a higher terminal block base rate. The proposed revised Schedule No. G-53 excepts Pacific's steam electric generating plants from the curtailment sequence because said plants are normally curtailed prior to the curtailment of any customer. The change in the wording is clarifying only and does not change Pacific's curtailment procedure.

The agreement provides that interruptible gas shall be delivered at the point where pipes owned or leased by or under license to Standard contact Pacific's pipes (a) at Standard's fence line on Gertrude Street in the City of Richmond, and (b) at San Pablo Terminal, but for the convenience of the parties, may be regulated and/or metered at such locations as shall be agreed upon by the parties. All gas

purchased and sold under the agreement shall be deemed to have been delivered through one meter only for billing purposes.

Pacific agrees to build facilities at an estimated total cost, with respect to capacity allocated to Standard, of \$4,125,970 to and at the aforesaid delivery point designated as (a) which together with existing facilities to and at the delivery point designated as (b) will be capable of delivering interruptible gas at a rate of flow of 130,000 Mcf per day. Minimum delivery pressure at said point designated (a) will be 150 pounds per square inch and delivery pressure and rate of flow at said point designated (b) will be as agreed upon from time to time between the parties. Delivery pressures for both points of delivery shall be subject to the provisions of Pacific's filed gas Rule No. 2. The installation, operation and maintenance of said facilities shall be made entirely at Pacific's expense.

Standard agrees to install any required regulator and/or meter foundation, slab and enclosure and related piping for utilization of natural gas; to have said equipment ready within six months after the date Pacific is ready to supply interruptible gas, and thereafter to maintain and operate said equipment. If, for any reason any item of said equipment (or its revenue producing equivalent, if acceptable to Pacific) is not installed, maintained and/or operated as provided Standard may be required to pay Pacific, on demand, a sum of money equivalent to the amount by which the actual annual revenue is less than the free allowance credit (\$4,125,970).

In the event Standard fails to carry out the terms of the agreement, Pacific has the right to terminate the agreement and Standard shall pay Pacific the estimated total cost of the facilities installed, plus the cost to Pacific of abandoning or removing, all or

any portion of the facilities, allocated to serve Standard plus the cost of installing and removing the service regulator and meter; provided, however, that in the event Standard permanently ceases to take service prior to the expiration of six years the installation of facilities will be deemed to have been originally installed under Pacific's Rule No. 13, Temporary Service.

The agreement shall remain in force for an initial term of three years from and after either (1) the date of first delivery of interruptible gas as recorded in Pacific's records, or (2) six months subsequent to the date Pacific is ready to supply interruptible natural gas, whichever shall be the earlier, and shall continue thereafter from year to year for a maximum of twenty years, subject to termination on ninety days' written notice.

The agreement provides that it shall 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.

The Commission finds that:

1. Public hearing in this matter is not necessary.
2. The reasonableness of the terms and conditions of the subject agreement has been demonstrated.
3. The revised rates and charges set forth in rate Schedule No. G-53, Interruptible Natural Gas Service, as proposed by applicant are fair and reasonable.

The Commission concludes that the application herein should be granted.

IT IS ORDERED that Pacific Gas and Electric Company be and it is hereby authorized to:

1. Carry out the terms and conditions of that certain agreement with Standard Oil Company of California, dated May 26, 1965, as said

agreement appears in Exhibit A attached to the application herein,
and

2. File with this Commission, on or after the effective date of this order and in conformance with the provisions of General Order No. 96-A, tariff sheets revised to reflect the rates and charges set forth in Exhibit C attached to the application herein and after not less than five days' notice to the public and to this Commission, to make said revised tariffs effective for service rendered on and after November 1, 1965.

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

Dated at San Francisco, California, this 8th
day of SEPTEMBER, 1965.

Fredrick B. Holcomb
President

George T. Hoover

Augustus

J. S. ...
Commissioners