

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

E-7

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to Executive Director

RESOLUTION: E-2066

EVALUATION & COMPLIANCE DIVISION

BRANCH: Energy

DATE: November 6, 1985

Director
Numerical File
Alphabetical File
Accounting Officer

RETURN TO:
ENERGY BRANCH
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R E S O L U T I O N

ORDER AUTHORIZING PACIFIC GAS AND ELECTRIC COMPANY (PG&E)
TO AMEND AN EXISTING AGREEMENT BETWEEN IT AND UNION OIL OF
CALIFORNIA (UNION)

By Advice Letter 1078-E dated June 3, 1985, Pacific Gas and Electric Company (PG&E) requests authorization to amend an existing agreement between PG&E and Union Oil Company of California (Union), dated February 19, 1985. The facts are as follows:

1. This amended agreement modifies the existing agreement, dated May 22, 1958, between the same parties. The terms and conditions of the original agreement were pursuant to Decision 58377, Application No. 40270, dated May 7, 1959. Further amendments dated September 8, 1965, March 11, 1969, and October 10, 1974 were filed by Applications Nos. 47319 and 51213, and by Advice Letter 460-E, respectively, and approved by Decisions Nos. 70183 and 76154, and Resolution No. E-1504 (September 3, 1975), respectively.
2. The original Refinery Cogeneration Agreement provided for electric service at several separately metered points of delivery at the rates and charges set forth in Schedule No. P-8 - Oil Refinery Electric and Steam Service. This schedule is applicable to customers receiving three phase, alternating current electric power and 160 pounds per square inch steam service for the operation of petroleum refineries under contracts authorized by this Commission. As part of the agreement, Union was obligated to provide sufficient fuel (Payment Fuel) for PG&E to operate the Oleum plant and to generate the steam required by Union for its refinery operations.
3. The first amendment, dated September 8, 1965, revised the formula for the Payment Fuel Credit to provide for the application of a revised Schedule No. P-8 which was proposed at that time.
4. The second amendment dated May 8, 1969, provided for the delivery of electric power at 12kV through one meter instead of several separately metered points of delivery.
5. The third amendment dated October 10, 1974, restructured the fuel pricing arrangement and reduced the level of the steam and fuel requirements. These were reduced to that amount required to operate the steam plant to produce the steam required by Union and to simultaneously generate the minimum electric output of one steam plant generating unit associated with such steam flow.

6. The current amendments to the Refinery Cogeneration Agreement were filed under Advice Letter 1078-E and are contained within the Agreement of Amendment, Settlement and Release. This Agreement resolves several contract disputes which have existed between PG&E and Union. The purpose of the Refinery Cogeneration Agreements is as follows:

1. To clarify the scope of PG&E's obligation to accept Union's refinery fuel when the steam plant is operated above the level required to produce Union's requirement and generate the minimum level of energy associated therewith. (Page 1(a)(b)(c) of Agreement).
 2. To clarify certain definitions and operational and billing practices. (Section 1(a) (b)(c) of Agreement).
 3. To revise the refinery pricing mechanism by adopting the Bunker "C" posting as the operative pricing basis. (Section 1(d)(2) of Agreement).
 4. To provide an emergency fuel acceptance mechanism when Union has excess refinery gas available for use as a result of refinery upset conditions. (Section 1(e) of Agreement).
 5. To extend the termination date of the Refinery Cogeneration Agreement during the period in which Union is installing its steam operating facilities. During this extension period, Union will provide all fuel and water necessary to operate its steam plant to meet Union's steam needs and generate at the minimum load associated therewith. PG&E will compensate Union for the Fuel provided to operate the steam plant at PG&E's incremental cost of energy, less a fixed operating charge of \$290,000. (Section 1(f)(A) - (E) of Agreement).
7. PG&E estimates that as a result of the reduction in the price for fuel supplied by Union under the cogeneration agreement, fuel costs for the steam plant will decline by approximately \$100,000 to \$150,000 per month over current levels.
8. This amendment to the existing Refinery Cogeneration Agreement as contained within the Agreement of Amendment, Settlement and Release will not increase any rate or charge, cause the withdrawal of service nor conflict with any rule or schedule, and will not be a burden on ratepayers.
9. Public notification of this filing has been made by mailing copies of the advice letter to other utilities and to governmental agencies. The Commission Staff has received no protests in this matter.

10. The staff of the Energy Branch of the Evaluation and Compliance Division has reviewed this filing and recommends its approval.

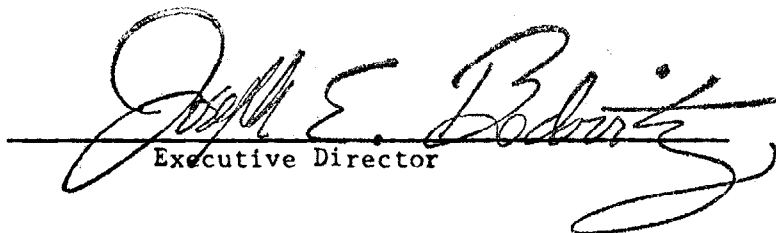
11. We find that the amendments contained herein are just and reasonable.

THEREFORE:

1. Pacific Gas and Electric Company is authorized under Section 491 of the Public Utilities Code and Section X.A. of General Order 96-A to place the amended Agreement into effect today.

2. The above advice letter and amended Agreement shall be marked to show that they were accepted for filing by Commission Resolution E-2066. This Resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on November 6, 1985. The following Commissioners approved it:


Executive Director

DONALD VIAL
President
VICTOR CALVO
PRISCILLA C GREW
WILLIAM T BAGLEY
FREDERICK R. DUDA
Commissioners