

ORIGINAL

Decision No. 72107

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of
 PACIFIC GAS AND ELECTRIC COMPANY for
 an order or orders authorizing it
 (a) to carry out the terms of an
 agreement dated April 8, 1966 with
 TIDEWATER OIL COMPANY and an agree-
 ment dated February 24, 1966 with
 SHELL OIL COMPANY and (b) to file
 and make effective Pacific's proposed
 revisions of Schedule No. P-8 as
 herein set forth.

(Electric)

Application No. 48920
(Filed November 1, 1966)

OPINION AND ORDER

Pacific Gas and Electric Company (Pacific) requests an order granting authority (a) to carry out the terms and conditions of an agreement dated April 8, 1966 with Tidewater Oil Company (Tidewater) and an agreement dated February 24, 1966 with Shell Oil Company (Shell), which relate to the supply of electricity and steam for the operation of their refineries respectively located at Avon and Martinez, Contra Costa County, and (b) to file and make effective Pacific's proposed revisions of Schedule No. P-8, Oil Refinery Electric and Steam Service.

By Decision No. 58377, dated May 7, 1959, in Application No. 40481, as amended, the Commission authorized Pacific to carry out an agreement dated February 10, 1959 with Tidewater covering (a) the delivery by Pacific of electric power and process steam to Tidewater in accordance with the rates and charges of Pacific's Schedule No. P-8, Oil Refinery Electric and Steam Service, and (b) the delivery by Tidewater of fuel and feedwater to Pacific for operation of Pacific's Power Plant at Avon (Tidewater 1959 Agreement). The initial term of said agreement provides for termination as of December 31, 1969.

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Pacific and Tidewater entered into a new agreement dated April 8, 1966 (Tidewater 1966 Agreement) for an initial term of ten years from March 1, 1964, and thereafter for five-year terms, subject to termination as provided in the agreement. Upon the effective date of the 1966 Agreement, it will cancel and supersede Tidewater's 1959 Agreement.

The 1959 Agreement provides for electric service delivered at each of Tidewater's substations billed separately on Pacific's Schedule P-8, Unlimited Electric Rate (Schedule No. A-13 rates). The 1966 Agreement provides for billing at the rates of proposed Schedule No. P-8, Unlimited Electric Rate II (Pacific's Schedule No. A-14 rates), for electric service delivered to seven of Tidewater's substations and proposed Schedule No. P-8, Unlimited Electric Rate I (Pacific's Schedule No. A-13 rates), for electric service delivered to one Tidewater substation. Both agreements provide that in return for Tidewater's delivery of all the fuel that Pacific requires to operate its Avon Power Plant, Pacific will deliver process steam to Tidewater and give Tidewater a credit on its monthly bill for electric service.

Attached to the application, marked Exhibit E, is a summary of the billing information and revenue comparison for electric power delivered to Tidewater's Avon Refinery at Substations No. 1 through No. 8 during the calendar year 1965. Based on sales for the calendar year 1965, the annual revenues computed at the rates of the existing Schedule No. P-8 amounted to \$3,247,129 and if computed at the rates of the proposed revision of Schedule No. P-8 would have amounted to \$2,993,784, a reduction of \$253,345.

Pacific states a review of its expenses of operating its Avon Power Plant during the period that Tidewater's 1959 Agreement has been in effect indicates that the operating expenses (excluding fuel costs) and property taxes amounted to \$851,600 for the year 1958 and \$1,049,900 for the year 1965 or an increase of \$198,300. During the negotiations the parties agreed to partially offset this increase by a decrease in the monthly adjustment for fuel delivered by Tidewater.

The 1959 Agreement provides for a relatively uniform rate of delivery of process steam and a fuel adjustment factor of 45%. Tidewater's 1966 Agreement provides for greater flexibility in the rate of delivery, within agreed limits, of process steam requested by Tidewater and in order to reflect the effect of the rate of delivery of process steam in the electric generation, the discount factor changes with changes in the level of electric output. Assuming an average year maintenance schedule and average delivery of steam per hour, the average factor would be 42.5%. The change from a factor of 45% to a factor of 42.5% will reduce the fuel discount by \$187,500 thereby offsetting a substantial portion of the \$198,300 increase in expenses.

Pacific also requests authority to carry out the terms of a new agreement with the Shell Oil Company. By Decision No. 55317, dated July 30, 1957, in Application No. 38769, the Commission authorized Pacific to carry out an agreement dated December 27, 1956 with Shell covering the delivery by Pacific of electricity and steam to Shell's refinery at Martinez at the rates and upon the terms and conditions contained in the agreement (Shell 1956 Agreement). The initial term of said Agreement provides for termination as of December 31, 1967.

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Under date of February 24, 1966 Pacific and Shell entered into a new agreement (Shell 1966 Agreement) for an initial term of ten years from and after the date the total created demand of Shell's refinery aggregates 40,000 kw and thereafter for five-year terms, subject to termination as provided in the agreement. Upon the effective date of said 1966 Agreement, it will cancel and supersede Shell's 1956 Agreement. A copy of the Shell 1966 Agreement is attached to the application marked Exhibit B.

The application states Shell is presently adding refining facilities that will substantially increase the output of its Martinez Refinery. The existing refinery process creates a peak electric demand of approximately 12,000 kw and the expanded refinery complex will require approximately 59,000 kw of electric power at peak demand. The increase in output of refined products will also result in a substantial increase in the quantity of by-product fuels. Shell requested that Pacific consider arrangements, including electric and steam service which would provide for the disposal of a portion of the increased quantities of residual fuels.

As the average net generation of Pacific's Martinez Plant, 41,000 kw, is less than the average electric requirements of Shell's Martinez Refinery, 52,000 kw, Pacific determined that operation of the Martinez Power Plant at maximum output would be feasible under conditions comparable to the Tidewater 1959 Agreement. Based on a peak demand of 59,000 kw and on annual energy requirement of 455,520,000 kwhr the annual revenue is estimated to be \$3,412,800.

Pacific proposes to make the rates and charges of Schedule No. A-14 applicable to Shell on Schedule No. P-8 in an offer to operate its Martinez Power Plant at maximum electric output while simultaneously supplying steam at the rate of delivery specified by Shell. Fuel for such operation would be supplied by Shell and in return Pacific would reduce Shell's monthly bill.

Pacific states because the Tidewater and Shell 1966 Agreements are generally comparable, they have been submitted jointly in this application.

In view of the fact that the Tidewater and Shell 1966 Agreements become effective on different dates, Pacific requests authorization to make effective two revised filings of Schedule No. P-8 to reflect the applicable rates upon the effective dates of each agreement, as follows:

(a) To file the proposed revised Schedule No. P-8, a copy of which is attached to the application marked Exhibit C, which incorporates the rates provided under the Tidewater 1966 Agreement and retains the rates of the Shell 1956 Agreement; and

(b) When the Shell 1966 Agreement becomes effective, to file the proposed Schedule No. P-8, a copy of which is attached to the application marked Exhibit D, which schedule revises the proposed Schedule No. P-8, designated Exhibit C, by incorporating the rates provided under the Shell 1966 Agreement.

The effective date of the Tidewater 1966 Agreement, upon Commission approval, is stated to be March 1, 1964. The Shell 1966 Agreement provides that it shall become effective when the total created demand for the refinery aggregates 40,000 kw, the date of which is presently indeterminate.

Both the Tidewater and Shell Agreements provide that they shall not become effective until authorized by the Commission and shall at all times be subject to such changes or modifications as the Commission may direct in the exercise of its jurisdiction.

No objections to the granting of the application have been received.

Pacific, Tidewater and Shell are hereby placed on notice that in any future rate proceeding this Commission will not be obligated to consider the opposition of either party to any proposed changes in either agreement predicated on the existence of an agreement which has been authorized by this Commission.

Pacific is placed on notice that if it should appear in a future proceeding that the revenue derived from the agreements are not compensatory, such revenue inadequacy is not to be imposed on Pacific's other electric customers.

The Commission finds that the proposed agreements and proposed revisions of Schedule No. P-8 are not adverse to the public interest and that the application should be granted. A public hearing is not necessary.

IT IS ORDERED that:

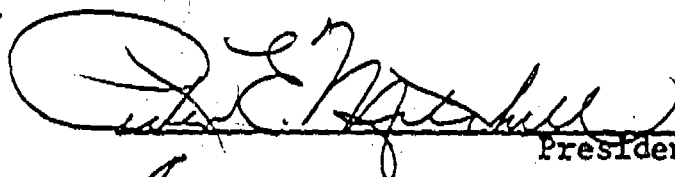
1. Pacific Gas and Electric Company is authorized to carry out the terms and conditions of the written agreements with Tidewater Oil Company dated April 8, 1966 and with Shell Oil Company dated February 24, 1966, copies of which are attached to the application as Exhibits A and B, respectively.
2. Pacific Gas and Electric Company shall file with this Commission, within thirty days after the effective date of this order, four certified copies of the agreements as authorized hereinabove.
3. Pacific Gas and Electric Company is authorized to revise and refile its electric Schedule No. P-8, Oil Refinery Electric and Steam Service, in conformity with General Order No. 96-A and with the proposed revised schedule attached to the application as Exhibit C.
4. Pacific Gas and Electric Company, upon the effective date of the Shell Oil Company agreement, is authorized to revise and refile its Schedule No. P-8 in conformity with General Order No. 96-A and with the proposed revised schedule attached to the application as Exhibit D.

5. Pacific Gas and Electric Company shall file with this Commission, in conformity with General Order No. 96-A, the summary required by the general order, listing all contracts and deviations, including the agreements herein authorized. Such list shall become effective upon regular statutory notice (30 days) to the Commission and to the public after filing as hereinabove provided.

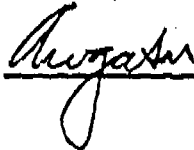
6. Pacific Gas and Electric Company shall file with this Commission, a statement showing the date electric service was first supplied under each of the agreements authorized herein and shall file a statement promptly after termination of said agreements showing date of termination.

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

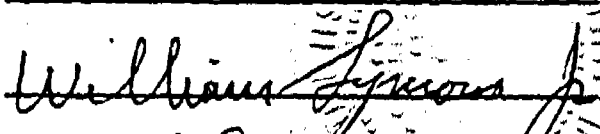
Dated at San Francisco, California, this 7th day of MARCH, 1967.

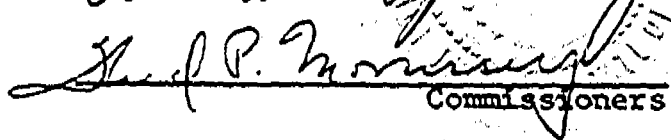


President



Augustus




Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.